

QUARTERLY REPORT

974-901

C193-1

LICENSEE ATLANTIC CITY SHOWBOAT, INC.
ADDRESS 801 BOARDWALK
ATLANTIC CITY, NEW JERSEY 08401



FOR THE QUARTER ENDED SEPTEMBER 30, 1988

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



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

G. CLIFFORD TAYLOR, JR.

OFFICIAL TITLE

VICE PRESIDENT-FINANCE/TREASURER

ADDRESS

801 BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

BALANCE SHEETS

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC.

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 1988

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BALANCE SHEETS

SEPTEMBER 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

NE a)	DESCRIPTION (b)	(c) 19 88	(d) 19 87
	ASSETS		
	Current Assets:		
1	Cash	\$ 25,570	\$ 36,502
2	Marketable securities		
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 1988, \$ 1,591 ; 1987, \$ 330) NOTE 3.....	8,795	12,911
4	Inventories	2,476	2,105
5	Prepaid expenses and other current assets	2,758	2,049
6	Total current assets	39,599	53,567
7	Investments, Advances, And Receivables	14,205	0
8	Property And Equipment - Net	223,336	226,363
9	Other Assets	10,003	12,747
10	Total Assets	\$ 287,143	\$ 292,677
	LIABILITIES AND EQUITY		
	Current Liabilities:		
11	Accounts payable	\$ 6,234	\$ 6,692
12	Notes payable	0	0
	Current portion of long-term debt:		
13	Due to affiliates	0	0
14	Other	2,336	2,100
15	Income taxes payable and accrued	0	0
16	Other accrued expenses	9,409	8,131
17	Other current liabilities	1,555	1,352
18	Total current liabilities	19,534	18,275
	Long-Term Debt:		
19	Due to affiliates	180,000	180,000
20	Other	15,643	18,376
21	Deferred Credits	50	70
22	Other Liabilities	19,598	6,754
23	Commitments And Contingencies		
24	Total Liabilities	234,825	223,475
25	Stockholders', Partners', Or Proprietor's Equity	52,318	69,202
26	Total Liabilities And Equity	\$ 287,143	\$ 292,677

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.

AMENDED

STATEMENTS OF INCOME

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino NOTE 1	\$ 157,654	\$ 104,798
2	Rooms	11,763	7,901
3	Food and beverage	32,507	19,837
4	Other	4,756	2,074
5	Total revenue	206,680	134,610
6	Less: promotional allowances NOTES 1 & 13	22,481	8,931
7	Net revenue	184,199	125,679
	Costs And Expenses:		
8	Cost of goods and services	115,655	71,538
9	Selling, general, and administrative	44,513	24,174
10	Provision for doubtful accounts	1,176	330
11	Total	161,344	96,042
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	22,855	29,637
13	Depreciation and amortization NOTE 1	11,607	7,200
	Charges from affiliates:		
14	Interest NOTE 1	15,356	10,471
15	Management fees NOTE 2	10,151	6,754
16	Other	0	0
17	Interest expense - external	2,106	1,493
18	Income (Loss) From Operations	< 16,365 >	3,719
19	Nonoperating income (expense) - net NOTE 10	1,194	< 22,353 >
20	Investment alternative tax and related income (expense) - net.....	< 506 >	0
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	< 15,677 >	< 18,634 >
22	Provision (Credit) for income taxes NOTES 1 & 14	< 5,645 >	< 10,841 >
23	Income (Loss) Before Extraordinary Items	< 10,032 >	< 7,793 >
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$) NOTE 1	952	0
25	Net Income (Loss)	\$ 10,984 >	\$ 7,793 >

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.

AMENDED

11/17/88

STATEMENTS OF INCCME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
Revenue:		
Casino NOTE 1	\$ 61,409	\$ 51,378
Rooms	4,780	4,724
Food and beverage	11,955	11,135
Other	1,938	1,216
Total revenue	80,082	68,453
Less: promotional allowances NOTES 1 & 13	8,550	5,521
Net revenue	71,532	62,932
Costs And Expenses:		
Cost of goods and services	40,889	36,877
Selling, general, and administrative	14,600	11,371
Provision for doubtful accounts	629	158
Total	56,118	48,406
Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	15,414	14,526
Depreciation and amortization NOTE 1	3,948	3,646
Charges from affiliates:		
Interest NOTE 1	5,119	5,161
Management fees NOTE 2	3,902	3,399
Other	0	0
Interest expense - external	689	629
Income (Loss) From Operations	1,756	1,691
Nonoperating income (expense) - net	425	695
Investment alternative tax and related income (expense) - net.....	< 269 >	0
Income (Loss) Before Income Taxes And Extraordinary Items.....	1,912	2,386
Provision (Credit) for income taxes NOTE 1	< 2,080 >	837
Income (Loss) Before Extraordinary Items	3,992	1,549
Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	0	0
Net Income (Loss)	\$ 3,992	1,549

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 9 MONTHS ENDED SEPTEMBER 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE a)	DESCRIPTION (b)	19 <u>88</u>		19 <u>87</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock: 2500 shares authorized				
1	Beginning balance (January 1)	1,500	\$ 76,909	1,500	\$ 74,999
2	Sale of stock				
3	Equity Contribution by Parent				1,910
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)		< 13,607 >		86
26	Prior period adjustments				
27	Net income (loss)		< 10,984 >		< 7,793 >
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance		< 24,591 >		< 7,707 >
32	Ending Stockholders' Equity		\$ 52,318		\$ 69,202

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 ATLANTIC CITY SHOWBOAT, INC.

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

FOR THE 9 MONTHS ENDED SEPTEMBER 30 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</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	\$	\$

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

STATEMENTS OF CASH FLOWS

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

(a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ 6.476	\$ < 15,063 >
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Purchase outflows for property and equipment.....	< 8,627 >	< 50,249 >
5	Proceeds from disposition of property and equipment.....	3	14
6	Purchase of casino reinvestment obligations.....	< 1,445 >	
7	Purchase of other investments and loans/advances made.....	< 3,772 >	
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.....	< 13,841 >	< 50,235 >
	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.....		208,986
16	Costs of issuing debt.....		6,196
17	Payments to settle long-term debt.....	< 1,587 >	< 120,049 >
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.....	< 1,587 >	97,043
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	< 8,952 >	31,745
25	Cash And Cash Equivalents At Beginning Of Period	34,522	4,757
26	Cash And Cash Equivalents At End Of Period.....	\$ 25,570	\$ 36,502

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

27	Cash Paid During Period For:		
	Interest (net of amount capitalized).....	\$ 20,475	\$ 10,067
28	Income taxes. (cumulative effect of change in method of accounting) NOTE 1	\$ 952	\$

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 9 MONTHS ENDED SEPTEMBER 30, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ < 10,984>	\$ < 7,793>
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	11,607	7,322
31	Amortization of other assets.....		
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....	952	< 2,514>
35	(Gain) loss on disposition of property and equipment.....		< 4>
36	(Gain) loss on casino reinvestment obligations.....	506	
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	< 3,068>	< 12,909>
39	Net (increase) decrease in inventories.....	383	< 2,088>
40	Net (increase) decrease in other current assets.....	< 472>	< 1,717>
41	Net (increase) decrease in other assets.....	148	3,016
42	Net increase (decrease) in accounts payables.....	< 2,166>	< 13,290>
43	Net increase (decrease) in other current liabilities excluding debt.....	< 977>	14,630
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	10,136	< 10>
45	<u>Amortization of Bond Issuance Costs</u>		
46	<u>Accounted for as Interest Expense</u>	411	294
47	Net Cash Provided (Used) By Operating Activities.....	\$ 6,476	\$ < 15,063>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 8,627	\$ 50,249
49	Less: Capital lease obligations incurred.....	0	0
50	Cash Outflows For Property And Equipment.....	\$ 8,627	\$ 50,249
	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.....	\$	\$ 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

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 97.525% 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 \$17,793,000 and \$33,718,000 as of September 30, 1988 and 1987, respectively. 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are carried at cost. Depreciation, including amortization of capitalized leases, is computed using the straight-line method. 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 to 7 years for furniture and equipment.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cumulative Effect of Change in Method of Accounting

The Financial Accounting Standards Board (FASB) has issued Financial Accounting Standard (FAS) No. 96, "Accounting for Income Taxes," which requires the Company to change from the deferred method to the liability method of accounting for income taxes. Under the liability method the Company is unable to recognize deferred taxes because of its current operating losses and the lack of taxable income in prior periods to offset these losses. The Company has elected not to restate prior years resulting in a cumulative effect adjustment for the change in method of accounting for income taxes of \$952,000 as reflected in the Statement of Income.

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.

Disclosure

In accordance with the Quarterly Report instructions, we have not submitted quarterly updated information for the aggregate maturities of long term debt, future lease obligations and the reconciliation of the provision for income taxes to the statutory rate. There have been no significant changes to the information submitted in our December 31, 1987 Annual Report.

	\$ 5,435,000	\$ 2,436,000
	1,437,000	2,594,000
Income Tax Receivable	4,241,000	8,129,000
Other	275,000	102,000
	10,288,000	12,261,000
Less allowance for doubtful accounts	1,521,000	330,000
	\$ 8,767,000	\$ 11,931,000

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

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, and to date, no management fees have been paid. For the nine months ended September 30, 1988 and 1987, management fee expenses of \$10,151,000 and \$6,754,000 have been incurred, respectively. As of September 30, 1988 and 1987, management fees of \$19,598,000 and \$6,754,000 have been accrued, respectively.

The investments, advances and receivables balance of \$14,205,000 at September 30, 1988 includes \$13,073,000 receivable from Showboat, Inc. related to federal income taxes.

3. RECEIVABLES

Receivables consist of the following:

	Sept 30 1988	Sept 30 1987
Casino	\$ 5,456,000	\$ 2,636,000
Hotel	1,453,000	1,964,000
Income Tax Receivable	3,241,000	8,539,000
Other	236,000	102,000
	10,386,000	13,241,000
Less allowance for doubtful accounts	1,591,000	330,000
	\$ 8,795,000	\$12,911,000

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

4. PROPERTY AND EQUIPMENT

Property and Equipment consist of the following:

	<u>Sept 30</u>	<u>Sept 30</u>
	<u>1988</u>	<u>1987</u>
Building and Improvements	\$187,853,000	\$183,153,000
Furniture, Fixtures & Equipment	35,048,000	29,300,000
Vehicles	718,000	383,000
Properties under capital lease		
Building	2,050,000	2,050,000
Furniture, Fixtures & Equipment	19,488,000	18,999,000
Construction in Progress	1,002,000	-0-
	<u>246,159,000</u>	<u>233,885,000</u>
Less accumulated depreciation and amortization	<u>22,823,000</u>	<u>7,522,000</u>
	<u>\$223,336,000</u>	<u>\$226,363,000</u>

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	<u>Sept 30</u>	<u>Sept 30</u>
	<u>1988</u>	<u>1987</u>
Salaries and Wages	\$ 3,544,000	\$ 2,506,000
Progressive Slot Liability	1,817,000	344,000
Medical Claims-Employee	930,000	500,000
Taxes-Other	700,000	751,000
DGE/CCC Charges	672,000	614,000
Settlement Claims	553,000	-0-
Payroll Taxes	266,000	652,000
Legal Fees	217,000	-0-
Union Benefits	201,000	157,000
Advertising	170,000	424,000
Profit Sharing	150,000	-0-
Real Estate Taxes	-0-	2,127,000
Other	189,000	56,000
	<u>\$ 9,409,000</u>	<u>\$ 8,131,000</u>

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

6. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	Sept 30	Sept 30
	1988	1987
Due to Affiliates - Interest	\$ 853,000	\$ 984,000
Other	702,000	368,000
	\$ 1,555,000	\$ 1,352,000

7. LONG-TERM DEBT, DUE TO AFFILIATES

Long-term debt, due to affiliates consist of the following:

	Sept 30	Sept 30
	1988	1987
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	\$180,000,000

Rent expense for all operating leases (except those with terms of a month or less that were not renewed) was \$5,265,000 and \$5,549,000 for the nine months ended September 30, 1988 and 1987, respectively.

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

8. LONG-TERM DEBT, OTHER

Long-term debt, other consist of the following:

	Sept 30	Sept 30
	1988	1987
Capitalized lease obligations (Note 9)	\$ 17,979,000	\$ 20,476,000
Less current maturities	\$ 2,336,000	\$ 2,100,000
	\$ 15,643,000	\$ 18,376,000

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 during the period of August 1989 through July 1990 for \$1,928,000.

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, 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. The rent adjustment for the second year beginning on April 1, 1988 was 4% or approximately \$21,000 per month. Annual rent payments for lease year beginning April 1, 1988 and 1987 are \$6,587,000 and \$6,340,000, respectively. ACS is responsible for taxes, assessments, insurance and utilities. See Note 12.

Rent expense for all operating leases (except those with terms of a month or less that were not renewed) was \$5,285,000 and \$3,549,000 for the nine months ended September 30, 1988 and 1987, respectively.

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

COMMITMENTS AND CONTINGENCIES

10. NON-OPERATING INCOME (EXPENSE) In conjunction with its land lease agreement, and in various permits from various authorities of the State of New Jersey, the Company is required to share in

For the nine month periods ended September 30, 1988 and 1987, Non-Operating Income (Expense) is:

	Sept 30	Sept 30
	1988	1987
Interest Income on temporary Cash Investments	\$1,194,000	\$ 1,409,000
Writeoff of Preopening Expenses	\$1,194,000	< 23,762,000 >
	\$1,194,000	< \$22,353,000 >

11. 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 was \$300,000 and \$44,000 as of September 30, 1988 and 1987, respectively. 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 New Jersey Casino Control Act requires the Company, after completion of its first full year of operation, to make qualified eligible direct investments, as defined, in an amount equivalent to 1.25% of gross casino revenues, to purchase below market interest rate bonds issued by the Casino Reinvestment Development Authority (CRDA) in an amount equivalent to 1.25% of gross casino revenues or to pay an alternative tax of 2.5% of gross casino revenues. As of September 30, 1988 an obligation of \$1,443,000 had been incurred of which \$748,723 was payable at September 30, 1988.

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

12. 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.

On March 28, 1988, the Company filed an action in the Superior Court of New Jersey against the Housing Authority of the City of Atlantic City (Housing Authority) and Resorts International, Inc. (Resorts) challenging modifications approved by the Housing Authority and Resorts which require Resorts to develop certain land comprising an urban renewal tract surrounding the Atlantic City Showboat. The lawsuit seeks the invalidation of a resolution adopted by the Housing Authority in February 1988 concerning Resorts' redevelopment obligations and a reduction of rent payable by Atlantic City Showboat, Inc. to Resorts pursuant to its ground lease with Resorts for Resorts' failure to timely open the Taj Mahal Hotel Casino and comply with its obligations related to the development of the urban renewal tract. Atlantic City Showboat, Inc. and Resorts are engaging in settlement negotiations which, if concluded successfully, will result in a dismissal of the litigation commenced by the Company.

A suit filed by a subcontractor for the construction of the Atlantic City Showboat against Atlantic City Showboat, Inc. and the general contractor has been resolved by a dismissal of the claims filed against Atlantic City Showboat, Inc., and a verdict in favor of the general contractor and against the subcontractor. Although the subcontractor has appealed these decisions by the trial court, Atlantic City Showboat, Inc. had previously entered into a confidential settlement agreement with the general contractor, as a result of which the Company will not be required to satisfy any judgment that the subcontractor might obtain pursuant to the appeal that it has filed.

The New Jersey Casino Control Act requires the Company, after completion of its first full year of operation, to make qualified eligible direct investments, as defined, in an amount equivalent to 1.25% of gross casino revenues, to purchase below market interest rate bonds issued by the Casino Reinvestment Development Authority (CRDA) in an amount equivalent to 1.25% of gross casino revenues or to pay an alternative tax of 2.5% of gross casino revenues. As of September 30, 1988 an obligation of \$1,445,000 had been incurred of which \$768,723 was payable at September 30, 1988.

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

13. COMPLIMENTARIES

Promotional Allowances

	Nine Months		Three Months		Sept 30
	Ending Sept 30, 1988		Ending Sept 30, 1988		1987
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>	<u>Amount</u>
Rooms	47,000	\$ 6,152,000	18,000	\$2,304,000	(542,000)
Food	994,000	10,174,000	300,000	3,619,000	(316,000)
Beverage	2,208,000	5,143,000	875,000	2,088,000	
Showroom	<u>79,000</u>	<u>1,012,000</u>	<u>39,000</u>	<u>539,000</u>	(556,000)
	<u>3,328,000</u>	<u>\$22,481,000</u>	<u>1,232,000</u>	<u>\$8,550,000</u>	215,000
					(3,645,000) (310,341,000)

Promotional Expenses

	Nine Months		Three Months	
	Ending Sept 30, 1988		Ending Sept 30, 1988	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Coin	1,187,000	\$19,020,000	417,000	\$5,803,000
Travel	7,000	1,048,000	2,000	400,000
Other	<u>100,000</u>	<u>849,000</u>	<u>33,000</u>	<u>287,000</u>
	<u>1,294,000</u>	<u>\$20,917,000</u>	<u>452,000</u>	<u>\$6,490,000</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.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

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

(AMOUNTS IN THOUSANDS)

14. INCOME TAXES

ACCOUNTS RECEIVABLE BALANCES

Income tax benefit consists of the following:

	ACCOUNT BALANCE	ALLOWANCE	ACCOUNTS RECEIVABLE - (a) NET OF ALLOWANCE
		(d)	
		Sept 30	Sept 30
		1988	1987
Current	5,456	(\$ 5,645,000)	(\$ 8,542,000)
Deferred	1,453	0	(2,514,000)
		(\$ 5,645,000)	(\$11,056,000)
State Taxes	13	0	215,000
	3,236	(\$ 5,645,000)	(\$10,841,000)
	208		
	3,477		3,477
	\$ 10,386	\$ 1,591	\$ 8,795

UNDEPOSITED PATRONS' CHECKS ACTIVITY

DESCRIPTION	AMOUNT
(g)	(h)
Beginning Balance (January 1)	\$ 2,296
Checks issued (including counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	84,423
Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(59,658)
Checks collected through deposits	(22,309)
Checks transferred to returned checks	(1,703)
Other adjustments	0
Ending Balance	\$ 3,139
"Held" Checks included in Balance on Line 16	0
Provision for uncollectible Patrons' Checks	910
Provision As A Percent Of Counter Checks Issued	1.07

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

SEPTEMBER 30, 19 88

(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	3,139		
2	Returned patrons' checks	2,317		
3	Total patrons' checks	5,456	\$ 1,316	\$ 4,140
4	Hotel Receivables	1,453	275	1,178
	Other Receivables:			
5	Receivables due from officers and employees.....	13		
6	Receivables due from affiliates	3,256		
7	Other accounts and notes receivables	208		
8	Total other receivables	3,477		3,477
9	Totals (Form 205).....	\$ 10,386	\$ 1,591	\$ 8,795

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 2,286
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	84,423
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(59,658)
13	Checks collected through deposits	(22,209)
14	Checks transferred to returned checks	(1,703)
15	Other adjustments	0
16	Ending Balance	\$ 3,139
17	"Hold" Checks Included In Balance On Line 16	\$ 0
18	Provision For Uncollectible Patrons' Checks	\$ 910
19	Provision As A Percent Of Counter Checks Issued	1.07 %

HOTEL STATISTICS

FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	516	15,912	11,515	\$ 92.71	72.4%	23,034	\$ 46.35
FEBRUARY	516	14,901	11,721	\$ 86.26	78.7%	23,442	\$ 43.13
MARCH	516	15,906	12,829	\$ 81.52	80.7%	25,678	\$ 40.73
1ST QUARTER TOTALS		46,719	36,065	\$ 86.63	77.2%	72,154	\$ 43.30
APRIL	516	15,341	13,669	\$ 93.38	89.1%	27,338	\$ 46.69
MAY	516	15,885	13,783	\$ 97.67	86.8%	27,566	\$ 48.83
JUNE	516	15,284	13,806	\$ 94.13	90.3%	27,612	\$ 47.06
2ND QUARTER TOTALS		46,510	41,258	\$ 95.06	88.7%	82,516	\$ 47.53
JULY	516	15,767	14,488	\$ 117.88	91.9%	28,976	\$ 58.94
AUGUST	516	15,889	14,878	\$ 116.22	93.6%	29,756	\$ 58.11
SEPTEMBER	516	15,453	13,989	\$ 98.19	90.5%	27,978	\$ 49.10
3RD QUARTER TOTALS		47,109	43,355	\$ 110.96	92.0%	86,710	\$ 55.48
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

QUARTERLY REPORT

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 1988

974-961
C193-1

PROPERTY OF
NEW JERSEY STATE LIBRARY
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185 W. STATE ST
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LICENSEE GNOG. CORP. (BALLY'S GRAND)

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ATLANTIC CITY, NEW JERSEY 08401

FOR THE QUARTER ENDED SEPTEMBER 30, 1988

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

OFFICIAL TITLE

ADDRESS

Henry Hornbostel

Vice President Finance & Administration

P.O. BOX 1737 BOSTON & PACIFIC AVE.

ATLANTIC CITY, NEW JERSEY 08401

HOLES 2 1/2 INCHES

BALANCE SHEETS

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

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30 19 88

(b)	(c) 19 88	(d) 19 87
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,143	\$ 5,109
Marketable securities	1,890	6,975
Accounts receivable and patrons' checks (net of allowance for doubtful accounts) 19 88, \$14,993; 19 87, \$ 10,927	14,993	12,744
Prepaid expenses and other current assets	1,631	208,758
Balance Sheets	CCC-205	
Statements of Income (Year-to-Date)	CCC-210	
Statements of Income (Three Months)	CCC-215	
Statements of Changes in Stockholders' Equity	CCC-220	
Statements of Changes in Partners' or Proprietor's Equity	CCC-225	\$ 445,390
Statements of Cash Flows	CCC-235	
LIABILITIES AND EQUITY		
Notes to Financial Statements	\$ 1,134	\$ 2,206
Schedule of Receivables and Patrons' Checks	CCC-240	
Statement of Conformity and Accuracy	CCC-250	
Accounts payable	1,226	2,203
Other accrued expenses	40,774	47,587
Other current liabilities	2,360	22,491
Total current liabilities	45,494	59,651
Long-Term Debt:		
Due to affiliates	300,836	298,782
Other	-	-
Deferred Credits	858	-
Other Liabilities	28,892	48,306
Commitments And Contingencies		
Total Liabilities	375,950	415,279
Stockholders', Partners', Or Proprietor's Equity	42,462	30,111
Total Liabilities And Equity	\$ 418,412	\$ 445,390

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

SEPTEMBER 30 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 88	(d) 19 87
	ASSETS		
	Current Assets:	\$	\$
1	Cash	3,143	5,109
2	Marketable securities Note 3.....	1,850	6,975
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 88, \$14,993 ; 19 87, \$ 10,927)	5,873	12,744
4	Inventories	3,045	1,959
5	Prepaid expenses and other current assets Note 4.....	1,631	209,758
6	Total current assets	15,542	236,545
7	Investments, Advances, And Receivables Note 5.....	31,177	55,085
8	Property And Equipment - Net Note 6.....	257,223	145,856
9	Other Assets Note 7.....	114,470	7,904
10	Total Assets	\$ 418,412	\$ 445,390
	LIABILITIES AND EQUITY		
	Current Liabilities:	\$	\$
11	Accounts payable	1,134	2,206
12	Notes payable	-	-
	Current portion of long-term debt:		
13	Due to affiliates	-	-
14	Other	-	-
15	Income taxes payable and accrued Note 8.....	1,226	2,213
16	Other accrued expenses Note 9.....	40,774	41,581
17	Other current liabilities	2,360	22,691
18	Total current liabilities	45,494	68,691
	Long-Term Debt:		
19	Due to affiliates Note 10.....	300,896	298,282
20	Other	-	-
21	Deferred Credits Note 11.....	868	-
22	Other Liabilities Note 12.....	28,692	48,306
23	Commitments And Contingencies		
24	Total Liabilities	375,950	415,279
25	Stockholders', Partners', Or Proprietor's Equity Note 13.....	42,462	30,111
26	Total Liabilities And Equity	\$ 418,412	\$ 445,390

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 9 MONTHS ENDED SEPTEMBER 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino	\$ 172,788	\$ 190,615
2	Rooms	12,551	13,965
3	Food and beverage	22,381	25,228
4	Other	7,900	7,957
5	Total revenue	215,600	237,765
6	Less: promotional allowances Note 14	24,566	27,917
7	Net revenue	191,034	209,848
	Costs And Expenses:		
8	Cost of goods and services	79,020	84,720
9	Selling, general, and administrative	58,524	58,297
10	Provision for doubtful accounts	1,566	2,496
11	Total	139,110	145,513
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	51,924	64,335
13	Depreciation and amortization	11,790	12,344
	Charges from affiliates:		
14	Interest Note 15	29,713	31,501
15	Management fees Note 15	-	2,220
16	Other Note 15	7,683	9,451
17	Interest expense - external	289	24
18	Income (Loss) From Operations	2,449	8,795
19	Nonoperating income (expense) - net Note 16	2,458	1,245
20	Investment alternative tax and related income (expense) - net.....	(1,228)	(1,299)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	3,679	8,741
22	Provision (Credit) for income taxes Note 17	2,566	3,973
23	Income (Loss) Before Extraordinary Items	1,113	4,768
24	Extraordinary items (net of income taxes - 19 <u>88</u> , \$ - ; 19 <u>87</u> , \$ -)	-	-
25	Net Income (Loss)	\$ 1,113	\$ 4,768

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

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

STATEMENTS OF INCCME

FOR THE THREE MONTHS ENDED SEPTEMBER 30 19 88 and 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino	\$ 65,246	\$ 73,663
2	Rooms	5,027	5,516
3	Food and beverage	8,412	9,732
4	Other	3,768	3,779
5	Total revenue	82,453	92,690
6	Less: promotional allowances Note 14	9,349	11,002
7	Net revenue	73,104	81,688
	Costs And Expenses:		
8	Cost of goods and services	30,887	31,693
9	Selling, general, and administrative	21,539	20,171
10	Provision for doubtful accounts	379	283
11	Total	52,805	52,147
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	20,299	29,541
13	Depreciation and amortization	4,457	4,077
	Charges from affiliates:		
14	Interest	9,904	10,197
15	Management fees	-	-
16	Other	807	2,537
17	Interest expense - external	313	1
18	Income (Loss) From Operations	4,818	12,729
19	Nonoperating income (expense) - net	905	723
20	Investment alternative tax and related income (expense) - net.....	(449)	(688)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	5,274	12,764
22	Provision (Credit) for income taxes	2,497	5,798
23	Income (Loss) Before Extraordinary Items	2,777	6,966
24	Extraordinary items (net of income taxes - 19 <u>88</u> , \$ - ; 19 <u>87</u> , \$ -)	-	-
25	Net Income (Loss)	\$ 2,777	\$ 6,966

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 9 MONTHS ENDED SEPTEMBER 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>88</u>		19 <u>87</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)		35,712		143,798
10	.....			
11	<u>Dividend of Subsidiary</u> ..				(110,702)
12	Ending balance		35,712		33,096
	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)		5,607		(7,861)
26	Prior period adjustments				
27	Net income (loss)		1,115		4,768
28	Dividends		()		()
29	<u>Dividend of Subsidiary</u> ..				78
30	.....			
31	Ending balance		6,720		(3,015)
32	Ending Stockholders' Equity		\$ 42,462		\$ 30,111

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 GNOC, CORP. (BALLY'S GRAND)

STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETOR'S EQUITY

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

- NOT APPLICABLE -

LINE NO.	DESCRIPTION (b)	(c) 19 88	(d) 19 87
	Invested Capital:		
1	Beginning balance (January 1)	\$ 455	\$ 72,452
2	Additional capital invested		
3	.....	
4	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	28,667	287,520
6	Prior period adjustments		
7	Net income (loss)		
8	.....	
9	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	()	(60)
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	\$ 3,143	\$ 5,109

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

STATEMENTS OF CASH FLOWS

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 1988 and 1987

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 88	(d) 1987
1	Net Cash Provided (Used) By Operating Activities.....	\$ 23,574	\$ (142,209)
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....	(1,350)	(5,303)
3	Proceeds from the sale of short-term investment securities.....	-	-
4	Purchase outflows for property and equipment.....	(7,322)	(2,551)
5	Proceeds from disposition of property and equipment.....	-	149
6	Purchase of casino reinvestment obligations.....	(2,456)	(2,458)
7	Purchase of other investments and loans/advances made.....	(17,540)	(90,657)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	-	-
9	Cash outflows to acquire business entities.....	-	-
10	<u>Transfer of Inv/Adv/Rec</u>	-	279,056
11	<u>Transfer of land/property/equip</u>	-	109,304
12	Net Cash Provided (Used) By Investing Activities.....	(28,668)	287,540
	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.....	-	-
16	Costs of issuing debt.....	-	-
17	Payments to settle long-term debt.....	-	(60)
18	Cash proceeds from issuing stock or capital contributions.....	-	-
19	Purchases of treasury stock.....	-	-
20	Payments of dividends or capital withdrawals.....	-	-
21	<u>Dividend of Subsidiary</u>	-	(110,624)
22	<u>Elim of Long Term Debt (Net of OID & DIC)</u>	-	(39,164)
23	Net Cash Provided (Used) By Financing Activities.....	-	(149,853)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(5,094)	(4,522)
25	Cash And Cash Equivalents At Beginning Of Period	8,237	9,631
26	Cash And Cash Equivalents At End Of Period.....	\$ 3,143	\$ 5,109

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized).....	\$ 19,809	\$ 19,809
28	Income taxes.....	\$ 524	\$ -

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 9 MONTHS ENDED SEPTEMBER 30 88nd 1987

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 1,113	\$ 4,768
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	9,795	12,251
31	Amortization of other assets.....	1,995	93
32	Amortization of debt discount or premium.....	(866)	45
33	Deferred income taxes - current.....	-	(1,178)
34	Deferred income taxes - noncurrent.....	(640)	(206)
35	(Gain) loss on disposition of property and equipment.....	-	(68)
36	(Gain) loss on casino reinvestment obligations.....	1,228	1,229
37	Fixed asset valuation due to purchase price acctng.	5,615	-
38	Net (increase) decrease in receivables and patrons' checks.....	4,358	1,670
39	Net (increase) decrease in inventories.....	(990)	955
40	Net (increase) decrease in other current assets.....	9,140	(204,511)
41	Net (increase) decrease in other assets.....	(160)	-
42	Net increase (decrease) in accounts payables.....	(1,709)	(1,143)
43	Net increase (decrease) in other current liabilities excluding debt.....	11,004	32,746
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	(2,472)	9,624
45	Reclass GNI and affiliates receivable (1)	(7,981)	-
46	See notes (2) & (3)	(5,856)	1,516
47	Net Cash Provided (Used) By Operating Activities.....	\$ 23,574	\$ (142,209)
	(2) Purchase Price Adjustments		
	(3) Amortization of debt issue costs		

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

48	Acquisition Of Property And Equipment:		
	Additions to property and equipment.....	\$ 7,322	\$ 2,551
49	Less: Capital lease obligations incurred.....		
50	Cash Outflows For Property And Equipment.....	\$ 7,322	\$ 2,551
	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.....	\$	\$
	(1) Reclass from current assets (other) to noncurrent assets (other)		

GNOC, CORP.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Method of Presentation

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

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

Financial statements as of September 30, 1987 and for the quarter ended September 30, 1987 are presented on a historical basis and do not reflect preliminary purchase price accounting adjustments. Such adjustments would not result in material changes to the Statements of Income.

B. Disclosures Not Presented

Certain disclosures have not been presented in these Notes to Financial Statements since they would duplicate disclosures contained in the Casino Control Commission Annual Report for the year ended December 31, 1987. The Notes excluded are Summary of Significant Accounting Policies, Pension Costs, Lease and Other Commitments.

NOTE 2 - TRANSFER OF OWNERSHIP

On March 1, 1987, Bally acquired GNAC, including the Company, other related properties and real estate property leases from GNI in a transaction which has been accounted for as a purchase. The accompanying September 30, 1988 financial statements reflect a preliminary allocation of the purchase price. Pursuant to the acquisition, Bally paid an aggregate consideration of approximately \$141,000,000 plus acquisition costs of \$2,800,000. In addition, Bally assumed approximately \$299,000,000 of existing indebtedness (see Note 10). The excess of the total acquisition costs and debt assumed over the preliminary estimate of the fair value of net assets acquired is being amortized by the Company over forty years.

NOTE 3 - MARKETABLE SECURITIES

Marketable securities as of September 30, 1988 and 1987 consisted of repurchase agreements, at cost which approximates market.

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	1988	1987
Prepaid state gaming taxes and licenses	\$ 754,000	\$ 870,000
Prepaid operating expenses	764,000	1,338,000
Prepaid entertainment costs	-	83,000
Deferred federal & state income tax	-	1,178,000
Receivables from GNI and its affiliates	-	205,901,000
Other	113,000	388,000
	\$1,631,000	\$209,758,000

NOTE 5 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of September 30 consisted of the following:

	1988	1987
Golden Nugget Marketing Corp. (a New York Corporation)	\$ 216,000	\$ -
Golden Nugget Marketing Corp. (a Florida Corporation)	11,000	176,000
Golden Nugget Marketing Corp. (an Ohio Corporation)	-	119,000
Golden Nugget Marketing Corp. (a Massachusetts Corporation)	18,000	-
Golden Nugget Marketing Corp. (a Maryland Corporation)	5,000	-
GNAC, CORP.	-	15,008,000
Bally Manufacturing Corp.	18,120,000	24,870,000
New Jersey reinvestment (net of purchase discount)	12,807,000	14,912,000
	\$31,177,000	\$55,085,000

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 6 - PROPERTY AND EQUIPMENT

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

	<u>1988</u>	<u>1987</u>
Land and improvements	\$ 51,737,000	\$ 10,078,000
Buildings and leasehold improvements	178,915,000	131,235,000
Furniture, fixtures and equipment	49,347,000	70,100,000
Construction in progress	4,021,000	1,077,000
	<u>284,020,000</u>	<u>212,490,000</u>
Less accumulated depreciation and amortization	(26,797,000)	(66,634,000)
	<u>\$257,223,000</u>	<u>\$145,856,000</u>

See Note 2 for description of purchase price accounting.

NOTE 7 - OTHER ASSETS

Other assets as of September 30 consisted of the following:

	<u>1988</u>	<u>1987</u>
Unallocated purchase price, net	\$114,240,000	\$ 1987-
Debt issuance costs, net	-	7,836,000
Other	230,000	68,000
	<u>\$114,470,000</u>	<u>\$ 7,904,000</u>
Unredeemed gaming chips and tokens	168,000	155,000
Advance room deposits	-	19,884,000
Payable to GNI and affiliates	-	10,000
Other	28,000	-
	<u>\$ 2,360,000</u>	<u>\$22,991,000</u>

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 8 - OTHER ACCRUED EXPENSES AFFILIATES

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

	<u>1988</u>	<u>1987</u>
Accrued payroll	\$ 7,686,000	\$ 6,969,000
Accrued progressive jackpot liability	2,122,000	4,084,000
Accrued interest	12,764,000	13,206,000
Accrued New Jersey casino reinvestment liability	5,827,000	9,053,000
Accrued sales, use and luxury taxes	173,000	160,000
Accrued Casino Control Commission and Division of Gaming Enforcement Fees	447,000	520,000
Accrued self insurance claims	957,000	1,158,000
Accrued casino license fee	180,000	246,000
Accrued casino win tax	154,000	79,000
Accrued legal fees	1,030,000	427,000
Accrued insurance	1,627,000	1,852,000
Other	7,807,000	3,827,000
	<u>\$40,774,000</u>	<u>\$41,581,000</u>

NOTE 9 - OTHER CURRENT LIABILITIES

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

	<u>1988</u>	<u>1987</u>
Customer deposits	\$ 492,000	\$ 1,069,000
Unredeemed gaming chips and tokens	1,682,000	1,573,000
Advance room deposits	168,000	155,000
Payable to GNI and affiliates	-	19,884,000
Other	18,000	10,000
	<u>\$ 2,360,000</u>	<u>\$22,691,000</u>

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 10 - LONG TERM DEBT-DUE TO AFFILIATES

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

	<u>1988</u>	<u>1987</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 \$11,896,000 at September 30, 1988 and net of unamortized original issue discount of \$718,000 at September 30, 1987) (Note 2)	\$ 1,631,000 25,853,000 761,000 - -	\$18,419,000 - 535,000 36,000 257,000
	<u>\$300,896,000</u>	<u>\$298,282,000</u>

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

As of September 30, 1988, \$10,000,000 principal amount of the Notes had been acquired to satisfy future sinking fund requirements.

	<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>
Food	88,333	\$ 8,256,000	-	-
Beverage	632,178	8,935,000	-	-
Travel	2,131,871	4,264,000	-	-
Other	-	-	30,323	4,191,000
Entertainment	-	-	876,105	18,925,000
Parking	32,778	1,110,000	3,263	437,000
Retail	94,459	715,000	-	-
Other	33,066	1,185,000	-	-
Total Other	3,145	100,000	14,400	701,000
	<u>163,488</u>	<u>3,111,000</u>	<u>893,688</u>	<u>17,063,000</u>
TOTAL	<u>3,015,881</u>	<u>\$24,566,000</u>	<u>924,011</u>	<u>\$21,254,000</u>

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 11 - DEFERRED CREDITS

Deferred credits as of September 30, 1988 consisted of deferred federal and state income taxes.

NOTE 12 - OTHER LIABILITIES

Other liabilities as of September 30 consisted of advances due to affiliates as follows:

	1988	1987
Golden Nugget Transportation Corp.	\$ 1,631,000	\$18,419,000
GNAC, CORP.	25,853,000	-
Golden Nugget Marketing Corp. (an Illinois Corporation)	761,000	835,000
Golden Nugget Marketing Corp. (a Maryland Corporation)	-	36,000
Golden Nugget Marketing Corp. (a New York Corporation)	-	257,000
Golden Nugget Marketing Corp. (a Massachusetts Corporation)	-	80,000
Golden Nugget Marketing Corp. (an Ohio Corporation)	28,000	-
GNF, CORP.	-	28,635,000
Bally's Park Place, Inc.	419,000	44,000
	\$ 28,692,000	\$48,306,000

NOTE 13 - STOCKHOLDER'S EQUITY

At September 30, 1988 and 1987, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,500 were issued and outstanding.

NOTE 14 - PROMOTIONAL EXPENSES AND ALLOWANCES

Promotional expenses and allowances and number of recipients for the nine months ended September 30, 1988 consisted of the following:

	PROMOTIONAL ALLOWANCES		PROMOTIONAL EXPENSES	
	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
Rooms	88,333	\$ 8,256,000	-	\$ -
Food	632,179	8,935,000	-	-
Beverage	2,131,871	4,264,000	-	-
Travel	-	-	30,323	4,191,000
Other				
Coin	-	-	876,105	15,925,000
Entertainment	32,778	1,110,000	3,183	437,000
Parking	94,459	715,000	-	-
Retail	33,086	1,186,000	-	-
Other	3,145	100,000	14,400	701,000
Total Other	163,468	3,111,000	893,688	17,063,000
TOTAL	3,015,851	\$24,566,000	924,011	\$21,254,000

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 14 - PROMOTIONAL EXPENSES AND ALLOWANCES (continued)

Promotional expenses and allowances and number of recipients for the three months ended September 30, 1988 consisted of the following:

Nature of Charge	PROMOTIONAL ALLOWANCES		PROMOTIONAL EXPENSE	
	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
Rooms	32,765	\$3,218,000	-	\$ -
Food	191,868	3,178,000	-	-
Beverage	743,298	1,487,000	-	-
Travel	-	-	11,385	1,584,000
Other	-	-	318,617	5,070,000
Coin	21,525	705,000	1,340	81,000
Entertainment	40,390	298,000	-	-
Parking	14,161	425,000	-	-
Retail	1,321	38,000	5,686	162,000
Total Other	77,397	1,466,000	325,643	5,313,000
TOTAL	1,045,328	\$9,349,000	337,028	\$6,897,000

- 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)
- Golden Nugget Transportation Corp.
- Atlantis Design and Furnishings, Inc. (A)
- GNAC, CORP.
- TYOH Advertising, Inc. (A)
- GNLF, CORP. (A)
- Bally's Park Place, Inc.

(A) Former affiliates of the company

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 15 - CHARGES FROM AFFILIATES

The charges from affiliates for the nine months ended September 30 consisted of the following:

Nature of Charge From Affiliate	1988	1987
Interest	\$29,713,000	\$31,501,000
Management Fees	-	2,220,000
Other (a)	7,683,000	9,451,000

(a) Other expenses include payroll expense and operating expenses from affiliated companies, 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)
- Golden Nugget Transportation Corp.
- Atlantia Design and Furnishings, Inc. (A)
- GNAC, CORP.
- TYOH Advertising, Inc. (A)
- GNLV, CORP. (A)
- Bally's Park Place, Inc.

(A) Former affiliates of the company

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

NOTE 16 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) - net for the nine months ended September 30 consisted of the following:

	<u>1988</u>	<u>1987</u>
Interest and dividend income	\$2,447,000	\$1,038,000
Other non-operating income	<u>11,000</u>	<u>207,000</u>
	<u>\$2,458,000</u>	<u>\$1,245,000</u>

NOTE 17 - INCOME TAXES

The income tax provision for the nine months ended September 30 consisted of the following:

	<u>1988</u>	<u>1987</u>
Current:		
Federal	\$2,453,000	\$4,460,000
State	<u>753,000</u>	<u>897,000</u>
	<u>\$3,206,000</u>	<u>\$5,357,000</u>
Deferred:		
Federal	(465,000)	(1,226,000)
State	<u>(175,000)</u>	<u>(158,000)</u>
	<u>(640,000)</u>	<u>(1,384,000)</u>
	<u>\$2,566,000</u>	<u>\$3,973,000</u>

GNOC, CORP.
 NOTES TO FINANCIAL STATEMENTS
 (Unaudited)

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

NOTE 18 - LITIGATION

SEPTEMBER 30, 1981

Pursuant to the Purchase Agreement (the "Agreement") between Bally and GNI, an amount may be due to either party depending on the difference in value of certain assets and liabilities as defined in the Agreement. The Agreement provides for arbitration to satisfy the dispute and Bally and GNAC have obtained an order compelling such process from the United States District Court for the District of New Jersey. In the opinion of management and counsel, this matter would not have a material adverse effect on the Company's financial statements.

Patrons' checks	6,295		
Returned patrons' checks	12,496		
Total patrons' checks	18,791	13,761	5,030
Notes Receivables	731	92	639
Other Receivables:			
Due from officers and employees	39		
Receivable due from affiliates	-		
Other accounts and notes receivables	1,305		
Total other receivables	1,344	1,180	204
Total (Form 703)	20,865	14,993	5,873

UNDEPOSITED PATRONS' CHECKS ACTIVITY

DESCRIPTION (a)	AMOUNT (b)
Beginning Balance (January 1)	10,095
Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	165,142
Checks returned prior to deposit (excluding the unredemmed portion of counter checks redeemed through partial redemptions, and including checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	119,969
Checks collected through deposits	44,082
Checks transferred to returned checks	4,891
Other adjustments	-
Ending Balance	6,295
"Sold" Checks Included in Balance On Line 16	-
Provision for Uncollectible Patrons' Checks	1,470
Provision At 4 Percent Of Counter Checks Issued	0.87

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

SEPTEMBER 30, 19 88

(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	6,295		
2	Returned patrons' checks	12,496		
3	Total patrons' checks	18,791	\$ 13,761	\$ 5,030
4	Hotel Receivables	731	92	639
	Other Receivables:			
5	Receivables due from officers and employees.....	39		
6	Receivables due from affiliates	-		
7	Other accounts and notes receivables	1,305		
8	Total other receivables	1,344	1,140	204
9	Totals (Form 205).....	\$ 20,866	\$ 14,993	\$ 5,873

Vice President Finance
and Administration

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 10,095
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	165,142
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(119,969)
13	Checks collected through deposits	(44,082)
14	Checks transferred to returned checks	(4,891)
15	Other adjustments	-
16	Ending Balance	\$ 6,295
17	"Hold" Checks Included In Balance On Line 16	\$ -
18	Provision For Uncollectible Patrons' Checks	\$ 1,470
19	Provision As A Percent Of Counter Checks Issued	0.89

STATEMENT OF CONFORMITY AND ACCURACY

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

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

deposes and says:

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


Signature

Vice President Finance
and Administration

Title

01174-11
License Number

On Behalf Of:

Subscribed and sworn to
before me this day
of , 19


Signature

MICHAEL D. PICCOLINI
NOTARY PUBLIC STATE OF NEW JERSEY
My Commission Expires August 25, 1993

GNOC, Corp.
Casino Licensee

Basis of Authority
to Take Oaths

HOTEL STATISTICS

FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	518	16,058	9,994	\$ 106.83	62.2%	17,989	\$ 59.35
FEBRUARY	518	15,022	9,923	\$ 101.94	66.1%	17,861	\$ 56.64
MARCH	518	16,058	11,352	\$ 100.12	70.7%	19,821	\$ 57.34
1ST QUARTER TOTALS		47,138	31,269	\$ 102.85	66.3%	55,671	\$ 57.77
APRIL	518	15,540	12,415	\$ 109.51	79.9%	22,347	\$ 60.84
MAY	518	16,058	12,167	\$ 117.46	75.8%	21,901	\$ 65.25
JUNE	518	15,540	12,414	\$ 113.88	79.9%	22,345	\$ 63.26
2ND QUARTER TOTALS		47,138	36,996	\$ 113.59	78.5%	66,593	\$ 63.10
JULY	518	16,058	13,885	\$ 132.57	86.5%	23,604	\$ 77.98
AUGUST	518	16,058	13,717	\$ 125.65	85.4%	24,691	\$ 69.81
SEPTEMBER	518	15,540	12,491	\$ 116.69	80.4%	22,484	\$ 64.83
3RD QUARTER TOTALS		47,656	40,093	\$ 125.25	84.1%	70,779	\$ 70.95
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

974.901
4193.1

TRADING NAME OF LICENSEE BALLY'S PARK PLACE CASINO HOTEL

QUARTERLY REPORT

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED September 30, 1988

LICENSEE BALLY'S PARK PLACE, NJ

ADDRESS PARK PLACE & THE BOARDWALK

ATLANTIC CITY, NJ 08401

FOR THE QUARTER ENDED SEPTEMBER 30, 1988

TO THE
CASINO CONTROL COMMISSION

OF THE
STATE OF NEW JERSEY



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

JOSEPH A. D'AMATO

OFFICIAL TITLE

VICE PRESIDENT & TREASURER

ADDRESS

PARK PLACE & THE BOARDWALK

ATLANTIC CITY, NJ 08401

BALANCE SHEETS

TRADING NAME OF LICENSEE BALLY'S PARK PLACE CASINO HOTEL

September 30, 19 88 AND 19 87

LIST OF FORMS - QUARTERLY REPORT

(\$ IN THOUSANDS)

FOR THE QUARTER ENDED September 30, 19 88

LINE	DESCRIPTION	(c) 19 88	(d) 19 87	
	ASSETS			
1	Current Assets:			
2	Cash	\$ 5,788	\$ 3,906	
3	Marketable securities	1,000	1,750	
4	Receivables and patrons' checks (net of allowance for doubtful)	2,550	2,406	
5	Balance Sheets	CCC-205	2,211	
6	Statements of Income (Year)	CCC-210	2,851	
7	Statements of Income (Three Months)	CCC-215	28,124	
8	Statements of Changes in Stockholders' Equity	CCC-220	22,098	
9	Statements of Changes in Partners' or Proprietor's Equity	CCC-225	6,281	
10	Statements of Cash Flows	CCC-235		
	LIABILITIES AND EQUITY			
11	Current Liabilities:			
12	Schedule of Receivables and Patrons' Checks	CCC-240		
13	Statement of Conformity and Accuracy	CCC-250		
14	Income taxes payable and accrued	12,391	8,392	
15	Other accrued expenses	27,109	20,798	
16	Other current liabilities	1,438	1,415	
17	Total current liabilities	52,161	41,964	
18	Long Term Debt:			
19	Due to affiliates	99,655	99,623	
20	Other	31,752	17,500	
21	Deferred Credits	16,966	15,417	
22	Other Liabilities	-	-	
23	Contingencies and Contingencies			
24	Total Liabilities	205,545	174,504	
25	Stockholders', Partners', Or Proprietor's Equity	276,837	216,981	
26	Total Liabilities And Equity	\$ 482,382	\$ 391,485	

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

September 30 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 88	(d) 19 87
ASSETS			
Current Assets:			
1	Cash	\$ 5,788	\$ 3,906
2	Marketable securities	1,900	1,750
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 88, \$ 5,550 ; 19 87, \$ 5,800)	9,565	7,406
4	Inventories	2,177	2,211
5	Prepaid expenses and other current assets	7,456	2,851
6	Total current assets	26,886	18,124
7	Investments, Advances, And Receivables	16,260	22,098
8	Property And Equipment - Net	434,054	344,902
9	Other Assets	5,182	6,281
10	Total Assets	\$ 482,382	\$ 391,405
LIABILITIES AND EQUITY			
Current Liabilities:			
11	Accounts payable	\$ 16,223	\$ 11,367
12	Notes payable	-	-
Current portion of long-term debt:			
13	Due to affiliates	-	-
14	Other	-	-
15	Income taxes payable and accrued	12,391	8,392
16	Other accrued expenses	27,109	20,790
17	Other current liabilities	1,438	1,415
18	Total current liabilities	57,161	41,964
Long-Term Debt:			
19	Due to affiliates	99,655	99,623
20	Other	31,763	17,500
21	Deferred Credits	16,966	15,417
22	Other Liabilities	-	-
23	Commitments And Contingencies	-	-
24	Total Liabilities	205,545	174,504
25	Stockholders', Partners', Or Proprietor's Equity	276,837	216,901
26	Total Liabilities And Equity	\$ 482,382	\$ 391,405

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

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

STATEMENTS OF INCOME

FOR THE 9 MONTHS ENDED September 30 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	* (d) 19 <u>87</u>
	Revenue:		
1	Casino	\$ 207,845	\$ 191,085
2	Rooms	13,507	12,685
3	Food and beverage	24,027	22,988
4	Other	7,758	7,655
5	Total revenue	253,137	234,413
6	Less: promotional allowances Note 8	20,091	18,066
7	Net revenue	233,046	216,347
	Costs And Expenses:		
8	Cost of goods and services	108,039	102,044
9	Selling, general, and administrative	45,297	43,330
10	Provision for doubtful accounts	495	462
11	Total	153,831	145,836
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	79,215	70,511
13	Depreciation and amortization	16,369	17,915
	Charges from affiliates:		
14	Interest Note 9	5,419	8,857
15	Management fees	-	-
16	Other Note 10	900	862
17	Interest expense - external Note 9	1,516	1,256
18	Income (Loss) From Operations	55,011	41,621
19	Nonoperating income (expense) - net Note 11	1,024	1,070
20	Investment alternative tax and related income (expense) - net.....	(1,539)	(2,833)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	54,496	39,858
22	Provision (Credit) for income taxes Note 12	22,913	17,935
23	Income (Loss) Before Extraordinary Items	31,583	21,923
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-	-
25	Net Income (Loss)	\$ 31,583	\$ 21,923

* Restated to conform with 1988 presentation.

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

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED September 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	* (d) 19 <u>87</u>
	Revenue:		
1	Casino	\$ 81,009	\$ 74,050
2	Rooms	5,621	5,178
3	Food and beverage	9,019	8,638
4	Other	2,918	2,920
5	Total revenue	98,567	90,786
6	Less: promotional allowances <i>Note 8</i>	8,194	7,352
7	Net revenue	90,373	83,434
	Costs And Expenses:		
8	Cost of goods and services	38,959	36,136
9	Selling, general, and administrative	14,892	14,239
10	Provision for doubtful accounts	191	200
11	Total	54,042	50,575
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	36,331	32,859
13	Depreciation and amortization	5,516	5,953
	Charges from affiliates:		
14	Interest <i>Note 9</i>	1,276	2,887
15	Management fees	-	-
16	Other <i>Note 10</i>	300	287
17	Interest expense - external <i>Note 9</i>	297	442
18	Income (Loss) From Operations	28,942	23,290
19	Nonoperating income (expense) - net <i>Note 11</i>	371	441
20	Investment alternative tax and related income (expense) - net.....	(567)	(1,693)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	28,746	22,038
22	Provision (Credit) for income taxes <i>Note 12</i>	12,572	9,975
23	Income (Loss) Before Extraordinary Items	16,174	12,063
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-	-
25	Net Income (Loss)	\$ 16,174	\$ 12,063

* Restated to conform with 1988 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 9 MONTHS ENDED September 30 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>88</u>		19 <u>87</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:				
1	Beginning balance (January 1)	100	\$ 93,987	100	\$ 93,987
2	Sale of stock	-0-	-0-	-0-	-0-
3	.....			
4	Ending balance	100	93,987	-0-	93,987
	Preferred Stock:				
5	Beginning balance (January 1)	-0-	-0-	-0-	-0-
6	Sale of stock	-0-	-0-	-0-	-0-
7	.....			
8	Ending Balance	-0-	-0-	-0-	-0-
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		34,652		-0-
10	.....			
11	.....			
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)		116,615		100,991
26	Prior period adjustments		-0-		-0-
27	Net income (loss)		31,583		21,923
28	Dividends		(-0-)		(-0-)
29	.....			
30	.....			
31	Ending balance		148,198		122,914
32	Ending Stockholders' Equity		\$276,837		\$216,901

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 Bally's Park Place Casino Hotel

STATEMENTS OF CHANGES IN PARTNERS'

OR PROPRIETOR'S EQUITY

FOR THE 9 MONTHS ENDED September 30, 19 88 AND 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION (b)	(c) 19 88	(d) 19 87
	Invested Capital:		
1	Beginning balance (January 1)	\$ 1131	\$ (621)
2	Additional capital invested	2,748	(1,396)
3	Ending balance		
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	53,836	(73,674)
6	Prior period adjustments		
7	Net income (loss)		
8	Ending balance		
	Capital Withdrawals:		
10	Beginning balance (January 1)	(3,237)	(30,500)
11	Additional capital withdrawals	()	()
12	Ending balance	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	(2,800)	(17,172)
15	Ending balance	()	()
16	Ending Partners' Or		
17	Proprietor's Equity	\$	\$

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

STATEMENTS OF CASH FLOWS

FOR THE 9 MONTHS ENDED September 30, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	* (d) 19 <u>87</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ 58,593	\$ 39,002
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....	-	-
3	Proceeds from the sale of short-term investment securities.....	15,547	17,348
4	Purchase outflows for property and equipment.....	(50,825)	(70,779)
5	Proceeds from disposition of property and equipment.....	-	-
6	Purchase of casino reinvestment obligations.....	(2,640)	(878)
7	Purchase of other investments and loans/advances made.....	(3,119)	(621)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	2,748	(1,396)
9	Cash outflows to acquire business entities.....	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(53,836)	(73,674)
	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.....	40,500	48,000
16	Costs of issuing debt.....	-	-
17	Payments to settle long-term debt.....	(48,237)	(30,500)
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.....	(7,737)	17,500
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(2,980)	(17,172)
25	Cash And Cash Equivalents At Beginning Of Period	10,668	22,828
26	Cash And Cash Equivalents At End Of Period.....	\$ 7,688	\$ 5,656

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

27	Cash Paid During Period For:		
	Interest (net of amount capitalized).....	\$ 10,253	\$ 16,391
28	Income taxes.....	\$ 16,998	\$ 11,250

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

12/87 * Restated to conform with 1988 presentation.

STATEMENTS OF CASH FLOWS

FOR THE 9 MONTHS ENDED September 30, 1988 and 1987
(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 88	(d) 19 87
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 31,583	\$ 21,923
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	15,647	17,196
31	Amortization of other assets.....	722	719
32	Amortization of debt discount or premium.....	24	24
33	Deferred income taxes - current.....	(432)	(178)
34	Deferred income taxes - noncurrent.....	(1,446)	(1,753)
35	(Gain) loss on disposition of property and equipment.....	68	35
36	(Gain) loss on casino reinvestment obligations.....	1,539	2,833
37	(Gain) loss from other investment activities.....	29	(69)
38	Net (increase) decrease in receivables and patrons' checks.....	4,392	(2,005)
39	Net (increase) decrease in inventories.....	(58)	131
40	Net (increase) decrease in other current assets.....	(1,088)	(1,224)
41	Net (increase) decrease in other assets.....	(187)	(551)
42	Net increase (decrease) in accounts payables.....	(1,828)	4,950
43	Net increase (decrease) in other current liabilities excluding debt.....	9,628	(3,029)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	-	-
45	.....	
46	.....	
47	Net Cash Provided (Used) By Operating Activities.....	\$ 58,593	\$ 39,002

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 50,825	\$ 70,779
49	Less: Capital lease obligations incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 50,825	\$ 70,779
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$ -0-	\$ -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-	\$ -0-
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$ -0-	\$ -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-	\$ -0-

BALLY'S PARK PLACE CASINO HOTEL
Note 1 - Notes to Financial Statements
For The Nine Months Ended September 30, 1988 and 1987
(Unaudited)

The accompanying financial statements should be read in conjunction with the consolidated financial statements in the Casino Control Commission Annual Report for the year ended December 31, 1987.

Please refer to the Annual Report for the following:

1. Summary of Significant Accounting Policies
2. Leases (except rent expense for the periods)
3. Provision (credit) for income taxes, reconciliation to statutory rate
4. Pension Plans
5. Investment obligation/potential alternative tax
6. Capital stock-description of features

All adjustments have been recorded which are, in the opinion of management, necessary for a fair presentation of the financial position of Bally's Park Place, NJ at September 30, 1988 and 1987.

Investment 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.

Transactions with related parties

Various management personnel of Bally's Park Place, Inc. are involved in the direction and operation of three other casino hotels owned by Bally Manufacturing Corporation ("Bally"). Costs totaling \$4,682,000 and \$2,418,000 have been allocated to these other properties for the nine months ended September 30, 1988 and 1987, respectively. During the nine months ended September 30, 1988 and September 30, 1987, the Company purchased slot machines for its casino from Bally for aggregate amounts of \$473,000 and \$375,000, respectively.

Income taxes

The effective income tax rate was greater than the statutory Federal income tax rate for the nine months ended September 30, 1988 and 1987 (42.0% and 45.0%, respectively). The variation from the statutory rate was due principally to state income taxes (net of the related Federal income tax benefit).

BALLY'S PARK PLACE CASINO HOTEL

Note 1 - Note 2 - Marketable Securities
September 30,

	<u>1988</u>	<u>1987</u>
First Fidelity Bank N.A., South Jersey Repurchase Agreement	\$ 849,000	\$ 619,000
	<u>1988</u>	<u>1987</u>
	\$ 634,000	1,166,000
	<u>\$ 1,900,000</u>	<u>\$ 1,750,000</u>
Slot	627,000	620,000
California	96,000	190,000
Other	<u>250,000</u>	<u>250,000</u>
Total current assets	<u>\$7,456,000</u>	<u>\$2,851,000</u>

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

BALLY'S PARK PLACE CASINO HOTEL
 Note 3 - Prepaid Expenses and Other Current Assets
 September 30,

	<u>1988</u>	<u>1987</u>
Prepaid insurance	\$ 849,000	\$ 619,000
Deferred tax	5,634,000	1,166,000
Slot license fees	627,000	626,000
Uniforms	96,000	190,000
Other*	<u>250,000</u>	<u>250,000</u>
Total other current assets	<u>\$7,456,000</u>	<u>\$2,851,000</u>
Property and Equipment, Net	<u>\$434,054,000</u>	<u>\$344,902,000</u>

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

BALLY'S PARK PLACE CASINO HOTEL
Note 4 - Property, Plant and Equipment
September 30,

	1988	* 1987
Land	\$ 62,045,000	\$ 61,991,000
Buildings, Leasehold Improvements	432,738,000	328,274,000
Furniture, Fixtures and Equipment	105,735,000	101,892,000
	600,518,000	492,157,000
Less Accumulated Depreciation and Amortization	166,464,000	147,255,000
Property and Equipment, Net	\$434,054,000	\$344,902,000

* Restated

12/17/87 12/17/92 Five year loan - monthly
 installments. Monthly pay-
 ment \$1,885; interest
 calculated at 9.0%. Pay-
 ment stopped; contract ter-
 minated in fiscal.
 12/17/87 12/17/92 Five year loan - monthly
 installments. Monthly pay-
 ment \$1,885; interest
 calculated at 9.0%. Pay-
 ment stopped; contract ter-
 minated in fiscal.
 12/17/87 12/17/92 Five year loan - monthly
 installments. Monthly pay-
 ment \$1,885; interest
 calculated at 9.0%. Pay-
 ment stopped; contract ter-
 minated in fiscal.

BALLY'S PARK PLACE CASINO HOTEL
 Note 5 - Long-Term Debt - Other
 September 30, 1988

Lender	Original Date of note	Due Date of note	Interest rate, payment terms and collateral	Principal Amount					
				Balance at 12/31/87	Additions	Reductions	Total	Current	Non-current
Mellon Bank et al	03/88	9/30/92	Credit line for \$150,000,000- Commitment Fee 3/8 of 1% on unused balance; calculation based on 365-days; loan take downs calculated at Prime Rate (10.0% at 09/30/88 or LIBO Rate 9.5% and 9.9375% at September 30, 1988.)	\$37,000,000	\$40,500,000	\$48,000,000	\$29,500,000	\$ ---	\$ 29,500,000
Victor Kramer Laundry Division of Crothall American, Inc.	12/17/87	12/17/92	Five year loan - monthly installments. Monthly payment \$51,895; interest calculated at 9.0%. Payment stopped; contract terminated in Legal.	2,500,000	---	237,000	2,263,000	---	2,263,000
				<u>\$39,500,000</u>	<u>\$40,500,000</u>	<u>\$48,237,000</u>	<u>\$31,763,000</u>	<u>\$ ---</u>	<u>\$31,763,000</u>

Five-Year Aggregate Annual Maturities
 of Long-term Debt

1989	1990	1991	1992	1993
<u>\$ -0-</u>	<u>\$8,350,000</u>	<u>\$10,281,000</u>	<u>\$10,330,000</u>	<u>\$ 9,903,000</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 5 - Long-Term Debt - Affiliates
 September 30, 1988

Lender	Original Date of note	Due Date of note	Interest rate, payment terms and collateral	Principal Amount					
				Balance at 12/31/87	Additions	Reductions	Balance at September 30, 1988		
							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	\$ 99,631,000	\$24,000	---	\$99,655,000	---	\$ 99,655,000

BALLY'S PARK PLACE CASINO HOTEL
 Note 5 - Other Accrued Expenses
 September 30, 1988

	1988	1987
Principal	\$ 17,634,000	\$ 10,570,000
Interest	1,987,000	1,653,000
Other	2,164,000	1,475,000
	\$ 21,785,000	\$ 13,698,000

BALLY'S PARK PLACE CASINO HOTEL
 Note 6 - Other Accrued Expenses
 September 30,

	<u>1988</u>	<u>1987</u>
Payroll	\$ 17,634,000	\$ 10,570,000
Progressive Jackpots and Taxes	1,987,000,000	1,653,000,000
Interest	2,164,000	1,475,000
Other*	<u>5,324,000</u>	<u>7,092,000</u>
Total	<u>\$ 27,109,000</u>	<u>\$ 20,790,000</u>

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

BALLY'S PARK PLACE CASINO HOTEL
 Note 7 - Deferred Credits
 For The Three Months Ended September 30, 1988.

	<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>
Event	25,990	\$ 3,000,000		
Food	220,945	2,139,000	<u>1988</u>	<u>1987</u>
Deferred Federal Income Taxes			<u>\$ 16,966,000</u>	<u>\$ 15,417,000</u>
Services	833,500	1,667,000		
Parking	174,001	1,218,000		
Other	5,177	83,000		
Other	2,767	83,000		
Travel			40,850	\$ 817,000
Coupon Redemption - Cash			353,430	4,895,000
Room off prizes			587	56,000
Other			3,540	177,000
Total Amount of Services		<u>\$ 5,194,000</u>		<u>\$ 5,945,000</u>

For the Nine Months Ended September 30, 1988

Rooms	62,171	\$ 6,824,000		
Food	511,046	5,274,000		
Services	2,232,000	4,464,000		
Parking	459,143	3,214,000		
Other	11,824	201,000		
Other	3,800	114,600		
Travel			113,300	\$ 2,266,000
Coupon Redemption - Cash			932,351	16,139,000
Room off prizes			1,646	130,000
Other			9,940	497,000
Total Amount of Services		<u>\$10,091,000</u>		<u>\$19,032,000</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 8 - Complimentary Services
 For The Three Months Ended September 30, 1988

	<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	25,990	\$ 3,000,000		
Food	220,945	2,138,000		
Beverage	833,500	1,667,000		
Parking	174,001	1,218,000		
Shows	5,177	88,000		
Other	2,767	83,000		
Travel			40,850	\$ 817,000
Coupon Redemption - Cash			353,430	4,895,000
Rooms off premises			587	56,000
Other			3,540	177,000
Total Amount of Services		\$ 8,194,000		\$ 5,945,000

For the Nine Months Ended September 30, 1988

Rooms	62,171	\$ 6,824,000		
Food	511,046	5,274,000		
Beverage	2,232,000	4,464,000		
Parking	459,143	3,214,000		
Shows	11,824	201,000		
Other	3,800	114,000		
Travel			113,300	\$ 2,266,000
Coupon Redemption - Cash			932,351	16,139,000
Rooms off premises			1,646	130,000
Other			9,940	497,000
Total Amount of Services		\$20,091,000		\$19,032,000

BALLY'S PARK PLACE CASINO HOTEL
 Note 9 - Interest Expense
 For The Three Months Ended September 30,

	1988	1987
<u>Charges From Affiliates</u>		
Bally's Park Place Funding, Inc.	\$ 3,469,000	\$ 3,469,000
Capitalized interest	<u>(2,193,000)</u>	<u>(582,000)</u>
	<u>\$ 1,276,000</u>	<u>\$ 2,887,000</u>

For The Nine Months Ended September 30,

<u>External Sources</u>		
Interest on various loans	\$ 883,000	\$ 521,000
Capitalized interest	<u>(586,000)</u>	<u>(79,000)</u>
	<u>\$ 297,000</u>	<u>\$ 442,000</u>

For the Nine Months Ended September 30,

	1988	1987
<u>Charges From Affiliates</u>		
Bally's Park Place Funding, Inc.	\$10,407,000	\$10,407,000
Capitalized interest	<u>(4,988,000)</u>	<u>(1,550,000)</u>
	<u>\$ 5,419,000</u>	<u>\$ 8,857,000</u>
<u>External Sources</u>		
Interest on various loans	\$ 2,923,000	\$ 1,467,000
Capitalized interest	<u>(1,407,000)</u>	<u>(211,000)</u>
	<u>\$ 1,516,000</u>	<u>\$ 1,256,000</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 10 - Rent Expense
 For The Three Months Ended September 30,

	1988	1987
Interest Income	\$ 177,000	\$ 276,000
Affiliates -		
Bally Manufacturing Corp. of	\$ 300,000	\$ 287,000
unrelated subsidiaries:		
B. W. Realty, Inc.	126,000	116,000
Bally Warwick, Inc.	(3,000)	(6,000)
Other	55,000	55,000
Total	\$ 371,000	\$ 481,000
	1988	1987
Affiliates -		
Bally Manufacturing Corp. For The Nine Months Ended September 30	\$ 900,000	\$ 862,000

	1988	1987
Interest Income	\$ 863,000	\$ 911,000
Equity in income or (loss) of		
unrelated subsidiaries:		
B. W. Realty, Inc.	(45,000)	25,000
Bally Warwick, Inc.	16,000	40,000
Other	190,000	90,000
Total	\$ 1,024,000	\$ 1,070,000

BALLY'S PARK PLACE CASINO HOTEL
 Note 11 - Non-Operating Income
 For The Three Months Ended September 30,

	1988	1987
Interest income	\$ 1,177,000	\$ 927,000
Equity in income or (loss) of unconsolidated subsidiaries:		
B. W. Realty, Inc.	126,000	118,000
Bally Warwick, Inc.	(3,000)	(8,000)
Other	71,000	55,000
Total	\$ 1,371,000	\$ 1,142,000

For The Nine Months Ended September 30,

	1988	1987
Interest income	\$ 1,863,000	\$ 1,911,000
Equity in income or (loss) of unconsolidated subsidiaries:		
B. W. Realty, Inc.	(45,000)	29,000
Bally Warwick, Inc.	(16,000)	(40,000)
Other	190,000	90,000
Total	\$ 1,024,000	\$ 1,070,000

Reconciliation of Deferred Taxes
 For The Nine Months Ended September 30,

	1988	1987
Short-term	\$ (433,000)	\$ (178,000)
Long-term	(1,446,000)	(1,753,000)
	\$(2,387,000)	\$(1,931,000)

BALLY'S PARK PLACE CASINO HOTEL
Note 12 - Provision for Income Taxes
For The Three Months Ended September 30,

Other long-term investments and receivables:

	<u>1988</u>	<u>1987</u>
Current:		
Federal	\$10,745,000	\$ 9,150,000
State	<u>2,822,000</u>	<u>2,275,000</u>
	\$13,567,000	11,425,000
Deferred:		
Federal	(800,000)	(1,162,000)
State	<u>(195,000)</u>	<u>(288,000)</u>
	(995,000)	(1,450,000)
Total Income Taxes	<u>\$12,572,000</u>	<u>\$ 9,975,000</u>

For The Nine Months Ended September 30,

	<u>1988</u>	<u>1987</u>
Current:		
Federal	\$19,800,000	\$15,899,000
State	<u>5,500,000</u>	<u>3,967,000</u>
	25,300,000	19,866,000
Deferred:		
Federal	(1,878,000)	(1,548,000)
State	<u>(509,000)</u>	<u>(383,000)</u>
	(2,387,000)	(1,931,000)
Total Income Taxes	<u>\$22,913,000</u>	<u>\$ 17,935,000</u>

Reconciliation of Deferred Taxes
For The Nine Months Ended September 30,

	<u>1988</u>	<u>1987</u>
Short-term	\$ (432,000)	\$ (178,000)
Long-term	<u>(1,446,000)</u>	<u>(1,753,000)</u>
	<u>\$ (2,387,000)</u>	<u>\$ (1,931,000)</u>

BALLY'S PARK PLACE CASINO HOTEL
 Note 13 - Investments, Advances and Receivables
 September 30,

Other long-term investments and receivables:

	<u>1988</u>	<u>* 1987</u>
Reese Palley/Martin Blatt (Mortgage - Marlboro Bleinheim)		
First Mortgage	\$ 2,060,000	\$ 2,193,000
Second Mortgage	2,747,000	2,924,000
Blumfeld Development Corporation		
First Mortgage	-0-	1,600,000
Jack Blumfeld		
Second Mortgage	-0-	70,000
Total other long-term receivables	\$ 4,807,000	\$ 6,787,000
Investment in subsidiaries - equity:		
Bally Warwick, Inc. - 100% owned	4,137,000	4,099,000
B. W. Realty, Inc. - 100% owned	4,496,000	3,772,000
Total investments in subsidiaries - equity	\$ 8,633,000	\$ 7,871,000
5% tax exempt Atlantic County Improvement Authority Authority note	-0-	5,900,000
Casino Reinvestment Development Authority funds (less discount of \$3,825,000 in 1988 and \$1,681,000 in 1987)	3,019,000	1,786,000
Notes receivable - officers	-0-	774,000
Central credit receivable	141,000	36,000
Other	-0-	105,000
Less current portion	<u>(340,000)</u>	<u>(1,161,000)</u>
Total Investments, Advances and Receivables	<u>\$16,260,000</u>	<u>\$22,098,000</u>

* Restated

BALLY'S PARK PLACE CASINO HOTEL
 NOTE 14-PROPOSED CORPORATE REORGANIZATION NOTE

BALLY'S PARK PLACE CASINO HOTEL
 Note 13 - Investments, Advances and Receivables
 September 30,

On August 11, 1988, the Board of Directors of Bally Manufacturing Corporation ("Bally"), the parent company of Bally's Park Place, Inc., a Delaware Corporation ("BPP Delaware"), approved, in principle, a plan (the "Plan") pursuant to which, subject to the satisfaction of certain conditions, Bally will sell (the "Sale") to BPP Delaware, a wholly owned subsidiary of BPP Delaware, and BPP Delaware will become the owner of Bally's entire casino hotel business. Hereafter, eighty-five percent (85%) of the shares of common stock of Bally's Park Place, Inc. will be distributed to BPP Delaware. Following the consummation of the Plan, Bally will retain fifteen percent (15%) of the common stock of BPP Delaware, subject to a favorable ruling from the IRS.

<u>(1) Notes receivable - officers:</u>	<u>1988</u>	<u>1987</u>
Richard Gillman, Chairman of the Board		
Balance January 1,	\$ -0-	\$ 774,000
Balance September 30,	-0-	774,000
Current portion:	1988 - -0-	and
	1987 - \$774,000	

The consummation of the Plan is subject to, among other things, (i) receipt of rulings from the IRS to the effect that the distribution of Bally common stock will be substantially tax-free to Bally; (ii) receipt of all necessary approvals of the Plan from the New Jersey Casino Control Commission and the Nevada Gaming Commission; (iii) approval of a majority of the outstanding shares of Bally common stock; and (iv) restructuring of the indebtedness of Bally and BPP Delaware in connection with the Plan.

Repayment Terms: without interest
 until certain future
 stock prices occur

Total notes receivable - officers	<u>\$ -0-</u>	<u>\$ 774,000</u>
-----------------------------------	---------------	-------------------

Pursuant to the Plan, BPP Delaware through its wholly owned subsidiary, Bally's Park Place Funding, Inc. (BPPF) intends to issue \$400 million aggregate principal amount of two new issues of mortgage notes (the "Mortgage Notes"). It is anticipated that BPP Delaware will guarantee payment of principal and interest on the Mortgage Notes. A portion of the proceeds from the issuance of the Mortgage Notes will be used by BPPF to redeem its \$100,000,000, 13 7/8% Mortgage-Backed Bonds due September 1, 2003 (the "Bonds"), which proceeds were originally loaned to the Company, under terms identical to the Bonds, and are secured by a first mortgage on certain property and equipment of the Company. Pursuant to the indenture under which the Bonds were issued, BPPF may redeem the Bonds at 113.875% of their principal amount until August 31, 1989. BPPF will loan the remainder of the proceeds to the Company to be used in connection with the Sale, to retire outstanding bank debt of the Company and to comprise working capital. This capital, together with cash flow from operations and new lines of credit that the Company expects to obtain, is expected to be sufficient to satisfy the anticipated operating and capital needs of the Company.

BALLY'S PARK PLACE CASINO HOTEL
NOTE 14-PROPOSED CORPORATE REORGANIZATION NOTE
SEPTEMBER 30, 1988

On August 11, 1988, the Board of Directors of Bally Manufacturing Corporation ("Bally"), the parent company of Bally's Park Place, Inc., a Delaware Corporation ("BPP Delaware"), approved, in principle, a plan (the "Plan") pursuant to which, subject to the satisfaction of certain conditions, Bally will sell (the "Sale") to the Company, a wholly owned subsidiary of BPP Delaware, and BPP Delaware will become the indirect owner of, Bally's entire casino hotel business, and thereafter, eighty-five percent (85%) of the shares of common stock of BPP Delaware will be distributed by Bally as a dividend to holders of outstanding shares of Bally's common stock. Following consummation of the Plan, Bally will retain fifteen percent (15%) of the common stock of BPP Delaware, subject to a favorable ruling from the Internal Revenue Service (the "IRS").

The consummation of the Plan is subject to, among other things, (i) receipt of rulings from the IRS to the effect that the distribution of shares to the holders of Bally common stock will be substantially tax-free to those holders and to Bally; (ii) receipt of all necessary consents to, and approvals of, the Plan from the New Jersey Casino Control Commission and the Nevada Gaming Commission; (iii) approval of the Plan by holders of a majority of the outstanding shares of Bally common stock; and (iv) restructuring of the indebtedness of Bally and BPP Delaware in connection with the Plan.

Pursuant to the Plan, BPP Delaware through its wholly owned subsidiary, Bally's Park Place Funding, Inc. (BPPF) intends to issue \$400 million aggregate principal amount of two new issues of mortgage notes (the "Mortgage Notes"). It is anticipated that BPP Delaware will guarantee payment of principal and interest on the Mortgage Notes. A portion of the proceeds from the issuance of the Mortgage Notes will be used by BPPF to redeem its \$100,000,000, 13 7/8% Mortgage-Backed Bonds due September 1, 2003 (the "Bonds"), which proceeds were originally loaned to the Company, under terms identical to the Bonds, and are secured by a first mortgage on certain property and equipment of the Company. Pursuant to the indenture under which the Bonds were issued, BPPF may redeem the Bonds at 113.875% of their principal amount until August 31, 1989. BPPF will loan the remainder of the proceeds to the Company to be used in connection with the Sale, to retire outstanding bank debt of the Company and to comprise working capital. This capital, together with cash flow from operations and new lines of credit that the Company expects to obtain, is expected to be sufficient to satisfy the anticipated operating and capital needs of the Company.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

September 30, 19 88

STATE OF New Jersey
COUNTY OF Atlantic

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE	DESCRIPTION	ACCOUNT BALANCE	ALLOWANCE	ACCOUNTS RECEIVABLE-
(a)	(b)	(c)	(d)	(e) NET OF ALLOWANCE
	Patrons' Checks:	\$		\$
1	Undeposited patrons' checks	2,400		
2	Returned patrons' checks	6,438		
3	Total patrons' checks	8,838	5,500	3,338
4	Hotel Receivables	369	50	319
	Other Receivables:			
5	Receivables due from officers and employees.....	-0-		
6	Receivables due from affiliates	909		
7	Other accounts and notes receivables	4,999		
8	Total other receivables	5,908		5,908
9	Totals (Form 205).....	\$ 15,115	\$ 5,550	\$ 9,565

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE	DESCRIPTION	AMOUNT
(f)	(g)	(h)
10	Beginning Balance (January 1)	\$ 3,305
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	96,464
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)	(78,161)
13	Checks collected through deposits	(15,507)
14	Checks transferred to returned checks	(3,701)
15	Other adjustments	---
16	Ending Balance	\$ 2,400
17	"Hold" Checks Included In Balance On Line 16	\$ ---
18	Provision For Uncollectible Patrons' Checks	\$ 438
19	Provision As A Percent Of Counter Checks Issued .....	.5

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

Joseph A. D'Amato
 Signature

Vice President and Treasurer
 Title

03310-11
 License Number

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

On Behalf Of:

Kimberly A. Ketschek
 Signature

Bally's Park Place, NJ
 Casino Licensee

KIMBERLY A. KETSCHKEK
NOTARY PUBLIC OF NEW JERSEY
 My Commission Expires Jan. 7, 1993

Basis of Authority
 to Take Oaths

HOTEL STATISTICS

FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	506	15,686	12,119	\$ 101.92	77.3%	23,318	\$ 52.97
FEBRUARY	506	14,674	11,661	\$ 102.65	79.5%	23,460	\$ 51.02
MARCH	506	15,686	11,946	\$ 102.15	76.2%	23,733	\$ 51.42
1ST QUARTER TOTALS		46,046	35,726	\$ 102.24	77.6%	70,511	\$ 51.80
APRIL	506	15,180	13,721	\$ 101.40	90.4%	26,788	\$ 51.94
MAY	506	15,686	14,085	\$ 101.10	89.8%	27,029	\$ 52.68
JUNE	506	15,180	13,662	\$ 103.85	90.0%	26,745	\$ 53.05
2ND QUARTER TOTALS		46,046	41,468	\$ 102.11	90.1%	80,562	\$ 52.56
JULY	506	15,686	14,776	\$ 139.33	94.2%	31,307	\$ 65.76
AUGUST	506	15,686	14,596	\$ 135.63	93.1%	31,208	\$ 63.43
SEPTEMBER	506	15,180	13,762	\$ 114.95	90.7%	27,742	\$ 57.02
3RD QUARTER TOTALS		46,552	43,134	\$ 130.30	92.7%	90,257	\$ 62.27
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

974.901

QUARTERLY REPORT

C 193.1

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY
LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED Sept. 30, 1988

PROPERTY OF
NEW JERSEY STATE LIBRARY
NOV 9 1988
185 W. STATE ST
TRENTON N.J.

LICENSEE BOARDWALK REGENCY CORPORATION
d/b/a CAESARS ATLANTIC CITY

ADDRESS 2100 Pacific Avenue
Atlantic City, New Jersey 08401

FOR THE QUARTER ENDED SEPTEMBER 30 **19** 88

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



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT . . .** Edward J. Sutor
OFFICIAL TITLE. Vice President of Finance
ADDRESS 2100 Pacific Avenue
Atlantic City, New Jersey 08401

HOIEF 21121212

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

BALANCE SHEETS
LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED Sept. 30, 1988

LINE	DESCRIPTION	(c) 1988	(d) 1987
	ASSETS		
1	Cash	8,042	7,249
2	Accounts receivable		
3	Patrons' checks (net of allowance for uncashed checks - 1988, \$13,072; 1987, \$13,650)		18,197
4	Prepaid expenses and other current assets		2,406
5	Balance Sheets	CCC-205	
6	Statements of Income (Year-to-Date)	CCC-210	7,840
7	Statements of Income (Three Months)	CCC-215	35,492
8	Statements of Changes in Stockholders' Equity	CCC-220	24,213
9	Statements of Changes in Partners' or Proprietor's Equity	CCC-225	202,620
10	Statements of Cash Flows	CCC-235	3,278
11	Notes to Financial Statements		
12	Schedule of Receivables and Patrons' Checks	CCC-240	\$ 265,803
13	Statement of Conformity and Accuracy	CCC-250	
14	Accounts payable and accrued	9,135	8,572
15	Other current liabilities	32,127	30,676
16	Other current liabilities	2,251	4,272
17	Total current liabilities	43,513	43,520
18	Long Term Debt:		
19	Due to affiliates	65,334	97,933
20	Other	11,659	31,952
21	Deferred Credits	4,703	7,604
22	Other liabilities	4,010	3,603
23	Commitments and Contingencies		
24	Total Liabilities	163,148	196,079
25	Stockholders', Partners', Or Proprietor's Equity	97,340	69,726
26	Total Liabilities and Equity	\$ 260,688	\$ 265,803

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

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

BALANCE SHEETS

SEPTEMBER 30, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	ASSETS		
	Current Assets	\$	\$
1	Cash.....	8,042	7,249
2	Marketable securities.....	-	-
3	Receivables and patrons' checks (net of allowance for..... doubtful accounts - 1988, \$15,072; 1987, \$13,650).....	22,557	18,197
4	Inventories.....(NOTE 1).....	2,614	2,406
5	Prepaid expenses and other current assets.....(NOTE 2).....	9,527	7,840
6	Total current assets.....	42,740	35,692
7	Investments, Advances and Receivables.....(NOTES 3 & 13)	3,171	24,213
8	Property and Equipment - Net.....(NOTES 1,4&10)	211,743	202,620
9	Other Assets.....	3,034	3,278
10	Total Assets.....	\$ 260,688	\$ 265,803
	LIABILITIES AND EQUITY		
	Current Liabilities	\$	\$
11	Accounts payable.....	9,548	8,143
12	Notes payable.....(NOTE 5).....	-	-
	Current portion of long-term debt:		
13	Due to affiliates.....	-	-
14	Other.....(NOTE 10).....	20,361	324
15	Income taxes payable and accrued.....(NOTES 1 & 6)	9,135	9,572
16	Other accrued expenses.....(NOTE 7).....	32,127	30,676
17	Other current liabilities.....(NOTE 8).....	2,251	4,272
18	Total current liabilities.....	73,422	52,987
	Long-Term Debt:		
19	Due to affiliates.....(NOTE 9).....	65,354	97,933
20	Other.....(NOTE 10).....	13,659	33,952
21	Deferred Credits.....(NOTE 6).....	6,703	7,604
22	Other Liabilities.....	4,010	3,603
23	Commitments and Contingencies (NOTES 10,11&13)		
24	Total Liabilities.....	163,148	196,079
25	Stockholders', Partners', Or Proprietor's Equity.....	97,540	69,724
26	Total Liabilities and Equity.....	\$ 260,688	\$ 265,803

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

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Revenue:		
1	Casino.....(NOTE 1).....	\$ 231,497	\$ 219,242
2	Rooms.....	14,263	13,906
3	Food and beverage.....	26,424	27,054
4	Other.....	12,814	13,956
5	Total revenue.....	284,998	274,158
6	Less: promotional allowances.....(NOTES 1 & 14)	29,031	30,380
7	Net revenue.....	255,967	243,778
	Costs And Expenses:		
8	Cost of goods and services.....	125,147	119,207
9	Selling, general, and administrative.....	57,984	59,283
10	Provision for doubtful accounts.....	4,855	1,379
11	Total.....	187,986	179,869
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest	67,981	63,909
13	Depreciation and amortization.....(NOTE 1).....	14,223	14,510
	Charges from affiliates:		
14	Interest.....	7,078	11,394
15	Management fees.....	-	-
16	Other.....(NOTE 12).....	4,405	4,547
17	Interest expense - external.....	2,905	2,766
18	Income (Loss) From Operations.....	39,370	30,692
19	Nonoperating income (expense) - net.....(NOTE 15).....	(2,057)	(557)
20	Investment alternative tax and related income (expense) - net.....(NOTE 13).....	1,142	(421)
21	Income (Loss) Before Income Taxes and Extraordinary items..	38,455	29,714
22	Provision (Credit) for income taxes.....(NOTES 1 & 6).	16,282	13,556
23	Income (Loss) Before Extraordinary Items.....	22,173	16,158
24	Extraordinary items (net of income taxes - 1988, \$ - ; 1987, \$4,464).....(NOTE 16).....	-	(4,473)
25	Net Income (Loss).....	\$ 22,173	\$ 11,685

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

Certain reclassifications have been made in the 1987 financial statements in order to conform with the presentation used in 1988.

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1988 AND 1987
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Revenue:	\$	\$
1	Casino.....(NOTE 1).....	84,842	80,182
2	Rooms.....	5,551	5,347
3	Food and beverage.....	9,480	10,261
4	Other.....	5,688	6,145
5	Total revenue.....	105,561	101,935
6	Less: promotional allowances.....(NOTES 1 & 14)	10,435	11,524
7	Net revenue.....	95,126	90,411
	Costs And Expenses:		
8	Cost of goods and services.....	46,475	42,563
9	Selling, general, and administrative.....	17,060	22,450
10	Provision for doubtful accounts.....	2,910	147
11	Total.....	66,445	65,160
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest	28,681	25,251
13	Depreciation and amortization.....(NOTE 1).....	3,094	4,355
	Charges from affiliates:		
14	Interest.....	1,984	3,081
15	Management fees.....	-	-
16	Other.....(NOTE 12).....	1,414	1,407
17	Interest expense - external.....	687	814
18	Income (Loss) From Operations.....	21,502	15,594
19	Nonoperating income (expense) - net.....(NOTE 15).....	(2,057)	61
20	Investment alternative tax and related income (expense).....(NOTE 13).....	-	118
21	Income (Loss) Before Income Taxes and Extraordinary items..	19,445	15,773
22	Provision (Credit) for income taxes.....(NOTES 1 & 6)..	8,078	6,752
23	Income (Loss) Before Extraordinary Items.....	11,367	9,021
24	Extraordinary items (net of income taxes - 1988, \$ - ; 1987, \$ -).....	-	-
25	Net Income (Loss).....	\$ 11,367	\$ 9,021

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

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	1988		1987	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock: NO PAR VALUE, 1000 SHARES		\$		\$
1	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
	Preferred Stock:				
5	Beginning balance (January 1).....	-	-	-	-
6	Sale of stock.....	-	-	-	-
7	.....	-	-	-	-
8	Ending balance.....	-	-	-	-
	Additional Paid-in Capital:				
9	Beginning balance (January 1).....	+++++	5,912	+++++	5,912
10	.....	+++++	-	+++++	-
11	.....	+++++	-	+++++	-
12	Ending balance.....	+++++	5,912	+++++	5,912
	Treasury Stock:				
13	Beginning balance (January 1).....	-	(-)	-	(-)
14	Purchase of additional stock.....	-	(-)	-	(-)
15	Sale or retirement of stock.....	-	-	-	-
16	Ending balance.....	-	(-)	-	(-)
	Subscriptions Receivable for Capital Stock:				
17	Beginning balance (January 1).....	-	(-)	-	(-)
18	.....	-	( - )	-	( - )
19	.....	-	-	-	-
20	Ending balance.....	-	(-)	-	(-)
	Net Unrealized Loss on Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1).....	+++++	(-)	+++++	(-)
22	.....	+++++	( - )	+++++	( - )
23	.....	+++++	-	+++++	-
24	Ending balance.....	+++++	(-)	+++++	(-)
	Retained Earnings:				
25	Beginning balance (January 1).....	+++++	68,085	+++++	50,757
26	Prior period adjustments.....	+++++	-	+++++	-
27	Net income (loss).....	+++++	22,173	+++++	11,685
28	Dividends.....	+++++	(-)	+++++	(-)
29	.....	+++++	-	+++++	-
30	.....	+++++	-	+++++	-
31	Ending balance.....	+++++	90,258	+++++	62,442
32	Ending Stockholders' Equity.....	+++++	\$ 97,540	+++++	\$ 69,724

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

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Invested Capital:		
1	Beginning balance (January 1).....	\$ 32	\$ 10,341
2	Additional capital invested.....		
3			
4	Ending balance.....		
	Accumulated Income:		
5	Beginning balance (January 1).....	(2,588)	(2,335)
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.....	\$	\$
	Cash Equivalents At End Of Period.....	\$ 8,042	\$ 7,249

THIS STATEMENT IS NOT APPLICABLE

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.

4/86

GCC-225

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

GCC-225

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
1	Net Cash Provided (Used) By Operating Activities.....	\$ 32,353	\$ 10,341
	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.....	(24,099)	(10,007)
5	Proceeds from disposition of property and equipment.....	19	1,000
6	Purchase of casino reinvestment obligations.....	(2,638)	(2,555)
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	Approved reimbursements - CRDA.....	18,975	-
11	Reclass of L/T receivable to S/T receivable.....	-	891
12	Net Cash Provided (Used) By Investing Activities.....	(7,743)	(10,671)
	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.....	6,971	102,211
16	Costs of issuing debt.....	-	-
17	Payments to settle long-term debt.....	(31,715)	(104,462)
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.....	(24,744)	(2,251)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	(134)	(2,581)
25	Cash and Cash Equivalents At Beginning Of Period.....	8,176	9,830
26	Cash And Cash Equivalents At End Of Period.....	\$ 8,042	\$ 7,249

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized).....	\$ 5,362	\$ 4,603
28	Income taxes.....	\$ 16,462	\$ 8,384

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

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 22,173	\$ 11,685
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment....	13,953	14,115
31	Amortization of other assets.....	270	395
32	Amortization of debt discount or premium.....	-	437
33	Deferred income taxes - current.....	(1,736)	(3,918)
34	Deferred income taxes - noncurrent.....	(5)	(297)
35	(Gain) loss on disposition of property and equipment.....	2,057	557
36	(Gain) loss on casino reinvestment obligations.....	(1,142)	421
37	(Gain) loss from other investment activities.....	-	-
38	Net (increase) decrease in receivables and patrons' checks.....	(7,200)	(4,242)
39	Net (increase) decrease in inventories.....	(55)	248
40	Net (increase) decrease in other current assets.....	(801)	(345)
41	Net (increase) decrease in other assets.....	(122)	(201)
42	Net increase (decrease) in accounts payable.....	1,108	(1,980)
43	Net increase (decrease) in other current liabilities excluding debt.....	3,446	(15,855)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	407	886
45	Unamortized discount on debt extinguishment.....	-	8,435
46		-	-
47	Net Cash Provided (Used) By Operating Activities.....	\$ 32,353	\$ 10,341

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 24,099	\$ 10,007
49	Less: Capital lease obligations incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 24,099	\$ 10,007
	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 Captial Contributions.....	\$ -	\$ -

Boardwalk Regency Corporation
(d/b/a Caesars Atlantic City)
(unaudited)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued):

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 property on the Boardwalk at Indiana Avenue in Atlantic City. The financial statements include the accounts of CAC and the Indiana Avenue Property after elimination of all material interdivisional balances and transactions.

Revenue and Promotional Allowances

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

Inventories

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

Property and Equipment

Property and equipment is recorded at cost, including interest on funds borrowed to finance construction. For the nine months ending September 30, 1988 and 1987, capitalized interest was recorded in the amounts of \$413,000 and \$107,000, respectively. 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):

1988 1987
(In thousands)

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.

82,527 87,840

Income Taxes

BRC is 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 BRC could have derived separately, CWI will reimburse BRC for those excess benefits. The reimbursement of the excess benefits will be made before the earlier of the last year in which those benefits are available to BRC or the last year in which BRC is a member of CWI's consolidated group for Federal income tax purposes. Interest on the excess benefits will accrue at 7% per annum from the date CWI files a tax return in which such tax benefits are realized. Deferred income taxes are provided for timing differences between book and tax recognition of revenues and expenses.

In December, 1987, the Financial Accounting Standards Board issued a new standard on accounting for income taxes. BRC is required to adopt the new accounting and disclosures rules no later than its fiscal year ending July 31, 1990, although earlier implementation is permitted. A catch-up adjustment will result upon implementation of the new standard that may be reported in the year the standard is adopted or in an earlier year if BRC elects to do so. BRC has not yet determined when it will adopt the standard, however, based on a preliminary review, BRC expects no material impact on its financial position or results of operations upon implementation of the new accounting standard.

Disclosures

Certain disclosures have been omitted in conformance with the Casino Control Commission's quarterly instructions that usually are required for a fair presentation of the financial statements in accordance with generally accepted accounting principles. The omitted disclosures pertain to the aggregate maturities of long term debt and future minimum lease payments for operating and capital leases. The disclosures were omitted because there was not a material change in the information previously disclosed in BRC's annual financial statements for the year ended December 31, 1987, except for the capitalized lease obligation, which is discussed in Note 10.

Boardwalk Regency Corporation
(d/b/a Caesars Atlantic City)
(unaudited)

NOTE 2. Prepaid Expenses and Other Current Assets:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
Deferred income taxes.....	\$5,331	\$3,919
Taxes, licenses and fees.....	2,022	1,797
Other.....	<u>2,174</u>	<u>2,124</u>
	<u>\$9,527</u>	<u>\$7,840</u>

NOTE 3. Investments, Advances and Receivables:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
CRDA investment deposits.....	\$7,923	\$27,735
CRDA bonds receivable, net.....	<u>43</u>	<u>43</u>
	7,966	27,778
Less valuation allowance:		
Interest differential.....	195	1,265
Low income developments.....	<u>4,600</u>	<u>2,300</u>
	<u>\$3,171</u>	<u>\$24,213</u>

NOTE 4. Property and Equipment:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
Land.....	\$ 20,760	\$ 19,619
Buildings and improvements	146,065	143,159
Furniture, fixtures and equipment	63,608	61,751
Construction in progress	24,777	4,561
Properties under capital leases:		
Land	9,055	9,055
Buildings	34,702	34,702
Furniture, fixtures and equipment.....	<u>10,637</u>	<u>10,637</u>
	309,604	283,484
Less accumulated depreciation and amortization	<u>97,861</u>	<u>80,864</u>
	<u>\$211,743</u>	<u>\$202,620</u>

Boardwalk Regency Corporation
(d/b/a Caesars Atlantic City)
(unaudited)

NOTE 5. Notes Payable:

In October 1987, CWI entered into an unsecured credit facility with a syndicate of banks. The credit facility consists of a \$100,000,000 term loan and a \$100,000,000 revolving credit facility to be used by CWI and its affiliates, including BRC, for working capital needs and general corporate purposes. The revolving credit facility bears interest at one quarter percent below the prime rate or an alternative negotiated rate and matures on September 30, 1990, unless extended by the banks. This facility replaced all prior short-term bank credit facilities.

This credit facility contains affirmative and negative covenants and, among other things, requires the maintenance of certain financial ratios; limits CWI's and BRC's ability to incur additional debt, repurchase shares and sell certain assets; and restricts mergers, consolidations and similar transactions with respect to CWI and its subsidiaries.

Prior to October 1987, BRC maintained short-term unsecured credit lines of \$25,000,000 under which there were no amounts outstanding at September 30, 1987 or at any month end during 1987.

There were no short-term borrowings for the nine months ending September 30, 1988.

NOTE 6. Income Taxes:

The provision for income taxes for the nine months ending September 30, 1988 and 1987 is comprised of the following:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
Current:		
Federal.....	\$13,777	\$10,574
State.....	4,246	2,733
Deferred:		
Federal.....	(1,172)	(3,338)
State.....	(569)	(877)
	<u>\$16,282</u>	<u>\$ 9,092</u>

Boardwalk Regency Corporation
(d/b/a Caesars Atlantic City)
(unaudited)

NOTE 6. Income Taxes (continued):

The provision for income taxes for the nine months ending September 30, 1988 and 1987 differs from the amount computed at the statutory rate as follows:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
Federal income tax at statutory rate.....	\$13,075	\$7,921
State income taxes, net of federal benefit..	2,284	556
Other	<u>923</u>	<u>615</u>
	<u>\$16,282</u>	<u>\$9,092</u>

Deferred credits of \$6,703,000 and \$7,604,000 at September 30, 1988 and 1987, respectively, represent deferred income taxes which result from timing differences between income for financial reporting purposes and income for tax return purposes, the most significant of which relate to depreciation, certain accrued liabilities and the provisions for the investment obligation imposed by the Casino Control Act.

The Internal Revenue Service has examined CWI's consolidated Federal income tax returns through fiscal 1985 and is currently examining the returns for fiscal 1986 and 1987.

NOTE 7. Other Accrued Expenses:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
Rent	\$14,080	\$ 9,731
Salaries, wages and vacation pay	4,912	4,440
Legal costs and issues.....	3,708	6,153
Progressive slots.....	2,783	3,046
Insurance.....	2,516	3,009
Other	<u>4,128</u>	<u>4,297</u>
	<u>\$32,127</u>	<u>\$30,676</u>

Boardwalk Regency Corporation
(d/b/a Caesars Atlantic City)
(unaudited)

NOTE 8. Other Current Liabilities:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
Funds borrowed from CNJ, CWI and Desert Palace, Inc. (DPI), a wholly owned subsidiary of CWI, interest calculated at the prime rate....	\$ 713	\$3,021
Other.....	<u>1,538</u>	<u>1,251</u>
	<u>\$2,251</u>	<u>\$4,272</u>
	<u>\$ -</u>	<u>\$514</u>

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

	<u>1988</u>	<u>1987</u>
	(In thousands)	
Term Note, due to DPI, bearing interest at 11.45%, due June 1, 1992.....	\$65,354	\$58,312
Term Note, due to DPI, bearing interest at 11.45%, due June 1, 1990.....	<u>-</u>	<u>39,621</u>
	<u>\$65,354</u>	<u>\$97,933</u>

NOTE 10. Long-term Debt, Other:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
(a) Long-term debt.....	-	\$ 514
(b) Capitalized lease obligations.....	<u>\$13,659</u>	<u>33,438</u>
	<u>\$13,659</u>	<u>\$33,952</u>

Boardwalk Regency Corporation
(d/b/a Caesars Atlantic City)
(unaudited)

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

	<u>1988</u>	<u>1987</u>
	(In thousands)	
(a) Mortgages payable and equipment contracts, interest ranging from 3% to 15.5%, maturing through 1997, secured by property and equipment.....	\$506	\$541
Less current maturities.....	<u>506</u>	<u>27</u>
	<u>\$ -</u>	<u>\$514</u>

(b) Leases:

The Company leases land, buildings and equipment under noncancellable lease agreements which expire at various dates through 2076. The leases generally provide that the Company pay the taxes, insurance and maintenance expenses related to the leased assets. CWI has guaranteed a substantial portion of the Company's lease obligations. Major leased assets, which have been capitalized, include a portion of the Caesars Atlantic City building and the land on which the casino/hotel is situated.

In August 1988, the Company gave notice of its intent to exercise its right to purchase the property under its primary lease for \$38,667,000 in June 1989. Accordingly, the remaining capital lease obligation of \$19,855,000 is included in current maturities of obligations under capital leases at September 30, 1988 and \$18,761,000 will be added to property and equipment upon consummation of the purchase. This lease provides for a minimum rental of \$2,460,000 for the 10 months of fiscal 1989 prior to the purchase and a percentage rental of 19.3 percent of the casino/hotel's net profit (as defined). The percentage rental amounted to \$9,726,000 and \$5,897,000 for the nine months ending September 30, 1988 and 1987, respectively. A separate 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 expires in 2008 and is renewable for two additional 30-year periods. The Company has the right to exercise \$6,500,000 purchase option beginning in August 1990. After July 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):

	<u>1988</u>	<u>1987</u>
	(In thousands)	
Capital lease obligations, less amounts representing interest.....	\$33,514	\$33,735
Less current maturities.....	<u>19,855</u>	<u>297</u>
	<u>\$13,659</u>	<u>\$33,438</u>

Rent expense for the nine months ending September 30, 1988 and 1987 is comprised of the following:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
Minimum rentals under operating leases..	\$ 2,280	\$2,568
Contingent rentals under capital leases.	<u>9,726</u>	<u>5,897</u>
	<u>\$12,006</u>	<u>\$8,465</u>

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 \$166,000 and \$169,000 for the nine months ending September 30, 1988 and 1987, respectively. The actuarially computed present value of the accumulated benefit obligation as of July 31, 1988, the most recent valuation date, was \$777,000. The liability recorded with respect to the plan as of July 31, 1988 was \$1,201,000.

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 \$454,000 and \$448,000 for the nine months ending September 30, 1988 and 1987, 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.

Boardwalk Regency Corporation
(d/b/a Caesars Atlantic City)
(unaudited)

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 \$4,405,000 and \$4,547,000 for the nine months ending September 30, 1988 and 1987, respectively. The breakdown of these services is as follows:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
General insurance.....	\$1,945	\$2,383
Reservation office expenses.....	1,908	1,466
Other.....	<u>552</u>	<u>698</u>
	<u>\$4,405</u>	<u>\$4,547</u>

NOTE 13. Commitments and Contingencies:

The New Jersey Casino Control Act (the "Act") provides, among other things, for an assessment on casino licensees based upon their gross casino revenues. This assessment may be satisfied by investing in qualified eligible direct investments or by purchasing bonds issued by the Casino Reinvestment Development Authority (CRDA). In order for direct investments to be eligible, they must be approved by the CRDA. The CRDA has given approval to the Company for qualified eligible direct investments consisting of three housing developments. Two of these developments are 15-unit housing complexes, each costing approximately \$2,500,000, one of which was opened in Atlantic City in July 1988. The second complex is in the preliminary approval process. The third development is a high-rise apartment building currently under construction in Atlantic City. The estimated cost of the high-rise development is approximately \$33,000,000 of which \$23,093,000 has been incurred as of September 30, 1988. The high-rise building will provide housing for approximately 200 moderate through middle income families and is expected to be completed in March 1989. The Company, as owner of these housing developments, is required to

Boardwalk Regency Corporation
(d/b/a Caesars Atlantic City)
(unaudited)

NOTE 13. Commitments and Contingencies (continued):

operate them for a minimum of 15 years for the high-rise and 20 years for the two 15-unit developments. Essentially all of the construction costs of the buildings are funded by interest bearing deposits the Company has made to the CRDA including \$2,638,000 and \$2,555,000 of deposits made for the nine months ended September 30, 1988 and 1987, respectively. Other Investments, Advances and Receivables include CRDA deposits of \$7,966,000 and \$27,788,000 at September 30, 1988 and 1987, respectively, before consideration of the allowances described below.

Two of the developments are expected to incur future negative cash flows and have a negligible future residual value. Allowances of \$2,300,000 were established in both 1988 and 1987 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 September 30, 1988 and 1987, the cumulative allowance for the investment obligation, including a valuation allowance for the differential in interest rates and the estimated loss on the housing developments described above, was \$4,795,000 and \$3,565,000, respectively. For the nine months ended September 30, 1988, \$1,142,000 was credited to operations and for the nine months ending September 30, 1987, \$421,000 was charged to operations relating to the differential in interest rates and because of the approval for the qualified direct investment which substantially reduced the Company's obligation to purchase long-term CRDA bonds.

(\$ amounts in thousands)

Litigation

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

	1,210,617	\$23,018	416,572	\$ 7,317
	18,245	7,205	9,819	2,547
Events	6,546	1,464	758	76
	<u>150,292</u>	<u>1,693</u>	<u>48,005</u>	<u>763</u>
	<u>1,385,701</u>	<u>\$33,380</u>	<u>475,154</u>	<u>\$10,693</u>

Boardwalk Regency Corporation
(d/b/a Caesars Atlantic City)
(unaudited)

NOTE 14. Complimentaries:

Promotional Allowances

(\$ amounts in thousands)

	<u>Nine Months Ending</u> <u>September 30, 1988</u>		<u>Three Months Ending</u> <u>September 30, 1988</u>	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Rooms	66,606	\$ 7,381	26,316	\$ 2,568
Food	696,650	9,501	173,192	3,192
Beverage	1,311,701	7,418	539,964	2,641
Parking	348,540	2,979	143,257	1,154
Theatre	64,687	1,356	28,607	760
Other	11,030	396	1,185	120
	<u>2,499,214</u>	<u>\$29,031</u>	<u>912,521</u>	<u>\$10,435</u>

Promotional Expenses

(\$ amounts in thousands)

	<u>Nine Months Ending</u> <u>September 30, 1988</u>		<u>Three Months Ending</u> <u>September 30, 1988</u>	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Coin	1,210,617	\$23,018	416,572	\$ 7,312
Travel	18,245	7,205	9,819	2,542
Special Events	6,546	1,464	758	76
Other	150,293	1,693	48,005	763
	<u>1,385,701</u>	<u>\$33,380</u>	<u>475,154</u>	<u>\$10,693</u>

Boardwalk Regency Corporation
 (d/b/a Caesars Atlantic City)
 (unaudited)

(UNAUDITED)

Note 15. Nonoperating Income/Expenses - Net

Nonoperating expense of \$2,057,000 and \$557,000 for the nine months ended September 30, 1988 and 1987, respectively, 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:

DESCRIPTION	1988	1987
	(In thousands)	
Unamortized note discount.....	-	\$8,435
Premium on redemption.....	-	502
Loss on debt extinguishment.....	-	8,937
Tax benefit of loss.....	-	(4,464)
Loss on debt extinguishment, net of taxes.....	-	\$4,473
Beginning Balance (January 1).....	-	9,131
Checks redeemed through partial redemptions, and substitutions, and patrons' cash deposits).....	-	224,639
Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and outstanding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits).....	-	(156,114)
Checks collected through deposits.....	-	(61,719)
Checks transferred to returned checks.....	-	(7,592)
Other adjustments.....	-	-
Ending Balance.....	-	\$ 9,131
"Hold" Checks Included In Balance On Line 16.....	-	-
Provision for Uncollectible Patrons' Checks.....	-	4,786
Provision As A Percent Of Counter Checks Issued.....	-	2.19

STATEMENT OF ACCURACY
 TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

NEW JERSEY SEPTEMBER 30, 1988

(UNAUDITED)
 (\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE	DESCRIPTION	ACCOUNT BALANCE	ALLOWANCE	ACCOUNTS RECEIVABLE
(a)	(b)	(c)	(d)	(e) NET OF ALLOWANCE
	Patron's Checks:	\$		
1	Undeposited patrons' checks.....	9,131		
2	Returned patrons' checks.....	19,936		
3	Total patrons' checks.....	29,067	\$ 14,918	\$ 14,149
4	Hotel Receivables.....	1,027	154	873
	Other Receivables:			
5	Receivables due from officers and employees.....	20		
6	Receivables due from affiliates.....	6,641		
7	Other accounts and notes receivables.....	874		
8	Total other receivables.....	7,535		7,535
9	Totals (Form 205).....	\$ 37,629	\$ 15,072	\$ 22,557

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE	DESCRIPTION	AMOUNT
(f)	(g)	(h)
10	Beginning Balance (January 1).....	\$ 9,923
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits).....	224,633
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).....	(156,114)
13	Checks collected through deposits.....	(61,719)
14	Checks transferred to returned checks.....	(7,592)
15	Other adjustments.....	-
16	Ending Balance.....	\$ 9,131
17	"Hold" Checks Included In Balance On Line 16.....	\$ -
18	Provision For Uncollectible Patrons' Checks.....	\$ 4,786
19	Provision As A Percent Of Counter Checks Issued.....	2.1%

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

Edward J. Sutor
 Signature

VICE PRESIDENT OF FINANCE
 Title

00587-11
 License Number

Subscribed and sworn to
 before me this 15th day
 of November, 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, 1992

Basis of Authority
 to Take Oaths

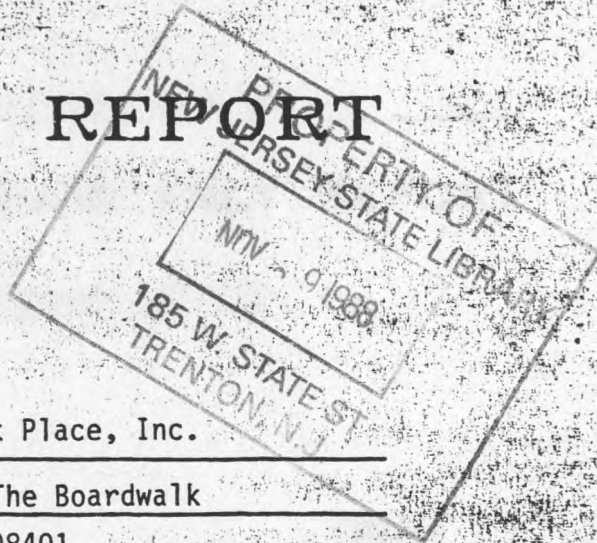
HOTEL STATISTICS

FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	644	19,536	13,095	\$ 97.18	67.0 %	25,021	\$ 50.86
FEBRUARY	644	18,212	13,400	\$ 94.41	73.6 %	25,609	\$ 49.40
MARCH	644	19,585	14,840	\$ 93.13	75.8 %	28,737	\$ 48.09
1ST QUARTER TOTALS		57,333	41,335	\$ 94.83	72.1 %	79,367	\$ 49.39
APRIL	644	18,633	15,791	\$ 95.35	84.7 %	30,565	\$ 49.26
MAY	644	19,268	15,885	\$ 102.54	82.4 %	30,243	\$ 53.86
JUNE	644	19,027	15,781	\$ 105.34	82.9 %	30,065	\$ 55.29
2ND QUARTER TOTALS		56,928	47,457	\$ 100.24	83.4 %	90,873	\$ 52.35
JULY	644	19,801	17,837	\$ 119.97	90.1 %	34,940	\$ 61.25
AUGUST	644	19,937	17,793	\$ 104.07	89.2 %	30,248	\$ 61.22
SEPTEMBER	644	19,156	16,459	\$ 93.63	85.9 %	32,696	\$ 47.13
3RD QUARTER TOTALS		58,894	52,089	\$ 106.22	88.4 %	97,884	\$ 56.52
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

QUARTERLY REPORT

974-901
C 193



LICENSEE The Claridge at Park Place, Inc.

ADDRESS Indiana Avenue and The Boardwalk
Atlantic City, NJ 08401

FOR THE QUARTER ENDED September 30, 1988

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



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

Jean I. Abbott

OFFICIAL TITLE.

Senior Vice President of Finance

ADDRESS

Indiana Avenue and The Boardwalk

Atlantic City, NJ 08401

BALANCE SHEETS

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

LIST OF FORMS — QUARTERLY REPORT

DESCRIPTION		(a) 19 88	(a) 19 87
FOR THE QUARTER ENDED <u>September 30</u> 19 <u>88</u>			
ASSETS			
Cash		\$ 4,317	\$ 3,504
Accounts receivable (at cost, which approximates market)		50	50
Prepaid expenses and patrons' checks (net of allowance for doubtful accounts)	<u>TITLE</u> 645 19 87, \$ 2,549		
Balance Sheets			FORM NO. 8,062
			3,205
			1,755
Statements of Income (Year-to-Date)			CCC-205
			CCC-210
			16,020
Statements of Income (Three Months) (Note 3)		15	CCC-215
			157,080
Statements of Changes in Stockholders' Equity			CCC-220
			5,600
			1,827
Statements of Changes in Partners' or Proprietor's Equity		\$ 183,422	\$ 180,527
			CCC-225
Statements of Cash Flows			CCC-235
Notes to Financial Statements		\$ 4,383	\$ 4,369
			-0-
Schedule of Receivables and Patrons' Checks			CCC-240
		9,102	-0-
Statement of Conformity and Accuracy			CCC-250
			8,950
		-0-	-0-
		12,929	10,879
		8,570	9,435
		44,309	33,628
Long-Term Debt:			
Mortgages (Note 7)		43,870	43,488
Other (Note 7)		86,056	90,431
Deferred Credits		-0-	3
Other Liabilities (Note 8)		90,501	74,606
Commitments and Contingencies (Note 13)			
Total Liabilities		264,736	242,161
Stockholders', Partners', or Proprietor's Equity		(81,314)	(61,634)
Total Liabilities And Equity		\$ 183,422	\$ 180,527

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

September 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
ASSETS			
	Current Assets:	\$	\$
1	Cash	4,317	3,504
2	Marketable securities (at cost which approximates market) ..	50	50
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$ 2,645 ; 19 <u>87</u> , \$ 2,649)	15,822	8,062
4	Inventories	2,553	3,205
5	Prepaid expenses and other current assets	850	1,199
6	Total current assets	23,592	16,020
7	Investments, Advances, And Receivables (Note 3)	154,333	157,080
8	Property And Equipment - Net of Accum Deprec of \$7,808 & \$6,089	4,632	5,600
9	Other Assets (Note 4)	865	1,827
10	Total Assets	\$ 183,422	\$ 180,527
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	4,383	4,364
12	Notes payable	-0-	-0-
13	Current portion of long-term debt:	9,102	-0-
14	Due to affiliates (Note 7)	9,325	8,950
15	Other (Note 7)	-0-	-0-
16	Income taxes payable and accrued	12,929	10,879
17	Other accrued expenses (Note 5)	8,570	9,435
18	Other current liabilities (Note 6)	44,309	33,628
	Total current liabilities		
19	Long-Term Debt:	43,870	43,488
20	Due to affiliates (Note 7)	86,056	90,431
21	Other (Note 7)	-0-	8
22	Deferred Credits	90,501	74,606
23	Other Liabilities (Note 8)		
24	Commitments And Contingencies (Note 13)		
	Total Liabilities	264,736	242,161
25	Stockholders', Partners', Or Proprietor's Equity	(81,314)	(61,634)
26	Total Liabilities And Equity	\$ 183,422	\$ 180,527

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

STATEMENTS OF INCOME

FOR THE Nine MONTHS ENDED September 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:	\$	\$
1	Casino	102,793	96,274
2	Rooms	10,421	10,267
3	Food and beverage	18,745	16,851
4	Other	2,441	2,426
5	Total revenue	134,400	125,818
6	Less: promotional allowances <u>(Note.10)</u>	16,967	14,606
7	Net revenue	117,433	111,212
	Costs And Expenses:		
8	Cost of goods and services	65,614	60,476
9	Selling, general, and administrative	29,047	27,551
10	Provision for doubtful accounts	541	263
11	Total	95,202	88,290
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	22,231	22,922
13	Depreciation and amortization	2,623	2,537
	Charges from affiliates:		
14	Interest <u>(Note 14)</u>	7,334	6,013
15	Management fees <u>(Note 14)</u>	---	43
16	Other <u>(Note 14)</u>	33,754	31,082
17	Interest expense - external	7,257	6,827
18	Income (Loss) From Operations	(28,737)	(23,580)
19	Nonoperating income (expense) - net <u>(Note.9)</u>	16,542	15,669
20	Investment alternative tax and related income (expense) - net.....	(389)	(331)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(12,584)	(8,242)
22	Provision (Credit) for income taxes <u>(Note.12)</u>	-0-	-0-
23	Income (Loss) Before Extraordinary Items	(12,584)	(8,242)
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-0-	-0-
25	Net Income (Loss)	\$ (12,584)	\$ (8,242)

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

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED September 30 19 88 and 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:	\$	\$
1	Casino	38,679	34,791
2	Rooms	4,619	4,414
3	Food and beverage	6,938	5,859
4	Other	848	831
5	Total revenue	51,084	45,895
6	Less: promotional allowances (Note 10)	6,419	5,399
7	Net revenue	44,665	40,496
	Costs And Expenses:		
8	Cost of goods and services	23,202	21,517
9	Selling, general, and administrative	10,817	8,459
10	Provision for doubtful accounts	201	(69)
11	Total	34,220	29,907
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	10,445	10,589
13	Depreciation and amortization	924	845
	Charges from affiliates:		
14	Interest	2,564	1,947
15	Management fees	---	(29)
16	Other	11,610	10,442
17	Interest expense - external	2,549	2,390
18	Income (Loss) From Operations	(7,202)	(5,006)
19	Nonoperating income (expense) - net	5,560	5,198
20	Investment alternative tax and related income (expense) - net.....	(152)	(141)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(1,794)	51
22	Provision (Credit) for income taxes	-0-	-0-
23	Income (Loss) Before Extraordinary Items	(1,794)	51
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-0-	-0-
25	Net Income (Loss)	\$ (1,794)	\$ 51

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 Nine MONTHS ENDED September 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 88		19 87	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	(par value \$.10, authorized Common Stock: & outstanding 1000 shares)		\$		\$
1	Beginning balance (January 1)	1,000	1	1,000	1
2	Sale of stock				
3	.....			
4	Ending balance	1,000	1	1,000	1
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		4,999		4,999
10	.....			
11	.....			
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)		(73,730)		(58,392)
26	Prior period adjustments				
27	Net income (loss)		(12,584)		(8,242)
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance		(86,314)		(66,634)
32	Ending Stockholders' Equity		\$(81,314)		\$(61,634)

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 Nine MONTHS ENDED September 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

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

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 Ninem MONTHS ENDED September 30, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ (12,584)	\$ (8,242)
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	1,781	1,580
31	Amortization of other assets.....	842	957
32	Amortization of debt discount or premium.....	291	248
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....		
35	(Gain) loss on disposition of property and equipment.....	169	-0-
36	(Gain) loss on casino reinvestment obligations.....	389	331
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	(4,053)	(1,210)
39	Net (increase) decrease in inventories.....	611	(350)
40	Net (increase) decrease in other current assets.....	40	(456)
41	Net (increase) decrease in other assets.....	(171)	14
42	Net increase (decrease) in accounts payables.....	735	(1,114)
43	Net increase (decrease) in other current liabilities excluding debt.....	3,644	(18,400)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	7,115	28,453
45	<u>Deferred Interest Receivable and Discount</u>	(2,420)	(2,790)
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ (3,611)	\$ (979)

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

48	Acquisition Of Property And Equipment:		
49	Additions to property and equipment.....	\$ 1,460	\$ 1,316
50	Less: Capital lease obligations incurred.....		
	Cash Outflows For Property And Equipment.....	\$ 1,460	\$ 1,316
	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-	\$ -0-
	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-

STATEMENTS OF CASH FLOWS

FOR THE Nine MONTHS ENDED September 30, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ (3,611)	\$ (979)
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Purchase outflows for property and equipment.....	(1,460)	(1,316)
5	Proceeds from disposition of property and equipment.....		
6	Purchase of casino reinvestment obligations.....	(1,270)	(1,186)
7	Purchase of other investments and loans/advances made.....	(1,328)	(1,215)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	2,878	426
9	Cash outflows to acquire business entities.....		
10	<u>Reclassification of Receivable to Short Term</u>	2,455	66
11	.....	
12	Net Cash Provided (Used) By Investing Activities.....	1,275	(3,225)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	4,700	4,950
14	Payments to settle short-term debt.....	-0-	(1,500)
15	Cash proceeds from issuance of long-term debt.....	-0-	131
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(3,000)	(1,000)
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....		
21	.....	
22	.....	
23	Net Cash Provided (Used) By Financing Activities.....	1,700	2,581
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(636)	(1,623)
25	Cash And Cash Equivalents At Beginning Of Period.....	4,953	5,127
26	Cash And Cash Equivalents At End Of Period.....	\$ 4,317	\$ 3,504

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

27	Cash Paid During Period For:		
28	Interest (net of amount capitalized).....	\$ 12,526	\$ 12,676
	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.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements
SEPTEMBER 30, 1988 and 1987

(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 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 and certain existing agreements and certain Webb Commitments were amended on March 17, 1986.

On October 27, 1988, New Claridge entered into an agreement to restructure, (the "Restructuring Agreement"). The parties to the Restructuring Agreement include New Claridge, the Corporation, the Partnership (together with New Claridge and the Corporation, the "Claridge Entities"), Webb, DEWNJ and New Claridge's First Mortgage Lenders (the "Bank"). The restructuring contemplated by the Restructuring Agreement is intended to strengthen the financial position of New Claridge and to terminate Webb's association with the Claridge. Upon the closing under the Restructuring Agreement (which is expected to occur on March 31, 1989), the principal amount of the First Mortgage will be reduced from approximately \$91.5 million to an amount not to exceed \$75 million, Webb will forgive all indebtedness owed to it by the Claridge Entities, DEWNJ will transfer to the Partnership the land upon which the Claridge is located, Webb will be relieved of its obligations to the Claridge Entities, the Bank will provide a revolving line of credit, and the Claridge Entities

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

will have a contingent obligation to pay Webb certain amounts, up to \$20 million plus interest, upon a sale or refinancing by any of the Claridge Entities. Pending the closing of the Restructuring Agreement, the Bank has agreed to provide an interim line of revolving credit in the amount of \$5 million, which Webb has agreed to guaranty. The closing of the transactions contemplated by the Restructuring Agreement is contingent on a number of conditions, including approval of the restructuring and related transactions by the Class A Shareholders of the Corporation and by the limited partners of the Partnership. The closing of the restructuring is also conditioned on the holders of at least two-thirds of the Class A shares of the Corporation and of at least two-thirds in interest of the limited partners in the Partnership giving a release to Webb (and other parties) from potential liabilities relating to the Claridge. Solicitation of the approval and release of the Class A Shareholders will be effected by a proxy statement expected to be filed with the Securities and Exchange Commission in the near future.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements are prepared in accordance with generally accepted accounting principles. The financial statements do not include any adjustments relating to the proposed Claridge restructuring or to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the restructuring not occur or should New Claridge be unable to continue in existence.

(b) Cash

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

(c) Casino Receivables and Revenues

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

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(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.

(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.

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. During the nine months ended September 30, 1988, \$1,638,000 in principal payments were made.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(3) Investments, Advances, and Receivables

Investments, Advances, and Receivables at September 30, 1988 and 1987 are summarized as follows:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
\$127,000,000 Expandable Wraparound Mortgage 14%, maturities through September 30, 2000 (net of \$16,283,000 discount and \$16,450,000 discount at September 30, 1988 and 1987, respectively)	\$109,967	110,550
Deferred interest receivable, due September 30, 2000	19,250	16,000
FF & E promissory note, 14%	11,411	11,518
FF & E promissory note - expansion, 14%	15,144	15,787
Reinvestment Obligations	<u>4,939</u>	<u>3,868</u>
	160,711	157,723
Less Current Installments	<u>6,378</u>	<u>643</u>
	<u>\$154,333</u>	<u>157,080</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. Principal payments required under the Expandable Wraparound Mortgage commenced in 1988. During the nine months ended September 30, 1988, \$750,000 in principal payments were made.

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. During the nine months ended September 30, 1988, \$1,638,000 in principal payments were made.

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 September 30, 1988 \$6,833,000 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 \$2,373,000 to date of which \$389,000 was recorded during the nine months ended September 30, 1988. 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 September 30, 1988 and 1987 is \$479,000 and \$424,000 respectively.

(4) Other Assets

Other assets at September 30, 1988 and 1987 consist of the following:

	1988	1987
	(in thousands)	
Intangible assets and deferred charges (net of amortization of \$7,456,000 and \$6,319,000 at September 30, 1988 and 1987, respectively).	\$ 786	1,827
Refundable deposits, non-current	79	-0-
	<u>\$ 865</u>	<u>1,827</u>

(5) Other Accrued Expenses

Other accrued expenses at September 30, 1988 and 1987 consist of the following:

	1988	1987
	(in thousands)	
Progressive jackpot liability	\$ 2,847	3,504
Accrued payroll and related benefits	4,703	4,490
Accrued interest payable	2,490	636
Other	2,889	2,249
	<u>\$12,929</u>	<u>10,879</u>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(6) Other Current Liabilities

Other current liabilities at September 30, 1988 and 1987 consist of the following:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Receivable financing obligation (note 3)	\$ -0-	4,000
Due to affiliates	5,188	2,901
Other	<u>3,382</u>	<u>2,534</u>
	<u>\$ 8,570</u>	<u>9,435</u>

(7) Long-term Debt

Long term debt at September 30, 1988 and 1987 consists of the following:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
First Mortgage Note, prime plus 1%, or LIBOR plus 2%, or unadjusted LIBOR plus 2.25%, maturities to 1993 (a)	\$ 90,431	94,431
\$47,000,000 Purchase Money Second Mortgage 14%, due September 30, 2000 (net of \$15,252,000 and \$15,634,000 discount at September 30, 1988 and 1987, respectively)	31,748	31,366
Deferred interest payable, due September 30, 2000 (b)	11,622	11,622
Working capital line, prime or fixed rate determined by lender (c)	14,052	4,950
Unsecured 10% Note due December 31, 1989	<u>500</u>	<u>500</u>
	148,353	142,869

Less current installments

<u>18,427</u>	<u>8,950</u>
<u>\$129,926</u>	<u>133,919</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 September 30, 1988 \$90.4 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.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

Other Nonoperating Income (Expense - Net)

(c) Pursuant to the Management Agreement as amended on March 17, 1986, Del 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 if such credit becomes unavailable, to provide such funds to New Claridge. As of September 30, 1988 and 1987, \$14,052,000 and \$4,950,000 respectively, had been advanced.

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 September 30, 1988 and 1987 consist of the following:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Deferred rent	\$ 54,585	48,856
Deferred fees	32,491	22,016
Management fees abated	3,425	3,425
Capital lease obligations (Total obligations of \$273,000 and \$699,000 less current portion of \$273,000 and \$390,000 at September 30, 1988 and 1987, respectively).	<u>-0-</u>	<u>309</u>
Total	<u>\$ 90,501</u>	<u>74,606</u>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

Complimentary Services

(9) Other Nonoperating Income (Expense - Net)

Other nonoperating income (expense) - net for the nine months ended September 30, 1988 and 1987 consists of the following (in thousands):

	<u>1988</u>	<u>1987</u>
Interest Income - Wraparound Mortgage	\$16,528	15,573
Interest Income - Other	254	178
Other Nonoperating income/(expense)	(71)	(82)
Loss on Disposal of Assets	(169)	-0-
Total	\$16,542	15,669

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash & Tokens	458,450	\$4,712,286
Travel	6,129	343,445
Parking	18,208	129,234
Other	10,654	70,156
Total	493,441	\$5,255,121

the nine months ended September 30, 1988

Promotional Allowances

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	47,746	\$4,095,439
Food	918,029	7,706,454
Beverage	844,979	4,242,494
Showroom	108,597	922,903
Total	1,919,351	\$16,967,290

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash and Tokens	965,292	\$10,804,915
Travel	15,486	949,791
Parking	50,712	323,739
Other	68,224	341,696
Total	1,099,714	\$12,420,141

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

(10) Complimentary Services

Complimentary services for the three months and nine months ended September 30, 1988 are summarized as follows:

For the three months ended September 30, 1988

Promotional Allowances

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	20,358	\$1,693,761
Food	362,341	2,863,189
Beverage	251,735	1,543,189
Showroom	34,082	319,315
Total	<u>668,516</u>	<u>\$6,419,454</u>

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of		
Cash & Tokens	458,450	\$4,712,286
Travel	6,129	343,445
Parking	18,208	129,234
Other	10,654	70,156
Total	<u>493,441</u>	<u>\$5,255,121</u>

For the nine months ended September 30, 1988

Promotional Allowances

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	47,746	\$4,095,439
Food	918,029	7,706,454
Beverage	844,979	4,242,494
Showroom	108,597	922,903
Total	<u>1,919,351</u>	<u>\$16,967,290</u>

Promotional Expenses

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of		
Cash and Tokens	965,292	\$10,804,915
Travel	15,486	949,791
Parking	50,712	323,739
Other	68,224	341,696
Total	<u>1,099,714</u>	<u>\$12,420,141</u>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(11) Operating Lease

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

Minimum future lease payments under the Operating Lease as of September 30, 1988 are as follows (in thousands):

10/01/88 - 9/30/89	\$ 31,268
10/01/89 - 9/30/90	34,262
10/01/90 - 9/30/91	34,909
10/01/91 - 9/30/92	35,776
10/01/92 - 9/30/93	36,824
Later Years	<u>211,470</u>
Total Minimum	<u>\$384,509</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 nine months ended September 30, 1988 and 1987 rental expense for all operating leases amounted to \$31,891,000 and \$29,125,000 respectively, of which \$3,485,000 and \$6,733,000 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

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

to a formula. The total Expansion Operating Lease to be paid for 1988 is \$4,026,000. 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 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 September 30, 1988 and 1987 is comprised of the following:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Current:		
Federal	\$-0-	-0-
State	-0-	-0-
Deferred	<u>-0-</u>	<u>-0-</u>
	<u>\$-0-</u>	<u>-0-</u>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

Investment Obligation

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

	1988	1987
	(in thousands)	
Federal income tax at statutory rates	\$(4,279)	(3,297)
Goodwill amortization not deductible for tax purposes	230	270
Unrecognized tax benefit of loss carryforward	4,049	3,027
	<u>\$ -0-</u>	<u>-0-</u>

Litigation

New Claridge is included in the consolidated income tax return of its parent, the Corporation. At September 30, 1988 and 1987 there were available net operating loss carryforwards of \$82,905,000 and \$63,195,000. These losses result primarily from expenses for fees and rents which are not currently recognized for tax purposes. If such losses result in a reduction of income tax liability at a future date, the benefit will be recognized as an extraordinary item at the time. In addition, there were approximately \$1,041,000 in unused tax credits.

(13) Contingencies

- (a) New Claridge's plenary casino license was renewed effective October 31, 1988 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. The financial stability of New Claridge was the major issue and the relicensing was based, in part, on the execution of the Restructuring Agreement. The Commission also imposed certain conditions upon New Claridge which require the Claridge to provide certain financial information and periodic updates to the Commission as to the status of the restructuring and sale efforts.

On March 15, 1988 the appeals were heard by the United States Court of Appeals for the Third Circuit, in Philadelphia, PA. It was the decision of the Court of Appeals to uphold the District Court's decision that the New Claridge violated the Fair Labor Standards Act. With respect to the Department of Labor's Appeal the Court of Appeals did not render a decision but rather remanded the case to the District Court for further clarification.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(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 September 30, 1988 and 1987 New Claridge's obligation is \$333,000 through December 31, 1988.

(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 amount 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.

On March 16, 1988 the appeals were heard by the United States Court of Appeals for the Third Circuit, in Philadelphia, PA. It was the decision of the Court of Appeals to uphold the District Court's decision that the New Claridge violated the Fair Labor Standards Act. With respect to the Department of Labor's Appeal the Court of Appeals did not render a decision but rather remanded the case to the District Court for further clarification.

DEL WEBB'S CLAIRIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

New Claridge petitioned the Third Circuit Court for a re-hearing en banc and was denied. New Claridge then filed a petition requesting that the case be heard by the United States Supreme Court. On October 31, 1988 the petition was denied. The matter will revert back to the District Court.

(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 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. Effective January 1, 1988 the agreement with DEWNJ was further amended to abate management fees and interest on deferred management fees through December 31, 1988. At September 30, 1988, New Claridge had deferred fees and interest of \$32,491,000. As of September 30, 1988 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 September 30, 1988 and 1987, \$14,052,000 and \$4,950,000, respectively, of the credit line was in use.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
 DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(UNAUDITED)
 (\$ IN THOUSANDS)

Management fees earned by DEWNJ for the nine months ended September 30, 1988 and 1987 amounted to \$-0- and \$43,000, respectively.

(b) Webb and DEWNJ have direct and material interest in the Purchase Money Second Mortgage and other indebtedness of New Claridge. For the nine months ended September 30, 1988 and 1987 interest expense due to affiliates was \$7,334,000 and \$6,013,000, respectively.

(c) New Claridge purchases from Webb and DEWNJ certain services including insurance and other miscellaneous services. The costs of these services for the nine months ended September 30, 1988 and 1987 amounted to \$3,110,000 and \$2,852,000, 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 nine months ended September 30, 1988 and 1987 New Claridge has earned interest income of \$16,528,000 and \$15,573,000, respectively, and incurred lease expense of \$30,644,000 and \$28,230,000, respectively.

UNAUDITED PATRONS' CHECKS ACTIVITY

DESCRIPTION (a)	AMOUNT (b)
Balance on January 1	\$ 2,199
Checks issued (excluding counter checks issued through transactions involving consolidations, partial redemptions, substitutions, and patrons' checks)	63,267
Checks returned prior to deposit (excluding the unredeemed portion of counter checks issued through partial redemptions, and excluding checks returned through transactions relating to consolidations, substitutions, and patrons' checks)	(50,815)
Checks collected through deposits	(10,065)
Checks transferred to returned checks	(2,584)
Other adjustments	\$ 2,002
Balance included in Balance On Line 16	\$ -0-
Provision for Uncollectible Patrons' Checks	\$ 508
Provision as a Percent of Counter Checks Issued	\$ 8

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

September 30 19 88

(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	2,002		
2	Returned patrons' checks	2,744		
3	Total patrons' checks	4,746	\$ 2,530	\$ 2,216
4	Hotel Receivables	847	90	757
5	Other Receivables:			
	Receivables due from officers and employees.....	7		
6	Receivables due from affiliates	12,543		
7	Other accounts and notes receivables	324		
8	Total other receivables	12,874	25	12,849
9	Totals (Form 205).....	\$ 18,467	\$ 2,645	\$ 15,822

Sr. Vice President of Finance

UNDEPOSITED PATRONS' CHECKS ACTIVITY		AMOUNT
LINE (f)	DESCRIPTION (g)	(h)
10	Beginning Balance (January 1)	\$ 2,199
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	63,267
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)	(50,815)
13	Checks collected through deposits	(10,065)
14	Checks transferred to returned checks	(2,584)
15	Other adjustments	
16	Ending Balance	\$ 2,002
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 506
19	Provision As A Percent Of Counter Checks Issued .....	.8

STATEMENT OF CONFORMITY AND ACCURACY

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

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

deposes and says:

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

Jean I. Abbott
 Signature

Sr. Vice President of Finance
 Title

01717-11
 License Number

On Behalf Of:

Subscribed and sworn to
 before me this 15th day
 of November, 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 6, 1993

Basis of Authority
 to Take Oaths

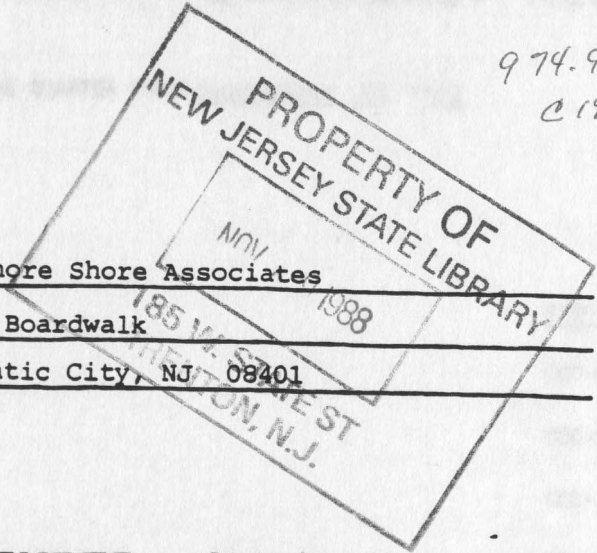
HOTEL STATISTICS

FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	504	15,431	13,480	\$ 60.96	87.4%	25,404	\$ 32.35
FEBRUARY	504	14,229	11,175	\$ 71.52	78.5%	21,061	\$ 37.95
MARCH	504	15,415	12,418	\$ 66.30	80.6%	23,189	\$ 35.50
1ST QUARTER TOTALS		45,075	37,073	\$ 65.93	82.2%	69,654	\$ 35.09
APRIL	504	15,013	14,551	\$ 74.88	96.9%	27,634	\$ 39.43
MAY	504	15,460	14,050	\$ 81.11	90.9%	27,012	\$ 42.19
JUNE	504	14,993	13,649	\$ 83.32	91.0%	26,719	\$ 42.56
2ND QUARTER TOTALS		45,466	42,250	\$ 79.68	92.9%	81,365	\$ 41.38
JULY	504	15,572	14,726	\$ 120.40	94.6%	30,209	\$ 58.69
AUGUST	504	15,673	14,192	\$ 115.20	90.6%	29,817	\$ 54.83
SEPTEMBER	504	15,096	14,008	\$ 86.71	92.8%	29,420	\$ 41.29
3RD QUARTER TOTALS		46,341	42,926	\$ 107.69	92.6%	89,446	\$ 51.68
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

QUARTERLY REPORT

974.901
C193.1



LICENSEE Elsinore Shore Associates
ADDRESS 2500 Boardwalk
Atlantic City, NJ 08401

FOR THE QUARTER ENDED September 30, **1988**

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



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT . . .** R. Bruce McKee
OFFICIAL TITLE. Vice President, Finance/Controller
ADDRESS 2500 Boardwalk
Atlantic City, NJ 08401

BALANCE SHEETS

TRADING NAME OF LICENSEE Elsinore's Atlantis Casino Hotel

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED September 30, 1988

	(a) 19 88	(a) 19 87
Current Assets:		
Cash	10,559	16,455
Marketable securities		
Accounts and notes receivable		
Accounts - 19 88	459	
Accounts - 19 87		
Prepaid expenses and other current assets		
Balance Sheets		
Statements of Income (Year-to-Date)		
Statements of Income (Three Months)		
Statements of Changes in Stockholders' Equity		
Statements of Changes in Partners' or Proprietor's Equity		
Statements of Cash Flows		
Notes to Financial Statements		
Schedule of Receivables and Patrons' Checks		
Statement of Conformity and Accuracy		
LIABILITIES AND EQUITY		
Accounts payable and accrued		
Other accrued expenses		
Other current liabilities		
Total current liabilities		
Liabilities Subject to Chapter 11 Proceedings (Note 7)		
Long-Term Debts:		
Due to affiliates		
Other		
Deferred credits		
Other liabilities		
Commitments, Contingencies, Reinvestment Obligations and		
Pro Forma Financial Information (Notes 8, 9 & 10)		
Total Liabilities	181,901	277,274
Stockholders', Partners', or Proprietor's Equity	(39,098)	(126,638)
Total Liabilities And Equity	\$ 142,803	\$ 150,636

The accompanying notes are an integral part of the financial statements. Your attention is directed to note without using abbreviations in the notes.

BALANCE SHEETS

Sept. 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 88	(d) 19 87
ASSETS			
	Current Assets:		
1	Cash (Note 8E).....	\$ 10,559	\$ 16,455
2	Marketable securities		
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 88, \$ 1,459 ; 19 87, \$ 1,422)	786	1,079
4	Inventories (Note 1)	1,707	1,390
5	Prepaid expenses and other current assets (Note 3)	1,101	1,057
6	Total current assets	14,153	19,981
7	Investments, Advances, And Receivables (Note 9)	9,212	2,358
8	Property And Equipment - Net (Note 4)	118,952	123,708
9	Other Assets	486	4,289
10	Total Assets	\$ 142,803	\$ 150,336
LIABILITIES AND EQUITY			
	Current Liabilities:		
11	Accounts payable	\$ 4,515	\$ 3,055
12	Notes payable	-	-
	Current portion of long-term debt:		
13	Due to affiliates (Note 7)	2,500	3,976
14	Other (Note 7)	2,155	
15	Income taxes payable and accrued		
16	Other accrued expenses (Note 5)	7,835	6,114
17	Other current liabilities (Note 6)	1,236	1,105
18	Total current liabilities	18,241	14,250
	Liabilities Subject to Chapter 11 Proceedings (Note 7)		262,924
	Long-Term Debt:		
19	Due to affiliates (Note 7)	141,894	
20	Other (Note 7)	21,766	
21	Deferred Credits		
22	Other Liabilities		
23	Commitments, Contingencies, Reinvestment Obligations and Pro Forma Financial Information (Notes 8, 9 & 13)		
24	Total Liabilities	181,901	277,174
25	Stockholders', Partners', Or Proprietor's Equity (Deficit)	(39,098)	(126,838)
26	Total Liabilities And Equity	\$ 142,803	\$ 150,336

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

STATEMENTS OF INCOME

FOR THE 9 MONTHS ENDED Sept. 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino	\$ 63,636	\$ 60,993
2	Rooms	6,642	6,987
3	Food and beverage	10,803	11,008
4	Other	2,629	1,982
5	Total revenue	83,710	80,970
6	Less: promotional allowances (Note 10)	(8,400)	(7,244)
7	Net revenue	75,310	73,726
	Costs And Expenses:		
8	Cost of goods and services	55,527	55,755
9	Selling, general, and administrative	21,403	14,479
10	Provision for doubtful accounts	23	45
11	Total	76,953	70,279
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	(1,643)	3,447
13	Depreciation and amortization	5,716	5,827
	Charges from affiliates:		
14	Interest (Note 7)	10,780	10,662
15	Management fees		
16	Other Corporate Overhead (Note 8B)	336	318
17	Interest expense - external	788	770
18	Income (Loss) From Operations	(19,263)	(14,130)
19	Nonoperating income (expense) - net	(2,011)	(2,335)
20	Investment alternative tax and related income (expense) - net (Note 9)	(266)	(252)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(21,540)	(16,717)
22	Provision (Credit) for income taxes		
23	Income (Loss) Before Extraordinary Items	(21,540)	(16,717)
24	Extraordinary items (net of income taxes - Chapt. 11 Reorganiza- 19__, \$ N/A ; 19__, \$ N/A) tion (Note 12).....	3,993	
25	Net Income (Loss)	\$ (17,547)	\$ (16,717)

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

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

STATEMENTS OF INCOME AND STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED Sept. 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:	\$	\$
1	Casino	24,976	20,829
2	Rooms	2,648	2,829
3	Food and beverage	4,049	3,486
4	Other	939	900
5	Total revenue	32,612	28,044
6	Less: promotional allowances (Note 10).....	(2,836)	(2,539)
7	Net revenue	29,776	25,505
	Costs And Expenses:		
8	Cost of goods and services	20,207	18,634
9	Selling, general, and administrative	9,357	5,365
10	Provision for doubtful accounts	5	(66)
11	Total	29,569	23,933
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	207	1,572
13	Depreciation and amortization	1,937	1,888
	Charges from affiliates:		
14	Interest (Note 7).....	3,629	3,560
15	Management fees		
16	Other ...Corporate Overhead..... (Note 8B).....	113	93
17	Interest expense - external	260	248
18	Income (Loss) From Operations	(5,732)	(4,217)
19	Nonoperating income (expense) - net	(470)	(956)
20	Investment alternative tax and related income (expense) - net.(Note 9)	(104)	(85)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(6,306)	(5,258)
22	Provision (Credit) for income taxes		
23	Income (Loss) Before Extraordinary Items	(6,306)	(5,258)
24	Extraordinary items (net of income taxes - Chapter 11 Reorgan- 19__, \$; 19__, \$) sation (Note 12).....	3,993	
25	Net Income (Loss)	\$ (2,313)	\$ (5,258)

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

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE 9 MONTHS ENDED Sept. 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>88</u>		19 <u>87</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 STATEMENT IS NOT APPLICABLE
The accompanying notes are an integral part of the
financial statements. Valid comparisons cannot be made
without using information contained in the notes.

TRADING NAME OF LICENSEE Elsinore's Atlantis Casino Hotel

STATEMENTS OF CASH FLOWS

TRADING NAME OF LICENSEE Elsinore's Atlantis Casino Hotel

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE 9 MONTHS ENDED Sept. 30, 19 88 AND 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$ 20	\$ 20
2	Additional capital invested (Contributed Pursuant to Plan of Reorganization)	116,892	
3			
4	Ending balance	116,912	20
	Accumulated Income (Loss):		
5	Beginning balance (January 1) ... (Loss)	(138,463)	(110,141)
6	Prior period adjustments		
7	Net income (loss)	(17,547)	(16,717)
8			
9	Ending balance	(156,010)	(126,858)
	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)	\$ (39,098)	\$ (126,838)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

STATEMENTS OF CASH FLOWS

FOR THE 9 MONTHS ENDED Sept. 30, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ 460	\$ 1,101
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Purchase outflows for property and equipment.....	(1,559)	(1,828)
5	Proceeds from disposition of property and equipment.....	24	91
6	Purchase of casino reinvestment obligations.....	(3,659)	(755)
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.....	(5,194)	(2,492)
	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.....	2,500	
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	<u>Increase in Current Portion Ltd Due</u>		
22	<u>Affiliates Prior to Reorganization</u>	1,952	1,689
23	Net Cash Provided (Used) By Financing Activities.....	4,452	1,689
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(282)	(298)
25	Cash And Cash Equivalents At Beginning Of Period	10,841	16,157
26	Cash And Cash Equivalents At End Of Period.....	\$ 10,559	\$ 15,859

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

27	Cash Paid During Period For:		
28	Interest (net of amount capitalized).....	\$ 502	\$ 503
	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 9 MONTHS ENDED Sept. 30, 1988 and 1987
(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ (17,547)	\$ (16,717)
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	5,716	5,827
31	Amortization of other assets.....	3,027	149
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	61
36	(Gain) loss on casino reinvestment obligations.....	266	252
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	319	692
39	Net (increase) decrease in inventories.....	(295)	65
40	Net (increase) decrease in other current assets.....	125	514
41	Net (increase) decrease in other assets.....	710	15
42	Net increase (decrease) in accounts payables.....	464	618
43	Net increase (decrease) in other current liabilities excluding debt.....	1,793	(1,999)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.. <u>Increase in Liabilities Subject to...</u>		
45	<u>Chapter 11 Proceedings (Pre-Reorganization) \$13,493</u>		
46	<u>Net of \$7,611 in Items Incl. in Gain on Reorgan-</u>	5,882	11,624
47	<u>zation.</u> Net Cash Provided (Used) By Operating Activities.....	\$ 460	\$ 1,101

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 2,554	\$ 1,828
49	Less: Capital lease obligations incurred.....	(995)	
50	Cash Outflows For Property And Equipment.....	\$ 1,559	\$ 1,828
	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.....	\$ N/A	\$ N/A
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$116,892	\$
58	Less: Issuances to settle long-term debt.....	(116,892)	
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ 0	\$ N/A

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

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), then 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 were operating as debtors-in-possession as well as Elsinore Finance Corporation, a wholly-owned subsidiary of Elsinore (EFC) (collectively, the Debtors) under Chapter 11 of the Bankruptcy Code until September 30, 1988 (Note 2).

As a result of the consummation of the Plan (hereinafter defined) (Note 2), PEI became a 15% owner of Elsub. ENJ owns an 84.3% interest in EAC, which, in turn, owns 54.3% of the Partnership. PEI effectively owns approximately 14% of the Partnership while Elsinore controls approximately 78%.

Elsinore has engaged an investment banking firm as advisor in the disposition of its equity interests in the Partnership.

Basis of presentation:

The financial statements have been prepared on the basis of principles of accounting applicable to a going concern. Accordingly, except as described in Note 4, 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, 1989 and comply with licensing conditions imposed by the CCC, and, in addition, generate sufficient cash flow from operations until the sale or other disposition of the Atlantis is effected.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

1. Summary of significant accounting policies (continued):

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.

Inventories:

Inventories are stated at cost.

	1988	1987
	(In thousands)	
Food and beverage provisions	\$ 597	\$ 543
Gift shop merchandise	147	93
Supplies	<u>963</u>	<u>754</u>
	<u>\$1,707</u>	<u>\$1,390</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 4). 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.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

2. Chapter 11 proceedings:

Primarily as a result of the filing of an involuntary petition for reorganization against Elsub, under Chapter 11 of the United States Bankruptcy Code (Code), the Partnership filed a voluntary petition for reorganization under Chapter 11 of the Code on November 14, 1985. Since then, 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).

After receiving requisite approvals from the Bankruptcy Court and creditors, an order confirming the Third Amended Joint Plan of Reorganization, as modified, (Plan) was entered on June 30, 1988. Transactions contemplated by the Plan were consummated on September 30, 1988, (the "Effective Date"). Major features of the Plan include:

- ° \$20,000,000 of the \$40,000,000 of new institutional borrowings by Elsinore and \$55,000,000 of the 15 1/2% New Senior Mortgage Bonds due 1999 (the New Bonds) together with \$15,000,000 of proceeds from the sale of Hyatt Lake Tahoe Hotel and Casino (owned by Hyatt Tahoe, Inc., a wholly-owned subsidiary of Elsinore) were used to effectively redeem \$90,000,000 of existing 15 1/2% Senior Mortgage Bonds due 1999 (the "Bonds").
- ° Satisfaction of interest on the Bonds, evidenced by the Coupons attached to the New Bonds (collectively the "Coupons") and some future interest payments on the New Bonds, in cash by EFC or by Elsinore, at the option of Elsinore, in shares of Elsinore's Common Stock, no par value (the "Common Stock"), pursuant to a Common Stock Formula contained in the New Bonds and the Coupons. The election was made by the Company to satisfy the interest due November 1, 1988 pursuant to the New Bonds and the 1988 Coupon, with the issuance of Common Stock.
- ° Payments to unsecured creditors of ESA of approximately \$1,500,000 and \$6,750,000 in cash and notes, respectively. In partial satisfaction of various obligations and other claims, Playboy Enterprises, Inc. ("PEI"), one of the unsecured creditors, also received such number of shares of New Elsub Common Stock (as defined in the Plan) to constitute 15% of the Common Stock of Elsub on the Effective Date.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

2. Chapter 11 proceedings (continued):

- Receipt by Elsinore of a note in the approximate principal amount of \$60,000,000 (the "Elsinore Note") for interest and principal payments made on behalf of ESA, on the Bonds and other debt, which is subordinate in payment to the rights of the New Bonds and priority notes issued pursuant to the Plan, and a subrogation claim for the \$15,000,000 partial redemption of New Bonds, which is subordinate in payment to the rights of the New Bonds.
- Issuance by Elsinore on the Effective Date of 8,955,140 shares of Common Stock to the holders of the Bonds in satisfaction of interest on the Bonds for the period July 1, 1986 to December 31, 1986 (\$8,912,500).
- Elsinore is no longer obligated to provide financial or other support to any of its subsidiaries that were in reorganization except to the extent that the New Jersey Casino Control Commission (the "CCC") requires, and the new institutional lenders permit such support. The Company's obligations with respect to guaranteed payment of the principal and interest on the New Bonds and the Coupons is now limited solely to the issuance of Common Stock pursuant to a Common Stock Formula contained in the New Bonds and Coupons.

Other Accrued Expenses:

3. Prepaid Expenses

	1988	1987
	(in thousands)	
Taxes other than income	\$ 895	\$ 939
Payroll	49	38
Progressive jackpot	(in thousands)	
Benefits	1,502	1,309
Insurance expenses	\$ 263	\$ 322
Slot machine tax	523	525
Advertising	53	92
Contracts	\$ 115	\$ 98
Other	147	20

6. Other Current Liabilities:

	1988	1987
	(in thousands)	
Reinvestment obligation	\$ 313	\$ 254
Unredeemed chips	240	199
Slot tokens	294	243
Other	389	409
	<u>\$ 1,236</u>	<u>\$ 1,105</u>

EL SINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

4. Property and equipment:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Land	\$ 11,121	\$ 11,121
Buildings and improvements	146,046	138,981
Furniture, fixtures and equipment	30,111	34,434
	<u>\$187,278</u>	<u>\$184,536</u>
Accumulated depreciation	(56,440)	(48,980)
Reserve for devaluation of building & improvements	(12,737)	(12,737)
	<u>\$118,101</u>	<u>\$122,819</u>
China, glass, silver, linen, net	851	889
Total property and equipment (net)	<u>\$118,952</u>	<u>\$123,708</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:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Taxes other than income	\$ 895	\$ 939
Payroll	1,149	686
Progressive jackpot	989	683
Benefits	1,502	1,389
Chapter 11 expenses	2,194	1,001
Other	1,112	1,416
	<u>\$ 7,835</u>	<u>\$ 6,114</u>

6. Other Current Liabilities:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Reinvestment obligation	\$ 313	\$ 254
Unredeemed chips	240	199
Slot tokens	294	243
Other	389	409
	<u>\$ 1,236</u>	<u>\$ 1,105</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

Long Term Debt (continued):

7. Long Term Debt:

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 discharge under the Plan. 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 by orders of the Bankruptcy Court.

As contemplated by the Plan, ESA entered into certain notes and agreements on the Effective Date in satisfaction of Allowed Claims (as defined in the Plan). Liabilities previously classified as subject to Chapter 11 proceedings have become restructured as described below.

Long Term Debt - Due to Affiliates

Long term debt - due to affiliates as of September 30, 1988 consisted of the following:

Elsinore Finance Corporation:		
- Note payable	(A)	\$ 55,000
- Note payable	(A)	15,000
- Subordinated note payable	(B)	59,791
- Deferred interest payable	(A)	12,103
Elsinore Corporation:		
- Working capital loan	(C)	2,500
Less: Current portion		(2,500)
		<u>\$141,894</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

7. Long Term Debt (continued):

- (A) A \$70,000,000 note with attached coupon of \$12,103,000 to EFC (the "New ESA Note"). Interest on the new ESA Note is due semi-annually at a rate of 15 1/2%; however, by virtue of the Elsinore \$15,000,000 Subrogation Claim, only interest on \$55,000,000 will be paid currently, with the balance accrued and paid on the fifth anniversary of the effective date. Principal repayment terms are substantially similar to those of the New Bonds. The New ESA Note is secured by a mortgage and security interest encumbering the Atlantis, the Atlantis Improvements and the Additional Collateral (all as defined in the indenture pursuant to which the New Bonds were issued, the "New Indenture") which includes all land, buildings and improvements and all furniture, furnishings, operating equipment and supplies, fixtures and machinery. The liens and security interests granted under the Security Documents (defined in the New Indenture) relating to the Additional Collateral are subordinate and junior to liens and security interests granted to repay up to \$5,000,000 in principal amount of the Working Capital Loan (hereinafter defined) together with interest and fees, costs and expenses thereon or payable in connection therewith.

Prior to the Effective Date ESA had issued its note to EFC secured by a mortgage on the Atlantis, which collateralized bonds issued by EFC. These bonds were effectively redeemed with cash and with the issuance of the New Bonds by EFC on the Effective Date. The Plan and New Indenture provide for interest at a rate of 10% on the outstanding principal balance of the New Bonds from the Effective Date to be paid optionally in cash by EFC or in Common Stock by Elsinore, at the sole election of Elsinore, semi-annually until December 31, 1988 and for the period January 1, 1989 through November 30, 1989 payable semi-annually only in cash. Additionally the Plan and the New Indenture provide for interest at a rate of 5 1/2% on the outstanding principal balance of the New Bonds for the period commencing on the Effective Date through November 30, 1989 to be paid at any time prior to December 1, 1989 either in cash by EFC or in Common Stock by Elsinore at Elsinore's sole election; provided, however, that to the extent such deferred interest is not paid prior to December 1, 1989, such unpaid interest shall be payable only by Elsinore in Common Stock on December 1, 1989. Interest at a rate of 15 1/2% is payable semi-annually only in cash for the period commencing December 1, 1989 and thereafter. All Common Stock issued in satisfaction of interest on the New Bonds will be issued pursuant to Elsinore's

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

7. Long Term Debt (continued):

guarantee in accordance with the Common Stock Formula contained in the New Bonds. The Coupons (attached to the New Bonds) are payable optionally in cash by EFC or in Common Stock by Elsinore at the sole election of Elsinore pursuant to the Common Stock Formula contained in the Coupons. The 1989 Coupon is optionally payable any time prior to December 1, 1989 either in cash by EFC or in Common Stock by Elsinore, however, if not paid prior to December 1, 1989, the 1989 Coupon shall be satisfied only with the issuance of Common Stock by the Company on December 1, 1989. The election was made by the Company to satisfy the interest payment due November 1, 1988 on the New Bonds and payment of the 1988 Coupon with the issuance of Common Stock.

The New ESA Note and mortgage are assigned to and held by U.S. Trust Company of New York (the "Indenture Trustee") for the benefit of the holders of the New Bonds, until all principal and interest on the New Bonds have been paid in full.

The New Bonds are redeemable on or after the Effective Date at the option of EFC, in whole or in part, together with accrued interest. The redemption price prior to December 1, 1989 is 100% of face value and for the twelve month period beginning December 1, 1989 is 106% of face value and decreases thereafter to 100% of face value in 1994 and thereafter. Prior thereto, under certain circumstances, mandatory partial redemptions are required in the event of the sale of any real property consisting of the Additional Collateral within 60 days following the consummation of such sale and, if the Atlantis is sold or otherwise disposed of to a person other than a Qualified Purchaser (as defined in the New Indenture), EFC shall redeem all of the outstanding New Bonds as provided in the New Bonds and the New Indenture within 60 days following the consummation of such sale. Sinking fund payments, sufficient to retire annually approximately \$4 million principal amount of New Bonds commence May 1992 through November 1993 and commencing May 1994 and thereafter such sinking fund payments increase to retire annually approximately \$9.6 million principal amount of New Bonds. EFC may, from time to time, reduce the principal amount of New Bonds required to be redeemed pursuant to the sinking fund payments discussed above, by the principal amount of all redemptions of New Bonds, (including the \$15,000,000 redemption in connection with the sale of the Hyatt Lake Tahoe) other than redemptions pursuant to the ordinary mandatory redemptions.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

7. Long Term Debt (continued):

(B) A 9% note to EFC in the principal amount of \$59,791,000 (the "EFC Note") due on the sale of the Atlantis which is subordinate and junior in all respects including right of payment to the Superior Indebtedness (as defined in the EFC Note). During the first five years interest is payable only from Excess Cash Flow (as defined in the Plan). Any interest not paid shall be deferred and paid in five equal installments commencing on the sixth anniversary of the Effective Date. Upon the sale of the Atlantis, amounts available to pay the EFC Note will be shared such that \$.80 will be applied to payment of the EFC Note, \$.10 will be applied to payment of the Fidelity Parity Note (hereinafter defined) and \$.10 will be applied to payment of the Playboy Parity Note (hereinafter defined) until the Playboy Parity has been satisfied in full, at which time \$.90 will be applied to payment of the EFC Note and \$.10 will be applied to payment of the Fidelity Parity Note until the Fidelity Parity Note has been satisfied in full.

(C) A promissory note at a rate of prime plus 2% evidencing advances from Elsinore for working capital purposes up to a maximum principal amount of \$7,000,000 (the "Working Capital Loan"). The provision of such Working Capital Loan by Elsinore is required pursuant to a condition placed by the CCC on ESA's casino license. On the Effective Date, the Company advanced \$2,500,000 pursuant to the Plan. Interest on the outstanding principal balance of the Working Capital Loan is payable monthly and the principal is due upon notice by Elsinore.

Aggregate annual maturities of long term debt - due to affiliates are as follows:

<u>Year ending December 31</u>	<u>Amount</u>
1989	\$ --
1990	--21,766
1991	--
1992	4,000
1993	4,000
Thereafter	<u>133,894</u>
	<u>\$ 141,894</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

Long Term Debt (continued):

7. Long Term Debt (continued):

Interest charges from affiliates for the nine months ended September 30, 1988 and 1987 were as follows:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
EFC	\$10,463	\$10,463
Elsinore	<u>317</u>	<u>199</u>
Total	<u>\$10,780</u>	<u>\$10,622</u>

Long Term Debt - Due to Others

Long term debt - due to others as of September 30, 1988 consisted of the following:

	<u>1988</u>
Playboy Enterprises, Inc.	(A) \$ 1,500
First Fidelity Bank	(B) 4,250
Trade creditors	(C) 2,154
Casino Reinvestment Development Authority	(D) 6,286
City of Atlantic City	(E) 2,023
Various federal and state agencies	(F) 1,004
Georgia Avenue mortgages	(G) 5,940
Capitalized leases	(H) <u>764</u>

23,921

Less: Current portion

(2,155)

\$ 21,766

(A) Two 9% notes from ESA to PEI each in the principal amount of \$750,000 (the "Playboy Priority Note" and the "Playboy Parity Note"). The entire principal amount of the Playboy Priority Note is payable on the earlier of the sale of the Atlantis or the fifth anniversary of the Effective Date. The Playboy Parity Note is payable in five equal installments of principal commencing on the sixth anniversary of the Effective Date. During the first five

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

7. Long Term Debt (continued):

- years, interest on the Playboy Priority Note and Playboy Parity Note is payable only from Excess Cash Flow. Any interest not paid shall be deferred and paid in five equal installments commencing on the sixth anniversary of the Effective Date. PEI also received on the Effective Date 15% of the Elsub Common Stock and approximately \$500,000 in cash.
- (B) Two 9% notes from ESA to First Fidelity Bank National Association, New Jersey. One note in the principal amount of \$2,150,000 (the "Fidelity Priority Note"), of which the entire principal amount is payable on the earlier of the sale of the Atlantis or the fifth anniversary of the Effective Date, and one note in the principal amount of \$2,100,000 (the "Fidelity Parity Note"), payable in five equal annual installments of principal commencing on the sixth anniversary of the Effective Date. During the first five years, interest on the Fidelity Priority Note and Fidelity Parity Note is payable only from Excess Cash Flow. Any interest not paid shall be deferred and paid in five equal installments commencing on the sixth anniversary of the Effective Date.
- (C) A 9% note from ESA in the principal amount of \$1,000,000 to unsecured creditors (the "Trade Note") of which the entire principal amount is payable on the earlier of the sale of the Atlantis or the fifth anniversary of the Effective Date. During the first five years, interest on the Trade Note is payable only from Excess Cash Flow. Any interest not paid shall be deferred and paid in five equal installments commencing on the sixth anniversary of the Effective Date. Additionally, in accordance with the Plan, unsecured creditors will receive approximately \$1,000,000 in cash.
- (D) An agreement was entered into on the Effective Date by ESA with the Casino Reinvestment Authority ("CRDA") regarding payment of pre-petition investment obligations. The agreement provides for the approximate principal amount of \$6,286,000 plus interest on the unpaid principal at a rate of 2%, to be paid quarterly over approximately eight years. Principal installments approximate \$625,000 per annum through 1993.
- (E) An agreement was entered into on the effective date by ESA with the City of Atlantic City regarding payment of pre-petition property taxes. The agreement provides for the approximate principal amount of \$2,023,000 plus interest at a rate of 9.5% to be paid quarterly over seven years, with interest only payable during the first three years.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

7. Long Term Debt (continued):

(F) Consists of payroll, sales and gross revenue taxes payable quarterly with interest (9.5 - 10%) over periods up to six years from the Effective Date.

(G) In connection with the acquisition of additional land and improvements in Atlantic City during 1983, the Partnership assumed/issued additional mortgage notes. Terms were modified on the Effective Date pursuant to the Plan.

	<u>Note A</u>	<u>Note B</u>
	(In thousands)	
Stated interest rate	7½%	7½%
Principal balance face amount	\$ 252	\$6,024
Less unamortized discount based on imputed interest of 12%	13	323
	<u>\$ 239</u>	<u>\$5,701</u>
Installment payments	\$ 8	\$ 63
Frequency	quarterly	monthly
Due date	11/01/99	9/28/99
Final payment	\$ 8	\$1,357

(H) Various capitalized lease obligations covering equipment. Installments are payable monthly with interest ranging between 12.5% through 21.75%.

Aggregate annual maturities of long term debt - due others are as follows:

<u>Year ending December 31</u>	<u>Amount</u>
1989	\$ 1,107
1990	1,205
1991	1,276
1992	1,465
1993	5,462
Thereafter	<u>11,921</u>
	<u>\$22,436</u>
1990	221
1991	158
1992	159
1993	4,238
Thereafter	4,238

Rent expense charged to operations for the nine months ended September 30, 1988 and 1987 was \$668,000 and \$794,000, respectively.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

8. Commitments and contingencies:

a. Claims and lawsuits:

The Partnership is party to various claims and lawsuits arising in the normal course of business. Those claims and lawsuits filed prior to the filing of the voluntary petition 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. Certain litigation disclosed in prior financial statements which is no longer disclosed has been withdrawn or settled in conjunction with consummation of the Plan.

- b. ESA entered into an agreement on the Effective Date with Elsinore (the "Parent Services Agreement") pursuant to which Elsinore, or a subsidiary thereof, will provide certain services to ESA for a fixed monthly fee of \$50,000 to be accrued but not paid during the first 26 months and thereafter a fee equal to the greater of \$50,000 per month or one percent of gross revenue to be made current and paid currently thereafter by ESA, only if interest is paid currently on the New bonds (Note 7) in cash.

Prior to the Effective Date, Elsinore charged the Partnership for fees equal to actual costs incurred including payroll, travel and other administrative overhead. Charges from affiliates for the nine months ending September 30, 1988 and 1987 were \$336,000 and \$318,000, respectively.

c. Lease commitments:

Subject to the effects of the Chapter 11 proceedings, future minimum rental payments at September 30, 1988, 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 September 30</u>	<u>Amount</u> (in thousands)
1989	\$ 301
1990	287
1991	221
1992	158
1993	159
Thereafter	4,238

Rent expense charged to operations for the nine months ended September 30, 1988 and 1987 was \$668,000 and \$794,000, respectively.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

8. Commitments and contingencies (continued):

d. Pension plans:

The Partnership makes contributions to several multi-employer defined benefits pension plans covering substantially all unionized employees. Amounts charged against operations and contributed to the Plan for the nine months ended September 30, 1988 and 1987 amounted to \$190,000 and \$210,000, respectively. Information from the Plan's administrators is not sufficient to permit the Partnership to determine its share of unfunded vested benefits, if any.

e. License renewal and conditions:

On April 14, 1988, 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. The Partnership is also required to obtain CCC approval prior to securing new financing or entering into certain agreements. Additionally, Elsinore was required to make available to the Partnership a \$7,000,000 line of credit. If certain of the conditions are not maintained, the CCC has the authority to reopen the licensing hearings.

ESA's current license expires on April 14, 1989. 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. 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 reinsured by third party carriers. At September 30, 1988 and 1987, the Partnership has reserved \$283,000 and \$278,000 respectively, for estimated incurred but unreported claims.

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.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

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. In the interim, the Partnership has deposited its post-1983 reinvestment funds with the State Treasurer. The State has agreed to pay interest on the reinvestment deposits at a rate approximating one third less than market. The bonds are also expected to bear interest at less than market, with the discount changing with market conditions, until the bonds are issued.

As part of the Plan, the Partnership has entered into a consent order with the CRDA, which was approved by the Bankruptcy Court on March 24, 1988. The agreement provides that the Partnership will satisfy its \$6,286,299 pre-petition tax obligation in annual installments (payable quarterly), not later than 1996.

The Partnership's net investment at September 30, 1988 and 1987 consists of (in thousands):

		1988	1987
Atlantic City Housing Project Bonds-due 2028, 6.07-6.14% per annum interest rate, face amount		\$ 1,457	\$ 1,457
Deposits with the state		10,678	4,106
Allowance for decrease in market value		(2,923)	(3,205)
		<u>\$ 9,212</u>	<u>\$ 2,358</u>

(1) Other Expense

Sales & Promotion	\$ 338,000
Other	125,000
	<u>\$ 463,000</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

10. Promotional Allowances and Expenses

Promotional Allowances and Expenses consist of the following for the nine months ended September 30, 1988:

	<u>Promotional Allowance</u>		<u>Promotional Expense</u>	
	<u># of Recipients</u>	<u>Amount</u>	<u># of Recipients</u>	<u>Amount</u>
Rooms	33,016	\$ 1,017,000		
Food	437,057	3,108,000		
Beverage	2,113,591	3,135,000		
Quarters			629,022	\$ 6,012,000
Tokens			295,808	6,060,000
Travel			195,766	1,999,000
Theater	206,928	898,000		
Other	102,753	242,000	36,709	1,179,000 ⁽¹⁾
Total	2,893,345	\$ 8,400,000	1,157,305	\$15,250,000

(1) Other Expense

Sales & Promotion	\$ 828,000
Other	351,000
	<u>\$ 1,179,000</u>

Promotional Allowances and Expenses consist of the following for the three months ended September 30, 1988:

	<u>Promotional Allowance</u>		<u>Promotional Expense</u>	
	<u># of Recipients</u>	<u>Amount</u>	<u># of Recipients</u>	<u>Amount</u>
Rooms	13,290	\$ 375,000		
Food	149,506	981,000		
Beverage	810,205	1,170,000		
Quarters			52,391	\$ 308,000
Tokens			295,808	6,060,000
Travel			25,436	308,000
Theater	58,221	227,000		
Other	36,895	83,000	11,206	463,000 ⁽¹⁾
Total	1,068,117	\$ 2,836,000	384,841	\$ 7,139,000

(1) Other Expense

Sales & Promotion	\$ 338,000
Other	125,000
	<u>\$ 463,000</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

11. Pro forma financial information:

11. Nonoperating income (expense) - net consists of the following for the nine months ended September 30, 1988 and 1987:

	1988	1987
Interest Income	\$ 503,000	\$ 896,000
Chapter 11 Expenses (1)	(2,608,000)	(2,828,000)
Other, Net	94,000	(403,000)
TOTAL	(\$ 2,011,000)	(\$ 2,335,000)

(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. Extraordinary item:

In connection with the consummation of the Plan and the restructuring of debt, the partnership fully amortized its deferred costs associated with 1984 mortgage financing in the approximate amount of \$2.9 million. Also in connection with the Plan, the Partnership has realized a gain on the settlement of liabilities in the amount of \$6.9 million. Since certain claims are not yet resolved, the gain is subject to adjustment. These items have been recorded in the accompanying statements of income as extraordinary items.

	Historical	Effect of Plan	Pro Forma
Depreciation and amortization	5,716		5,716
Interest	11,568	13,617 (2)	14,236
Corporate overhead	336	450 (1)	450
		(336)(1)	
Income (loss) from operations	(19,263)		(22,045)
Non-operating income (expense) net	(2,011)	(2,608)(3)	397
Investment alternative tax and related income (expense)	(266)		(266)
Net income (loss)	(\$ 21,540)		(\$ 21,714)

ELSINORE SHORE ASSOCIATES
 NOTES TO FINANCIAL STATEMENTS
 FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

13. Pro forma financial information:

The following pro forma condensed statement of operations of the Partnership, as of September 30, 1988, gives effect to the consummation of the Plan as if it had occurred on January 1, 1988. The pro forma condensed statement has been prepared based upon the historical financial statements of the Partnership and may not be indicative of the results that actually would have occurred if the Plan had been consummated on the date indicated or which may be attained in the future. The pro forma condensed statement of operations should be read in conjunction with the accompanying financial statements.

PRO FORMA CONDENSED STATEMENT OF OPERATIONS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1988
 (IN THOUSANDS)

	<u>Historical</u>	<u>Effect of Plan</u>	<u>Pro Forma</u>
Total revenue	\$ 75,310		\$ 75,310
Costs and expenses	<u>76,953</u>		<u>76,953</u>
Income (loss) before depreciation and amortization, charges from affiliates, and interest	(\$ 1,643)		(\$ 1,643)
Depreciation and amortization	5,716		5,716
Interest	11,568	13,617 (2) (10,949)(2)	14,236
Corporate overhead	336	450 (1) (336)(1)	450
Income (loss) from operations	(19,263)		(22,045)
Non-operating income (expense) net	(2,011)	(2,608)(3)	597
Investment alternative tax and related income (expense)	(266)		(266)
Net income (loss)	<u>(\$ 21,540)</u>		<u>(\$ 21,714)</u>

ELSINORE SHORE ASSOCIATES
 NOTES TO FINANCIAL STATEMENTS
 SCHEDULE OF PATRONS' CHECKS
 FOR THE QUARTERS ENDED SEPTEMBER 30, 1988 AND 1987

Sept. 30, 19 88

13. Pro forma financial information:

(1) To reflect the replacement of \$336,000 of parent company allocation of overhead expenses in 1988 with \$450,000 of Elsinore Corporation management fees according to Parent Services Agreement. During the first 26 months, the fee shall be accrued but not paid and thereafter the fee shall be paid only if interest on the New Bonds, as defined in ESA's Plan of Reorganization, is then current and being paid in full in cash.

(2) To reflect additional interest due partner and affiliates and others on the new debt issued under the Plan (including interest that will be deferred) and to eliminate expenses for interest due on liabilities subject to Chapter 11 proceedings.

(3) To eliminate administrative and other expenses attributable to Chapter 11 proceedings.

LINE	DESCRIPTION	1988	1987	1986
1	Patrons' Checks			
2	Unredeemed			
3	Returned patrons' checks	1,141		
4	Total patrons' checks	426	7	419
5	Other receivables			
6	Accounts receivable			
7	Prepaid expenses			
8	Other receivables due from affiliates	0		
9	Other accounts and notes receivables	247		
10	Total other receivables	247	0	348
11	Total (Form 105)	\$ 2,245	\$ 1,459	\$ 766

LINE	DESCRIPTION	AMOUNT
(a)	(b)	
1	Beginning Balance (January 1)	\$ 666
2	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	11,151
3	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)	(8,149)
4	Checks collected through deposits	(2,641)
5	Checks transferred to returned checks	(65)
6	Other adjustments	
7	Ending Balance	\$ 410
8	Bad Checks included in Balance On Line 7	\$ 0
9	Provision For Uncollectible Patrons' Checks	\$ 0
10	Provision As A Percent Of Counter Checks Issued	0

STATEMENT OF CONFORMITY AND ACCURACY
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

STATE OF NEW JERSEY

Sept. 30, 19 88

COUNTY OF ATLANTIC

(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	430		
2	Returned patrons' checks	1,141		
3	Total patrons' checks	1,571	\$ 1,452	\$ 119
4	Hotel Receivables	426	7	419
	Other Receivables:			
5	Receivables due from officers and employees.....	1		
6	Receivables due from affiliates	0		
7	Other accounts and notes receivables	247		
8	Total other receivables	248	0	248
9	Totals (Form 205).....	\$ 2,245	\$ 1,459	\$ 786

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 666
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	11,151
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)	(8,149)
13	Checks collected through deposits	(2,643)
14	Checks transferred to returned checks	(595)
15	Other adjustments	
16	Ending Balance	\$ 430
17	"Hold" Checks Included In Balance On Line 16	\$ 0
18	Provision For Uncollectible Patrons' Checks	\$ 0
19	Provision As A Percent Of Counter Checks Issued	0

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

R. Bruce McKee

Signature
 R. Bruce McKee

Vice President, Finance/Controller
 Title

0548-11
 License Number

On Behalf Of:

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

Anne Dalessandro
 Signature

Elsinore Shore Associates
 Casino Licensee

ANNE DALESSANDRO
 NOTARY PUBLIC OF NEW JERSEY
 My Commission Expires July 30, 1989

Basis of Authority
 to Take Oaths

HOTEL STATISTICS

FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	500	14,971	9,321	\$ 53.87	62.3%	17,530	\$ 28.64
FEBRUARY	500	14,230	12,005	\$ 49.81	84.4%	22,316	\$ 26.80
MARCH	500	14,419	12,648	\$ 44.97	87.7%	24,693	\$ 23.02
1ST QUARTER TOTALS		43,620	33,974	\$ 49.12	77.9%	64,539	\$ 25.86
APRIL	500	14,708	12,581	\$ 63.26	85.5%	24,871	\$ 32.00
MAY	500	15,165	12,046	\$ 65.18	79.4%	23,668	\$ 33.17
JUNE	500	14,563	12,174	\$ 61.12	83.6%	24,147	\$ 30.81
2ND QUARTER TOTALS		44,436	36,801	\$ 63.18	82.8%	72,686	\$ 31.99
JULY	500	15,121	13,521	\$ 70.75	89.4%	27,038	\$ 35.38
AUGUST	500	15,203	12,245	\$ 72.65	80.5%	24,205	\$ 36.75
SEPTEMBER	500	14,718	12,061	\$ 66.50	81.9%	23,359	\$ 34.33
3RD QUARTER TOTALS		45,042	37,827	\$ 70.01	84.0%	74,602	\$ 35.50
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

QUARTERLY REPORT

Source Greets Bay Hotel & Casino
Address Indiana Avenue & Brighton Park
Atlantic City, NJ 08401

FOR THE QUARTER ENDED September 30 1988

994-901
C193.1

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



PROPERTY OF
NEW JERSEY STATE LIBRARY
NOV 9 1988
185 W. STATE ST
TRENTON, N.J.

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

John R. Rau

OFFICIAL TITLE

Vice President, Finance

ADDRESS

Indiana Avenue & Brighton Park

Atlantic City, NJ 08401

BALANCE SHEETS

TRADING NAME OF LICENSEE Sands Hotel & Casino

LIST OF FORMS — QUARTERLY REPORT

FOR THE QUARTER ENDED September 30, 1988

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

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

BALANCE SHEETS

September 30 19 88 AND 1987

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 88	(d) 19 87
ASSETS			
	Current Assets:	\$	\$
1	Cash	15,914	15,886
2	Marketable securities	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 88, \$ 11,728 ; 19 87, \$ 11,366)	12,347	14,718
4	Inventories	2,206	1,579
5	Prepaid expenses and other current assets Note 8	4,280	4,784
6	Total current assets	34,747	36,967
7	Investments, Advances, And Receivables Note 9	12,298	7,491
8	Property And Equipment - Net Note 7	178,814	176,832
9	Other Assets	9,573	9,395
10	Total Assets	\$ 235,432	\$ 230,685
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	5,484	5,772
12	Notes payable	-	-
	Current portion of long-term debt:		
13	Due to affiliates Note 2	-	-
14	Other Note 2	2,105	55
15	Income taxes payable and accrued	187	10,468
16	Other accrued expenses Note 10	12,150	12,631
17	Other current liabilities Note 11	3,779	3,021
18	Total current liabilities	23,705	31,947
	Long-Term Debt:		
19	Due to affiliates Note 2	182,125	170,564
20	Other Note 2	5,049	504
21	Deferred Credits	2,894	1,323
22	Other Liabilities	-	831
23	Commitments And Contingencies Note 5		
24	Total Liabilities	213,773	205,169
25	Stockholders', Partners', Or Proprietor's Equity	21,659	25,516
26	Total Liabilities And Equity	\$ 235,432	\$ 230,685

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 1988 and 1987

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:	\$	\$
1	Casino	157,827	145,914
2	Rooms	7,359	7,282
3	Food and beverage	20,129	17,388
4	Other	5,237	3,226
5	Total revenue	190,552	173,810
6	Less: promotional allowances Note 12.....	17,785	14,895
7	Net revenue	172,767	158,915
	Costs And Expenses:		
8	Cost of goods and services	77,481	71,329
9	Selling, general, and administrative	57,966	49,646
10	Provision for doubtful accounts	2,458	1,245
11	Total	137,905	122,220
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	34,862	36,695
13	Depreciation and amortization	11,725	10,390
	Charges from affiliates:		
14	Interest Note 4.....	16,633	2,955
15	Management fees Note 4.....	4,496	4,577
16	Other	-	-
17	Interest expense - external	259	10,613
18	Income (Loss) From Operations	1,749	8,160
19	Nonoperating income (expense) - net Note 6.....	1,107	562
20	Investment alternative tax and related income (expense) - net.....	(748)	(1,022)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	2,108	7,700
22	Provision (Credit) for income taxes Note 3.....	1,912	4,341
23	Income (Loss) Before Extraordinary Items	196	3,359
24	Extraordinary items (net of income taxes - 1988, \$ - ; 1987, \$ 1,603) Note 13.....	-	1,928
25	Net Income (Loss)	\$ 196	\$ 1,431

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

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED September 30, 1988 and 1987

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 88	(d) 19 87
	Revenue:	\$	\$
1	Casino	59,092	52,626
2	Rooms	2,858	2,961
3	Food and beverage	7,403	6,541
4	Other	2,588	1,276
5	Total revenue	71,941	63,404
6	Less: promotional allowances Note 12	6,890	5,885
7	Net revenue	65,051	57,519
	Costs And Expenses:		
8	Cost of goods and services	28,830	25,314
9	Selling, general, and administrative	20,212	17,868
10	Provision for doubtful accounts	969	337
11	Total	50,011	43,519
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	15,040	14,000
13	Depreciation and amortization	4,036	3,248
	Charges from affiliates:		
14	Interest	5,635	2,955
15	Management fees	2,000	1,859
16	Other	-	-
17	Interest expense - external	193	1,782
18	Income (Loss) From Operations	3,176	4,156
19	Nonoperating income (expense) - net	476	251
20	Investment alternative tax and related income (expense) - net.....	(254)	(265)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	3,398	4,142
22	Provision (Credit) for income taxes	2,543	2,405
23	Income (Loss) Before Extraordinary Items	855	1,737
24	Extraordinary items (net of income taxes - 1988, \$ - ; 1987, \$ 1,603) Note 13	-	1,928
25	Net Income (Loss)	\$ 855	\$ (191)

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 Nine MONTHS ENDED September 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 88		19 87	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	(No par value: Common Stock: .100 authorized shares)		\$		\$
1	Beginning balance (January 1)	100	3,500	100	3,500
2	Sale of stock				
3	.....			
4	Ending balance	100	3,500	100	3,500
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending Balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		21,355		38,679
10	Dividends		(1,617)		(16,363)
11	Residual-Going Private Costs		-		538
12	Ending balance		19,738		22,854
	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)		(1,775)		1,459
26	Prior period adjustments		196		1,431
27	Net income (loss)		()		(3,860)
28	Dividends		-		132
29	Residual-Going Private Costs		-		
30	.....			
31	Ending balance		(1,579)		(838)
32	Ending Stockholders' Equity		\$ 21,659		\$ 25,516

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

TRADING NAME OF LICENSEE Sands Hotel & Casino

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE Nine MONTHS ENDED September 30, 19 88 AND 1987

(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 Nine MONTHS ENDED September 30, 1988 and 1987
 (UNAUDITED)
 (\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ 2,730	\$ 19,145
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Purchase outflows for property and equipment.....	(13,183)	(21,814)
5	Proceeds from disposition of property and equipment.....		
6	Purchase of casino reinvestment obligations.....	(1,941)	(1,793)
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	<u>Other Pushdown for PR&E</u>	-	(670)
11			
12	Net Cash Provided (Used) By Investing Activities.....	(15,124)	(24,277)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	2,104	-
14	Payments to settle short-term debt	(37)	(16,562)
15	Cash proceeds from issuance of long-term debt.....	17,457	183,687
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(1,850)	-
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....	(1,617)	(20,223)
21	<u>Retirement of L/T Debt</u>	-	(137,226)
22	<u>Other Pushdown for Equity</u>	-	670
23	Net Cash Provided (Used) By Financing Activities.....	16,057	10,346
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	3,663	5,214
25	Cash And Cash Equivalents At Beginning Of Period	12,251	10,672
26	Cash And Cash Equivalents At End Of Period.....	\$ 15,914	\$ 15,886

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

27	Cash Paid During Period For:		
	Interest (net of amount capitalized).....	\$ 16,892	\$ 13,568
28	Income taxes.....	\$ 9,051	\$ 2,251

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, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 196	\$ 1,431
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	10,535	10,390
31	Amortization of other assets.....	1,190	-
32	Amortization of debt discount or premium.....	270	-
33	Deferred income taxes - current.....	542	81
34	Deferred income taxes - noncurrent.....	(7,681)	406
35	(Gain) loss on disposition of property and equipment.....		
36	(Gain) loss on casino reinvestment obligations.....	748	1,022
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	3,191	4,702
39	Net (increase) decrease in inventories.....	(208)	(408)
40	Net (increase) decrease in other current assets.....	(111)	665
41	Net (increase) decrease in other assets.....	(1,301)	(5,157)
42	Net increase (decrease) in accounts payables.....	(3,131)	(4,192)
43	Net increase (decrease) in other current liabilities excluding debt.....	(1,046)	(1,856)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	-	446
45			
46	(Increase) decrease in Investments Advances & Receivables.....	(464)	11,615
47	Net Cash Provided (Used) By Operating Activities.....	\$ 2,730	\$ 19,145

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 13,183	\$ 21,814
49	Less: Capital lease obligations incurred.....		
50	Cash Outflows For Property And Equipment.....	\$ 13,183	\$ 21,814
	Acquisition Of Business Entities:		
51	Property and equipment acquired.....	\$	\$
52	Goodwill acquired.....		
53	Net assets acquired other than cash, goodwill, and property and equipment.....		
54	Long-term debt assumed.....		
55	Issuance of stock or capital invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$	\$
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$	\$

SANDS HOTEL & CASINO

(A Wholly Owned Subsidiary of Greater Bay Casino Corporation)

Notes to Financial Statements

(unaudited)

Note 1 - Omission of Duplicate Footnote Disclosures

During the nine month period ended September 30, 1988, there were no changes in the Company's significant accounting policies as previously reported. In addition, there are no significant differences in the footnotes presented herein versus those reported in the Company's annual report at December 31, 1987 to the Casino Control Commission.

Note 2 - Long-term Debt

Long-term debt as of September 30, 1988 and 1987 is as follows:

	1988	1987
Note Due to Affiliate (net of discount of \$2,105,000 and \$2,466,000 at September 30, 1988 and 1987, respectively) (A)	\$170,925,000	\$170,564,000

Note Due to Affiliate (C)	11,200,000	
---------------------------	------------	--

Construction Loan at 1% above prime rate (B)	6,650,000	
--	-----------	--

Mortgage notes:

at 10%	504,000	509,000
at 1.5% above prime rate	-	50,000

For the twelve month period ending September 30	189,279,000	171,123,000
---	-------------	-------------

Less: current portion	2,105,000	55,000
-----------------------	-----------	--------

Long-term debt	\$187,174,000	\$171,068,000
----------------	---------------	---------------

	=====	=====
	4,893,000	
	5,187,000	

Thereafter

\$189,279,000

- (A) During 1987, the Company completed a \$173,030,000 first mortgage financing transaction via an affiliate. Seven year notes bearing interest at 11.75% were issued at a discount. Interest only is payable during the first four years; and thereafter, principal, with interest, is payable monthly and will be amortized based on a 15-year repayment schedule with the unpaid balance of \$158,310,000 due during August 1994. Proceeds from the sale of the notes were used (i) to repay both the existing first mortgage and second mortgage note/revolving line of credit, (ii) for payment of related fees and closing costs, and (iii) provide cash for casino operations. Substantially all of the Company's assets are pledged as collateral for this mortgage.
- (B) During December 1987, the Company entered into two unsecured loan agreements with a certain bank. One of the agreements is for a \$7,000,000 loan, the proceeds of which were used to finance a certain construction project at the Sands. The loan is being repaid in monthly principal installments of \$175,000 plus interest through October 1991 and bears interest at 1% over the bank's prime lending rate. The second agreement is for a \$3,000,000 revolving line of credit which is available to the Company for its working capital purposes. This line of credit is subject to annual renewal commencing April 30, 1989 and bears interest at 1% above the bank's prime rate. There was no outstanding balance on this line at September 30, 1988.
- (C) During February 1988, the Company borrowed funds of \$11,200,000 from an affiliate company to satisfy its tax sharing agreement with Pratt Hotel Corporation (PHC) and to pay loan fees incurred during the \$173,030,000 first mortgage financing transaction. Interest only is payable semi-annually at a rate of 16.5%. Principal is due in full March 31, 1998.

Maturities of long-term debt at September 30, 1988 for each of the succeeding five years are as follows:

For the twelve month period ending September 30	Principal Payment
1989	\$ 2,105,000
1990	2,106,000
1991	2,461,000
1992	4,893,000
1993	5,107,000
Thereafter	<u>172,607,000</u>
	\$189,279,000
	=====

Note 3 - Income Taxes

The components of the provision for income taxes for the nine months ended September 30, 1988 and 1987 are as follows:

	<u>1988</u>	<u>1987</u>
Federal Income Tax Expense Payable to Pratt Hotel Corp.		
Current	\$ 111,000	\$ 109,000
Deferred	1,370,000	3,401,000
State		
Current	431,000	173,000
Deferred	<u>-</u>	<u>658,000</u>
	<u>\$ 1,912,000</u>	<u>\$ 4,341,000</u>
	=====	=====

During the nine month period ended September 30, 1988, there were no significant changes in the Company's policies for accounting for income taxes as previously reported. 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.

Reconciliation of Cash Flow Statement to Footnote 3
(000's omitted)

<u>Account</u>	<u>Balance</u> <u>12/31/87</u>	<u>Provision</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/88</u>
Accrued Federal Taxes: Current	\$ (559)	\$ 111	\$ 558	\$ 110
Deferred	9,565	1,370	(9,609)	1,326
Accrued State Taxes: Current	(355)	431	-	76
Deferred	1,569	-	-	1,569

<u>Account</u>	<u>Balance</u> <u>12/31/86</u>	<u>Provision</u>	<u>Tax Benefit of</u> <u>Extraordinary</u> <u>Item</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/87</u>
Accrued Federal Taxes: Current	\$ 751	\$ 109	\$ (40)	\$(1,100)	\$ (280)
Deferred	8,663	3,401	(1,245)	-	10,819
Accrued State Taxes: Current	973	173	(66)	(1,151)	(71)
Deferred	917	658	(252)	-	1,323

Note 4 - Related Party Transactions

The Company has a Management Agreement with Pratt Hotel Management, Inc. ("PHMI"), a subsidiary of PHC. Pursuant to the Management Agreement, PHMI is responsible for the supervision, direction and control of the day-to-day operation of the hotel/casino. The agreement expires during 1991, at which time it may be extended if certain minimum operating results are achieved. In accordance with the provisions of this Management Agreement, PHMI is entitled to receive annually (i) a basic consulting fee of 1.5% of "adjusted gross revenues", as defined, and, (ii) if annual "gross operating profits", as defined, exceed \$5,000,000, incentive compensation of between 5% and 7.5% of gross operating profits in excess of certain stated amounts. Total charges to operations for the nine months ended September 30, 1988 and 1987 were \$4,496,000 and \$4,577,000 respectively. Consultant and incentive fees of \$554,000 and \$541,000 were due to PHMI at September 30, 1988 and 1987 respectively.

The Company has a License Agreement with FPI, (an affiliate) which entered into a parallel agreement with MGM Sands 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 \$220,000 and \$218,000 for the nine months ended September 30, 1988 and 1987, respectively. Such amounts are included in general and administrative expenses in the accompanying financial statements.

Included in the accompanying financial statements at September 30, 1988 and 1987 is \$30,000 and \$475,000, respectively, due from officers of the Company.

At September 30, 1988 and 1987, \$421,000 and \$566,000, respectively, was due from Greate Bay Hotel Corporation and at September 30, 1988 \$52,000 was due from Pratt Hotel Corporation. Also at September 30, 1988 the Company has \$53,000 due from Boardwalk Properties Hotel Corp., \$35,000 due from Pratt Hotel Management Corp., \$74,000 due from PCMI, \$96,000 due from San Juan Puerto Rico and \$475,000 due from FPI. All of these are affiliated entities. These amounts are included in receivables on the accompanying balance sheets.

For the nine months ended September 30, 1988 the Company paid \$15,248,000 in interest charges to Greate Bay Property Funding Corp. on the first mortgage notes and \$1,114,000 in interest charges to an affiliate company relating to the \$11,200,000 borrowings as discussed in note 2.

Note 5 - Commitments and Contingencies

The Company has incurred certain obligations under Section 144 of the Casino Control Act. Such investment obligations relating to 1983 in the amount of \$3,110,000 are payable on December 31, 1988.

Note 6 - Non-Operating Income (Expenses)

For the nine month period ended September 30, 1988 and 1987, Non-Operating Income of \$1,107,000 and \$562,000, respectively, are comprised entirely of interest income earned on temporary investments, and on deposits made with the Casino Reinvestment Development Authority pursuant to the Company's Casino Reinvestment obligations.

Note 7 - Property and Equipment

Property and equipment as of September 30, 1988 and 1987 consisted of the following:

	<u>1988</u>	<u>1987</u>
Land	\$ 36,179,000	\$ 36,179,000
Buildings	147,441,000	134,232,000
Furniture, fixtures and equipment	73,302,000	63,294,000
Construction in progress	<u>2,450,000</u>	<u>5,417,000</u>
	259,372,000	239,122,000
Less: accumulated depreciation and amortization	<u>80,558,000</u>	<u>62,290,000</u>
Total property and equipment	<u>\$178,814,000</u>	<u>176,832,000</u>

Note 8 - Prepaid Expenses and Other Current Assets

At September 30, 1988 and 1987, the line item Prepaid Expenses and Other Current Assets is comprised of the following:

	<u>1988</u>	<u>1987</u>
Prepaid advertising and promotions	\$ 587,000	\$ 784,000
Prepaid licenses and permits	553,000	609,000
Prepaid taxes	255,000	282,000
Miscellaneous prepaids	375,000	586,000
Prepaid air charters	106,000	152,000
Deposits	450,000	211,000
Prepaid insurance	567,000	738,000
Prepaid slot parts	238,000	255,000
Other deferred charges	929,000	940,000
Other	<u>220,000</u>	<u>227,000</u>
Total prepaid expenses and other current assets	<u>\$ 4,280,000</u>	<u>\$ 4,784,000</u>

Note 9 - Investments, Advances and Receivables

At September 30, 1988 and 1987, the line item Investments, Advances and Receivables is comprised of the following:

	<u>1988</u>	<u>1987</u>
CRDA Investments (net of allowance of \$4,135,000 and \$3,142,000 at September 30, 1988 and 1987, respectively)	\$11,321,000	\$ 6,969,000
Other	<u>977,000</u>	<u>522,000</u>
Total Investments, Advances and Receivables	<u>\$12,298,000</u>	<u>\$ 7,491,000</u>

Note 10 - Other Accrued Expenses

At September 30, 1988 and 1987, the line item Other Accrued Expenses is comprised of the following:

	<u>1988</u>	<u>1987</u>	
Accrued salaries and wages	\$ 900,000	\$ 1,513,000	
Accrued vacation	1,200,000	1,200,000	
Other accrued expenses	1,171,000	1,675,000	
Accrued interest on debt	1,528,000	1,468,000	
Accrued progressive slot machine jackpot	3,152,000	3,520,000	\$ 4,707,000
Accrued C.C.C. inspection fees	344,000	241,000	180,000
Accrued D.G.E. inspection fees	163,000	110,000	
Accrued casino license fees	168,000	120,000	14,822,000
Accrued insurance	1,477,000	1,227,000	2,968,000
F.I.C.A. payable	229,000	176,000	1,244,000
NJ Sales Tax	178,000	124,000	1,100,000
S.U.I payable	369,000	372,000	
Gaming revenue tax	188,000	196,000	\$24,701,000
Other	1,083,000	689,000	
Total other accrued expenses	\$ 12,150,000	\$ 12,631,000	

Note 11 - Other Current Liabilities

At September 30, 1988 and 1987, the line item Other Current Liabilities is comprised of the following:

	<u>1988</u>	<u>1987</u>	
Unredeemed gaming chips liability	\$ 477,000	\$ 367,000	\$1,543,000
Unredeemed token liability	143,000	136,000	
Casino customer deposits	744,000	160,000	3,000
Unclaimed wages	163,000	162,000	
Advance deposits	113,000	163,000	4,815,000
CRDA	722,000	663,000	1,075,000
Retainage on Construction	50,000	-	488,000
Due to affiliates	801,000	541,000	1,354,000
Deferred trade out liability	58,000	23,000	
Red Carpet Slot liability	398,000	501,000	
Other	110,000	305,000	
Total Other Current Liabilities	\$ 3,779,000	\$ 3,021,000	\$8,176,000

Note 12 - Extraordinary Item

In connection with the refinancing of the first and second mortgage notes/revolving line of credit during the third quarter of 1987, the Company reflected charges of \$1,923,000 relating to the early extinguishment of debt, net of related tax benefits amounting to \$1,803,000.

Note 12 - Promotional Allowances and Expenses

A summary of Promotional Allowances and Expenses incurred during the nine month period ended September 30, 1988 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	97,139	\$ 2,640,000		
Food	585,209	5,422,000		
Beverage	1,248,538	7,491,000		
Travel			17,486	\$ 4,707,000
Theatre	62,736	1,687,000		
Parking	39,777	318,000	20,029	160,000
Bus Tour Coupon				
Exchange Coin			836,148	14,822,000
Food Court - Other			376,162	2,668,000
Red Carpet Certificates			578,635	1,244,000
Other	28,318	<u>227,000</u>	42,115	<u>1,100,000</u>
Total Promotional Allowances and Expenses		<u>\$17,785,000</u>		<u>\$24,701,000</u>

A summary of Promotional Allowances and Expenses incurred during the three month period ended September 30, 1988 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	36,358	\$ 996,000		
Food	230,196	2,085,000		
Beverage	444,429	2,667,000		
Travel			6,645	\$1,543,000
Theatre	33,188	907,000		
Parking	19,022	152,000	459	3,000
Bus Tour Coupon				
Exchange Coin			298,338	4,615,000
Food Court - Other			154,805	1,075,000
Red Carpet Certificates			238,711	486,000
Other	10,408	<u>83,000</u>	20,114	<u>454,000</u>
Total Promotional Allowances and Expenses		<u>\$6,890,000</u>		<u>\$8,176,000</u>

Note 13 - Extraordinary Item

In connection with the refinancing of the first and second mortgage notes/revolving line of credit during the third quarter of 1987, the Company reflected charges amounting to \$1,928,000 relating to the early extinguishment of debt, net of related tax benefit amounting to \$1,603,000.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

September 30, 1988

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
	Patrons' Checks:	\$		
1	Undeposited patrons' checks	6,382		
2	Returned patrons' checks	15,147		
3	Total patrons' checks	21,529	\$ 11,651	\$ 9,878
4	Hotel Receivables	626	77	549
	Other Receivables:			
5	Receivables due from officers and employees.....	-		
6	Receivables due from affiliates	731		
7	Other accounts and notes receivables	1,189		
8	Total other receivables	1,920	-	1,920
9	Totals (Form 205).....	\$ 24,075	\$ 11,728	\$ 12,347

UNDEPOSITED PATRONS' CHECKS ACTIVITY		AMOUNT (h)
LINE (f)	DESCRIPTION (g)	
10	Beginning Balance (January 1)	\$ 9,005
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	177,388
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)	(133,991)
13	Checks collected through deposits	(39,480)
14	Checks transferred to returned checks	(6,540)
15	Other adjustments	-
16	Ending Balance	\$ 6,382
17	"Hold" Checks Included In Balance On Line 16	\$ -
18	Provision For Uncollectible Patrons' Checks	\$ 2,261
19	Provision As A Percent Of Counter Checks Issued	1.27 %

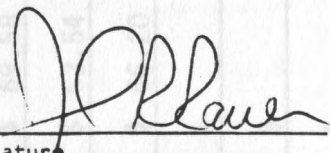
STATEMENT OF CONFORMITY AND ACCURACY

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

John R. Rauen, being duly sworn according to law upon my oath
 Name

deposes and says:

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



Signature

John R. Rauen
 Vice President, Finance

Title

866-11

License Number

On Behalf Of:

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

Paula L. Kraly
 Signature

Greate Bay Hotel & Casino, Inc.
 Casino Licensee

PAULA L. KRALY
 Notary Public of New Jersey
 My Commission Expires Nov. 2, 1992

Basis of Authority
 to Take Oaths

HOTEL STATISTICS

FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	500	15,500	12,190	\$ 52.00	78.6%	22,868	\$ 27.72
FEBRUARY	500	14,500	11,917	\$ 52.37	82.2%	22,600	\$ 27.62
MARCH	500	15,500	13,861	\$ 53.93	89.4%	26,352	\$ 28.37
1ST QUARTER TOTALS		45,500	37,968	\$ 52.82	83.4%	71,820	\$ 27.93
APRIL	500	15,000	13,690	\$ 56.70	91.3%	26,891	\$ 28.87
MAY	500	15,500	13,730	\$ 63.83	88.6%	24,959	\$ 35.11
JUNE	500	15,000	13,226	\$ 63.66	88.2%	23,683	\$ 35.55
2ND QUARTER TOTALS		45,500	40,646	\$ 61.37	89.3%	75,533	\$ 33.03
JULY	500	15,500	14,734	\$ 65.38	95.1%	26,776	\$ 35.97
AUGUST	500	15,500	14,559	\$ 69.58	93.9%	26,854	\$ 37.72
SEPTEMBER	500	15,000	13,872	\$ 63.54	92.5%	24,876	\$ 35.43
3RD QUARTER TOTALS		46,000	43,165	\$ 66.20	93.8%	78,506	\$ 36.40
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

TRADING NAME OF LICENSEE Marina's Marina Hotel Casino

QUARTERLY REPORT

974-901
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FOR THE QUARTER ENDED September 30 1988

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LICENSEE MARINA ASSOCIATES

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ATLANTIC CITY, NJ 08401

FOR THE QUARTER ENDED SEPTEMBER 30, 1988

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



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

GEORGE M. RINALDI

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE

ADDRESS

1725 BRIGANTINE BOULEVARD

ATLANTIC CITY, NJ 08401

108 THE 2 MONTHS ENDED 26/tempe/ 30, 10 88 HOTEL CIVILIC2

TRADING NAME OF LICENSEE

Harrah's Marina Hotel Casino

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED September 30 19 88

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

BALANCE SHEETS

September 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
ASSETS			
	Current Assets:	\$	\$
1	Cash	5,692	5,277
2	Marketable securities	-0-	-0-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$ 5,052 ; 19 <u>87</u> , \$ 6,841)	9,102	10,077
4	Inventories	2,756	2,376
5	Prepaid expenses and other current assets (Note 11)	2,612	6,570
6	Total current assets	20,162	24,300
7	Investments, Advances, And Receivables (Note 4)	213,077	120,226
8	Property And Equipment - Net (Note 2)	215,364	223,299
9	Other Assets	7,047	8,582
10	Total Assets	\$ 455,650	\$ 376,407
LIABILITIES AND EQUITY			
	Current Liabilities:	\$	\$
11	Accounts payable	2,404	1,792
12	Notes payable	-0-	-0-
	Current portion of long-term debt:		
13	Due to affiliates	-0-	-0-
14	Other (Note 3)	5	4
15	Income taxes payable and accrued	2,252	3,085
16	Other accrued expenses (Note 8)	13,907	13,530
17	Other current liabilities (Note 9)	790	532
18	Total current liabilities	19,358	18,943
	Long-Term Debt:		
19	Due to affiliates	-0-	-0-
20	Other (Note 3)	4	10
21	Deferred Credits	-0-	-0-
22	Other Liabilities (Note 10)	23,827	18,683
23	Commitments And Contingencies (Notes 5&6)		
24	Total Liabilities	43,189	37,636
25	Stockholders', Partners', Or Proprietor's Equity	412,461	338,771
26	Total Liabilities And Equity	\$ 455,650	\$ 376,407

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

TRADING NAME OF LICENSEE Harrah's Marina Hotel Casino

STATEMENTS OF INCOME

FOR THE 9 MONTHS ENDED September 30 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:	\$	\$
1	Casino	212,744	186,482
2	Rooms	17,307	15,999
3	Food and beverage	35,218	30,066
4	Other	6,592	5,614
5	Total revenue	271,861	238,161
6	Less: promotional allowances .....(Note 7).....	33,061	24,619
7	Net revenue	238,800	213,542
	Costs And Expenses:		
8	Cost of goods and services	122,564	115,681
9	Selling, general, and administrative	40,857	33,829
10	Provision for doubtful accounts	1,313	1,932
11	Total	164,734	151,442
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	74,066	62,100
13	Depreciation and amortization	9,840	9,921
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	-0-	-0-
16	Other .....(Note 13).....	-0-	501
17	Interest expense - external .....(Note 12).....	5	1,688
18	Income (Loss) From Operations	64,221	49,990
19	Nonoperating income (expense) - net	1,168	272
20	Investment alternative tax and related income (expense) - net.....	3	(943)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	65,392	49,319
22	Provision (Credit) for income taxes .....(Note 14).....	5,867	4,458
23	Income (Loss) Before Extraordinary Items	59,525	44,861
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-0-	-0-
25	Net Income (Loss)	\$ 59,525	\$ 44,861

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

TRADING NAME OF LICENSEE Harrah's Marina Hotel Casino

STATEMENTS OF INCOME PARTNERS'

FOR THE THREE MONTHS ENDED September 30 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:	\$	\$
1	Casino	80,098	73,349
2	Rooms	6,957	6,746
3	Food and beverage	13,632	12,848
4	Other	3,122	2,617
5	Total revenue	103,809	95,560
6	Less: promotional allowances (Note 7)	13,130	10,800
7	Net revenue	90,679	84,760
	Costs And Expenses:		
8	Cost of goods and services	43,367	42,773
9	Selling, general, and administrative	16,347	13,116
10	Provision for doubtful accounts	495	869
11	Total	60,209	56,758
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	30,470	28,002
13	Depreciation and amortization	3,253	3,338
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	-0-	-0-
16	Other (Note 13)	-0-	-0-
17	Interest expense - external (Note 12)	2	2
18	Income (Loss) From Operations	27,215	24,662
19	Nonoperating income (expense) - net	467	323
20	Investment alternative tax and related income (expense) - net.....	2	5
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	27,684	24,990
22	Provision (Credit) for income taxes (Note 14)	2,488	2,257
23	Income (Loss) Before Extraordinary Items	25,196	22,733
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-0-	-0-
25	Net Income (Loss)	\$ 25,196	\$ 22,733

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

TRADING NAME OF LICENSEE Harrah's Marina Hotel Casino

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE 9 MONTHS ENDED September 30 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Invested Capital:	\$	\$
1	Beginning balance (January 1)	141,594	31,763
2	Additional capital invested	-0-	109,831
3	.....	-0-	-0-
4	Ending balance	141,594	141,594
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	318,080	259,054
6	Prior period adjustments	-0-	-0-
7	Net income (loss)	59,525	44,861
8	.....	-0-	-0-
9	Ending balance	377,605	303,915
	Capital Withdrawals:		
10	Beginning balance (January 1)	(106,738)	(106,738)
11	Additional capital withdrawals	(-0-)	(-0-)
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	\$ 412,461	\$ 338,771

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 9 MONTHS ENDED September 30 1988 and 1987
(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 88	(d) 19 87
1	Net Cash Provided (Used) By Operating Activities.....	\$ 78,741	\$ 55,597
	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	Purchase outflows for property and equipment.....	(5,526)	(6,606)
5	Proceeds from disposition of property and equipment.....	2,691	256
6	Purchase of casino reinvestment obligations.....	(2,402)	(1,978)
7	Purchase of other investments and loans/advances made.....	(78,207)	(87,258)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	-0-	25,477
9	Cash outflows to acquire business entities.....	-0-	-0-
10	Accrued Interest - CRDA Bonds	121	(54)
11	Reduction of Long-Term Receivables	14	13
12	Net Cash Provided (Used) By Investing Activities.....	(83,309)	(70,150)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	-0-	-0-
14	Payments to settle short-term debt	-0-	-0-
15	Cash proceeds from issuance of long-term debt.....	-0-	-0-
16	Costs of issuing debt.....	-0-	-0-
17	Payments to settle long-term debt.....	(4)	(100,188)
18	Cash proceeds from issuing stock or capital contributions.....	-0-	109,831
19	Purchases of treasury stock.....	-0-	-0-
20	Payments of dividends or capital withdrawals.....	-0-	-0-
21	.....	-0-	-0-
22	.....	-0-	-0-
23	Net Cash Provided (Used) By Financing Activities.....	(4)	9,643
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(4,572)	(4,910)
25	Cash And Cash Equivalents At Beginning Of Period	10,264	10,187
26	Cash And Cash Equivalents At End Of Period.....	\$ 5,692	\$ 5,277

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

27	Cash Paid During Period For:		
	Interest (net of amount capitalized).....	\$ 5	\$ 1,688
28	Income taxes.....	\$ 6,018	\$ 3,127

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 9 MONTHS ENDED September 30 1988 and 1987
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 59,525	\$ 44,861
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	9,323	9,409
31	Amortization of other assets.....	517	512
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.....	38	500
36	(Gain) loss on casino reinvestment obligations.....	(3)	943
37	(Gain) loss from other investment activities.....	-0-	-0-
38	Net (increase) decrease in receivables and patrons' checks.....	863	502
39	Net (increase) decrease in inventories.....	(364)	350
40	Net (increase) decrease in other current assets.....	3,233	(5,529)
41	Net (increase) decrease in other assets.....	(99)	(938)
42	Net increase (decrease) in accounts payables.....	(73)	(94)
43	Net increase (decrease) in other current liabilities excluding debt.....	911	5,113
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	4,870	(32)
45	.....	-0-	-0-
46	.....	-0-	-0-
47	Net Cash Provided (Used) By Operating Activities.....	\$ 78,741	\$ 55,597

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 5,526	\$ 6,606
49	Less: Capital lease obligations incurred.....	-0-	-0-
50	Cash Outflows For Property And Equipment.....	\$ 5,526	\$ 6,606
	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-	\$ 109,831
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-	\$ 109,831

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 general 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, theater and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues. The cost of promotional allowances is charged to operations.

Inventories -

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

Property and Equipment -

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

- Buildings, leaseholds and improvements - 40 years
- Furniture, fixtures and equipment - 3 to 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 and expansion were deferred and charged to operations over a three-year period using the straight-line method.

Income Taxes -

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

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

HARRAH'S MARINA HOTEL CASINO
NOTES TO FINANCIAL STATEMENTS

Note 2: Property and Equipment

Property and equipment consist of the following:

	SEPTEMBER 30	
	1988	1987
Land and Land Improvements	\$ 26,404,000	\$ 29,032,000
Buildings, Leaseholds and Improvements	191,458,000	190,426,000
Furniture, Fixtures and Equipment	53,345,000	51,296,000
Construction in Progress	3,911,000	558,000
	<u>275,118,000</u>	<u>271,312,000</u>
Less Accumulated Depreciation	(59,754,000)	(48,013,000)
Property and Equipment, Net	<u>\$215,364,000</u>	<u>\$223,299,000</u>

Note 3: Long-Term Debt

Long-term debt consists of the following:

	SEPTEMBER 30	
	1988	1987
Capitalized Leases (a)	\$ 9,000	\$ 14,000
	9,000	14,000
Less Long-Term Debt due Within One Year	(5,000)	(4,000)
	<u>\$ 4,000</u>	<u>\$ 10,000</u>

(a) 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 September 30:

1989	\$ 5,000
1990	4,000
	<u>\$ 9,000</u>

Note 4: Investments, Advances and Receivables

	1988	1987
Notes Receivable	\$ 2,446,000	\$ 2,465,000
Invest. in CRDA Bonds - Net of Valuation Adj.	2,107,000	1,983,000
Reinvestment Obligation Deposits	16,199,000	9,534,000
Due from Affiliates	192,325,000	106,244,000
	<u>\$213,077,000</u>	<u>\$120,226,000</u>

HARRAH'S MARINA HOTEL CASINO
NOTES TO FINANCIAL STATEMENTS

Note 4: Investments, Advances and Receivables (Cont.)

Due from Affiliates consists of the following unsecured, non-interest bearing intercompany amounts at September 30, 1988 and 1987. Due from Affiliates are classified as investments, advances and receivables.

Due from Affiliates -	1988	1987
Harrah's New Jersey, Inc.	\$ 18,972,000	\$ 18,972,000
Harrah's Tahoe	119,000	74,000
Holiday Corporation	170,469,000	87,180,000
Harrah's Las Vegas	8,000	18,000
Harrah's Laughlin	128,000	-0-
Harrah's Bill's	2,000	-0-
Embassy Suites, Inc.	<u>2,627,000</u>	<u>-0-</u>
Total Due from Affiliates	<u>\$192,325,000</u>	<u>\$106,244,000</u>

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 quarter ended September 30, 1988 and 1987 were approximately \$592,430 and \$577,541, respectively.

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

1989	\$ 1,988,545
1990	1,696,515
1991	1,095,307
1992	550,398
Thereafter	<u>1,320,000</u>
	<u>\$ 6,650,765</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.

HARRAH'S MARINA HOTEL CASINO
NOTES TO FINANCIAL STATEMENTS

Note 6: Investment Obligation (Cont.)

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 September 30, 1988, the Company's investment obligation was \$3,992,000.

Note 7: Promotional Allowances

Promotional allowances for the three months ended September 30, 1988, consist of:

	PROMOTIONAL ALLOWANCES		PROMOTIONAL EXPENSES	
	NUMBER OF RECIPIENTS	DOLLAR AMOUNT	NUMBER OF RECIPIENTS	DOLLAR AMOUNT
Rooms	47,000	\$ 4,028,000	-0-	\$ -0-
Food	620,000	6,202,000	-0-	-0-
Beverage	934,000	2,334,000	-0-	-0-
Travel	-0-	-0-	14,000	1,283,000
Theatre	29,000	566,000	-0-	-0-
Coupon Redemption of Cash & Tokens	-0-	-0-	194,000	2,428,000
Other	-0-	-0-	87,000	524,000*
	<u>1,630,000</u>	<u>\$13,130,000</u>	<u>295,000</u>	<u>\$ 4,235,000</u>

Promotional allowances for the nine months ended September 30, 1988, consist of:

	PROMOTIONAL ALLOWANCES		PROMOTIONAL EXPENSES	
	NUMBER OF RECIPIENTS	DOLLAR AMOUNT	NUMBER OF RECIPIENTS	DOLLAR AMOUNT
Rooms	112,000	\$ 9,543,000	-0-	\$ -0-
Food	1,584,000	15,843,000	-0-	-0-
Beverage	2,509,000	6,272,000	-0-	-0-
Travel	-0-	-0-	36,000	3,369,000
Theatre	72,000	1,403,000	-0-	-0-
Coupon Redemption of Cash & Tokens	-0-	-0-	516,000	6,455,000
Other	-0-	-0-	225,000	1,347,000*
	<u>4,277,000</u>	<u>\$33,061,000</u>	<u>777,000</u>	<u>\$11,171,000</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

Note 8: Other Accrued Expenses

Other accrued expenses as of September 30, 1988, consist of:

	<u>1988</u>	<u>1987</u>
Accrued Salaries and Wages	\$ 7,694,000	\$ 7,433,000
Taxes Payable	689,000	580,000
Other Accrued Expenses	3,572,000	4,229,000
Accrued Progressive Slot Liability	1,271,000	780,000
Accrued CCC/DGE/Casino License Fees	681,000	508,000
	<u>\$13,907,000</u>	<u>\$13,530,000</u>

Note 9: Other Current Liabilities

Other current liabilities as of September 30, 1988, consist of:

	<u>1988</u>	<u>1987</u>
Chip and Token Reserve	\$ 577,000	\$ 386,000
Patron Deposits	167,000	84,000
Deferred Trade	38,000	44,000
Other Current Liabilities	8,000	18,000
	<u>\$ 790,000</u>	<u>\$ 532,000</u>

Note 10: Other Liabilities

	<u>1988</u>	<u>1987</u>
Long-Term Due to Affiliates	\$23,483,000	\$18,422,000
Other Liabilities	344,000	261,000
	<u>\$23,827,000</u>	<u>\$18,683,000</u>

Due to Affiliates consist of the following unsecured, non-interest bearing intercompany amounts at September 30, 1988 and 1987. Due to Affiliates are classified as other liabilities.

	<u>1988</u>	<u>1987</u>
Due to Affiliates -		
Harrah's Services, Inc.	\$ 19,000	\$ 19,000
Holiday Inns - Hotel Group	5,006,000	4,187,000
Harrah's Holdings, Inc.	712,000	329,000
Harrah's Atlantic City, Inc.	17,510,000	13,630,000
Harrah's Reno	20,000	34,000
Harrah's Holiday Inns of NJ, Inc.	216,000	223,000
	<u>\$23,483,000</u>	<u>\$18,422,000</u>

HARRAH'S MARINA HOTEL CASINO
NOTES TO FINANCIAL STATEMENTS

The Company, in accordance with regulations prescribed by the New Jersey Casino Control Act, has provided for New Jersey State tax at the statutory rate (9%).

Note 11: Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets as of September 30, 1988 and 1987 consist of:

	<u>1988</u>	<u>1987</u>
Prepaid Slot Tax	\$ 642,000	\$ 641,000
Prepaid Property Tax	-0-	4,923,000
Prepaid Insurance	381,000	817,000
Prepaid - Other	899,000	189,000
Other Current Assets	<u>690,000</u>	<u>-0-</u>
	<u>\$2,612,000</u>	<u>\$6,570,000</u>

Note 12: Interest Expense

Interest expense as of September 30, 1988 and 1987 consist of:

	<u>1988</u>	<u>1987</u>
Gross Interest Expense	\$ 5	\$1,688,000
Capitalized Interest	<u>(-0-)</u>	<u>(-0-)</u>
Net Interest Expense	<u>\$ 5</u>	<u>\$1,688,000</u>

Note 13: Charges from Affiliates

Unallocable charges from Harrah's Atlantic City for the quarters ended September 30, 1988 and 1987 are as follows:

	<u>1988</u>	<u>1987</u>
Executive	\$ -0-	\$ -0-
Legal and Risk Management	<u>-0-</u>	<u>-0-</u>
Total Unallocable Charges	<u>\$ -0-</u>	<u>\$ -0-</u>

For the nine months ended September 30, 1988 and 1987:

	<u>1988</u>	<u>1987</u>
Executive	\$ -0-	\$ 353,000
Legal and Risk Management	<u>-0-</u>	<u>148,000</u>
Total Unallocable Charges	<u>\$ -0-</u>	<u>\$ 501,000</u>

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

Note 14: Provision for State Income Taxes

The Company, in accordance with regulations prescribed by the New Jersey Casino Control Act, has provided for New Jersey State tax at the statutory rate (9%).

Note 15: 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 nine months ended September 30, 1988 was \$2,079,564.

1	Accounts receivable - patrons' checks	11,506	4,982	6,823
2	Hotel receivables	1,077	69	968
3	Other receivables, including due from officers and employees	53	-	-
4	Receivables from affiliates	-0-	-	-
5	Water, utility and notes receivables	1,358	-	-
6	Total other receivables	1,311	-0-	1,311
7	Total	14,154	5,050	9,102

UNDEPOSITED PATRONS' CHECKS ACTIVITY		AMOUNT
DESCRIPTION	(g)	(h)
Beginning Balance (January 1)		5,542
Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' checks returned)		168,790
Checks returned through partial redemptions and substitutions and patrons' checks returned through transactions relating to consolidations, substitutions, and patrons' checks		1,221,331
Checks returned through deposits		47,536
Checks transferred to returned checks		1,330
Other adjustments		-0-
Ending Balance		5,140
"Hold" Checks Included in Balance On Line 16		507
Provision for Uncollectible Patrons' Checks		1,311
Provision As A Percent Of Counter Checks Issued		0,385

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

September 30, 19 88

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE	DESCRIPTION	ACCOUNT BALANCE	ALLOWANCE	ACCOUNTS RECEIVABLE-
(a)	(b)	(c)	(d)	(e) NET OF ALLOWANCE
	Patrons' Checks:	\$		
1	Undeposited patrons' checks	5,141		
2	Returned patrons' checks	6,665		
3	Total patrons' checks	11,806	4,983	6,823
4	Hotel Receivables	1,037	69	968
	Other Receivables:			
5	Receivables due from officers and employees.....	53		
6	Receivables due from affiliates	-0-		
7	Other accounts and notes receivables	1,258		
8	Total other receivables	1,311	-0-	1,311
9	Totals (Form 205).....	\$ 14,154	\$ 5,052	\$ 9,102

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE	DESCRIPTION	AMOUNT
(f)	(g)	(h)
10	Beginning Balance (January 1)	\$ 6,642
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	168,790
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)	(120,331)
13	Checks collected through deposits	(42,634)
14	Checks transferred to returned checks	(7,326)
15	Other adjustments	-0-
16	Ending Balance	\$ 5,141
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 1,313
19	Provision As A Percent Of Counter Checks Issued	0.78%

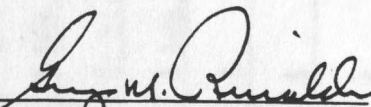
STATEMENT OF CONFORMITY AND ACCURACY

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

George M. Rinaldi, being duly sworn according to law upon my oath
Name

deposes and says:

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

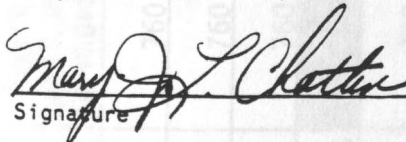

Signature

Vice President of Finance
Title

03283-11
License Number

Subscribed and sworn to
before me this 16th day
of November, 1988.

On Behalf Of:


Signature

Marina Associates
Casino Licensee

MARY-JO L. CHATTEN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires **DEC. 28, 1990**

Basis of Authority
to Take Oaths

HOTEL STATISTICS

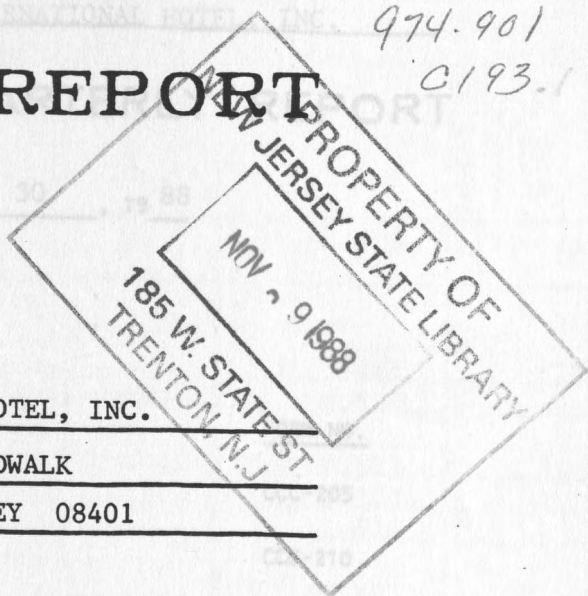
FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	760	23,560	18,993	\$ 80.16	80.6%	36,911	\$ 41.25
FEBRUARY	760	22,040	18,778	\$ 81.38	85.2%	34,445	\$ 44.37
MARCH	760	23,560	20,129	\$ 79.64	85.4%	36,933	\$ 43.41
1ST QUARTER TOTALS		69,160	57,900	\$ 80.38	83.7%	108,289	\$ 42.98
APRIL	760	22,800	21,423	\$ 87.36	94.0%	38,791	\$ 48.25
MAY	760	23,560	21,465	\$ 86.56	91.1%	39,668	\$ 46.84
JUNE	760	22,800	21,422	\$ 89.12	94.0%	40,410	\$ 47.24
2ND QUARTER TOTALS		69,160	64,310	\$ 87.68	93.0%	118,869	\$ 47.44
JULY	760	23,560	22,479	\$ 116.98	95.4%	46,016	\$ 57.15
AUGUST	760	23,560	22,499	\$ 106.23	95.5%	45,536	\$ 52.49
SEPTEMBER	760	22,800	21,171	\$ 91.83	92.9%	41,961	\$ 46.33
3RD QUARTER TOTALS		69,920	66,149	\$ 105.27	94.6%	133,513	\$ 52.16
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

TRADING NAME OF LICENSEE RESORTS INTERNATIONAL HOTEL, INC.
FOR THE QUARTER ENDED SEPT. 30, 1988

974-901
C193-1

QUARTERLY REPORT



LICENSEE RESORTS INTERNATIONAL HOTEL, INC.

ADDRESS NORTH CAROLINA AND BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

FOR THE QUARTER ENDED SEPTEMBER 30, **1988**

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



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS QUARTERLY REPORT

PETER R. BURNS

OFFICIAL TITLE

SR. VICE PRESIDENT - FINANCE

ADDRESS

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES

TRADING NAME OF LICENSEE RESORTS INTERNATIONAL HOTEL, INC.

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED SEPT. 30, 1988

LINE NO.	DESCRIPTION	(c) 1988	(d) 1987*
ASSETS			
1	Current Assets:		
2	Cash and cash equivalents	\$ 7,463	\$ 8,328
3	Marketable securities (Short-term Money Market At Cost)	4,525	
4	Marketable patrons' checks (net of allowances for uncollectible accounts - 1988, \$4,813; 1987, \$4,003)	18,317	8,861
5	Prepaid expenses and other current assets	1,680	2,792
6	Total current assets	32,085	24,982
7	Advances and Receivables (Note 2)	27,845	139,958
8	Total Assets	59,930	164,940
9	Accounts Payable (Note 4)	4,135	4,978
10	Total Liabilities	4,135	4,978
11	Total Liabilities and Equity	59,930	164,940
LIABILITIES AND EQUITY			
12	Accounts Payable	4,135	4,978
13	Accounts Receivable	23,710	8,350
14	Statement of Conformity and Accuracy	CCC-250	
15	Income taxes payable and accrued	127	642
16	Other accrued expenses (Note 6)	14,921	19,380
17	Other current liabilities	4,750	4,304
18	Total current liabilities	24,933	37,664
19	Long-term Debt: (Note 7)		
20	Due to affiliates	126,125	125,994
21	Other	846	3,004
22	Deferred Credits (Note 9)	642	715
23	Other liabilities		
24	Commitments and Contingencies (Note 13)		
25	Total Liabilities	131,746	159,377
26	Stockholders', Partners', or Proprietor's Equity	5,916	15,237
27	Total Liabilities and equity	137,662	174,614

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

CCC-201

Restated 10/88

7/87

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

BALANCE SHEETS

SEPTEMBER 30, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987*
	ASSETS		
	Current Assets:		
1	Cash	\$ 7,463	\$ 8,328
2	Marketable securities (Short-term Money Market At Cost)	6,525	
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 1988, \$4,820; 1987, \$4,003)	18,312	8,861
4	Inventories	2,320	2,792
5	Prepaid expenses and other current assets	1,680	1,939
6	Total current assets	36,300	21,920
7	Investments, Advances, And Receivables ....(Note 2).....	237,845	134,958
8	Property And Equipment - Net ....(Note 3).....	79,996	87,279
9	Other Assets ....(Note 4).....	4,135	4,978
10	Total Assets	\$358,276	\$249,135
	LIABILITIES AND EQUITY		
	Current Liabilities:		
11	Accounts Payable	\$ 4,869	\$ 3,420
12	Notes Payable ....(Note 5).....	125,000	8,350
	Current portion of long-term debt: (Note 7)		
13	Due to affiliates		
14	Other	839	441
15	Income taxes payable and accrued		
16	Other accrued expenses ....(Note 6).....	18,491	19,380
17	Other current liabilities	5,758	4,594
18	Total current liabilities	154,957	36,185
	Long-Term Debt: (Note 7)		
19	Due to affiliates	196,115	195,994
20	Other	646	1,004
21	Deferred Credits ....(Note 9).....	642	715
22	Other Liabilities		
23	Commitments and Contingencies (Note 13)		
24	Total Liabilities.....	352,360	233,898
25	Stockholders', Partners', or Proprietor's Equity	5,916	15,237
26	Total Liabilities and equity	\$358,276	\$249,135

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

CCC-205

4/86

* Restated 10/88

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF INCOME

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 1988 and 1987
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987*
	Revenue: (Note 1)		
1	Casino	\$190,209	\$184,997
2	Rooms	14,538	14,893
3	Food and beverage	30,351	28,982
4	Other	6,611	6,320
5	Total revenue	241,709	235,192
6	Less: promotional allowances ....(Note 8).....	27,933	24,724
7	Net revenue	213,776	210,468
	Costs And Expenses:		
8	Cost of goods and services	121,777	118,745
9	Selling, general, and administrative	41,636	36,487
10	Provision for doubtful accounts	1,173	614
11	Total	164,586	155,846
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest	49,190	54,622
13	Depreciation and amortization	8,397	8,591
	Charges from affiliates: (Note 11)		
14	Interest	25,030	25,016
15	Management fees	2,700	2,250
16	Other	11,793	12,001
17	Interest expense - external	8,876	565
18	Income (Loss) From Operations	(7,606)	6,199
19	Nonoperating income (expense) - net ....(Note 12).....	1,479	7,409
20	Investment alternative tax and related expense .(Note 13)	(1,151)	(653)
21	Income (Loss) Before Income Taxes And Extraordinary Items .	(7,278)	12,955
22	Provision (Credit) for Income Taxes		5,830
23	Income (Loss) Before Extraordinary Items	(7,278)	7,125
24	Extraordinary Items (net of income taxes - 19__, \$; 19__, \$)		
25	Net Income (Loss)	(\$ 7,278)	\$ 7,125

* Restated 10/27/88

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

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
 (a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1988 and 1987
 (UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987*
	Revenue: (Note 1)		
1	Casino	\$72,113	\$68,610
2	Rooms	5,568	5,997
3	Food and beverage	11,186	10,426
4	Other	2,893	2,609
5	Total revenue	91,760	87,642
6	Less: promotional allowances ....(Note 8).....	10,421	8,903
7	Net revenue	81,339	78,739
	Costs And Expenses:		
8	Cost of goods and services	43,626	41,471
9	Selling, general, and administrative	14,303	11,761
10	Provision for doubtful accounts	650	75
11	Total	58,579	53,307
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest	22,760	25,432
13	Depreciation and amortization	2,839	2,921
	Charges from affiliates:		
14	Interest	8,345	8,340
15	Management fees	900	750
16	Other	3,974	4,820
17	Interest expense - external	3,449	424
18	Income (Loss) From Operations	3,253	8,177
19	Nonoperating income (expense) - net	1,946	2,866
20	Investment alternative tax and related income (expense)..	(436)	(249)
21	Income (Loss) Before Income Taxes And Extraordinary Items .	4,763	10,794
22	Provision (Credit) for income taxes		4,858
23	Income (Loss) Before Extraordinary Items	4,763	5,936
24	Extraordinary Items (net of income taxes - 19__, \$; 19__, \$)		
25	Net Income (Loss)	\$ 4,763	\$ 5,936

* Restated 10/27/88

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 9 MONTHS ENDED SEPTEMBER 30, 1988 and 1987

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	1988		1987	
		(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)	+++++	10,704	+++++	5,622
26	Prior period adjustments	+++++		+++++	
27	Net income (loss)	+++++	(7,278)	+++++	7,125
28	Dividends	+++++	()	+++++	()
29		+++++		+++++	
30		+++++		+++++	
31	Ending balance	+++++	(3,426)	+++++	12,747
32	Ending Stockholders' Equity	+++++	\$ 5,916	+++++	\$15,237

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 PARTNERS'
OR PROPRIETOR'S EQUITY

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 1988 and 1987
(UNAUDITED)
(\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	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

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

CCC-225

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

CCC-225

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 1988, and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
1	Net Cash Provided (Used) by Operating Activities	\$ 1,870	\$ 1,470
	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	(2,941)	(3,382)
5	Proceeds from disposition of property and equipment	64	529
6	Purchase of casino reinvestment obligations	(2,356)	(2,309)
7	Purchase of other investments and loans/advances made	(41,963)	(11,471)
8	Proceeds from disposal of investments and collections of advances and long-term receivables		
9	Cash outflows to acquire business entities		
10			
11			
12	Net Cash Provided (Used) By Investing Activities	(47,196)	(16,633)*
	Cash Flows From Financing Activities		
13	Cash proceeds from issuance of short-term debt	125,000	8,350
14	Payments to settle short-term debt	(75,000)	
15	Cash proceeds from issuance of long-term debt		
16	Costs of issuing debt		
17	Payments to settle long-term-debt	150	(326)
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	50,150	8,024
24	Net Increase (Decrease) in Cash And Cash Equivalents	4,824	(7,139)*
25	Cash And Cash Equivalents At Beginning Of Year	9,164	15,467 *
26	Cash And Cash Equivalents At End Of Year	\$ 13,988	\$ 8,328 *

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

12/87 * Restated 10/88

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 9 MONTHS ENDED SEPTEMBER 30, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Net Cash Flows From Operating Activities:		
29	Net income (loss)	(\$7,278)	\$7,125
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment	7,803	8,035
31	Amortization of other assets	594	556
32	Amortization of debt discount or premium	92	78
33	Deferred income taxes - current		
34	Deferred income taxes - noncurrent		
35	(Gain) loss on disposition of property and equipment ...	23	(23)
36	(Gain) loss on casino reinvestment obligations	1,151	653
37	(Gain) loss from other investment activities	9	(67)
38	Net (increase) decrease in receivables and patrons' checks	2,897	(916)
39	Net (increase) decrease in inventories	366	338
40	Net (increase) decrease in other current assets	(251)	(327)
41	Net (increase) decrease in other assets	1	(284)
42	Net increase (decrease) in accounts payable	2,302	(4,933)
43	Net increase (decrease) in other current liabilities excluding debt	(5,784)	(8,710)
44	Net increase (decrease) in other noncurrent liabilities excluding debt	(55)	(55)
45	.....	
46	.....	
47	Net Cash Provided (Used) By Operating Activities	(\$1,870)	\$1,470

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

48	Acquisition Of Property And Equipment:		
49	Additions to property and equipment	(\$2,941)	(\$3,382)
50	Less: Capital lease obligations incurred		
	Cash Outflows For Property And Equipment	(\$2,941)	(\$3,382)
51	Acquisition Of Business Entities:		
52	Property and equipment acquired	\$	\$
53	Goodwill acquired		
54	Net assets acquired other than cash, goodwill, and property and equipment		
55	Long-term debt assumed		
56	Issuance of stock or capital invested		
	Cash Outflows To Acquire Business Entities	\$	\$
57	Stock Issued Or Capital Contributions:		
58	Total issuances of stock or capital contributions	\$	\$
59	Less: Issuances to settle long-term debt		
60	Consideration in acquisition of business entities ..		
	Cash Proceeds From Issuing Stock Or Capital Contributions ..	\$	\$

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1988

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

General:

Resorts International Hotel, Inc. (the "Company"), a wholly owned subsidiary of Resorts International, Inc. (RII), owns and operates the Resorts International Casino Hotel ("Resorts Casino Hotel") 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.

Cash equivalents

The Company considers all of its short-term money market securities which have maturities of three months or less to be cash equivalents.

Inventories:

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

Property and equipment:

Property and equipment are 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.

Casino Reinvestment Development Authority ("CRDA") Obligations

Under the New Jersey Casino Control Act ("Casino Control Act"), the Company is obligated to purchase CRDA bonds, which will bear a below market interest rate, or make an alternative qualifying investment. The Company charges to expense an estimated discount related to CRDA investment obligations as of the date the obligation arises based on fair market interest rates of similar quality bonds in existence as of that date. On the date 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 fair market interest rate for similar quality bonds.

The discount on CRDA bonds purchased is amortized to interest income over the life of the bonds using the effective interest rate method.

Income taxes

The Company's taxable income is included in the consolidated federal income tax return filed by RII. Based on an agreement with RII, the Company, provides for federal and state income taxes using a combined tax rate, except for those isolated transactions which materially affected the Company's effective tax rate, in which case the applicable transactions are separately tax effected using the appropriate tax rates. Effective January 1, 1987, the Company's agreement with RII 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 RII for 1987 that it would provide for federal and state income taxes using a combined rate of 45%, for years subsequent to 1987, taxes will be provided using a combine tax rate of 40%, unless further changes in tax laws require another rate adjustment. Isolated transactions that materially affect the Company's effective tax rates continue to be separately tax effected.

Reclassification

Certain items in the Consolidated Balance Sheet, Statements of Income and Statement of Cash Flow have been reclassified to conform to the 1988 presentation.

NOTE 2 - INVESTMENTS, ADVANCES AND RECEIVABLES:

(In Thousands of Dollars)

	<u>SEPTEMBER 30,</u>	
	<u>1988</u>	<u>1987</u>
Note receivable - RINJ	\$226,203	\$122,167
Deposits-CRDA	16,872	13,292
Valuation allowance on CRDA deposits & bonds	(9,758)	(4,740)
CRDA Bonds	3,892	3,387
Other	<u>636</u>	<u>852</u>
	<u>\$237,845</u>	<u>\$134,958</u>

In 1984, the Company entered into an agreement with Resorts International, Inc. of New Jersey ("RINJ"), a wholly-owned subsidiary of RII, to lend up to \$125,000,000 during the period September 30, 1984 through December 31, 1987 for various purposes including construction of the Taj Mahal casino/hotel project. RINJ owns and is constructing the Taj Mahal project. Interest accrues monthly on the net outstanding principal balance at a rate equal to the minimum posted rate to prime commercial borrowers of a specified bank. It was intended that this note would be converted into a term loan at December 31, 1987, with the terms to be negotiated at that time; however, because of delays in completing the Taj Mahal project and the requirement of RINJ to obtain additional financing for that project, the terms of that loan have not yet been negotiated. The note balances were \$226,203,000 and \$122,167,000 at September 30, 1988 and 1987, respectively. Interest income from the note was \$7,563,000 and \$6,879,000 for the nine months ended September 30, 1988 and 1987, respectively.

Also on December 28, 1987, the Company lent \$59,981,000 to RINJ under a \$60,000,000 loan agreement. The interest rate charged on the outstanding balance was equal to the base rate of the lender under the \$75,000,000 borrowing of the Company (see Note 5). In February 1988, in conjunction with the Loan Agreement described in Note 5, the Company entered into a new \$125,000,000 note agreement with RINJ. On the date of the Loan Agreement the (i) Company made additional cash advance to RINJ of \$31,426,000, (ii) reduced amounts owed to the Company under the 1984 loan agreement discussed above by \$32,243,000, and (iii) transferred to RINJ deferred financing costs of \$1,350,000 related to the Loan Agreement. Also on that date the Company's aforementioned \$60,000,000 loan agreement with RINJ was cancelled under which the outstanding balance was \$59,981,000. As consideration for the above RINJ executed a \$125,000,000 term note (the "Term Note") and a first mortgage on the Taj Mahal in favor of the Company.

The Term Note requires monthly interest payments from February 28, 1990, and is repayable in 28 quarterly installments commencing on June 1, 1990. The Term Loan has same events of default that the Loan Agreement has (Note 5); upon the occurrence of any of these events of default the entire principal balance of the Term Loan will be due and payable also.

NOTE 3 - PROPERTY AND EQUIPMENT:

(In Thousands of Dollars)

	<u>SEPTEMBER 30,</u>	
	<u>1988</u>	<u>1987</u>
Land	\$ 7,172	\$ 7,172
Land and improvements	2,390	2,542
Building and improvements	106,210	<u>106,500</u>
Furniture, machinery and equipment	<u>62,153</u>	<u>62,010</u>
	177,925	178,224
<u>Less</u> - Accumulated depreciation	<u>97,929</u>	<u>90,945</u>
	<u>\$ 79,996</u>	<u>\$ 87,279</u>

NOTE 4 - OTHER ASSETS:

(In Thousands of Dollars)

	<u>SEPTEMBER 30,</u>	
	<u>1988</u>	<u>1987</u>
Debt issuance costs	\$ 3,966	\$ 4,303
Other	<u>169</u>	<u>675</u>
	<u>\$ 4,135</u>	<u>\$ 4,978</u>

Debt issuance costs consisting 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 \$252,000 for the nine months ended September 30, 1988 and 1987.

NOTE 5 - SHORT-TERM BORROWINGS:

In February 1988 the Company entered into a revolving credit and term loan agreement (the "Loan Agreement") with the same bank. The Loan Agreement was guaranteed by RII and all of its other significant operating subsidiaries. Under the Loan Agreement, the Company borrowed \$125,000,000 and used \$75,000,000 of the proceeds to repay all short-term borrowings outstanding at the time of the Loan Agreement. A portion of the remaining proceeds was loaned to RINJ under the Term Note. Under the Loan Agreement, the Company 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 commencing on June 1, 1990. Under the Loan Agreement, the following will be considered an event of default, which upon notice from the lender, will cause the entire principal balance of the Loan Agreement to be immediately payable: (i) RINJ is unable, by October 30, 1988, to obtain financing sufficient to complete construction of the Taj Mahal, (ii) by August 3, 1989, the Taj Mahal is not completed and open for business as a fully licensed casino/hotel, or (iii) Donald J. Trump, the controlling stockholder of RII, or an entity in which he holds a controlling interest, ceases to own a controlling interest of the voting stock of RII, or ceases to manage the Resorts Casino Hotel, the Taj Mahal, or the Paradise Island properties owned by RII subsidiaries. See Note 13 for a description of the proposed transaction with Merv Griffin, which if consummated would be an event of default under the Loan Agreement.

The Loan Agreement is secured by (i) a mortgage on the Resorts Casino Hotel, (ii) an assignment of the Company's rights under the mortgage it holds on the Taj Mahal under the Term Note, and (iii) mortgages on substantially all operating properties of RII's Bahamian subsidiaries. Under the mortgage on the Resorts Casino Hotel, virtually all of the Company's property and equipment have been pledged as security for the loan. The Loan Agreement contains certain negative covenants restricting

activities of the Company, RII and other affiliated companies. With respect to the Company, the Loan Agreement restricts the Company from the ability to (i) pay dividends or transfer funds (except for permitted intercompany loans), (ii) sell or lease any of its assets (except for certain permitted sales and leases), (iii) change its business activities or merge, and (iv) incur any secured or unsecured indebtedness or encumber its properties, except for indebtedness subordinate to the mortgage under the Loan Agreement, up to \$25,000,000 of mortgage indebtedness which is senior to the mortgage under the Loan Agreement and is incurred to finance improvements to the Resorts Casino Hotel, and certain other permitted encumbrances.

NOTE 6 - OTHER ACCRUED EXPENSES:

(In Thousands of Dollars)

	<u>SEPTEMBER 30,</u>	
	<u>1988</u>	<u>1987</u>
Accrued payroll	\$ 4,352	\$ 4,908
Progressive slot liability	4,849	6,414
Interest payable to affiliate	2,771	2,771
Other	<u>6,519</u>	<u>5,287</u>
	<u>\$18,491</u>	<u>\$19,380</u>

NOTE 7 - LONG-TERM DEBT:

(In Thousands of Dollars)

	<u>SEPTEMBER 30,</u>	
	<u>1988</u>	<u>1987</u>
Due to affiliate:		
16-5/8% subordinated note payable net of \$3,885,000 and \$4,006,000 unamortized discount	<u>\$196,115</u>	<u>\$195,994</u>
Other:		
Other mortgages and notes	1,485	1,445
Less - Current portion	<u>839</u>	<u>441</u>
	<u>\$ 646</u>	<u>\$ 1,004</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 other long-term debt relates to notes payable, some of which are secured by mortgages on a portion of the Company's property. These notes are payable in various installments through 2003 and bear interest rates of between 9% and 9 1/2%.

Minimum principal payments of long-term debt outstanding as of September 30, 1988: 1988 - \$110,000; 1989 - \$268,000; 1990 - \$94,000; 1991 - \$99,000; 1992 - \$63,000.

NOTE 8 - PROMOTIONAL ALLOWANCES AND PROMOTIONAL EXPENSES:

(In Thousands of Dollars)
Quarter ended 09/30/88

	<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	\$ 2,604		
Food	327	2,881		
Beverage	808	1,633		
Travel			20	\$1,591
Coupon redemption:				
Cash			833	8,069
Food	663	1,871		
Admissions	32	943		
Parking			139	1,118
Other		489		271
Totals	<u>1,880</u>	<u>\$10,241</u>	<u>992</u>	<u>\$11,049</u>

(In Thousands of Dollars)
Nine Months ended 09/30/88

	<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	148	\$ 7,061		
Food	895	8,235		
Beverage	2,238	4,559		
Travel			51	\$4,685
Coupon redemption:				
Cash			2,352	22,771
Food	1,707	4,810		
Admissions	80	2,351		
Parking			341	2,737
Other		917		1,382
Totals	<u>5,068</u>	<u>\$27,933</u>	<u>2,744</u>	<u>\$31,575</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 (the "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 RII contribute an amount equal to 50% of their employees' basic contributions. The Company's contributions under the Plan were approximately \$477,000 and \$484,000 for the nine months ended September 30, 1988 and 1987, 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 \$498,000 and \$527,000 for the nine months ended September 30, 1988 and 1987, respectively.

NOTE 11 - CHARGES FROM AFFILIATES:

The Company has recorded income and expenses from affiliates and RII as follows:

(In Thousands of Dollars)

<u>AFFILIATED COMPANY</u>	<u>TRANSACTION</u>	<u>NINE MONTHS ENDED</u>	
		<u>SEPTEMBER 30,</u>	
		<u>1988</u>	<u>1987</u>
Income:			
Resorts International Financing, Inc.	Interest charges	<u>\$25,030</u>	<u>\$25,016</u>
Expenses:			
Resorts International, Inc.	Management fee	<u>\$ 2,700</u>	<u>\$ 2,250</u>
Resorts International, Inc.	Insurance	\$ 2,639	\$ 3,444
	Other	<u>400</u>	<u>261</u>
		<u>3,039</u>	<u>3,705</u>
Resorts International, Inc. of New Jersey	Property Rental	337	720
	Other	<u>49</u>	<u>25</u>
		<u>386</u>	<u>745</u>
International Intelligence, Inc.	Security fees	195	849
ANTL, Inc.	Aircraft rentals	3,924	4,039
RIA	Heli flights	370	346
Resorts of New York, Inc.	Sales office expenses	182	835
Steeplechase Transport and Parking, Inc.	Parking fees	2,738	1,010
Others	Property rentals	343	343
	Other	<u>616</u>	<u>129</u>
		<u>\$11,793</u>	<u>\$12,001</u>

NOTE 12 - NONOPERATING INCOME(EXPENSE), NET:

(In Thousands of Dollars)

	NINE MONTHS ENDED	
	SEPTEMBER 30,	
	1988	1987
Interest income	\$ 957	\$ 618
Interest income from affiliate	7,563	6,879
Corporate office expense	(522)	(331)
Aborted sale & refinancing costs	(94)	(150)
Other	(6,425)	393
	<u>(\$1,479)</u>	<u>\$7,409</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.

RII, 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. RII intends to close the casino which the Company operates before opening the Taj Mahal, and convert this casino space to convention and exhibition space.

On April 14, 1988 Donald Trump, the Chairman of the Board and controlling shareholder of RII, and Merv Griffin announced that they had reached an understanding in principle with respect to RII which, if ultimately consummated, would result in Mr. Griffin acquiring ownership of RII, including the Resorts Casino Hotel and RII's Bahamian subsidiaries and Mr. Trump acquiring ownership of the Taj Mahal and certain other assets. No binding agreements have been executed. Should this transaction be consummated, the plans to integrate the Resorts Casino Hotel and the Taj Mahal (as described above), and to close the casino in the Resorts Casino Hotel, would probably be abandoned and the Resorts Casino Hotel would most likely continue to operate as a separate casino/hotel.

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 September 30, 1988, RII had purchased \$3,892,000 face value of bonds issued by the CRDA and had deposited \$16,872,000 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 Investments, advances and receivables 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. Discounts charged to operations were \$1,151,000 and \$653,000 for the nine months ended September 30, 1988 and 1987, respectively.

Accounts receivable	17,251	21,779	1,122,202
Advances	547	41	704
Due from affiliates	9,572		
Notes and notes receivable	575		
Other receivables	10,244		
(Total)	37,189	21,820	1,122,906

DESCRIPTION	AMOUNT
Balance (January 1)	2,734,909
Checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	2,000,000
Checks received prior to deposit (including the amount of counter checks redeemed through partial redemptions, substitutions, and patrons' cash deposits)	1,151,000
Checks collected through deposits	1,940,000
Checks transferred to returned checks	5,000
Adjustments	7,000
Balance	2,826,909
Amount Included In Balance On Line 16	2,826,909
Amount For Uncollectible Patrons' Checks	2,826,909
Amount of Counter Checks Issued	2,000,000

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of RESORTS INTERNATIONAL, INC.)

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

SEPTEMBER 30, 1988
(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

LINE (a)	DESCRIPTION (b)	ACCOUNT (c) BALANCE	(d) ALLOWANCE	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Patrons' Checks:			
	Undeposited patrons' checks	\$ 7,319		
2	Returned patrons' checks	4,722		
3	Total patrons' checks	12,041	\$4,779	\$ 7,262
4	Hotel Receivables	847	41	806
5	Other Receivables:			
	Receivables due from officers and employees	57		
6	Receivables due from affiliates	9,571		
7	Other accounts and notes receivables ..	616		
8	Total other receivables	10,244		
9	Totals (Form 205)	\$23,132	\$4,820	\$ 18,312

UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	\$ 7,696
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) ...	178,299
13	Checks collected through deposits	(131,802)
14	Checks transferred to returned checks	(41,067)
15	Other adjustments	(5,807)
16	Ending balance	\$ 7,319
17	"Hold" Checks Included In Balance On Line 16	\$
18	Provision For Uncollectible Patrons' Checks	\$ 1,173
19	Provision As A Percent of Counter Checks Issued .....	.7 %

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

Peter R Burns

Signature

SR VICE PRESIDENT - FINANCE
Title

00156-11
License Number

Subscribed and sworn to
before me this 15th day
of November, 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 9 MONTHS ENDED September 30, 1988

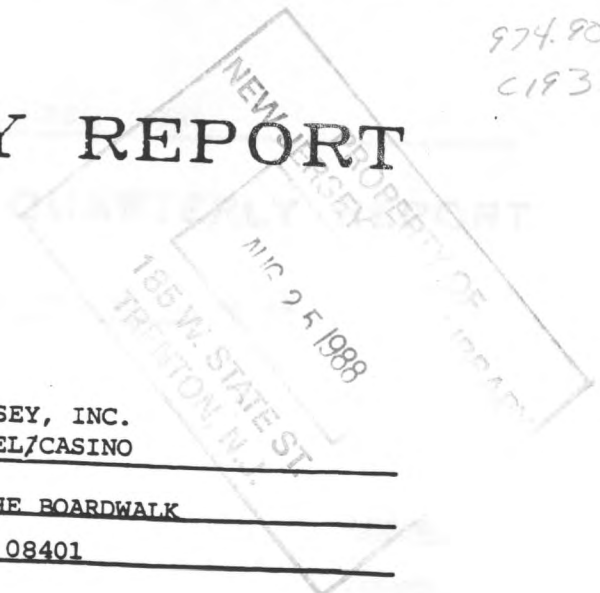
PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	689	21,191	15,376	\$ 91.29	72.6%	29,608	\$ 47.41
FEBRUARY	689	19,833	17,267	\$ 88.55	87.1%	33,293	\$ 45.93
MARCH	689	21,227	20,129	\$ 82.42	94.8%	38,734	\$ 42.83
1ST QUARTER TOTALS		62,251	52,772	\$ 87.01	84.8%	101,635	\$ 45.18
APRIL	689	20,474	19,598	\$ 90.84	95.7%	37,446	\$ 47.54
MAY	689	21,006	18,819	\$ 89.85	89.6%	34,834	\$ 48.54
JUNE	689	20,670	18,660	\$ 92.93	90.3%	34,792	\$ 49.84
2ND QUARTER TOTALS		62,150	57,077	\$ 91.20	91.8%	107,072	\$ 48.61
JULY	689	21,181	20,316	\$ 102.04	95.9%	39,495	\$ 52.49
AUGUST	689	21,359	19,994	\$ 103.51	93.6%	39,104	\$ 52.93
SEPTEMBER	689	20,373	18,710	\$ 88.53	91.8%	35,929	\$ 46.10
3RD QUARTER TOTALS		62,913	59,020	\$ 98.26	93.8%	114,528	\$ 50.63
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

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QUARTERLY REPORT

LIST OF FORMS - QUARTERLY REPORT



LICENSEE ADAMAR OF NEW JERSEY, INC.
DBA TROPICANA HOTEL/CASINO

ADDRESS IOWA AVENUE AND THE BOARDWALK
ATLANTIC CITY, NJ 08401

FOR THE QUARTER ENDED JUNE 30, 1988

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



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

LESTER BRZOZOWSKI
VICE PRESIDENT OF FINANCE
IOWA AVENUE AND THE BOARDWALK
ATLANTIC CITY, NJ 08401

TRADING NAME OF LICENSEE TROPICANA HOTEL/CASINO

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 19 88

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

BALANCE SHEETS

JUNE 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u> Restated 6/30/88
	ASSETS		
	Current Assets:		
1	Cash	\$ 10,570	\$ 5,564
2	Marketable securities	-0-	-0-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$ 8,878 ; 19 <u>87</u> , \$ 9,627) Note II-7..	39,450	39,989
4	Inventories	1,377	1,887
5	Prepaid expenses and other current assets	3,676	2,224
6	Total current assets	55,073	49,664
7	Investments, Advances, And Receivables Note III-I	20,286	34,491
8	Property And Equipment - Net Note II-I	200,154	113,966
9	Other Assets	1,568	1,529
10	Total Assets	\$ 277,081	\$ 199,650
	LIABILITIES AND EQUITY		
	Current Liabilities:		
11	Accounts payable	\$ 2,111	\$ 1,563
12	Notes payable	-0-	-0-
	Current portion of long-term debt:		
13	Due to affiliates	-0-	-0-
14	Other Note II-2	7,833	6,602
15	Income taxes payable and accrued	(165)	(306)
16	Other accrued expenses Note III-2	12,343	12,432
17	Other current liabilities Note III-3	2,052	2,011
18	Total current liabilities	24,174	22,302
	Long-Term Debt:		
19	Due to affiliates	-0-	-0-
20	Other Note II-2	74,898	16,610
21	Deferred Credits Note II-3	520	4,530
22	Other Liabilities Note II-7, NOTE III-4	44,817	27,190
23	Commitments And Contingencies Note II-4		
24	Total Liabilities	144,409	70,632
25	Stockholders', Partners', Or Proprietor's Equity	132,672	129,018
26	Total Liabilities And Equity	\$ 277,081	\$ 199,650

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 TROPICANA HOTEL/CASINO

STATEMENTS OF INCOME

FOR THE 6 MONTHS ENDED JUNE 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 19 87
	Revenue:		
1	Casino	\$ 107,366	\$ 104,109
2	Rooms	6,210	6,732
3	Food and beverage	12,813	12,832
4	Other	2,175	1,783
5	Total revenue	128,564	125,456
6	Less: promotional allowances Note II-5	(10,707)	(11,658)
7	Net revenue	117,857	113,798
	Costs And Expenses:		
8	Cost of goods and services Note II-7	59,965	62,844
9	Selling, general, and administrative Note II-6, II-7	37,606	34,380
10	Provision for doubtful accounts	314	2,139
11	Total	97,885	99,363
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....		
13	Depreciation and amortization	19,972	14,435
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees Note II-7	215	201
16	Other Note II-7	22,511	22,579
17	Interest expense - external Note II-8	49	1,043
18	Income (Loss) From Operations	(8,744)	(14,459)
19	Nonoperating income (expense) - net Note III-5	8,728	9,468
20	Investment alternative tax and related income (expense) - Note II-4	(406)	(754)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(422)	(5,745)
22	Provision (Credit) for income taxes Note II-9	(199)	(2,775)
23	Income (Loss) Before Extraordinary Items	(223)	(2,970)
24	Extraordinary items (net of income taxes - 19 88, \$ -0- ; 19 87, \$ -0-)	-0-	-0-
25	Net Income (Loss)	\$ (223)	\$ (2,970)

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino	\$ 57,738	\$ 53,576
2	Rooms		
3	Food and beverage	3,573	3,576
4	Other	7,052	6,726
5	Total revenue	812	1,001
6	Less: promotional allowances .. Note II-5	69,175	64,879
7	Net revenue	(5,938)	(5,802)
		63,237	59,077
	Costs And Expenses:		
8	Cost of goods and services	31,175	32,039
9	Selling, general, and administrative	21,117	17,949
10	Provision for doubtful accounts		
11	Total	(387)	1,393
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	51,905	51,381
13	Depreciation and amortization	11,332	7,696
	Charges from affiliates:	3,078	2,566
14	Interest	-0-	-0-
15	Management fees	107	113
16	Other	11,278	11,091
17	Interest expense - external	1	343
18	Income (Loss) From Operations	(3,132)	(6,417)
19	Nonoperating income (expense) - net	4,332	4,633
20	Investment alternative tax and related income (expense) - net.....	(213)	(240)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	987	(2,024)
22	Provision (Credit) for income taxes	464	(1,019)
23	Income (Loss) Before Extraordinary Items	523	(1,005)
24	Extraordinary items (net of income taxes, - 19 <u>88</u> , \$ -0- ; 19 <u>87</u> , \$ -0-)		
25	Net Income (Loss)	\$ 523	\$ (1,005)

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 6 MONTHS ENDED JUNE 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>88</u>		19 <u>87</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	70,604	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)		24,427		23,520
26	Prior period adjustments				
27	Net income (loss)		(223)		(2,970)
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance		24,204		20,550
32	Ending Stockholders' Equity		\$ 132,672		\$ 129,018

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 TROPICANA HOTEL/CASINO

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE 6 MONTHS ENDED JUNE 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</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 6 MONTHS ENDED JUNE 30, 1988 and 1987
 (UNAUDITED)
 (\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u> Restated 6/30/88
1	Net Cash Provided (Used) By Operating Activities.....	\$ 4,887	\$ 7,387
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Purchase outflows for property and equipment.....	(47,639)	(25,239)
5	Proceeds from disposition of property and equipment.....		
6	Purchase of casino reinvestment obligations.....	(1,344)	(1,266)
7	Purchase of other investments and loans/advances made.....	(1,763)	(1,083)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	5,048	20,041
9	Cash outflows to acquire business entities.....		
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(45,698)	(7,547)
	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.....	46,649	1,812
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(3,888)	(2,871)
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.....	42,761	(1,059)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	1,950	(1,219)
25	Cash And Cash Equivalents At Beginning Of Period	8,620	6,783
26	Cash And Cash Equivalents At End Of Period.....	\$ 10,570	\$ 5,564

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized).....	\$ (67)	\$ 2,140
28	Income taxes.....	\$ 211	\$ 18

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 6 MONTHS ENDED JUNE 30, , 1988 and 1987
 (UNAUDITED)
 (\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u> Restated 6/30/88
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ (223)	\$ (2,970)
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	5,733	4,918
31	Amortization of other assets.....	208	153
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....	182	1,415
35	(Gain) loss on disposition of property and equipment.....	75	-0-
36	(Gain) loss on casino reinvestment obligations.....	406	754
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	780	1,023
39	Net (increase) decrease in inventories.....	195	(122)
40	Net (increase) decrease in other current assets.....	(872)	484
41	Net (increase) decrease in other assets.....	(101)	(18)
42	Net increase (decrease) in accounts payables.....	1,510	(133)
43	Net increase (decrease) in other current liabilities excluding debt.....	(10,631)	(807)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	7,625	2,690
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 4,887	\$ 7,387

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ (48,990)	\$ (26,000)
49	Less: Capital lease obligations incurred.....	1,351	761
50	Cash Outflows For Property And Equipment.....	\$ (47,639)	\$ (25,239)
	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.....	\$	\$

ADAMAR OF NEW JERSEY, INC.
 DBA TROPICANA HOTEL/CASINO
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED JUNE 30, 1988 AND 1987

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 1. DISCLOSURES NOT PRESENTED

Certain footnotes have not been presented in these Notes to Consolidated Financial Statements. These footnotes would be a duplicate of items contained in the Casino Control Commission Annual Report for the year ended December 31, 1987.

The specific footnotes not presented are the summary of significant accounting policies and lease obligations. The footnotes contained in the December 31, 1987 Annual Report should be read in conjunction with these financial statements.

II. SIGNIFICANT INFORMATION

NOTE 1. PROPERTY AND EQUIPMENT

At June 30, 1988 and 1987, the components of property and equipment consisted of:

	<u>1988</u>	<u>1987</u>
Land	\$ 35,707,000	\$ 35,510,000
Building, furniture and fixtures	82,373,000	74,432,000
Less accumulated depreciation	(43,093,000)	(32,049,000)
Construction in progress	<u>125,167,000</u>	<u>36,073,000</u>
Total Property and Equipment	<u>\$200,154,000</u>	<u>\$113,966,000</u>

NOTE 2. LONG-TERM DEBT

At June 30, 1988 and 1987, long-term debt consisted of:

	<u>1988</u>	<u>1987</u>
Notes payable; prime minus 1%, maturities to 2009	\$ 456,000	\$ 477,000
Mortgages payable; 10%, maturities to 1994	323,000	327,000
Mortgage payable; 11%, matures 1988	-0-	180,000
Construction loan payable; various interest rate options ranging from prime plus 3/4% to LIBOR plus 1 3/4%, matures 1989	65,549,000	1,632,000
Obligations under capital leases	<u>16,403,000</u>	<u>20,596,000</u>
	82,731,000	23,212,000
Less current portion	<u>(7,833,000)</u>	<u>(6,602,000)</u>
Long-term portion	<u>\$74,898,000</u>	<u>\$16,610,000</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	\$ 3,674,000
1989	74,094,000
1990	2,075,000
1991	1,358,000
1992	755,000
Thereafter	<u>775,000</u>
TOTAL	<u>\$82,731,000</u>

NOTE 3. DEFERRED CREDITS

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

NOTE 4. COMMITMENTS AND CONTINGENCIES

Licensing

On November 26, 1982, the Company was granted a permanent gaming license by the New Jersey Casino Control Commission. The license is renewable on an annual basis until 1988 when it becomes renewable biennially thereafter. The license was renewed on October 26, 1987. Management has received no indication that future renewals will not be granted.

The Company has entered into an agreement providing for the lease of land adjacent to the Tropicana Hotel/Casino to an unrelated 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 revenues of at least (i) \$1,600,000 (adjusted, after the tenth year, for changes in the Consumer Price Index) between September 15th of each year and May 15th of the next year and (ii) \$1,900,000 (increased each year by \$100,000 and calculated cumulatively) between May 16th and September 14th of each year.

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 are 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; in the event the investment requirement is not met, the casino licensee is subject to a tax on gross casino revenues in the amount of two and one-half percent. As mandated by the legislation, the interest rate of the CRDA bonds purchased by the licensee will be two-thirds of the average market rate for bonds available for purchase, as defined, and published by a national bond index at the time of the CRDA bond issuance. Adamar anticipates meeting its 1988 reinvestment obligation by purchasing CRDA bonds and, accordingly, recorded a loss of \$406,000 to recognize the effect of the above market interest rate the bonds would have borne had they been issued on June 30, 1988. Adamar's investment in CRDA bonds at June 30, 1988 consists of two bond issuances. Interest on bonds is payable semi-annually on April 1 and October 1 at rates ranging from 6.07% to 6.14%, and the bonds will mature on October 1, 2028.

	289,218	2,622,000	13,207	17,763
	984,505	1,279,000	-0-	-0-
	-0-	-0-	873	24,000
	9,248	40,000	15,713	37,700
	-0-	-0-	490,470	11,594,137
	42,078	429,000	7,328	17,287
	1,715,007	\$ 5,970,000	536,818	172,493,000

NUMBER OF VEHICLES REGISTERED IN THE STATE OF NEW JERSEY

NUMBER OF VEHICLES	DOLLAR VALUE	NUMBER OF VEHICLES	DOLLAR VALUE
-0-	\$ -0-	-0-	\$ -0-
-0-	\$ -0-	-0-	\$ -0-

NOTE 5. COMPLIMENTARY SERVICES

The amount of promotional allowances and promotional expenses for the six months ended June 30, 1988 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	25,479	\$ 2,830,000	429	\$ 17,000
Food	485,995	4,754,000	22,757	223,000
Beverage	1,785,920	2,252,000	-0-	-0-
Travel	-0-	-0-	2,338	818,000
Showroom/Boxing	19,464	104,000	18,206	364,000
Coin Payouts	-0-	-0-	1,340,616	18,684,000
Other	76,775	767,000	11,651	117,000
Total	2,393,633	\$10,707,000	1,395,997	\$20,223,000

The amount of promotional allowances and promotional expenses for the quarter ended June 30, 1988 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	14,259	\$ 1,582,000	314	\$ 12,000
Food	269,535	2,632,000	13,007	127,000
Beverage	984,535	1,239,000	-0-	-0-
Travel	-0-	-0-	973	340,000
Showroom/Boxing	9,249	65,000	15,249	305,000
Coin Payouts	-0-	-0-	803,270	11,594,000
Other	42,079	420,000	6,606	67,000
Total	1,319,657	\$ 5,938,000	839,419	\$12,445,000

NOTE 6. JACKPOT PAYOUTS

Jackpot payouts for the six months ending June 30, 1988 are:

	<u>PAYOUTS INCLUDED IN PROMOTIONAL ALLOWANCES</u>		<u>OTHER PAYOUTS</u>	
	<u>Number of Payouts</u>	<u>Dollar Amount</u>	<u>Number of Payouts</u>	<u>Dollar Amount</u>
Motor Vehicles	-0-	\$ -0-	2	\$46,000
Total	-0-	\$ -0-	2	\$46,000

Jackpot payouts for the three months ending June 30, 1988 are:

	<u>PAYOUTS INCLUDED IN PROMOTIONAL ALLOWANCES</u>		<u>OTHER PAYOUTS</u>	
	<u>Number of Payouts</u>	<u>Dollar Amount</u>	<u>Number of Payouts</u>	<u>Dollar Amount</u>
Motor Vehicles	<u>-0-</u>	<u>\$ -0-</u>	<u>1</u>	<u>\$23,000</u>
Total	<u>-0-</u>	<u>\$ -0-</u>	<u>1</u>	<u>\$23,000</u>

NOTE 7. Due to affiliates is reflected in Other liabilities. The identity of the affiliates and corresponding balances are:

	<u>1988</u>	<u>1987</u>
Due to Ramada Inc.	\$ 31,085,000	\$ 7,221,000
Due to Atlantic-Deauville, Inc.	3,000	8,872,000
Due to Tropicana West	60,000	562,000
Due to Ramada, New Jersey, Inc.	<u>401,000</u>	<u>749,000</u>
TOTAL	<u>\$ 31,549,000</u>	<u>\$ 17,404,000</u>

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

	<u>1988</u>	<u>1987</u>
Advances to Ramada Inc.	<u>\$ 26,861,000</u>	<u>\$ 27,949,000</u>

For the six months ended June 30, 1988 and 1987 the Company incurred management fees from Ramada Inc. of \$216,000 and \$201,000, respectively.

The nature of "Charges from affiliates - other" for the six months ended June 30, 1988 and 1987 are as follows:

	<u>1988</u>	<u>1987</u>
Basic rent due to AGP	\$ 22,164,000	\$ 22,231,000
Rent	<u>347,000</u>	<u>348,000</u>
Total	<u>\$ 22,511,000</u>	<u>\$ 22,579,000</u>

For the six months ended June 30, 1988 and 1987 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>1988</u>	<u>1987</u>
<u>COST OF GOODS AND SERVICES</u>		
Executive Deferred Compensation Plan	\$ 3,000	\$ 1,000
Workman's Compensation	<u>-0-</u>	<u>50,000</u>
Total	<u>\$ 3,000</u>	<u>\$ 51,000</u>
	<u>1988</u>	<u>1987</u>
<u>SELLING, GENERAL AND ADMINISTRATIVE</u>		
Insurance (1)	\$ 604,000	\$ 27,000
Leased Automobile Expense	<u>-0-</u>	<u>3,000</u>
Executive Deferred Compensation Plan	37,000	14,000
Miscellaneous Purchases	14,000	6,000
Legal & Professional Fees	<u>237,000</u>	<u>1,000</u>
	<u>892,000</u>	<u>51,000</u>
Total	<u>\$ 895,000</u>	<u>\$ 102,000</u>

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

NOTE 8. INTEREST

Interest expenses of \$49,000 and \$1,043,000 in the first six months of 1988 and 1987, respectively, is comprised of interest on capital leases, notes and mortgages.

	<u>1988</u>	<u>1987</u>
Gross Interest Expense Incurred	\$ 4,020,000	\$ 2,185,000
Less Capitalized Interest	(4,423,000)	(1,142,000)
Capitalized Interest Allocated to Ramada	<u>452,000</u>	<u>-0-</u>
	<u>\$ 49,000</u>	<u>\$ 1,043,000</u>

NOTE 9. INCOME TAXES/BENEFITS

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

	<u>1988</u>	<u>1987</u>
State Deferred		
Federal Deferred	\$ 31,000	\$ 237,000
Total Deferred	<u>151,000</u>	<u>1,178,000</u>
	<u>182,000</u>	<u>1,415,000</u>
State Current	(71,000)	(789,000)
Federal Current	<u>(310,000)</u>	<u>(3,401,000)</u>
Total Current	<u>(381,000)</u>	<u>(4,190,000)</u>
 TOTAL	 <u>\$ (199,000)</u>	 <u>\$ (2,775,000)</u>

The following table provides a reconciliation between the provision/(benefits) for income taxes on continuing operations and the federal statutory rate (1988-40%, 1987-40%) when both are expressed as a percentage of pretax income/(loss):

	<u>1988</u>	<u>1987</u>
Computed expected tax expense	40.0%	40.0%
Increase/(Decrease)		
in tax resulting from:		
State taxes, net	5.7%	5.8%
Permanent tax difference	<u>1.5%</u>	<u>2.5%</u>
Total	<u>47.2%</u>	<u>48.3%</u>

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

III. SUPPORTING SCHEDULES FOR MATERIAL ITEMS

NOTE 1. INVESTMENTS, ADVANCES, AND RECEIVABLES

At June 30, 1988 and 1987, Investments, Advances, and Receivables consisted of the following:

	<u>1988</u>	<u>1987</u>
CRDA investment	\$ 8,116,000	\$ 6,309,000
Mortgage receivable	10,253,000	6,745,000
Long-term investment	1,837,000	21,437,000
Long-term note receivable	<u>80,000</u>	<u>-0-</u>
Total	<u>\$ 20,286,000</u>	<u>\$ 34,491,000</u>

NOTE 2. OTHER ACCRUED EXPENSES

At June 30, 1988 and 1987, Other accrued expenses consisted of the following:

	<u>1988</u>	<u>1987</u>
Accrued payroll taxes and benefits	\$ 5,860,000	\$ 7,217,000
Accrued advertising	806,000	927,000
Accrued rent	324,000	253,000
Accrued taxes	504,000	865,000
Accrued progressive slot win	2,014,000	697,000
Accrued OCC & DGE	432,000	391,000
Accrued miscellaneous	969,000	1,630,000
Other	<u>1,434,000</u>	<u>452,000</u>
Total	<u>\$ 12,343,000</u>	<u>\$ 12,432,000</u>

NOTE 3. OTHER CURRENT LIABILITIES

At June 30, 1988 and 1987, Other current liabilities consisted of the following:

	<u>1988</u>	<u>1987</u>
Reinvestment Obligation	\$ 733,000	\$ 657,000
Accrued construction payables	169,000	258,000
Other	<u>1,150,000</u>	<u>1,096,000</u>
Total	<u>\$ 2,052,000</u>	<u>\$ 2,011,000</u>

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

NOTE 4. OTHER LIABILITIES

At June 30, 1988 and 1987, Other liabilities consisted of the following:

	<u>1988</u>	<u>1987</u>
Due to affiliates	\$ 31,549,000	\$ 17,404,000
Deferred rent	<u>13,268,000</u>	<u>9,786,000</u>
TOTAL	<u>\$ 44,817,000</u>	<u>\$ 27,190,000</u>

NOTE 5. NON-OPERATING INCOME/(EXPENSE)

For the period ending June 30, 1988 and 1987, Non-operating income/(expense) consisted of the following:

	<u>1988</u>	<u>1987</u>
Interest income	\$ 1,204,000	\$ 1,541,000
Management fee reimbursement	250,000	250,000
Leased land rental	2,771,000	2,771,000
Maintenance reimbursement	4,578,000	4,906,000
Loss on disposal of property and equipment	<u>(75,000)</u>	<u>-0-</u>
Total	<u>\$ 8,728,000</u>	<u>\$ 9,468,000</u>

DEPOSITED PATRONS' CHECKS ACTIVITY

DESCRIPTION	1988	1987
Balance (January 1)		
Checks issued (including counter checks issued through transactions relating to consolidations, partial redemptions, subscriptions, and patrons' deposits)		
Checks returned prior to deposit (including the unendowed portion of counter checks returned through partial redemptions, and non-cashing checks returned through transactions relating to consolidations, subscriptions, and patrons' deposits)		
Checks included through deposits		
Checks transferred to returned checks		
Adjustments		
Total		

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

JUNE 30, _____, 19 88

(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	4,017		
2	Returned patrons' checks	13,958		
3	Total patrons' checks	17,975	\$ (8,854)	\$ 9,121
4	Hotel Receivables	512	(24)	488
	Other Receivables:			
5	Receivables due from officers and employees.....	13		
6	Receivables due from affiliates	26,861		
7	Other accounts and notes receivables	2,967		
8	Total other receivables	29,841		29,841
9	Totals (Form 205).....	\$ 48,328	\$ (8,878)	\$ 39,450

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 4,637
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	73,366
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)	(50,674)
13	Checks collected through deposits	(17,674)
14	Checks transferred to returned checks	(5,638)
15	Other adjustments	
16	Ending Balance	\$ 4,017
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 1,257
19	Provision As A Percent Of Counter Checks Issued	1.7 %

TRADING NAME OF LICENSEE TROPICANA HOTEL AND CASINO

HOTEL STATISTICS

FOR THE 6 MONTHS ENDED June 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	507	14,196	8,648	\$ 90.34	60.9 %	16,909	\$ 46.20
FEBRUARY	507	17,742	11,305	\$ 89.60	63.7 %	30,344	\$ 33.38
MARCH	507	14,196	10,850	\$ 78.93	76.4 %	21,305	\$ 40.20
1ST QUARTER TOTALS		46,134	30,803	\$ 86.05	66.8 %	68,558	\$ 38.66
APRIL	507	14,196	12,105	\$ 83.23	85.3 %	23,991	\$ 42.00
MAY	507	17,745	16,355	\$ 85.80	92.2 %	32,005	\$ 43.85
JUNE	507	14,196	13,481	\$ 86.23	95.0 %	26,745	\$ 43.46
2ND QUARTER TOTALS		46,137	41,941	\$ 85.20	90.9 %	82,741	\$ 43.19
JULY				\$	%		\$
AUGUST				\$	%		\$
SEPTEMBER				\$	%		\$
3RD QUARTER TOTALS				\$	%		\$
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

QUARTERLY REPORT

LIST OF FORMS - QUARTERLY REPORT

974-901
C193.1

LICENSEE Adamar of New Jersey, Inc.
dba TropWorld Casino and Entertainment Resort

ADDRESS Brighton Avenue and the Boardwalk
Atlantic City, NJ 08401-6390

FOR THE QUARTER ENDED September 30, 1988

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



PROPERTY OF
NEW JERSEY STATE LIBRARY
NOV 9 1988
185 W. STATE ST.
TRENTON, N.J.

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

Lester Brzozowski
Vice President of Finance

OFFICIAL TITLE

ADDRESS

Brighton Avenue and the Boardwalk
Atlantic City, NJ 08401-6390

BALANCE SHEETS

TRADING NAME OF LICENSEE TropWorld Casino and Entertainment Resort

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED Sept. 30, 1988

LINE	DESCRIPTION	(a) 19 88	(a) 19 87
1	Current Assets:		
2	Cash	3,390	6,510
3	Marketable securities	-0-	-0-
4	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 88, \$ 9,063 ; 19 87, \$ 10,330)	11,634	11,789
5	Inventories	1,113	1,113
6	Prepaid expenses	2,908	2,908
7	Other current assets		
8	Balance Sheets		
9		CCC-205	
10	Statements of Income (Year-to-Date)		
11		CCC-210	
12	Statements of Income (Three Months)		
13		CCC-215	
14	Statements of Changes in Stockholders' Equity		
15		CCC-220	
16	Statements of Changes in Partners' or Proprietor's Equity		
17		CCC-225	
18	Statements of Cash Flows		
19		CCC-235	
20	Notes to Financial Statements		
21	Schedule of Receivables and Patrons' Checks		
22		CCC-240	
23	Statement of Conformity and Accuracy		
24		CCC-250	
25	Other current liabilities	15,100	1,261
26	Total current liabilities	31,494	37,333
27	Long-Term Debts		
28	Due to affiliates	-0-	-0-
29	Other	99,159	18,185
30	Deferred Credits	(3,855)	428
31	Other Liabilities	26,451	21,317
32	Commitments And Contingencies		
33	Total Liabilities	154,331	63,159
34	Stockholders', Partners', or Proprietor's Equity	136,861	131,445
35	Total Liabilities And Equity	\$ 291,192	\$ 194,604

The accompanying notes are an integral part of the financial statements. All dollar amounts shown are in thousands unless otherwise indicated in the notes.

CCC-205

BALANCE SHEETS

Sept. 30, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE: (a)	DESCRIPTION (b)	(c) 19 88	(d) 19 87 Restated 11/11/88
	ASSETS		
	Current Assets:		
1	Cash	\$ 3,590	\$ 6,510
2	Marketable securities	-0-	-0-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 88, \$ 9,065 ; 19 87, \$ 10,530)	13,604	11,589
4	Inventories	1,969	1,713
5	Prepaid expenses and other current assets	2,868	2,908
6	Total current assets	22,031	22,720
7	Investments, Advances, And Receivables Note III-1 Note II-7	31,013	40,348
8	Property And Equipment - Net Note II-1	234,156	131,850
9	Other Assets	4,192	1,685
10	Total Assets	\$ 291,392	\$ 196,603
	LIABILITIES AND EQUITY		
	Current Liabilities:		
11	Accounts payable	\$ 3,248	\$ 1,210
12	Notes payable	-0-	-0-
	Current portion of long-term debt:		
13	Due to affiliates	-0-	-0-
14	Other Note II-2	8,124	7,035
15	Income taxes payable and accrued	867	875
16	Other accrued expenses Note III-2	13,848	11,741
17	Other current liabilities Note III-3	15,106	2,261
18	Total current liabilities	41,494	23,222
	Long-Term Debt:		
19	Due to affiliates	-0-	-0-
20	Other Note II-2	89,268	18,186
21	Deferred Credits Note II-3	(2,883)	428
22	Other Liabilities Note II-7 and Note III-4	26,652	21,322
23	Commitments And Contingencies Note II-4		
24	Total Liabilities	154,531	63,158
25	Stockholders', Partners', Or Proprietor's Equity	136,861	133,445
26	Total Liabilities And Equity	\$ 291,392	\$ 196,603

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

TRADING NAME OF LICENSEE TropWorld Casino and Entertainment Resort

STATEMENTS OF INCOME

FOR THE 9 MONTHS ENDED Sept. 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino	\$ 170,815	\$ 164,301
2	Rooms	10,759	10,947
3	Food and beverage	20,723	19,881
4	Other	4,005	3,133
5	Total revenue	206,302	198,262
6	Less: promotional allowances Note II-5	(17,526)	(16,764)
7	Net revenue	188,776	181,498
	Costs And Expenses:		
8	Cost of goods and services Note II-7	94,561	94,718
9	Selling, general, and administrative Note II-6, II-7	55,665	49,722
10	Provision for doubtful accounts	991	3,326
11	Total	151,217	147,766
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	37,559	33,732
13	Depreciation and amortization	9,004	7,870
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees Note II-7	366	201
16	Other Note II-7	33,882	33,869
17	Interest expense - external Note II-8	76	1,231
18	Income (Loss) From Operations	(5,769)	(9,439)
19	Nonoperating income (expense) - net Note III-5	13,918	13,680
20	Investment alternative tax and related income (expense) - net Note I-4	(658)	(1,005)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	7,491	3,236
22	Provision (Credit) for income taxes Note II-9	3,525	1,779
23	Income (Loss) Before Extraordinary Items	3,966	1,457
24	Extraordinary items (net of income taxes - 19 <u>88</u> , \$ -0- ; 19 <u>87</u> , \$ -0-)	-0-	-0-
25	Net Income (Loss)	\$ 3,966	\$ 1,457

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED Sept. 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino	\$ 63,449	\$ 60,192
2	Rooms	4,549	4,215
3	Food and beverage	7,910	7,049
4	Other	1,830	1,350
5	Total revenue	77,738	72,806
6	Less: promotional allowances Note II-5	(6,819)	(5,106)
7	Net revenue	70,919	67,700
	Costs And Expenses:		
8	Cost of goods and services	34,596	31,874
9	Selling, general, and administrative	18,059	15,342
10	Provision for doubtful accounts	677	1,187
11	Total	53,332	48,403
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	17,587	19,297
13	Depreciation and amortization	3,063	2,799
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	151	-0-
16	Other	11,371	11,290
17	Interest expense - external	27	188
18	Income (Loss) From Operations	2,975	5,020
19	Nonoperating income (expense) - net	5,190	4,212
20	Investment alternative tax and related income (expense) - net.....	(252)	(251)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	7,913	8,981
22	Provision (Credit) for income taxes	3,724	4,554
23	Income (Loss) Before Extraordinary Items	4,189	4,427
24	Extraordinary items (net of income taxes - 19 <u>88</u> , \$ -0- ; 19 <u>87</u> , \$ -0-)	-0-	-0-
25	Net Income (Loss)	\$ 4,189	\$ 4,427

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 9 MONTHS ENDED Sept. 30, 1988 AND 1987

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 88		1987	
		(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)		24,427		23,520
26	Prior period adjustments				
27	Net income (loss)		3,966		1,457
28	Dividends		()		()
29	.....			
30	.....			
31	Ending balance		28,393		24,977
32	Ending Stockholders' Equity		\$136,861		\$ 133,445

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 TropWorld Casino and Entertainment Resort

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE 9 MONTHS ENDED Sept, 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

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

NOT APPLICABLE

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

TRADING NAME OF LICENSEE TropWorld Casino and Entertainment Resort

STATEMENTS OF CASH FLOW

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987 Restated 11/11/88
1	Net Cash Provided (Used) By Operating Activities.....	\$ 16,434	\$ 8,601
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Purchase outflows for property and equipment.....	(82,639)	(45,245)
5	Proceeds from disposition of property and equipment.....		18
6	Purchase of casino reinvestment obligations.....	(2,138)	(2,001)
7	Purchase of other investments and loans\advances made.....	(4,271)	(2,034)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	11,882	40,102
9	Cash outflows to acquire business entities.....		
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(77,166)	(9,160)
	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.....	68,138	4,691
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(12,436)	(4,405)
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.....	55,702	286
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(5,030)	(273)
25	Cash And Cash Equivalents At Beginning Of Period.....	8,620	6,783
26	Cash And Cash Equivalents At End Of Period.....	3,590	6,510

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Period For:			
27	Interest (net of amount capitalized).....	\$ 3,034	\$ 3,150
28	Income Taxes.....	\$ 422	\$ 340

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

STATEMENTS OF CASH FLOW

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 1988 AND 1987

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987 Restated 11/11/88
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 3,966	\$ 1,457
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	8,651	7,640
31	Amortization of other assets.....	353	230
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....	(3,221)	(2,687)
35	(Gain) loss on disposition of property and equipment.....	75	46
36	(Gain) loss on casino reinvestment obligations.....	658	1,005
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	(2,696)	(1,854)
39	Net (increase) decrease in inventories.....	(397)	52
40	Net (increase) decrease in other current assets.....	(64)	(200)
41	Net (increase) decrease in other assets.....	(2,870)	(251)
42	Net increase (decrease) in accounts payables.....	2,648	(486)
43	Net increase (decrease) in other current liabilities excluding debt.....	5,060	33
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	4,271	3,616
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 16,434	\$ 8,601

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ (85,910)	\$ (46,670)
49	Less: Capital lease obligations incurred.....	(3,271)	(1,425)
50	Cash Outflows For Property And Equipment.....	\$ (82,639)	\$ (45,245)
	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.....	\$	\$

LONG-TERM DEBT

At September 30, 1988 and 1987, long-term debt consisted of:

ADAMAR OF NEW JERSEY, INC.
DBA TROPWORLD CASINO AND ENTERTAINMENT RESORT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1988 AND 1987

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 1. DISCLOSURES NOT PRESENTED

Certain footnotes have not been presented in these Notes to Consolidated Financial Statements. These footnotes would be a duplicate of items contained in the Casino Control Commission Annual Report for the year ended December 31, 1987.

The specific footnotes not presented are the summary of significant accounting policies and lease obligations. The footnotes contained in the December 31, 1987 Annual Report should be read in conjunction with these financial statements.

II. SIGNIFICANT INFORMATION

NOTE 1. PROPERTY AND EQUIPMENT

At September 30, 1988 and 1987, the components of property and equipment consisted of:

	<u>1988</u>	<u>1987</u>
Land	\$ 35,707,000	\$ 35,542,000
Building, furniture and fixtures	236,612,000	77,776,000
Less accumulated depreciation	(45,973,000)	(34,681,000)
Construction in progress	<u>7,810,000</u>	<u>53,213,000</u>
Total Property and Equipment	<u>\$234,156,000</u>	<u>\$131,850,000</u>

DEFERRED CREDITS

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

COMMITMENTS AND CONTINGENCIES

Licensing

On November 26, 1982, the Company was granted a permanent gaming license by the New Jersey Casino Control Commission. The license is renewable on an annual basis until 1989 when it becomes renewable biennially thereafter. The Commission voted to renew the license on October 27, 1988 effective November 26, 1988. Management has received no indication that future renewals will not be granted.

NOTE 2. LONG-TERM DEBT

At September 30, 1988 and 1987, long-term debt consisted of:

	<u>1988</u>	<u>1987</u>
Notes payable; prime minus 1%, maturities to 2009	\$ 450,000	\$ 472,000
Mortgages payable; 10%, maturities to 1994	321,000	326,000
Mortgage payable; 11%, matures 1988	-0-	180,000
Construction loan payable; various interest rate options ranging from prime plus 3/4% to LIBOR plus 1 3/4%, maturities to 1994	80,337,000	4,510,000
Obligations under capital leases	<u>16,484,000</u>	<u>19,733,000</u>
	97,592,000	25,221,000
Less current portion	<u>(8,324,000)</u>	<u>(7,035,000)</u>
Long-term portion	<u>\$89,268,000</u>	<u>\$18,186,000</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	\$ 2,061,000
1989	18,714,000
1990	12,315,000
1991	21,715,000
1992	26,289,000
Thereafter	<u>16,498,000</u>
TOTAL	<u>\$97,592,000</u>

NOTE 3. DEFERRED CREDITS

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

NOTE 4. COMMITMENTS AND CONTINGENCIES

Licensing

On November 26, 1982, the Company was granted a permanent gaming license by the New Jersey Casino Control Commission. The license is renewable on an annual basis until 1989 when it becomes renewable biennially thereafter. The Commission voted to renew the license on October 27, 1988 effective November 26, 1988. Management has received no indication that future renewals will not be granted.

The Company has entered into an agreement providing for the lease of land adjacent to the TropWorld Casino and Entertainment Resort to an unrelated 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 revenues of at least (i) \$1,600,000 (adjusted, after the tenth year, for changes in the Consumer Price Index) between September 15th of each year and May 15th of the next year and (ii) \$1,900,000 (increased each year by \$100,000 and calculated cumulatively) between May 16th and September 14th of each year.

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 are 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; in the event the investment requirement is not met, the casino licensee is subject to a tax on gross casino revenues in the amount of two and one-half percent. As mandated by the legislation, the interest rate of the CRDA bonds purchased by the licensee will be two-thirds of the average market rate for bonds available for purchase, as defined, and published by a national bond index at the time of the CRDA bond issuance. Adamar anticipates meeting its 1988 reinvestment obligation by purchasing CRDA bonds and, accordingly, recorded a loss of \$658,000 to recognize the effect of the above market interest rate the bonds would have borne had they been issued on September 30, 1988. Adamar's investment in CRDA bonds at September 30, 1988 consists of two bond issuances. Interest on bonds is payable semi-annually on April 1 and October 1 at rates ranging from 6.07% to 6.14%, and the bonds will mature on October 1, 2028.

TropWorld Casino and Entertainment Resort, which was originally scheduled to open by early 1989, was completed and opened to the public on September 26, 1988. Featured entertainment amenities include a 90,000 square foot casino; 300 luxury suites included in 1,000 hotel rooms; superstar entertainment in the 1,700 seat showroom; Tivoli Pier, a unique indoor entertainment attraction reminiscent of the old Atlantic City Boardwalk piers; 18 restaurants and lounges including four gourmet rooms; indoor and outdoor health club facilities; 22 specialty shops in two connecting shopping arcades; and a 2,700 space indoor parking garage complete with a skywalk above Pacific Avenue.

ACCPOT PAYOUTS

Accpot payouts for the nine months ending September 30, 1988 were

	PAYOUTS INCLUDED IN FINANCIAL STATEMENTS		OTHER PAYOUTS	
	Number of Payouts	Dollar Amount	Number of Payouts	Dollar Amount
Motor Vehicles	12	\$ 120,000	12	\$120,000
TOTAL	12	\$ 120,000	12	\$120,000

NOTE 5. COMPLIMENTARY SERVICES

The amount of promotional allowances and promotional expenses for the nine months ended September 30, 1988 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	42,794	\$ 4,670,000	1,473	\$ 59,000
Food	769,778	7,544,000	35,432	347,000
Beverage	2,993,682	3,845,000	-0-	-0-
Travel	-0-	-0-	3,757	1,315,000
Showroom/Boxing/ Tivoli Pier	53,192	253,000	20,366	407,000
Coin Payouts	-0-	-0-	2,008,119	27,184,000
Other	121,375	1,214,000	19,479	195,000
Total	3,980,821	\$17,526,000	2,088,626	\$29,507,000

The amount of promotional allowances and promotional expenses for the three months ended September 30, 1988 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	17,315	\$ 1,840,000	1,044	\$ 42,000
Food	283,783	2,790,000	12,675	124,000
Beverage	1,207,762	1,593,000	-0-	-0-
Travel	-0-	-0-	1,419	497,000
Showroom/Boxing	33,728	149,000	2,160	43,000
Coin Payouts	-0-	-0-	667,503	8,500,000
Other	44,600	447,000	7,828	78,000
Total	1,587,188	\$ 6,819,000	692,629	\$ 9,284,000

NOTE 6. JACKPOT PAYOUTS

Jackpot payouts for the nine months ending September 30, 1988 are:

	<u>PAYOUTS INCLUDED IN PROMOTIONAL ALLOWANCES</u>		<u>OTHER PAYOUTS</u>	
	<u>Number of Payouts</u>	<u>Dollar Amount</u>	<u>Number of Payouts</u>	<u>Dollar Amount</u>
Motor Vehicles	-0-	\$ -0-	12	\$385,000
Total	-0-	\$ -0-	12	\$385,000

Jackpot payouts for the three months ending September 30, 1988 are:

	<u>PAYOUTS INCLUDED IN PROMOTIONAL ALLOWANCES</u>		<u>OTHER PAYOUTS</u>	
	<u>Number of Payouts</u>	<u>Dollar Amount</u>	<u>Number of Payouts</u>	<u>Dollar Amount</u>
Motor Vehicles	<u>-0-</u>	<u>\$ -0-</u>	<u>10</u>	<u>\$339,000</u>
Total	<u>-0-</u>	<u>\$ -0-</u>	<u>10</u>	<u>\$339,000</u>

NOTE 7. Due to affiliates is reflected in Other liabilities. The identity of the affiliates and corresponding balances are:

	<u>1988</u>	<u>1987</u>
Due to Atlantic-Deauville, Inc.	\$ 10,225,000	\$ 9,169,000
Due to Tropicana West	107,000	11,000
Due to Ramada, New Jersey, Inc.	<u>2,180,000</u>	<u>1,486,000</u>
TOTAL	<u>\$ 12,512,000</u>	<u>\$ 10,666,000</u>

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

	<u>1988</u>	<u>1987</u>
Advances to Ramada Inc.	<u>\$ 8,132,000</u>	<u>\$ 17,869,000</u>

For the nine months ended September 30, 1988 and 1987 the Company incurred management fees from Ramada Inc. of \$366,000 and \$201,000 respectively.

The nature of "Charges from affiliates - other" for the nine months ended September 30, 1988 and 1987 are as follows:

	<u>1988</u>	<u>1987</u>
Basic rent due to AGP	\$ 33,361,000	\$ 33,347,000
Rent	<u>521,000</u>	<u>522,000</u>
Total	<u>\$ 33,882,000</u>	<u>\$ 33,869,000</u>

For the nine months ended September 30, 1988 and 1987 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 the charges and dollar amounts are as follows:

	<u>1988</u>	<u>1987</u>
<u>COST OF GOODS AND SERVICES</u>		
Executive Deferred Compensation Plan	\$ 2,000	\$ 3,000
Workman's Compensation	-0-	50,000
Total	<u>\$ 2,000</u>	<u>\$ 53,000</u>
	<u>1988</u>	<u>1987</u>
<u>SELLING, GENERAL AND ADMINISTRATIVE</u>		
Insurance (1)	\$ 1,186,000	\$ 371,000
Leased Automobile Expense	-0-	5,000
Executive Deferred Compensation Plan	21,000	36,000
Miscellaneous Purchases	35,000	21,000
Legal & Professional Fees	<u>276,000</u>	<u>123,000</u>
	<u>1,518,000</u>	<u>556,000</u>
Total	<u>\$ 1,520,000</u>	<u>\$ 609,000</u>

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

NOTE 8. INTEREST

Interest expenses of \$76,000 and \$1,231,000 in the first nine months of 1988 and 1987, respectively, is comprised of interest on capital leases, notes and mortgages.

	<u>1988</u>	<u>1987</u>
Gross Interest Expense Incurred	\$ 6,742,000	\$ 3,234,000
Less Capitalized Interest	(7,514,000)	(2,003,000)
Capitalized Interest Allocated to Ramada	<u>848,000</u>	<u>-0-</u>
	<u>\$ 76,000</u>	<u>\$ 1,231,000</u>

NOTE 9. INCOME TAXES/BENEFITS

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

At September 30, 1988 and 1987, Investments, Advances and Receivables consisted of the following:

	<u>1988</u>	<u>1987</u>
State Deferred	\$ (559,000)	\$ (2,239,000)
Federal Deferred	(2,662,000)	(448,000)
Total Deferred	<u>(3,221,000)</u>	<u>(2,687,000)</u>
State Current	1,258,000	801,000
Federal Current	5,488,000	3,665,000
Total Current	<u>6,746,000</u>	<u>4,466,000</u>
TOTAL	<u>\$ 3,525,000</u>	<u>\$ 1,779,000</u>

The following table provides a reconciliation between the provision/(benefit) for income taxes on continuing operations and the federal statutory rate (1988-40%, 1987-40%) when both are expressed as a percentage of pretax income/(loss):

	<u>1988</u>	<u>1987</u>
Computed expected tax expense	40.0%	40.0%
Increase in tax resulting from:		
State taxes, net	5.6%	6.6%
Permanent tax difference	<u>1.5%</u>	<u>8.4%</u>
Total	<u>47.1%</u>	<u>55.0%</u>

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

NOTE 10. OTHER CURRENT LIABILITIES

At September 30, 1988 and 1987, Other current liabilities consisted of the following:

	<u>1988</u>	<u>1987</u>
Reinvestment obligation	\$ 797,000	\$ 741,000
Accrued construction payables	12,952,000	208,000
Other	<u>1,317,000</u>	<u>1,330,000</u>
Total	<u>\$ 15,106,000</u>	<u>\$ 2,281,000</u>

III. SUPPORTING SCHEDULES FOR MATERIAL ITEMS

NOTE 1. INVESTMENTS, ADVANCES, AND RECEIVABLES

At September 30, 1988 and 1987, Investments, Advances, and Receivables consisted of the following:

	<u>1988</u>	<u>1987</u>
Due from Affiliates		
CRDA investment	\$ 8,132,000	\$ 17,869,000
Mortgage receivable	8,658,000	6,793,000
Long-term investment	12,709,000	7,662,000
Long-term note receivable	1,382,000	7,990,000
	<u>132,000</u>	<u>34,000</u>
Total	<u>\$ 31,013,000</u>	<u>\$ 40,348,000</u>

NOTE 2. OTHER ACCRUED EXPENSES

At September 30, 1988 and 1987, Other accrued expenses consisted of the following:

	<u>1988</u>	<u>1987</u>
Accrued payroll taxes and benefits	\$ 5,971,000	\$ 6,650,000
Accrued advertising	773,000	849,000
Accrued rent	384,000	266,000
Accrued taxes	410,000	462,000
Accrued progressive slot win	3,091,000	606,000
Accrued CCC & DGE	511,000	799,000
Accrued miscellaneous	1,122,000	1,615,000
Other	<u>1,586,000</u>	<u>494,000</u>
Total	<u>\$ 13,848,000</u>	<u>\$ 11,741,000</u>

NOTE 3. OTHER CURRENT LIABILITIES

At September 30, 1988 and 1987, Other current liabilities consisted of the following:

	<u>1988</u>	<u>1987</u>
Reinvestment Obligation	\$ 797,000	\$ 741,000
Accrued construction payables	12,992,000	200,000
Other	<u>1,317,000</u>	<u>1,320,000</u>
Total	<u>\$ 15,106,000</u>	<u>\$ 2,261,000</u>

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

NOTE 4. OTHER LIABILITIES

At September 30, 1988 and 1987, Other liabilities consisted of the following:

	(UNAUDITED)	
	(\$ IN THOUSANDS)	
	<u>1988</u>	<u>1987</u>
Due to affiliates	\$ 12,512,000	\$ 10,666,000
Deferred rent	14,140,000	10,656,000
TOTAL	\$ 26,652,000	\$ 21,322,000

NOTE 5. NON-OPERATING INCOME/(EXPENSE)

For the period ending September 30, 1988 and 1987, Non-operating income/(expense) consisted of the following:

	<u>1988</u>	<u>1987</u>
Interest income	\$ 1,880,000	\$ 2,207,000
Management fee reimbursement	375,000	393,000
Leased land rental	4,157,000	4,157,000
Maintenance reimbursement	7,581,000	6,969,000
Loss on disposal of property and equipment	(75,000)	(46,000)
Total	\$ 13,918,000	\$ 13,680,000

UNDEPOSITED PATRONS' CHECKS ACTIVITY

DESCRIPTION (a)	AMOUNT (b)
Beginning Balance (January 1)	\$ 4,837
Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	116,884
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)	(81,013)
Checks collected through deposits	(28,456)
Checks transferred to returned checks	(8,079)
Other adjustments	3,953
Ending Balance	\$ 3,953
Hold' Checks Included in Balance On Line 18	\$ -0-
Provision For Uncollectible Patrons' Checks	\$ 257
Provision As A Percent Of Counter Checks Issued	0.8

STATEMENT OF CONFORMITY AND ACCURACY

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

STATE OF New Jersey
 COUNTY OF Atlantic

Sept. 30, 19 88

(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	\$ 3,953		
2	Returned patrons' checks	14,315		
3	Total patrons' checks	18,268	\$ (9,032)	\$ 9,236
4	Hotel Receivables	967	(33)	934
	Other Receivables:			
5	Receivables due from officers and employees.....	16		
6	Receivables due from affiliates	-0-		
7	Other accounts and notes receivables	3,418		
8	Total other receivables	3,434		3,434
9	Totals (Form 205).....	\$ 22,669	\$ (9,065)	\$ 13,604

UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 4,637
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	116,884
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)	(81,013)
13	Checks collected through deposits	(28,456)
14	Checks transferred to returned checks	(8,099)
15	Other adjustments	
16	Ending Balance	\$ 3,953
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 959
19	Provision As A Percent Of Counter Checks Issued	0.8 %

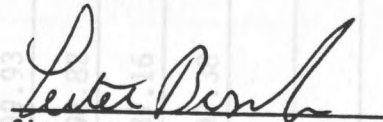
STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :
 COUNTY OF Atlantic :ss.

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

deposes and says:

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

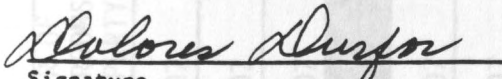

 Signature

Vice President of Finance
 Title

03032-11
 License Number

On Behalf Of:

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


 Signature

TropWorld Casino and Entertainment Resort
 Casino Licensee

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

Basis of Authority
 to Take Oaths

HOTEL STATISTICS

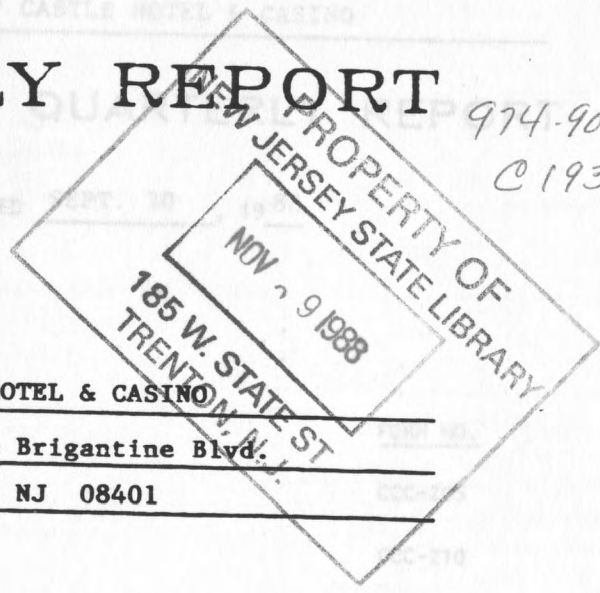
FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	507	14,196	8,648	\$ 90.34	60.9%	16,909	\$ 46.20
FEBRUARY	507	17,742	11,305	\$ 89.60	63.7%	30,344	\$ 33.38
MARCH	507	14,196	10,850	\$ 78.93	76.4%	21,305	\$ 40.20
1ST QUARTER TOTALS		46,134	30,803	\$ 86.05	66.8%	68,558	\$ 38.66
APRIL	507	14,196	12,105	\$ 83.23	85.3%	23,991	\$ 42.00
MAY	507	17,745	16,355	\$ 85.80	92.2%	32,005	\$ 43.85
JUNE	507	14,196	13,481	\$ 86.23	95.0%	26,745	\$ 43.46
2ND QUARTER TOTALS		46,137	41,941	\$ 85.20	90.9%	82,741	\$ 43.19
JULY	507	14,196	13,472	\$ 109.93	94.9%	26,962	\$ 54.93
AUGUST	507	17,745	16,810	\$ 108.82	94.7%	33,717	\$ 54.26
SEPTEMBER	1,004	16,184	13,810	\$ 87.16	85.3%	27,434	\$ 43.88
3RD QUARTER TOTALS		48,125	44,092	\$ 102.38	91.6%	88,113	\$ 51.23
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

TRADING NAME OF LICENSEE TRUMP CASTLE HOTEL & CASINO

QUARTERLY REPORT

974-901
C193-1



LICENSEE TRUMP CASTLE HOTEL & CASINO
TITLE _____
ADDRESS Huron Avenue & Brigantine Blvd.
Atlantic City, NJ 08401

Balance Sheets

Statements of Income (Year-to-Date)

Statements of Income (Three Months)

FOR THE QUARTER ENDED SEPTEMBER, 1988

Statements of Changes in Partners' or Proprietor's Equity

Statements of Cash Flows

Notes to Financial Statements

Schedule of Receivables

Statement of Conformity and Accuracy

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



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

Thomas P. Venier

OFFICIAL TITLE

Vice President Finance

ADDRESS

Huron Avenue & Brigantine Blvd.

Atlantic City, NJ 08401

BALANCE SHEETS

TRADING NAME OF LICENSEE TRUMP CASTLE HOTEL & CASINO

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED SEPT. 30, 1988

LINE NO.	DESCRIPTION	(a) 1988	(b) 1987
ASSETS			
1	Cash	31,738	49,626
2	Marketable securities	0	0
3	Receivables and <u>TITLE</u> checks (net of allowance for doubtful accounts - 1988, \$1,835; 1987, \$1,580)	12,419	9,545
4	Balance Sheets	CCC-205	2,243
5	Prepaid expenses and other current assets	3,874	2,880
6	Statements of Income (Year-to-Date)	CCC-210	
7	Total current assets	51,061	64,514
8	Statements of Income (Three Months)	CCC-215	
9	Advances, Advances, and Receivables	4,566	2,488
10	Statements of Changes in Stockholders' Equity	CCC-220	297,856
11	Assets	12,568	14,066
12	Statements of Changes in Partners' or Proprietor's Equity	CCC-225	378,954
13	Statements of Cash Flows	CCC-235	
14	Notes to Financial Statements		
15	Accounts payable	19,954	6,565
16	Schedule of Receivables and Patrons' Checks	CCC-240	0
17	Current portion of long-term debt		0
18	Statement of Conformity and Accuracy	CCC-250	0
19	Other	0	0
20	Income taxes payable and accrued	0	0
21	Other accrued expenses (NOTE 6)	27,367	20,694
22	Other current liabilities (NOTE 7)	11,285	13,394
23	Total current liabilities	48,606	40,653
24	Long-term Debts		
25	Loans to affiliates (NOTE 3)	305,223	303,370
26	Other (NOTE 4)	8,435	0
27	Deferred Credits	629	1,179
28	Other Liabilities	19	223
29	Commitments And Contingencies (NOTE 9)		
30	Total Liabilities	360,921	345,424
31	Stockholders', Partners', Or Proprietor's Equity	27,939	33,530
32	Total Liabilities And Equity	\$ 388,860	\$ 378,954

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

SEPT. 30, 19 88 AND 1987

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 19 87
	ASSETS		
	Current Assets:		
1	Cash	\$ 31,738	\$ 49,626
2	Marketable securities	0	0
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 1988, \$1,835 ; 1987, \$ 1,580)	12,419	9,545
4	Inventories	3,075	2,463
5	Prepaid expenses and other current assets	3,829	2,880
6	Total current assets	51,061	64,514
7	Investments, Advances, And Receivables	4,566	2,488
8	Property And Equipment - Net .....(NOTE.2).....	320,665	297,886
9	Other Assets .....(NOTE.5).....	12,568	14,066
10	Total Assets	\$ 388,860	\$ 378,954
	LIABILITIES AND EQUITY		
	Current Liabilities:		
11	Accounts payable	\$ 12,954	\$ 6,565
12	Notes payable	0	0
	Current portion of long-term debt:		
13	Due to affiliates	0	0
14	Other	0	0
15	Income taxes payable and accrued	0	0
16	Other accrued expenses .....(NOTE.6).....	22,363	20,694
17	Other current liabilities .....(NOTE.7).....	11,288	13,394
18	Total current liabilities	46,605	40,653
	Long-Term Debt:		
19	Due to affiliates .....(NOTE.3).....	305,223	303,370
20	Other .....(NOTE.4).....	8,435	0
21	Deferred Credits	639	1,179
22	Other Liabilities	19	222
23	Commitments And Contingencies (NOTE 9)		
24	Total Liabilities	360,921	345,424
25	Stockholders', Partners', Or Proprietor's Equity	27,939	33,530
26	Total Liabilities And Equity	\$ 388,860	\$ 378,954

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 CASTLE HOTEL & CASINO

STATEMENTS OF INCOME

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino	\$ 191425	\$ 180845
2	Rooms	14787	13926
3	Food and beverage	30983	32374
4	Other	7365	5489
5	Total revenue	244560	232634
6	Less: promotional allowances .....(NOTE 11).....	29350	28178
7	Net revenue	215210	204456
	Costs And Expenses:		
8	Cost of goods and services	111827	105341
9	Selling, general, and administrative	56151	44823
10	Provision for doubtful accounts	2155	845
11	Total	170133	151009
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	45077	53447
13	Depreciation and amortization	16399	17409
	Charges from affiliates:		
14	Interest	31354	31203
15	Management fees	0	0
16	Other	0	0
17	Interest expense - external	0	0
18	Income (Loss) From Operations	(2676)	4835
19	Nonoperating income (expense) - net .....(NOTE 8).....	1941	2127
20	Investment alternative tax and related income (expense) net.....(NOTE 9).....	(758)	(961)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(1493)	6001
22	Provision (Credit) for income taxes	(149)	581
23	Income (Loss) Before Extraordinary Items	(1344)	5420
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$ <u> </u> ; 19 <u> </u> , \$ <u> </u>)	0	0
25	Net Income (Loss)	\$ (1344)	\$ 5420

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

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1988 and 1987

(UNAUDITED)
(\$ IN THOUSANDS)

DOES NOT APPLY

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) '19 <u>87</u>
	Revenue:		
1	Casino	\$ 69112	\$ 66074
2	Rooms	5627	5475
3	Food and beverage	11494	14127
4	Other	3529	2330
5	Total revenue	89762	88006
6	Less: promotional allowances (NOTE 11)	11301	11917
7	Net revenue	78461	76089
	Costs And Expenses:		
8	Cost of goods and services	40890	39813
9	Selling, general, and administrative	16656	15819
10	Provision for doubtful accounts	855	(262)
11	Total	58401	55370
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	20060	20719
13	Depreciation and amortization	4076	5865
	Charges from affiliates:		
14	Interest	10506	10433
15	Management fees	0	0
16	Other	0	0
17	Interest expense - external	0	0
18	Income (Loss) From Operations	5478	4421
19	Nonoperating income (expense) - net .....(NOTE 8)	559	752
20	Investment alternative tax and related income (expense) - net.....	(268)	(290)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	5769	4883
22	Provision (Credit) for income taxes	577	469
23	Income (Loss) Before Extraordinary Items	5192	4414
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$ <u> </u> ; 19 <u> </u> , \$ <u> </u>)	0	
25	Net Income (Loss)	\$ 5192	\$ 4414

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 9 MONTHS ENDED Sept. 30, 1988 AND 19 87

DOES NOT APPLY

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>88</u>		19 <u>87</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		\$		\$

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 CASTLE HOTEL & CASINO

STATEMENTS OF CASH FLOWS

TRADING NAME OF LICENSEE TRUMP CASTLE HOTEL & CASINO

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1988 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$ 66196	\$ 66196
2	Additional capital invested	0	0
3	.....	0	0
4	Ending balance	66196	66196
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	7322	5615
6	Prior period adjustments	0	0
7	Net income (loss)	(1344)	5420
8	.....	
9	Ending balance	5978	11035
	Capital Withdrawals:		
10	Beginning balance (January 1)	(42600)	(26673)
11	Additional capital withdrawals	(5857)	(17316)
12	Repayment of withdrawals	4222	288
13	Ending balance	(44235)	(43701)
	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	\$ 27939	\$ 33530

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 9 MONTHS ENDED Sept 30, , 1988 and 1987
 (UNAUDITED)
 (\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 88	(d) 1987
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ (1,344)	\$ 5,420
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	14,983	15,417
31	Amortization of other assets.....	1,416	1,992
32	Amortization of debt discount or premium.....	1,402	1,252
33	Deferred income taxes - current.....	0	0
34	Deferred income taxes - noncurrent.....	(149)	581
35	(Gain) loss on disposition of property and equipment.....	(72)	(47)
36	(Gain) loss on casino reinvestment obligations.....	758	961
37	(Gain) loss from other investment activities.....	0	0
38	Net (increase) decrease in receivables and patrons' checks.....	(902)	(2,299)
39	Net (increase) decrease in inventories.....	(133)	6
40	Net (increase) decrease in other current assets.....	(1,595)	150
41	Net (increase) decrease in other assets.....	(588)	0
42	Net increase (decrease) in accounts payables.....	7,025	548
43	Net increase (decrease) in other current liabilities excluding debt.....	12,546	16,203
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	(5)	73
45	.....	0	0
46	.....	0	0
47	Net Cash Provided (Used) By Operating Activities.....	\$ 33,342	\$ 39,957

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ 37,348	\$ 5,742
49	Less: Capital lease obligations incurred.....	0	0
50	Cash Outflows For Property And Equipment.....	\$ 37,348	\$ 5,742
	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

STATEMENTS OF CASH FLOWS

FOR THE 9 MONTHS ENDED Sept. 30, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
1	Net Cash Provided (Used) By Operating Activities.....	\$ 33,342	\$ 39,957
	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	Purchase outflows for property and equipment.....	(37,348)	(5,742)
5	Proceeds from disposition of property and equipment.....	143	684
6	Purchase of casino reinvestment obligations.....	(2,337)	(2,236)
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	.....	0	0
11	.....	0	0
12	Net Cash Provided (Used) By Investing Activities.....	(39,542)	(7,294)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	0	0
14	Payments to settle short-term debt	0	0
15	Cash proceeds from issuance of long-term debt.....	8,435	0
16	Costs of issuing debt.....	0	0
17	Payments to settle long-term debt.....	0	0
18	Cash proceeds from issuing stock or capital contributions.....	0	0
19	Purchases of treasury stock.....	0	0
20	Payments of dividends or capital withdrawals.....	(1,635)	(17,028)
21	.....	0	0
22	.....	0	0
23	Net Cash Provided (Used) By Financing Activities.....	6,800	(17,028)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	600	15,635
25	Cash And Cash Equivalents At Beginning Of Period	31,138	33,991
26	Cash And Cash Equivalents At End Of Period.....	\$ 31,738	\$ 49,626

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Period For:			
27	Interest (net of amount capitalized).....	\$ 29,951	\$ 29,951
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.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is maintained at a level consistent with the historical experience for possible future losses. The Partnership has an allowance of \$1,000,000 through September 30, 1987.

TRUMP'S CASTLE HOTEL & CASINO
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Operation:

Trump's Castle Associates Limited Partnership (the "Partnership") was organized on May 24, 1985, as a New Jersey limited partnership. Donald J. Trump and Trump's Castle Hotel & Casino, Inc., a New Jersey corporation which is owned by Mr. Trump, are the general partners and Mr. Trump is the sole limited partner (the "Partners").

Revenue Recognition:

The Partnership records as revenue the win from gaming activities which represents the difference between amounts wagered and amounts won by patrons. Revenues from hotel and related services are recognized at the time the related service is performed.

Promotional Allowances:

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

Income Taxes/Deferred Credits:

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

Under the New Jersey Casino Control Commission regulations, the Partnership is required to file a consolidated New Jersey corporation business tax return. Accordingly, a provision for state income taxes has been reflected as a deferred credit at 10% in the accompanying financial statements. Deferred state income taxes result primarily from differences in the timing of reporting depreciation for tax and financial statement purposes.

Accumulated Depreciation	\$384,214	\$341,930
	63,549	44,050
Property and Equipment	\$370,665	\$297,886

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 \$1,835,000 through September 30, 1988.

Inventories:

Food and beverage inventories are carried on a weighted average basis and all other inventories are carried at the lower of cost or market on a first in, first out basis.

Property and Equipment:

Property and equipment is recorded at cost and is depreciated on the straight-line method over the estimated useful lives of assets. Estimated useful lives for furniture, fixtures and equipment are from three to eight years and 40 year for buildings.

Pre-opening Expenses

All costs incurred prior to the opening of Trump's Castle have been deferred. These pre-opening expenses will be charged to operations over a three year period using the straight-line method. As of June 30, 1988, all pre-opening costs (\$6,610,455) had been charged to operations.

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:

(In Thousands of Dollars)

Property and equipment as of September 30:

	<u>1988</u>	<u>1987</u>
Land	\$ 28,768	\$ 27,980
Buildings	237,120	237,106
Furniture, Fixtures and Equipment	67,016	65,533
Construction in Progress	43,545	4,686
Building Improvements	7,765	6,631
	-----	-----
TOTAL	\$384,214	\$341,936
Less Accumulated Depreciation	63,549	44,050
	-----	-----
Net Property and Equipment	\$320,665	\$297,886
	=====	=====

NOTE 3 - LONG TERM DEBT:

On June 27, 1985, Trump Castle Funding ("The Company") issued its Series A-1 and Series A-2 First Mortgage Bonds (the "Bonds") for proceeds of \$300,000,000. The proceeds of the bonds were loaned by the Company to the Partnership under the 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 non-recourse, limited guaranty of the payment of the principal of premium, if any, and interest on the Bonds. 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 \$5,048,00 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 - LINE OF CREDIT:

In February 1988, the Partnership obtained a line of credit from a bank for \$50,000,000. This line of credit is being used to finance an expansion of Trump's Castle Hotel & Casino. Interest is payable monthly at 1% above the bank's prime rate. Principal is payable beginning in approximately three years based on a ten year payout with the balance due in 1998. Security for this loan is identical to that of the first mortgage bonds (Note 3). As of September 30, 1988, the Company had borrowed approximately \$8,435,000 against this line of credit for construction costs, legal fees, and other closing costs. Legal fees and closing costs are included in other assets and the borrowings are included in long term debt - other as of September 30, 1988.

NOTE 5 - OTHER ASSETS - (Net):
(In Thousands of Dollars)

Other Assets consist of:	<u>1988</u>	<u>1987</u>
Deferred Loan Cost	\$ 588	\$---
Pre-opening Expenses (Net)	---	1,568
Deferred Bond Costs (Net)	11,980	12,498
	-----	-----
TOTAL OTHER ASSETS	\$12,568	\$14,066
	=====	=====

NOTE 6 - OTHER ACCRUED EXPENSES:
(In Thousands of Dollars)

Other accrued expenses consist of:	<u>1988</u>	<u>1987</u>
Accrued Payroll	\$ 2,796	\$ 2,040
Accrued Interest	11,759	11,759
Accrued Advertising	949	786
Accrued Progressive Jackpots	2,273	1,771
Accrued Payroll Taxes	779	1,062
Accrued Sick/Vacation	3,367	2,933
Other	440	343
	-----	-----
TOTAL OTHER ACCRUED EXPENSES	\$22,363	\$20,694
	=====	=====

NOTE 7 - OTHER CURRENT LIABILITIES:
(In Thousands of Dollars)

Other current liabilities consist of:	<u>1988</u>	<u>1987</u>
Due to Partners	\$---	\$ 5,859
Outstanding Chip Liability	1,244	547
Outstanding Token Liability	133	90
Patron Deposits	151	143
Accrued Utilities	389	381
Accrued Group Health insurance	1,098	898
Accrued Insurance	2,438	1,586
A/P Other	1,606	1,396
Accrued Legal	130	130
Accrued CCC/DGE	749	930
Construction Retainage	2,026	120
Accrued Inventories	496	492
Accrued CRDA	828	822
	-----	-----
TOTAL OTHER CURRENT LIABILITIES	\$11,288	\$13,394
	=====	=====

NOTE 8 - NON-OPERATING INCOME (EXPENSE) - NET:
(In Thousands of Dollars)

Non-operating income for quarter ended September 30, 1988:

	<u>Three Months</u>	
	<u>1988</u>	<u>1987</u>
G/L Equipment	\$---	\$ 47
Discount Earned	73	21
Interest Income	486	684
	-----	-----
TOTAL NON-OPERATING INCOME	\$ 559	\$ 752
	=====	=====

	<u>Nine Months</u>	
G/L Equipment	\$ 72	\$ 47
Discount Earned	184	53
Interest Income	1,685	2,027
	-----	-----
TOTAL NON-OPERATING INCOME	\$1,941	\$2,127
	=====	=====

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

In May, 1988, the New Jersey Casino Control Commission ("CCC") issued the Partnership a 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 continued operations of the Partnership are subject to its retaining its operating license.

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

Commencing 12 months after the date of opening (June 17, 1985) and continuing for a period of 25 years thereafter, the Partnership must either obtain investment tax credits, as defined, in an amount equivalent to 1.25% of its gross casino revenues or pay an alternative tax of 2.5% of its gross casino revenues. Investment tax credits may be obtained by the purchase of bonds at below market interest rates from the Casino Reinvestment Development Authority ("CRDA") or by making qualified investments which must be approved by the CRDA. The Partnership is required to make quarterly deposits with the CRDA to satisfy its investment obligation.

At September 30, 1988, the financial statements reflect \$754,000 of below market interest rate bonds issued by the CRDA and \$6,188,000 of deposits towards the purchase of below market interest rate bonds. For the nine months ended September 30, 1988 and 1987, the Partnership charged \$758,000 and \$961,000, respectively, to operations to give effect to the below market interest rates associated with the CRDA bonds. The net investment is included in other assets in the accompanying balance sheets.

The Partnership, along with another Atlantic City casino, has entered into a joint venture agreement with the New Jersey Department of Transportation to fund the construction of certain roadway improvements in the Atlantic City Marina District. The agreement requires that the Partnership make cash contributions totaling \$8,000,000. As of June 30, 1987, the Partnership had made contributions totaling \$2,668,000.

NOTE 10 - EMPLOYEE BENEFIT PLANS:

Effective November 1, 1986, the Company adopted a retirement savings plan for its non-union employees under Section 401K of the Internal Revenue Code. The plan allows employees of the Partnership to defer up to 10% of their income on a pre-tax basis through contributions to the plan. The Partnership will match 50% of eligible employees' contributions up to a maximum of 3% of the individual earnings. The Partnership recorded charges of approximately \$321,000 for matching contributions for the nine months ended September 30, 1988.

The Partnership made payments to various trustee pension plans under industry-wide union agreements. The payments are based on the hours worked by or gross wages paid to covered employees. It is not practical to determine the amount of payments ultimately used to fund pension benefit plans or the current financial condition of these plans. Under the Employee Retirement Income Security Act, the partnership may be liable for its share of the plan's unfunded liability, if any, if the plans are terminated.

NOTE 11 - PROMOTIONAL ALLOWANCE AND PROMOTIONAL EXPENSES:

Promotional Allowances and Expenses and number of recipients for the nine months ended September 30, 1988, consisted of the following:

	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>Number of Recipients</u>	<u>Amount</u>	<u>Number of Recipients</u>	<u>Amount</u>
Rooms	148,800	\$ 9,623,000	---	---
Food	923,888	11,835,000	---	---
Beverage	1,641,846	5,336,000	---	---
Travel	10,725	1,169,000	16,357	5,948,000
Cash Coupons	---	---	1,496,382	19,049,000
Admissions	94,524	1,053,000	---	---
Other	7,952	334,000	---	---
	-----	-----	-----	-----
TOTALS	2,827,735	\$29,350,000	1,512,739	\$24,997,000
	=====	=====	=====	=====

Promotional Allowances and Expenses and number of recipients for the three months ended September 30, 1988, consisted of the following:

	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	<u>Number of Recipients</u>	<u>Amount</u>	<u>Number of Recipients</u>	<u>Amount</u>
Rooms	57,763	\$3,677,000	---	---
Food	366,857	4,744,000	---	---
Beverage	590,153	1,918,000	---	---
Travel	3,671	399,000	2,537	\$2,220,000
Cash Coupons	---	---	326,633	3,498,000
Admissions	37,176	413,000	---	---
Other	3,572	150,000	---	---
TOTALS	1,059,192	\$11,301,000	329,170	\$5,718,000

UNDEPOSITED PATRONS' CHECKS ACTIVITY

DESCRIPTION

(g)

Beginning Balance (January 1)	
Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	
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)	
Checks collected through deposits	
Checks transferred to returned checks	
Other adjustments	
Ending Balance	
"Hold" Checks Included in Balance On Line 10	
Provision For Uncollectible Patrons' Checks	
Provision As A Percent Of Counter Checks Issued	

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

SEPT. 30, 1988

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
	Patrons' Checks:	\$		
1	Undeposited patrons' checks	6,806		
2	Returned patrons' checks	3,292		
3	Total patrons' checks	10,098	\$ 1,726	\$ 8,372
4	Hotel Receivables	1,176	109	1,067
	Other Receivables:			
5	Receivables due from officers and employees.....	128		
6	Receivables due from affiliates	499		
7	Other accounts and notes receivables	2,353		
8	Total other receivables	2,980	0	2,980
9	Totals (Form 205).....	\$ 14,254	\$ 1,835	\$ 12,419

Vice President Finance

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 7,666
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	199,958
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)	(150,583)
13	Checks collected through deposits	(42,270)
14	Checks transferred to returned checks	(7,965)
15	Other adjustments	0
16	Ending Balance	\$ 6,806
17	"Hold" Checks Included In Balance On Line 16	\$ 0
18	Provision For Uncollectible Patrons' Checks	\$ 2,155
19	Provision As A Percent Of Counter Checks Issued	1.1

STATEMENT OF CONFORMITY AND ACCURACY

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

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

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

Tom Venier
 Signature

Vice President Finance
 Title

00711-11

License Number

On Behalf Of:

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

Sharon J. Miller
 Signature

Trump Castle Hotel & Casino
 Casino Licensee

SHARON J. MILLER
 NOTARY PUBLIC OF NEW JERSEY
 My Commission Expires JUNE 18, 1991

Basis of Authority
 to Take Oaths

CHALLENGE MADE OF LICENSEE TRUMP CASTLE HOTEL & CASINO
 HOTEL STATISTICS
 FOR THE 9 MONTHS ENDED September 30, 1988

MONTH	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF PESTS REPORTED	AVERAGE RATE PER ROOM ACCREDITED
JANUARY	18,789	15,920	\$ 90.77	85.3%	2,696	\$ 46.66
FEBRUARY	17,574	15,160	\$ 86.77	86.3%	2,227	\$ 46.66
MARCH	18,786	17,753	\$ 81.11	94.5%	3,922	\$ 46.66
1ST QUARTER TOTALS	55,149	48,833	\$ 86.21	89.2%	9,645	\$ 46.66
APRIL	18,180	17,165	\$ 89.56	94.4%	3,376	\$ 46.66
MAY	18,786	16,920	\$ 98.77	90.1%	3,193	\$ 53.59
JUNE	18,184	16,936	\$ 102.11	93.2%	3,929	\$ 53.91
2ND QUARTER TOTALS	55,150	51,071	\$ 96.78	92.6%	9,492	\$ 51.13
JULY	18,817	17,571	\$ 112.52	93.4%	3,797	\$ 62.18
AUGUST	18,817	17,571	\$ 94.74	93.4%	3,105	\$ 60.97
3RD QUARTER TOTALS	56,451	52,713	\$ 103.48	93.4%	7,902	\$ 56.87
OCTOBER	15,000	14,471	\$ 100.47	96.5%	3,850	\$ 60.12
NOVEMBER						
DECEMBER						
4TH QUARTER TOTALS						
ANNUAL TOTALS						

HOTEL STATISTICS

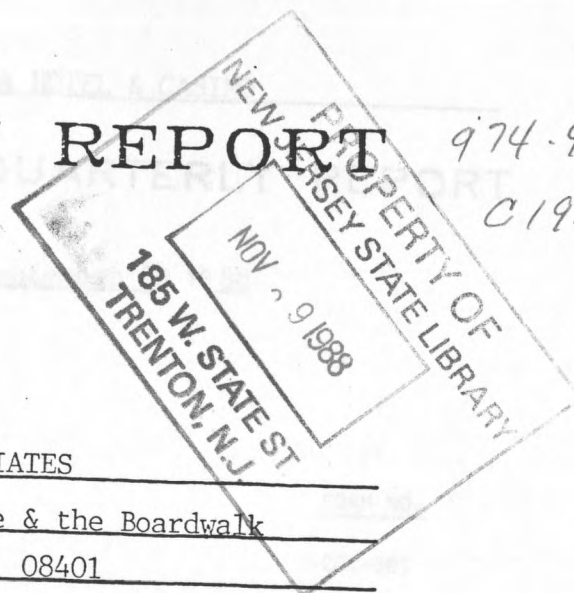
FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	606	18,789	15,920	\$ 90.77	84.7%	28,696	\$ 48.66
FEBRUARY	606	17,574	15,160	\$ 86.32	86.3%	29,228	\$ 44.77
MARCH	606	18,786	17,753	\$ 81.14	94.5%	33,959	\$ 43.99
1ST QUARTER TOTALS		55,149	48,833	\$ 86.98	88.5%	91,883	\$ 46.22
APRIL	606	18,180	17,165	\$ 89.56	94.4%	33,370	\$ 46.07
MAY	606	18,786	16,920	\$ 98.77	90.1%	31,193	\$ 53.58
JUNE	607	18,184	16,936	\$ 102.11	93.1%	30,929	\$ 55.91
2ND QUARTER TOTALS		55,150	51,021	\$ 96.78	92.5%	95,492	\$ 51.71
JULY	607	18,817	17,570	\$ 112.53	93.4%	31,797	\$ 62.18
AUGUST	607	18,817	17,592	\$ 114.74	93.5%	33,105	\$ 60.97
SEPTEMBER	607	18,210	15,910	\$ 103.48	87.4%	28,948	\$ 56.87
3RD QUARTER TOTALS		55,844	51,072	\$ 110.47	91.5%	93,850	\$ 60.12
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

QUARTERLY REPORT

974-901

C193



LICENSEE TRUMP PLAZA ASSOCIATES

ADDRESS Mississippi Avenue & the Boardwalk

Atlantic City, NJ 08401

FOR THE QUARTER ENDED SEPTEMBER 30, 1988

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



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

Lee C. Johnson

OFFICIAL TITLE

Vice President of Finance

ADDRESS

Mississippi Avenue & the Boardwalk

Atlantic City, NJ 08401

TRADING NAME OF LICENSEE TRUMP PLAZA HOTEL & CASINO

LIST OF FORMS - QUARTERLY REPORT

FOR THE QUARTER ENDED September 30, 1988

LINE (A)	TITLE	FORM NO.
1	Current Assets:	
2	Cash	
3	Marketable securities	
4	Receivables and accounts receivable	
5	Prepaid expenses and other assets	
6	Statements of Income (Year-to-Date)	CCC-205
7	Statements of Income (Three Months)	CCC-210
8	Statements of Changes in Stockholders' Equity	CCC-215
9	Statements of Changes in Partners' or Proprietor's Equity	CCC-220
10	Statements of Cash Flows	CCC-225
11	Notes to Financial Statements	CCC-235
12	Schedule of Receivables and Patrons' Checks	CCC-240
13	Statement of Conformity and Accuracy	CCC-250
14	Other	
15	Income taxes payable and accrued	
16	Other accrued expenses	
17	Other current liabilities	
18	Total current liabilities	
19	Long-Term Debt:	
20	Due to affiliates	
21	Other	
22	Deferred Credits	
23	Other Liabilities	
24	Commitments And Contingencies	
25	Total Liabilities	
26	Stockholders', Partners', Or Proprietor's Equity	
27	Total Liabilities And Equity	

The accompanying notes are an integral part of the financial statements. Your comparisons should be made without using information contained in the notes.

BALANCE SHEETS

September 30 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 88	(d) 19 87
	ASSETS		
	Current Assets:		
1	Cash	\$	\$
2	Marketable securities	26,908	26,739
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 88, \$10,763 ; 1987, \$ 8,200)	-	-
4	Inventories	13,735	12,922
5	Prepaid expenses and other current assets .....(Note.2)..	3,387	2,605
		2,708	3,616
6	Total current assets	46,738	45,882
7	Investments, Advances, And Receivables .....(Note.3)..	7,918	6,191
8	Property And Equipment - Net .....(Note.4)..	297,122	275,590
9	Other Assets .....(Note.5)..	41,875	42,089
10	Total Assets	\$ 393,653	\$ 369,752
	LIABILITIES AND EQUITY		
	Current Liabilities:		
11	Accounts payable	\$ 5,259	\$ 6,819
12	Notes payable	755	571
	Current portion of long-term debt:		
13	Due to affiliates	-	-
14	Other .....(Note.9)..	1,273	441
15	Income taxes payable and accrued	-	-
16	Other accrued expenses .....(Note.6)..	23,571	24,460
17	Other current liabilities .....(Note.7)..	20,864	13,207
18	Total current liabilities	51,722	45,498
	Long-Term Debt:		
19	Due to affiliates .....(Note.8)..	250,000	250,000
20	Other .....(Note.9)..	25,905	27,121
21	Deferred Credits .....(Note.10)..	6,620	3,073
22	Other Liabilities	-	-
23	Commitments And Contingencies .....(Note.14)	-	-
24	Total Liabilities	334,247	325,692
25	Stockholders', Partners', Or Proprietor's Equity	59,406	44,060
26	Total Liabilities And Equity	\$ 393,653	\$ 369,752

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 9 MONTHS ENDED September 30 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u> *
	Revenue:		
1	Casino	\$ 228,558	\$ 180,389
2	Rooms	16,985	14,407
3	Food and beverage	32,161	26,732
4	Other	21,427	9,010
5	Total revenue	299,131	230,538
6	Less: promotional allowances .....(Note.11)	31,426	25,663
7	Net revenue	267,705	204,875
	Costs And Expenses:		
8	Cost of goods and services	124,995	95,616
9	Selling, general, and administrative	69,497	56,665
10	Provision for doubtful accounts	3,348	1,791
11	Total	197,840	154,072
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	69,865	50,803
13	Depreciation and amortization	10,525	9,896
	Charges from affiliates:		
14	Interest .....(Note.12)	24,141	24,141
15	Management fees	-	-
16	Other .....(Note.14)	680	581
17	Interest expense - external	1,987	1,291
18	Income (Loss) From Operations	32,532	14,894
19	Nonoperating income (expense) - net .....(Note.13)	653	2,200
20	Investment alternative tax and related income (expense) - net.....	(937)	(748)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	32,248	16,346
22	Provision (Credit) for income taxes .....(Note.15)	3,229	1,462
23	Income (Loss) Before Extraordinary Items	29,019	14,884
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-	-
25	Net Income (Loss)	\$ 29,019	\$ 14,884

* Restated to conform with 1988 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 September 30 19 88 and 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u> *
	Revenue:		
1	Casino	\$ 86,217	\$ 73,518
2	Rooms	7,105	6,194
3	Food and beverage	11,947	10,769
4	Other	3,210	2,433
5	Total revenue	108,479	92,914
6	Less: promotional allowances .....(Note.11)	10,875	10,386
7	Net revenue	97,604	82,528
	Costs And Expenses:		
8	Cost of goods and services	39,980	33,311
9	Selling, general, and administrative	23,352	22,240
10	Provision for doubtful accounts	1,461	799
11	Total	64,793	56,350
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	32,811	26,178
13	Depreciation and amortization	3,537	3,425
	Charges from affiliates:		
14	Interest .....(Note.12)	8,046	8,047
15	Management fees	-	-
16	Other .....(Note.14)	293	194
17	Interest expense - external	663	420
18	Income (Loss) From Operations	20,272	14,092
19	Nonoperating income (expense) - net .....(Note.13)	292	124
20	Investment alternative tax and related income (expense) - net.....	(355)	(304)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	20,209	13,912
22	Provision (Credit) for income taxes .....(Note.15)	2,022	1,242
23	Income (Loss) Before Extraordinary Items	18,187	12,670
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)	-	-
25	Net Income (Loss)	\$ 18,187	\$ 12,670

*Restated to conform with 1988 presentation.

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

TRUMP PLAZA HOTEL & CASINO

STATEMENTS OF CHANGES IN PARTNERS'
OR PROPRIETOR'S EQUITY

FOR THE 9 MONTHS ENDED September 30 19 88 AND 19 87

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$ 50,707	\$ 50,707
2	Additional capital invested	-	-
3	.....	
4	Ending balance	50,707	50,707
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	32,606	14,707
6	Prior period adjustments	-	-
7	Net income (loss)	29,019	14,884
8	.....	
9	Ending balance	61,625	29,591
	Capital Withdrawals:		
10	Beginning balance (January 1)	(33,175)	(24,912)
11	Additional capital withdrawals	(19,751)	(11,326)
12	.....	
13	Ending balance	(52,926)	(36,238)
	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	\$ 59,406	\$ 44,060

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 9 MONTHS ENDED September 30, 1988 and 19 87
 (UNAUDITED)
 (\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 88	(d) 19 87
1	Net Cash Provided (Used) By Operating Activities.....	\$ 60,990	\$ 43,816
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Purchase outflows for property and equipment.....	(23,858)	(35,499)
5	Proceeds from disposition of property and equipment.....	37	102
6	Purchase of casino reinvestment obligations.....	(2,820)	(2,243)
7	Purchase of other investments and loans/advances made.....		
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	490	1,351
9	Cash outflows to acquire business entities.....		
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(26,151)	(36,289)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	5,976	1,141
14	Payments to settle short-term debt	(5,449)	(938)
15	Cash proceeds from issuance of long-term debt.....		
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(270)	(113)
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....	(19,751)	(11,326)
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	(19,494)	(11,236)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	15,345	(3,709)
25	Cash And Cash Equivalents At Beginning Of Period	11,563	30,448
26	Cash And Cash Equivalents At End Of Period.....	\$ 26,908	\$ 26,739

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized).....	\$ 20,941	\$ 16,944
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 9 MONTHS ENDED September 30 1988 and 1987
(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 88	(d) 1987
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 29,019	\$ 14,884
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	9,840	9,332
31	Amortization of other assets.....	685	564
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....	3,229	1,462
35	(Gain) loss on disposition of property and equipment.....	361	268
36	(Gain) loss on casino reinvestment obligations.....	937	748
37	(Gain) loss from other investment activities.....	-	-
38	Net (increase) decrease in receivables and patrons' checks.....	588	(2,018)
39	Net (increase) decrease in inventories.....	(266)	(429)
40	Net (increase) decrease in other current assets.....	1,226	(517)
41	Net (increase) decrease in other assets.....	(684)	(775)
42	Net increase (decrease) in accounts payables.....	(1,281)	2,355
43	Net increase (decrease) in other current liabilities excluding debt.....	17,336	17,942
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	-	-
45	.....	
46	.....	
47	Net Cash Provided (Used) By Operating Activities.....	\$ 60,990	\$ 43,816

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ (23,858)	\$ (35,499)
49	Less: Capital lease obligations incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ (23,858)	\$ (35,499)
	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.....	\$ -	\$ -

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. Disclosures Not Presented

Certain footnotes have not been presented in these Notes to Consolidated Financial Statements since they would duplicate the disclosures contained in the Casino Control Commission Annual Report for the year ended December 31, 1987. The footnotes excluded are Summary of Significant Accounting Policies (except for Organization), Investment Obligation and Employee Benefit Plans.

NOTE 2: PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	<u>1988</u>	<u>1987</u>
Prepaid taxes	\$ 627,000	\$1,510,000
Prepaid insurance	988,000	1,134,000
Prepaid air transportation costs	394,000	281,000
Prepaid rent	198,000	232,000
Prepaid advertising costs	131,000	130,000
Prepaid special event costs	170,000	153,000
Other	200,000	176,000
	<u>\$2,708,000</u>	<u>\$3,616,000</u>

NOTE 3: INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of September 30 consisted of the following:

	<u>1988</u>	<u>1987</u>
Advances due from -		
Resorts International	-	\$ 65,000
Taj Mahal	\$ 160,000	-
Trump Boardwalk Realty Corp.	3,000	-
Trump Organization	-	10,000
Trump's Castle Associates	49,000	364,000
Seashore Four Associates	918,000	1,368,000
Casino reinvestment escrow deposit and bonds, net valuation adjustment of \$3,390,000 (1988) and \$2,192,000 (1987)	6,788,000	4,384,000
	<u>\$7,918,000</u>	<u>\$6,191,000</u>

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

NOTE 4: PROPERTY AND EQUIPMENT - NET

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

	<u>1988</u>	<u>1987</u>
Land and land improvements	\$ 30,938,000	\$ 29,713,000
Buildings	246,167,000	218,976,000
Furniture, fixtures and equipment	47,423,000	44,560,000
Leasehold improvements	2,074,000	2,058,000
Construction in progress	18,377,000	15,663,000
	<u>344,979,000</u>	<u>310,970,000</u>
Less - Accumulated depreciation & amortization	<u>(47,857,000)</u>	<u>(35,380,000)</u>
Net property and equipment	<u>\$297,122,000</u>	<u>\$275,590,000</u>

NOTE 5: OTHER ASSETS

Other assets as of September 30 consisted of the following:

	<u>1988</u>	<u>1987</u>
Land rights, net	\$ 31,997,000	\$ 32,306,000
Deferred preopening costs, net	331,000	520,000
Debt issuance costs, net	7,056,000	7,402,000
Deposits	1,159,000	1,183,000
Other deferred charges	1,332,000	678,000
	<u>\$ 41,875,000</u>	<u>\$ 42,089,000</u>

NOTE 6: OTHER ACCRUED EXPENSES

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

	<u>1988</u>	<u>1987</u>
Accrued payroll	\$ 6,916,000	\$ 5,887,000
Accrued progressive jackpot liabilities	3,658,000	3,356,000
Accrued interest	9,567,000	11,976,000
Accrued gaming taxes payable	429,000	324,000
Accrued Casino Control Commission & Division of Gaming Enforcement fees	725,000	629,000
Accrued utilities	340,000	559,000
Accrued union benefits	173,000	209,000
Accrued health insurance benefits	127,000	225,000
Accrued sales, use & luxury taxes	266,000	218,000
Accrued uniform costs	216,000	-
Accrued legal costs	213,000	-
Other	941,000	1,077,000
	<u>\$ 23,571,000</u>	<u>\$ 24,460,000</u>

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

NOTE 7: OTHER CURRENT LIABILITIES

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

	1988	1987
Unredeemed chip/token liability	\$ 1,208,000	\$ 669,000
Patron deposits	269,000	742,000
Casino reinvestment liability	1,062,000	911,000
Reserve for insurance claims	1,270,000	919,000
Due to partners	16,831,000	8,834,000
Advance room/theatre deposits	143,000	989,000
Other	81,000	143,000
	\$ 20,864,000	\$ 13,207,000

NOTE 8: LONG-TERM DEBT - DUE TO AFFILIATES

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

	1988	1987
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.	\$250,000,000	\$250,000,000

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). During the nine months ended September 30, 1988, the Company generated \$19,751,000 in net cash available for distribution based on results of operations. As of September 30, 1988, the financial statements include \$16,831,000 due to the partners which reflect the net cash available for distribution based on results of operations for the three months ended September 30, 1988. The mortgage is subordinate to \$9,863,000 of existing indebtedness as of September 30, 1988. 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 September 30 consisted of the following:

	1988	1987
10% note payable, interest payable monthly, 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.	10,113,000	10,149,000
Other notes with interest rates ranging from 11.02% to 12.5%, principal and interest payable monthly, secured by television and automobile equipment.	123,000	471,000
	27,178,000	27,562,000
Less current maturities	1,273,000	441,000
	\$25,905,000	\$27,121,000

(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. The Company paid the accrued interest on May 16, 1988.

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

	Number of	Dollar Amount
	78,275	\$ 9,777,000
	1,037,174	10,008,000
	2,809,963	7,023,000
	114,662	4,412,000
	-	-
	5,197	205,000
	\$3,048,271	\$31,525,000

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 1988 are:

1989	\$ 1,273,000
1990	2,432,000
1991	2,927,000
1992	15,690,000
1993	382,000
Thereafter	4,474,000
	<u>\$27,178,000</u>

NOTE 10: DEFERRED CREDITS

Deferred credits as of September 30, 1988 and 1987 consisted of deferred state income taxes.

NOTE 11: PROMOTIONAL ALLOWANCES AND EXPENSES

Promotional allowances and expenses for the three and nine months ended September 30, 1988 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	27,661	\$ 3,956,000	996	\$ 142,000
Food	369,677	3,567,000	-	-
Beverage	990,064	2,475,000	-	-
Travel	-	-	17,272	2,591,000
Theatre	33,852	829,000	75	2,000
Coin Bonus	-	-	346,511	6,237,000
Tips	-	-	2,816	113,000
Other	1,917	48,000	13,733	343,000
TOTAL	<u>1,423,171</u>	<u>\$10,875,000</u>	<u>381,403</u>	<u>\$ 9,428,000</u>

Nine 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	78,275	\$ 9,777,000	1,564	\$ 207,000
Food	1,037,174	10,008,000	-	-
Beverage	2,809,963	7,025,000	-	-
Travel	-	-	57,207	8,550,000
Theatre	114,662	4,411,000	2,258	51,000
Coin Bonus	-	-	970,366	17,835,000
Tips	-	-	10,466	419,000
Other	8,197	205,000	45,981	1,150,000
TOTAL	<u>4,048,271</u>	<u>\$31,426,000</u>	<u>1,087,842</u>	<u>\$28,212,000</u>

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

NOTE 12: CHARGES FROM AFFILIATES - INTEREST

Charges from affiliates for the three and nine months September 30, 1988 and 1987 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 nine months ended September 30 consisted of the following:

	Three months ended		Nine months ended	
	1988	1987	1988	1987
Interest income	\$ 357,000	\$ 385,000	\$1,014,000	\$2,468,000
Loss on disposal of property and equipment	(65,000)	(261,000)	(361,000)	(268,000)
	<u>\$ 292,000</u>	<u>\$ 124,000</u>	<u>\$ 653,000</u>	<u>\$2,200,000</u>

NOTE 14: LEASE COMMITMENTS

The Company leases property (primarily land), certain parking space, and various equipment under operating leases. Rent expense was \$1,142,000 and \$3,444,000 for the three and nine months ended September 30, 1988 and \$1,118,000 and \$3,720,000 for the three and nine months ended September 30, 1987, respectively.

During the three months ended September 30, 1988, the Company exercised its option to purchase one of its leased properties. Trump Seashore Associates, a newly created affiliate of the Company purchased the property for approximately \$10,000,000. The Company now leases the property from Trump Seashore Associates under the same terms existing in the original lease.

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

1989	\$ 2,088,000
1990	2,869,000
1991	3,250,000
1992	3,100,000
1993	3,100,000
Thereafter through 2078	516,020,000
	<u>\$530,427,000</u>

Included above are future lease payments under noncancellable leases with Seashore Four Associates and Trump Seashore Associates, affiliates of the Company which are as follows:

1989	\$ 1,488,000
1990	1,893,000
1991	2,050,000
1992	1,900,000
1993	1,900,000
Thereafter through 2078	429,638,000
	<u>\$438,869,000</u>

TRUMP PLAZA ASSOCIATES & SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

Note 14: LEASE COMMITMENTS (Cont.)

September 30, 1988

Rent expense charged by the affiliates, was \$293,000 and \$680,000 for the three and nine months ended September 30, 1988 and \$194,000 and \$581,000 for the three and nine months ended September 30, 1987, respectively.

Certain of the remaining leases contain options to purchase the leased properties at various prices and times throughout the lease terms. At September 30, 1988, the aggregate option prices for these leases were \$18,000,000.

NOTE 15: INCOME TAXES

Provision for income taxes for the three and nine months ended September 30, 1988 and 1987, consisted entirely of deferred state income taxes.

Indeposited patrons' checks	5,976		
Checks	13,835		
Total Receivables	2,385	178	2,563
Other receivables:			
Receivables due from officers and employees	75		
Receivables due from affiliates	-		
Other accounts and notes receivables	1,227		
Total other receivables	1,302		1,302
Total (Form 205)	\$ 24,498	\$ 10,763	\$ 13,725

UNDEPOSITED PATRONS' CHECKS ACTIVITY		AMOUNT
DESCRIPTION		(a)
(a)		
16	Beginning Balance (January 1)	\$ 10,602
17	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	214,600
18	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)	(153,501)
19	Checks collected through deposits	(33,521)
20	Checks transferred to returned checks	(11,300)
21	Other adjustments	
22	Ending Balance	\$ 6,976
23	"Sold" Checks Included in Balance On Line 16	\$
24	Provision For Uncollectible Patrons' Checks	\$ 5,395
25	Provision As A Percent Of Counter Checks Issued	1.5%

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

September 30, 19 88

(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	\$ 6,976		
2	Returned patrons' checks	13,835		
3	Total patrons' checks	20,811	\$ 10,635	\$ 10,176
4	Hotel Receivables	2,385	128	2,257
5	Other Receivables:			
	Receivables due from officers and employees.....	75		
6	Receivables due from affiliates	-		
7	Other accounts and notes receivables	1,227		
8	Total other receivables	1,302	-	1,302
9	Totals (Form 205).....	\$ 24,498	\$ 10,763	\$ 13,735

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 10,692
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	214,600
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)	(153,503)
13	Checks collected through deposits	(53,421)
14	Checks transferred to returned checks	(11,392)
15	Other adjustments	
16	Ending Balance	\$ 6,976
17	"Hold" Checks Included In Balance On Line 16	\$
18	Provision For Uncollectible Patrons' Checks	\$ 3,295
19	Provision As A Percent Of Counter Checks Issued	1.5 %

HOTEL STATISTICS

FOR THE 9 MONTHS ENDED September 30, 1988

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	586	18,166	15,897	\$ 90.18	87.5 %	31,794	\$ 45.09
FEBRUARY	565	16,742	14,980	\$ 89.67	89.5 %	29,960	\$ 44.84
MARCH	565	17,536	16,357	\$ 87.57	93.3 %	32,714	\$ 43.78
1ST QUARTER TOTALS		52,444	47,234	\$ 89.12	90.1 %	94,468	\$ 44.56
APRIL	583	17,160	16,252	\$ 109.63	94.7 %	32,504	\$ 54.81
MAY	571	17,674	16,199	\$ 116.81	91.7 %	32,398	\$ 58.41
JUNE	577	17,174	16,123	\$ 123.68	93.9 %	32,246	\$ 61.84
2ND QUARTER TOTALS		52,008	48,574	\$ 116.69	93.4 %	97,148	\$ 58.34
JULY	578	17,916	17,175	\$ 147.14	95.9 %	34,350	\$ 73.57
AUGUST	578	17,918	17,197	\$ 145.31	96.0 %	34,394	\$ 72.66
SEPTEMBER	566	17,121	16,036	\$ 129.64	93.7 %	32,072	\$ 64.82
3RD QUARTER TOTALS		52,955	50,408	\$ 140.95	95.2 %	100,816	\$ 70.48
OCTOBER				\$	%		\$
NOVEMBER				\$	%		\$
DECEMBER				\$	%		\$
4TH QUARTER TOTALS				\$	%		\$
ANNUAL TOTALS				\$	%		\$

