



# ANNUAL REPORT

974-901  
C193

**LICENSEE** ATLANTIC CITY SHOWBOAT, INC.  
**ADDRESS** 801 BOARDWALK  
ATLANTIC CITY, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 1988**

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



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

MARK J. MILLER

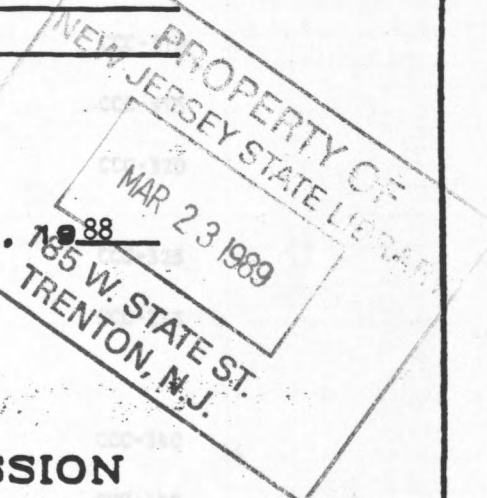
**OFFICIAL TITLE . . . . .**

VICE-PRESIDENT FINANCE

**ADDRESS . . . . .**

801 THE BOARDWALK

ATLANTIC CITY, NJ 08401



TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC.

# LIST OF FORMS — ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1988

TITLE	1988	1987
Balance Sheets	31,205	34,522
Statements of Income (Year)	9	5,726
Statements of Income (Three Months)	45	45,393
Statements of Changes in Stockholders' Equity	15	9,494
Statements of Changes in Partners' or Proprietor's Equity	220,119	236,320
Statements of Cash Flows	11,413	11,514
Notes to Financial Statements	292,939	292,721
Schedule of Receivables and Patrons' Checks	7	8,400
Casino Departmental Schedule	-	-
Statement of Conformity and Accuracy	2	2,145
	0	0
	9,944	5,359
	7,268	6,582
	27,251	22,486
	180,000	180,000
	14,994	17,421
	45	65
	22,389	9,447
	265,179	229,419
	47,760	63,302
	292,939	292,721

This accompanying report is an integral part of the financial statements. These supplements should be read in conjunction with the financial statements contained in the report.

## BALANCE SHEETS

DECEMBER 31, 1988 AND 1987

(UNAUDITED)  
(\$ IN THOUSANDS)

DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
<b>ASSETS</b>		
Current Assets:		
Cash ..... Note 1	\$ 31,209	\$ 34,522
Marketable securities .....	-0-	-0-
Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$2,580 ; 19 <u>87</u> , \$562 ) Note 3.....	9,924	5,726
Inventories ..... Note 1	2,401	2,859
Prepaid expenses and other current assets .....	2,230	2,286
<b>Total current assets</b> .....	<b>45,764</b>	<b>45,393</b>
Investments, Advances, And Receivables ..... Note 2	15,443	9,494
Property And Equipment - Net ..... Note 4	220,119	226,320
Other Assets .....	11,613	11,514
<b>Total Assets</b> .....	<b>\$ 292,939</b>	<b>\$ 292,721</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts payable .....	\$ 7,625	\$ 8,400
Notes payable .....	-0-	-0-
Current portion of long-term debt:		
Due to affiliates .....	-0-	-0-
Other ..... Note 8.....	2,414	2,145
Income taxes payable and accrued .....	-0-	-0-
Other accrued expenses ..... Note 5	9,944	5,359
Other current liabilities ..... Note 6	7,268	6,582
<b>Total current liabilities</b> .....	<b>27,251</b>	<b>22,486</b>
Long-Term Debt:		
Due to affiliates ..... Note 7	180,000	180,000
Other ..... Note 8	14,994	17,421
Deferred Credits .....	45	65
Other Liabilities ..... Note 2	22,889	9,447
Commitments And Contingencies ..... Note 12		
<b>Total Liabilities</b> .....	<b>245,179</b>	<b>229,419</b>
Stockholders', Partners', Or Proprietor's Equity .....	47,760	63,302
<b>Total Liabilities And Equity</b> .....	<b>\$ 292,939</b>	<b>\$ 292,721</b>

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 1987

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino ..... Note 1	\$ 207,912	\$ 145,982
2	Rooms .....	15,241	11,256
3	Food and beverage .....	42,770	29,000
4	Other .....	6,008	3,177
5	Total revenue .....	271,931	189,415
6	Less: promotional allowances ..... Note 1&13	29,516	13,870
7	Net revenue .....	242,415	175,545
	Costs And Expenses:		
3	Cost of goods and services .....	154,009	106,362
3	Selling, general, and administrative .....	56,873	36,257
2	Provision for doubtful accounts .....	2,407	753
1	Total .....	213,289	143,372
2	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	29,126	32,173
3	Depreciation and amortization ..... Note 1	15,715	10,893
	Charges from affiliates:		
	Interest ..... Note 1..	20,475	15,459
	Management fees ..... Note 2..	13,442	9,447
	Other .....	-0-	-0-
	Interest expense - external .....	2,781	2,228
	Income (Loss) From Operations .....	< 23,287 >	< 5,854 >
	Nonoperating income (expense) - net ..... Note 10.	1,680	< 21,756 >
	Investment alternative tax and related income (expense) - net.....	< 724 >	-0-
	Income (Loss) Before Income Taxes And Extraordinary Items.....	< 22,331 >	< 27,610 >
	Provision (Credit) for income taxes ..... Note 1&14	< 7,071 >	< 13,917 >
	Income (Loss) Before Extraordinary Items .....	< 15,260 >	< 13,693 >
	Extraordinary items (net of income taxes - 19 <u>88</u> , \$ ; 19 <u>87</u> , \$ ) ..... Note 1..	282	-0-
	Net Income (Loss) .....	\$ < 15,542 >	\$ < 13,693 >

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

**STATEMENTS OF INCOME**

FOR THE THREE MONTHS ENDED DECEMBER 31, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

DESCRIPTION (b)	(c) 19 88	(d) 1987
<b>Revenue:</b>		
Casino ..... Note 1	\$ 50,258	\$ 41,184
Rooms .....	3,478	3,355
Food and beverage .....	10,263	9,163
Other .....	1,252	1,103
Total revenue .....	65,251	54,805
Less: promotional allowances ..... Note 1 & 1.3	7,035	4,939
Net revenue .....	58,216	49,866
<b>Costs And Expenses:</b>		
Cost of goods and services .....	38,354	34,824
Selling, general, and administrative .....	12,360	12,083
Provision for doubtful accounts .....	741	423
Total .....	51,455	47,330
<b>Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....</b>	<b>6,761</b>	<b>2,536</b>
Depreciation and amortization ..... Note 1	4,108	3,693
<b>Charges from affiliates:</b>		
Interest ..... Note 1	5,119	4,988
Management fees ..... Note 2	3,291	2,693
Other .....	-0-	-0-
Interest expense - external .....	675	735
<b>Income (Loss) From Operations .....</b>	<b>&lt; 6,432 &gt;</b>	<b>&lt; 9,573 &gt;</b>
Nonoperating income (expense) - net .....	486	597
Investment alternative tax and related income (expense) - net.....	< 218 >	-0-
<b>Income (Loss) Before Income Taxes And Extraordinary Items.....</b>	<b>&lt; 6,164 &gt;</b>	<b>&lt; 8,976 &gt;</b>
Provision (Credit) for income taxes ..... Note 1	< 1,712 >	< 3,076 >
<b>Income (Loss) Before Extraordinary Items ..... Note 1</b>	<b>&lt; 4,452 &gt;</b>	<b>&lt; 5,900 &gt;</b>
Extraordinary items (net of income taxes - 1988, \$ ; 1987, \$ ) .....	-0-	-0-
<b>Net Income (Loss) .....</b>	<b>\$ &lt; 4,452 &gt;</b>	<b>\$ &lt; 5,900 &gt;</b>

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

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 1987

(UNAUDITED)  
( \$ IN THOUDANDS)

NE )	DESCRIPTION (b)	19 <u>88</u>		19 <u>87</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	2,500 SHARES AUTHORIZED				
	Common Stock:				
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	Ending Balance .....				
	Additional Paid-in Capital:				
8	Beginning balance (January 1) .....				
9	Ending balance .....				
	Treasury Stock:				
3	Beginning balance (January 1) .....	( )	( )	( )	( )
4	Purchase of additional stock .....	( )	( )	( )	( )
5	Sale or retirement of stock .....				
6	Ending balance .....	( )	( )	( )	( )
	Subscriptions Receivable For				
	Capital Stock:				
7	Beginning balance (January 1) .....	( )	( )	( )	( )
8	Ending balance .....	( )	( )	( )	( )
	Net Unrealized Loss On Noncurrent				
	Marketable Equity Securities:				
9	Beginning balance (January 1) .....	( )	( )	( )	( )
0	Ending balance .....	( )	( )	( )	( )
	Retained Earnings:				
1	Beginning balance (January 1) .....		< 13,607>		86
2	Prior period adjustments .....				
3	Net income (loss) .....		< 15,542>		<13,693>
4	Dividends .....		( )		( )
5	Ending balance .....		< 29,149>		<13,607>
	Ending Stockholders'				
	Equity .....		\$ 47,760		\$ 63,302

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

TRADING NAME OF LICENSEE

ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CHANGES IN PARTNERS'  
OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 \_\_\_ and 19 \_\_\_ NOT APPLICABLE

(UNAUDITED)  
(\$ IN THOUSANDS)

DESCRIPTION (b)	(c) 19 ___	(d) 19 ___
Invested Capital:		
Beginning balance (January 1) .....	\$ 16,187	\$ 30,696
Additional capital invested .....		
Ending balance .....		
Accumulated Income (Loss):		
Beginning balance (January 1) .....		
Prior period adjustments .....		
Net income (loss) .....		
Ending balance .....		
Capital Withdrawals:		
Beginning balance (January 1) .....	( )	( )
Additional capital withdrawals .....	( )	( )
Ending balance .....	( )	( )
Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
Beginning balance (January 1) .....	( )	( )
Ending balance .....	( )	( )
Ending Partners' Or Proprietor's Equity .....	\$	\$

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

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 ~~88~~ and 19 ~~87~~  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 1988	(d) 1987
1	Net Cash Provided (Used) By Operating Activities.....	\$ 15,032	\$ < 2,985>
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	< 9,518>	< 41,212>
5	Proceeds from disposition of property and equipment.....	4	10
6	Purchase of casino reinvestment obligations.....	< 2,077>	
7	Purchase of other investments and loans/advances made.....	< 4,590>	< 9,494>
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....		
9	Cash outflows to acquire business entities.....		
10	.....		
11	.....		
12	Net Cash Provided (Used) By Investing Activities.....	< 16,187>	< 50,696>
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....		
14	Payments to settle short-term debt .....		
15	Cash proceeds from issuance of long-term debt.....		196,306
16	Costs of issuing debt.....		6,189
17	Payments to settle long-term debt.....	< 2,158>	<180,955>
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.....	< 2,158>	83,446
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	< 3,313>	29,765
25	Cash And Cash Equivalents At Beginning Of Year .....	34,522	4,757
26	Cash And Cash Equivalents At End Of Year.....	\$ 31,209	\$ 34,522

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Year For:			
27	Interest (net of amount capitalized).....	\$ 20,475	\$ 10,067
28	Income taxes..... (1988 INCLUDES CUMULATIVE EFFECT OF CHANGE IN METHOD OF ACCOUNTING)	\$ < 860>	\$ 1,411

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

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

line a)	Description (b)	(c) 19 __	(d) 19 __
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss).....	\$ <15,542>	\$ <13,693>
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	15,715	11,014
31	Amortization of other assets.....		1
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....	< 860>	< 1,411>
35	(Gain) loss on disposition of property and equipment.....		
36	(Gain) loss on casino reinvestment obligations.....	724	
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	< 4,198>	< 5,725>
39	Net (increase) decrease in inventories.....	458	< 2,841>
40	Net (increase) decrease in other current assets.....	56	< 1,954>
41	Net (increase) decrease in other assets.....	213	3,009
42	Net increase (decrease) in accounts payables.....	< 775>	<11,583>
43	Net increase (decrease) in other current liabilities excluding debt.....	5,271	10,336
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	13,422	9,432
45	AMORTIZATION OF BOND ISSUANCE COSTS .....		
46	ACCOUNTED FOR AS INTEREST EXPENSE .....	548	430
47	Net Cash Provided (Used) By Operating Activities.....	\$ 15,032	\$ < 2,985>

### SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment.....	\$ 9,518	\$ 53,900
49	Less: Capital lease obligations incurred.....		12,688
50	Cash Outflows For Property And Equipment.....	\$ 9,518	\$ 41,212
	<b>Acquisition Of Business Entities:</b>		
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.....	\$	\$
	<b>Stock Issued Or Capital Contributions:</b>		
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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations ACCOUNTING POLICIES (Continued)

Atlantic City Showboat (ACS), is a wholly-owned subsidiary of Ocean Showboat, Inc. (OSI). OSI is a 97.65% 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 and cash equivalents are \$20,776,000 and \$25,053,000 as of December 31, 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.

Property and Equipment

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

Estimated useful lives for property and equipment are 40 years for buildings and 3 to 7 years for furniture and equipment.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Costs

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

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

Income Taxes

Statement of Financial Accounting Standard No. 96 (FAS 96), "Accounting for Income Taxes", was issued by the Financial Accounting Standards Board in December 1987. FAS 96 requires a change from the deferred method to the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under FAS 96, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Under the deferred method deferred taxes were recognized using the tax rate applicable to the year of the calculation and were not adjusted for subsequent changes in the tax laws.

The Company elected to adopt FAS 96 in 1988 and has reported the cumulative effect of the change in the method of accounting for income taxes of \$282,000 as of January 1, 1988 in the 1988 statement of income (loss).

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 when generated by the Company to the extent utilized by the consolidated group, including carrybacks.

Preopening Costs

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

Amortization of Debt Issuance Cost

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

2. RELATED PARTY TRANSACTIONS

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

In consideration for such services and license, ACS has agreed to pay SBI a fee equal to five percent of gross revenues, payable on a quarterly basis. The Bond Indenture of OSF provides that this management fee may not be paid during any period in which certain tests are not met, and to date, no management fees have been paid. For the twelve months ended December 31, 1988 and 1987, management fee expenses of \$13,442,000 and \$9,447,000 have been incurred, respectively. As of December 31, 1988 and 1987, management fees of \$22,889,000 and \$9,447,000 have been accrued, respectively.

The investments, advances and receivables balances of \$15,443,000 and \$9,494,000 at December 31, 1988 and 1987 include \$14,091,000 and \$9,494,000 receivables from Showboat, Inc. related to federal income taxes.

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

3. RECEIVABLES

Receivables consist of the following:

	<u>December 31</u>	
	<u>1988</u>	<u>1987</u>
Casino	\$ 8,349,000	\$ 2,877,000
Hotel	1,195,000	1,796,000
Income Tax Receivable	2,701,000	1,342,000
Other	<u>259,000</u>	<u>273,000</u>
	12,504,000	6,288,000
Less allowance for doubtful accounts	<u>2,580,000</u>	<u>562,000</u>
	\$ 9,924,000	\$ 5,726,000
	=====	=====

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>December 31</u>	
	<u>1988</u>	<u>1987</u>
Building and Improvements	\$187,852,000	\$184,749,000
Furniture, Fixtures & Equip.	35,915,000	29,906,000
Vehicles	718,000	544,000
Properties under capital lease		
Building	2,050,000	2,050,000
Furniture, Fixtures & Equip.	19,488,000	19,646,000
Construction in Progress	<u>1,026,000</u>	<u>641,000</u>
	247,049,000	237,536,000
Less accumulated depreciation & amortization	<u>26,930,000</u>	<u>11,216,000</u>
	\$220,119,000	\$226,320,000
	=====	=====

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

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	<u>December 31</u>	
	<u>1988</u>	<u>1987</u>
Salaries and Wages	\$ 3,553,000	\$ 2,001,000
Progressive Slot Liab.	1,962,000	461,000
Medical Claims-Employee	1,030,000	550,000
Taxes Other	834,000	604,000
DGE/CCC Charges	635,000	434,000
Settlement Claims	584,000	176,000
Payroll Taxes	176,000	497,000
Legal Fees	343,000	-0-
Union Benefits	205,000	227,000
Advertising	118,000	317,000
Profit Sharing	300,000	-0-
Other	<u>204,000</u>	<u>92,000</u>
	\$ 9,944,000	\$ 5,359,000
	=====	=====

6. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	<u>December 31</u>	
	<u>1988</u>	<u>1987</u>
Due to Affiliates - Int.	\$ 5,972,000	\$ 5,972,000
Other	<u>1,296,000</u>	<u>610,000</u>
Capitalized lease obligations (Note 9)	\$ 7,268,000	\$ 6,582,000
	=====	=====
Less current maturities	<u>2,414,000</u>	<u>2,143,000</u>
	\$ 14,894,000	\$ 17,421,000
	=====	=====

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

**7. LONG-TERM DEBT, DUE TO AFFILIATES**

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

	<u>December 31</u>	
	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 =====	\$ 2,735,000 3,039,000 3,036,000 2,390,000 <u>183,905,000</u> \$197,409,000 =====

**8. LONG-TERM DEBT, OTHER**

Long-term debt, other consist of the following:

	<u>December 31</u>	
	1988	1987
Capitalized lease obligations (Note 9)	\$ 17,408,000	\$ 19,566,000
Less current maturities	2,414,000	2,145,000
	\$ 14,994,000 =====	\$ 17,421,000 =====

	1988	1987
Building & equipment	\$ 2,050,000	\$ 2,050,000
Furniture and equipment	19,546,000	19,546,000
	21,596,000	21,596,000
Less: Accumulated depreciation	7,581,000	1,681,000
	\$ 14,015,000 =====	\$ 20,015,000 =====

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

8. LONG-TERM DEBT, OTHER (continued)

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

Year ending December 31	Capital Leases	Operating Leases
1989	\$ 4,156,000	\$ 2,414,000
1990	4,204,000	2,735,000
1991	4,204,000	3,039,000
1992	3,966,000	3,036,000
1993	2,822,000	2,380,000
Thereafter	<u>2,734,000</u>	<u>183,805,000</u>
Total minimum lease payments	\$ 24,286,000	\$197,409,000 =====

9. LEASES

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

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 which are payable monthly, commenced upon opening of the Atlantic City Showboat. The rent will be adjusted annually based upon increases or decreases in the Consumer Price Index, not to exceed 10% per year during the second through the sixth lease year. In April 1988, the annual rent increased to \$6,587,000. ACS is responsible for taxes, assessments, insurance and utilities.

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

	1988	December 31 1987
Building - warehouse	\$ 2,050,000	\$ 2,050,000
Furniture and equipment	<u>19,488,000</u>	<u>19,646,000</u>
	\$ 21,538,000	\$ 21,696,000
Less: Accumulated Amortization	<u>5,717,000</u>	<u>1,681,000</u>
	\$ 15,821,000 =====	\$ 20,015,000 =====

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

9. LEASES (continued)

The following is a schedule of future minimum lease payments for capital leases and operating leases (with initial or remaining terms in excess of one year) as of December 31, 1988:

<u>Year ending December 31</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
1989	\$ 4,166,000	\$ 6,682,000
1990	4,204,000	6,598,000
1991	4,204,000	6,598,000
1992	3,966,000	6,594,000
1993	2,922,000	6,587,000
Later years	<u>4,784,000</u>	<u>592,853,000</u>
Total minimum lease payments	\$ 24,246,000	\$625,912,000 =====
Less: Amount representing interest (10.40% to 11.25%)	<u>6,836,000</u>	
Present value of net minimum lease payments	\$ 17,408,000 =====	

Rent expense for all operating leases (except those with terms of a month or less that were not renewed) was \$7,493,000 and \$5,299,000 for the twelve months ended December 31, 1988 and 1987, respectively.

10. NON OPERATING INCOME (EXPENSE)

For the twelve month period ending December 31, 1988 and 1987, Non-Operating Income (Expense) is:

	<u>December 31</u>	
	<u>1988</u>	<u>1987</u>
Write off of preopening exp.	\$	(\$23,762,000)
Interest Income on temporary Cash Investments	<u>1,680,000</u>	<u>2,006,000</u>
	\$ 1,680,000 =====	(\$21,756,000) =====

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

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 contributed \$150,000 and accrued an additional \$300,000 during the year ended December 31, 1988, and contributed \$44,000 during the year ended December 31, 1987.

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

The Company entered a plan covering substantially all union employees on November 1, 1987. Contributions to the plan were \$443,000 for the year ended December 31, 1988 and \$137,000 during the twelve months ended December 31, 1987.

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.

The New Jersey Casino Control Act (the Act) provides, among other things, for an assessment on licensees based upon their gross casino revenues after completion of its first full year of operation. This assessment may be satisfied by investing in qualified direct investments, purchasing bonds issued by the Casino Redevelopment Authority (CRDA), or paying an "alternative tax". In order for direct investments to be eligible, they must be approved by the CRDA. The Company's obligation under the Act through December 31, 1988 is \$2,070,000.

The Company intends to satisfy its obligation by purchasing CRDA bonds which may have terms as long as 50 years and will bear interest at two-thirds of market rates at issue date resulting in a current value lower than the face value of such bonds. At December 31, 1988, deposits and other assets includes \$1,345,000 representing the Company's obligation to the CRDA of \$2,070,000 net of the allowance for the interest rate differential of \$725,000.

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

13. COMPLIMENTARIES

Promotional Allowances

	Twelve Months		Three Months	
	Ending Dec. 31, 1988		Ending Dec. 31, 1988	
	Recipients	Amount	Recipients	Amount
Rooms	60,000	\$ 7,907,000	13,000	\$ 1,755,000
Food	1,247,000	13,246,000	253,000	3,072,000
Beverage	3,023,000	7,086,000	815,000	1,943,000
Showroom	<u>98,000</u>	<u>1,277,000</u>	<u>19,000</u>	<u>265,000</u>
	4,428,000	\$29,516,000	1,100,000	\$ 7,035,000
	=====	=====	=====	=====

Promotional Expenses

	Twelve Months		Three Months	
	Ending Dec. 31, 1988		Ending Dec. 31, 1987	
	Recipients	Amount	Recipients	Amount
Coin	1,552,000	\$24,127,000	365,000	\$ 5,087,000
Travel	10,000	1,592,000	3,000	544,000
Other	<u>165,000</u>	<u>1,150,000</u>	<u>65,000</u>	<u>301,000</u>
	1,727,000	\$26,869,000	433,000	\$ 5,932,000
	=====	=====	=====	=====

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.

Tax rate	1,473,000	
Reduction of investment		1,523,000
Tax credit carryforward	286,000	
Other		910,000
	(5,707,000)	(5,917,000)

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

14. INCOME TAXES

Income tax benefit consists of the following:

carrying accounts and the tax bases of assets and liabilities that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1988 and 1987 relate to the following:

	<u>1988</u>	<u>1987</u>
Current	(\$ 5,930,000)	(\$ 12,506,000)
Deferred	( 1,141,000)	( 1,411,000)
Depreciation	(\$ 7,071,000)	( 13,917,000)
State taxes	( -0-)	( -0-)
Accrued Vacation Pay	(\$ 7,071,000)	(\$ 13,917,000)
4/3 primarily Allow.	=====	=====
for doubtful accts.		
Interest and Taxes		

Total income tax expense (benefit) differed from the amounts computed by applying the U.S. federal income tax rate to income before taxes as a result of the following:

	<u>1988</u>	<u>1987</u>
Computed "expected" tax expense benefit at statutory rates	(\$ 7,596,000)	(\$ 11,911,000)
Investment tax credit	-	( 5,400,000)
Investment tax credit basis reduction	-	2,484,000
Targeted jobs credit	( 289,000)	-
Write-down of CRDA bonds	166,000	-
Disallowance of employee meals	343,000	-
Benefit of NOL carryback at a higher tax rate	( 1,473,000)	-
Reduction of investment tax credit carryforward	1,522,000	-
Other	256,000	910,000
	<u>(\$ 7,071,000)</u>	<u>(\$ 13,917,000)</u>
	=====	=====

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

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

(UNAUDITED)  
 IS IN THOUSANDS

14. INCOME TAXES (continued)

Temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities that give rise to significant portions of the deferred tax liability at December 31, 1988 and 1987 relate to the following:

	ACCOUNTS RECEIVABLE BALANCES	
	ACCOUNT BALANCE (a)	ACCOUNTS RECEIVABLE - NET OF ALLOWANCE (b)
Total patrons' checks	\$ 3,249	December 31 3,149
Patrons' Checks	1,195	1988 1,000
Patrons' Checks	2,054	1987 2,149
Depreciation	\$ 4,344,000	\$ 4,113,000
Pre-Opening Costs	( 4,903,000)	( 6,919,000)
Accrued Vacation Pay	( 278,000)	-
A/R Primarily Allow. for doubtful accts.	( 708,000)	-
Interest and Taxes	-	1,793,000
Other, net	( 267,000)	( 398,000)
Totals (Line 305)	(\$ 1,812,000)	(\$ 1,411,000)

UNDEPOSITED PATRONS' CHECKS ACTIVITY

DESCRIPTION (a)	AMOUNT (b)
Beginning Balance (January 1)	\$ 2,236
Counter checks issued (including counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	123,154
Checks redeemed prior to deposit (including the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	( 87,976 )
Checks collected through deposits	( 29,769 )
Checks transferred to returned checks	( 2,127 )
Other adjustments	-
Ending Balance	\$ 3,628
"Hold" Checks included in Balance On Line 15	-
Provision For Uncollectible Patrons' Checks	\$ 2,152
Provision As A Percent Of Counter Checks Issued	1.75

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 1988

(UNAUDITED)  
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
NE	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
	Patrons' Checks:			
1	Undeposited patrons' checks .....	\$ 5,628		
2	Returned patrons' checks .....	2,721		
3	Total patrons' checks .....	8,349	\$ 2,400	\$ 5,949
4	Hotel Receivables .....	1,195	180	1,015
	Other Receivables:			
5	Receivables due from officers and employees.....	16		
6	Receivables due from affiliates .....	2,716		
7	Other accounts and notes receivables .....	228		
8	Total other receivables .....	2,960		2,960
9	Totals (Form 305).....	\$ 12,504	\$ 2,580	\$ 9,924

UNDEPOSITED PATRONS' CHECKS ACTIVITY		AMOUNT (h)
NE	DESCRIPTION (g)	
1	Beginning Balance (January 1) .....	\$ 2,286
2	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	123,154
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) .....	( 87,916 )
4	Checks collected through deposits .....	( 29,769 )
5	Checks transferred to returned checks .....	( 2,127 )
6	Other adjustments .....	
7	Ending Balance .....	\$ 5,628
8	"Hold" Checks Included In Balance On Line 16 .....	\$
9	Provision For Uncollectible Patrons' Checks .....	\$ 2,162
10	Provision As A Percent Of Counter Checks Issued .....	1.76

## CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
 (\$ IN THOUSANDS)

DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
<b>Revenue:</b>				
Blackjack .....	\$ 41,410	\$ 267,339	15.5	74
Craps .....	32,586	196,626	16.6	20
Roulette .....	9,500	37,886	25.1	12
Big Six .....	2,139	4,728	45.2	4
Baccarat .....	7,208	61,705	11.7	3
Other table games .....	-0-	-0-	-0-	-0-
<b>Total table games revenue .....</b>	<b>92,843</b>	<b>\$ 568,284</b>	<b>16.3</b>	<b>113</b>
		<b>HANDLE</b>		
\$ .05 slot machines .....	4,685	31,353	14.9	123
\$ .25 slot machines .....	54,589	403,231	13.5	888
\$1.00 slot machines .....	13,233	131,634	10.1	141
Other slot machines .....	44,064	436,156	10.1	492
<b>Total coin-operated devices revenue .....</b>	<b>116,571</b>	<b>\$ 1,002,374</b>	<b>11.6</b>	<b>1644</b>
Progressive jackpot adjustment .....	1,502			
<b>Total coin-operated devices revenue     after adjustment .....</b>	<b>115,069</b>			
Other income .....	-0-			
<b>Total revenue .....</b>	<b>207,912</b>			
<b>Expenses:</b>				
Payroll and payroll related expenses .....	37,754			
Licenses and taxes .....	17,594			
Provision for uncollectible patrons' checks .....	2,162			
Other .....	37,275			
<b>Total .....</b>	<b>94,785</b>			
<b>Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....</b>	<b>113,127</b>			
Complimentary services and casino management fees:				
Complimentary services .....	28,071			
Casino management fees .....	-0-			
<b>Total .....</b>	<b>28,071</b>			
<b>Departmental Income (Loss) .....</b>	<b>\$ 85,056</b>			



# GROSS REVENUE ANNUAL TAX RETURN

LICENSEE ATLANTIC CITY SHOWBOAT, INC.

ADDRESS 801 THE BOARDWALK

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1988

TO THE

## CASINO CONTROL COMMISSION

OF THE

## STATE OF NEW JERSEY



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

MARK J. MILLER

OFFICIAL TITLE .....

Vice-President Finance

ADDRESS .....

801 THE BOARDWALK

ATLANTIC CITY, NJ 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 1988

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 92,842,617	
2	Coin-operated devices revenue .....	116,571,087	
3	Total revenues .....		\$ 209,413,704
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 2,161,645	
5	Maximum adjustment (4% of line 3) .....	\$ 8,376,548	
6	Adjustment (the lesser of line 4 or line 5) .....		2,161,645
7	Gross revenues (line 3 less line 6) .....		\$ 207,252,059
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 16,580,165
9	Audit or other adjustments to tax on gross revenues in prior years .....		4,898
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		16,585,063
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 1,115,456	
12	February .....	1,111,761	
13	March .....	1,216,086	
14	April .....	1,424,153	
15	May .....	1,418,892	
16	June .....	1,443,353	
17	July .....	1,801,005	
18	August .....	1,641,617	
19	September .....	1,469,102	
20	October .....	1,369,788	
21	November .....	1,363,619	
22	December .....	1,265,293	
23	January .....	40	
24	Total deposits made for tax on current year's gross revenues .....		(16,640,165 )
	Settlement of prior years' tax on gross revenues		
25	resulting from audit or other adjustments - (deposits) credits .....		(4,898)
26	Gross revenues <del>tax payable</del> (line 10 less line 24 plus or minus line 25) .....		\$ (60,000)

REFUND DUE

STATEMENT OF CONFORMITY AND ACCURACY  
ANNUAL EMPLOYMENT  
AND PAYROLL REPORT

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

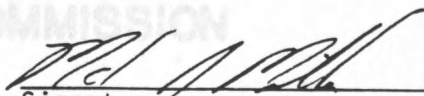
MARK J. MILLER

Name

, being duly sworn according

to law upon my oath deposes and says:

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

  
Signature

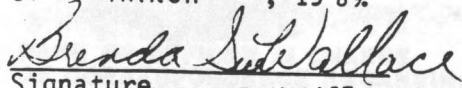
V.P. OF FINANCE

Title

3587-11

License Number

Subscribed and sworn to  
before me this 15<sup>th</sup> day  
of MARCH, 19 89.

  
Signature

**BRENDA SUE WALLACE**  
**NOTARY PUBLIC OF NEW JERSEY**  
My Commission Expires January 30, 1990

On Behalf Of:

ATLANTIC CITY SHOWBOAT, INC.  
Casino Licensee

Basis of Authority  
to Take Oaths

MARK J. MILLER

VICE PRESIDENT FINANCE

801 THE BOARDWALK

ATLANTIC CITY, NJ 08401

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** ATLANTIC CITY SHOWBOAT, INC.

**ADDRESS** 801 THE BOARDWALK

ATLANTIC CITY, NJ 08401

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

**TO THE**

**CASINO CONTROL COMMISSION**

**OF THE**

**STATE OF NEW JERSEY**



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

MARK J. MILLER

**OFFICIAL TITLE.....**

VICE PRESIDENT FINANCE

**ADDRESS.....**

801 THE BOARDWALK

ATLANTIC CITY, NJ 08401

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC.**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 88  
(\$ in Thousands)

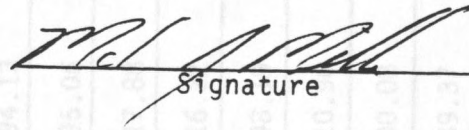
LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
	<b>CASINO</b>				
1	Administration .....	21			
2	Gaming .....	803			
3	Slots .....	101			
4	Casino accounting .....	32			
5	Other .....	467	\$	\$	\$
6	Total-casino .....	1424	28,558	712	29,270
7	ROOMS .....	309	3,879	190	4,069
8	FOOD AND BEVERAGE .....	1092	14,917	99	15,016
	<b>OTHER OPERATED DEPARTMENTS</b>				
9	Bowling	30	611	105	716
10	PBX	20	316		316
11	Box Office	1	31		31
12					
13					
14					
15					
16					
17					
18					
19					
	<b>ADMINISTRATIVE AND GENERAL</b>				
20	Executive office .....	13	246	1040	1286
21	Accounting and auditing .....	70	1301	203	1504
22	Security .....	235	4392		4392
23	Other administrative and general department ..	111	3343	171	3514
24	MARKETING .....	11	290	224	514
25	GUEST ENTERTAINMENT .....	28	907	95	1002
26	PROPERTY OPERATION AND MAINTENANCE .....	268	5341		5341
27	TOTALS - ALL DEPARTMENTS .....	3612	\$ 64,132	\$ 2839	\$ 66,971

Trading Name of Licensee Atlantic City Showboat, Inc.

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 1988

March 15, 1989  
Date

  
Signature

Vice-President Finance  
Title

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
JANUARY	516	15,912	11,515	\$ 92.7	72.4%	29,024	\$45.75
FEBRUARY	516	14,900	11,721	\$ 86.6	78.7%	23,462	\$43.13
MARCH	516	15,406	12,859	\$ 81.3	80.7%	27,671	\$40.73
1ST QUARTER TOTALS		46,719	36,065	\$ 86.6	77.2%	80,156	\$43.30
APRIL	516	15,341	13,659	\$ 91.3	89.1%	33,333	\$45.89
MAY	516	15,825	13,783	\$ 97.67	86.8%	35,567	\$48.83
JUNE	516	15,294	13,806	\$ 94.1	90.3%	36,611	\$47.06
2ND QUARTER TOTALS		46,510	41,258	\$ 95.0	88.7%	51,511	\$47.63
JULY	516	15,707	14,438	\$ 116.8	91.9%	33,977	\$58.94
AUGUST	516	15,489	14,676	\$ 116	93.6%	33,759	\$58.11
SEPTEMBER	516	15,453	13,959	\$ 96	90.5%	31,977	\$49.10
3RD QUARTER TOTALS		47,100	43,365	\$ 110	92.0%	56,710	\$56.48
OCTOBER	516	15,941	14,414	\$ 90	90.4%	26,828	\$45.04
NOVEMBER	516	15,430	13,750	\$ 89.3	89.1%	27,536	\$44.63
DECEMBER	516	15,741	11,276	\$ 67.13	71.6%	22,450	\$43.76
4TH QUARTER TOTALS		47,112	39,439	\$ 68.99	63.7%	28,814	\$44.53
ANNUAL TOTALS		167,450	160,117	\$ 95.97	85.4%	320,194	\$47.99

TRADING NAME OF LICENSEE SHOWBOAT HOTEL AND CASINO

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 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	516	15,941	14,414	\$ 90.08	90.4 %	28,828	\$ 45.04
NOVEMBER	516	15,430	13,750	\$ 89.37	89.1 %	27,536	\$ 44.63
DECEMBER	516	15,741	11,275	\$ 87.13	71.6 %	22,450	\$ 43.76
4TH QUARTER TOTALS		47,112	39,439	\$ 88.99	83.7 %	78,814	\$ 44.53
ANNUAL TOTALS		187,450	160,117	\$ 95.97	85.4 %	320,194	\$ 47.99

STATEMENT OF CONFORMITY AND ACCURACY

# STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey

COUNTY OF Atlantic

:  
:ss.  
:

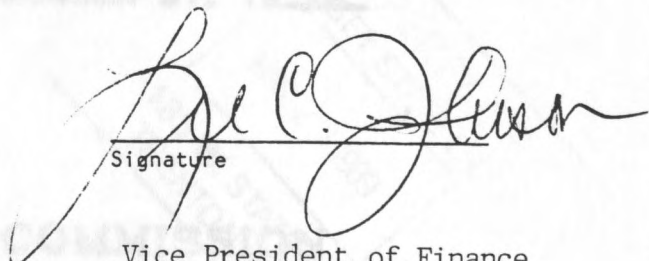
Lee C. Johnson

Name

, being duly sworn according to law upon my oath

deposes and says:

1. I have examined this 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

02281-11  
License Number

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

On Behalf Of:

  
Signature

Trump Plaza Associates  
Casino Licensee

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

Basis of Authority  
to Take Oaths

NEW JERSEY STATE LIBRARY  
3 3009 00006 3471

974.901  
C193

# ANNUAL REPORT

**LICENSEE** GNOC, CORP. (BALLY'S GRAND)  
**ADDRESS** P.O. BOX 1737 BOSTON & PACIFIC AVE.  
ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1988

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

PROPERTY OF  
NEW JERSEY STATE LIBRARY  
MAR 23 1989  
185 W. STATE ST.  
TRENTON, N.J.



**NAME OF OFFICER IN CHARGE  
OF CORRESPONDENCE REGARDING  
THIS ANNUAL REPORT** . . . . . Henry Hornbostel  
**OFFICIAL TITLE** . . . . . Vice President Finance & Administration  
**ADDRESS** . . . . . P.O. Box 1737 Boston & Pacific Ave.  
Atlantic City, New Jersey 08401

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

# LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1988

DESCRIPTION	(4) 19 88	(4) 19 87
<b>ASSETS</b>		
Cash	8,654	8,237
Marketable securities	7,750	300
Accounts receivable	5,250	10,231
Prepaid expenses	2,637	2,053
Other current assets	4,744	4,298*
<b>Total Current Assets</b>	<b>30,035</b>	<b>25,321</b>
Long-term investments	13,190	12,409
Property and equipment	256,681	265,311
Other non-current assets	114,700	110,554*
<b>Total Non-Current Assets</b>	<b>414,606</b>	<b>413,595</b>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	4,011	2,843
Accrued expenses	-	-
Other current liabilities	-	-
<b>Total Current Liabilities</b>	<b>4,011</b>	<b>2,843</b>
Long-term debt	300,607	301,762
Deferred credits	5,405	3,121*
Other liabilities	31,587	30,178*
Commitments and contingencies	-	-
<b>Total Liabilities</b>	<b>374,276</b>	<b>372,246</b>
Stockholders', Partners', or Proprietor's Equity	40,330	41,349
<b>Total Liabilities and Equity</b>	<b>414,606</b>	<b>413,595</b>

\*Restated due to reclassification for comparability.

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

## BALANCE SHEETS

DECEMBER 31, 19 88 AND 1987

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>ASSETS</b>		
	<b>Current Assets:</b>		
1	Cash .....	\$ 8,656	\$ 8,237
2	Marketable securities ..... Note 3	7,750	500
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$ 15,096 ; 19 <u>87</u> , \$ 13,937 ) .....	5,238	10,231
4	Inventories .....	2,637	2,055
5	Prepaid expenses and other current assets ..... Note 4	5,747	4,298*
6	<b>Total current assets</b> .....	<b>30,028</b>	<b>25,321</b>
7	Investments, Advances, And Receivables ..... Note 5	13,191	12,409
8	Property And Equipment - Net ..... Note 6	256,681	265,311
9	Other Assets ..... Note 7	114,706	110,554*
10	<b>Total Assets</b> .....	<b>\$ 414,606</b>	<b>\$ 413,595</b>
	<b>LIABILITIES AND EQUITY</b>		
	<b>Current Liabilities:</b>		
11	Accounts payable .....	\$ 4,018	\$ 2,843
12	Notes payable .....	-	-
	<b>Current portion of long-term debt:</b>		
13	Due to affiliates .....	-	-
14	Other .....	-	-
15	Income taxes payable and accrued .....	577	591
16	Other accrued expenses ..... Note 8	27,439	27,099 *
17	Other current liabilities ..... Note 9	4,643	6,652 *
18	<b>Total current liabilities</b> .....	<b>36,677</b>	<b>37,185</b>
	<b>Long-Term Debt:</b>		
19	Due to affiliates ..... Note 10	300,607	301,762
20	Other .....	-	-
21	Deferred Credits ..... Note 11	5,405	3,121*
22	Other Liabilities ..... Note 12	31,587	30,178*
23	Commitments And Contingencies ..... Note 18		
24	<b>Total Liabilities</b> .....	<b>374,276</b>	<b>372,246</b>
25	Stockholders', Partners', Or Proprietor's Equity ..... Note 13	40,330	41,349
26	<b>Total Liabilities And Equity</b> .....	<b>\$ 414,606</b>	<b>\$ 413,595</b>

\*Restated due to reclassification for comparability.

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 GIOC, CORP. (BALLY'S GRAND)

# STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 1987

(UNAUDITED)  
(\$ IN THOUSANDS)

REVISED 3-17-89

LINE: (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino .....	\$ 223,317	\$ 243,119
2	Rooms .....	16,378	17,888
3	Food and beverage .....	29,274	32,568
4	Other .....	9,985	10,054
5	Total revenue .....	278,954	303,629
6	Less: promotional allowances ..... Note 14	31,893	34,635
7	Net revenue .....	247,061	268,994
	Costs And Expenses:		
8	Cost of goods and services .....	103,314	111,389
9	Selling, general, and administrative .....	78,264	78,536
10	Provision for doubtful accounts .....	1,797	3,154
11	Total .....	183,375	193,079
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	63,686	75,915
13	Depreciation and amortization .....	17,423	16,268
	Charges from affiliates:		
14	Interest ..... Note 15	37,145	39,894
15	Management fees ..... Note 15	9,215	2,220
16	Other ..... Note 15	451	11,989
17	Interest expense - external .....	24	24
18	Income (Loss) From Operations .....	(548)	5,520
19	Nonoperating income (expense) - net ..... Note 16	2,326	2,611
20	Investment alternative tax and related income (expense) - net.....	(1,613)	(1,797)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	165	6,334
22	Provision (Credit) for income taxes ..... Note 17	1,184	4,164
23	Income (Loss) Before Extraordinary Items .....	(1,019)	2,170
24	Extraordinary items (net of income taxes - 19 <u>88</u> , \$ - ; 19 <u>87</u> , \$ - ) .....		
25	Net Income (Loss) .....	\$ (1,019)	\$ 2,170

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

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

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

REVISED 3-17-89

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino .....	\$ 50,529	\$ 52,504
2	Rooms .....	3,847	3,923
3	Food and beverage .....	6,891	7,340
4	Other .....	2,085	2,097
5	Total revenue .....	63,352	65,864
6	Less: promotional allowances ..... Note 14	7,327	6,718
7	Net revenue .....	56,025	59,146
	Costs And Expenses:		
8	Cost of goods and services .....	24,294	26,669
9	Selling, general, and administrative .....	19,740	20,239
10	Provision for doubtful accounts .....	230	658
11	Total .....	44,264	47,566
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	11,761	11,580
13	Depreciation and amortization .....	4,767	3,924
	Charges from affiliates:		
14	Interest .....	9,295	8,393
15	Management fees .....	-	-
16	Other .....	1,532	2,538
17	Interest expense - external .....	162	-
18	Income (Loss) From Operations .....	(3,995)	(3,275)
19	Nonoperating income (expense) - net .....	865	1,366
20	Investment alternative tax and related income (expense) - net.....	(384)	(498)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(3,514)	(2,407)
22	Provision (Credit) for income taxes .....	(1,382)	191
23	Income (Loss) Before Extraordinary Items .....	(2,132)	(2,598)
24	Extraordinary items (net of income taxes - 19 <u>88</u> , \$ - ; 19 <u>87</u> , \$ - ) .....		
25	Net Income (Loss) .....	\$ (2,132)	\$ (2,598)

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

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

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1988 and 1987

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>88</u>		19 <u>87</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	<b>Common Stock:</b>				
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
	<b>Preferred Stock:</b>				
5	Beginning balance (January 1) .....				
6	Sale of stock .....				
7	.....				
8	Ending Balance .....				
	<b>Additional Paid-in Capital:</b>				
9	Beginning balance (January 1) .....		35,712		143,798
10	Dividend of Subsidiary .....		-		(108,086)
11	.....				
12	Ending balance .....		35,712		35,712
	<b>Treasury Stock:</b>				
13	Beginning balance (January 1) .....		( )		( )
14	Purchase of additional stock .....		( )		( )
15	Sale or retirement of stock .....		( )		( )
16	Ending balance .....		( )		( )
	<b>Subscriptions Receivable For Capital Stock:</b>				
17	Beginning balance (January 1) .....		( )		( )
18	.....				
19	.....				
20	Ending balance .....		( )		( )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</b>				
21	Beginning balance (January 1) .....		( )		( )
22	.....				
23	.....				
24	Ending balance .....		( )		( )
	<b>Retained Earnings:</b>				
25	Beginning balance (January 1) .....		5,607		(7,861)
26	Prior period adjustments .....				
27	Net income (loss) .....		(1,019)		2,170
28	Dividends .....		( )		( )
29	Elimination of 2/28 deficit .....				11,220
30	Dividend of Subsidiary .....				78
31	Ending balance .....		4,588		5,607
32	<b>Ending Stockholders' Equity .....</b>		\$ 40,330		\$ 41,349

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

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(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.....	\$ 27,569	\$ 31,608
<b>Cash Flows From Investing Activities:</b>			
2	Purchase of short-term investment securities.....	(7,250)	1,172
3	Proceeds from the sale of short-term investment securities.....	-	-
4	Cash outflows for property and equipment.....	(11,004)	(3,082)
5	Proceeds from disposition of property and equipment.....	100	13
6	Purchase of casino reinvestment obligations.....	(3,226)	(3,503)
7	Purchase of other investments and loans/advances made.....	-	(48,004)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	831	500
9	Cash outflows to acquire business entities.....	-	65,122
10	Transfer of land held for sale (incl. in other Assets)	-	44,024
11	Transfer of Investment/Advances/Receivables.....	-	279,056
12	Revaluation of PP&E to FMV as result of Bally's purchase	-	(120,349)
12a	Net cash provided (used) by investing activities	(20,549)	214,949
<b>Cash Flows From Financing Activities:</b>			
13	Cash proceeds from issuance of short-term debt.....	-	-
14	Payments to settle short-term debt .....	-	(5)
15	Premium due to revaluation of debt .....	-	13,829
16	Costs of issuing debt.....	-	-
17	Payments to settle long-term debt.....	-	(10,060)
18	Cash proceeds from issuing stock or capital contributions.....	-	-
19	Unallocated Purchase Price .....	(6,601)	(104,543)
20	Payments of dividends or capital withdrawals.....	-	-
21	Elimination of 8 3/8% notes and related OID & DIC...	-	(39,164)
22	Dividend or Retained Earnings .....	-	(108,008)
23	Net Cash Provided (Used) By Financing Activities.....	(6,601)	(247,951)
24	Net Increase (Decrease) in Cash And Cash Equivalents.....	419	(1,394)
25	Cash And Cash Equivalents At Beginning Of Year .....	8,237	9,631
26	Cash And Cash Equivalents At End Of Year.....	\$ 8,656	\$ 8,237

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

<b>Cash Paid During Year For:</b>			
27	Interest (net of amount capitalized).....	\$ 39,625	\$ 42,160
28	Income taxes.....	\$ 1,959	\$ 4,290

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

# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1988 and 1987  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss).....	\$ (1,019)	\$ 2,170
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	14,712	14,124
31	Amortization of other assets.....	2,711	2,144
32	Amortization of debt discount or premium.....	(1,155)	(304)
33	Deferred income taxes - current.....	(2,943)	-
34	Deferred income taxes - noncurrent.....	2,284	2,915 *
35	(Gain) loss on disposition of property and equipment.....	-	(222)
36	(Gain) loss on casino reinvestment obligations.....	1,613	1,797
37	Fixed Asset Valuation due to Purchase Price Accounting	4,822	-
38	Net (increase) decrease in receivables and patrons' checks.....	4,993	4,183
39	Net (increase) decrease in inventories.....	(582)	859
40	Net (increase) decrease in other current assets.....	1,494	(229) *
41	Net (increase) decrease in other assets.....	(262)	-
42	Net increase (decrease) in accounts payables.....	1,175	(506)
43	Net increase (decrease) in other current liabilities excluding debt.....	(1,683)	1,649 *
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	1,409	(9,550) *
45	Other Amortization.....	-	1,358 *
46	Elimination of 2/28/87 deficit.....	-	11,220
47	Net Cash Provided (Used) By Operating Activities.....	\$ 27,569	\$ 31,608

## SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment.....	\$ 11,004	\$ 3,082
49	Less: Capital lease obligations incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 11,004	\$ 3,082
	<b>Acquisition Of Business Entities:</b>		
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.....	\$	\$
	<b>Stock Issued Or Capital Contributions:</b>		
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.....	\$	\$
	* Restated due to reclassification for comparability		

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).

**(a) Casino revenue and promotional allowances**

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

**(b) Marketable securities**

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

**(c) Property and equipment**

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

**(d) Debt premium**

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

**NOTE 2 - MARKETABLE SECURITIES**

Marketable securities as of December 31, 1986 and 1987 consisted of repurchase agreements, at cost which approximates market.

GNOC, CORP.  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

**(e) Income Taxes**

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

For the two months ended February 28, 1987 under the terms of a tax allocation agreement between the Company and GNI, a consolidated federal income tax return was filed which includes the accounts of the Company. The Company's tax allocation was based on the amount of tax the Company would have paid if it filed a separate return except the tax benefits available to the Company are recognized when realized by the consolidated group.

**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 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 estimated 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 (see Note 21).

**NOTE 3 - MARKETABLE SECURITIES**

Marketable securities as of December 31, 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 December 31 consisted of the following:

	<u>1988</u>	<u>1987</u>
Prepaid state gaming taxes and licenses	\$ 535,000	\$ 634,000
Prepaid operating expenses	653,000	1,911,000
Prepaid entertainment costs	-	140,000
Deferred federal & state income tax	4,556,000	1,613,000
Other	3,000	-
	<u>\$5,747,000</u>	<u>\$4,298,000</u>

**NOTE 5 - INVESTMENTS, ADVANCES, AND RECEIVABLES**

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

	<u>1988</u>	<u>1987</u>
Golden Nugget Marketing Corp. (a New York Corporation)	\$ -	\$ 325,000
Golden Nugget Marketing Corp. (a Florida Corporation)	-	80,000
Golden Nugget Marketing Corp. (a Massachusetts Corporation)	-	17,000
Golden Nugget Marketing Corp. (a Maryland Corporation)	-	1,000
GNAC, CORP.	-	295,000
GNF, CORP.	-	113,000
New Jersey reinvestment (net of purchase discount)	13,191,000	11,578,000
	<u>\$13,191,000</u>	<u>\$12,409,000</u>

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

**NOTE 6 - PROPERTY AND EQUIPMENT - NET**

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

	1988	1987
Land and improvements	\$ 51,737,000	\$ 50,988,000
Buildings and leasehold improvements	173,930,000	189,024,000
Furniture, fixtures and equipment	50,425,000	34,703,000
Construction in progress	6,110,000	1,982,000
	282,202,000	276,697,000
Less accumulated depreciation and amortization	(25,521,000)	(11,386,000)
	\$256,681,000	\$265,311,000

See Note 2 for discussion of purchase price accounting.

**NOTE 7 - OTHER ASSETS**

Other assets as of December 31 consisted of the following:

	1988	1987
Unallocated purchase price, net	\$114,376,000	\$110,485,000
Other	330,000	69,000
	\$114,706,000	\$110,554,000

See Note 2 for discussion of purchase price accounting.

GNOC, CORP.  
 NOTES TO FINANCIAL STATEMENTS  
 (Unaudited)

**NOTE 8 - OTHER ACCRUED EXPENSES**

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

	<u>1988</u>	<u>1987</u>
Accrued payroll	\$ 7,009,000	\$ 6,491,000
Accrued progressive jackpot liability	2,419,000	4,105,000
Accrued interest	3,191,000	3,191,000
Accrued New Jersey casino reinvestment liability	5,811,000	5,352,000
Accrued sales, use and luxury taxes	104,000	719,000
Accrued Casino Control Commission and Division of Gaming Enforcement Fees	377,000	397,000
Accrued self insurance claims	363,000	627,000
Accrued casino license fee	275,000	153,000
Accrued casino win tax	250,000	90,000
Accrued legal fees	1,028,000	432,000
Accrued insurance	1,627,000	1,765,000
Other	4,985,000	3,777,000
	<u>\$27,439,000</u>	<u>\$27,099,000</u>

**NOTE 9 - OTHER CURRENT LIABILITIES**

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

	<u>1988</u>	<u>1987</u>
Customer deposits	\$ 327,000	\$ 1,189,000
Unredeemed gaming chips and tokens	2,032,000	1,780,000
Advance room deposits	49,000	49,000
Bally Manufacturing Corp.	1,443,000	3,505,000
Bally's Park Place, Inc.	762,000	122,000
Other	30,000	7,000
	<u>\$ 4,643,000</u>	<u>\$ 6,652,000</u>

GNOC, CORP.  
 NOTES TO FINANCIAL STATEMENTS  
 (Unaudited)

**NOTE 10 - LONG TERM DEBT-DUE TO AFFILIATES**

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

	<u>1988</u>	<u>1987</u>
13 1/4% (effective rate of 13.3%) Mortgage-Backed Notes of \$289,000,000 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 \$11,607,000 at December 31, 1988 and \$12,762,000 at December 31, 1987) (Note 2)	\$ 1,573,000 25,777,000 - 1,000 - 4,236,000 \$ 31,587,000	\$ 2,626,000 25,340,000 337,000 - 34,000 2,451,000 \$30,178,000
	<u>\$300,607,000</u>	<u>\$301,762,000</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.

On October 8, 1987, \$10,000,000 principal amount of the Notes had been acquired to satisfy future sinking fund requirements.

**NOTE 11 - DEFERRED CREDITS**

Deferred credits as of December 31, 1988 and 1987 consisted of deferred federal and state income taxes.

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

**NOTE 12 - OTHER LIABILITIES**

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

	<u>1988</u>	<u>1987</u>
Bally's Grand Transportation Corp.	\$ 1,573,000	\$ 1,626,000
GNAC, CORP.	25,777,000	25,340,000
Golden Nugget Marketing Corp. (an Illinois Corporation)	-	537,000
Golden Nugget Marketing Corp. (a New York Corporation)	1,000	-
Golden Nugget Marketing Corp. (an Ohio Corporation)	-	34,000
Self Insurance Claims	4,236,000	2,641,000
	<u>\$ 31,587,000</u>	<u>\$30,178,000</u>

**NOTE 13 - STOCKHOLDER'S EQUITY**

At December 31, 1988 and 1987, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,500 were issued and outstanding.

GNOC, CORP.  
 NOTES TO FINANCIAL STATEMENTS  
 (Unaudited)

**NOTE 14 - PROMOTIONAL EXPENSES AND ALLOWANCES**

Promotional expenses and allowances and number of recipients for the twelve months ended December 31, 1988 consisted of the following:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSES</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	115,623	\$10,790,000	-	\$ -
Food	794,418	11,625,000	-	-
Beverage	2,814,209	5,629,000	-	-
Travel	-	-	39,888	5,454,000
Other	-	-	-	-
Coin	-	-	1,175,196	21,300,000
Entertainment	36,143	1,261,000	5,418	582,000
Parking	117,745	902,000	-	-
Retail	33,387	1,558,000	-	-
Other	3,985	128,000	20,008	1,473,000
Total Other	<u>191,260</u>	<u>3,849,000</u>	<u>1,200,622</u>	<u>23,355,000</u>
<b>TOTAL</b>	<b><u>3,915,510</u></b>	<b><u>\$31,893,000</u></b>	<b><u>1,240,510</u></b>	<b><u>\$28,809,000</u></b>

Promotional expenses and allowances and number of recipients for the three months ended December 31, 1988 consisted of the following:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSE</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Rooms	27,290	\$2,534,000	-	\$ -
Food	162,239	2,690,000	-	-
Beverage	682,338	1,365,000	-	-
Travel	-	-	9,565	1,263,000
Other	-	-	-	-
Coin	-	-	299,091	5,364,000
Entertainment	3,365	151,000	2,235	145,000
Parking	23,286	186,000	-	-
Retail	13,879	372,000	-	-
Other	840	29,000	5,608	772,000
Total Other	<u>41,370</u>	<u>738,000</u>	<u>306,934</u>	<u>6,281,000</u>
<b>TOTAL</b>	<b><u>913,237</u></b>	<b><u>\$7,327,000</u></b>	<b><u>316,499</u></b>	<b><u>\$7,544,000</u></b>

(A) Former affiliates of the company

GNOC, CORP.  
 NOTES TO FINANCIAL STATEMENTS  
 (Unaudited)

**NOTE 15 - CHARGES FROM AFFILIATES**

The charges from affiliates for the twelve months ended December 31 consisted of the following:

<u>Nature of Charge From Affiliate</u>	<u>1988</u>	<u>1987</u>
Interest	\$39,627,000	\$39,894,000
Management Fees	-	2,220,000
Other (a)	9,215,000	11,989,000

(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)
- Bally's Grand 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 twelve months ended December 31 consisted of the following:

	<u>1988</u>	<u>1987</u>
Interest and dividend income	\$2,179,000	\$1,977,000
Realized gain on repurchase of 13 1/4% Notes	-	230,000
Gain on disposition of property, plant and equipment	-	222,000
Other non-operating income	147,000	182,000
	<u>\$2,326,000</u>	<u>\$2,611,000</u>

**NOTE 17 - INCOME TAXES**

The income tax provision for the twelve months ended December 31 consisted of the following:

	<u>1988</u>	<u>1987</u>
<b>Current:</b>		
Federal	\$1,335,000	2,434,905
State	508,000	427,095
	<u>1,843,000</u>	<u>2,862,000</u>
<b>Deferred:</b>		
Federal	(497,000)	956,883
State	(162,000)	345,117
	<u>(659,000)</u>	<u>1,302,000</u>
	<u>\$1,184,000</u>	<u>\$4,164,000</u>

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

**NOTE 17 - INCOME TAXES (continued)**

Components of the differences between a provision for income taxes computed at the federal income tax statutory rate and the Company's provision for income taxes for the year ended December 31, 1988 are as follows:

Amount computed at 34%	\$ 56,000
Permanent differences:	
Amortization of unallocated purchase price	921,000
Interest expense & fees	(783,000)
Purchase price depreciation	1,111,000
Other	(78,000)
State income taxes, net of federal tax benefits	215,000
Other	(258,000)
	<u>\$ 1,184,000</u>

Sources of deferred income taxes and the tax effect of each for the year ended December 31, 1988 are as follows:

Depreciation	\$ 2,290,000
Bad Debt Reserve	(2,203,000)
Vacation Reserve	(567,000)
Other	(179,000)
	<u>\$ (659,000)</u>

**NOTE 18 - PENSION COSTS**

The Company made payments of \$470,000 in 1988 and \$491,000 in 1987 under the terms of various collective bargaining agreements to provide welfare benefits, including pension benefits, for covered employees. It is not practical to determine the amount of these payments ultimately used to fund pension benefit plans or the current financial condition of these plans.

On December 1, 1985, the Company adopted a voluntary retirement savings plan ("RSVP") for its non-union employees (as defined). Eligible participating employees may elect to contribute up to 12% of their pre-tax earnings to RSVP. The Company matched employee contributions not exceeding 50% of the first 4% of the employee's salary. The Company's contribution amounted to \$597,000 in 1988 and \$726,000 in 1987.

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

**NOTE 19 - LEASE COMMITMENTS**

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

Minimum lease commitments in effect at December 31, 1988 are as follows:

1989 . . . . .	\$229,000
1990 . . . . .	5,000
1991 . . . . .	5,000
1992 . . . . .	5,000
1993 . . . . .	5,000
Thereafter . . . . .	30,000
	<u>\$279,000</u>

Aggregate rent expense was \$309,000 and \$1,295,000 for the three and twelve months ended December 31, 1988 and \$414,000 and \$1,654,000 for the three and twelve months ended December 31, 1987, respectively.

**NOTE 20 - OTHER COMMITMENTS**

For the year 1988, the Company recorded an expense of \$1,613,000 and in 1987 \$1,797,000 which represented the cost to the Company of complying with a "reinvestment" requirement contained in the New Jersey Casino Control Act (the "Act"). Under the Act, Atlantic City casinos are required to make qualified investments, as specified by the New Jersey State Legislature, or become liable for an "alternate tax". The amount of the required investment or alternate tax is calculated based on a licensee's gross casino revenues less its annual provision for uncollectable casino receivables.

**NOTE 21 - LITIGATION**

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.

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
<b>Patrons' Checks:</b>				
1	Undeposited patrons' checks .....	\$ 5,812		
2	Returned patrons' checks .....	12,630		
3	<b>Total patrons' checks .....</b>	<b>18,442</b>	<b>13,855</b>	<b>\$ 4,587</b>
4	Hotel Receivables .....	709	92	617
<b>Other Receivables:</b>				
5	Receivables due from officers and employees.....	15		
6	Receivables due from affiliates .....	-		
7	Other accounts and notes receivables .....	1,168		
8	<b>Total other receivables .....</b>	<b>1,183</b>	<b>1,149</b>	<b>34</b>
9	<b>Totals (Form 305).....</b>	<b>\$ 20,334</b>	<b>\$ 15,096</b>	<b>\$ 5,238</b>

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) .....	209,439
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) .....	( 151,712 )
13	Checks collected through deposits .....	( 19,003 )
14	Checks transferred to returned checks .....	( 43,007 )
15	Other adjustments .....	
16	<b>Ending Balance .....</b>	<b>\$ 5,812</b>
17	"Hold" Checks Included in Balance On Line 16 .....	
18	Provision For Uncollectible Patrons' Checks .....	\$ 1,721
19	Provision As A Percent Of Counter Checks Issued .....	.82

STATEMENT OF CONFORMITY AND ACCURACY

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

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	<b>Revenue:</b>				
1	Blackjack .....	49,092	341,584	14.37	59
2	Craps .....	39,961	244,826	16.32	19
3	Roulette .....	10,473	40,549	25.83	10
4	Big Six .....	2,291	4,670	49.06	4
5	Baccarat .....	6,811	39,328	17.32	2
6	Other table games .....	-	-	-	-
7	Total table games revenue .....	108,628	670,957	16.19%	94
			<b>HANDLE</b>		
8	\$ .05 slot machines .....	2,649	18,490	14.33	65
9	\$ .25 slot machines .....	32,561	236,842	13.75	551
10	\$1.00 slot machines .....	29,838	261,958	11.39	230
11	Other slot machines .....	47,955	481,940	9.95	439
12	Total coin-operated devices revenue .....	113,003	999,230	11.31%	1,285
13	Progressive jackpot adjustment .....	1,686			
14	Total coin-operated devices revenue after adjustment .....	114,689			
15	Other income .....	-			
16	Total revenue .....	223,317			
	<b>Expenses:</b>				
17	Payroll and payroll related expenses .....	34,340			
18	Licenses and taxes .....	9,898			
19	Provision for uncollectible patrons' checks	1,721			
20	Other .....	12,889			
21	Total .....	58,848			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	164,469			
	Complimentary services and casino management fees:				
23	Complimentary services .....	57,405			
24	Casino management fees .....	-			
25	Total .....	57,405			
26	Departmental Income (Loss) .....	\$ 107,064			

# STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey  
COUNTY OF Atlantic

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

deposes and says:

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

Signature

Vice President Finance and  
Title Administration

01174-11

License Number

On Behalf Of:

Subscribed and sworn to  
before me this 13<sup>th</sup> day  
of March, 1989

Signature

EILEEN M. McHUGH-SCHNAPP  
Notary Public of New Jersey  
My Commission Expires June 13, 1989

Henry Hornbostel GNOC, CORP.  
Casino Licensee

Basis of Authority  
to Take Oaths

# GROSS REVENUE ANNUAL TAX RETURN

(\$ IN THOUSANDS)

LICENSEE GNOC, CORP. (BALLY'S GRAND)

ADDRESS P.O. BOX 1737 BOSTON & PACIFIC AVE.

ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1988

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

Henry Hornbostel

OFFICIAL TITLE

Vice President Finance & Administration

ADDRESS

P.O. Box 1737 Boston & Pacific Ave.

Atlantic City, New Jersey 08401

TRADING NAME OF LICENSEE GNOC, Corp. (Bally's Grand)

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 1988

STATE OF New Jersey

(UNAUDITED)

COUNTY OF Atlantic

(\$ IN THOUSANDS)

LINE			
1	Casino win or (loss)		
2	Table games revenue	\$ 108,628	
3	Coin-operated devices revenue	113,003	
	Total revenues		\$ 221,631
4	Less - adjustment for uncollectible patrons' checks:		
	Provision for uncollectible patrons' checks	\$ 1,721	
5	Maximum adjustment (4% of line 3)	\$ 8,865	
6	Adjustment (the lesser of line 4 or line 5)		1,721
7	Gross revenues (line 3 less line 6)		\$ 219,910
8	Tax on gross revenues - current year (8% of line 7)		\$ 17,593
9	Audit or other adjustments to tax on gross revenues in prior years		-
10	Total tax on gross revenues (line 8 plus or minus line 9)		17,593
11	Deposits made for tax on current year's gross revenues:		
	January	\$ -0-	
12	February		
13	March	1,267	
14	April	1,283	
15	May	1,599	
16	June	1,474	
17	July	1,488	
18	August	1,413	
19	September	1,891	
20	October	1,813	
21	November	1,319	
22	December	1,448	
23	January	1,315	
24	Total deposits made for tax on current year's gross revenues		( 17,593 )
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits		-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)		\$ -

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :  
COUNTY OF Atlantic :ss.

Henry Hornbostel  
Name

, being duly sworn according

to law upon my oath deposes and says:

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

[Signature]  
Signature

Vice President Finance and Title Administration

01174-11

License Number

On Behalf Of:  
GNOC, CORP.

Casino Licensee

Subscribed and sworn to before me this 2nd day of March 1989.

[Signature]  
Signature EILEEN M. MCHUGH  
Notary Public of New Jersey  
My Commission Expires June 13, 1989

Basic of Authority to Take Oaths



Henry Hornbostel  
Vice President Finance & Administration  
P.O. Box 1737 Boston & Pacific Ave.  
Atlantic City, New Jersey 08401

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** GNOC, 'CORP.' (BALLY'S GRAND)  
**ADDRESS** P.O. BOX 1737 BOSTON & PACIFIC AVE.  
ATLANTIC CITY, NEW JERSEY 08401

**FOR THE YEAR ENDED DECEMBER 31, 1988**

**TO THE**

**CASINO CONTROL COMMISSION**

**OF THE**

**STATE OF NEW JERSEY**



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

Henry Hornbostel

**OFFICIAL TITLE.....**

Vice President Finance & Administration

**ADDRESS.....**

P.O. Box 1737 Boston & Pacific Ave.  
Atlantic City, New Jersey 08401

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 88  
(\$ In Thousands)

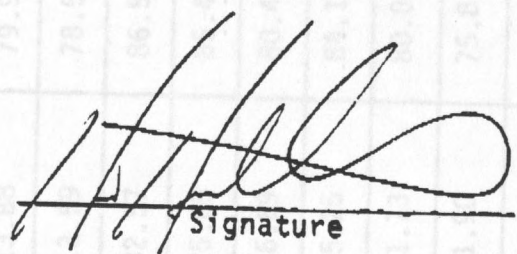
LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
<b>CASINO</b>					
1	Administration .....	23			
2	Gaming .....	850			
3	Slots .....	89			
4	Casino accounting .....	246			
5	Other .....	95			
6	<b>Total-casino .....</b>	<b>1,303</b>	\$ 23,717	\$ 98	\$ 23,815
7	<b>ROOMS .....</b>	<b>282</b>	<b>3,756</b>	<b>103</b>	<b>3,859</b>
8	<b>FOOD AND BEVERAGE .....</b>	<b>892</b>	<b>11,637</b>	-	<b>11,637</b>
<b>OTHER OPERATED DEPARTMENTS</b>					
9	Parking	59	665	-	665
10	Retail	49	734	-	734
11	Health Club - Pool Services	13	170	-	170
12	Beauty Salon	12	186	-	186
13	Gas Station	9	101	-	101
14					
15					
16					
17					
18					
19					
<b>ADMINISTRATIVE AND GENERAL</b>					
20	Executive office .....	6	45	343	388
21	Accounting and auditing .....	74	1,256	-	1,256
22	Security .....	194	3,648	-	3,648
23	Other administrative and general department ..	105	2,443	-	2,443
24	<b>MARKETING .....</b>	<b>122</b>	<b>2,315</b>	<b>145</b>	<b>2,460</b>
25	<b>GUEST ENTERTAINMENT .....</b>	<b>45</b>	<b>969</b>	-	<b>969</b>
26	<b>PROPERTY OPERATION AND MAINTENANCE .....</b>	<b>281</b>	<b>5,160</b>	-	<b>5,160</b>
27	<b>TOTALS - ALL DEPARTMENTS .....</b>	<b>3,446</b>	<b>\$ 56,802</b>	<b>\$ 689</b>	<b>\$ 57,491</b>

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

**ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE**

For the Year Ended December 31, 19 88

3/21/89  
Date

  
Signature

Vice President  
Finance and Administration  
Title

PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF ROOMS AVAILABLE	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	518	16,058	9,964	\$ 106.7	62.2 %	17,989	\$ 59.35
FEBRUARY	518	15,022	9,923	\$ 101.1	66.1 %	17,861	\$ 55.64
MARCH	518	16,058	11,352	\$ 100.0	70.7 %	18,821	\$ 57.34
1ST QUARTER TOTALS		47,138	31,269	\$ 102.6	66.3 %	54,671	\$ 57.77
APRIL	518	15,540	12,415	\$ 109.5	79.9 %	13,344	\$ 60.84
MAY	518	16,058	12,167	\$ 117.46	75.8 %	14,900	\$ 65.25
JUNE	518	15,540	12,414	\$ 117.83	79.9 %	14,344	\$ 63.26
2ND QUARTER TOTALS		47,138	36,996	\$ 117.83	78.5 %	42,588	\$ 63.30
JULY	518	16,058	13,085	\$ 117.83	86.5 %	15,600	\$ 77.98
AUGUST	518	16,058	13,717	\$ 111.4	85.4 %	15,659	\$ 69.81
SEPTEMBER	518	15,540	12,491	\$ 111.4	79.7 %	14,401	\$ 64.83
3RD QUARTER TOTALS		47,656	40,093	\$ 125.0	83.1 %	45,779	\$ 70.95
OCTOBER	518	16,058	12,839	\$ 111.1	79.0 %	23,110	\$ 62.07
NOVEMBER	518	15,540	11,774	\$ 111.1	75.8 %	21,193	\$ 62.17
DECEMBER	518	16,058	9,600	\$ 111.69	59.8 %	17,280	\$ 62.05
4TH QUARTER TOTALS		47,656	34,213	\$ 111.78	71.8 %	61,583	\$ 62.10
ANNUAL TOTALS		189,508	142,571	\$ 114.08	75.7 %	254,626	\$ 63.87

TRADING NAME OF LICENSEE BALLY'S GRAND HOTEL & CASINO

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 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	518	16,058	12,839	\$ 111.73	80.0 %	23,110	\$ 62.07
NOVEMBER	518	15,540	11,774	\$ 111.90	75.8 %	21,193	\$ 62.17
DECEMBER	518	16,058	9,600	\$ 111.69	59.8 %	17,280	\$ 62.05
4TH QUARTER TOTALS		47,656	34,213	\$ 111.78	71.8 %	61,583	\$ 62.10
ANNUAL TOTALS		189,588	142,571	\$ 114.08	75.2 %	254,626	\$ 63.87

CASE 83000 8006 E  
 BALLY'S GRAND HOTEL & CASINO  
 1988-1989

NEW JERSEY STATE LIBRARY  
3 3009 00006 3620

TRADING NAME OF LICENSEE Bally's Park Place Casino 974-901

C 193

# ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1988

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

**ADDRESS** PARK PLACE AND THE BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

**FOR THE YEAR ENDED DECEMBER 31, 1988**

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



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

JOSEPH A. D'AMATO

OFFICIAL TITLE . . . . .

VICE PRESIDENT & TREASURER

ADDRESS . . . . .

PARK PLACE AND THE BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

NEW JERSEY STATE LIBRARY  
PROPERTY OF  
MAR 23 1989  
185 W. STATE ST.  
TRENTON, N.J.

88 01 16 1988  
DISCOUNT 31 10 98  
05000061 31  
GEORGE 24TH NOV 81  
HOTEL 2121212121  
300 LINE

DECEMBER 31, 19 88 AND 19 87

# LIST OF FORMS - ANNUAL REPORT

(\$ IN THOUSANDS)

FOR THE YEAR ENDED DECEMBER 31, 19 88

DESCRIPTION (b)	(a) 19 <u>88</u>	(a) 19 <u>87</u> *
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 9,100	\$ 10,668
Marketable securities	-	-
Receivables and patrons' checks (net of allowance for doubtful accounts)	10,471	13,957
Prepaid expenses	2,116	2,119
Other current assets	9,900	3,936
<b>Total Current Assets</b>	<b>31,587</b>	<b>32,680</b>
Property and Equipment	16,711	14,577
Investments	447,045	398,266
Other long-term assets	3,176	5,717
<b>Total Assets</b>	<b>\$ 501,475</b>	<b>\$ 451,918</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Schedule of Receivables and Patrons' Checks	\$ 20,655	\$ 18,051
Casino Departmental Schedule	-	-
Statement of Conformity and Accuracy	-	415
Income taxes payable and accrued	2,580	4,620
Other accrued expenses	33,316	26,977
Other current liabilities	1,867	1,473
<b>Total current liabilities</b>	<b>58,392</b>	<b>60,536</b>
Long-Term Debt	-	-
Due to affiliated	99,663	99,631
Other	56,793	39,085
Deferred Credits	19,925	18,412
Other liabilities	-	-
Commitments And Contingencies	-	-
<b>Total Liabilities</b>	<b>234,779</b>	<b>206,664</b>
Stockholders', Partners', Or Proprietor's Equity	266,696	245,254
<b>Total Liabilities And Equity</b>	<b>\$ 501,475</b>	<b>\$ 451,918</b>

\* Restated to conform to 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.

# BALANCE SHEETS

DECEMBER 31, 19 88 AND 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u> *
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents .....	\$ 9,100	\$ 10,668
2	Marketable securities .....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$ 5,571 ; 19 <u>87</u> , \$ 5,300 ) .....	10,471	13,957
4	Inventories .....	2,165	2,119
5	Prepaid expenses and other current assets ..... Note 2 .....	9,901	5,936
6	Total current assets .....	31,637	32,680
7	Investments, Advances, And Receivables ..... Note 11 .....	16,715	14,577
8	Property And Equipment - Net ..... Note 3 .....	447,949	398,944
9	Other Assets .....	5,174	5,717
10	Total Assets .....	\$ 501,475	\$ 451,918
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
11	Accounts payable .....	\$ 20,651	\$ 18,051
12	Notes payable .....	-	-
	Current portion of long-term debt:		
13	Due to affiliates .....	-	-
14	Other .....	-	-
15	Income taxes payable and accrued .....	-	415
16	Other accrued expenses ..... Note 12 .....	2,580	4,620
17	Other current liabilities .....	33,314	24,977
18	Total current liabilities .....	1,847	1,473
	Long-Term Debt:		
19	Due to affiliates ..... Note 4 .....	58,392	49,536
20	Other ..... Note 4 .....	99,663	99,631
21	Deferred Credits ..... Note 5 .....	56,799	39,085
22	Other Liabilities .....	19,925	18,412
23	Commitments And Contingencies .....	-	-
24	Total Liabilities .....	234,779	206,664
25	Stockholders', Partners', Or Proprietor's Equity .....	266,696	245,254
26	Total Liabilities And Equity .....	\$ 501,475	\$ 451,918

\* Restated to conform to 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.

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

# STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE: (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u> *
	<b>Revenue:</b>		
1	Casino .....	\$	\$
2	Rooms .....	268,961	249,785
3	Food and beverage .....	17,506	16,481
4	Other .....	31,808	30,282
5	Total revenue .....	9,921	10,209
6	Less: promotional allowances ..... Note 8	328,196	306,757
7	Net revenue .....	26,553	23,647
	<b>Costs And Expenses:</b>		
8	Cost of goods and services .....		
9	Selling, general, and administrative .....	143,848	136,049
10	Provision for doubtful accounts .....	59,858	57,824
11	Total .....	635	658
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	204,341	194,531
13	Depreciation and amortization .....	97,302	88,579
	Charges from affiliates:	21,539	22,245
14	Interest ..... Note 9	6,292	11,488
15	Management fees .....		
16	Other ..... Note 7	-	-
17	Interest expense - external ..... Note 9	1,200	1,150
18	Income (Loss) From Operations .....	1,742	1,576
19	Nonoperating income (expense) - net ..... Note 15	66,529	52,120
20	Investment alternative tax and related income (expense) - net.....	1,235	1,343
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(2,537)	(3,884)
22	Provision (Credit) for income taxes ..... Note 10	65,227	49,579
23	Income (Loss) Before Extraordinary Items .....	26,785	22,955
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....	38,442	26,624
25	Net Income (Loss) .....	\$ 38,442	\$ 26,624

\* Restated to conform to 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.

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Revenues:</b>		
1	Casino .....	\$ 61,116	\$ 58,700
2	Rooms .....	3,999	3,796
3	Food and beverage .....	7,781	7,294
4	Other .....	2,163	2,554
5	Total revenue .....	75,059	72,344
6	Less: promotional allowances ..... Note 8	6,462	5,581
7	Net revenue .....	68,597	66,763
	<b>Costs And Expenses:</b>		
8	Cost of goods and services .....	35,809	34,005
9	Selling, general, and administrative .....	14,561	14,494
0	Provision for doubtful accounts .....	140	196
1	Total .....	50,510	48,695
2	Income (Loss) Before Depreciation And		
3	Amortization, Charges From Affiliates, And Interest.....	18,087	18,068
4	Depreciation and amortization .....	5,170	4,330
5	Charges from affiliates:		
6	Interest ..... Note 9	873	2,631
7	Management fees .....	-	-
8	Other ..... Note 7	300	288
9	Interest expense - external ..... Note 9	226	320
0	Income (Loss) From Operations .....	11,518	10,499
1	Nonoperating income (expense) - net ..... Note 15	211	273
2	Investment alternative tax and related income (expense) - net.....	(998)	(1,051)
3	Income (Loss) Before Income Taxes And Extraordinary Items.....	10,731	9,721
4	Provision (Credit) for income taxes ..... Note 10	3,872	5,020
5	Income (Loss) Before Extraordinary Items .....	6,859	4,701
6	Extraordinary items (net of income taxes -		
7	19 <u>  </u> , \$                   ; 19 <u>  </u> , \$                   )	-	-
8	Net Income (Loss) .....	\$ 6,859	\$ 4,701

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

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

STATEMENTS OF CHANGES IN PARTNERS'

OR PROPRIETARY EQUITY

(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-
3	.....				-0-
4	Ending balance .....	100	93,987	100	93,987
	Preferred Stock:				
5	Beginning balance (January 1) .....	0	0	-0-	-0-
6	Sale of stock .....	0	0	-0-	-0-
7	.....				-0-
8	Ending Balance .....	0	0	-0-	-0-
	Additional Paid-in Capital:				
9	Beginning balance (January 1) .....				
10	<u>Purchase accounting adjustment</u> .....		34,652		-0-
11	.....				34,652
12	Ending balance .....		34,652		-0-
	Treasury Stock:				
13	Beginning balance (January 1) .....	0	( 0 )		( -0- )
14	Purchase of additional stock .....	0	( 0 )		( -0- )
15	Sale or retirement of stock .....				( -0- )
16	Ending balance .....	0	( 0 )		-0-
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1) .....	0	( 0 )		( -0- )
18	.....				
19	.....				( -0- )
20	Ending balance .....	0	( 0 )		( -0- )
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1) .....		( -0- )		( -0- )
22	.....				
23	Ending balance .....		( -0- )		( -0- )
	Retained Earnings:				
24	Beginning balance (January 1) .....				( -0- )
25	Prior period adjustments .....		116,615		100,991
26	Net income (loss) .....		-0-		-0-
27	Dividends .....		38,442		26,624
28	.....		( 17,000 )		( 11,000 )
29	.....				
30	Ending balance .....				
31	Ending Stockholders' Equity .....		\$ 266,696		\$ 245,254

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(UNAUDITED)

STATEMENTS OF CHANGES IN PARTNERS'  
OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION (b)	(c) 19 ____	(d) 19 ____
	<b>Invested Capital:</b>		
1	Beginning balance (January 1) .....	\$	\$
2	Additional capital invested .....		
3	Ending balance .....		
	<b>Accumulated Income (Loss):</b>		
5	Beginning balance (January 1) .....		
6	Prior period adjustments .....		
7	Net income (loss) .....		
8	Ending balance .....		
	<b>Capital Withdrawals:</b>		
10	Beginning balance (January 1) .....		
11	Additional capital withdrawals .....	( )	( )
12	Ending balance .....	( )	( )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</b>		
14	Beginning balance (January 1) .....	( )	( )
15	Ending balance .....	( )	( )
16	Ending Partners' Or Proprietor's Equity .....	\$	\$
17			
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 YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(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.....	\$ 71,907	\$ 51,800
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....	30,579	21,185
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	(69,898)	(94,658)
5	Proceeds from disposition of property and equipment.....	-	-
6	Purchase of casino reinvestment obligations.....	(3,311)	(3,109)
7	Purchase of other investments and loans/advances made.....	(3,395)	(2,472)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....		
9	Cash outflows to acquire business entities.....	2,830	1,879
10	<u>Reclass of Atlantic City Housing Bonds</u> .....		5,900
11			
12	Net Cash Provided (Used) By Investing Activities.....	(73,774)	(92,460)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....		
14	Payments to settle short-term debt.....		
15	Cash proceeds from issuance of long-term debt.....		
16	Costs of issuing debt.....	77,537	65,500
17	Payments to settle long-term debt.....		
18	Cash proceeds from issuing stock or capital contributions.....	(60,238)	(26,000)
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....		
21	<u>Increase in paid in capital - purchase accounting...</u>	(17,000)	(11,000)
22	<u>Increase in property and equipment - purchase acct.</u>		34,652
23	Net Cash Provided (Used) By Financing Activities.....	299	(34,652)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(1,568)	(12,160)
25	Cash And Cash Equivalents At Beginning Of Year.....	10,668	22,828
26	Cash And Cash Equivalents At End Of Year.....	\$ 9,100	\$ 10,668

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Year For:			
27	Interest (net of amount capitalized).....	\$ 7,848	\$ 12,792
28	Income taxes.....	\$ 31,581	\$ 20,860

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

# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss).....		
	Noncash items included in income and cash items excluded from income:	\$ 38,442	\$ 26,624
30	Depreciation and amortization of property and equipment.....	20,579	21,285
31	Amortization of other assets.....	960	960
32	Amortization of debt discount or premium.....	32	32
33	Deferred income taxes - current.....	(3,863)	(4,214)
34	Deferred income taxes - noncurrent.....	1,513	1,242
35	(Gain) loss on disposition of property and equipment.....	314	435
36	(Gain) loss on casino reinvestment obligations.....	1,576	2,338
37	(Gain) loss from other investment activities.....	162	21
38	Net (increase) decrease in receivables and patrons' checks.....	3,486	(8,556)
39	Net (increase) decrease in inventories.....	(46)	223
40	Net (increase) decrease in other current assets.....	(102)	(1)
41	Net (increase) decrease in other assets.....	(417)	(228)
42	Net increase (decrease) in accounts payables.....	2,600	11,634
43	Net increase (decrease) in other current liabilities excluding debt.....	6,671	5
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....		
45			
46			
47	<b>Net Cash Provided (Used) By Operating Activities.....</b>	<b>\$ 71,907</b>	<b>\$ 51,800</b>

## SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment.....	\$ 69,898	\$ 94,658
49	Less: Capital lease obligations incurred.....	-0-	-0-
50	<b>Cash Outflows For Property And Equipment.....</b>	<b>\$ 69,898</b>	<b>\$ 94,658</b>
	<b>Acquisition Of Business Entities:</b>		
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	<b>Cash Outflows To Acquire Business Entities.....</b>	<b>\$</b>	<b>\$</b>
	<b>Stock Issued Or Capital Contributions:</b>		
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	<b>Cash Proceeds From Issuing Stock Or Capital Contributions.....</b>	<b>\$</b>	<b>\$</b>

BALLY'S PARK PLACE CASINO HOTEL  
Note 1 - Summary of Significant Accounting Policies  
December 31, 1988

#### Basis of Presentation

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

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

Certain reclassifications have been made to the 1987 statements to conform to the 1988 presentation.

#### Investments in Subsidiaries

The Company has two wholly-owned subsidiaries, B.W. Realty, Inc. (which operates a motel in Atlantic City) and Bally Warwick, Inc. (which owns 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.

#### Revenue Recognition

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

#### Cash Equivalents

For financial statement purposes the Company considers all short-term, highly liquid investments that are readily convertible to known amounts of cash and whose maturity dates are three months or less, to be cash equivalents.

#### Inventories

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

#### Casino Licensing Costs

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

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

Deferred Financing Costs

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

Capitalized Interest

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

Property and Equipment

Depreciation and amortization of property and equipment is provided on the straight-line method and totals \$20,579,000 and \$21,285,000 for 1988 and 1987 respectively. During 1987, assets with lives of 20 years were extended to 40 years to more accurately reflect an estimate of expected useful lives, resulting in a reduction to 1987 depreciation expense of approximately \$3,012,000.

As a result of Bally's acquisition of additional outstanding equity interests in the Company in 1987, a purchase accounting adjustment of \$34,652,000 was made. Such costs have been capitalized as additional building costs and are being amortized over 40 years. Total amortization for 1988 and 1987 were \$866,000 and \$1,598,000 respectively.

Income Taxes

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

Transactions With Related Parties

Transactions With Related Parties

During 1985, Bally's Park Place, Inc. amended its intercompany agreement

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

Transactions With Related Parties (Continued)

with Bally to provide for loans between the parties. Under such amendment, the Company borrowed \$1.0 million in 1987. There were no such borrowings in 1988.

Various management personnel of the Company are involved in the direction and operation of three other casino hotels owned by Bally. Certain costs have been allocated to these other properties, amounting to \$6,368,000 and \$3,229,000 for the twelve months ended December 31, 1988 and 1987, respectively. During the twelve months ended December 31, 1988 and 1987, the Company purchased slot machines for its casino from an affiliate of Bally for an aggregate amount of \$862,000 and \$623,000, respectively.

	<u>1988</u>	<u>1987</u>
Leasehold Improvements	316,277,000	316,275,000
Accumulated Depreciation and Amortization	<u>171,259,000</u>	<u>151,277,000</u>
Property and Equipment, Net	<u>1447,250,000</u>	<u>1338,944,000</u>

Adjusted to conform with 1987 presentation.

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

	<u>1988</u>	<u>1987</u> *
Land	\$ 62,045,000	\$ 62,019,000
Buildings, Leasehold Improvements	316,577,000	316,275,000
Furniture, Fixtures and Equipment	106,682,000	103,380,000
Construction in Progress	<u>133,905,000</u>	<u>68,547,000</u>
	619,209,000	550,221,000
Less Accumulated Depreciation and Amortization	<u>171,259,000</u>	<u>151,277,000</u>
Property and Equipment, Net	<u>\$447,950,000</u>	<u>\$398,944,000</u>

\* Restated to conform with 1987 presentation.

BALLY'S PARK PLACE CASINO HOTEL  
 Note 2 - Prepaid Expenses and  
 Other Current Assets  
 December 31,

	<u>1988</u>	<u>1987</u>
Deferred Income Taxes	\$ 9,065,000	\$ 5,202,000
*Other	<u>836,000</u>	<u>734,000</u>
	<u>\$ 9,901,000</u>	<u>\$ 5,936,000</u>

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

*(Faint, mirrored text from the reverse side of the page, including financial details and company names like "United Health Services" and "Merrill Lynch")*

Note 4 - Long-Term Debt - Other  
December 31, 1988  
(000's Omitted)

Lender	Original Date of Loan	Maturity Date Of Loan	Interest Rate and Payment Terms	Principal amount						
				Balance at 12/31/87	Additions	Scheduled Repayments	Other Reductions	Balance December 31, 1988		
								Total	Current	Non-Current
<u>Revolving Credit Agreement:</u>										
Mellon Bank (Agent)	04/84	Converts to 4 year term loan 3/31/90.	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 (10.50% at Dec. 31, 1988) or LIBOR (10.625% and 10.6875% at December 31, 1988).	\$37,000	\$77,500	\$ ---	\$60,000	\$54,500	\$ ---	\$54,500
<u>Installment Contract</u>										
United Health Services (Trading as Victor Kramer) Division of Crothal American, Inc.	12/17/87	12/17/92	5 yr. loan-monthly installments Monthly payment \$51,895 interest calculated at 9.00%. Payment stopped; contract terminated; commenced settlement negotiations.	2,500	---	238	---	2,262	---	2,262
<u>Mortgage Backed Bonds</u>										
Casino Redevelopment Investment Authority Jacobs Family Terrace Mortgage Notes	10/27/88	11/01/2018	Mortgage notes associated with Sale of Jacob Family Terrace to public. Interest rate 8.5%.	---	37	---	---	37	---	37
				<u>\$39,500</u>	<u>\$77,537</u>	<u>\$ 238</u>	<u>\$60,000</u>	<u>\$56,799</u>	<u>\$ ---</u>	<u>\$56,799</u>
Five-Year Aggregate Annual Maturities of Long-term Debt.				<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>		
				<u>\$ -0-</u>	<u>\$ 10,219</u>	<u>\$ 13,625</u>	<u>\$ 13,625</u>	<u>\$ 13,625</u>		

BALLY'S PARK PLACE CASINO HOTEL  
 Note 4 - Long-Term Debt - Affiliates  
 December 31, 1988  
 (000's Omitted)

Lender U. S. dollars	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 December 31, 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	\$ 32	--	\$ 99,663	--	\$ 99,663

Net Federal Income Taxes

BALLY'S PARK PLACE CASINO HOTEL  
 Note 5 - Deferred Credits  
 December 31,

1988 219,275,900  
 1987 219,412,000

Note 6 - BALLY'S PARK PLACE CASINO HOTEL  
 Note 5 - Deferred Credits  
 December 31,

COMMON STOCK	<u>1988</u>	<u>1987</u>
Deferred Federal Income Taxes	<u>\$19,925,000</u>	<u>\$18,412,000</u>
100 shares		
100 shares		
None		

BALLY'S PARK PLACE CASINO HOTEL  
 Note 6 - Capital Stock - Description of Features  
 December 31, 1988 and 1987

COMMON STOCK:

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

Initial Expense	\$ 278,000	\$ 297,500	\$ 197,000	\$ 49,500
(A) Expressway Authority original term 3/1/81 - 7/1/86; automatically renewed annually				
780 Third Avenue Associates term 4/1/85 - 4/1/88	154,000	145,000	12,000	
Executive Fees term: 6/2/85 - 7/31/88		51,500		
Peninsula Supply term: 4/88 - 4/89	48,000			
Equipment Initial Expense	161,000	714,000	21,500	
Total	\$ 581,000	\$ 1,468,000	\$ 1,113,000	\$ 40,000

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

	Rental Expense		Minimum Non-Cancellable Rental Commitments				
	1988	1987	1989	1990	1991	1992	1993
Rental Expense							
Bally Manufacturing Corp.							
Executive Mews	2,125,000	2,125,000	2,125,000	2,125,000	2,125,000	2,125,000	2,125,000
<b>Rental Expense</b>							
NJ Expressway Authority							
original terms 3/1/81 -							
3/1/86; automatically							
renewed annually	\$ 298,000	\$ 297,000	\$ 297,000	\$ 48,000	\$ ---	\$ ---	\$ ---
780 Third Avenue Associates							
terms: 4/1/85 - 4/1/88	154,000	146,000	12,000	---	---	---	---
Executive Mews							
terms: 8/2/85 - 7/31/88	---	11,000	---	---	---	---	---
Feinstein Realty							
terms: 4/88 - 4/89	48,000	---	---	---	---	---	---
Equipment Rental Expense	<u>183,000</u>	<u>234,000</u>	<u>24,000</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<b>Total</b>	<b>\$ <u>683,000</u></b>	<b>\$ <u>688,000</u></b>	<b>\$ <u>333,000</u></b>	<b>\$ <u>48,000</u></b>	<b>\$ <u>---</u></b>	<b>\$ <u>---</u></b>	<b>\$ <u>---</u></b>

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

	Rental Expense		1989	Minimum Non-Cancellable Rental Commitments			Thereafter
	1988	1987		1990	1991	1992	
Rental Expense Bally Manufacturing Corp.; Marlboro Blenheim	<u>\$ 1,200,000</u>	<u>\$ 1,150,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$28,750,000</u>

For the three months ended December 31,

Marlboro Blenheim \$ 300,000 \$ 288,000

	Promotional Allowances		Promotional Expenses	
	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
	17,305	\$ 2,175,000		\$
	16,000	1,492,000		
	11,571	921,000		
	3,094	56,000		
	1,533	46,000		
			42,250	845,000
			759,143	4,174,000
			448	29,000
			2,380	119,000
				<u>\$ 5,167,000</u>

For the three months ended December 31, 1988

	Promotional Allowances		Promotional Expenses	
	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
	17,305	\$ 2,175,000		\$
	16,000	1,492,000		
	11,571	921,000		
	3,094	56,000		
	1,533	46,000		
			155,580	\$ 3,111,000
			1,191,499	20,313,000
			2,094	159,000
			12,320	616,000
				<u>\$ 24,199,000</u>

BALLY'S PARK PLACE CASINO HOTEL  
 Note 5 - Complimentary Services  
 For the Three Months Ended December 31, 1988

BALLY'S PARK PLACE CASINO HOTEL  
 Note 8 - Complimentary Services  
 For the Twelve Months Ended December 31, 1988

Rooms	79,476	\$ 8,949,000		
Food	687,597	7,096,000		
Beverage	2,978,000	5,956,000		
Parking	590,714	4,135,000		
Shows	15,118	257,000		
Other	5,333	160,000		
Travel			155,550	\$ 3,111,000
Coupon Redemption - Cash			1,191,499	20,313,000
Rooms off premises			2,094	159,000
Other			12,320	616,000
Total Amount of Services		<u>\$26,553,000</u>		<u>\$24,199,000</u>

For the Three Months Ended December 31, 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	17,305	\$ 2,125,000		\$
Food	176,551	1,822,000		
Beverage	746,000	1,492,000		
Parking	131,571	921,000		
Shows	3,294	56,000		
Other	1,533	46,000		
Travel			42,250	845,000
Coupon Redemption - Cash			259,148	4,174,000
Rooms off premises			448	29,000
Other			2,380	119,000
Total Amount of Services		<u>\$ 6,462,000</u>		<u>\$ 5,167,000</u>

Page 1 of 2

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

<u>Charges From Affiliates</u>	<u>1988</u>	<u>1987</u>
Bally's Park Place Funding, Inc. (Mortgage Interest Expense)	\$ 13,875,000	\$13,875,000
Capitalized interest	<u>(7,583,000)</u>	<u>(2,387,000)</u>
	<u>\$ 6,292,000</u>	<u>\$11,488,000</u>
<u>External Sources</u>		
Interest on various loans	\$ 3,758,000	\$ 1,903,000
Capitalized interest	<u>(2,016,000)</u>	<u>(327,000)</u>
	<u>\$ 1,742,000</u>	<u>\$ 1,576,000</u>

For the Three Months Ended December 31,

<u>Charges From Affiliates</u>	<u>1988</u>	<u>1987</u>
Bally's Park Place Funding, Inc. (Mortgage Interest Expense)	\$ 3,468,000	\$ 3,468,000
Capitalized interest	<u>(2,595,000)</u>	<u>(837,000)</u>
	<u>\$ 873,000</u>	<u>\$ 2,631,000</u>

External Sources

Interest on various loans	\$ 835,000	\$ 436,000
Capitalized interest	<u>(609,000)</u>	<u>(116,000)</u>
	<u>\$ 226,000</u>	<u>\$ 320,000</u>

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

	<u>1988</u>	<u>1987</u>
Current:		
Federal	\$22,694,000	\$21,214,000
State	<u>6,441,000</u>	<u>4,713,000</u>
	29,135,000	25,927,000
Deferred:		
Federal	(1,900,000)	(3,153,000)
State	<u>(450,000)</u>	<u>181,000</u>
	(2,350,000)	(2,972,000)
Total Income Taxes	<u>\$26,785,000</u>	<u>\$22,955,000</u>

For the Three Months Ended December 31,

Current:		
Federal	\$ 2,894,000	\$ 5,315,000
State	<u>1,450,000</u>	<u>746,000</u>
	4,344,000	6,061,000
Deferred:		
Federal	(531,000)	(1,605,000)
State	<u>59,000</u>	<u>564,000</u>
	(472,000)	(1,041,000)
Total Income Taxes	<u>\$ 3,872,000</u>	<u>\$ 5,020,000</u>

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

	<u>1988</u>	<u>1987</u>
Short-term	\$(3,863,000)	\$(4,214,000)
Long-term	<u>1,513,000</u>	<u>1,242,000</u>
	<u>\$(2,350,000)</u>	<u>\$(2,972,000)</u>

BALLY'S PARK PLACE CASINO HOTEL

Note 11 - Investments and Receivables  
 Note 10 (Continued)  
 December 31,

Reconciliation to the Statutory Federal  
 Income Tax Rate

	1988	1987 *
Pease Palley/Martin Blatt (Mortgage - Marlboro Bleisheim) First Mortgage	\$ 2,028,000	\$ 2,151,000
Tax at statutory rate	\$22,177,000	\$19,832,000
Increase (decrease): First Mortgage	--	1,600,000
State income taxes, net of related federal income tax benefit	3,874,000	2,677,000
Total long-term receivables	\$ 4,725,000	\$ 6,677,000
Other, net	734,000	446,000
Investment in subsidiaries - equity:	<u>\$26,785,000</u>	<u>\$22,955,000</u>
Bally Warwick, Inc. - 100% owned	1,125,000	4,122,000
Bally Realty, Inc. - 100% owned	4,395,000	3,896,000
Total investments in subsidiaries - equity	8,720,000	8,018,000
Massachusetts Reinvestment Development Authority lands (less discount of \$4,101,000 in 1988 and \$2,526,000 in 1987)	3,414,000	1,678,000
Office receivable - officer	--	774,000(A)
General credit receivable	168,000	60,000
Other	37,000	104,000
Less current portion	<u>(349,000)</u>	<u>(2,734,000)</u>
Total Investments, Advances and Receivables	<u>\$16,715,000</u>	<u>\$14,577,000</u>

\*Adjusted to conform with 1988 presentation

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

	<u>1988</u>	<u>1987 *</u>
Reese Palley/Martin Blatt (Mortgage - Marlboro Bleinheim)		
First Mortgage	\$ 2,025,000	\$ 2,161,000
Second Mortgage	2,700,000	2,881,000
Blumfeld Development Corporation		
First Mortgage	--	1,600,000
Second Mortgage	--	35,000
Total long-term receivables	\$ 4,725,000	\$ 6,677,000
Investment in subsidiaries - equity:		
Bally Warwick, Inc. - 100% owned	4,125,000	4,122,000
B.W. Realty, Inc. - 100% owned	<u>4,595,000</u>	<u>3,896,000</u>
Total investments in subsidiaries - equity	8,720,000	8,018,000
Casino Reinvestment Development Authority funds (less discount of \$4,101,000 in 1988 and \$2,526,000 in 1987)	3,414,000	1,678,000
Notes receivable - officer	--	774,000(A)
Central credit receivable	168,000	60,000
Other	37,000	104,000
Less current portion	<u>(349,000)</u>	<u>(2,734,000)</u>
Total Investments, Advances and Receivables	<u>\$16,715,000</u>	<u>\$14,577,000</u>

\*Restated to conform with 1988 presentation

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

(A) Notes Receivable - Officer:

	<u>1988</u>	<u>1987</u>
Richard Gillman, Chairman of the Board		
Balance January 1,	\$ 774,000	\$ 774,000
Balance December 31,	--	774,000
Current portion: 1988: \$-0- and 1987: \$774,000		
Repayment Terms: without interest until certain future stock prices occur; paid in full, 1988		
Total notes receivable - officer	<u>\$ --</u>	<u>\$ 774,000</u>

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

	1988	1987
Payroll	\$20,568,000	\$13,070,000
Progressive Jackpots	2,430,000	2,105,000
Interest	4,979,000	4,928,000
Miscellaneous*	5,337,000	4,874,000
Total	\$33,314,000	\$24,977,000

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

BALLY'S PARK PLACE CASINO HOTEL

Note 13 - Compensation Plans

December 31, 1988

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

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

The Company is subject to the foregoing legislation as of January 1, 1984. As of December 31, 1988 and 1987, had \$7,115,000 and \$3,804,000 respectively, of remaining bond purchase commitments on deposit with the CRDA. The Company has purchased \$400,000 in bonds with the CRDA as of December 31, 1988 and 1987. The Company has sponsored the development of a 72-unit condominium housing project in Atlantic City, funded in 1985 through the Company's donation of the building site and its purchase of a 5% tax-exempt 3 1/2 year note in the amount of \$1,000,000 issued by the Atlantic County Improvement Authority, which has been approved by the CRDA for credit as a direct investment. In December 1987, the CRDA approved an additional \$4,500,000 bond issue related to Jacobs Family Resorts for which the Company received credit as direct investment. In 1988, the Company commenced direct sales of the units and as of December 31, 1988 13 units were sold.

BALLY'S PARK PLACE CASINO HOTEL  
Note 14 - Investment Obligation/Potential Alternative Tax  
December 31, 1988

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

The Company is subject to the foregoing legislation as of January 1, 1984, and at December 31, 1988 and 1987, had \$7,115,000 and \$3,804,000 respectively, in remaining bond purchase commitments on deposit with the CRDA. The Company has purchased \$400,000 in bonds with the CRDA as of December 31, 1988 and 1987. The Company has sponsored the development of a 72-unit condominium housing project in Atlantic City, funded in 1985 through the Company's donation of the building site and its purchase of a 5% tax-exempt 3½ year note in the amount of \$5,900,000 issued by the Atlantic County Improvement Authority, which has been approved by the CRDA for credit as a direct investment. In December 1987, the CRDA approved an additional \$4,000,000 bond issue related to Jacobs Family Terrace for which the Company received credit as direct investment. In 1988, the Company commenced direct sales of the units and as of December 31, 1988 13 units were sold.

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

	1988	1987
Interest income	\$1,127,000	\$1,229,000
Equity in income or (loss) of unconsolidated subsidiaries:		
B. W. Realty, Inc.	(166,000)	(64,000)
Bally Warwick, Inc.	3,000	43,000
Other	271,000	135,000
Total	\$1,235,000	\$1,343,000

For the Three Months Ended December 31,

Interest income	\$ 264,000	\$ 318,000
Equity in income or (loss) of unconsolidated subsidiaries:		
B. W. Realty, Inc.	(121,000)	(93,000)
Bally Warwick, Inc.	(13,000)	3,000
Other	81,000	45,000
Total	\$ 211,000	\$ 273,000

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

BALLY'S PARK PLACE CASINO HOTEL

Note 16 - Subsequent Event

December 31, 1988

(IN THOUSANDS)

DESCRIPTION	ACCOUNTS RECEIVABLE BALANCES		RECEIVABLE OF ALLOWANCE
On February 22, 1989, Bally's Board of Directors announced that it was revising its previously proposed restructuring by withdrawing the planned spin-off of its casino hotel business of which the Company is a part. Bally also announced that the refinancing portion of the restructuring is at present still contemplated. The refinancing, as previously disclosed, involves the issuance of \$400 million aggregate principal amount of mortgage notes by Bally's Park Place Funding, Inc., a wholly owned subsidiary of the Company's parent, Bally's Park Place, Delaware, Inc., and the redemption of certain outstanding debt securities.			
Other Receivables	664	30	614
Receivables due from officers and employees	9		
Receivables due from affiliates	7,111		
Other currency and notes receivables	4,954		
Total other receivables	5,295		6,295
Accounts Receivable (Note 305)	16,085	5,872	10,471

UNDEPOSITED PATRONS' CHECKS ACTIVITY		AMOUNT
DESCRIPTION	(a)	(b)
Opening balance (January 1)		3,305
Counter checks issued (including counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)		176,303
Checks redeemed prior to deposit (including the unredeemed portion of counter checks redeemed through partial redemptions, and including checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)		( 100,021 )
Checks transferred to returned checks		( 20,154 )
Other adjustments		( 4,818 )
Closing balance		2,695
Patrons' Checks Included in Balance On Line 16		
Provision for Uncollectible Patrons' Checks		622
Provision As A Percent Of Counter Checks Issued		

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	ACCOUNTS RECEIVABLE BALANCES		ACCOUNTS RECEIVABLE (e) NET OF ALLOWANC
		ACCOUNT BALANCE (c)	ALLOWANCE (d)	
1	Patrons' Checks:			
	Undeposited patrons' checks .....	\$ 2,695		
2	Returned patrons' checks .....	6,388		
3	Total patrons' checks .....	9,083	\$ 5,521	\$ 3,562
4	Hotel Receivables .....	664	50	614
	Other Receivables:			
5	Receivables due from officers and employees.....	9		
6	Receivables due from affiliates .....	1,332		
7	Other accounts and notes receivables .....	4,954		
8	Total other receivables .....	6,295		6,295
9	Totals (Form 305).....	\$ 16,042	\$ 5,571	\$ 10,471

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	\$ 3,305
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) .....	124,383
13	Checks collected through deposits .....	( 100,021 )
14	Checks transferred to returned checks .....	( 20,154 )
15	Other adjustments .....	( 4,818 )
16	Ending Balance .....	\$ 2,695
17	"Hold" Checks Included In Balance On Line 16 .....	
18	Provision For Uncollectible Patrons' Checks .....	\$
19	Provision As A Percent Of Counter Checks Issued .....	\$ 622
		.5

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack .....	\$ 54,803	\$ 331,184	16.5 %	74
2	Craps .....	34,795	194,843	17.6	18
3	Roulette .....	13,182	51,931	25.4	12
4	Big Six .....	3,050	6,790	44.9	4
5	Baccarat .....	4,477	35,656	12.6	2
6	Other table games .....	-	-		
7	Total table games revenue .....	110,307	\$ 620,404	17.8 %	110
			HANDLE		
8	\$ .05 slot machines .....	6,260	\$ 38,234	16.4 %	109
9	\$ .25 slot machines .....	60,155	419,481	14.3	818
10	\$1.00 slot machines .....	24,640	205,870	12.0	191
11	Other slot machines .....	67,924	614,801	11.0	551
12	Total coin-operated devices revenue .....	158,979	\$ 1,278,386	12.4 %	1,669
13	Progressive jackpot adjustment .....	(325)			
14	Total coin-operated devices revenue after adjustment .....	158,654			
15	Other income .....	-			
16	Total revenue .....	268,961			
	Expenses:				
17	Payroll and payroll related expenses .....	38,111			
18	Licenses and taxes .....	22,283			
19	Provision for uncollectible patrons' checks .....	622			
20	Other .....	5,385			
21	Total .....	66,401			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	202,560			
	Complimentary services and casino management fees:				
23	Complimentary services .....	46,971			
24	Casino management fees .....				
25	Total .....	46,971			
26	Departmental Income (Loss) .....	\$ 155,589			

# STATEMENT OF CONFORMITY AND ACCURACY

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

Joseph A. D'Amato, being duly sworn according to law upon my oath  
Name

deposes and says:

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

Joseph A. D'Amato  
Signature

Vice President & Treasurer  
Title

#03310-11  
License Number

Subscribed and sworn to  
before me this      day  
of      March 14 , 19 89

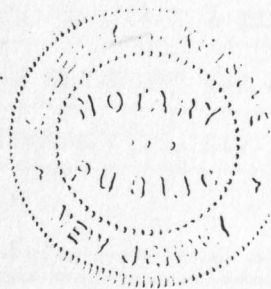
On Behalf Of:

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



# GROSS REVENUE ANNUAL TAX RETURN

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

FOR THE YEAR ENDED DECEMBER 31, 1988

TO THE

## CASINO CONTROL COMMISSION

OF THE

## STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL TAX RETURN JOSEPH A. D'AMATO

OFFICIAL TITLE VICE PRESIDENT & TREASURER

ADDRESS PARK PLACE AND THE BOARDWALK  
ATLANTIC CITY, NEW JERSEY 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 88

STATE OF New Jersey

(UNAUDITED)

COUNTY OF Atlantic

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 110,307	
2	Coin-operated devices revenue .....	158,979	
3	Total revenues .....		\$ 269,286
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 622	
5	Maximum adjustment (4% of line 3) .....	\$ 10,771	
6	Adjustment (the lesser of line 4 or line 5) .....		622
7	Gross revenues (line 3 less line 6) .....		\$ 268,664
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 21,493
9	Audit or other adjustments to tax on gross revenues in prior years .....		-
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		21,493
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 1,041	
12	February .....	1,854	
13	March .....	1,485	
14	April .....	1,619	
15	May .....	2,018	
16	June .....	1,749	
17	July .....	2,089	
18	August .....	2,535	
19	September .....	1,803	
20	October .....	2,036	
21	November .....	1,652	
22	December .....	1,103	
23	January .....	509	
24	Total deposits made for tax on current year's gross revenues .....		( 21,493 )
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits *.....		-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ -

\* \$388.00 adjustment for 1987 audit.

STATEMENT OF CONFORMITY AND ACCURACY

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

Joseph A. D'Amato  
Name

, being duly sworn according

to law upon my oath deposes and says:

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

*Joseph A. D'Amato*  
Signature

Vice President & Treasurer  
Title

#03310-11  
License Number

On Behalf Of:

Bally's Park Place, NJ  
Casino Licensee

Subscribed and sworn to  
before me this day  
of **March 14, 1989.**

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

\_\_\_\_\_  
Basis of Authority  
to Take Oaths



# ANNUAL EMPLOYMENT AND PAYROLL REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 1988

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

JOSEPH A. D'AMATO

**OFFICIAL TITLE.....**

VICE PRESIDENT & TREASURER

**ADDRESS.....**

PARK PLACE AND THE BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

TRADING NAME OF LICENSEE Bally's Park Place Casino Hotel

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 88  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	<b>CASINO</b>				
1	Administration .....	16			
2	Gaming .....	1,011			
3	Slots .....	326			
4	Casino accounting .....				
5	Other .....				
6	Total-casino .....	1,353	\$ 25,993	\$ -	\$ -
7	ROOMS .....	221	3,241	-	-
8	FOOD AND BEVERAGE .....	884	11,209	-	-
	<b>OTHER OPERATED DEPARTMENTS</b>				
9	<u>Spa</u>	44	561	-	-
10	<u>Hat Check &amp; Pool</u>	9	142	-	-
11	<u>Telephone</u>	22	344	-	-
12	<u>Hair Salon</u>	14	228	-	-
13					
14					
15					
16					
17					
18					
19					
	<b>ADMINISTRATIVE AND GENERAL</b>				
20	Executive office .....	66	2,786	-	-
21	Accounting and auditing .....	108	2,042	-	-
22	Security .....	256	5,215	-	-
23	Other administrative and general department ..	198	3,517	-	-
24	MARKETING .....	76	1,638	-	-
25	GUEST ENTERTAINMENT .....	18	584	-	-
26	PROPERTY OPERATION AND MAINTENANCE .....	299	6,250	-	-
27	TOTALS - ALL DEPARTMENTS .....	3,568	\$ 63,750	\$ -	\$ -

Trading Name of Licensee Bally's Park Place Casino Hotel

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 1988

March 14, 1989  
Date

Joseph A. D. Grant  
Signature

Vice President & Treasurer  
Title

TRADING NAME OF LICENSEE BALLY'S PARK PLACE CASINO HOTEL

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 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	506	15,686	14,287	\$ 105.15	91.1%	27,517	\$ 54.60
NOVEMBER	506	15,180	12,180	\$ 110.34	80.2%	21,520	\$ 62.45
DECEMBER	506	15,686	10,642	\$ 108.35	67.8%	20,572	\$ 56.05
4TH QUARTER TOTALS		46,552	37,109	\$ 107.77	79.7%	69,609	\$ 57.45
ANNUAL TOTALS		185,196	157,437	\$ 111.20	85.0%	310,939	\$ 56.30

NEW JERSEY STATE LIBRARY  
3 3009 00006 3612

974-901  
C193

# ANNUAL REPORT

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

ADDRESS 2100 PACIFIC AVENUE  
ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, ~~1988~~

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



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

MICHAEL J. WALSH

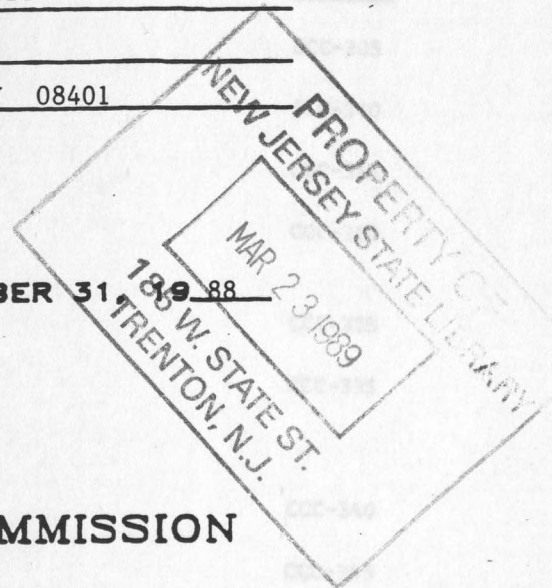
OFFICIAL TITLE . . . . .

VICE PRESIDENT OF FINANCE

ADDRESS . . . . .

2100 PACIFIC AVENUE

ATLANTIC CITY, NEW JERSEY 08401



# LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1988

DESCRIPTION	(C) 1988	(D) 1987
ASSETS		
Current Assets	\$ 9,351	\$ 9,174
Marketable securities		
Receivables and patrons' checks (net of allowance for doubtful accounts) (NOTE 1)		12,337
Prepaid expenses and other current assets (NOTE 2)		4,996
Balance Sheets	CCC-305	
Statements of Income (Year)	CCC-310	23,082
Statements of Income (Three Months)	CCC-315	26,307
Statements of Changes in Stockholders' Equity	CCC-320	203,673
Statements of Changes in Partners' or Proprietor's Equity	CCC-325	2,162
Statements of Cash Flows	CCC-335	
Notes to Financial Statements		
Schedule of Receivables and Patrons' Checks	CCC-340	
Casino Departmental Schedule	CCC-345	
Statement of Conformity and Accuracy	CCC-350	
Total current liabilities	76,290	48,876
Long-Term Debt:		
Due to Affiliates (NOTE 8)	67,288	99,902
Accounts Payable (NOTE 9)	11,680	33,937
Deferred Credits (NOTE 6)	6,321	6,708
Other Liabilities (NOTE 10)	9,428	9,519
Commitments and Contingencies (NOTES 9, 10 & 13)		
Total Liabilities	172,937	198,872
Stockholders', Partners', Or Proprietor's Equity	105,067	75,367
Total Liabilities and Equity	\$ 278,004	\$ 264,239

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

BALANCE SHEETS

DECEMBER 31, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	ASSETS		
	Current Assets		
1	Cash.....	\$ 9,351	\$ 8,176
2	Marketable securities.....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 1988, \$14,671; 1987, \$13,488 ).....	34,786	15,357
4	Inventories.....(NOTE 1)	2,811	2,559
5	Prepaid expenses and other current assets(NOTE 2).....	8,968	6,990
6	Total current assets.....	55,916	33,082
7	Investments, Advances and Receivables.....(NOTES 3 & 13)....	3,118	24,302
8	Property and Equipment - Net.....(NOTES 1,4&13)....	215,687	203,673
9	Other Assets.....	3,283	3,182
10	Total Assets.....	\$ 278,004	\$ 264,239
	LIABILITIES AND EQUITY		
	Current Liabilities		
11	Accounts payable.....	\$ 11,343	\$ 8,440
12	Notes payable.....(NOTE 5)	-	-
	Current portion of long-term debt:		
13	Due to affiliates.....	-	-
14	Other.....(NOTE 9)	20,278	329
15	Income taxes payable and accrued.....(NOTES 1 & 6)....	6,385	7,278
16	Other accrued expenses.....(NOTE 7)	35,887	30,233
17	Other current liabilities.....	2,357	2,556
18	Total current liabilities.....	76,250	48,836
	Long-Term Debt:		
19	Due to affiliates.....(NOTE 8)	67,258	89,902
20	Other.....(NOTE 9)	13,680	33,887
21	Deferred Credits.....(NOTE 6)	6,321	6,708
22	Other Liabilities.....(NOTE 10)	9,428	9,539
23	Commitments and Contingencies.....(NOTES 9,10&13)...		
24	Total Liabilities.....	172,937	188,872
25	Stockholders', Partners', Or Proprietor's Equity.....	105,067	75,367
26	Total Liabilities and Equity.....	\$ 278,004	\$ 264,239

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 YEARS ENDED DECEMBER 31, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Revenue:		
1	Casino.....(NOTE 1).....	\$ 308,001	\$ 287,099
2	Rooms.....	18,324	18,208
3	Food and beverage.....	35,188	35,371
4	Other.....	16,417	17,676
5	Total revenue.....	377,930	358,354
6	Less: promotional allowances.....(NOTE 1 & 14).....	37,812	39,095
7	Net revenue.....	340,118	319,259
	Costs And Expenses:		
8	Cost of goods and services.....(NOTES 1 & 14).....	169,792	156,076
9	Selling, general, and administrative.....(NOTES 1 & 14).....	76,443	75,445
10	Provision for doubtful accounts.....	4,902	2,508
11	Total.....	251,137	234,029
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest .....		
13	Depreciation and amortization.....(NOTE 1).....	88,981	85,230
	Charges from affiliates:	18,229	19,030
14	Interest.....(NOTES 8 & 9).....	8,675	14,098
15	Management fees.....	-	-
16	Other.....(NOTE 12).....	5,925	6,235
17	Interest expense - external.....	3,444	3,568
18	Income (Loss) From Operations.....	52,708	42,299
19	Nonoperating income (expense) - net.....(NOTE 15).....	(2,057)	(536)
20	Investment alternative tax and related..... income (expense).....(NOTE 10).....	472	(2,792)
21	Income (Loss) Before Income Taxes and Extraordinary items..	51,123	38,971
22	Provision (Credit) for income taxes.....(NOTES 1 & 6).....	21,423	17,170
23	Income (Loss) Before Extraordinary Items.....	29,700	21,801
24	Extraordinary items (net of income taxes - 1988, \$ - ; 1987, \$4,464).....(NOTE 16).....	-	4,473
25	Net Income (Loss).....	\$ 29,700	\$ 17,328

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 DECEMBER 31, 1988 AND 1987  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Revenue:		
1	Casino.....(NOTE 1).....	\$ 76,504	\$ 67,857
2	Rooms.....	4,061	4,302
3	Food and beverage.....	8,764	8,317
4	Other.....	3,603	3,720
5	Total revenue.....	92,932	84,196
6	Less: promotional allowances.....(NOTES 1 & 14)....	8,781	8,715
7	Net revenue.....	84,151	75,481
	Costs And Expenses:		
8	Cost of goods and services.....(NOTES 1 & 14)....	44,645	36,869
9	Selling, general, and administrative.....(NOTES 1 & 14)....	18,459	16,162
10	Provision for doubtful accounts.....	47	1,129
11	Total.....	63,151	54,160
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest .....	21,000	21,321
13	Depreciation and amortization.....(NOTE 1).....	4,006	4,520
	Charges from affiliates:		
14	Interest.....(NOTES 8 & 9).....	1,597	3,290
15	Management fees.....	-	-
16	Other.....(NOTE 12).....	1,520	1,688
17	Interest expense - external.....	539	216
18	Income (Loss) From Operations.....	13,338	11,607
19	Nonoperating income (expense) - net....(NOTE 15).....	-	21
20	Investment alternative tax and relative income (expense).....(NOTE 10).....	(670)	(2,371)
21	Income (Loss) Before Income Taxes and Extraordinary items..	12,668	9,257
22	Provision (Credit) for income taxes....(NOTES 1 & 6)....	5,141	3,614
23	Income (Loss) Before Extraordinary Items.....	7,527	5,643
24	Extraordinary items (net of income taxes - 1988, \$ ; 1987, \$ ).....	-	-
25	Net Income (Loss).....	\$ 7,527	\$ 5,643

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

1/86 Certain reclassifications have been made in the 1987 financial statements in order to conform with the presentation used in 1988.

CCC-315

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

CCC-320

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 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).....	+++++	29,700	+++++	17,328
28	Dividends.....	+++++	( - )	+++++	( - )
29		+++++	-	+++++	-
30		+++++	-	+++++	-
31	Ending balance.....	+++++	97,785	+++++	68,085
32	Ending Stockholders' Equity.....	+++++	\$105,067	+++++	\$ 75,367

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 YEARS ENDED DECEMBER 31, 1988 AND 1987  
 (UNAUDITED)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Invested Capital:		
1	Beginning balance (January 1).....	\$ 15,349	\$ 15,273
2	Additional capital invested.....		
3			
4	Ending balance.....		
	Accumulated Income:		
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.....	\$ 1,176	\$ 1,176

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.

1/86

\$ 6,283	CCC-325
\$ 25,006	

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

CCC-325

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
1	Net Cash Provided (Used) By Operating Activities.....	\$ 34,906	\$ 21,349
	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.....	(32,033)	(15,493)
5	Proceeds from disposition of property and equipment.....	19	1,020
6	Purchase of casino reinvestment obligations.....	(3,665)	(3,558)
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	CRDA reimbursements.....	24,849	4,479
11		-	-
12	Net Cash Provided (Used) By Investing Activities.....	(10,830)	(12,661)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	-	-
14	Payments to settle short-term debt.....	-	-
15	Cash proceeds from issuance of long-term debt.....	8,876	102,211
16	Costs of issuing debt.....	-	-
17	Payments to settle long-term debt.....	(31,777)	(112,553)
18	Cash proceeds from issuing stock or capital contributions....	-	-
19	Purchases of treasury stock.....	-	-
20	Payments of dividends or capital withdrawls.....	-	-
21		-	-
22		-	-
23	Net Cash Provided (Used) By Financing Activities.....	(22,901)	(10,342)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	1,175	(1,654)
25	Cash and Cash Equivalents At Beginning Of Period.....	8,176	9,830
26	Cash And Cash Equivalents At End Of Period.....	\$ 9,351	\$ 8,176

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized).....	\$ 6,283	\$ 16,660
28	Income taxes.....	\$ 25,006	\$ 16,349

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 YEARS ENDED DECEMBER 31, 1988 AND 1987  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ 29,700	\$ 17,328
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment....	17,943	18,549
31	Amortization of other assets and other liabilities, net....	286	481
32	Amortization of debt discount or premium.....	-	437
33	Deferred income taxes - current.....	(1,820)	(3,594)
34	Deferred income taxes - noncurrent.....	(387)	(1,193)
35	(Gain) loss on disposition of property and equipment.....	2,057	536
36	(Gain) loss on casino reinvestment obligations.....	(472)	2,792
37	(Gain) loss from other investment activities.....	-	-
38	Net (increase) decrease in receivables and patrons' checks.....	(19,429)	(1,402)
39	Net (increase) decrease in inventories.....	(252)	95
40	Net (increase) decrease in other current assets.....	(158)	181
41	Net (increase) decrease in other assets.....	(433)	(191)
42	Net increase (decrease) in accounts payable.....	2,903	(1,683)
43	Net increase (decrease) in other current liabilities excluding debt.....	4,562	(20,308)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	406	886
45	Unamortized discount on debt extinguishment.....	-	8,435
46		-	-
47	Net Cash Provided (Used) By Operating Activities.....	\$ 34,906	\$ 21,349
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>			
Acquisition Of Property And Equipment:			
48	Additions to property and equipment.....	\$ 32,033	\$ 15,493
49	Less: Capital lease obligations incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 32,033	\$ 15,493
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

NOTE 1. Summary of Significant Accounting Policies:

Description of Business

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

BRC owns and operates Caesars Atlantic City hotel/casino (CAC) in Atlantic City, New Jersey. BRC also leases a property on the Boardwalk at Indiana Avenue in Atlantic City. The financial statements include the accounts of CAC and the Indiana Avenue Property after elimination of all interdivisional balances and transactions.

Revenue and Promotional Allowances

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

Inventories

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

Property and Equipment

Property and equipment is recorded at cost, including interest on funds borrowed to finance construction. For the years ended December 31, 1988 and 1987 capitalized interest of \$812,000 and \$237,000, respectively, was recorded. Depreciation and amortization are provided for on the straight-line method over the following estimated useful lives:

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

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

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

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

Reclassifications

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

Income Taxes

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

NOTE 2. Prepaid Expenses and Other Current Assets:

	<u>1988</u>	<u>1987</u>
	(In Thousands)	
Deferred income taxes.....	\$5,415	\$3,596
Taxes, licenses, fees.....	1,760	1,587
Other.....	<u>1,793</u>	<u>1,807</u>
	<u>\$8,968</u>	<u>\$6,990</u>

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

NOTE 3. Investments, Advances, and Receivables:

	<u>1988</u>	<u>1987</u>
	(In Thousands)	
CRDA investment deposits.....	\$3,075	\$24,259
CRDA bonds receivable.....	<u>43</u>	<u>43</u>
	<u>\$3,118</u>	<u>\$24,302</u>

NOTE 4. Property and Equipment:

	<u>1988</u>	<u>1987</u>
	(In Thousands)	
Land.....	\$ 20,760	\$ 20,157
Buildings and improvements.....	146,451	143,300
Furniture, fixtures and equipment.....	64,459	62,095
Construction in progress.....	31,475	9,024
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>
Deferred:	317,539	288,970
Less accumulated depreciation and amortization.....	<u>101,852</u>	<u>85,297</u>
	<u>\$215,687</u>	<u>\$203,673</u>

NOTE 5. Notes Payable:

In October 1987, CWI entered into an unsecured revolving credit facility with a syndicate of banks. The credit facility is 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, 1991, 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,

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

NOTE 5. Notes Payable: (continued)

consolidations and similar transactions with respect to CWI and its subsidiaries.

There were no short-term borrowings for the year ending December 31, 1988.

Prior to October 1987, BRC maintained short-term unsecured credit lines of \$25,000,000 under which there were no amounts outstanding at December 31, 1987 or at any month end during 1987.

NOTE 6. Income Taxes:

The provision for income taxes for the years ending December 31, 1988 and 1987 is comprised of the following:

	<u>1988</u>	<u>1987</u>
	(In Thousands)	
Current:		
Federal.....	\$18,092	\$13,857
State.....	5,538	3,636
Deferred:		
Federal.....	(1,496)	(3,818)
State.....	(711)	(969)
	<u>\$21,423</u>	<u>\$12,706</u>

Deferred credits of \$6,321,000 and \$6,708,000 at December 31, 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 reinvestment obligations imposed by the Casino Control Act.

The provision for income taxes for the years ending December 31, 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.....	\$17,382	\$11,076
State income taxes, net of federal benefit.	3,037	1,685
Other.....	<u>1,004</u>	<u>(55)</u>
	<u>\$21,423</u>	<u>\$12,706</u>

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

NOTE 6. Income Taxes: (continued)

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:

	1988	1987
	(In Thousands)	
Rent.....	\$17,209	\$11,507
Salaries, wages and vacation pay...	5,771	5,353
Legal costs and issues.....	3,431	3,922
Insurance.....	2,949	2,912
Progressive slots.....	2,828	3,229
Other.....	3,699	3,310
	<u>\$35,887</u>	<u>\$30,233</u>

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

	1988	1987
	(In Thousands)	
Desert Palace, Inc, (DPI), a wholly owned subsidiary of CWI, interest at 11.45%:		
Non-Negotiable Term Note due June 1, 1992.	\$67,258	\$60,007
Non-Negotiable Term Note due June 1, 1990	-	29,895
	<u>\$67,258</u>	<u>\$89,902</u>

NOTE 9. Long-term Debt, Other:

	1988	1987
	(In Thousands)	
(a) Long-term debt.....	-	\$ 507
(b) Capitalized lease obligation....	\$13,680	33,380
	<u>\$13,680</u>	<u>\$33,887</u>

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

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

	<u>1988</u>	<u>1987</u>
	(In Thousands)	
(a) Mortgage payable, interest at 10.5%, maturing February 1989, secured by property.....	\$500	\$534
Less current maturities.....	<u>500</u>	<u>27</u>
	<u>\$ -</u>	<u>\$507</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 maintainance 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 \$19,778,000 is included in current maturities of obligations under capital leases at December 31, 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 \$1,230,000 for the five months of fiscal 1989 prior to the purchase and a percentage rental of 19.3 % of the casino/hotel's net profit (as defined). The percentage rental amounted to \$12,859,000 and \$7,673,000 for the years ended December 31, 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. The lease expires in 2008 and is renewable for two additional 30-year periods. The Company has the right to exercise a \$6,500,000 purchase option beginning in November 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 9. Long-term Debt, Other (continued):

Future minimum lease payments for all leases are as follows:

Year Ending December 31,	(In Thousands)	
	Operating	Capital
1989.....	\$1,030	\$ 21,228
1990.....	713	1,456
1991.....	719	1,473
1992.....	514	1,493
1993.....	349	1,509
Thereafter.....	<u>2,643</u>	<u>102,996</u>
Total minimum lease payments.....	<u>\$5,968</u>	<u>130,155</u>
Less amount representing interest.....		<u>96,697</u>
		33,697
Less current maturities of obligations under capital leases.....		<u>19,778</u>
		<u>\$ 13,680</u>

Rent expense for the years ending  
December 31, 1988 and 1987 is  
comprised of the following:

	1988	1987
	(In Thousands)	
Minimum rentals under operating leases..	\$ 3,061	\$ 3,331
Contingent rentals under operating and capital leases.....	<u>12,859</u>	<u>7,673</u>
	<u>\$15,920</u>	<u>\$11,004</u>

	1988	1987
	(In Thousands)	
General insurance.....	\$2,796	\$3,593
Reservations office expenses - 7 - .....	2,658	2,161
Other.....	<u>471</u>	<u>481</u>
	<u>\$5,925</u>	<u>\$6,235</u>

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

Note 10. Other Liabilities:

	<u>1988</u>	<u>1987</u>
	(In Thousands)	
CRDA valuation allowance, net of \$46,000. amortization in 1988 (see Note 13).....	\$5,419	\$5,916
Long term settlement claims.....	3,766	3,603
Other liabilities.....	<u>243</u>	<u>240</u>
	<u>\$9,428</u>	<u>\$9,539</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 \$243,000 and \$219,000 for the years ending December 31, 1988 and 1987, respectively.

BRC also has an Individual Retirement Account Plan which is available to all full-time employees who have at least one year of service and are not covered under any qualified retirement plan. The expense of this plan was \$640,000 and \$597,000 for the years ending December 31, 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.

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 \$5,925,000 and \$6,235,000 for the years ending December 31, 1988 and 1987, respectively. The breakdown of these services is as follows:

	<u>1988</u>	<u>1987</u>
	(In Thousands)	
General insurance.....	\$2,796	\$3,593
Reservations office expenses.....	2,658	2,161
Other.....	<u>471</u>	<u>481</u>
	<u>\$5,925</u>	<u>\$6,235</u>

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

NOTE 13. Commitments and Contingencies:

The New Jersey Casino Control Act (the "Act") provides, among other things, for an assessment on licensees based upon their gross casino revenues. This assessment may be satisfied by investing in qualified eligible direct investments, purchasing bonds issued by the Casino Reinvestment Development Authority (CRDA), or paying an "alternative tax". In order for direct investments to be eligible, they must be approved by the CRDA. The Company's total obligation under the Act for all periods through December 31, 1988 is \$33,402,000 which is net of a prepayment discount of \$555,000. Interest bearing deposits have been made to the CRDA in the amount of \$32,446,000 and \$28,781,000 as of December 31, 1988 and 1987, respectively.

BRC has received approval from the CRDA for a qualified eligible direct investment. This approval requires BRC to construct and then operate three housing developments in Atlantic City costing approximately \$38,500,000, which will provide housing for approximately 230 low through middle income families. The interest bearing deposits held by CRDA (see Note 3) will be used to fund substantially all the cost of two of the developments. Two of the developments are expected to incur negative cash flow and have a negligible residual value. Allowances of \$5,200,000 and \$4,600,000 were established as of December 31, 1988 and 1987, respectively, to provide for such losses.

Additionally, BRC is required to purchase CRDA bonds which when purchased, will carry below market interest rates resulting in a valuation lower than cost. Accordingly, valuation allowances of \$265,000 and \$1,316,000 have been provided as of December 31, 1988 and 1987, respectively, to provide for such interest differentials.

For the twelve months ended December 31, 1988 and 1987, (\$472,000) and \$2,792,000, respectively, have been (credited) /charged to operations related to CRDA valuation allowances. One development has been placed in operation since July 1988 and accordingly, for the twelve months ended December 31, 1988, \$46,000 has been credited to operations related to the amortization of the previously established allowance.

Litigation

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

Nonoperating expense of \$1,057,000 and \$536,000 for the years ended December 31, 1988 and 1987, respectively, consists of losses on the disposition of property and equipment.

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

NOTE 14. Complimentaries:

Promotional Allowances

(\$ Amounts in Thousands)

	Twelve Months Ended December 31, 1988		Three Months Ended December 31, 1988	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Rooms	96,887	\$ 9,478	30,281	\$2,097
Food	867,743	12,438	171,093	2,937
Beverage	1,794,213	9,809	482,512	2,391
Parking	464,209	3,867	115,669	888
Theatre	78,298	1,698	13,611	342
Other	17,381	522	6,351	126
	<u>3,308,731</u>	<u>\$37,812</u>	<u>809,517</u>	<u>\$8,781</u>

Promotional Expenses

(\$ Amounts in Thousands)

	Twelve Months Ended December 31, 1988		Three Months Ended December 31, 1988	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
Coin	1,539,132	\$29,291	328,515	\$ 6,273
Travel	29,158	9,779	10,913	2,574
Special Events	95,872	3,964	28,026	1,881
Other	95,303	1,790	6,310	716
	<u>1,759,465</u>	<u>\$44,824</u>	<u>373,764</u>	<u>\$11,444</u>

NOTE 15. Nonoperating Income/Expense - Net:

Nonoperating expense of \$2,057,000 and \$536,000 for the years ended December 31, 1988 and 1987, respectively, consists of losses on the disposition of property and equipment.

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

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:

ACCOUNTS RECEIVABLE BALANCES			
DESCRIPTION	ACCOUNT BALANCE	ALLOWANCE	ACCOUNTS RECEIVABLE
(b)	(c)	(d)	NET OF ALLOWANCE
		1987	
		(In Thousands)	
Patrons' checks:			
Undeposited patrons' checks .....	9,924		
Unamortized note discount .....		\$8,435	
Premium on redemption .....		502	
Total patrons' checks .....	28,849	\$14,937	\$14,912
Loss on debt extinguishment .....		8,937	
Tax benefit of loss .....		(4,464)	
			1,078
Other receivables:			
Loss on debt extinguishment, net of taxes..		\$4,473	
employees .....	20		
Receivables due from affiliates .....	18,498		
Other accounts and notes receivables .....	859		
Total other receivables .....	19,377		7,535
Totals (Form 205) .....	\$ 49,457	\$ 14,671	\$ 34,786

UNDEPOSITED PATRONS' CHECKS ACTIVITY	
DESCRIPTION	AMOUNT
(a)	(b)
Beginning Balance (January 1) .....	\$ 9,924
Counter checks issued through transactions relating to consolidations, substitutions, and patrons' cash deposits .....	300,873
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) .....	(206,887)
Checks collected through deposits .....	(85,942)
Checks transferred to returned checks .....	(8,043)
Other adjustments .....	
Ending Balance .....	\$ 9,924
Hold* Checks Included In Balance On Line 16 .....	\$
Provision For Uncollectible Patrons' Checks .....	\$ 4,833
Provision As A Percent Of Counter Checks Issued .....	1.6%

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 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.....	\$ 9,924		
2	Returned patrons' checks.....	18,925		
3	Total patrons' checks.....	28,849	\$ 14,518	\$ 14,331
4	Hotel Receivables.....	1,231	153	1,078
	Other Receivables:			
5	Receivables due from officers and employees.....	20		
6	Receivables due from affiliates.....	18,498		
7	Other accounts and notes receivables.....	859		
8	Total other receivables.....	19,377	-	7,535
9	Totals (Form 205).....	\$ 49,457	\$ 14,671	\$ 34,786

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE	DESCRIPTION	AMOUNT
(f)	(g)	(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).....	\$ 9,923
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).....	300,873
13	Checks collected through deposits.....	(206,887)
14	Checks transferred to returned checks.....	(85,942)
15	Other adjustments.....	(8,043)
16	Ending Balance.....	\$ 9,924
17	"Hold" Checks Included In Balance On Line 16.....	\$ -
18	Provision For Uncollectible Patrons' Checks.....	\$ 4,833
19	Provision As A Percent Of Counter Checks Issued.....	1.6%

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

CASINO DEPARTMENTAL SCHEDULE

STATE OF NEW JERSEY FOR THE YEAR ENDED DECEMBER 31, 1988

COUNTY OF ATLANTIC

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) (e) %	WEIGHTED AVERAGE NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack.....	\$ 61,307	\$ 395,393	15.5 %	65
2	Craps.....	55,622	325,256	17.1	24
3	Roulette.....	15,643	62,227	25.1	11
4	Big Six.....	2,985	6,620	45.1	4
5	Baccarat.....	29,397	135,971	21.6	5
6	Other table games.....	-	-	-	-
7	Total table games revenue.....	\$164,954	\$925,467	17.8 %	109
			HANDLE		
8	\$.05 slot machines.....	4,774	\$ 31,197	15.3 %	108
9	\$.25 slot machines.....	65,142	459,192	14.2	792
10	\$1.00 slot machines.....	19,201	215,786	8.9	159
11	Other slot machines.....	53,529	469,332	11.4	556
12	Total coin-operated devices revenue.....	142,646	\$1,175,507	12.1	1,615
13	Progressive jackpot adjustment.....	401			
14	Total coin-operated devices revenue after adjustment.....	143,047			
15	Other income.....	-			
16	Total revenue.....	308,001			
	Expenses:				
17	Payroll and payroll related expenses.....	45,400			
18	Licenses and taxes.....	26,056			
19	Provision for uncollectible patron's checks.....	4,833			
20	Other.....	9,150			
21	Total.....	85,439			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	222,562			
	Complimentary services and casino management fees:				
23	Complimentary services.....	42,101			
24	Casino management fees.....	-			
25	Total.....	42,101			
26	Departmental Income (Loss).....	\$180,461			

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY :  
COUNTY OF ATLANTIC : ss.

MICHAEL J. WALSH, being duly sworn according to law upon my oath  
Name

deposes and says:

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

MJ Walsh  
Signature

VICE PRESIDENT, FINANCE  
Title

1482-11  
License Number

On Behalf Of:

Subscribed and sworn to  
before me this 14th day  
of March, 1989.

Kathryn J. Robinson  
Signature

**KATHRYN J. ROBINSON**

**NOTARY PUBLIC OF NEW JERSEY**

**My Commission Expires FEB. 20, 1992**

Basis of Authority  
to Take Oaths

BOARDWALK REGENCY CORPORATION  
Casino License

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY  
GROSS REVENUE ANNUAL TAX RETURN  
**GROSS REVENUE  
ANNUAL TAX RETURN**  
(IN THOUSANDS)

Casino win or (loss)  
Gross revenue  
Coterminated dividend revenue  
Total revenues  
LICENSEE BOARDWALK REGENCY CORP.

ADDRESS 2100 PACIFIC AVE.

ATLANTIC CITY, N.J. 08401

Maximum adjustment  
Adjustment (the lesser of line 4 or line 5)  
FOR THE YEAR ENDED DECEMBER 31, 19 88

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

MICHAEL J. WALSH

OFFICIAL TITLE..... VICE PRESIDENT, FINANCE

ADDRESS..... 2100 PACIFIC AVE.

ATLANTIC CITY, N.J. 08401

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 88

STATE OF NEW JERSEY

(UNAUDITED)

COUNTY OF ATLANTIC

(\$ IN THOUSANDS)

LINE		
	Casino win or (loss)	
1	Table games revenue .....	\$164,953,729
2	Coin-operated devices revenue .....	142,646,448
3	Total revenues .....	\$ 307,600,177
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks .....	\$4,833,000
5	Maximum adjustment (4% of line 3) .....	\$12,304,007
6	Adjustment (the lesser of line 4 or line 5) .....	4,833,000
7	Gross revenues (line 3 less line 6) .....	\$ 302,767,177
8	Tax on gross revenues - current year (8% of line 7) .....	\$ 24,221,374
9	Audit or other adjustments to tax on gross revenues in prior years .....	0
10	Total tax on gross revenues (line 8 plus or minus line 9) .....	24,221,374
	Deposits made for tax on current year's gross revenues:	
11	January .....	\$1,703,305
12	February .....	1,627,865
13	March .....	2,075,429
14	April .....	1,929,375
15	May .....	2,062,500
16	June .....	2,129,513
17	July .....	2,240,583
18	August .....	2,279,523
19	September .....	2,053,074
20	October .....	2,274,561
21	November .....	1,968,634
22	December .....	1,164,802
23	January .....	712,210
24	Total deposits made for tax on current year's gross revenues .....	( 24,221,374 )
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....	0
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....	\$ 24,221,374

STATEMENT OF CONFORMITY AND ACCURACY

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

MICHAEL J. WALSH, being duly sworn according  
Name

to law upon my oath deposes and says:

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

*Michael J. Walsh*  
Signature

VICE PRESIDENT/FINANCE  
Title

1482-11  
License Number

On Behalf Of:

BOARDWALK REGENCY CORPORATION  
Casino Licensee

Subscribed and sworn to  
before me this 7<sup>th</sup> day  
of March, 1989.

*Kathryn J. Robinson*  
Signature

**KATHRYN J. ROBINSON**

NOTARY PUBLIC OF NEW JERSEY

**My Commission Expires FEB. 20, 1992**

Basis of Authority  
to Take Oaths

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

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

**ADDRESS** 2100 PACIFIC AVENUE

ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 1988

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

MICHAEL J. WALSH

**OFFICIAL TITLE**.....

VICE PRESIDENT OF FINANCE

**ADDRESS**.....

2100 PACIFIC AVENUE

ATLANTIC CITY, NEW JERSEY 08401

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 88

(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	<b>CASINO</b>				
1	Administration .....	20			
2	Gaming .....	933			
3	Slots .....	122			
4	Casino accounting .....	67			
5	Other .....	593			
6	Total-casino .....	1735	\$ 35,812	\$ 521	\$ 36,333
7	ROOMS .....	226	3,272	-	3,272
8	FOOD AND BEVERAGE .....	1028	11,127	99	11,226
	<b>OTHER OPERATED DEPARTMENTS</b>				
9	Parking .....	60	827		827
10	Beauty Shop .....	7	147		147
11	Health Spa .....	10	158		158
12	Service Station .....	13	200		200
13	Coat Room .....	4	39		39
14	Telephone .....	17	251		251
15	Electric Company .....	3	45		45
16	Travel .....	1	13		13
17					
18					
19					
	<b>ADMINISTRATIVE AND GENERAL</b>				
20	Executive office .....	13	245	680	925
21	Accounting and auditing .....	84	2,016	83	2,099
22	Security .....	194	4,126	78	4,204
23	Other administrative and general department ..	198	4,766	167	4,933
24	MARKETING .....	97	2,171	510	2,681
25	GUEST ENTERTAINMENT .....	140	1,354		1,354
26	PROPERTY OPERATION AND MAINTENANCE .....	90	2,993		2,993
27	TOTALS - ALL DEPARTMENTS .....	3920	\$ 69,562	\$ 2,138	\$ 71,700

Trading Name of Licensee CAESARS ATLANTIC CITY

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 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	11,095	\$ 80.18	67.0%	25,021	\$ 80.36
FEBRUARY	644	18,212	13,400	\$ 81.41	73.6%	25,609	\$ 89.40
MARCH	644	19,865	14,840	\$ 81.13	75.0%	26,711	\$ 88.09
1ST QUARTER TOTALS		57,613	41,335	\$ 80.82	72.1%	77,341	\$ 89.39
APRIL	644	18,533	15,791	\$ 95.35	84.7%	29,561	\$ 99.26
MAY	644	19,268	15,885	\$ 102.54	82.4%	26,202	\$ 98.86
JUNE	644	19,027	15,781	\$ 104.34	82.9%	26,500	\$ 98.29
2ND QUARTER TOTALS		56,928	47,457	\$ 101.88	83.4%	52,703	\$ 102.79
JULY	644	19,801	17,807	\$ 97.72	90.1%	28,941	\$ 98.25
AUGUST	644	19,937	17,907	\$ 97.07	89.2%	29,200	\$ 98.22
SEPTEMBER	644	19,156	16,715	\$ 95.63	86.9%	27,641	\$ 97.13
3RD QUARTER TOTALS		58,894	52,029	\$ 95.22	88.4%	57,884	\$ 96.52
OCTOBER	644	19,711	17,515	\$ 89.34	89.0%	29,836	\$ 92.55
NOVEMBER	644	19,171	15,815	\$ 88.55	82.0%	30,877	\$ 85.50
DECEMBER	644	19,778	12,800	\$ 85.00	64.7%	24,709	\$ 44.03
4TH QUARTER TOTALS		58,660	46,217	\$ 87.67	78.8%	85,422	\$ 47.54
ANNUAL TOTALS		231,815	187,096	\$ 97.65	80.7%	353,546	\$ 51.79

3/14/89  
Date

M. J. Walsh  
Signature

VICE PRESIDENT OF FINANCE  
Title

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

## HOTEL STATISTICS

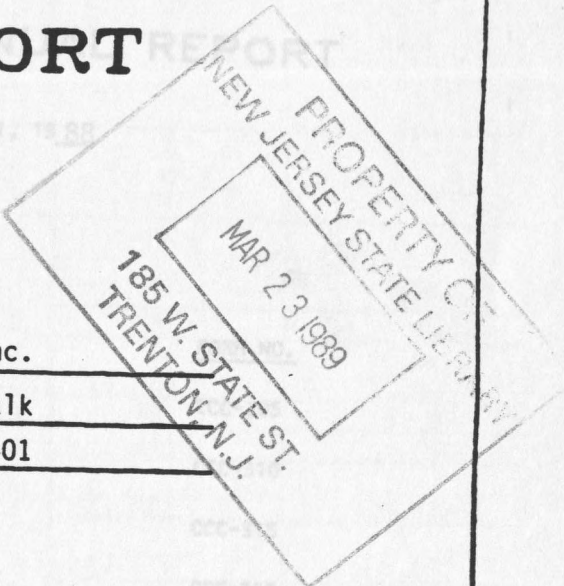
FOR THE 12 MONTHS ENDED December 31, 1988

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	\$ 101.08	83.4%	90,873	\$ 52.79
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	644	19,711	17,551	\$ 89.34	89.0%	29,836	\$ 52.55
NOVEMBER	644	19,171	15,866	\$ 88.55	82.8%	30,877	\$ 45.50
DECEMBER	644	19,778	12,800	\$ 85.00	64.7%	24,709	\$ 44.03
4TH QUARTER TOTALS		58,660	46,217	\$ 87.87	78.8%	85,422	\$ 47.54
ANNUAL TOTALS		231,815	187,098	\$ 97.86	80.7%	353,546	\$ 51.79



974-901  
C193

# ANNUAL REPORT



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

**ADDRESS** Indiana Avenue and The Boardwalk  
Atlantic City, New Jersey 08401

**FOR THE YEAR ENDED DECEMBER 31, 19 88**

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



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

Jean I. Abbott

**OFFICIAL TITLE . . . . .**

Senior Vice President of Finance

**ADDRESS . . . . .**

Indiana Avenue and The Boardwalk  
Atlantic City, New Jersey 08401

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

# LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1988

TITLE	1987	1988	FORM NO.
Balance Sheets	4,292	4,953	50
Statements of Income (Year)	14,243	11,769	CCC-305
Statements of Income (Three Months)	2,419	890	CCC-310
Statements of Changes in Stockholders' Equity	21,927	20,326	CCC-315
Statements of Changes in Partners' or Proprietor's Equity	153,349	155,037	CCC-320
Statements of Cash Flows	4,085	3,121	CCC-325
Notes to Financial Statements	56	1,538	CCC-335
Schedule of Receivables and Patrons' Checks	1130,022	182,520	CCC-335
Casino Departmental Schedule	3,878	3,640	CCC-340
Statement of Conformity and Accuracy	14,100	4,432	CCC-345
	3,781	8,950	CCC-350
	15,793	17,148	
	3,737	4,707	
	49,091	34,855	
	43,474	43,578	
	24,332	49,431	
	91,789	83,351	
	289,152	251,250	
	(39,130)	(68,730)	
	880,022	182,520	

## BALANCE SHEETS

DECEMBER 31, 19 88 AND 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>ASSETS</b>		
	Current Assets:		
1	Cash .....	\$ 4,292	\$ 4,953
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> , \$ 2,734 ; 19 <u>87</u> , \$ 2,474 ) .....	14,263	11,769
4	Inventories .....	2,468	3,164
5	Prepaid expenses and other current assets .....	849	890
6	Total current assets .....	21,922	20,826
7	Investments, Advances, And Receivables (Note 3) .....	153,949	155,037
8	Property And Equipment - Net of accum. depre. of \$8,509 & \$6,656	4,085	5,121
9	Other Assets (Note 4) .....	66	1,536
10	Total Assets .....	\$180,022	\$ 182,520
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
11	Accounts payable .....	\$ 3,676	\$ 3,648
12	Notes payable .....	-0-	-0-
13	Current portion of long-term debt:		
14	Due to affiliates (Note 7) .....	14,100	4,402
15	Other (Note 7) .....	9,783	8,950
16	Income taxes payable and accrued .....	-0-	-0-
17	Other accrued expenses (Note 5) .....	15,791	11,148
18	Other current liabilities (Note 6) .....	5,733	6,707
	Total current liabilities .....	49,083	34,855
19	Long-Term Debt:		
20	Due to affiliates (Note 7) .....	43,474	43,578
21	Other (Note 7) .....	84,932	89,431
22	Deferred Credits .....	-0-	5
23	Other Liabilities (Note 8) .....	91,663	83,381
24	Commitments And Contingencies (Note 13)		
	Total Liabilities .....	269,152	251,250
25	Stockholders', Partners', Or Proprietor's Equity .....	(89,130)	(68,730)
26	Total Liabilities And Equity .....	\$180,022	\$ 182,520

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 De1 Webb's Claridge Casino Hotel

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Revenue:</b>		
<u>1</u>	Casino .....	\$ 30,704	\$ 28,857
<u>2</u>	Rooms .....	133,497	125,131
<u>3</u>	Food and beverage .....	13,220	13,335
<u>4</u>	Other .....	24,255	22,285
<u>5</u>	Total revenue .....	3,051	3,252
<u>6</u>	Less: promotional allowances (Note 10) .....	174,023	164,003
<u>7</u>	Net revenue .....	21,487	19,334
		152,536	144,669
	<b>Costs And Expenses:</b>		
<u>8</u>	Cost of goods and services .....	21,814	13,412
<u>9</u>	Selling, general, and administrative .....	87,228	80,088
<u>10</u>	Provision for doubtful accounts .....	37,871	37,633
<u>11</u>	Total .....	780	428
<u>12</u>	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	125,879	118,149
<u>13</u>	Depreciation and amortization .....	26,657	26,520
	Charges from affiliates:	3,964	3,401
<u>14</u>	Interest ... (Note 14) .....	9,949	8,102
<u>15</u>	Management fees (Note 14) .....	-0-	43
<u>16</u>	Other ... (Note 14) .....	44,500	41,484
<u>17</u>	Interest expense - external .....	9,924	9,421
<u>18</u>	Income (Loss) From Operations .....	(41,680)	(35,931)
<u>19</u>	Nonoperating income (expense) - net (Note 9) .....	21,902	21,096
<u>20</u>	Investment alternative tax and related income (expense) - net.....	(622)	(503)
<u>21</u>	Income (Loss) Before Income Taxes And Extraordinary Items.....	(20,400)	(15,338)
<u>22</u>	Provision (Credit) for income taxes (Note 12) .....	-0-	-0-
<u>23</u>	Income (Loss) Before Extraordinary Items .....	(20,400)	(15,338)
<u>24</u>	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....	-0-	-0-
<u>25</u>	Net Income (Loss) .....	\$ (20,400)	\$ (15,338)

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino .....	\$ 30,704	\$ 28,857
2	Rooms .....	2,799	3,068
3	Food and beverage .....	5,510	5,434
4	Other .....	610	826
5	Total revenue .....	39,623	38,185
6	Less: promotional allowances ....(Note 1Q).....	4,520	4,728
7	Net revenue .....	35,103	33,457
	Costs And Expenses:		
8	Cost of goods and services .....	21,614	19,612
9	Selling, general, and administrative .....	8,824	10,082
10	Provision for doubtful accounts .....	239	165
11	Total .....	30,677	29,859
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	4,426	3,598
13	Depreciation and amortization .....	1,341	864
	Charges from affiliates:		
14	Interest .....	2,615	2,089
15	Management fees .....	-0-	-0-
16	Other .....	10,746	10,402
17	Interest expense - external .....	2,667	2,594
18	Income (Loss) From Operations .....	(12,943)	(12,351)
19	Nonoperating income (expense) - net .....	5,360	5,427
20	Investment alternative tax and related income (expense) - net.....	(233)	(172)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(7,816)	(7,096)
22	Provision (Credit) for income taxes .....	-0-	-0-
23	Income (Loss) Before Extraordinary Items .....	(7,816)	(7,096)
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....	-0-	-0-
25	Net Income (Loss) .....	\$ (7,816)	\$ (7,096)

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 De1 Webb's Claridge Casino Hotel

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

STATEMENTS OF CHANGES IN PARTNERS'  
OR PROPRIETOR'S EQUITY

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>88</u>		19 <u>87</u>	
		(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) .....		( 20,400)		( 15,338)
28	Dividends .....		( )		( )
29	.....				
30	.....				
31	Ending balance .....		( 94,130)		( 73,730)
32	Ending Stockholders' Equity .....		\$ ( 89,130)		\$ ( 68,730)

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 De1 Webb's Claridge Casino Hotel

STATEMENTS OF CHANGES IN PARTNERS'  
OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Invested Capital:</b>		
1	Beginning balance (January 1) .....	\$ 2,289	\$ (443)
2	Additional capital invested .....		
3	.....		
4	Ending balance .....		
	<b>Accumulated Income (Loss):</b>		
5	Beginning balance (January 1) .....	-0-	131
6	Prior period adjustments .....		
7	Net income (loss) .....		
8	.....		
9	Ending balance .....		
	<b>Capital Withdrawals:</b>		
10	Beginning balance (January 1) .....	( 5,572 )	( 5,983 )
11	Additional capital withdrawals .....	( )	( )
12	.....	( )	( )
13	Ending balance .....	( )	( )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</b>		
14	Beginning balance (January 1) .....	( 4,292 )	( 4,953 )
15	.....	( )	( )
16	.....	( )	( )
17	Ending balance .....	( )	( )
18	Ending Partners' Or Proprietor's Equity .....	\$	\$

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

- Not Applicable -

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(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.....	\$ (8,482)	\$ (5,708)
	<b>Cash Flows From Investing Activities:</b>		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	(1,462)	(1,407)
5	Proceeds from disposition of property and equipment.....		
6	Purchase of casino reinvestment obligations.....	(1,987)	(1,548)
7	Purchase of other investments and loans/advances made.....	(1,501)	(1,476)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	3,922	58
9	Cash outflows to acquire business entities.....		
10	Reclassification of Receivable to Short Term.....	3,317	3,924
11			
12	Net Cash Provided (Used) By Investing Activities.....	2,289	(449)
	<b>Cash Flows From Financing Activities:</b>		
13	Cash proceeds from issuance of short-term debt.....	9,198	9,352
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.....	(3,666)	(2,000)
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.....	5,532	5,983
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(661)	(174)
25	Cash And Cash Equivalents At Beginning Of Year .....	4,953	5,127
26	Cash And Cash Equivalents At End Of Year.....	\$ 4,292	\$ 4,953

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Year For:			
27	Interest (net of amount capitalized).....	\$ 14,201	\$ 17,189
28	Income taxes.....	\$	\$

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

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss).....	\$ (20,400)	\$ (15,338)
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	2,330	2,150
31	Amortization of other assets.....	1,634	1,251
32	Amortization of debt discount or premium.....	396	338
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....		
35	(Gain) loss on disposition of property and equipment.....	168	-0-
36	(Gain) loss on casino reinvestment obligations.....	622	503
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	(2,494)	(4,917)
39	Net (increase) decrease in inventories.....	696	(309)
40	Net (increase) decrease in other current assets.....	41	(147)
41	Net (increase) decrease in other assets.....	(164)	11
42	Net increase (decrease) in accounts payables.....	28	(1,830)
43	Net increase (decrease) in other current liabilities excluding debt.....	3,669	(20,859)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	8,277	37,225
45	<u>Deferred Interest Receivable &amp; Discount</u> .....	(3,285)	(3,786)
46			
47	<b>Net Cash Provided (Used) By Operating Activities.....</b>	<b>\$ (8,482)</b>	<b>\$ (5,708)</b>

### SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

48	<b>Acquisition Of Property And Equipment:</b>		
49	Additions to property and equipment.....	\$ 1,462	\$ 1,407
50	Less: Capital lease obligations incurred.....		
	<b>Cash Outflows For Property And Equipment.....</b>	<b>\$ 1,462</b>	<b>\$ 1,407</b>
	<b>Acquisition Of Business Entities:</b>		
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	<b>Cash Outflows To Acquire Business Entities.....</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
	<b>Stock Issued Or Capital Contributions:</b>		
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	<b>Cash Proceeds From Issuing Stock Or Capital Contributions.....</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements  
DECEMBER 31, 1988 and 1987

(1) Business

(a) Organization

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

(b) Claridge Expansion

New Claridge expanded its facility by constructing a two story bridge building which connects the hotel building to the parking garage. The expanded facility, which opened to the public on August 28, 1986, houses approximately 10,000 square feet of casino space and a cabaret 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.

(c) Restructuring

On October 27, 1988, the parties with an economic interest in the Corporation and New Claridge executed an agreement (the "Restructuring Agreement") with respect to the restructuring (the "Restructuring") of the Claridge. The implementation of this agreement will result in a reorganization of the ownership interests in the Corporation, modifications of the rights and obligations of the five banks which are the

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

participants in New Claridge's first mortgage loan (the "First Mortgage Lenders"), satisfaction and termination of the obligations and commitments of Webb and DEWNJ; and modifications of the lease arrangements between New Claridge and the Partnership. Had the parties not executed the Restructuring Agreement, New Claridge would probably have exhausted its working capital resources by December 1988, would not have been relicensed (see note 13.a.), and would have had to consider filing for protection in bankruptcy.

The Restructuring is intended to provide the Corporation and New Claridge with financial viability through its current license period (expiring October 1989) and, subject to relicensing, as to which no assurances can be given, into 1990 but not beyond that time absent a sale or refinancing. During this time, efforts to sell the Claridge or to effect other restructuring of its debt will continue.

Because New Claridge has not been able to obtain a profitable level of operations since its inception in 1983, it has not generated the cash flow necessary to meet its obligations. Further additional debts have arisen since 1983 representing fees and interest earned by Webb which Webb was required to loan back to New Claridge. The total of all debt due to Webb and DEWNJ at December 31, 1988 approximated \$98 million, as included in the accompanying consolidated balance sheet as of December 31, 1988. This debt has become valueless given the priority rights of other creditors and its presence, as well as that of the retained deficit, on New Claridge's balance sheet has become a handicap in dealing with potential acquirors, regulators and suppliers. In recognition of this fact the shareholders will be asked to approve the restatement of New Claridge's balance sheet as a part of the Restructuring. Such restatement is referred to as a quasi-reorganization.

The Restructuring Agreement is subject to approval by at least two-thirds of the limited partners of the Partnership and at least two-thirds of the holders of the Class A capital stock of the Corporation. Stockholder approval of the quasi-reorganization will be requested in connection with the restructuring vote. Such approval will be solicited through a Proxy Statement-Consent Solicitation and Prospectus to be issued by the Corporation, the Partnership and Webb.

The Restructuring is expected to be completed in the second quarter of 1989 but not later than August 1, 1989 as may be agreed to by Webb and the First Mortgage Lenders and approved by the New Jersey Casino Control Commission.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

On the Restructuring Date Webb will make a payment to the First Mortgage Lenders of \$14.5 million to reduce the first mortgage loan. This combined with the cash to be paid by New Claridge to the First Mortgage Lenders at the Restructuring date is expected to reduce the outstanding balance of the first mortgage loan to approximately \$74.5 million. The First Mortgage Lenders are not required to complete the Restructuring if the balance of the First Mortgage loan, after giving effect to the Restructuring exceeds \$74.5 million.

Additionally, Webb will forgive and cancel all of the working capital loans in excess of \$10.35 million which it has made to New Claridge. As of December 31, 1988, such loans were approximately \$13.6 million. Webb will make a payment to Manufacturers Hanover Trust Company in the amount of approximately \$5 million to satisfy fully the working capital advances made to New Claridge under a \$5 million working capital line of credit which Webb has guaranteed on behalf of New Claridge. Webb will be released from its obligation to provide working capital facilities to New Claridge.

Webb will forgive and cancel the Purchase Money Second Mortgage Loan, which has an outstanding principal balance equal to the original principal amount of \$47 million, plus all accrued but unpaid interest thereon. Webb, will forgive and cancel all accrued but unpaid management fees, and interest thereon, and the Management Agreement will be terminated. In addition, Webb will forgive and cancel a \$500,000 unsecured loan made to New Claridge.

Webb will transfer all of its rights title and interest to its Claridge land, easement and air rights to the Partnership.

The Partnership will abate or defer receipt of all amounts it is entitled to receive under the Operating Lease and the Expansion Operating Lease except to the extent necessary to pay Partnership expenses until the sale or further refinancing of the Claridge. The receipt of amounts deferred would be contingent upon the realization of profits or distributions from such sale or further refinancing.

At such time as two-thirds of the investors have approved the Restructuring, the Partnership would lend to New Claridge all cash and cash equivalents remaining in the Partnership other than funds needed to pay expenses incurred through or at the closing of the Restructuring.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

On the Restructuring date, New Claridge will pay to the First Mortgage Lenders, in reduction of the first mortgage loan, all cash on hand other than its casino and hotel bankroll. By agreement between the parties the Casino and Hotel bankroll will not exceed \$5 million. Such cash will include all amounts paid, repaid or loaned to New Claridge in accordance with the Restructuring Agreement.

On the Restructuring date, the First Mortgage Lenders will establish a revolving working capital facility, secured by the first mortgage and all other collateral presently securing the first mortgage loan in favor of New Claridge. This revolving working capital facility will mature on January 1, 1993 and will be in the amount of \$5 million subject to increase up to \$7.5 million to the extent that the first mortgage loan is reduced to less than \$75 million on the Restructuring date, and New Claridge makes payments of principal on the first mortgage loan out of its excess cash flow as required by the Restructuring Agreement.

New Claridge will be required to pay quarterly a commitment fee equal to .5% per annum of the unused portion of the revolving working capital line.

Advances under the revolving working capital facility will be available to New Claridge so long as no payment default or other material default has occurred under the working capital facility or the first mortgage loan and can be used for operating expenses, and to make payments of principal and interest on the first mortgage loan or the revolving working capital facility.

New Claridge will be required to use all available cash in excess of \$50,000 (other than the bankroll) to pay down the revolving working capital facility no less frequently than weekly and all cash balances of New Claridge will be held in a cash collateral account at one of the First Mortgage Lenders.

New Claridge will be required to pay, quarterly, to the First Mortgage Lenders, for permanent application to the outstanding principal balance of the first mortgage loan, any excess cash flow, as defined in the Restructuring Agreement.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

Required amortization of the first mortgage loan will commence on July 31, 1989. A payment in the amount of \$500,000 will be due and payable on the last day of each of July, August and September of the year 1989 and the year 1990. Commencing January 31, 1991, required amortization of the first mortgage loan for the calendar years 1991 and 1992 will be at the rate of \$958,333 per month.

The first mortgage loan will mature on January 1, 1993.

On the Restructuring date, Webb will relinquish all of its Class B stock in the Corporation and will vacate all but one of its seats on the Board of Directors of the Corporation and New Claridge. All options, cross options and land options existing between Webb, DEWNJ, the Partnership and New Claridge will terminate on the Restructuring date.

The Restructuring Agreement provides for Webb retaining an interest as a creditor, equal to \$20 million plus interest at the rate of 15% per annum (the "Contingent Payment"), in any proceeds ultimately recovered from the operations and/or the sale or refinancing of the Claridge facility in excess of the first mortgage loan. Webb has agreed to subordinate the Contingent Payment to a priority payment of up to \$10 million to those investors from whom Webb will receive written releases of all liabilities ("Releasing Investors").

Under the Restructuring Agreement, the Corporation and the Partnership would agree not to make any distributions to the investors whether derived from operations or from sale or refinancing proceeds, until Webb in its capacity as an unsecured creditor pursuant to the Contingent Payment, had been paid \$20 million plus interest on such amount from the closing to the date of such payment at a rate of 15%, compounded semi-annually.

Under the Restructuring Agreement, Webb has agreed to permit Releasing Investors to receive certain amounts ("Contingent Payment Rights"), to the extent available, in accordance with the following schedule of priorities:

- (i) Releasing Investors would receive a pro rata interest in the first \$10 million of any net proceeds from operations or a sale or a refinancing of the Claridge facility pursuant to an agreement executed within five years after the Restructuring ("Five-Year Payments") (i.e., the sum obtained by multiplying

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

the lesser of \$10 million of, or the total of, any Five-Year Payments by the percentage interest of the Releasing Investors in the Partnership and the Corporation, with the balance of any such funds to be applied against the Contingent Payment), and

- (ii) All distributions of funds other than Five-Year Payments, or of Five-Year Payments in excess of the \$10 million, will be shared by Webb and Releasing Investors in the following proportions: Releasing Investors will receive a pro rata share of one-half of any such excess proceeds, with Webb receiving the balance until it has received the Contingent Payment.

(a) The Restructuring Agreement provides for certain financial arrangements during the period commencing with the signing of the Restructuring Agreement and ending on the Restructuring date (the "Interim Period"). During the Interim Period Webb is obligated to continue to meet its obligations under the Management Agreement including its obligation to provide working capital to New Claridge.

The Restructuring Agreement also requires Webb, the First Mortgage Lenders and New Claridge to enter into an agreement (the "Interim Bank Agreement") pursuant to which the First Mortgage Lenders will provide New Claridge with a working capital line of credit guaranteed by Webb, of up to \$5 million. The Interim Bank Agreement was executed on February 1, 1989. This working capital line of credit will be available for use by New Claridge when funds provided by Webb are exhausted. Availability under this working capital line of credit will be reduced by the greater of the amount loaned to New Claridge by the Partnership pursuant to the Restructuring Agreement or \$2.6 million at such time as investor approval of the Restructuring is obtained.

In addition Webb will pay interest accrued on \$14.5 million of the First Mortgage Loan and on the \$5 million Manufacturers Hanover Trust Co. line of credit from December 1, 1988 through the Restructuring date.

During the Interim Period the Partnership will defer receipt of all amounts it is entitled to receive under the Operating Lease and Expansion Operating Lease except to the extent necessary to pay Partnership expenses during the Interim Period.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(b) Cash  
The First Mortgage Lenders will defer principal payments under the First Mortgage Loan from December 1, 1988 through the Restructuring date but not beyond March 31, 1989.

(c) This note 1.C. has described the many events and changed relationships that might occur if the Restructuring is closed. The accompanying financial statements and all of the following footnote information reflect the historical events and relationships as they existed up to and including December 31, 1988.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

(d) The Corporation has incurred significant operating losses and as of December 31, 1988 the Corporation's total liabilities exceeded its total assets by \$89,130,000. Further, the Claridge expansion project, which opened in August 1986, has not generated the additional revenues anticipated by management. Due to its continuing losses and the inability of the expansion project to generate anticipated revenues, the Corporation had to borrow \$18,550,000 on its \$20,000,000 line of credit guaranteed by Webb as of December 31, 1988 and absent the Interim period arrangements under the Restructuring Agreement (see note 1.c and 7.d.), all funds available under this line of credit would probably have been used by December 1988 and therewith all of the Webb obligations to provide or guarantee working capital sources would have been exhausted. Further New Claridge would probably not have been relicensed and would have had to consider filing for protection under bankruptcy. These factors, among others, indicate that the Corporation may be unable to continue in existence. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Corporation be unable to continue in existence.

(e) The Corporation has entered into the Restructuring Agreement in an attempt to implement a plan pursuant to which it would remain financially viable through October 1989 and, subject to relicensing, as to which no assurance can be given, possibly into 1990, but not beyond that time absent a further refinancing or sale of the Claridge.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(3) (b) Cash, Advances, and Receivables

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

(c) Casino Receivables and Revenues

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

(d) Promotional Allowances

Promotional allowances are presented at retail value. The cost of providing these complimentary is included in the statement of earnings as operating costs.

(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) Income Taxes

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

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(3) Investments, Advances, and Receivables

Investments, Advances, and Receivables at December 31, 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 \$16,169,000 discount and \$16,454,000 discount at December 31, 1988 and 1987, respectively)	\$109,831	110,546
Deferred interest receivable, due September 30, 2000	20,000	17,000
FF & E promissory note, 14%	10,964	11,720
FF & E promissory note - expansion, 14%	14,970	15,635
Reinvestment Obligations	<u>5,423</u>	<u>4,058</u>
	161,188	158,959
Less Current Installments	<u>7,239</u>	<u>3,922</u>
	<u>\$153,949</u>	<u>155,037</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 year ended December 31, 1988, \$1,000,000 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 year ended December 31, 1988, \$2,257,000 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 DEWNIJ and the use of a portion of the \$20 million line of credit.

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

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

rate of Moody's A Rated Utility Index for the 26 weeks preceeding the issue of the CRDA bonds. The investment obligation must be paid on the 15th day of the first, fourth, seventh, and tenth months of each year based on the estimated gaming revenues for the three month period preceeding the first day of those months. The alternative tax must be paid not later than April 30 of the following year. New Claridge has deposited its reinvestment funds with the State Treasurer. Through December 31, 1988 \$7,312,000 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 \$2,606,000 to date of which \$622,000 was recorded during the year ended December 31, 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 December 31, 1988 and 1987 is \$383,000 and \$362,000 respectively.

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

(4) Other Assets

Other assets at December 31, 1988 and 1987 consist of the following:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Intangible assets and deferred charges	\$ -0-	1,536
Refundable deposits, non-current	<u>66</u>	<u>-0-</u>
	<u>\$ 66</u>	<u>1,536</u>

Intangible assets and deferred charges as of December 31, 1988 and 1987 are stated net of accumulated amortization of \$6,628,000 and \$4,994,000, respectively. During the fourth quarter of 1988, New Claridge wrote-off all remaining intangible assets and deferred charges.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(7) Long-term Debt

(5) Other Accrued Expenses

Other accrued expenses at December 31, 1988 and 1987 consist of the following:

	1988	1987
	(in thousands)	
Progressive jackpot liability	\$ 2,980	3,505
Accrued payroll and related benefits	3,693	4,183
Accrued interest payable	5,992	716
Other	<u>3,126</u>	<u>2,744</u>
	<u>\$15,791</u>	<u>11,148</u>

Accrued interest as of December 31, 1988 includes \$4,975,000 of interest expense due to DEWNJ for the period July 1, 1988 through December 31, 1988. These amounts were not paid pursuant to the terms of the Restructuring Agreement.

(6) Other Current Liabilities

Other current liabilities at December 31, 1988 and 1987 consist of the following:

	1988	1987
	(in thousands)	
Due to affiliates	\$ 1,718	3,728
Other	<u>4,015</u>	<u>2,979</u>
	<u>\$ 5,733</u>	<u>6,707</u>

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, 1985 the First Mortgage was amended and assumed by New Claridge. The amount of the amended and assumed First Mortgage ("Amended First Mortgage") was increased to \$96.5 million to provide financing for the construction of the expansion. As of December 31, 1988 \$69.8 million of the \$96.5 million was outstanding. No further loan draws will be made.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(7) Long-term Debt

Long term debt at December 31, 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)	\$ 89,765	93,431
\$47,000,000 Purchase Money Second Mortgage 14%, due September 30, 2000 (net of \$15,148,000 and \$15,544,000 discount at December 31, 1988 and 1987, respectively)	31,852	31,456
Deferred interest payable, due September 30, 2000 (b)	11,622	11,622
Working capital line, prime or fixed rate determined by lender (c)	18,550	9,352
Unsecured 10% Note due December 31, 1989	<u>500</u>	<u>500</u>
	152,289	146,361
Less current installments	<u>23,883</u>	<u>13,352</u>
	<u>\$128,406</u>	<u>133,009</u>

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

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

(a) On March 17, 1986 the First Mortgage was amended and assumed by New Claridge. The amount of the amended and assumed First Mortgage ("Amended First Mortgage") was increased to \$96.5 million to provide financing for the construction of the expansion. As of December 31, 1988 \$89.8 million of the \$96.5 million was outstanding. No further loan draws will be made.

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

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.

- (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 December 31, 1988 and 1987, \$18,550,000 and \$9,352,000 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.

- (d) Pursuant to the terms of the Restructuring Agreement New Claridge together with First Fidelity Bank, N.A., as the lead bank for the First Mortgage Lenders, and Webb as guarantor entered into the Interim Bank Agreement whereby the First Mortgage Lenders would provide New Claridge with a working capital line of credit of up to \$5 million. The Interim Bank Agreement was executed on February 1, 1989. The working capital line of credit is available to New Claridge when funds provided by Webb pursuant to the Management Agreement have been exhausted. Availability under

DEL WEBB'S CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(10) Comp this working capital line of credit will be reduced by the greater of the amount loaned to New Claridge by the Partnership pursuant to the Restructuring Agreement or \$2.6 million at such time as investor approval of the Restructuring is obtained. Comp Interest on working capital line of credit borrowings is paid 31. monthly in arrears at the prime rate plus 1%. As of March 1, For 1989, \$1,375,000 was borrowed under the interim line of credit.

(8) Other Liabilities

Other liabilities at December 31, 1988 and 1987 consist of the following:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Deferred rent	\$ 55,747	51,100
Deferred fees	32,491	28,652
Management fees abated	3,425	3,425
Capital lease obligations (Total obligations of \$203,000 and \$606,000 less current portion of \$203,000 and \$402,000 at December 31, 1988 and 1987, respectively).	-0-	204
Total	<u>\$ 91,663</u>	<u>83,381</u>

(9) Other Nonoperating Income (Expense - Net)

Other nonoperating income (expense) - net for the years ended December 31, 1988 and 1987 consists of the following (in thousands):

	<u>1988</u>	<u>1987</u>
Interest Income - Wraparound Mortgage	\$21,786	20,922
Interest Income - Other	354	252
Other Nonoperating income/(expense)	(70)	(78)
Loss on Disposal of Assets	(168)	-0-
Total	<u>\$21,902</u>	<u>21,096</u>

	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash and Tokens	1,245,059	\$13,709,759
Travel	20,787	1,157,290
Parking	63,759	400,507
Other	90,303	519,460
Total	<u>1,419,908</u>	<u>\$15,817,016</u>

DEL WEBB'S CLAIRIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

(10) Complimentary Services

Complimentary services for the three months and year ended December 31, 1988 are summarized as follows:

For the three months ended December 31, 1988

	<u>Promotional Allowances</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	17,356	\$1,018,033
Food	194,013	2,010,648
Beverage	207,680	1,298,304
Showroom	18,942	192,396
Total	<u>437,991</u>	<u>\$4,519,381</u>

	<u>Promotional Expenses</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash & Tokens	279,767	\$2,904,844
Travel	5,301	237,499
Parking	13,047	76,768
Other	22,079	177,764
Total	<u>320,194</u>	<u>\$3,396,875</u>

For the year ended December 31, 1988

	<u>Promotional Allowances</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Room	65,102	\$ 5,113,472
Food	1,112,042	9,717,102
Beverage	1,052,659	5,540,798
Showroom	127,539	1,115,299
Total	<u>2,357,342</u>	<u>\$21,486,671</u>

	<u>Promotional Expenses</u>	
	<u>Number of Recipients</u>	<u>Dollar Amount</u>
Coupon Redemption of Cash and Tokens	1,245,059	\$13,709,759
Travel	20,787	1,187,290
Parking	63,759	400,507
Other	90,303	519,460
Total	<u>1,419,908</u>	<u>\$15,817,016</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 December 31, 1988 are as follows (in thousands):

1989	\$ 32,605
1990	34,815
1991	34,940
1992	36,055
1993	37,080
Later Years	<u>202,200</u>
Total Minimum	<u>\$377,695</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 years ended December 31, 1988 and 1987 rental expense for all operating leases amounted to \$42,797,000 and \$38,997,000 respectively, of which \$4,647,000 and \$8,977,000 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 December 31, 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

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

	1988 <u>(in thousands)</u>	1987 <u>(in thousands)</u>
Federal income tax at statutory rates	\$(6,936)	(6,059)
Goodwill amortization not deductible for tax purposes	306	414
Unrecognized tax benefit of loss carryforward	<u>6,630</u>	<u>5,645</u>
	<u>\$ -0-</u>	<u>-0-</u>

New Claridge is included in the consolidated income tax return of its parent, the Corporation. At December 31, 1988 and 1987 there were available net operating loss carryforwards of \$90,721,000 and \$70,321,000. 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) Licensing

New Claridge was issued a plenary casino license effective October 31, 1988 by the New Jersey Casino Control Commission (the "Commission") which, in accordance with the State of New Jersey regulation N.J.S.A. 5:12-87(e), will expire one year thereafter. During the licensing process the Commission and the New Division of Gaming Enforcement (the "Division") raised concerns regarding the financial stability of New Claridge. As a condition of licensure a requirement that the Restructuring Agreement (see note 1.c.) be executed by October 31, 1988 was imposed; the Restructuring Agreement was executed on October 27, 1988. In addition, New Claridge is required to periodically provide to the Commission and Division certain financial information, to maintain a casino bankroll cash balance in excess of a specified minimum amount, to notify the Commission and Division of changes

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 CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

in the condition of or use of credit lines, to provide periodic updates as to the status of the plans for the financial restructuring and sale of the Claridge facility, and if a financial restructuring or sale does not take place by March 31, 1989, to have shown, by April 15, 1989, that New Claridge continues to possess the financial stability, integrity and responsibility required for casino licensure. Because it is unlikely the Restructuring will close prior to March 31, 1989, New Claridge will have to make such a showing to the Commission and no assurance can be given as to their decision. Aside from the financial stability issue, management of the Corporation is aware of no charges, objections or other facts which would provide a basis for the Commission to deny renewal of the casino license.

(b) Litigation

(a) 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 CLARIDGE CASINO - HOTEL

Notes to Financial Statements - Continued

Management fees earned by DEWNJ for the year ended December 31,

(b) 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.

(c) New Claridge's appeal was denied by the United States District Court of Appeals for the third circuit. With respect to the Department of Labor's Appeal, the District Court, in January 1989, reaffirmed the denial of liquidated damages and the two year limitation period. Management is not aware of any further appeal by the Department of Labor.

(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 December 31, 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 December 31, 1988 and 1987, \$18,550,000 and \$9,352,000 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

Management fees earned by DEWNJ for the year ended December 31, 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 year ended December 31, 1988 and 1987 interest expense due to affiliates was \$9,948,000 and \$8,102,000 respectively.

(c) New Claridge purchases from Webb and DEWNJ certain services including insurance through October 1, 1988, and other miscellaneous services. On October 1, 1988 New Claridge obtained its own equivalent insurance coverage. The costs of these services for the years ended December 31, 1988 and 1987 amounted to \$3,468,000 and \$3,761,000, 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 year ended December 31, 1988 and 1987 New Claridge has earned interest income of \$21,786,000 and \$20,922,000 respectively, and incurred lease expense of \$41,032,000 and \$37,723,000 respectively.

UNDEPOSITED PATRONS' CHECKS ACTIVITY	
DESCRIPTION	AMOUNT
Beginning Balance (January 1)	2,199
Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' bank deposits)	85,294
Checks redeemed prior to deposit (including the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' bank deposits)	68,325
Checks collected through deposits	13,548
Checks transferred to returned checks	3,450
Other adjustments	
Ending Balance	2,160
Patrons' Checks Included in Balance On Line 15	-0-
Provision For Uncollectible Patrons' Checks	682
Provision As A Percent Of Counter Checks Issued	8

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 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 .....	2,160		
2	Returned patrons' checks .....	2,843		
3	Total patrons' checks .....	5,003	\$ 2,570	\$ 2,433
4	Hotel Receivables .....	731	139	592
	Other Receivables:			
5	Receivables due from officers and employees.....	10		
6	Receivables due from affiliates .....	10,416		
7	Other accounts and notes receivables .....	837		
8	Total other receivables .....	11,263	25	11,238
9	Totals (Form 305).....	\$ 16,997	\$ 2,734	\$ 14,263

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (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) .....	85,294
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) .....	( 68,325 )
13	Checks collected through deposits .....	( 13,548 )
14	Checks transferred to returned checks .....	( 3,460 )
15	Other adjustments .....	
16	Ending Balance .....	\$ 2,160
17	"Hold" Checks Included In Balance On Line 16 .....	\$ -0-
18	Provision For Uncollectible Patrons' Checks .....	\$ 682
19	Provision As A Percent Of Counter Checks Issued .....	.8 %

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel

**CASINO DEPARTMENTAL SCHEDULE**

STATE OF New Jersey

COUNTY OF Atlantic FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:	\$	\$	%	
1	Blackjack .....	24,510	182,295	13.4	54
2	Craps .....	21,549	157,673	13.7	12
3	Roulette .....	5,592	22,659	24.7	8
4	Big Six .....	856	2,023	42.3	1
5	Baccarat .....	2,635	16,502	16.0	3
6	Other table games .....	-0-	-0-	-0-	-0-
7	Total table games revenue .....	55,142	\$ 381,152	14.5 %	78
			HANDLE		
8	\$.05 slot machines .....	2,300	15,615	14.7	71
9	\$.25 slot machines .....	33,379	248,362	13.4	580
10	\$1.00 slot machines .....	10,307	92,733	11.1	121
11	Other slot machines .....	31,843	280,959	11.3	469
12	Total coin-operated devices revenue .....	77,829	\$ 637,669	12.2 %	1,241
13	Progressive jackpot adjustment .....	526			
14	Total coin-operated devices revenue after adjustment .....	78,355			
15	Other income .....	-0-			
16	Total revenue .....	133,497			
	Expenses:				
17	Payroll and payroll related expenses .....	25,193			
18	Licenses and taxes .....	14,625			
19	Provision for uncollectible patrons' checks .....	682			
20	Other .....	2,223			
21	Total .....	42,723			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	90,774			
	Complimentary services and casino management fees:				
23	Complimentary services .....	5,907			
24	Casino management fees .....	-0-			
25	Total .....	5,907			
26	Departmental Income (Loss) .....	\$ 84,867			



# GROSS REVENUE ANNUAL TAX RETURN

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

**ADDRESS** Indiana Avenue & The Boardwalk

Atlantic City, New Jersey 08401

**FOR THE YEAR ENDED DECEMBER 31, 19 88**

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

Jean I. Abbott

**OFFICIAL TITLE**

Senior Vice President of Finance

**ADDRESS**

Indiana Avenue and The Boardwalk

Atlantic City, NJ 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 88

STATE OF New Jersey

(UNAUDITED)

COUNTY OF Atlantic

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss) <u>I. Abbott</u> being duly sworn according		
1	Table games revenue .....	\$ 55,142	
2	Coin-operated devices revenue .....	77,829	
3	Total revenues .....		\$ 132,971
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 682	
5	Maximum adjustment (4% of line 3) .....	\$ 5,319	
6	Adjustment (the lesser of line 4 or line 5) .....		682
7	Gross revenues (line 3 less line 6) .....		\$ 132,289
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 10,583
9	Audit or other adjustments to tax on gross revenues in prior years .....		-0-
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		10,583
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 553	
12	February .....	839	
13	March .....	746	
14	April .....	789	
15	May .....	1,049	
16	June .....	895	
17	July .....	981	
18	August .....	1,202	
19	September .....	850	
20	October .....	1,012	
21	November .....	779	
22	December .....	624	
23	January .....	264	
24	Total deposits made for tax on current year's gross revenues .....		( 10,583 )
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		-0-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ -0-



# ANNUAL EMPLOYMENT AND PAYROLL REPORT

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

**ADDRESS** Indiana Avenue and The Boardwalk  
Atlantic City, New Jersey 08401

**FOR THE YEAR ENDED DECEMBER 31, 1988**

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

Jean I. Abbott.

**OFFICIAL TITLE.....**

Senior Vice President of Finance

**ADDRESS.....**

Indiana Avenue and The Boardwalk

Atlantic City, New Jersey 08401

TRADING NAME OF LICENSEE Del Webb's Claridge Casino Hotel**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 88  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	<b>CASINO</b>				
1	Administration .....	16			
2	Gaming .....	614			
3	Slots .....	98			
4	Casino accounting .....	209			
5	Other .....	-0-	\$	\$	\$
6	Total-casino .....	937	19,300	-0-	19,300
7	ROOMS .....	179	2,711	-0-	2,711
8	FOOD AND BEVERAGE .....	513	8,594	-0-	8,594
	<b>OTHER OPERATED DEPARTMENTS</b>				
9	Telephone .....	12	220	-0-	220
10	Transportation .....	91	1,299	-0-	1,299
11	Health Spa .....	6	116	-0-	116
12	Casino Credit .....	14	390	-0-	390
13	Boutique .....	2	44	-0-	44
14					
15					
16					
17					
18					
19					
	<b>ADMINISTRATIVE AND GENERAL</b>				
20	Executive office .....	15	236	518	754
21	Accounting and auditing .....	178	2,301	99	2,400
22	Security .....	141	3,005	-0-	3,005
23	Other administrative and general department ..	92	2,615	-0-	2,615
24	MARKETING .....	90	1,891	110	2,001
25	GUEST ENTERTAINMENT .....	12	785	-0-	785
26	PROPERTY OPERATION AND MAINTENANCE .....	-0-	-0-	-0-	-0-
27	TOTALS - ALL DEPARTMENTS .....	2,282	\$ 43,507	\$ 727	\$ 44,234

Trading Name of Licensee Del Webb's Claridge Casino Hotel

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 1988

3/14/89  
Date

*Jean J. Webb*  
Signature

Senior Vice President of Finance  
Title

TRADING NAME OF LICENSEE DEL WEBB'S CLARIDGE CASINO HOTEL

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 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	504	15,539	14,643	\$ 77.49	94.2 %	29,079	\$39.02
NOVEMBER	504	15,042	13,260	\$ 77.76	88.2 %	26,951	\$38.26
DECEMBER	504	15,196	9,906	\$ 64.31	65.2 %	19,648	\$32.42
4TH QUARTER TOTALS		45,777	37,809	\$ 74.13	82.6 %	75,678	\$37.04
ANNUAL TOTALS		182,659	160,058	\$ 82.70	87.6 %	316,143	\$41.87

NEW JERSEY STATE LIBRARY  
3 3009 00006 3547

974-901  
C193

# ANNUAL REPORT REPORT

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

PROPERTY OF  
NEW JERSEY STATE LIBRARY  
MAR 23 1989  
185 W. STATE ST.  
TRENTON, N.J.

FOR THE YEAR ENDED DECEMBER 31, 1988

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



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



**BALANCE SHEETS**

DECEMBER 31, 19 88 AND 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>ASSETS</b>		
	Current Assets:		
1	Cash .....(Note 9e).....	\$ 7,974	\$ 10,841
2	Marketable securities .....		
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$ 1,450 ; 19 <u>87</u> , \$ 1,368 ) .....	814	1,105
4	Inventories .....(Note 1).....	1,626	1,412
5	Prepaid expenses and other current assets .....(Note 3).....	4,251	1,226
6	Total current assets .....	14,665	14,584
7	Investments, Advances, And Receivables .....(Note 10).....	7,917	5,819
8	Property And Equipment - Net .....(Notes 1 & 4).....	75,716	122,138
9	Other Assets .....	459	4,223
10	Total Assets .....	\$ 98,757	\$ 146,764
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
11	Accounts payable .....	\$ 8,046	\$ 4,051
12	Notes payable .....(Note 5).....	4,500	
	Current portion of long-term debt:		
13	Due to affiliates .....		4,471
14	Other .....(Note 8).....	1,104	
15	Income taxes payable and accrued .....		
16	Other accrued expenses .....(Note 6).....	8,310	6,196
17	Other current liabilities .....(Note 7).....	805	1,082
18	Total current liabilities .....	22,765	15,800
	Liabilities subject to Chapter 11 proceedings		269,407
	Long-Term Debt:		
19	Due to affiliates .....(Note 8).....	144,343	
20	Other .....(Note 8).....	21,568	
21	Deferred Credits .....		
22	Other Liabilities .....		
23	Commitments And Contingencies, and pro forma financial information (Notes 9 & 13) .....		
24	Total Liabilities .....	188,676	285,207
25	Stockholders', Partners', Or Proprietor's Equity (Deficit) .....	(89,919)	(138,443)
26	Total Liabilities And Equity .....	\$ 98,757	\$ 146,764

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 YEARS ENDED DECEMBER 31, 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 .....	\$ 83,992	\$ 74,055
2	Rooms .....	8,534	8,658
3	Food and beverage .....	14,463	13,294
4	Other .....	3,612	2,615
5	Total revenue .....	110,601	98,622
6	Less: promotional allowances ..... (Note 11)	( 11,303)	( 9,124)
7	Net revenue .....	99,298	89,498
	Costs And Expenses:		
8	Cost of goods and services .....	70,108	72,039
9	Selling, general, and administrative .....	32,578	19,129
10	Provision for doubtful accounts .....	45	22
11	Total .....	102,731	91,190
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	( 3,433)	( 1,692)
13	Depreciation and amortization .....	7,690	7,703
	Charges from affiliates:		
14	Interest ..... (Note 8)	12,779	14,230
15	Management fees ..... (Note 9b)	150	
16	Other Corporate Overhead ..... (Note 9b)	336	425
17	Interest expense - external .....	3,426	1,023
18	Income (Loss) From Operations .....	( 27,814)	( 25,073)
19	Nonoperating income (expense) - net ..... (Note 12)	( 43,802)	( 3,543)
20	Investment alternative tax and related income (expense) - net..... (Note 10)	( 444)	294
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	( 72,060)	( 28,322)
22	Provision (Credit) for income taxes .....		
23	Income (Loss) Before Extraordinary Items .....	( 72,060)	(28,322)
24	Extraordinary items (net of income taxes -Chapt. 11 Reorganiza- 19__, \$ ; 19__, \$ ) tion..... (Note 13)	7,000	
25	Net Income (Loss) .....	\$ ( 65,060)	\$ (28,322)

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 THREE MONTHS ENDED DECEMBER 31, 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 .....	\$ 20,356	\$ 13,062
2	Rooms .....	1,892	1,671
3	Food and beverage .....	3,660	2,286
4	Other .....	983	633
5	Total revenue .....	26,891	17,652
6	Less: promotional allowances (Note 11) .....	( 2,903)	( 1,880)
7	Net revenue .....	23,988	15,772
	Costs And Expenses:		
8	Cost of goods and services .....	14,581	16,284
9	Selling, general, and administrative .....	11,175	4,650
10	Provision for doubtful accounts .....	22	( 23)
11	Total .....	25,778	20,911
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	( 1,790)	( 5,139)
13	Depreciation and amortization .....	1,974	1,876
	Charges from affiliates:		
14	Interest (Note 8) .....	1,999	3,568
15	Management fees (Note 9b) .....	150	
16	Other Corporate Overhead (Note 9b) .....		107
17	Interest expense - external .....	2,638	253
18	Income (Loss) From Operations .....	( 8,551)	(10,943)
19	Nonoperating income (expense) - net (Note 12) .....	(41,791)	( 1,208)
20	Investment alternative tax and related income (expense) - net (Note 10) .....	( 178)	546
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(50,520)	(11,605)
22	Provision (Credit) for income taxes .....		
23	Income (Loss) Before Extraordinary Items .....	(50,520)	(11,605)
24	Extraordinary items (net of income taxes - Chapt. 11 Reorganiza- 19__, \$ ; 19__, \$ ) ..tion (Note 13).....	3,007	
25	Net Income (Loss) .....	\$ (47,513)	\$ (11,605)

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

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
( \$ IN THOUANDS)

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

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

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

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Invested Capital:</b>		
1	Beginning balance (January 1) .....	\$ 20	\$ 20
2	Additional capital invested (Contributed pursuant to Plan of Reorganization) .....	113,584	
3	.....		
4	Ending balance .....	113,604	20
	<b>Accumulated Income (Loss):</b>		
5	Beginning balance (January 1) ... (Loss) .....	(138,463)	(110,141)
6	Prior period adjustments .....		
7	Net income (loss) .....	( 65,060)	( 28,322)
8	.....		
9	Ending balance .....	(203,523)	(138,463)
	<b>Capital Withdrawals:</b>		
10	Beginning balance (January 1) .....	( )	( )
11	Additional capital withdrawals .....	( )	( )
12	.....		
13	Ending balance .....	( )	( )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</b>		
14	Beginning balance (January 1) .....	( )	( )
15	.....		
16	.....		
17	Ending balance .....	( )	( )
18	Ending Partners' Or Proprietor's Equity ..... (Deficit) .....	\$ ( 89,919)	\$ (138,443)

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

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 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.....	\$ (9,915)	\$ (1,788)
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	(1,978)	(2,133)
5	Proceeds from disposition of property and equipment.....		91
6	Purchase of casino reinvestment obligations.....	( 833)	(3,670)
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	Net (increase) decrease in investments,		
11	<u>advances &amp; receivables</u> .....	1,151	
12	Net Cash Provided (Used) By Investing Activities.....	(1,660)	(5,712)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....	4,500	
14	Payments to settle short-term debt (Priority Trade Creditors)	( 154)	
15	Cash proceeds from issuance of long-term debt.....		
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	( 281)	
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 long term debt due to accrued interest.</u>	2,691	
22	<u>Increase in current portion LTD, due affiliates (Prior</u>	1,952	2,184
23	Net Cash Provided (Used) By Financing Activities..... <u>to reorg.</u>	8,708	2,184
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(2,867)	(5,316)
25	Cash And Cash Equivalents At Beginning Of Year .....	10,841	16,157
26	Cash And Cash Equivalents At End Of Year.....	\$ 7,974	\$ 10,841

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Year For:			
27	Interest (net of amount capitalized).....	\$ 684	\$ 96
28	Income taxes.....	\$	\$

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

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
<b>Net Cash Flows From Operating Activities:</b>			
29	Net income (loss).....	\$ (65,060)	\$ (28,322)
Noncash items included in income and cash items excluded from income:			
30	Depreciation and amortization of property and equipment.....	7,690	7,703
31	Amortization of other assets.....	112	201
32	Amortization of debt discount or premium.....	28	
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....		
35	(Gain) loss on disposition of property (valuation allowance).....	41,705	60
36	(Gain) loss on casino reinvestment obligations.....	444	( 294)
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	291	666
39	Net (increase) decrease in inventories.....	( 214)	43
40	Net (increase) decrease in other current assets.....	( 3,025)	345
41	Net (increase) decrease in other assets.....	33	29
42	Net increase (decrease) in accounts payables.....	3,995	1,614
43	Net increase (decrease) in other current liabilities excluding debt.....	1,837	( 1,940)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....		
45	Net increase to liabilities subject to Chapt. 11 proceedings (prior to reorganization) net of \$1300 for unsecured trade creditors.	9,249	18,107
46	Gain on Chapt. 11 reorganization	( 7,000)	
47	<b>Net Cash Provided (Used) By Operating Activities.....</b>	<b>\$ ( 9,915)</b>	<b>\$ ( 1,788)</b>

### SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

<b>Acquisition Of Property And Equipment:</b>			
48	Additions to property and equipment.....	\$ 2,973	\$ 2,133
49	Less: Capital lease obligations incurred.....	( 995)	
50	<b>Cash Outflows For Property And Equipment.....</b>	<b>\$ 1,978</b>	<b>\$ 2,133</b>
<b>Acquisition Of Business Entities:</b>			
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	<b>Cash Outflows To Acquire Business Entities.....</b>	<b>\$</b>	<b>\$</b>
<b>Stock Issued Or Capital Contributions:</b>			
57	Total issuances of stock or capital contributions.....	\$ 113,584	\$
58	Less: Issuances to settle long-term debt.....	(113,584)	
59	Consideration in acquisition of business entities.....		
60	<b>Cash Proceeds From Issuing Stock Or Capital Contributions.....</b>	<b>\$</b>	<b>\$</b>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

1. Summary of significant accounting policies: *(continued)*

Organization and business: *and contractual agreements*

Elsinore Shore Associates (ESA or the Partnership), a general partnership, was formed April 24, 1979 by its partners, Elsub Corporation (Elsub), then 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, (the Atlantis), formerly the Playboy Hotel and Casino) in Atlantic City, New Jersey. ESA, Elsub, EAC and ENJ as well as Elsinore Finance Corporation (EFC), a wholly-owned subsidiary of Elsinore (collectively, the Debtors) were operating as debtors-in-possession under Chapter 11 of the United States Bankruptcy Code until September 30, 1988 (Note 2).

As a result of the consummation of the Plan (hereinafter defined) (Note 2), Elsinore currently owns 85% of Elsub with the remaining 15% owned by PEI. ENJ owns an 84.3% interest in EAC, which, in turn, owns 54.3% of the Partnership. Elsinore and PEI effectively own approximately 78% and 14%, respectively of ESA, with the remaining 8% owned by unaffiliated third parties.

*Property and equipment and depreciation*  
Elsinore is negotiating with firms to act as its agent regarding the disposition of its interest in the Partnership.

Basis of presentation: *value allowance is provided*

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 biannually 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 YEARS ENDED DECEMBER 31, 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 gaming wins and losses. Gross 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.

Inventories:

Inventories are stated at cost.

	1988	1987
	(Dollars in thousands)	
Food and beverage provisions	\$ 353	\$ 612
Gift shop merchandise	131	80
Supplies	<u>1,142</u>	<u>720</u>
	<u>\$1,626</u>	<u>\$1,412</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 YEARS ENDED DECEMBER 31, 1988 AND 1987

2. Consummation of Reorganization Plan:

Each of ESA, Elsub, EAC, ENJ and EFC were operated as debtors-in-possession under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) until September 30, 1988 (the "Effective Date") when the transactions contemplated by the third amended joint plan of reorganization, as modified (the "Plan") were substantially consummated. Major features of the Plan included:

- ° The effective redemption of the 15½% \$115,000,000 Senior Mortgage Bonds due 1999 issued by EFC (the "Bonds") (\$90,000,000 of which were collateralized by the Atlantis) with \$40,000,000 of new institutional borrowings, the proceeds from the sale of the Hyatt Lake Tahoe Hotel and Casino (the "Hyatt Lake Tahoe"), and the issuance by EFC of \$70,000,000 15½ New Senior Mortgage Bonds due 1999 (the "New Bonds"). Additionally, there was an immediate \$15,000,000 redemption of New Bonds resulting in a \$15,000,000 subrogation claim to Elsinore which is subordinate in payment to the rights of the New Bonds.
- ° Satisfaction of interest on the Bonds, evidenced by the 1988 and 1989 Coupons attached to the New Bonds (collectively the "Coupons") and some future interest payments on the New Bonds is payable in cash by EFC or by Elsinore, at the option of Elsinore, in shares of Elsinore's common stock, no par value (the "Elsinore Stock"), in accordance with formulae (the "Common Stock Formulae") contained in the New Bonds and the Coupons.
- ° Issuance by Elsinore on the Effective Date, of 8,955,140 shares of Elsinore Stock to the holders of the Bonds in satisfaction of accrued and unpaid interest on the bonds for the period July 1, 1986 to December 31, 1986. The election was made by Elsinore to satisfy the interest due November 1, 1988 and December 31, 1988 pursuant to the New Bonds and the 1988 Coupon due November 1, 1988, with the issuance of Elsinore Stock. All Elsinore Stock issued in satisfaction of interest on the New Bonds or the Coupons is issued pursuant to Elsinore's guarantee, in accordance with the Common Stock Formulae contained in the New Bonds and the Coupons. As discussed above, interest due November 1, 1988 and December 31, 1988 was satisfied with 768,018 and 2,150,838 shares of Elsinore Stock issued November 1, 1988 and January 3, 1989, respectively. Additionally, the 1988 Coupon was satisfied with the issuance of 8,486,998 shares of Elsinore Stock on November 1, 1988.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

2. Consummation of Reorganization Plan (continued):

- ° Payments to unsecured creditors of ESA of approximately \$1,500,000 and \$6,750,000 in cash and limited recourse notes, respectively. In partial satisfaction of various obligations and other claims, PEI, one of the unsecured creditors, also received 15% of the common stock of Elsub on the Effective Date, leaving Elsinore with 85% equity interest in Elsub and as a result a 77.9% beneficial interest in ESA.
- ° Receipt by Elsinore of a note from EFC (the "Elsinore Note") and receipt by EFC of a similar note from ESA (the "EFC Note") in the approximate principal amount of \$59,707,000 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 holders of the New Bonds and the priority notes issued pursuant to the Plan (Note 5).
- ° Elsinore is not obligated to provide financial or other support to any of its subsidiaries that were in reorganization except to the extent that the CCC requires, and the new institutional lenders and the Nevada Gaming Authorities permit such support. Elsinore's obligations with respect to guaranteed payment of the principal and interest on the New Bonds and the 1989 Coupon is limited solely to the issuance of Elsinore Stock pursuant to a Stock Formulae contained in the New Bonds and 1989 Coupon.

3. Prepaid Expenses

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Insurance	\$ 571	\$ 654
Slot machine tax	349	350
Advertising	37	39
Contracts	129	102
Real estate taxes	1,930	
Current portion CRDA credits	1,151	
Other	<u>84</u>	<u>81</u>
	<u>\$4,251</u>	<u>\$1,226</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

4. Property and equipment:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Land	\$ 11,121	\$ 11,121
Buildings and improvements	140,393	139,168
Furniture, fixtures and equipment	36,341	34,594
	<u>\$187,855</u>	<u>\$184,883</u>
Accumulated depreciation	(58,413)	(50,856)
Reserve for devaluation of building & improvements	<u>(54,442)</u>	<u>(12,737)</u>
	<u>\$ 75,000</u>	<u>\$121,290</u>
China, glass, silver, linen, net	716	848
Total property and equipment (net)	<u>\$ 75,716</u>	<u>\$122,138</u>

In November 1986, an independent appraisal was obtained to determine the current market value of the building and improvements comprising the hotel casino complex. Based, in part, on this appraisal, the net book value of the Partnership's property was adjusted to \$127,000,000 representing management's then estimate of net realizable value, by providing an allowance of \$12,737,000 and a corresponding charge to operations. Such estimate has been revised in 1988 through the provision of an allowance in the amount of \$41,705,000 primarily as a result of the receipt of updated appraisals.

5. Note payable:

A promissory note bearing interest at prime rate 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 imposed by the CCC on ESA's casino license. As of December 31, 1988 Elsinore had advanced \$4,500,000 and as of the date of this report, Elsinore had advanced \$5,000,000 pursuant to the Working Capital Loan. Interest on the outstanding balance of the Working Capital Loan is payable monthly and the principal is due upon notice by Elsinore to ESA.

As of December 31, 1988 consisted of the following (dollars in thousands):

Elsinore Finance Corporation:		
- Note payable	(a)	\$ 70,000
- Subordinated note payable	(b)	59,707
- Coupon interest payable	(a)	12,103
- Accrued interest payable		<u>2,533</u>
		<u>\$144,343</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

6. Other Accrued Expenses:

	<u>1988</u>	<u>1987</u>
	(Dollars in thousands)	
Taxes other than income	\$ 789	\$ 790
Payroll	2,161	880
Progressive jackpot	843	671
Benefits	1,325	1,320
Chapter 11 expenses	197	1,295
Interest	1,765	4
Other	1,230	1,236
	<u>\$ 8,310</u>	<u>\$ 6,196</u>

7. Other Current Liabilities:

	<u>1988</u>	<u>1987</u>
	(in thousands)	
Reinvestment obligation	\$ 34	\$ 164
Unredeemed chips	315	263
Slot tokens	310	295
Other	146	360
	<u>\$ 805</u>	<u>\$ 1,082</u>

8. Long Term Debt:

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 December 31, 1988 consisted of the following (dollars in thousands):

Elsinore Finance Corporation:		
- Note payable	(A)	\$ 70,000
- Subordinated note payable	(B)	59,707
- Coupon interest payable	(A)	12,103
- Accrued interest payable		<u>2,533</u>
		<u>\$144,343</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

8. Long Term Debt (continued):

- (A) A \$70,000,000 note with attached coupon of \$12,103,000 from ESA to EFC (the "New ESA Note"). 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 utilized in connection with the operations of the Atlantis. 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 together with interest and fees, costs and expenses thereon or payable in connection therewith. The New ESA Note has been assigned to and is enforceable by an unaffiliated third party. Interest on the New ESA Note at a rate of 15½% is payable semi-annually May 1 and November 1; however, by virtue of Elsinore's \$15,000,000 subrogation claim, only interest on \$55,000,000 will be paid currently with the balance accrued and paid on the earlier of the sale of the Atlantis or the fifth anniversary of the Effective Date. Principal repayment terms of the New ESA Note are substantially similar to those of the New Bonds (discussed below).

As discussed in Note 2, optional interest payments through December 31, 1988 were satisfied with the issuance of Elsinore Stock. Pursuant to the Plan interest at a rate of 10% on the outstanding principal balance of the New Bonds is payable semi-annually January 1, 1989 through November 30, 1989, only in cash. Additionally, interest at a rate of 5½% on the outstanding principal balance of the New Bonds for the period commencing on the Effective Date through November 30, 1989 is to be paid at any time prior to December 1, 1989, either in cash by EFC or in Elsinore Stock by Elsinore, at Elsinore's sole election; provided, however, that to the extent such interest is not paid prior to December 1, 1989, such unpaid interest shall be payable only by Elsinore in Elsinore Stock on December 1, 1989. Interest at a rate of 15½% is payable semi-annually only in cash for the period commencing December 1, 1989 and thereafter until maturity. The 1989 Coupon (attached to the New Bonds) is optionally payable any time prior to December 1, 1989 in cash by EFC or in Elsinore Stock by Elsinore at the sole election of Elsinore. However, if not paid

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

8. Long Term Debt (continued):

(B) prior to December 1, 1989, the 1989 Coupon shall be satisfied only with the issuance of Elsinore Stock by Elsinore on December 1, 1989 pursuant to the Common Stock Formula contained in the 1989 Coupon. The New Bonds and Coupons are collateralized by the New ESA Note.

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, decreasing 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 or other disposition. 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 has unconditionally guaranteed payment of interest and principal on the New Bonds and payment of the 1989 Coupon when due; however, Elsinore's obligations regarding such guarantee are payable solely in Elsinore Stock pursuant to the Common Stock Formulae contained in the New Bonds and the 1989 Coupon. The New Bonds contain various covenants which, among other things, provide limitations on the acquisition or redemption of capital stock of Elsinore, additional encumbrances on the Atlantis and payment of dividends.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

8. Long Term Debt (continued):

(B) 9% EFC Note in the principal amount of \$59,707,000 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 Note 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. EFC, in turn, issued a note (the Elsinore Note) to Elsinore for a like amount. Terms of the Elsinore Note are substantially similar to the EFC Note.

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

Years ending December 31

1989	\$ --
1990	--
1991	--
1992	4,000
1993	4,588
Thereafter	<u>135,755</u>
	<u>\$ 144,343</u>

Interest charges from affiliates for the year ended December 31, 1988 and 1987 were as follows:

	<u>1988</u>	<u>1987</u>
	(In thousands)	
EFC	\$12,579	\$13,950
Elsinore	<u>220</u>	<u>280</u>
Total	<u>\$12,799</u>	<u>\$14,230</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

8. Long Term Debt (continued):

Long Term Debt - Due to Others

Long term debt - due to others as of December 31, 1988 consisted of the following (dollars in thousands):

Playboy Enterprises, Inc.	(A)	\$ 1,500
First Fidelity Bank	(B)	4,250
Trade creditors	(C)	1,000
Casino Reinvestment Development Authority	(D)	6,176
City of Atlantic City	(E)	2,023
Various federal and state agencies	(F)	954
Georgia Avenue mortgages	(G)	5,892
Capitalized leases	(H)	718
Accrued interest payable		<u>159</u>
		22,672
Less: Current portion		( <u>1,104</u> )
		<u>\$ 21,568</u>

- (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. If not sooner paid, all principal and interest on the Playboy Parity Note shall be due on the sale of the Atlantis. During the first five 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. As discussed in Note 2, PEI also received 15% of the Elsub Common Stock and approximately \$500,000 in cash on the Effective Date.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

8. Long Term Debt (continued):

- (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. If not sooner paid, all principal and interest on the Fidelity Parity Note shall be due on the sale of the Atlantis. 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 Development Authority ("CRDA") regarding payment of pre-petition cumulative investment obligations. The agreement provides for the payment of approximately \$6,286,000 plus interest at a rate of 2%, quarterly over an approximate eight year period commencing October 1988.
- (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 payment of approximately \$2,023,000 plus interest at a rate of 9.5% quarterly pursuant to a schedule contained in the agreement with interest only payable during the first three years commencing January 1989.
- (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.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

8. Long Term Debt (continued):

(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.

	Note A	Note B
	(Dollars in thousands)	
Stated interest rate	7½%	7½%
Principal balance face amount	\$ 248	\$5,951
Less unamortized discount based on imputed interest of 12%	12	295
	<u>\$ 236</u>	<u>\$5,656</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:

Years ending December 31

1989	\$ 1,104
1990	1,254
1991	1,308
1992	1,417
1993	5,500
Thereafter	<u>12,089</u>
	<u>\$ 22,672</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

9. Commitments and contingencies:

a. General litigation:

At December 31, 1988 the Partnership is party to various claims and lawsuits arising in the normal course of business. While the amounts claimed in some instances are substantial and 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.

- 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, only if interest is paid currently on the New Bonds (Note 5) in cash and paid currently thereafter by ESA.

Prior to the Effective Date, Elsinore charged the Partnership for fees equal to actual costs incurred including payroll, travel and other administrative overhead which is included in selling, general and administrative expense. Charges from affiliates for the years ending December 31, 1988, 1987 and 1986 were \$485,000, \$426,000 and \$504,000, respectively.

c. Lease commitments:

Subject to the effects of the Chapter 11 proceedings, future minimum rental payments at December 31, 1988, under agreements classified as operating leases with an initial or remaining noncancellable lease term in excess of one year, are as follows:

	<u>Amount</u>
	(Dollars in thousands)
1989	\$ 287
1990	253
1991	159
1992	159
1993	160
Thereafter	4,220

Rent expense charged to operations for the year ended December 31, 1988 and 1987 was \$926,000 and \$1,081,000, respectively.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

9. 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 years ended December 31, 1988 and 1987 amounted to \$256,000 and \$284,000, 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:

ESA's current license expires on April 14, 1989. 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 any of the conditions are not maintained, the CCC has the authority to reopen the licensing hearings. 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 December 31, 1988 and 1987, the Partnership has reserved \$262,000 and \$338,000 respectively, for estimated incurred but unreported claims.

10. Casino reinvestment obligation:

The New Jersey Casino Act (Act) provides for a 2-1/2% tax on casino revenues, as a measure to stimulate redevelopment in the Atlantic City and adjacent areas. Amendments to the Act, adopted in 1984, established the CRDA which is authorized to issue bonds in order to achieve its redevelopment goals. A casino which invests in bonds issued by the CRDA qualifies for a reduction in the investment tax rate to 1.25%.

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

10. Casino reinvestment obligation (continued):

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 was required to deposit its post-1983 reinvestment obligation (Deposits) with the State Treasurer. The State pays interest on the Deposits at a rate approximating one third less than market. The bond issues 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), no later than 1996 (Note 5D). In November, 1988, the Partnership made a contribution of its Deposits to the CRDA in the amount of \$4,034,000 for application to a CRDA Approved Project. In consideration therefor, the CRDA has resolved to allow the partnership to apply an amount equal to 90% of the contribution as an investment in lieu of the Partnership's obligation to purchase future bond issues. Since the amount of the contribution was previously discounted to recognize its decrease in market value, the credit received against future obligations gave rise to a gain on the transaction in the amount of \$873,000. The partnership has elected to defer this gain and amortize it proportionately as the credits are applied. \$219,000 and \$52,000 of credit and gain respectively were applied in the fourth quarter of 1988.

The Partnership's net investment at December 31, 1988 and 1987 consists of (Dollars in thousands):

	<u>1988</u>	<u>1987</u>
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	6,675	7,019
Allowance for decrease in market value	( 1,657)	( 2,657)
Credit toward future obligation, net of deferred gain of \$821	\$ 2,593	
Less current portion	( <u>1,151</u> )	<u>1,442</u>
	<u>\$ 7,917</u>	<u>\$ 5,819</u>

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

11. Promotional Allowances and Expenses

Promotional Allowances and Expenses consist of the following for the year ended December 31, 1988:

	<u>Promotional Allowance</u>		<u>Promotional Expense</u>	
	<u># of Recipients</u>	<u>Amount</u>	<u># of Recipients</u>	<u>Amount</u>
Rooms	\$ 42,587	\$ 1,365,000		
Food	553,200	3,774,000		
Beverage	2,795,276	4,156,000		
Quarters			\$ 633,562	\$ 6,047,000
Tokens			644,939	10,985,000
Travel			221,270	2,312,000
Theater	276,980	1,191,000		
Other	140,275	817,000	51,906	1,309,000 <sup>(1)</sup>
Total	<u>\$3,808,318</u>	<u>\$11,303,000</u>	<u>\$1,551,677</u>	<u>\$20,653,000</u>

(1) Other Expense

Sales & Promotion \$ 1,309,000

Promotional Allowances and Expenses consist of the following for the three months ended December 31, 1988:

	<u>Promotional Allowance</u>		<u>Promotional Expense</u>	
	<u># of Recipients</u>	<u>Amount</u>	<u># of Recipients</u>	<u>Amount</u>
Rooms	\$ 9,571	\$ 348,000		
Food	116,143	666,000		
Beverage	681,685	1,021,000		
Quarters			\$ 4,540	\$ 44,000
Tokens			349,131	4,929,000
Travel			25,504	313,000
Theater	70,052	293,000		
Other	37,522	575,000	15,197	117,000 <sup>(1)</sup>
Total	<u>\$ 914,973</u>	<u>\$ 2,903,000</u>	<u>\$ 394,372</u>	<u>\$ 5,403,000</u>

(1) Other Expense

Sales & Promotion \$ 117,000

ELSINORE SHORE ASSOCIATES

NOTES TO FINANCIAL STATEMENTS AND 1987

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

14. Pro forma condensed statement of operations:

12. Nonoperating income (expense) - net consists of the following for the year ended December 31, 1988 and 1987:

	1988	1987
Interest Income	\$ 666,000	\$ 1,139,000
Chapter 11 Expenses (1)	( 2,728,000)	( 4,242,000)
Reserve for Devaluation of Building and Improvements (Note 4)	( 41,705,000)	
Other, Net	( 35,000)	( 440,000)
<b>TOTAL</b>	<b>(\$43,802,000)</b>	<b>(\$ 3,543,000)</b>

(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.

13. Extraordinary items:

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 \$9.9 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.

Depreciation	7,690		7,690
Interest	16,205	13,617 (2)	18,873
		( 10,949)(2)	
Corporate overhead & management fees	486	450 (1)	600
		( 336)(1)	
Income (loss) from operations	( 27,814)		( 30,546)
Non-operating income (expense) net	( 43,802)	( 2,728)(3)	41,074
Investment alternative tax and related income (expense)	( 444)		( 444)
Inc income (loss)	( 72,060)		( 72,114)

ELSINORE SHORE ASSOCIATES  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

14. Pro forma condensed statement of operations: *(unaudited)*:

The following pro forma condensed statement of operations of the Partnership, as of December 31, 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 YEAR ENDED DECEMBER 31, 1988  
 (IN THOUSANDS)

	<u>Historical</u>	<u>Effect of Plan</u>	<u>Pro Forma</u>
Total revenue	\$ 99,298		\$ 99,298
Costs and expenses	<u>102,731</u>		<u>102,731</u>
Income (loss) before depreciation and amortization, charges from affiliates, and interest	(\$ 3,433)		(\$ 3,433)
Depreciation and amortization	7,690		7,690
Interest	16,205	13,617 (2) ( 10,949)(2)	18,873
Corporate overhead & management fees	486	450 (1) ( 336)(1)	600
Income (loss) from operations	( 27,814)		( 30,596)
Non-operating income (expense) net	( 43,802)	( 2,728)(3)	41,074
Investment alternative tax and related income (expense)	( 444)		( 444)
Net income (loss)	<u>(\$ 72,060)</u>		<u>(\$ 72,114)</u>

**ELSINORE SHORE ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**SCHEDULE FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987**

**14. Pro forma condensed statement of operations (unaudited):**

- (1) To reflect the replacement of \$336,000 of parent company allocation of overhead expenses in 1988 with \$50,000 monthly 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, 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.

Accounts Receivable	442	21	421
Accounts Payable	1		
Prepaid Expenses	0		
Other accounts and notes receivable	161		
Total other receivables	162		163
Total (Form 105)	2,294	3,450	514

UNDEPOSITED PATRONS' CHECKS ACTIVITY	
DESCRIPTION (a)	AMOUNT (b)
Beginning Balance (January 1)	865
Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	14,535
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)	( 10,715 )
Checks collected through deposits	( 3,461 )
Checks transferred to returned checks	( 772 )
Other adjustments	0
Ending Balance	53
"Hold" Checks Included In Balance On Line 14	0
Provision For Uncollectible Patrons' Checks	0
Provision As A Percent Of Counter Checks Issued	0

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 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 .....	\$ 553		
2	Returned patrons' checks .....	1,107		
3	Total patrons' checks .....	1,660	\$ 1,429	\$ 231
4	Hotel Receivables .....	442	21	421
	Other Receivables:			
5	Receivables due from officers and employees.....	1		
6	Receivables due from affiliates .....	0		
7	Other accounts and notes receivables .....	161		
8	Total other receivables .....	162		162
9	Totals (Form 305).....	\$ 2,264	\$ 1,450	\$ 814

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) .....	14,839
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) .....	( 10,716 )
13	Checks collected through deposits .....	( 3,463 )
14	Checks transferred to returned checks .....	( 773 )
15	Other adjustments .....	0
16	Ending Balance .....	\$ 553
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

TRADING NAME OF LICENSEE Elsinore's Atlantis Casino Hotel

**CASINO DEPARTMENTAL SCHEDULE**

STATE OF NEW JERSEY

COUNTY OF ATLANTIC

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack .....	\$ 16,477	\$ 92,201	17.9 %	78
2	Craps .....	6,587	37,339	17.6	13
3	Roulette .....	4,161	17,710	23.5	12
4	Big Six .....	1,089	2,332	46.7	2
5	Baccarat .....	1,638	12,353	13.3	4
6	Other table games .....				
7	Total table games revenue .....	29,952	\$ 161,935	18.5 %	109
			HANDLE		
8	\$ .05 slot machines .....	3,216	\$ 22,056	14.6 %	173
9	\$ .25 slot machines .....	29,318	213,622	13.7	730
10	\$1.00 slot machines .....	7,071	104,565	6.8	168
11	Other slot machines .....	14,607	154,522	9.5	322
12	Total coin-operated devices revenue .....	54,212	\$ 494,765	11.0 %	1,393
13	Progressive jackpot adjustment .....	( 172)			
14	Total coin-operated devices revenue after adjustment .....	54,040			
15	Other income .....				
16	Total revenue .....	83,992			
	Expenses:				
17	Payroll and payroll related expenses .....	17,282			
18	Licenses and taxes .....	7,475			
19	Provision for uncollectible patrons' checks				
20	Other .....	25,313			
21	Total .....	50,070			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	33,922			
	Complimentary services and casino management fees:				
23	Complimentary services .....	10,411			
24	Casino management fees .....				
25	Total .....				
26	Departmental Income (Loss) .....	\$ 23,511			

# STATEMENT OF CONFORMITY AND ACCURACY

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

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

Subscribed and sworn to  
before me this 13 day  
of March, 1989

Anne Dalessandro  
Signature

On Behalf Of:

Elsinore Shore Associates  
Casino Licensee

ANNE DALESSANDRO  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires July 30, 1989  
Basis of Authority  
to Take Oaths

GROSS REVENUE  
ANNUAL TAX RETURN

LICENSEE ELSINORE'S ATLANTIS CASINO HOTEL

ADDRESS 2500 Boardwalk

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1988

TO THE

CASI

S

*Bally's Grand  
Hauch's  
Jopworld*



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

R. Bruce McKee

OFFICIAL TITLE

Vice President Finance/Controller

ADDRESS

2500 Boardwalk

Atlantic City, NJ 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 29,952	
2	Coin-operated devices revenue .....	54,212	
3	Total revenues .....		\$ 84,164
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 0	
5	Maximum adjustment (4% of line 3) .....	\$ 3,367	
6	Adjustment (the lesser of line 4 or line 5) .....		0
7	Gross revenues (line 3 less line 6) .....	\$ 84,164	
8	Tax on gross revenues - current year (8% of line 7) .....	\$ 6,733	
9	Audit or other adjustments to tax on gross revenues in prior years .....		0
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		6,733
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 417	
12	February .....	473	
13	March .....	534	
14	April .....	553	
15	May .....	593	
16	June .....	548	
17	July .....	702	
18	August .....	675	
19	September .....	624	
20	October .....	623	
21	November .....	558	
22	December .....	425	
23	January .....	8	
24	Total deposits made for tax on current year's gross revenues .....		( 6,733 )
	Settlement of prior years' tax on gross revenues		
25	resulting from audit or other adjustments - (deposits) credits .....		0
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....	\$ 0	



# ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE Eleanor Stone Associates

ADDRESS 2500 Boardwalk

Atlantic City, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1980

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



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

E. Stone Assoc

OFFICIAL TITLE

Vice President, Finance Controller

ADDRESS

2500 Boardwalk

Atlantic City, NJ 08401

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** Elsinore Shore Associates

**ADDRESS** 2500 Boardwalk

Atlantic City, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 19 88**

**TO THE**

**CASINO CONTROL COMMISSION**

**OF THE**

**STATE OF NEW JERSEY**



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

R. Bruce McKee

**OFFICIAL TITLE.....**

Vice President, Finance/Controller

**ADDRESS.....**

2500 Boardwalk

Atlantic City, NJ 08401

TRADING NAME OF LICENSEE Elsinore's Atlantis Casino Hotel

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 88  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	<b>CASINO</b>				
1	Administration .....	18			
2	Gaming .....	544			
3	Slots .....	113			
4	Casino accounting .....	183			
5	Other .....	68	\$	\$	\$
6	Total-casino .....	926	17,339	128	17,467
7	ROOMS .....	185	2,778		2,778
8	FOOD AND BEVERAGE .....	512	6,838		6,838
	<b>OTHER OPERATED DEPARTMENTS</b>				
9	Coatroom/Beach	7	88		88
10	Valet/Parking	53	679		679
11	Health Club	7	100		100
12	Gift, Lobby & Silver Shops	19	215		215
13	Laundry/Valet	19	355		355
14	Telephone	16	223		223
15					
16					
17					
18					
19					
	<b>ADMINISTRATIVE AND GENERAL</b>				
20	Executive office .....	10	248	183	431
21	Accounting and auditing .....	48	863		863
22	Security .....	147	2,989		2,989
23	Other administrative and general department ..	81	1,391		1,391
24	MARKETING .....	7	198		198
25	GUEST ENTERTAINMENT .....	17	403		403
26	PROPERTY OPERATION AND MAINTENANCE .....	71	2,432		2,432
27	TOTALS - ALL DEPARTMENTS .....	2,125	\$ 37,139	\$ 311	\$ 37,450

Trading Name of Licensee Elsinore's Atlantis Casino Hotel

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 19 88

2/21/89  
Date

R. Bruce McKee  
Signature

R. Bruce McKee

Vice President, Finance/Controller  
Title

PROPERTY OF  
 FOR THE YEAR ENDING

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	14,971	12,548	\$ 44.97	87.7%	24,693	\$23.62
1ST QUARTER TOTALS			33,924	\$ 49.12	71.5%	64,539	\$25.86
APRIL	500	14,708	12,581	\$ 63.26	85.5%	29,071	\$32.90
MAY	500	15,365	12,045	\$ 65.13	79.4%	23,668	\$30.17
JUNE	500	14,563	12,174	\$ 61.12	83.6%	24,147	\$30.81
2ND QUARTER TOTALS			36,801	\$ 63.18	82.8%	72,696	\$31.99
JULY	500	15,121	13,521	\$ 70.75	89.4%	27,036	\$35.30
AUGUST	500	15,203	12,245	\$ 72.66	80.5%	24,206	\$36.75
SEPTEMBER	500	14,971	12,061	\$ 66.50	81.9%	23,369	\$34.33
3RD QUARTER TOTALS			37,827	\$ 70.01	84.0%	74,602	\$35.50
OCTOBER	500	15,702	13,050	\$ 61.00	85.9%	26,126	\$31.68
NOVEMBER	500	14,753	10,683	\$ 63.87	72.4%	20,739	\$32.90
DECEMBER	500	14,847	7,614	\$ 55.10	61.5%	14,913	\$28.24
4TH QUARTER TOTALS			31,377	\$ 60.84	70.0%	60,778	\$31.26
ANNUAL TOTALS		177,895	139,979	\$ 61.02	78.7%	272,605	\$31.33

TRADING NAME OF LICENSEE ATLANTIS CASINO HOTEL

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 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	500	15,200	13,050	\$ 61.00	85.9 %	25,126	\$31.68
NOVEMBER	500	14,753	10,683	\$ 63.87	72.4 %	20,739	\$32.90
DECEMBER	500	14,847	7,644	\$ 55.10	51.5 %	14,913	\$28.24
4TH QUARTER TOTALS		44,800	31,377	\$ 60.54	70.0 %	60,778	\$31.26
ANNUAL TOTALS		177,898	139,979	\$ 61.02	78.7 %	272,605	\$31.33



# ANNUAL REPORT

974-901  
C193

**LICENSEE** Greate Bay Hotel & Casino, Inc.

**ADDRESS** Indiana Avenue & Brighton Park

Atlantic City, New Jersey 08401

**FOR THE YEAR ENDED DECEMBER 31, 1988**

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



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

John R. Rauen

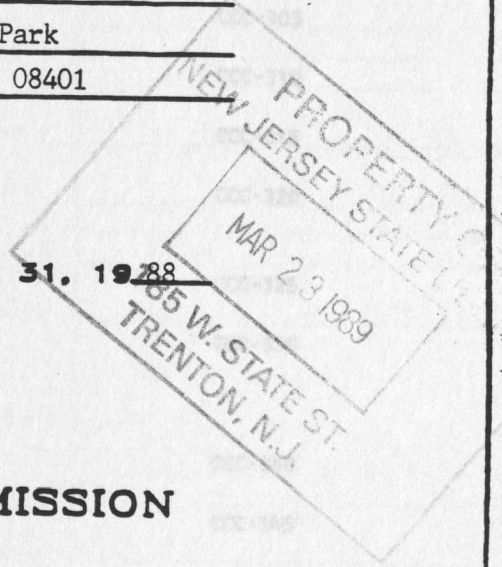
**OFFICIAL TITLE . . . . .**

Vice President Finance

**ADDRESS . . . . .**

Indiana Avenue & Brighton Park

Atlantic City, New Jersey 08401



TRADING NAME OF LICENSEE Sands Hotel & Casino

# LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 88

DESCRIPTION	(a) 19 88	(a) 19 87
<b>ASSETS</b>		
<b>CASH</b>	\$ 14,110	\$ 12,251
<b>RECEIVABLES</b>		
<b>Balance Sheets</b>	27,902	15,538
<b>Statements of Income (Year)</b>	2,617	1,908
<b>Statements of Income (Three Months)</b>	48	4,169
<b>Statements of Changes in Stockholders' Equity</b>	15	10,641
<b>PROPERTY AND EQUIPMENT</b>	177,164	176,156
<b>Statements of Changes in Partners' or Proprietor's Equity</b>	10,09	9,462
<b>LIABILITIES AND EQUITY</b>		
<b>Statements of Cash Flows</b>	250,767	230,225
<b>CURRENT LIABILITIES</b>		
<b>Schedule of Receivables and Patrons' Checks</b>	6,900	8,615
<b>Casino Departmental Schedule</b>		
<b>Statement of Conformity and Accuracy</b>	4	38
<b>Other accrued expenses</b>	12,845	12,262
<b>Other current liabilities</b>	7,270	6,013
<b>Total current liabilities</b>	35,123	25,273
<b>LONG-TERM DEBT</b>		
<b>Due to affiliates</b>	182,215	170,654
<b>Other</b>	4,432	643
<b>DEFERRED CREDITS</b>	1,015	10,573
<b>OTHER LIABILITIES</b>		
<b>Commitments and Contingencies</b>		
<b>Total Liabilities</b>	222,865	207,145
<b>Stockholders', Partners', Or Proprietor's Equity</b>	27,902	23,080
<b>Total Liabilities And Equity</b>	\$ 250,767	\$ 230,225

The accompanying notes are an integral part of the financial statements. Refer to the notes for more information.

TRADING NAME OF LICENSEE Sands Hotel & Casino

## BALANCE SHEETS

DECEMBER 31, 19 88 AND 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>ASSETS</b>		
	Current Assets:		
1	Cash .....	\$ 14,110	\$ 12,251
2	Marketable securities .....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$ 11,802 ; 19 <u>87</u> , \$ 10,865 ) .....	27,360	15,538
4	Inventories .....	2,617	1,998
5	Prepaid expenses and other current assets ..... Note 10	4,231	4,169
6	Total current assets .....	48,318	33,956
7	Investments, Advances, And Receivables ..... Note 11	15,217	10,641
8	Property And Equipment - Net ..... Note 9	177,141	176,166
9	Other Assets .....	10,091	9,462
10	Total Assets .....	\$ 250,767	\$ 230,225
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
11	Accounts payable .....	\$ 6,962	\$ 8,615
12	Notes payable .....	-	-
	Current portion of long-term debt:		
13	Due to affiliates .....	-	-
14	Other ..... Note 3	2,105	38
15	Income taxes payable and accrued .....	5,931	(355)
16	Other accrued expenses ..... Note 12	12,845	12,962
17	Other current liabilities ..... Note 13	7,270	4,013
18	Total current liabilities .....	35,113	25,273
	Long-Term Debt:		
19	Due to affiliates ..... Note 3	182,215	170,654
20	Other ..... Note 3	4,522	643
21	Deferred Credits .....	1,015	10,575
22	Other Liabilities .....	-	-
23	Commitments And Contingencies ..... Note 6	-	-
24	Total Liabilities .....	222,865	207,145
25	Stockholders', Partners', Or Proprietor's Equity .....	27,902	23,080
26	Total Liabilities And Equity .....	\$ 250,767	\$ 230,225

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

TRADING NAME OF LICENSEE Sands Hotel & Casino

**STATEMENTS OF INCOME**

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 1987

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE: (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino .....	\$ 205,667	\$ 192,554
2	Rooms .....	9,819	9,583
3	Food and beverage .....	26,411	23,768
4	Other .....	7,459	4,159
5	Total revenue .....	249,356	230,064
6	Less: promotional allowances ..... Note 14	22,931	20,080
7	Net revenue .....	226,425	209,984
	Costs And Expenses:		
8	Cost of goods and services .....	104,152	94,939
9	Selling, general, and administrative .....	74,445	65,714
10	Provision for doubtful accounts .....	3,325	1,902
11	Total .....	181,922	162,555
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	44,503	47,429
13	Depreciation and amortization .....	16,051	15,180
	Charges from affiliates:		
14	Interest .....	22,268	8,038
15	Management fees ..... Note 5	5,998	5,974
16	Other .....	-	-
17	Interest expense - external .....	459	10,629
18	Income (Loss) From Operations .....	(273)	7,608
19	Nonoperating income (expense) - net .....	1,575	936
20	Investment alternative tax and related income (expense) - net.....	(984)	(1,267)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	318	7,277
22	Provision (Credit) for income taxes ..... Note 4	1,680	4,724
23	Income (Loss) Before Extraordinary Items .....	(1,362)	2,553
24	Extraordinary items (net of income taxes - 19 <u>88</u> \$ 5,187 ; 19 <u>87</u> , \$ 1,604 ) ..... Notes 4 and 7	7,801	(1,927)
25	Net Income (Loss) .....	\$ 6,439	\$ 626

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

TRADING NAME OF LICENSEE Sands Hotel & Casino

**STATEMENTS OF INCOME**

FOR THE THREE MONTHS ENDED DECEMBER 31, 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 .....	\$ 47,840	\$ 46,640
2	Rooms .....	2,460	2,301
3	Food and beverage .....	6,282	6,380
4	Other .....	2,222	933
5	Total revenue .....	58,804	56,254
6	Less: promotional allowances ..... Note 14	5,146	5,185
7	Net revenue .....	53,658	51,069
	Costs And Expenses:		
8	Cost of goods and services .....	26,671	23,609
9	Selling, general, and administrative .....	16,479	16,681
10	Provision for doubtful accounts .....	867	657
11	Total .....	44,017	40,947
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	9,641	10,122
13	Depreciation and amortization .....	4,326	4,177
	Charges from affiliates:		
14	Interest .....	5,635	5,083
15	Management fees .....	1,502	1,397
16	Other .....	-	-
17	Interest expense - external .....	200	16
18	Income (Loss) From Operations .....	(2,022)	(551)
19	Nonoperating income (expense) - net .....	468	374
20	Investment alternative tax and related income (expense) - net.....	(236)	(245)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(1,790)	(422)
22	Provision (Credit) for income taxes .....	(232)	383
23	Income (Loss) Before Extraordinary Items .....	(1,558)	(805)
24	Extraordinary items (net of income taxes - 19 <u>88</u> , \$ 5,187 ; 19 <u>87</u> , \$ - ) ..... Notes 4 and 7	7,801	-
25	Net Income (Loss) .....	\$ 6,243	\$ (805)

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

TRADING NAME OF LICENSEE Sands Hotel & Casino

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
( \$ IN THOUANDS )

LINE (a)	DESCRIPTION (b)	19 <u>88</u>		19 <u>87</u>	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	<b>Common Stock:</b>				
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
	<b>Preferred Stock:</b>				
5	Beginning balance (January 1) .....				
6	Sale of stock .....				
7	.....				
8	Ending Balance .....				
	<b>Additional Paid-in Capital:</b>				
9	Beginning balance (January 1) .....		21,355		38,679
10	Dividends .....		(1,617)		(17,994)
11	Residual-Going Private Costs .....		-		670
12	Ending balance .....		19,738		21,355
	<b>Treasury Stock:</b>				
13	Beginning balance (January 1) .....		( )		( )
14	Purchase of additional stock .....		( )		( )
15	Sale or retirement of stock .....				
16	Ending balance .....		( )		( )
	<b>Subscriptions Receivable For Capital Stock:</b>				
17	Beginning balance (January 1) .....		( )		( )
18	.....				
19	.....				
20	Ending balance .....		( )		( )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</b>				
21	Beginning balance (January 1) .....		( )		( )
22	.....				
23	.....				
24	Ending balance .....		( )		( )
	<b>Retained Earnings:</b>				
25	Beginning balance (January 1) .....		(1,775)		1,459
26	Prior period adjustments .....				626
27	Net income (loss) .....		6,439		( 3,860 )
28	Dividends .....		( )		
29	.....				
30	.....				
31	Ending balance .....		4,664		(1,775)
32	<b>Ending Stockholders' Equity .....</b>		\$ 27,902		\$ 23,080

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 YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	Not Applicable	
		(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Invested Capital:</b>		
1	Beginning balance (January 1) .....	\$	\$
2	Additional capital invested .....		
3	.....		
4	Ending balance .....		
	<b>Accumulated Income (Loss):</b>		
5	Beginning balance (January 1) .....		
6	Prior period adjustments .....		
7	Net income (loss) .....		
8	.....		
9	Ending balance .....		
	<b>Capital Withdrawals:</b>		
10	Beginning balance (January 1) .....	( )	( )
11	Additional capital withdrawals .....	( )	( )
12	.....		
13	Ending balance .....	( )	( )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</b>		
14	Beginning balance (January 1) .....	( )	( )
15	.....		
16	.....		
17	Ending balance .....	( )	( )
18	<b>Ending Partners' Or Proprietor's Equity .....</b>	<b>\$</b>	<b>\$</b>

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

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(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.....	\$ 7,361	\$ 23,392
	<b>Cash Flows From Investing Activities:</b>		
2	Purchase of short-term investment securities.....		
3	Proceeds from the sale of short-term investment securities.....		
4	Cash outflows for property and equipment.....	(15,428)	(24,874)
5	Proceeds from disposition of property and equipment.....		
6	Purchase of casino reinvestment obligations.....	(5,603)	(5,196)
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 PP&amp;E</u> .....	-	(670)
11			
12	Net Cash Provided (Used) By Investing Activities.....	(21,031)	(30,740)
	<b>Cash Flows From Financing Activities:</b>		
13	Cash proceeds from issuance of short-term debt.....	2,100	-
14	Payments to settle short-term debt .....	(38)	(16,581)
15	Cash proceeds from issuance of long-term debt.....	17,600	183,918
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(2,516)	-
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....	(1,617)	(21,854)
21	<u>Retirement of Long-Term Debt</u> .....	-	(137,226)
22	<u>Other Pushdown for Equity</u> .....	-	670
23	Net Cash Provided (Used) By Financing Activities.....	15,529	8,927
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	1,859	1,579
25	Cash And Cash Equivalents At Beginning Of Year .....	12,251	10,672
26	Cash And Cash Equivalents At End Of Year.....	\$ 14,110	\$ 12,251

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Year For:			
27	Interest (net of amount capitalized).....	\$ 22,727	\$ 18,667
28	Income taxes.....	\$ 11,118	\$ 4,204

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

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 1987  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
<b>Net Cash Flows From Operating Activities:</b>			
29	Net income (loss).....	\$ 6,439	\$ 626
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	14,453	15,180
31	Amortization of other assets.....	1,598	-
32	Amortization of debt discount or premium.....	361	-
33	Deferred income taxes - current.....	6,286	(10,742)
34	Deferred income taxes - noncurrent.....	(10,512)	9,658
35	(Gain) loss on disposition of property and equipment.....		
36	(Gain) loss on casino reinvestment obligations.....	984	1,267
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	(11,822)	3,882
39	Net (increase) decrease in inventories.....	(619)	(827)
40	Net (increase) decrease in other current assets.....	(62)	1,280
41	Net (increase) decrease in other assets.....	(1,275)	(6,288)
42	Net increase (decrease) in accounts payables.....	(1,653)	(1,349)
43	Net increase (decrease) in other current liabilities excluding debt.....	3,140	(533)
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	-	(385)
45			
46	Net (increase) decrease in Investments net of CRDA .....	43	11,623
47	Net Cash Provided (Used) By Operating Activities.....	\$ 7,361	\$ 23,392

### SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

<b>Acquisition Of Property And Equipment:</b>			
48	Additions to property and equipment.....	\$ 15,428	\$ 24,874
49	Less: Capital lease obligations incurred.....		
50	Cash Outflows For Property And Equipment.....	\$ 15,428	\$ 24,874
<b>Acquisition Of Business Entities:</b>			
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.....	\$	\$
<b>Stock Issued Or Capital Contributions:</b>			
57	Total issuances of stock or capital contributions.....	\$	\$
58	Less: Issuances to settle long-term debt.....		
59	Consideration in acquisition of business entities.....		
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$	\$

**GREATE BAY HOTEL & CASINO, INC.**  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

**NOTES TO FINANCIAL STATEMENTS**

**(1) Organization and business**

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

GEH&C operates in one industry segment. All significant revenues arise from its casino and supporting hotel operations.

**(2) Summary of significant accounting policies**

The significant accounting policies followed in the preparation of the accompanying financial statements are discussed below.

**Casino revenues and promotional allowances -**

GEH&C recognizes as casino revenues the net win from gaming activities, which is the difference between gaming wins and losses. Casino revenues are net of accruals for anticipated progressive jackpot (slot machine) payouts. Such anticipated jackpot payouts are reflected as current liabilities in the accompanying balance sheets. The retail value of rooms, food, beverage and other items included in revenues which were provided to customers without charge, has been deducted as promotional allowances, while the actual costs of such allowances have been included as operating expenses in the accompanying statements of income.

**Allowance for doubtful accounts -**

The allowance for doubtful accounts is maintained at a level considered adequate to provide for possible future losses. Provisions for doubtful accounts amounting to \$3,325,000 and \$1,902,000 were made during the years ended December 31, 1988 and 1987, respectively.

**GREATE BAY HOTEL & CASINO, INC.**  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**Inventories -**

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market.

**Property and equipment -**

Property and equipment have been recorded at cost and are being depreciated over their estimated useful lives utilizing the straight-line method based on the following:

Buildings	25 years
Furniture and Equipment	3-7 years

During 1987 GEH&C recorded an increase to buildings of \$670,000 through a capital contribution related to its going private transaction in 1985.

**Deferred financing costs -**

The costs of issuing long-term debt, including all underwriting, legal and accounting fees, have been capitalized and are being amortized over the term of the related debt issue. Deferred financing costs amounted to \$9,138,000 and \$9,388,000 at December 31, 1988 and 1987, respectively. Amortization of such costs were \$1,598,000 and \$1,064,000 for the years ended December 31, 1988 and 1987, respectively.

**Interest expense -**

Interest expense related to property and equipment acquisitions has been capitalized during the acquisition period and is being amortized over the useful lives of the related assets. Interest in amounts of \$106,000 and \$1,197,000 were capitalized as of December 31, 1988 and 1987, respectively. Interest expense is net of interest income amounting to \$1,575,000 and \$936,000 for the years ended December 31, 1988 and 1987, respectively. Interest expense includes accretion of debt discount amounting to \$361,000 and \$150,000 for the years ended December 31, 1988 and 1987, respectively. Interest paid on GEH&C's total indebtedness for the years ended December 31, 1988 and 1987 amounted to \$21,951,000 and \$20,100,000, respectively.

**Income taxes -**

GEH&C is included in Pratt's consolidated federal income tax return. Pursuant to agreements between GEH&C and Pratt Casino Properties and Pratt,

**GREATE BAY HOTEL & CASINO, INC.**  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

GEH&C's provision for federal income taxes has been based on the amount of tax which would have been provided if a separate federal return were filed. GEH&C has paid \$1,622,000 and \$1,725,000 in connection with its current federal tax provisions for 1988 and 1987, respectively, and \$9,050,000 and \$1,225,000 in connection with its deferred federal tax provisions, for the years ended December 31, 1988 and 1987, respectively. Commencing February 1988, in connection with certain mortgage indenture provisions, GEH&C has not and will not be required to make any additional payments related to its deferred federal income taxes. For the years ended December 31, 1988 and 1987, GEH&C paid state income taxes of \$446,000 and \$1,254,000, respectively. Prior to 1987, investment tax credits were accounted for as reductions of income tax expense in the year in which the related assets were placed in service.

**Reclassifications -**

Certain reclassifications have been made to the prior years' financial statements to conform to the current year's financial statement presentation.

**(3) Long-term debt and pledge of assets**

	December 31,	
	1988	1987
11.75% first mortgage notes, due 1994, net of discount of \$2,376,000 and \$2,015,000, respectively (a)	\$ 171,015,000	\$ 170,654,000
16.5% promissory note due 1998 (b)	11,200,000	-
Construction loan (c)	6,125,000	-
Other	502,000	681,000
	188,842,000	171,335,000
Less - current maturities	2,105,000	38,000
	\$ 186,737,000	\$ 171,297,000

(a) On August 6, 1987, GEH&C borrowed \$173,030,000 from Greate Bay Property Funding Corp. ("Funding"), an affiliate, and issued seven-year nonrecourse first mortgage notes (the "Notes"). The Notes bear interest at 11.75% per annum, payable monthly; interest only is payable during the first four years; and thereafter, principal, with

**GREATER BAY HOTEL & CASINO, INC.**  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

interest, is payable in monthly installments of \$2,049,000 based on a 15-year amortization schedule with the unpaid balance of \$158,310,000 due during August 1994.

The mortgage indenture contains various provisions that, among other things, restrict the ability of GBH&C to incur additional secured indebtedness, to create additional liens on the property or sell the casino/hotel. Additionally, maintenance of certain cash balances is required, as well as a requirement that, commencing in 1988, a minimum of \$5,000,000 be committed annually for property and fixture renewals, replacements and betterments. Southmark Corporation, a minority shareholder of Pratt, received \$1,700,000 (including \$1,200,000 paid in 1988) in connection with its assistance in coordinating this transaction. Substantially all of GBH&C's assets are pledged as collateral for this mortgage and the mortgage is guaranteed to the extent of \$10,000,000 by Pratt.

- (b) In February 1988, GBH&C borrowed \$11,200,000 from an affiliate, the proceeds of which were principally used to refinance an existing liability to another affiliate. The note bears interest at 16.5% per annum, payable semi-annually in March and September and the note matures in March 1998.
- (c) During December 1987, GBH&C entered into a \$7,000,000 loan agreement with a certain bank. The proceeds were used to finance a specific construction project which was completed during June 1988. The note bears interest at 1% above the bank's prime lending rate and provides for equal monthly principal payments of \$175,000 until maturity in November 1991.

As of December 31, 1988 and 1987, GBH&C had \$3,000,000 available under a line of credit, and as of such dates had repaid all amounts borrowed under such line. During 1988 and 1987, the maximum balances outstanding on GBH&C's lines of credit amounted to \$1,500,000 and \$8,890,000, respectively. The average balances outstanding for the same periods were \$333,000 and \$4,352,000, respectively. Interest on borrowings under the line of credit is calculated at 1% above the prime lending rate of a certain bank. On February 29, 1989, GBH&C modified its existing line of credit and increased the amount available to \$5,000,000. The modified line of credit is guaranteed by Pratt Casino Properties.

**GREATE BAY HOTEL & CASINO, INC.**  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Maturities of long-term debt as of December 31, 1988 amounted to:

1989	\$ 2,105,000
1990	1,674,000
1991	2,939,000
1992	4,246,000
1993	4,827,000
Thereafter	<u>173,051,000</u>
Total	<u>\$ 188,842,000</u>

**(4) Income taxes**

Components of the provision for income taxes consisted of the following:

	<u>Year Ended December 31,</u>	
	<u>1988</u>	<u>1987</u>
Provision (benefit) in lieu of		
Federal income taxes:		
Current	\$ 2,214,000	\$ 727,000
Deferred	(907,000)	3,100,000
State income tax provision (benefit):		
Current	613,000	244,000
Deferred	<u>(240,000)</u>	<u>653,000</u>
	<u>\$ 1,680,000</u>	<u>\$ 4,724,000</u>

The extraordinary item for 1988 is net of a related federal and state tax provision of \$5,187,000, and the extraordinary item for 1987 is net of a related tax benefit of \$1,604,000.

Deferred income taxes result primarily from the use of accelerated methods of depreciation for federal and state income tax purposes for the 1987 period. The deferred income tax benefits in 1988 result primarily from the change from the allowance method to the direct write-off method for the provision for doubtful accounts for tax purposes as required by the Tax Reform Act of 1986.

The difference between the statutory tax rate and the effective federal income tax rate is primarily attributable to the nondeductibility of (i) certain depreciation and amortization expenses and (ii) certain travel and entertainment expenses, offset by the utilization of investment tax credits and job tax credits.

**GREATE BAY HOTEL & CASINO, INC.**  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

The Internal Revenue Service is currently examining the federal income tax returns of GEH&C for the years 1980 through 1983. In the opinion of management, the results of such examination will not have a material adverse effect on GEH&C's financial position.

During December 1987, the Financial Accounting Standards Board issued a new standard on accounting for income taxes. GEH&C is required to adopt and anticipates the adoption of the new accounting standard and disclosure rules no later than its fiscal year ended December 31, 1990. Based on existing conditions and a preliminary review, GEH&C expects the adoption of the new accounting standard to have a favorable impact on both reported net income and financial position.

**(5) Transactions with related parties**

Pratt Casino Management, Inc. ("PCMI"), under a management agreement with GEH&C, is responsible for the supervision, direction and control of the day-to-day operations of the casino/hotel. PCMI is entitled to receive annually (i) a basic consulting fee of 1 1/2% of "adjusted gross revenues" as defined, and (ii) incentive compensation of between 5% and 7 1/2% of gross operating profits in excess of certain stated amounts should annual "gross operating profits" as defined, exceed \$5,000,000. Such fees amounted to \$5,998,000 and \$5,974,000 during the years ended December 31, 1988 and 1987 respectively.

GEH&C licenses the trade name "Sands" from a subsidiary of Pratt, who licenses the name from an unaffiliated party. Amounts payable by GEH&C under this agreement are equal to the amounts paid to the unaffiliated party. Such charges amounted to \$294,000 and \$288,000, for the years ended December 31, 1988 and 1987, respectively.

**(6) Contingencies**

GEH&C is a party to various legal proceedings with respect to its normal conduct of casino/hotel operations. It is the opinion of management, based upon the advice of counsel, that the settlement or resolution of these proceedings will not have a material adverse impact upon GEH&C's financial position.

GREATE BAY HOTEL & CASINO, INC.  
 (a wholly owned subsidiary of Pratt Casino Properties, Inc.)

NOTES TO FINANCIAL STATEMENTS (Continued)

GREATE BAY HOTEL & CASINO, INC.  
 (a wholly owned subsidiary of Pratt Casino Properties, Inc.)

NOTES TO FINANCIAL STATEMENTS (Continued)

(7) Arbitration Award

In January 1989, the American Arbitration Association issued a determination in favor of GBH&C on its claim against a construction management company for damages due to improper performance in the completion of the renovation of the casino/hotel during 1983 and 1984. The arbitration award, including interest through January 31, 1989, totalled \$14,500,000. Although the construction management company has advised GBH&C that it intends to request that the Superior Court of New Jersey modify or vacate the arbitration award, GBH&C believes this amount is collectable and, based on the advice of counsel, believes that the likelihood of the award being modified or vacated is remote. The award has been reflected in the accompanying financial statements as of December 31, 1988 as an extraordinary item, net of \$6,700,000 of related costs and income taxes.

(8) Acquisition and Renovation of Office Building

In December, 1988, GBH&C purchased a building, for \$1,900,000 in Atlantic City for the purpose of renovation into an office complex for personnel. GBH&C is presently concluding negotiations for a developer to purchase the building and complete the renovation. The developer would then lease the office complex to GBH&C under an operating lease with a 20 year term and annual lease payments of approximately \$1,400,000. It is anticipated that the developer will complete the office complex during the second quarter of 1990. Upon completion of the office complex, the existing offices in the casino/hotel building will be converted into 37 hotel rooms. It is estimated that the rooms will be completed prior to the 1991 summer season.

and promotions	\$ 398,000	\$ 634,000
prepaid licenses and permits	366,000	412,000
Prepaid taxes	257,000	284,000
miscellaneous prepaids	462,000	318,000
Prepaid air charters	52,000	166,000
Prepaids	2,832,300	273,000
Prepaid insurance	400,000	753,000
Other deferred charges	13,000	336,000
Other	171,000	353,000
Total prepaid expenses		
and other current assets	\$ 4,231,000	\$ 4,189,000

**GREATE BAY HOTEL & CASINO, INC.**  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(9) Property and Equipment**

Property and equipment as of December 31, 1988 and 1987 consisted of the following:

	<u>1988</u>	<u>1987</u>
Land	\$ 36,179,000	\$ 36,179,000
Buildings	148,719,000	139,933,000
Furniture, fixtures and equipment	75,053,000	68,711,000
Construction in progress	<u>1,666,000</u>	<u>1,385,000</u>
	261,617,000	246,208,000
Less: accumulated depreciation and amortization	<u>84,476,000</u>	<u>70,042,000</u>
 Total property and equipment	 \$177,141,000	 \$176,166,000
	=====	=====

**(10) Prepaid Expenses and Other Current Assets**

At December 31, 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	\$ 396,000	\$ 634,000
Prepaid licenses and permits	366,000	412,000
Prepaid taxes	257,000	284,000
Miscellaneous prepaids	362,000	218,000
Prepaid air charters	52,000	186,000
Deposits	2,212,000	273,000
Prepaid insurance	402,000	763,000
Other deferred charges	13,000	936,000
Other	<u>171,000</u>	<u>463,000</u>
 Total prepaid expenses and other current assets	 \$ 4,231,000	 \$ 4,169,000
	=====	=====

**GREATE BAY HOTEL & CASINO, INC.**  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(11) Investments, Advances and Receivables**

At December 31, 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 \$4,371,000 and \$3,387,000 at December 31, 1988 and 1987, respectively)	\$14,747,000	\$10,128,000
Other	<u>470,000</u>	<u>513,000</u>
Total Investments, Advances and Receivables	\$15,217,000	\$10,641,000
	=====	=====

**(12) Other Accrued Expenses**

At December 31, 1988 and 1987, the line item Other Accrued Expenses is comprised of the following:

	<u>1988</u>	<u>1987</u>
Accrued salaries and wages	\$ 1,248,000	\$ 1,888,000
Accrued vacation	1,200,000	1,200,000
Other accrued expenses	718,000	1,460,000
Accrued interest on debt obligations	1,990,000	1,469,000
Accrued progressive slot machine jackpot	3,210,000	3,429,000
Accrued C.C.C. inspection fees	262,000	251,000
Accrued D.G.E. inspection fees	153,000	132,000
Accrued casino license fees	276,000	103,000
Accrued insurance	1,650,000	1,365,000
F.I.C.A. payable	277,000	282,000
NJ Sales Tax	67,000	147,000
S.U.I payable	267,000	252,000
Gaming revenue tax	479,000	348,000
Other	<u>1,048,000</u>	<u>636,000</u>
Total other accrued expenses	\$ 12,845,000	\$ 12,962,000
	=====	=====

**GREATE BAY HOTEL & CASINO, INC.**  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(13) Other Current Liabilities**

At December 31, 1988 and 1987, the line item Other Current Liabilities is comprised of the following:

	<u>1988</u>	<u>1987</u>
Unredeemed gaming chips liability	\$ 844,000	\$ 778,000
Unredeemed token liability	159,000	141,000
Casino customer deposits	501,000	445,000
Unclaimed wages	172,000	170,000
Advance deposits	56,000	31,000
Obligatory investments	3,662,000	574,000
Retainage on Construction	7,000	738,000
Due to affiliates	1,323,000	218,000
Deferred trade out liability	69,000	67,000
Red Carpet Slot liability	305,000	389,000
Other	<u>172,000</u>	<u>412,000</u>
Total Other Current Liabilities	<u>\$ 7,270,000</u>	<u>\$ 4,013,000</u>

**(14) Promotional Allowances and Expenses**

A summary of Promotional Allowances and Expenses incurred during the twelve month period ended December 31, 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	124,400	\$ 3,447,000		
Food	736,959	7,046,000		
Beverage	1,621,746	9,730,000		
Travel			22,821	\$ 5,920,000
Theatre	72,420	2,009,000		
Parking	51,369	411,000	20,200	162,000
Bus Tour Coupon				
Exchange Coin			1,057,947	18,566,000
Food Court - Other			484,609	3,485,000
Red Carpet Certificates			747,915	1,638,000
Other	35,931	<u>288,000</u>	42,115	<u>1,376,000</u>
Total Promotional Allowances and Expenses		<u>\$22,931,000</u>		<u>\$31,147,000</u>

**GREATE BAY HOTEL & CASINO, INC.**  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**(14) Promotional Allowances and Expenses (Continued)**

A summary of Promotional Allowances and Expenses incurred during the three month period ended December 31, 1988 is as follows:

	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>		
	No. of Recipients	Dollar Amount	No. of Recipients	Dollar Amount	Balance 12-31-88
Rooms	27,261	\$ 807,000			
Food	151,750	1,624,000			
Beverage	373,208	2,239,000			
Travel			5,535	\$1,213,000	
Theatre	9,684	322,000			
Parking	11,592	93,000	171	2,000	
Bus Tour Coupon					
Exchange Coin			221,799	3,744,000	
Food Court - Other			108,447	317,000	
Red Carpet Certificates			169,280	394,000	
Other	7,613	61,000	20,200	276,000	
<b>Total Promotional Allowances and Expenses</b>		<b>\$5,146,000</b>		<b>\$6,446,000</b>	

GREATE BAY HOTEL & CASINO, INC.  
(a wholly owned subsidiary of Pratt Casino Properties, Inc.)

NOTES TO FINANCIAL STATEMENTS (Continued)

(15) Reconciliation of income tax provision to statement of cash flows

DESCRIPTION	ACCOUNT BALANCE	ALLOWANCE	ACCOUNTS RECEIVABLE - NET OF ALLOWANCE
(1)	(2)	(3)	(4)
Balance 12-31-87			Balance 12-31-88
Provision			
Tax Effect of Extraordinary Item			
Payments			
Other			
Balance 12-31-86			Balance 12-31-87
Provision			
Tax Effect of Extraordinary Item			
Payments			
Other			
Balance 12-31-86			Balance 12-31-87
Provision			
Tax Effect of Extraordinary Item			
Payments			
Other			
Balance 12-31-86			Balance 12-31-87
Provision			
Tax Effect of Extraordinary Item			
Payments			
Other			

Accrued federal taxes:						
Current	\$ (559,000)	\$ 2,214,000	\$ 4,018,000	\$(1,622,000)	\$ 560,000	\$ 4,611,000
Deferred	9,565,000	(907,000)	-	(9,050,000)	(560,000)	(952,000)
Accrued state taxes:						
Current	(355,000)	613,000	1,169,000	(446,000)	339,000	1,320,000
Deferred	1,569,000	(240,000)	-	-	(314,000)	1,015,000

Accrued federal taxes:						
Current	\$ 751,000	\$ 727,000	\$(1,286,000)	\$(1,725,000)	\$ 974,000	\$ (559,000)
Deferred	8,664,000	3,100,000	-	(1,225,000)	(974,000)	9,565,000
Accrued state taxes:						
Current	973,000	244,000	(318,000)	(1,254,000)	-	(355,000)
Deferred	916,000	653,000	-	-	-	1,569,000

TRADING NAME OF LICENSEE Sands Hotel & Casino

## SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
<b>Patrons' Checks:</b>				
1	Undeposited patrons' checks .....	\$ 7,053		
2	Returned patrons' checks .....	14,900		
3	Total patrons' checks .....	21,953	\$ 11,713	\$ 10,240
4	Hotel Receivables .....	685	89	596
<b>Other Receivables:</b>				
5	Receivables due from officers and employees.....	-		
6	Receivables due from affiliates .....	840		
7	Other accounts and notes receivables .....	15,684		
8	Total other receivables .....	16,524		16,524
9	Totals (Form 305).....	\$ 39,162	\$ 11,802	\$ 27,360

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
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) .....	231,502
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) .....	( 173,029 )
13	Checks collected through deposits .....	( 51,431 )
14	Checks transferred to returned checks .....	( 8,994 )
15	Other adjustments .....	
16	Ending Balance .....	\$ 7,053
17	"Hold" Checks Included In Balance On Line 16 .....	-
18	Provision For Uncollectible Patrons' Checks .....	\$ 3,085
19	Provision As A Percent Of Counter Checks Issued .....	1.33 %

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE Sands Hotel & Casino

CASINO DEPARTMENTAL SCHEDULE

STATE OF New Jersey

COUNTY OF Atlantic FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack .....	41,226	\$ 301,492	13.7 %	63
2	Craps .....	33,956	236,209	14.4	18
3	Roulette .....	11,113	41,287	26.9	12
4	Big Six .....	1,898	3,924	48.4	3
5	Baccarat .....	9,477	61,898	15.3	3
6	Other table games .....	-	-	-	-
7	Total table games revenue .....	97,670	\$ 644,810	15.2 %	99
			HANDLE		
8	\$.05 slot machines .....	3,146	\$ 20,032	15.7 %	77
9	\$.25 slot machines .....	41,558	279,690	14.9	647
10	\$1.00 slot machines .....	15,998	127,055	12.6	166
11	Other slot machines .....	47,076	465,360	10.1	534
12	Total coin-operated devices revenue .....	107,778	\$ 892,137	12.1 %	1,424
13	Progressive jackpot adjustment .....	219			
14	Total coin-operated devices revenue after adjustment .....	107,997			
15	Other income .....	-			
16	Total revenue .....	205,667			
	Expenses:				
17	Payroll and payroll related expenses .....	31,025			
18	Licenses and taxes .....	20,254			
19	Provision for uncollectible patrons' checks .....	3,085			
20	Other .....	4,108			
21	Total .....	58,472			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	147,195			
	Complimentary services and casino management fees:				
23	Complimentary services .....	9,206			
24	Casino management fees .....	-			
25	Total .....	9,206			
26	Departmental Income (Loss) .....	\$ 137,989			



# GROSS REVENUE ANNUAL TAX RETURN

**LICENSEE** Greate Bay Hotel & Casino, Inc.

**ADDRESS** Indiana Avenue & Brighton Park  
Atlantic City, New Jersey 08401

**FOR THE YEAR ENDED DECEMBER 31, 19 88**

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

John R. Rauen

**OFFICIAL TITLE**.....

Vice President, Finance

**ADDRESS** .....

Indiana Avenue & Brighton Park

Atlantic City, New Jersey 08401

TRADING NAME OF LICENSEE Sands Hotel & Casino

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 88

STATE OF New Jersey

(UNAUDITED)

COUNTY OF Atlantic

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 97,670,353	
2	Coin-operated devices revenue .....	107,778,044	
3	Total revenues .....		\$205,448,397
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 3,083,982	
5	Maximum adjustment (4% of line 3) .....	\$ 8,217,936	
6	Adjustment (the lesser of line 4 or line 5) .....		3,083,982
7	Gross revenues (line 3 less line 6) .....		\$202,364,415
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 16,189,153
9	Audit or other adjustments to tax on gross revenues in prior years .....		-
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		16,189,153
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 709,413.63	
12	February .....	1,402,213.00	
13	March .....	1,142,756.58	
14	April .....	1,298,756.00	
15	May .....	1,254,034.00	
16	June .....	1,602,006.00	
17	July .....	1,537,901.00	
18	August .....	1,944,331.00	
19	September .....	1,320,390.00	
20	October .....	1,096,135.00	
21	November .....	1,467,231.00	
22	December .....	911,738.00	
23	January .....	502,277.48	
24	Total deposits made for tax on current year's gross revenues .....		( 16,189,153 )
	Settlement of prior years' tax on gross revenues		
25	resulting from audit or other adjustments - (deposits) credits .....		-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....	\$	-

STATEMENT OF CONFORMITY AND ACCURACY

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

John R. Rauen, being duly sworn according  
Name

to law upon my oath deposes and says:

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

*John R. Rauen*  
Signature

Vice President, Finance  
Title

866-11  
License Number

Subscribed and sworn to  
before me this 15<sup>th</sup> day  
of March, 1957.

*Donald K. ...*  
Signature

NOTARY PUBLIC IN THE STATE OF NEW JERSEY  
My Commission Expires ...

Basis of Authority  
to Take Oaths

On Behalf Of:

Greate Bay Hotel & Casino, Inc.  
Casino Licensee



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

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** Greate Bay Hotel & Casino, Inc.

**ADDRESS** Indiana Avenue & Brighton Park  
Atlantic City, New Jersey 08401

FOR THE YEAR ENDED DECEMBER 31, 19

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

John R. Rauen

**OFFICIAL TITLE .....**

Vice President, Finance

**ADDRESS .....**

Indiana Avenue & Brighton Park

Atlantic City, New Jersey 08401

TRADING NAME OF LICENSEE Sands Hotel & Casino**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 88  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	<b>CASINO</b>				
1	Administration .....	17	360	159	519
2	Gaming .....	785	14,612	499	15,111
3	Slots .....	86	1,977	-	1,977
4	Casino accounting .....	362	5,411	132	5,543
5	Other .....	191	\$ 5,301	\$ -	\$ 5,301
6	Total-casino .....	1,441	27,661	790	28,451
7	ROOMS .....	279	4,205	109	4,314
8	FOOD AND BEVERAGE .....	590	7,961	-	7,961
	<b>OTHER OPERATED DEPARTMENTS</b>				
9	Hotel Accounting	84	1,486	-	1,486
10	Garage	69	744	-	744
11					
12					
13					
14					
15					
16					
17					
18					
19					
	<b>ADMINISTRATIVE AND GENERAL</b>				
20	Executive office .....	14	110	635	745
21	Accounting and auditing .....	44	1,099	303	1,402
22	Security .....	114	650	89	739
23	Other administrative and general department ..	174	3,704	360	4,064
24	MARKETING .....	40	1,669	110	1,779
		53	983	-	983
		43	1,305	-	1,305
		2,945	\$ 51,577	\$ 2,396	\$ 53,973

Trading Name of Licensee Sands Hotel & Casino

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 19 88

March 15, 1989  
Date

  
Signature

Vice President, Finance  
Title

PERSON	NUMBER OF GUEST ROOMS AVAILABLE IN PROPERTY	NUMBER OF GUEST ROOMS OCCUPIED	AVERAGE RATE PER GUEST	NUMBER OF GUESTS	AVERAGE RATE PER GUEST
JANUARY	500	12,190	\$ 50	22,888	\$17.27
FEBRUARY	500	11,857	\$ 50	22,500	\$17.4
MARCH	500	11,857	\$ 50	22,500	\$17.4
Q1 QUARTER TOTALS	1,500	35,904	\$ 50	67,888	\$17.27
APRIL	500	11,857	\$ 50	22,500	\$17.4
MAY	500	11,857	\$ 50	22,500	\$17.4
Q2 QUARTER TOTALS	1,500	35,571	\$ 50	67,500	\$17.4
JUNE	500	11,857	\$ 50	22,500	\$17.4
JULY	500	11,857	\$ 50	22,500	\$17.4
Q3 QUARTER TOTALS	1,500	35,571	\$ 50	67,500	\$17.4
AUGUST	500	11,857	\$ 50	22,500	\$17.4
SEPTEMBER	500	11,857	\$ 50	22,500	\$17.4
Q4 QUARTER TOTALS	1,500	35,571	\$ 50	67,500	\$17.4
OCTOBER	500	11,857	\$ 50	22,500	\$17.4
NOVEMBER	500	11,857	\$ 50	22,500	\$17.4
DECEMBER	500	11,857	\$ 50	22,500	\$17.4
4TH QUARTER TOTALS	1,500	35,571	\$ 50	67,500	\$17.4
ANNUAL TOTALS	6,000	140,503	\$ 50	266,411	\$17.26

TRADING NAME OF LICENSEE SANDS HOTEL AND CASINO

## HOTEL STATISTICS

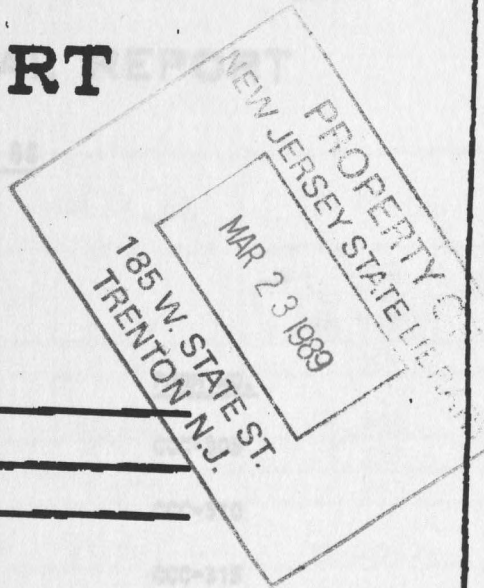
FOR THE 12 MONTHS ENDED December 31, 1988

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	500	15,500	14,092	\$ 67.13	90.9 %	24,672	\$38.34
NOVEMBER	500	15,000	13,143	\$ 63.94	87.6 %	24,215	\$34.71
DECEMBER	500	15,500	11,493	\$ 61.06	74.1 %	21,265	\$33.00
4TH QUARTER TOTALS		46,000	38,728	\$ 64.25	84.2 %	70,152	\$35.47
ANNUAL TOTALS		183,000	160,507	\$ 61.34	87.7 %	296,011	\$33.26



974-401  
C193

# ANNUAL REPORT



**LICENSEE** MARINA ASSOCIATES  
**ADDRESS** 1725 BRIGANTINE BOULEVARD  
ATLANTIC CITY, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 1988**

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



**NAME OF OFFICER IN CHARGE OF CORRESPONDENCE REGARDING THIS ANNUAL REPORT** . . . . . GEORGE M. RINALDI  
**OFFICIAL TITLE** . . . . . VICE PRESIDENT OF FINANCE  
**ADDRESS** . . . . . 1725 BRIGANTINE BOULEVARD  
ATLANTIC CITY, NJ 08401

TRADING NAME OF LICENSEE Harrah's Marina Hotel Casino

# LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 88

DESCRIPTION (a)	(b) 19 <u>88</u>	(c) 19 <u>87</u>
<b>ASSETS</b>		
<b>TITLE</b>		<b>FORM NO.</b>
Balance Sheets	14,579	10,264
Statements of Income (Year)	10,264	5,953
Statements of Income (Three Months)	2,382	3,383
Statements of Changes in Stockholders' Equity	27,355	28,466
Statements of Changes in Partners' or Proprietor's Equity	226,455	173,800
Statements of Cash Flows	217,777	271,890
Notes to Financial Statements	1,473,353	1,390,421
Schedule of Receivables and Patrons' Checks	3,457	2,477
Casino Departmental Schedule	-0-	-0-
Statement of Conformity and Accuracy	1,473,353	1,390,421
<b>LIABILITIES AND EQUITY</b>		
Liabilities	18,652	12,854
Stockholders', Partners', or Proprietor's Equity	1,454,701	1,377,567
Total Liabilities and Equity	1,473,353	1,390,421

The accompanying notes are an integral part of the financial statements. Refer to the notes for more information.

# BALANCE SHEETS

DECEMBER 31, 19 88 AND 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
<b>ASSETS</b>		
Current Assets:	\$	\$
Cash .....	14,579	10,264
Marketable securities .....	-0-	-0-
Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$ 4,441 ; 19 <u>87</u> , \$ 6,106 ) .....	10,200	9,965
Inventories .....	2,183	2,392
Prepaid expenses and other current assets ..... (Note 11)	1,030	5,845
<b>Total current assets .....</b>	<b>27,992</b>	<b>28,466</b>
Investments, Advances, And Receivables ..... (Note 4)	226,496	132,600
Property And Equipment - Net ..... (Note 2)	217,788	221,890
Other Assets .....	3,277	7,465
<b>Total Assets .....</b>	<b>\$ 475,553</b>	<b>\$ 390,421</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:	\$	\$
Accounts payable .....	3,490	2,477
Notes payable .....	-0-	-0-
Current portion of long-term debt:		
Due to affiliates .....	-0-	-0-
Other ..... (Note 3)	5	5
Income taxes payable and accrued ..... (Note 8)	1,691	2,385
Other accrued expenses ..... (Note 8)	18,692	12,454
Other current liabilities ..... (Note 9)	1,043	1,199
<b>Total current liabilities .....</b>	<b>24,921</b>	<b>18,520</b>
Long-Term Debt:		
Due to affiliates .....	-0-	-0-
Other ..... (Note 3)	3	8
Deferred Credits .....	-0-	-0-
Other Liabilities ..... (Note 10)	24,876	18,957
Commitments And Contingencies		
<b>Total Liabilities .....</b>	<b>49,800</b>	<b>37,485</b>
<b>Stockholders', Partners', Or Proprietor's Equity .....</b>	<b>425,753</b>	<b>352,936</b>
<b>Total Liabilities And Equity .....</b>	<b>\$ 475,553</b>	<b>\$ 390,421</b>

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 YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
Revenue:	\$	\$
Casino .....	280,358	246,322
Rooms .....	22,283	20,747
Food and beverage .....	46,033	40,559
Other .....	8,734	7,648
Total revenue .....	357,408	315,276
Less: promotional allowances ..... (Note 7)	43,344	33,804
Net revenue .....	314,064	281,472
Costs And Expenses:		
Cost of goods and services .....	164,937	151,839
Selling, general, and administrative .....	56,603	47,110
Provision for doubtful accounts .....	1,095	1,928
Total .....	222,635	200,877
Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	91,429	80,595
Depreciation and amortization .....	13,146	13,289
Charges from affiliates:		
Interest .....	-0-	-0-
Management fees .....	-0-	-0-
Other ..... (Note 13)	-0-	501
Interest expense - external ..... (Note 12)	2	1,689
Income (Loss) From Operations .....	78,281	65,116
Nonoperating income (expense) - net .....	1,718	711
Investment alternative tax and related income (expense) - net.....	3	( 943)
Income (Loss) Before Income Taxes And Extraordinary Items.....	80,002	64,884
Provision (Credit) for income taxes ..... (Note 14)	7,185	5,858
Income (Loss) Before Extraordinary Items .....	72,817	59,026
Extraordinary items (net of income taxes - 19 <u>88</u> , \$                      , 19 <u>87</u> , \$                      ) .....	-0-	-0-
Net Income (Loss) .....	\$ 72,817	\$ 59,026

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 THREE MONTHS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
<b>Revenue:</b>		
Casino .....	67,614	59,840
Rooms .....	4,976	4,748
Food and beverage .....	10,815	10,493
Other .....	2,142	2,034
Total revenue .....	85,547	77,115
Less: promotional allowances ..... (Note 7) .....	10,283	9,185
Net revenue .....	75,264	67,930
<b>Costs And Expenses:</b>		
Cost of goods and services .....	42,373	36,158
Selling, general, and administrative .....	15,746	13,281
Provision for doubtful accounts .....	( 218)	( 4)
Total .....	57,901	49,435
Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	17,363	18,495
Depreciation and amortization .....	3,306	3,368
Charges from affiliates:		
Interest .....	-0-	-0-
Management fees .....	-0-	-0-
Other .....	( 3)	1
Interest expense - external .....	14,060	15,126
Income (Loss) From Operations .....	550	439
Nonoperating income (expense) - net .....	-0-	-0-
Investment alternative tax and related income (expense) - net.....	14,610	15,565
Income (Loss) Before Income Taxes And Extraordinary Items.....	1,318	1,400
Provision (Credit) for income taxes ..... (Note 1A) .....	13,292	14,165
Income (Loss) Before Extraordinary Items .....		
Extraordinary items (net of income taxes - 19 <u>  </u> , \$ ; 19 <u>  </u> , \$ ) .....	-0-	-0-
Net Income (Loss) .....	\$ 13,292	\$ 14,165

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

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19\_\_ and 19\_\_

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

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

TRADING NAME OF LICENSEE Harrah's Marina Hotel Casino

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(UNAUDITED)  
(\$ IN THOUSANDS)

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

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Invested Capital:</b>		
1	Beginning balance (January 1) .....	\$ 141,594	\$ 31,763
2	Additional capital invested .....	-0-	109,831
3	Ending balance .....	141,594	141,594
	<b>Accumulated Income (Loss):</b>		
4	Beginning balance (January 1) .....	318,080	259,054
5	Prior period adjustments .....	-0-	-0-
6	Net income (loss) .....	72,817	59,026
7	Ending balance .....	390,897	318,080
	<b>Capital Withdrawals:</b>		
8	Beginning balance (January 1) .....	( 106,738 )	( 106,738 )
9	Additional capital withdrawals .....	-0-	-0-
10	Ending balance .....	( 106,738 )	( 106,738 )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</b>		
11	Beginning balance (January 1) .....	( -0- )	( -0- )
12	Ending balance .....	( -0- )	( -0- )
13	Ending balance .....	( -0- )	( -0- )
14	<b>Ending Partners' Or Proprietor's Equity .....</b>	<b>\$ 425,753</b>	<b>\$ 352,936</b>

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

# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
 (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.....	\$ 106,599	\$ 74,859
	Cash Flows From Investing Activities:		
	Purchase of short-term investment securities.....	-0-	-0-
	Proceeds from the sale of short-term investment securities.....	-0-	-0-
	Cash outflows for property and equipment.....	(11,082)	( 8,645)
	Proceeds from disposition of property and equipment.....	2,696	395
	Purchase of casino reinvestment obligations.....	( 3,276)	( 6,489)
	Purchase of other investments and loans/advances made.....	(90,859)	(95,131)
	Proceeds from disposal of investments and collection of advances and long-term receivables.....	-0-	25,477
	Cash outflows to acquire business entities.....	-0-	-0-
	Accrued Interest - CRDA Bonds .....	223	( 48)
	Reduction of Long-Term Receivables .....	19	17
12	Net Cash Provided (Used) By Investing Activities.....	(102,279)	(84,424)
	Cash Flows From Financing Activities:		
	Cash proceeds from issuance of short-term debt.....	-0-	-0-
	Payments to settle short-term debt .....	-0-	-0-
	Cash proceeds from issuance of long-term debt.....	-0-	-0-
	Costs of issuing debt.....	-0-	-0-
	Payments to settle long-term debt.....	( 5)	(100,189)
	Cash proceeds from issuing stock or capital contributions.....	-0-	109,831
	Purchases of treasury stock.....	-0-	-0-
	Payments of dividends or capital withdrawals.....	-0-	-0-
	.....	-0-	-0-
	.....	-0-	-0-
23	Net Cash Provided (Used) By Financing Activities.....	( 5)	9,642
24	Net Increase (Decrease) in Cash And Cash Equivalents.....	4,315	77
25	Cash And Cash Equivalents At Beginning Of Year .....	10,264	10,187
26	Cash And Cash Equivalents At End Of Year.....	\$ 14,579	\$ 10,264

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

27	Cash Paid During Year For:		
	Interest (net of amount capitalized).....	\$ 2	\$ 1,689
	Income taxes.....	\$ 7,879	\$ 5,223

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

# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss).....	\$ 72,817	\$ 59,026
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	12,450	12,605
31	Amortization of other assets.....	696	684
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	613
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.....	( 235)	614
39	Net (increase) decrease in inventories.....	209	334
40	Net (increase) decrease in other current assets.....	4,815	( 4,804)
41	Net (increase) decrease in other assets.....	3,492	7
42	Net increase (decrease) in accounts payables.....	1,013	591
43	Net increase (decrease) in other current liabilities excluding debt.....	5,388	4,004
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	5,919	242
45		-0-	-0-
46		-0-	-0-
47	<b>Net Cash Provided (Used) By Operating Activities.....</b>	<b>\$ 106,599</b>	<b>\$ 74,859</b>

## SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

48	<b>Acquisition Of Property And Equipment:</b>		
49	Additions to property and equipment.....	\$ 11,082	\$ 8,645
50	Less: Capital lease obligations incurred.....	-0-	-0-
51	<b>Cash Outflows For Property And Equipment.....</b>	<b>\$ 11,082</b>	<b>\$ 8,645</b>
52	<b>Acquisition Of Business Entities:</b>		
53	Property and equipment acquired.....	\$ -0-	\$ -0-
54	Goodwill acquired.....	-0-	-0-
55	Net assets acquired other than cash, goodwill, and property and equipment.....	-0-	-0-
56	Long-term debt assumed.....	-0-	-0-
57	Issuance of stock or capital invested.....	-0-	-0-
58	<b>Cash Outflows To Acquire Business Entities.....</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
59	<b>Stock Issued Or Capital Contributions:</b>		
60	Total issuances of stock or capital contributions.....	\$ -0-	\$ 109,831
61	Less: Issuances to settle long-term debt.....	-0-	-0-
62	Consideration in acquisition of business entities.....	-0-	-0-
63	<b>Cash Proceeds From Issuing Stock Or Capital Contributions.....</b>	<b>\$ -0-</b>	<b>\$ 109,831</b>

# HARRAH'S MARINA HOTEL CASINO

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: Summary of Significant Accounting Policies:

#### Organization -

Marina Associates (The Company), doing business as Harrah's Marina Hotel Casino, operates as a general partnership. On July 31, 1983, the partnership redeemed the capital contribution and paid previously undistributed earnings attributable to a limited partner and the form of organization was changed from a limited to a general partnership. As a result, Holiday Inns, Inc., through its subsidiaries, became the sole owner of the Company.

#### Gaming Revenues -

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

#### Promotional Allowances -

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

#### Inventories -

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

#### Property and Equipment -

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

Buildings, leaseholds and improvements	40 years
Furniture, fixtures and equipment	3-10 years

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

#### 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 (cont'd)

**NOTE 2: Property and Equipment:**

Property and equipment consist of the following:

	<u>DECEMBER 31</u>	
	<u>1988</u>	<u>1987</u>
Land and land improvements	\$ 26,404,000	\$ 29,031,000
Buildings, leaseholds and improvements	197,477,000	190,543,000
Furniture, fixtures and equipment	54,618,000	51,597,000
Construction in progress	<u>2,551,000</u>	<u>1,765,000</u>
	281,050,000	272,936,000
Less accumulated depreciation	<u>( 63,262,000)</u>	<u>(51,046,000)</u>
Property and equipment, net	<u>\$217,788,000</u>	<u>\$221,890,000</u>

**NOTE 3: Long-Term Debt:**

Long-term debt consists of the following:

	<u>DECEMBER 31</u>	
	<u>1988</u>	<u>1987</u>
Capitalized Leases	\$ 8,000	\$ 13,000
Less long-term debt due within one year	<u>( 5,000)</u>	<u>( 5,000)</u>
	<u>\$ 3,000</u>	<u>\$ 8,000</u>

Marina Associates has a lease on certain warehouse equipment dated June 18, 1985. This 60 month residual lease in the amount of \$41,021 is payable in monthly installments from July 1985 through June 1990.

The aggregate maturities of long-term debt in future fiscal years ending December 31:

1989	\$ 5,000
1990	<u>3,000</u>
	<u>\$ 8,000</u>

**NOTE 4: Investments, Advances and Receivables**

	<u>1988</u>	<u>1987</u>
Notes Receivable	\$ 2,441,000	\$ 2,460,000
Investment in CRDA Bond - Net of Valuation Adj.	2,107,000	2,105,000
Reinvestment Obligation Deposits	17,194,000	13,918,000
Due from Affiliates	<u>204,754,000</u>	<u>114,117,000</u>
	<u>\$226,496,000</u>	<u>\$132,600,000</u>

Due from Affiliates consists of the following unsecured, non-interest bearing inter-company amounts at December 31, 1988, and 1987. Due from affiliates are classified as investments, advances and receivables:

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

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

Due from Affiliates -	1988	1987
Harrarah's New Jersey, Inc.	\$ 18,972,000	\$ 18,972,000
Harrarah's Tahoe	87,000	86,000
Holiday Corporation	182,828,000	94,946,000
Embassy Suites, Inc.	2,627,000	-
Holiday Inns, Inc.	95,000	-
Harrarah's Las Vegas	18,000	17,000
Harrarah's Laughlin	125,000	95,000
Harrarah's Bill's	2,000	1,000
Total Due from Affiliates	<u>\$204,754,000</u>	<u>\$114,117,000</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 years ended December 31, 1988, and December 31, 1987, were approximately \$2,388,456 and \$2,355,355, respectively.

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

1989	\$ 2,115,571
1990	1,767,062
1991	1,098,079
1992	550,398
Thereafter	<u>1,320,000</u>
	<u>\$ 6,851,110</u>

NOTE 6: Investment Obligation:

Section 144 of the New Jersey Casino Control Act as amended in 1984 requires a casino licensee to make investments in New Jersey or pay an investment alternative tax if it fails to do so. For each of the calendar years 1979 to 1983, a casino licensee whose gross casino revenues exceed its cumulative investment (the "cumulative investment"), must either make investments in an amount equivalent to 2% of its gross casino revenues or pay an investment alternative tax in the same amount within five years of the applicable calendar year. The cumulative investment of a casino licensee includes the real property and improvement costs associated with its hotel/casino complex.

Commencing with calendar year 1984, and continuing for twenty-five years thereafter, casino licensee must either obtain investment tax credits in an amount equivalent to 1.25% of its gross casino revenues or pay an alternative tax of 2.5% of its gross casino revenues. Investment tax credits may be obtained by making qualified investments or by the purchase of bonds at below market rates from the newly created Casino Reinvestment Development Authority. In addition, commencing with obligations incurred after 1983, payments of a casino licensee's obligation must be made quarterly.

At December 31, 1988, the Company's investment obligation was \$3,992,000.

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 7: Promotional Allowances:

Promotional allowances for the three months ended December 31, 1988, consist of:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSES</u>	
	<u>NUMBER OF RECIPIENTS</u>	<u>DOLLAR AMOUNT</u>	<u>NUMBER OF RECIPIENTS</u>	<u>DOLLAR AMOUNT</u>
Rooms	33,000	\$2,763,000	-0-	\$ -0-
Food	508,000	5,080,000	-0-	-0-
Beverage	762,000	1,905,000	-0-	-0-
Travel	-0-	-0-	16,000	1,507,000
Theatre	27,000	535,000	-0-	-0-
Coupon Redemption of Cash & Tokens	-0-	-0-	188,000	2,352,000
Other	-0-	-0-	66,000	394,000 *
	<u>1,330,000</u>	<u>\$10,283,000</u>	<u>270,000</u>	<u>\$4,253,000</u>

Promotional allowances for the twelve months ended December 31, 1988, consist of:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSES</u>	
	<u>NUMBER OF RECIPIENTS</u>	<u>DOLLAR AMOUNT</u>	<u>NUMBER OF RECIPIENTS</u>	<u>DOLLAR AMOUNT</u>
Rooms	145,000	\$12,306,000	-0-	\$ -0-
Food	2,092,000	20,923,000	-0-	-0-
Beverage	3,271,000	8,177,000	-0-	-0-
Travel	-0-	-0-	52,000	4,876,000
Theatre	99,000	1,938,000	-0-	-0-
Coupon Redemption of Cash & Tokens	-0-	-0-	704,000	8,807,000
Other	-0-	-0-	291,000	1,741,000 *
	<u>5,607,000</u>	<u>\$43,344,000</u>	<u>1,047,000</u>	<u>\$15,424,000</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 complimentaries are combined in one expense account.

NOTE 8: Other Accrued Expenses:

Other accrued expenses as of December 31, 1988, consist of:

	<u>1988</u>	<u>1987</u>
Accrued salaries and wages	\$ 9,036,000	\$ 5,788,000
Taxes payable	830,000	596,000
Other accrued expenses	6,216,000	4,884,000
Accrued progressive slot liability	1,730,000	741,000
Accrued CCC/DGE/Casino License fees	880,000	445,000
	<u>\$18,692,000</u>	<u>\$12,454,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 9: Other Current Liabilities:

Other current liabilities as of December 31, 1988, consist of:

	<u>1988</u>	<u>1987</u>
Chip and token reserve	\$ 769,000	\$ 852,000
Patron deposits	231,000	302,000
Deferred trade	37,000	41,000
Other current liabilities	6,000	4,000
	<u>\$ 1,043,000</u>	<u>\$ 1,199,000</u>

NOTE 10: Other Liabilities:

	<u>1988</u>	<u>1987</u>
Long Term due to Affiliates	\$24,356,000	\$ 18,757,000
Other Liabilities	520,000	200,000
Total Other Liabilities	<u>\$24,876,000</u>	<u>\$ 18,957,000</u>

Due to Affiliates consist of the following unsecured, non-interest bearing inter-company amounts at December 31, 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	5,136,000	4,336,000
Harrah's Holdings, Inc.	817,000	462,000
Harrah's Atlantic City, Inc.	18,067,000	13,620,000
Harrah's Reno	20,000	35,000
Harrah's Holiday Inns of NJ, Inc.	297,000	285,000
	<u>\$24,356,000</u>	<u>\$18,757,000</u>

NOTE 11: Prepaid Expenses and Other Current Assets

	<u>1988</u>	<u>1987</u>
Prepaid Slot Tax	\$ 428,000	\$ 428,000
Prepaid Property Tax	-0-	3,692,000
Prepaid Insurance	407,000	398,000
Prepaid Other	195,000	155,000
Other Current Assets	-0-	1,172,000
	<u>\$1,030,000</u>	<u>\$5,845,000</u>

SCHEDULE OF RECEIPTS AND PAYMENTS CHECKS  
**HARRAH'S MARINA HOTEL CASINO**

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 12: Interest Expense

Interest expense as of December 31, 1988 and 1987 consist of:

	<u>1988</u>	<u>1987</u>
Gross interest expense	\$ 2,000	\$1,689,000
Capitalized interest	( -0- )	( -0- )
Net interest expense	<u>\$ 2,000</u>	<u>\$1,689,000</u>

NOTE 13: Charges from Affiliates (Cont.)

Unallocable charges from Harrah's Atlantic City for the twelve months ended December 31, 1988 and 1987 are as follows:

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

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 twelve months ended December 31, 1988 was \$2,797,000.

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 1988

(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 .....	\$ 5,745		
2	Returned patrons' checks .....	6,463		
3	Total patrons' checks .....	12,208	\$ 4,383	\$ 7,825
4	Hotel Receivables .....	956	58	898
5	Other Receivables:			
	Receivables due from officers and employees.....	40		
6	Receivables due from affiliates .....	-0-		
7	Other accounts and notes receivables .....	1,437		
	Total other receivables .....	1,477	-0-	1,477
7	Totals (Form 305).....	\$ 14,641	\$ 4,441	\$ 10,200

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (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) .....	224,585
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) .....	( 156,941 )
13	Checks collected through deposits .....	( 59,504 )
14	Checks transferred to returned checks .....	( 9,037 )
15	Other adjustments .....	-0-
16	Ending Balance .....	\$ 5,745
17	"Hold" Checks Included in Balance On Line 16 .....	-0-
18	Provision For Uncollectible Patrons' Checks .....	1,095
	Provision As A Percent Of Counter Checks Issued .....	.5

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE Harrah's Marina Hotel Casino

CASINO DEPARTMENTAL SCHEDULE

STATE OF New Jersey

CITY OF Atlantic

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenues:				
1	Blackjack .....	48,954	340,982	14.4	86
2	Craps .....	43,176	277,994	15.5	22
3	Roulette .....	13,321	54,560	24.4	12
4	Big Six .....	1,942	4,226	46.0	3
5	Baccarat .....	5,504	37,982	14.5	2
6	Other table games .....	365	1,373	26.6	1
7	Total table games revenue .....	113,262	\$ 717,117	15.8	126
			HANDLE		
8	\$.05 slot machines .....	5,456	37,307	14.6	122
9	\$.25 slot machines .....	81,980	654,296	12.5	740
	\$1.00 slot machines .....	54,642	579,145	9.4	265
12	Other slot machines .....	26,007	315,689	8.2	584
	Total coin-operated devices revenue .....	168,085	\$1,586,437	10.6	1,711
13	Progressive jackpot adjustment .....	( 989)			
14	Total coin-operated devices revenue after adjustment .....	167,096			
15	Other income .....	-0-			
16	Total revenue .....	280,358			
	Expenses:				
17	Payroll and payroll related expenses .....	52,068			
18	Licenses and taxes .....	23,351			
19	Provision for uncollectible patrons' checks .....	1,095			
20	Other .....	23,363			
21	Total .....	99,877			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees .....	180,481			
	Complimentary services and casino management fees:				
23	Complimentary services .....	43,723			
24	Casino management fees .....	-0-			
25	Total .....	43,723			
	Departmental Income (Loss) .....	\$ 136,758			

# STATEMENT OF CONFORMITY AND ACCURACY

STATE OF New Jersey :  
COUNTY OF Atlantic : 188.  
:

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

deposes and says:

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

*George M. Rinaldi*  
Signature

Vice President of Finance  
Title

03283-11  
License Number

Subscribed and sworn to  
before me this 14<sup>th</sup> day  
of March, 1989

On Behalf Of:

*Mary-Jo L. Chatten*  
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

TRADING NAME OF LICENSEE HARRAH'S MARINA HOTEL CASINO

**GROSS REVENUE  
ANNUAL TAX RETURN**

(S IN THOUSANDS)

LICENSEE HARRAH'S MARINA HOTEL CASINO

ADDRESS 1725 BRIGANTINE BOULEVARD  
ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 19 88

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

GEORGE M. RINALDI

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE

ADDRESS

1725 BRIGANTINE BOULEVARD

ATLANTIC CITY, NEW JERSEY 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
1	Casino win or (loss)		
2	Table games revenue .....	\$ 113,262	
3	Coin-operated devices revenue .....	168,085	
	Total revenues .....		\$ 281,347
4	Less - adjustment for uncollectible patrons' checks:		
	Provision for uncollectible patrons' checks .....	\$ 1,095	
5	Maximum adjustment (4% of line 3) .....	\$ 11,254	
6	Adjustment (the lesser of line 4 or line 5) .....		1,095
7	Gross revenues (line 3 less line 6) .....		\$ 280,252
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 22,420
9	Audit or other adjustments to tax on gross revenues in prior years .....		14
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		22,434
11	Deposits made for tax on current year's gross revenues:		
12	January .....	\$ 1,199	
13	February .....	1,925	
14	March .....	1,606	
15	April .....	1,619	
16	May .....	2,148	
17	June .....	1,706	
18	July .....	1,944	
19	August .....	2,459	
20	September .....	1,930	
21	October .....	1,708	
22	November .....	2,117	
23	December .....	1,410	
24	January .....	649	
	Total deposits made for tax on current year's gross revenues .....		( 22,420 )
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		(14)
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ -0-

ANNUAL EMPLOYMENT  
STATEMENT OF CONFORMITY AND ACCURACY  
AND PAYROLL REPORT

STATE OF \_\_\_\_\_ :  
COUNTY OF \_\_\_\_\_ :SS.  
\_\_\_\_\_ :

GEORGE M. RINALDI Marina Associates, being duly sworn according  
Name 1725 Brigantine Boulevard

to law upon my oath deposes and says:

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

*George M. Rinaldi*  
Signature

Vice President of Finance  
Title

03283-11  
License Number

Subscribed and sworn to  
before me this 14th day  
of March, 1984.  
*Mary-Jo L. Chatten*  
Signature

On Behalf Of:  
Herrah's Marina Hotel Casino  
Casino Licensee

**MARY-JO L. CHATTEN**  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires DEC. 20, 1988  
Basis of Authority  
to Take Oaths

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** Marina Associates  
**ADDRESS** 1725 Brigantine Boulevard  
Atlantic City, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 1988**

**TO THE**

**CASINO CONTROL COMMISSION**

**OF THE**

**STATE OF NEW JERSEY**



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

George M. Rinaldi

**OFFICIAL TITLE.....**

Vice President of Finance

**ADDRESS.....**

1725 Brigantine Boulevard

Atlantic City, NJ 08401

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 88  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
<b>CASINO</b>					
1	Administration .....	2			
2	Gaming .....	728			
3	Slots .....	143			
4	Casino accounting .....	85			
5	Other .....	611			
6	Total-casino .....	1,569	\$ 39,155	\$ -0-	\$ 39,155
7	ROOMS .....	262	3,935	-0-	3,935
8	FOOD AND BEVERAGE .....	1,029	13,529	-0-	13,529
<b>OTHER OPERATED DEPARTMENTS</b>					
9	Marina	1	82	-0-	82
10	Cafeteria	16	765	-0-	765
11	Communications	17	287	-0-	287
12	Gift Shop	25	406	-0-	406
13					
14					
15					
16					
17					
18					
19					
<b>ADMINISTRATIVE AND GENERAL</b>					
20	Executive office .....	9	582	-0-	582
21	Accounting and auditing .....	76	1,860	-0-	1,860
22	Security .....	206	4,076	-0-	4,076
23	Other administrative and general department ..	222	1,357	-0-	1,357
24	MARKETING .....	31	940	-0-	940
25	GUEST ENTERTAINMENT .....	47	1,659	-0-	1,659
26	PROPERTY OPERATION AND MAINTENANCE .....	338	7,684	-0-	7,684
27	TOTALS - ALL DEPARTMENTS .....	3,848	\$ 76,317	\$ -0-	\$ 76,317

CCC-372

STATE OF MISSISSIPPI

TRADING NAME OF LICENSEE HARRAH'S MARINA HOTEL CASINO

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED

PERIOD	NUMBER OF ROOMS AVAILABLE IN PROPERTY	NUMBER OF ROOMS OCCUPIED	AVERAGE OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
JANUARY	760	23,562	30.9%	36,911	\$41.25
FEBRUARY	760	22,040	28.9%	34,485	\$44.37
MARCH	760	23,560	30.9%	34,324	\$43.41
1ST QUARTER TOTALS		69,162		105,720	\$42.98
APRIL	760	22,890	30.1%	33,810	\$48.25
MAY	760	23,880	31.4%	34,560	\$46.84
JUNE	760	22,920	30.1%	34,110	\$47.24
2ND QUARTER TOTALS		69,710		102,580	\$47.44
JULY	760	23,580	31.0%	34,560	\$57.15
AUGUST	760	23,840	31.4%	34,560	\$52.49
SEPTEMBER	760	22,800	30.0%	34,560	\$46.33
3RD QUARTER TOTALS		69,920		103,680	\$52.16
OCTOBER	760	23,560	30.9%	34,560	\$43.83
NOVEMBER	760	22,800	30.0%	34,560	\$43.24
DECEMBER	760	23,560	30.9%	34,560	\$43.36
4TH QUARTER TOTALS		69,920		114,440	\$43.50
ANNUAL TOTALS		278,160		475,118	\$46.80

ANNUAL EMPLOYMENT AND PAYROLL REPORT SIGNATURE PAGE

For the Year Ended December 31, 1988

3/14/89  
Date

[Signature]  
Signature

Vice President of Finance  
Title

### HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 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	760	23,560	22,209	\$ 83.32	94.3 %	42,218	\$ 43.83
NOVEMBER	760	22,800	20,936	\$ 80.32	91.8 %	38,888	\$ 43.24
DECEMBER	760	23,560	17,767	\$ 81.37	75.4 %	33,341	\$ 43.36
4TH QUARTER TOTALS		69,920	60,912	\$ 81.72	87.1 %	114,447	\$ 43.50
ANNUAL TOTALS		278,160	249,271	\$ 89.20	89.6 %	475,118	\$ 46.80

RECEIVED  
 3 3009 02/01/89 3586



974-901  
C 193

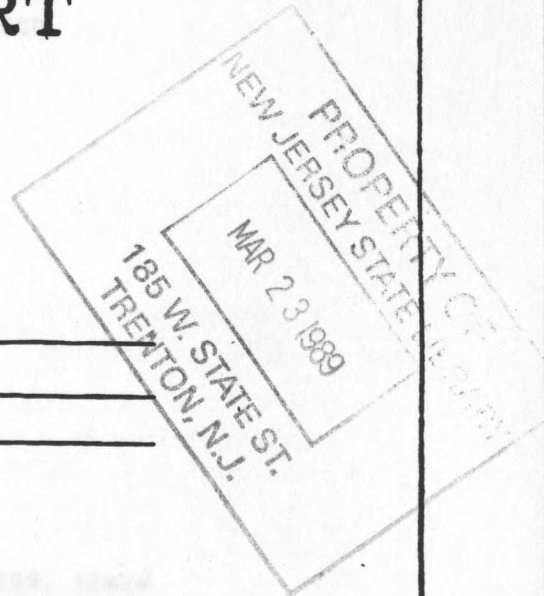
# ANNUAL REPORT

Ms. Deborah M. Algor  
Financial Evaluation Unit  
State of New Jersey

**LICENSEE** RESORTS INTERNATIONAL HOTEL, INC.

**ADDRESS** NORTH CAROLINA & BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401



Dear Ms. Algor:

Due to the recent changes in measurement being made, the 1988  
are significant revisions to the 1987 data. As a  
discussion  
result, the Notes to Financial statements included in the  
1988 Annual Report reflected only current 1988 financial data  
and not current 1988 discussions.

**FOR THE YEAR ENDED DECEMBER 31, 1988**

We expect the discussion portion of the 1988  
Statements to be complete as of the date of this report.  
When we have the 1988 financial statements, we will  
send you a copy of the 1988 financial statements.  
Financial Statements.

**TO THE  
CASINO CONTROL COMMISSION**

Should you have any questions regarding the 1988  
contact me or Robert Malone at 348-7700.

**OF THE  
STATE OF NEW JERSEY**



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

PETER R. BIURNS

**OFFICIAL TITLE . . . . .**

VICE PRESIDENT - FINANCE

**ADDRESS . . . . .**

N. CAROLINA & BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401



RESORTS INTERNATIONAL CASINO HOTEL

March 13, 1989

CASINO CONTROL COMMISSION  
Division of Financial Evaluation  
& Control  
3131 Princeton Pike  
Princeton Pike Office Park  
Building #5, CN-208  
Trenton, New Jersey 08625

February 16, 1989

Ms. Deborah M. Algor  
Financial Evaluation Unit  
State of New Jersey  
Casino Control Commission  
3131 Princeton Pike  
Bldg. #5  
CN-208  
Trenton, NJ 08625


Dear Ms. Algor:

Due to the recent changes in management during late 1988, there are significant revisions to the Notes to Financial Statements discussions which have not been finalized by management. As a result, the Notes to Financial Statements submitted with our CCC Annual Report reflected only current 1988 numerical data and not current 1988 discussions.

We expect the discussion portion of the Notes to Financial Statements to be complete on or before March 31, 1989, which is when we will submit our 10K report to the SEC, and at which time we will submit to you a completed set of Notes to Financial Statements.

Should you have any questions, please do not hesitate to contact me or Robert Malone at 340-7765.

Sincerely,

  
Peter R. Burns  
Sr. V.P. - Finance

If you have any questions on the above, please do not hesitate to contact Robert Malone at 340-7765 or myself.

cc: M. Kearney  
R. Malone

Very truly yours,

  
Peter R. Burns  
Sr. Vice President - Finance



RESORTS INTERNATIONAL CASINO HOTEL

March 15, 1989

CASINO CONTROL COMMISSION  
Division of Financial Evaluation  
& Control  
3131 Princeton Pike  
Princeton Pike Office Park  
Building #5, CN-208  
Trenton, New Jersey 08625

Dear Sir:

Enclosed is the original and two (2) copies of the Quarterly Report of Resorts International Hotel, Inc. for the years ended December 31, 1988 and 1987.

The following reclassification was made on Form CCC-305 for December 31, 1987: \$3,287,000 representing short-term Money Market Securities at cost has been reclassified from Line 2(d) (Marketable Securities) to Line 1(d) (Cash) to be consistent with the December 31, 1988 presentation.

The following reclassification was made on Form CCC-310 for December 31, 1987: \$180,000 representing audit fees has been reclassified from Line 16 (Charges From Affiliates-Other) to Line 9 (Selling, General and Administrative Expenses).

The following reclassification was made on Form CCC-315 for the three months ended December 31, 1987: \$65,000 representing audit fees has been reclassified from Line 16 (Charges From Affiliates-Other) to Line 9 (Selling, General and Administrative Expenses).

The variance between the amount reported on Line 1(c) of Form CCC-210 and the amount reported on the December 31, 1988 Form CCC-101 represents an adjustment reflected in the December 1987 Form CCC-101 but not recorded on the General Ledger until January 1988.

The following reclassifications were made in Form CCC-335 Statements of Cash Flows for the year ended December 31, 1987: \$367,619,000 in Purchases of Short Term Investment Securities and \$369,922,000 in proceeds from sale of Short-Term Investment Securities were reclassified from Lines 2(d) and 3(d) respectively to Line 24(d) Net Increase (Decrease) in Cash and Cash Equivalents since we are treating the Short-term Money Market Marketable Securities as cash.

If you have any questions on the above, please do not hesitate to contact Robert Malone at 340-7765 or myself.

Very truly yours,

Peter R. Burns  
Sr. Vice President - Finance

/ks 0581F

# LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1988

LINE NO.	DESCRIPTION	1988	1987
	ASSETS		
	Current Assets:		
1	Cash	\$ 6,201	\$ 7,184
2	Marketable securities (Short-term Money Market Ac Cont)		
3	Receivables - patrons' checks (net of allowance for doubtful accounts - 1988, \$5,034; 1987, \$4,031)		
4	Investments		
5	Other current assets		
	<b>Balance Sheets</b>	CCC-305	71,208
	<b>Statements of Income (Year)</b>	CCC-310	1,433
	<b>Statements of Income (Three Months)</b>	CCC-315	14,324
	<b>Statements of Changes in Stockholders' Equity</b>	CCC-320	124,585
	<b>Statements of Changes in Partners' or Proprietor's Equity</b>	CCC-325	84,373
	<b>Statements of Cash Flows</b>	CCC-335	5312,842
	LIABILITIES AND EQUITY		
	Notes to Financial Statements		
22	Schedule of Receivables and Patrons' Checks	CCC-340	2,597
23	Casino Departmental Schedule	CCC-345	75,000
24	Statement of Conformity and Accuracy	CCC-350	482
25	Income taxes payable and accrued		
26	Other accrued expenses (Note 6)		
27	Other current liabilities		
28	Total current liabilities	35,432	198,047
	Long-Term Debt:		
29	Due to affiliates	213,000	198,022
30	Other		
31	Deferred Credits (Note 9)		822
32	Other Liabilities	82,092	597
33	Commitments and Contingencies (Note 12)		
34	Total Liabilities	302,784	305,655
35	Stockholders', Partners', or Proprietor's Equity	173,477	13,194
36	Total Liabilities and equity	476,261	318,849

The accompanying notes are an integral part of the financial statements. Valid comparisons should be made without using information contained in the notes.

CCC-305

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

BALANCE SHEETS

DECEMBER 31, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987*
	<b>ASSETS</b>		
	<b>Current Assets:</b>		
1	Cash .....	\$ 6,251	\$ 9,164*
2	Marketable securities (Short-term Money Market At Cost) .....	83,680	*
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 1988, \$5,054; 1987, \$4,229) .....	86,976	21,209
4	Inventories .....	2,276	2,686
5	Prepaid expenses and other current assets .....	1,101	1,429
6	Total current assets .....	180,284	34,488
7	Investments, Advances, And Receivables ....(Note 2).....	47,701	194,686
8	Property And Equipment - Net ....(Note 3).....	224,510	84,935
9	Other Assets .....	127,968	4,740
10	Total Assets .....	\$580,463	\$318,849
	<b>LIABILITIES AND EQUITY</b>		
	<b>Current Liabilities:</b>		
11	Accounts Payable .....	\$ 6,178	\$ 2,567
12	Notes Payable ....(Note 5).....		75,000
13	Current portion of long-term debt: (Note 7)		
14	Due to affiliates .....		
15	Other .....	770	443
16	Income taxes payable and accrued .....		
17	Other accrued expenses ....(Note 6).....	23,678	24,640
18	Other current liabilities .....	5,067	5,393
	Total current liabilities .....	35,693	108,043
	<b>Long-Term Debt:</b>		
19	Due to affiliates .....	325,000	196,023
20	Other .....		892
21	Deferred Credits ....(Note 9).....	42,093	697
22	Other Liabilities .....		
23	Commitments and Contingencies (Note 13)		
24	Total Liabilities.....	402,786	305,655
25	Stockholders', Partners', or Proprietor's Equity .....	177,677	13,194
26	Total Liabilities and equity .....	\$580,463	\$318,849

4/86

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

\* Restated 3/89

CCC-305

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

STATEMENTS OF INCOME

FOR THE 12 MONTHS ENDED DECEMBER 31, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987*
	Revenue: (Note 1)		
1	Casino .....	\$243,440	\$239,778
2	Rooms .....	18,568	19,393
3	Food and beverage .....	39,359	37,374
4	Other .....	8,747	7,991
5	Total revenue .....	310,114	304,536
6	Less: promotional allowances ....(Note 8).....	35,933	32,155
7	Net revenue .....	274,181	272,381
	Costs And Expenses:		
8	Cost of goods and services .....	159,532	154,618
9	Selling, general, and administrative .....	52,974	47,180*
10	Provision for doubtful accounts .....	1,499	1,023
11	Total .....	214,005	202,821
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest .....	60,176	69,560
13	Depreciation and amortization .....	12,041	11,538
	Charges from affiliates: (Note 11)		
14	Interest .....	34,688	33,357
15	Management fees .....	3,600	3,300
16	Other .....	15,136	16,856*
17	Interest expense - external .....	10,863	1,017
18	Income (Loss) From Operations .....	( 16,152)	3,492
19	Nonoperating income (expense) - net ....(Note 12).....	( 31,095)	10,796
20	Investment alternative tax and related expense .(Note 13)	( 1,491)	( 5,048)
21	Income (Loss) Before Income Taxes And Extraordinary Items .	( 48,738)	9,240
22	Provision (Credit) for Income Taxes .....	( 1,600)	4,158
23	Income (Loss) Before Extraordinary Items .....	( 47,138)	5,082
24	Extraordinary Items (net of income taxes - 19__, \$ ; 19__, \$ ) .....		
25	Net Income (Loss) .....	(\$ 47,138)	\$ 5,082

\*Restated 3/89

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

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 1988 and 1987  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987*
	Revenue: (Note 1)		
1	Casino .....	\$53,231	\$54,781
2	Rooms .....	4,030	4,500
3	Food and beverage .....	9,008	8,392
4	Other .....	2,136	1,671
5	Total revenue .....	68,405	69,344
6	Less: promotional allowances ....(Note 8).....	8,000	7,431
7	Net revenue .....	60,405	61,913
	Costs And Expenses:		
8	Cost of goods and services .....	37,755	39,567
9	Selling, general, and administrative .....	11,338	11,120*
10	Provision for doubtful accounts .....	326	409
11	Total .....	49,419	51,096
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest .....	10,986	10,817
13	Depreciation and amortization .....	3,644	2,520
	Charges from affiliates: (Note 11)		
14	Interest .....	9,658	8,341
15	Management fees .....	900	1,050
16	Other .....	3,343	4,855*
17	Interest expense - external .....	1,987	452
18	Income (Loss) From Operations .....	( 8,546)	( 6,401)
19	Nonoperating income (expense) - net ...(Note 12).....	( 32,574)	3,387
20	Investment alternative tax and related expense (Note 13).....	( 340)	( 701)
21	Income (Loss) Before Income Taxes And Extraordinary Items .	( 41,460)	( 3,715)
22	Provision (Credit) for income taxes .....	( 1,600)	( 1,672)
23	Income (Loss) Before Extraordinary Items .....	( 39,860)	( 2,043)
24	Extraordinary Items (net of income taxes - 19__, \$ ; 19__, \$ ) .....		
25	Net Income (Loss) .....	(\$39,860)	(\$ 2,043)

\*Restated 3/89

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

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

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
FOR THE 12 MONTHS ENDED DECEMBER 31, 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) ....	+++++		+++++	
10	Revaluation of Assets	+++++	2,490	+++++	2,490
11	Transfer Accum. Deficit @ 11-14	+++++	( 34,081)	+++++	
12	Ending balance .....	+++++	180,030	+++++	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) .....	+++++	( 47,138)	+++++	5,082
28	Dividends .....	+++++	( )	+++++	( )
29	Transfer Accum. Deficit @ 11-14	+++++	34,081	+++++	
30		+++++		+++++	
31	Ending balance .....	+++++	( 2,353)	+++++	10,704
32	Ending Stockholders' Equity .....	+++++	\$177,677	+++++	\$13,194

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 12 MONTHS ENDED DECEMBER 31, 1988 and 1987

(UNAUDITED)

(\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	<b>Invested Capital:</b>		
1	Beginning balance (January 1) .....	\$	\$
2	Additional capital invested .....		
3			
4	Ending balance .....		
	<b>Accumulated Income (Loss):</b>		
5	Beginning balance (January 1) .....		
6	Prior period adjustments .....		
7	Net income (loss) .....		
8			
9	Ending balance .....		
	<b>Capital Withdrawals:</b>		
10	Beginning balance (January 1) .....	( )	( )
11	Additional capital withdrawals .....	( )	( )
12			
13	Ending balance .....	( )	( )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</b>		
14	Beginning balance (January 1) .....		
15			
16			
17	Ending balance .....		
18	Ending Partners' Or Proprietor's Equity .....	\$	\$

NOT APPLICABLE

4/86

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

CCC-325

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

FOR THE 12 MONTHS ENDED DECEMBER 31, 1988, and 1987  
 (UNAUDITED)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
1	Net Cash Provided (Used) by Operating Activities .....	(\$ 97,224)	\$ 245
	<b>Cash Flows From Investing Activities:</b>		
2	Purchase of short-term investment securities .....		*
3	Proceeds from the sale of short-term investment securities .....		*
4	Cash outflows for property and equipment .....	( 3,885)	( 3,895)
5	Proceeds from disposition of property and equipment .....	64	682
6	Purchase of casino reinvestment obligations .....	( 4,242)	( 4,038)
7	Purchase of other investments and loans/advances made ....	( 35,055)	( 73,861)
8	Proceeds from disposal of investments and collections of advances and long-term receivables .....		
9	Cash outflows to acquire business entities .....	184,229	
10			
11			
12	Net Cash Provided (Used) By Investing Activities .....	141,111	( 81,112)
	<b>Cash Flows From Financing Activities</b> .....		
13	Cash proceeds from issuance of short-term debt .....	50,791	75,000
14	Payments to settle short-term debt .....	( 125,021)	
15	Cash proceeds from issuance of long-term debt .....	325,000	
16	Costs of issuing debt .....	( 16,353)	
17	Payments to settle long-term-debt .....	( 197,467)	( 436)
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 .....	36,950	74,564
24	Net Increase (Decrease) in Cash And Cash Equivalents .....	80,767	( 6,303)
25	Cash And Cash Equivalents At Beginning Of Year .....	9,164	15,467
26	Cash And Cash Equivalents At End Of Year .....	\$ 89,931	\$ 9,164

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

27	Cash Paid During Year For:		
28	Interest (net of amount capitalized) .....	\$ 45,551	\$34,374
	Income taxes .....	(\$ 1,600)	\$ 4,158

12/87 \* Restated 3/89

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 CASH FLOWS**

FOR THE 12 MONTHS ENDED DECEMBER 31, 1988 and 1987  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss) .....	(\$47,138)	\$ 5,082
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment .....	10,712	10,777
31	Amortization of other assets .....	1,329	761
32	Amortization of debt discount or premium .....	109	107
33	Deferred income taxes - current .....	( 1,600)	
34	Deferred income taxes - noncurrent .....		
35	(Gain) loss on disposition of property and equipment ...	22	( 61)
36	(Gain) loss on casino reinvestment obligations .....	1,475	5,048
37	(Gain) loss from other investment activities .....	( 7)	( 71)
38	Net (increase) decrease in receivables and patrons' checks .....	( 65,767)	( 13,264)
39	Net (increase) decrease in inventories .....	410	444
40	Net (increase) decrease in other current assets .....	328	183
41	Net (increase) decrease in other assets .....		( 251)
42	Net increase (decrease) in accounts payable .....	3,611	( 5,786)
43	Net increase (decrease) in other current liabilities excluding debt .....	( 704)	( 2,651)
44	Net increase (decrease) in other noncurrent liabilities excluding debt .....	( 74)	( 73)
45	.....		
46	.....		
47	Net Cash Provided (Used) By Operating Activities .....	(\$97,294)	(\$ 245)

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES**

48	<b>Acquisition Of Property And Equipment:</b>		
49	Additions to property and equipment .....	\$ 3,885	(\$ 3,895)
50	Less: Capital lease obligations incurred .....		
	Cash Outflows For Property And Equipment .....	\$ 3,885	(\$ 3,895)
51	<b>Acquisition Of Business Entities:</b>		
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	<b>Stock Issued Or Capital Contributions:</b>		
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 TWELVE MONTHS ENDED DECEMBER 31, 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>DECEMBER 31,</u>	
	<u>1988</u>	<u>1987</u>
Note receivable - Griffin Co.	\$ 35,000	0
Note receivable - RINJ	0	\$184,231
Deposits-CRDA	18,671	15,021
Valuation allowance on CRDA deposits & bonds	( 10,680)	( 8,621)
CRDA Bonds	3,979	3,387
Other	731	668
	<u>\$ 47,701</u>	<u>\$194,686</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 balance was \$124,250,000 at December 31, 1987. Interest income from the note was \$8,807,000 and \$9,571,000 for the twelve months ended December 31, 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)

	DECEMBER 31,	
	1988	1987
Land	\$ 54,448	\$ 7,172
Land and improvements	2,172	2,446
Building and improvements	139,015	<u>106,119</u>
Furniture, machinery and equipment	<u>30,506</u>	<u>60,447</u>
	226,141	176,184
Less - Accumulated depreciation	<u>1,631</u>	<u>91,249</u>
	<u>\$224,510</u>	<u>\$ 84,935</u>

**NOTE 4 - OTHER ASSETS:**

(In Thousands of Dollars)

	DECEMBER 31,	
	1988	1987
Debt issuance costs	\$ 19,979	\$ 4,242
Goodwill	107,866	0
Other	123	498
	<u>\$127,968</u>	<u>\$ 4,740</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 \$614,000 and 336,000 for the twelve months ended December 31, 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

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

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>DECEMBER 31,</u>	
	<u>1988</u>	<u>1987</u>
Accrued payroll	\$ 4,205	\$ 3,990
Progressive slot liability	4,921	5,499
Interest payable to affiliate	5,578	11,083
Other	<u>8,974</u>	<u>4,068</u>
	<b><u>\$23,678</u></b>	<b><u>\$24,640</u></b>

**NOTE 7 - LONG-TERM DEBT:**

(In Thousands of Dollars)

	<u>DECEMBER 31,</u>	
	<u>1988</u>	<u>1987</u>
Due to affiliate:		
16-5/8% subordinated note payable net of 0 and \$3,977,000 unamortized discount	<b><u>\$325,000</u></b>	<b><u>\$196,023</u></b>
Other:		
Other mortgages and notes	770	1,335
Less - Current portion	<u>770</u>	<u>443</u>
	<b><u>\$ 0</u></b>	<b><u>\$ 892</u></b>

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 12/31/88

	<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	40	\$ 1,982		
Food	220	1,894		
Beverage	578	1,354		
Travel			33	\$1,389
Coupon redemption:				
Cash				
Food	677	1,910	612	5,926
Admissions	18	538		
Parking			89	712
Other		322		232
<b>Totals</b>	<b><u>1,533</u></b>	<b><u>\$ 8,000</u></b>	<b><u>734</u></b>	<b><u>\$ 8,259</u></b>

(In Thousands of Dollars)

Nine Months ended 12/31/88

	<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	188	\$ 9,043		
Food	1,115	10,129		
Beverage	2,816	5,913		
Travel			84	\$6,074
Coupon redemption:				
Cash				
Food	2,384	6,720	2,964	28,697
Admissions	98	2,889		
Parking			430	3,449
Other		1,239		1,614
<b>Totals</b>	<b><u>6,601</u></b>	<b><u>\$35,933</u></b>	<b><u>3,478</u></b>	<b><u>\$39,834</u></b>

**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 \$627,000 and \$614,000 for the twelve months ended December 31, 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 \$685,000 and \$695,000 for the twelve months ended December 31, 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)

AFFILIATED COMPANY	TRANSACTION	TWELVE MONTHS ENDED	
		DECEMBER 31,	
		1988	1987
<b>Income:</b>			
Resorts International Financing, Inc.	Interest charges	\$34,688	\$32,357
<b>Expenses:</b>			
Resorts International, Inc.	Management fee	\$ 3,600	\$ 3,300
Resorts International, Inc.	Insurance	\$ 3,564	\$ 4,423
	Other	572	586
		<u>4,136</u>	<u>5,009</u>
Resorts International, Inc. of New Jersey	Property Rental	337	960
	Other	49	63
		<u>386</u>	<u>1,023</u>
International Intelligence, Inc.	Security fees	201	1,155
ANTL, Inc.	Aircraft rentals	4,917	5,749
RIA	Heli flights	444	496
Resorts of New York, Inc.	Sales office expenses	262	1,040
Steeplechase Transport and Parking, Inc.	Parking fees	3,449	1,788
Others	Property rentals	457	457
	Other	<u>1,044</u>	<u>319</u>
		<u>\$15,296</u>	<u>\$17,036</u>

**NOTE 12 - NONOPERATING INCOME(EXPENSE), NET:**

(In Thousands of Dollars)

	TWELVE MONTHS ENDED DECEMBER 31,	
	1988	1987
Interest income	\$2,306	\$ 859
Interest income from affiliate	9,651	9,571
Corporate office expense	( 525)	( 575)
Aborted sale & refinancing costs	( 95)	0
Trump Termination Fee	(35,690)	0
Other	( 6,742)	941
	<u>\$31,095</u>	<u>\$10,796</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 December 31, 1988, RII had purchased \$3,979,000 face value of bonds issued by the CRDA and had deposited \$18,671,000 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 \$1,491,000 and \$1,354,000 for the twelve months ended December 31, 1988 and 1987, respectively.

Total patrons' checks	11,912	85,031	5,630
Total Receivables	2,938	23	2,915
Other receivables:			
Receivables due from officers and employees	52		
Receivables due from affiliates	77,328		
Other accounts and notes receivables			
Total other receivables	77,380		77,380
Total (Form 205)	892,830	85,054	1,56,974

UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE	DESCRIPTION	AMOUNT
(1)	(2)	(3)
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)	5,7,835
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)	130,940
13	Checks collected through deposits	( 188,802)
14	Checks transferred to returned checks	( 24,500)
15	Other adjustments	( 7,850)
16	Ending balance	5,5,253
17	"Zero" Checks Included In Balance On Line 16	5
18	Provision for Uncollectible Patrons' Checks	5,1,472
19	Provision As A Percent of Counter Checks Issued	0.3

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

**SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**

**DECEMBER 31, 1988**

(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT (c) BALANCE	(d) ALLOWANCE	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
	<b>Patrons' Checks:</b>			
1	Undeposited patrons' checks .....	\$ 6,359		
2	Returned patrons' checks .....	5,553		
3	Total patrons' checks .....	11,912	\$5,031	\$ 6,881
4	Hotel Receivables .....	2,938	23	2,915
	<b>Other Receivables:</b>			
5	Receivables due from officers and employees .....	52		
6	Receivables due from affiliates .....	77,128		
7	Other accounts and notes receivables ..			
8	Total other receivables .....	77,180		77,180
9	Totals (Form 205)	\$92,030	\$5,054	\$ 86,976

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) ...	230,448
13	Checks collected through deposits .....	( 169,409)
14	Checks transferred to returned checks .....	( 54,516)
15	Other adjustments .....	( 7,860)
16	Ending balance .....	\$ 6,359
17	"Hold" Checks Included In Balance On Line 16 .....	\$
18	Provision For Uncollectible Patrons' Checks .....	\$ 1,473
19	Provision As A Percent of Counter Checks Issued .....	.6 %

## CASINO DEPARTMENTAL SCHEDULE

STATE OF \_\_\_\_\_  
 COUNTY OF \_\_\_\_\_

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
<b>Revenue:</b>					
1	Blackjack .....	\$ 47,916	\$ 334,119	14.3 %	78
2	Craps .....	41,527	289,950	14.3	22
3	Roulette .....	9,885	39,547	25.0	11
4	Bfg Six .....	2,532	5,301	47.8	4
5	Baccarat .....	9,591	65,058	14.7	3
6	Other table games .....				
7	Total table games revenue .....	111,451	\$ 733,975	15.2 %	118
<b>HANDLE</b>					
8	\$ .05 slot machines .....	3,038	\$ 21,270	14.3 %	84
9	\$ .25 slot machines .....	55,821	398,957	14.0	874
10	\$1.00 slot machines .....	23,801	174,401	13.7	217
11	Other slot machines .....	48,749	471,347	10.3	497
12	Total coin-operated devices revenue .....	131,409	\$ 1,065,975	12.3 %	1,672
13	Progressive jackpot adjustment .....	577			
14	Total coin-operated devices revenue after adjustment .....	131,986			
15	Other income .....				
16	Total revenue .....	243,437			
<b>Expenses:</b>					
17	Payroll and payroll related expenses .....	40,423			
18	Licenses and taxes .....	20,373			
19	Provision for uncollectible patrons' checks	1,473			
20	Other .....	19,182			
21	Total .....	81,451			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	161,986			
Complimentary services and casino management fees:					
23	Complimentary services .....	73,001			
24	Casino management fees .....				
25	Total .....	73,001			
26	Departmental Income (Loss) .....	\$ 88,985			

# STATEMENT OF CONFORMITY AND ACCURACY

STATE OF \_\_\_\_\_ :  
COUNTY OF \_\_\_\_\_ :ss.  
\_\_\_\_\_ :

PETER R. BURBS, being duly sworn according to law upon my oath  
Name

deposes and says:

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

*Peter R. Burbs*  
Signature

SR VP - FINANCE  
Title

00156-11  
License Number

Subscribed and sworn to  
before me this 15<sup>th</sup> day  
of March, 1989

On Behalf Of:

*Judith A. Headley*  
Signature

RESORTS INTERNATIONAL  
Casino Licensee Hotel, Inc.

**JUDITH A. HEADLEY**  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires Dec. 27, 1982

\_\_\_\_\_  
Basis of Authority  
to Take Oaths

TRADING NAME OF LICENSEE Resorts International Hotel, Inc.

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 1958

(SCHEDULE)

## GROSS REVENUE ANNUAL TAX RETURN

Casino win or (loss) .....

Table games revenue .....

Coin-operated devices revenue .....

Total revenues ..... 1,527,861

Less - adjustment for uncollectible patrons .....

Provision for uncollectible patrons' shares .....

Maximum adjustment (4% of line 3) .....

TRADING NAME OF LICENSEE Resorts International Hotel, Inc.

Gross revenues (line 3 less line 4) ..... 1,241,369

Tax on gross revenues - current year (6% of line 5) ..... 74,482

Audit or other adjustments to tax on gross revenues in prior years .....

Total tax on gross revenues (line 6 plus or minus line 7) ..... 74,482

### CASINO CONTROL COMMISSION

OF THE

### STATE OF NEW JERSEY

Deposits made for tax on current year's gross revenues:	
January .....	1,241
February .....	1,241
March .....	1,241
April .....	1,241
May .....	1,241
June .....	1,241
July .....	1,241
August .....	1,241
September .....	1,241
October .....	1,241
November .....	1,241
December .....	1,241
January .....	1,241
Total deposits made for tax on current year's gross revenues .....	<u>12,410</u>



Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....

Gross revenues tax payable (line 10 less line 11 plus or minus line 12) .....

TRADING NAME OF LICENSEE Resorts International Hotel, Inc.

STATEMENT OF CONFORMITY AND ACCOUNTS  
**GROSS REVENUE ANNUAL TAX RETURN**

STATE OF  
 COUNTY OF

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 111,452	
2	Coin-operated devices revenue .....	131,409	
3	Total revenues .....		\$ 242,861
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 1,473	
5	Maximum adjustment (4% of line 3) .....	\$ 9,714	
6	Adjustment (the lesser of line 4 or line 5) .....		1,473
7	Gross revenues (line 3 less line 6) .....		\$ 241,388
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 19,311
9	Audit or other adjustments to tax on gross revenues in prior years .....		-0-
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		19,311
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 935	
12	February .....	1,452	
13	March .....	1,312	
14	April .....	1,440	
15	May .....	2,114	
16	June .....	1,685	
17	July .....	1,850	
18	August .....	2,262	
19	September .....	1,660	
20	October .....	1,832	
21	November .....	1,369	
22	December .....	991	
23	January .....	409	
24	Total deposits made for tax on current year's gross revenues .....		( 19,311 )
	Settlement of prior years' tax on gross revenues		
25	resulting from audit or other adjustments - (deposits) credits .....		-0-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ -0-

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF  
COUNTY OF

ANNUAL EMPLOYMENT  
AND PAYROLL REPORT

PETER R. BURROS, being duly sworn according  
Name

to law upon my oath deposes and says: NATIONAL HOTEL, INC.

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

*Peter R. Burros*  
Signature

Sr. Vice President - Finance  
Title

00156-11  
License Number

Subscribed and sworn to  
before me this 15<sup>th</sup> day  
of March, 1989.

*Judith A. Headley*  
Signature

JUDITH A. HEADLEY  
NOTARY PUBLIC OF NEW JERSEY

My Commission Expires Dec. 27, 1992  
to Take Oaths



On Behalf Of:

Resorts International Hotel, Inc.  
Casino Licensee

PETER R. BURROS  
VICE PRESIDENT - FINANCE  
N. CAROLINA & BOARDWALK  
ATLANTIC CITY, NEW JERSEY 08401

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** RESORTS INTERNATIONAL HOTEL, INC.

**ADDRESS** NORTH CAROLINA & BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

**FOR THE YEAR ENDED DECEMBER 31, 1988**

**TO THE**

**CASINO CONTROL COMMISSION**

**OF THE**

**STATE OF NEW JERSEY**



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

PETER R. BURNS

**OFFICIAL TITLE.....**

VICE PRESIDENT - FINANCE

**ADDRESS.....**

N. CAROLINA & BOARDWALK

ATLANTIC CITY, NEW JERSEY 08401

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 88  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
<b>CASINO</b>					
1	Administration .....	20			
2	Gaming .....	835			
3	Slots .....	281			
4	Casino accounting .....	20			
5	Other .....	263	\$	\$	\$
6	Total-casino .....	1419	31,556	781	32,337
7	ROOMS .....	252	3,556	58	3,614
8	FOOD AND BEVERAGE .....	1,015	13,860	121	13,981
<b>OTHER OPERATED DEPARTMENTS</b>					
9	Telephone	15	281		281
10	Game Room	6	62		62
11	Health Club	16	288		288
12	Cloak Room	10	99		99
13	Other	12	207		207
14					
15					
16					
17					
18					
19					
<b>ADMINISTRATIVE AND GENERAL</b>					
20	Executive office .....	5	154	299	453
21	Accounting and auditing .....	107	2,603	99	2,702
22	Security .....	181	4,098		4,098
23	Other administrative and general department ..	361	6,673	173	6,846
24	MARKETING .....	8	34	139	173
25	GUEST ENTERTAINMENT .....	81	1,786	80	1,866
26	PROPERTY OPERATION AND MAINTENANCE .....	124	3,828	18	3,846
27	TOTALS - ALL DEPARTMENTS .....	3,612	\$ 69,085	\$ 1,768	\$ 70,853

3 3009 00006 3562

Trading Name of Licensee Resorts International Hotel, Inc.

# ANNUAL REPORT

## ANNUAL EMPLOYMENT AND PAYROLL REPORT SIGNATURE PAGE

LICENSEE TropWorld Casino and Entertainment Resort  
ADDRESS Brighton and the Boardwalk  
Atlantic City, 08401

For the Year Ended December 31, 1988

FOR THE YEAR ENDED DECEMBER 31, 1988  
Date

*Lester Brzozowski*  
Signature

Vice President - Finance

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE  
Lester Brzozowski  
Vice President, Finance  
BRIGHTON AVENUE AND THE BOARDWALK  
ATLANTIC CITY, NJ 08401

NEW JERSEY STATE LIBRARY  
3 3009 00006 3562

974.901  
C193

# ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1988

**LICENSEE** TropWorld Casino and Entertainment Resort  
**ADDRESS** Brighton and the Boardwalk  
Atlantic City, 08401

PROPERTY OF  
NEW JERSEY STATE LIBRARY  
MAR 22 1989  
185 N. STATE ST.  
TRENTON, N.J.

**FOR THE YEAR ENDED DECEMBER 31, 1988**

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



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

Lester Brzozowski

**OFFICIAL TITLE . . . . .**

Vice President, Finance

**ADDRESS . . . . .**

Brighton Avenue and the Boardwalk

Atlantic City, NJ 08401

TRADING NAME OF LICENSEE TropWorld Casino and Entertainment Resort

# LIST OF FORMS — ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1988

LINE	(a)	TITLE	FORM NO.
		Current Assets:	
1		Cash.....	
2		Marketable Securities.....	
3		Receivables and patrons' checks (net of allowance for doubtful accounts 1988 \$ 4,000 - 1987 \$ 1,500).....	
4		Inventories.....	
5		Prepaid expenses and other current assets.....	
		<b>Balance Sheets</b>	CCC-305
		<b>Statements of Income (Year)</b>	CCC-310
		<b>Statements of Income (Three Months)</b>	CCC-315
		<b>Statements of Changes in Stockholders' Equity</b>	CCC-320
		<b>Statements of Changes in Partners' or Proprietor's Equity</b>	CCC-325
		<b>Statements of Cash Flows</b>	CCC-335
		<b>Notes to Financial Statements</b>	
		<b>Schedule of Receivables and Patrons' Checks</b>	CCC-340
		<b>Casino Departmental Schedule</b>	CCC-345
		<b>Statement of Conformity and Accuracy</b>	CCC-350
		Long-Term Debt:	
16		Due to affiliates.....	
17		Other.....	
18		Deferred Credits.....	
19		Other Liabilities.....	
20		Commitments and Contingencies.....	
21		<b>Total Liabilities</b> .....	
22		<b>Stockholders', Partners', or Proprietor's Equity</b> .....	
23		<b>Total Liabilities and Equity</b> .....	

STATE BALANCE SHEETS

FOR THE YEARS DECEMBER 31, 19 88 AND 87  
 (UNAUDITED)  
 (\$ IN THOUSANDS)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987 Restated 10/4/88
ASSETS			
Current Assets:			
1	Cash.....	\$	\$
2	Marketable Securities.....	3,884	8,620
3	Receivables and patrons' checks (net of allowance for doubtful accounts 1988 \$ 9,090 ; 1987, \$ 9,668 ).....	-0-	-0-
4	Inventories.....	14,324	10,908
5	Prepaid expenses and other current assets.....(Note III-1).....	2,130	1,572
6	Total current assets.....	4,077	2,804
7	Investments, Advances, and Receivables.....(Note II-9, III-2).....	24,415	23,904
8	Property and Equipment - Net .....(Note II-1).....	30,730	37,144
9	Other Assets.....	251,613	156,972
10	Total Assets.....	7,511	1,575
LIABILITIES AND EQUITY			
Current Liabilities:			
11	Accounts payable.....	\$	\$
12	Notes payable.....	3,974	601
Current portion of long-term debt:			
13	Due to affiliates.....	-0-	-0-
14	Other.....(Note II-2).....	-0-	-0-
15	Income taxes payable and accrued.....	15,568	7,411
16	Other accrued expenses.....(Note III-3).....	(939)	(185)
17	Other current liabilities.....(Note III-4).....	14,574	12,462
18	Total current liabilities.....	9,894	12,584
Long-Term Debt:			
19	Due to affiliates.....	43,171	32,873
20	Other.....(Note II-2).....	-0-	-0-
21	Deferred Credits.....(Note II-3).....	98,064	31,208
22	Other Liabilities.....(Note II-9, III-5).....	2,522	338
23	Commitments and Contingencies.....(Note II-6).....	39,729	22,381
24	Total Liabilities.....	183,506	86,800
25	Stockholders', Partners', Or Proprietor's Equity.....	130,763	132,695
26	Total Liabilities and Equity.....	\$ 314,269	\$ 219,695

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

STATEMENTS OF INCOME

FOR THE YEARS ENDED December 31, 1988 AND 1987

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Revenue:		
1	Casino.....	\$ 231,032	\$ 209,910
2	Rooms.....	15,745	14,165
3	Food and beverage.....	29,572	25,507
4	Other.....	5,885	4,150
5	Total revenue.....	282,234	253,732
6	Less: promotional allowances.....(Note II-7).....	24,858	21,190
7	Net revenue.....	257,376	232,542
	Costs And Expenses:		
8	Cost of goods and services.....(Note II-9).....	134,303	123,227
9	Selling, general, and administrative.....(Note II-9).....	79,171	63,623
10	Provision for doubtful accounts.....	1,335	3,559
11	Total.....	214,809	190,409
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	42,567	42,133
13	Depreciation and amortization.....	14,326	10,751
	Charges from affiliates:		
14	Interest.....	-0-	-0-
15	Management fees.....(Note II-9).....	483	311
16	Other.....(Note II-9).....	45,204	45,157
17	Interest expense - external.....(Note II-10).....	3,560	1,242
18	Income (Loss) From Operations.....	(21,006)	(15,328)
19	Nonoperating income (expense) - net.....(Note III-6).....	18,489	18,382
20	Investment alternative tax & related income (expense)-net (Note II-6).....	(891)	(1,198)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(3,408)	1,856
22	Provision (Credit) for income taxes.....(Note II-11).....	(1,276)	949
23	Income (Loss) Before Extraordinary Items.....	(2,132)	907
24	Extraordinary items (net of income taxes - 1988, \$ -0- ; 1987, \$ -0- ).....	-0-	-0-
25	Net Income (Loss).....	\$ (2,132)	\$ 907

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 INCOME FOR THE THREE MONTHS ENDED December 31, 1988 AND 1987

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987
	Revenue		
1	Casino.....	\$ 60,217	\$ 45,609
2	Rooms.....	4,986	3,218
3	Food and beverage.....	8,849	5,626
4	Other.....	1,880	1,017
5	Total revenue.....	75,932	55,470
6	Less: promotional allowances.....(Note II-7).....	7,332	4,426
7	Net revenue.....	68,600	51,044
	Costs And Expenses:		
8	Cost of goods and services.....	39,742	28,509
9	Selling, general, and administrative.....	23,506	13,901
10	Provision for doubtful accounts.....	344	233
11	Total.....	63,592	42,643
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	5,008	8,401
13	Depreciation and amortization.....	5,322	2,881
	Charges from affiliates:		
14	Interest.....	-0-	-0-
15	Management fees.....	117	110
16	Other.....	11,322	11,288
17	Interest expense - external.....	3,484	11
18	Income (Loss) From Operations.....	(15,237)	(5,889)
19	Nonoperating income (expense) - net.....	4,571	4,702
20	Investment alternative tax & related income (expense) - net.....	(233)	(193)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(10,899)	(1,380)
22	Provision (Credit) for income taxes.....	(4,801)	(830)
23	Income (Loss) Before Extraordinary Items.....	(6,098)	(550)
24	Extraordinary items (net of income taxes - 1988, \$ -0- ; 1987, \$ -0- ).....	-0-	-0-
25	Net Income (Loss).....	\$ (6,098)	\$ (550)

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

CCC-315

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	1988		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) .....		(2,132)		907
28	Dividends .....		( )		( )
29	.....				
30	.....				
31	Ending balance .....		22,295		24,427
32	Ending Stockholders' Equity .....		\$ 130,763		\$ 132,895

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

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

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

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

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987 Restated 10/4/88
1	Net Cash Provided (Used) By Operating Activities.....	\$ 22,964	\$ 22,242
	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.....		
5	Proceeds from disposition of property and equipment.....	(105,068)	(72,558)
6	Purchase of casino reinvestment obligations.....	1	24
7	Purchase of other investments and loans/advances made.....	(2,897)	(2,579)
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	(4,789)	(2,908)
9	Cash outflows to acquire business entities.....	13,209	44,565
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(99,544)	(33,456)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.....		
14	Payments to settle short-term debt.....		
15	Cash proceeds from issuance of long-term debt.....		
16	Costs of issuing debt.....	86,294	19,081
17	Payments to settle long-term debt.....		
18	Cash proceeds from issuing stock or capital contributions.....	(14,450)	(6,030)
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....		
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	71,844	13,051
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(4,736)	1,937
25	Cash And Cash Equivalents At Beginning Of Period.....	8,620	6,783
25	Cash And Cash Equivalents At End Of Period.....	3,884	8,620

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized).....	\$ 5,683	\$ 3,965
28	Income Taxes.....	\$ 422	\$ 1,906

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

TRADING NAME OF LICENSEE TropWorld Casino and Entertainment Resort

STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED DECEMBER 31, 1988 AND 1987

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 1988	(d) 1987 Restated 10/4/88
	Net Cash Flows From Operating Activities:		
29	Net income (loss).....	\$ (2,132)	\$ 907
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	13,345	10,444
31	Amortization of other assets.....	981	307
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.....	2,184	(2,777)
36	(Gain) loss on casino reinvestment obligations.....	370	60
37	(Gain) loss from other investment activities.....	891	1,198
38	Net (increase) decrease in receivables and patrons' checks.....	(3,416)	(1,173)
39	Net (increase) decrease in inventories.....	(558)	193
40	Net (increase) decrease in other current assets.....	(1,273)	(95)
41	Net (increase) decrease in other assets.....	(6,817)	(318)
42	Net increase (decrease) in accounts payables.....	3,373	(1,095)
43	Net increase (decrease) in other current liabilities excluding debt.....	(1,332)	9,917
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	17,348	4,675
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 22,964	\$ 22,242

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.....	\$ (108,357)	\$ (74,616)
49	Less: Capital lease obligations incurred.....	(3,289)	(2,058)
50	Cash Outflows For Property And Equipment.....	\$ (105,068)	\$ (72,558)
	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 TROPWORLD CASINO AND ENTERTAINMENT RESORT  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1988

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation.

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

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

Inventories

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

Preopening Costs

During 1988, the Company capitalized certain costs associated with the expansion (the "Expansion") which have an intangible benefit. These costs are being amortized on a straight-line basis over two years. At December 29, 1988, \$3,200,000 of preopening costs were included in other assets.

Property and equipment

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

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

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

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

#### Deferred charges

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

#### Casino Revenue

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

#### Complimentaries

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

#### Jackpot Payouts

The retail value of jackpot payouts are included in Costs of Goods and Services.

#### Income taxes

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

#### SALE/LEASEBACK TRANSACTION

In November 1984, the Company transferred the building ("Building"), excluding the expanded facility, and certain other non-gaming assets of TropWorld Casino and Entertainment Resort ("TropWorld"), formerly Tropicana Hotel and Casino, to Ambassador General Partnership ("AGP"), in exchange for a 99.9% interest in AGP. The assets transferred had a net book value of approximately \$226,000,000. Simultaneously with the transfer, the Company gave its interest in AGP to Ramada as a dividend, which then sold the interest to a limited partnership, Ambassador Real Estate Investors, L.P. ("AREI") for \$243,900,000. A director of the Company is a general partner in AGP and AREI and also holds a limited partnership interest in AREI. Adamar did not realize any gain or loss on the transaction.

In addition to the transfer of assets to AGP, the Company leased the land ("Land") on which the Building is located to AGP for a term of 65 years, and leased back the assets and Land from AGP under a 10-year lease agreement (the "Operating Lease") with three 10-year renewal options. For financial reporting purposes, the leaseback has been principally recorded as an operating lease (see Note II-5: "Lease Obligations") except for the portion related to furniture and equipment, which has been capitalized.

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

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

The Company is continuing to finance the construction of the Expansion with construction financing of approximately \$140,000,000. As of December 29, 1988, the Company has used \$98,493,000 of the credit line. Upon completion of the Expansion, the Company chose to retain ownership of the Expansion and operate the expanded facility and the existing Tropicana as a single integrated facility. AGP retains ownership of the Building and the hotel assets acquired in 1984 and all agreements pertaining to these assets remain unchanged.

Beginning in 1985, the Company funds the purchase of replacement furniture and equipment required for the operation of TropWorld, up to certain maximum amounts per year, with loans collateralized by a mortgage receivable ("the FF&E Mortgage") with AGP. Such furniture and equipment purchases are leased back to the Company by AGP pursuant to a lease agreement under which the Company pays rent to AGP for a period of five years. For financial reporting purposes these leases are recorded as capital leases. No principal or interest payments are made on the FF&E Mortgages until maturity.

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

## II. SIGNIFICANT INFORMATION

### NOTE 1. PROPERTY AND EQUIPMENT

At December 31, 1988 and 1987, the components of property and equipment consisted of:

	<u>1988</u>	<u>1987</u>
Land		
Building, furniture and fixtures	\$ 35,708,000	\$ 35,542,000
Less accumulated depreciation	260,741,000	78,836,000
Construction in progress	(48,066,000)	(37,378,000)
	<u>3,230,000</u>	<u>79,972,000</u>
Total property and equipment	<u>\$251,613,000</u>	<u>\$156,972,000</u>

### NOTE 2. DEFERRED CREDITS

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

### NOTE 3. CAPITAL STOCK

The authorized, issued, and outstanding shares of capital stock at December 31, 1988 were as follows:

Class A Preferred - without par value, noncumulative, voting authorized, issued, and outstanding - 10,000 shares

Class B Preferred - without par value, noncumulative, voting authorized, issued, and outstanding - 10,000 shares

NOTE 2. LONG-TERM DEBT

At December 31, 1988 and 1987, long-term debt consisted of:

	<u>1988</u>	<u>1987</u>
Notes payable; prime minus 1%, maturities to 2009	\$ 444,000	\$ 466,000
Mortgage payable; 10%, maturities to 1994	321,000	325,000
Mortgage payable; 11%, matured 1988	-	180,000
Construction and term loan payable; various interest rate options ranging from prime plus 3/4% to LIBOR plus 1 3/4%, matures 1994	98,493,000	18,901,000
Obligations under capital leases	<u>14,494,000</u>	<u>18,747,000</u>
	113,752,000	38,619,000
Less current portion	<u>(15,668,000)</u>	<u>( 7,411,000)</u>
Long-term portion	<u>\$98,084,000</u>	<u>\$31,208,000</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:

1989	\$ 15,668,000
1990	9,366,000
1991	15,822,000
1992	18,904,000
1993	18,187,000
Thereafter	<u>35,805,000</u>
<b>TOTAL</b>	<u><u>\$113,752,000</u></u>

NOTE 3. DEFERRED CREDITS

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

NOTE 4. CAPITAL STOCK

The authorized, issued, and outstanding shares of capital stock at December 31, 1988 were as follows:

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

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

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

NOTE 5. LEASE OBLIGATIONS

The Company is a party to noncancelable lease agreements involving land, buildings and equipment. The leases extend for varying periods up to 90 years and generally provide for the payment of taxes, insurance and maintenance (executory costs) by the lessee. Some of these leases have provisions for renewal options primarily under similar terms, and/or options to purchase at various dates.

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

The Company has entered into an agreement providing for the lease of land across from TropWorld 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.

Adamar is a party to various claims, legal actions, and proceedings arising in the ordinary course of business as described by way of disclosure on certain claims in various cities of Nevada.

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

The New Jersey Casino Control Commission imposes an annual tax on gross revenues (as defined in the amount of eight percent). Pursuant to legislation adopted in 1985, certain licenses 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 ("CRA") or some other approved investment equal to that 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 provided by the legislation, the interest rate of the CRA 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 CRA bond issuance.

Minimum future lease obligations on non-cancelable leases at December 31, 1988 are as follows (in thousands):

<u>YEAR</u>	<u>OPERATING</u>	<u>CAPITAL</u>
1989	\$ 46,793	\$ 12,107
1990	53,907	3,953
1991	53,180	2,706
1992	55,297	1,770
1993	53,126	664
Thereafter	<u>391,487</u>	<u>-0-</u>
Total	<u>\$653,790</u>	21,200
Amount representing executory costs		(1,252)
Amount representing interest		<u>(5,454)</u>
Net present value		14,494
Less current portion		<u>(8,607)</u>
Long-term portion		<u>\$ 5,887</u>

Total rental expenses under operating leases for 1988 and 1987 amounted to \$53,420,000 and \$52,465,000, respectively.

NOTE 6.

#### COMMITMENTS AND CONTINGENCIES

##### Licensing

On November 26, 1982, the Company was granted a permanent gaming license by the New Jersey Casino Control Commission. The license is renewable on an annual basis until 1989 when it becomes renewable biennially. 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.

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

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

The New Jersey Casino Control Commission imposes an annual tax on gross revenues (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 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's reinvestment obligation for 1988 and 1987, respectively, was \$2,897,000 and \$2,579,000 for the purchase of CRDA bonds and, accordingly, the Company recorded a loss provision of \$891,000 and \$1,198,000 to recognize the effect of the below market interest rate the bonds would have borne had they had been issued on December 31, 1988 and 1987, respectively.

NOTE 7. COMPLIMENTARY SERVICES

The amount of promotional allowances and promotional expenses for the twelve months ended December 31, 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	64,619	\$ 6,485,000	2,520	\$ 101,000
Food	1,086,184	10,645,000	52,081	510,000
Beverage	4,194,012	5,396,000	-0-	-0-
Travel	-0-	-0-	5,388	1,886,000
Showroom/Boxing/ Tivoli Pier	95,587	571,000	23,682	474,000
Coin Payouts	-0-	-0-	2,672,580	34,735,000
Other	176,090	1,761,000	30,758	307,000
<b>Total</b>	<b>5,616,492</b>	<b>\$24,858,000</b>	<b>2,787,009</b>	<b>\$38,013,000</b>

The amount of promotional allowances and promotional expenses for the quarter ended December 31, 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	21,825	\$ 1,815,000	1,047	\$ 42,000
Food	316,406	3,101,000	16,649	163,000
Beverage	1,200,330	1,551,000	-0-	-0-
Travel	-0-	-0-	1,631	571,000
Showroom/Boxing	42,395	318,000	3,316	67,000
Coin Payouts	-0-	-0-	664,461	7,551,000
Other	54,715	547,000	11,279	112,000
<b>Total</b>	<b>1,635,671</b>	<b>\$ 7,332,000</b>	<b>698,383</b>	<b>\$ 8,506,000</b>

NOTE 8. JACKPOT PAYOUTS

Jackpot payouts for the year ended December 31, 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>17</u>	<u>\$579,000</u>
Total	<u>-0-</u>	<u>\$ -0-</u>	<u>17</u>	<u>\$579,000</u>

Jackpot payouts for the three months ending December 31, 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>5</u>	<u>\$194,000</u>
Total	<u>-0-</u>	<u>\$ -0-</u>	<u>5</u>	<u>\$194,000</u>

NOTE 9. RELATED PARTIES

Revised 10/4/88

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.	\$ 22,191,000	\$ 9,168,000
Due to Tropicana West	174,000	27,000
Due to Ramada NJ, Inc.	<u>2,354,000</u>	<u>1,659,000</u>
Total	<u>\$ 24,719,000</u>	<u>\$ 10,854,000</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>\$ 7,904,000</u>	<u>\$ 14,511,000</u>

For the twelve months ended December 31, 1988 and 1987 the Company incurred management fees from Ramada Inc. of \$483,000 and \$311,000 respectively.

NOTE 10. The nature of "Charges from affiliates - other" for the twelve months ended December 31, 1988 and 1987 are as follows:

	<u>1988</u>	<u>1987</u>
Basic rent - AGP	\$ 44,509,000	\$ 44,462,000
Rent	<u>695,000</u>	<u>695,000</u>
Total	<u>\$ 45,204,000</u>	<u>\$ 45,157,000</u>

For the twelve months ended December 31, 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	\$ 5,000
Workman's compensation	<u>796,000</u>	<u>110,000</u>
Total	<u>\$ 799,000</u>	<u>\$ 115,000</u>

	<u>1988</u>	<u>1987</u>
<u>SELLING, GENERAL AND ADMINISTRATIVE</u>		
Insurance (1)	\$1,901,000	\$ 624,000
Leased automobile expense	-0-	6,000
Executive deferred compensation plan	36,000	59,000
Legal and professional fees	365,000	334,000
Miscellaneous purchases	<u>35,000</u>	<u>42,000</u>
	<u>2,337,000</u>	<u>1,065,000</u>
Total	<u>\$3,136,000</u>	<u>\$1,180,000</u>

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

NOTE 11. PENSION PLANS

Effective July 1, 1986, the Company entered into a profit sharing and employee savings plan which covers all employees located in the United States who are not members of another bargaining unit. The savings plan allows employees to contribute up to a maximum amount of \$7,313 of their income in 1988. Profit sharing expense was

NOTE 10. INTEREST

Interest expenses of \$3,560,000 and \$1,242,000 in the twelve months of 1988 and 1987, respectively, is comprised of interest on capital leases, notes mortgages and the construction loan.

	<u>1988</u>	<u>1987</u>
Gross interest expense incurred	\$10,226,000	\$ 4,265,000
Less capitalized interest	(7,514,000)	(3,212,000)
Capitalized interest allocated to Ramada	<u>848,000</u>	<u>189,000</u>
	<u>\$ 3,560,000</u>	<u>\$ 1,242,000</u>

NOTE 11. 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	\$ 299,000	\$ (482,000)
Total dererred	<u>1,885,000</u>	<u>(2,295,000)</u>
	<u>2,184,000</u>	<u>(2,777,000)</u>
State current		
Federal current	(578,000)	670,000
Total current	<u>(2,882,000)</u>	<u>3,056,000</u>
TOTAL	<u>(3,460,000)</u>	<u>3,726,000</u>
	<u>\$ (1,276,000)</u>	<u>\$ 949,000</u>

The following table provides a reconciliation between the provision/(benefit) for income taxes on continuing operations and the federal statutory rate (1988-34%, 1987-40%) when both are expressed as a percentage of pretax income/(loss):

	<u>1988</u>	<u>1987</u>
Computed expected tax expense		
Increase/(Decrease)	34.0%	40.0%
in tax resulting from:		
State taxes, net	5.4%	6.1%
Permanent tax difference	<u>(2.0%)</u>	<u>5.0%</u>
Total	<u>37.4%</u>	<u>51.1%</u>

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

NOTE 12.

PENSION PLANS

Effective July 1, 1988, the Company merged with Ramada Inc.'s profit sharing and employee savings plan which covers substantially all employees located in the United States who are not covered by a collective bargaining unit. The savings plan allows employees of Adamar to defer up to a maximum amount of \$7,313 of their income on a pre-tax basis through contributions to the plan. Profit sharing expense for 1988 was \$1,194,000.

Adamar makes contributions based on hours worked, as specified in five union agreements, to union administered, multiemployer, defined contribution pension plans. Contributions for these plans during 1988 and 1987 amounted to \$1,086,000 and \$471,000, respectively.

III. SUPPORTING SCHEDULES FOR MATERIAL ITEMS

NOTE 1. PREPAID EXPENSES AND OTHER CURRENT ASSETS

At December 31, 1988 and 1987, Prepaid expenses and Other current assets consisted of the following:

	<u>1988</u>	<u>1987</u>
Prepaid slot machine licenses	\$ 596,000	\$ 436,000
Prepaid rent	108,000	87,000
Prepaid NJ current corporate license	856,000	655,000
Prepaid insurance	218,000	667,000
Prepaid interest	130,000	-
Other	2,169,000	959,000
<b>TOTAL</b>	<b>\$ 4,077,000</b>	<b>\$ 2,804,000</b>

NOTE 2. INVESTMENTS, ADVANCES, AND RECEIVABLES

At December 31, 1988 and 1987, Investments, Advances, and Receivables consisted of the following:

	<u>1988</u>	<u>1987</u>
Due from affiliates	\$ 7,904,000	\$ 14,511,000
CRDA investments	9,184,000	7,178,000
Mortgage receivable	13,179,000	8,511,000
Long-term investment	283,000	6,885,000
Long-term note receivable	180,000	59,000
<b>Total</b>	<b>\$ 30,730,000</b>	<b>\$ 37,144,000</b>

NOTE 3. OTHER ACCRUED EXPENSES

At December 31, 1988 and 1987, Other accrued expenses consisted of the following:

	<u>1988</u>	<u>1987</u>
Accrued payroll taxes and benefits	\$ 5,598,000	\$ 7,415,000
Accrued advertising	1,106,000	847,000
Accrued rent	371,000	286,000
Accrued taxes	450,000	456,000
Accrued progressive slot win	3,283,000	1,530,000
Accrued COC & DGE	655,000	420,000
Accrued miscellaneous	1,529,000	957,000
Other	1,582,000	551,000
<b>Total</b>	<b>\$ 14,574,000</b>	<b>\$ 12,462,000</b>

NOTE 4. OTHER CURRENT LIABILITIES

Revised 10/4/88

At December 31, 1988 and 1987, Other current liabilities consisted of the following:

	<u>1988</u>	<u>1987</u>
Reinvestment obligation	\$ 753,000	\$ 580,000
Accrued construction payables	7,637,000	10,288,000
Other	<u>1,504,000</u>	<u>1,716,000</u>
Total	<u>\$ 9,894,000</u>	<u>\$ 12,584,000</u>

NOTE 5. OTHER LIABILITIES

At December 31, 1988 and 1987, Other liabilities consisted of the following:

	<u>1988</u>	<u>1987</u>
Due to affiliates	\$ 24,719,000	\$ 10,854,000
Deferred rent	<u>15,010,000</u>	<u>11,527,000</u>
TOTAL	<u>\$ 39,729,000</u>	<u>\$ 22,381,000</u>

NOTE 6. NON-OPERATING INCOME/(EXPENSE)

For the period ending December 31, 1988 and 1987, Non-operating income/(expense) consisted of the following:

	<u>1988</u>	<u>1987</u>
Interest income	\$ 2,414,000	\$ 2,761,000
Management fee reimbursement	500,000	500,000
Leased land rental	5,542,000	5,542,000
Maintenance reimbursement	10,403,000	9,639,000
Loss on dispositions	<u>(370,000)</u>	<u>(60,000)</u>
Total	<u>\$ 18,489,000</u>	<u>\$ 18,382,000</u>

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 1988

(UNAUDITED)

(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT (c) BALANCE	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (E) NET OF ALLOWANCE
	Patrons' Checks:			
1	Undeposited patrons' checks.....	\$ 5,429		
2	Returned patrons' checks.....	13,737		
3	Total patrons' checks.....	19,166	\$ (9,007)	\$ 10,159
4	Hotel Receivables.....	1,555	(83)	1,472
	Other Receivables:			
5	Receivables due from officers and employees...	15		
6	Receivables due from affiliates.....	-0-		
7	Other accounts and notes receivables.....	2,678		
8	Total other receivables.....	2,693		2,693
9	Totals (Form 205).....	\$ 23,414	\$ (9,090)	\$ 14,324

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).....	163,505
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).....	(113,662)
13	Checks collected through deposits.....	(38,737)
14	Checks transferred to returned checks.....	(10,314)
15	Other adjustments.....	
16	Ending balance.....	\$ 5,429
17	*Hold* Checks Included in Balance On Line 16.....	\$ -0-
18	Provision For Uncollectible Patrons' Checks.....	\$ 1,281
19	Provision As A Percent Of Counter Checks Issued.....	0.8 %

# CASINO DEPARTMENTAL SCHEDULE

STATE OF New Jersey  
COUNTY OF ATLANTIC  
FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	<b>Revenue:</b>				
1	Blackjack .....	\$ 44,978	\$ 301,555	%	
2	Craps .....	31,209	192,547	14.9	89
3	Roulette .....	9,587	36,678	16.2	20
4	Big Six .....	2,194	4,498	26.1	11
5	Baccarat .....	5,067	38,970	48.8	2
6	Other table games .....	-	-	13.0	2
7	Total table games revenue .....	93,035	\$ 574,248	16.2%	124
			<b>HANDLE</b>		
8	\$ .05 slot machines .....	3,357	\$ 22,450	%	
9	\$ .25 slot machines .....	45,557	326,726	14.9	104
10	\$1.00 slot machines .....	23,991	212,100	13.9	789
11	Other slot machines .....	66,846	670,251	11.3	257
12	Total coin-operated devices revenue .....	139,751	\$ 1,231,527	9.9	710
				11.3%	1,860
13	Progressive jackpot adjustment .....	1,754			
14	Total coin-operated devices revenue after adjustment .....	137,997			
15	Other income .....	-0-			
16	Total revenue .....	231,032			
	<b>Expenses:</b>				
17	Payroll and payroll related expenses .....	33,101			
18	Licenses and taxes .....	20,516			
19	Provision for uncollectible patrons' checks .....	1,281			
20	Other .....	2,687			
21	Total .....	57,585			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	173,447			
	Complimentary services and casino management fees:				
23	Complimentary services .....	1			
24	Casino management fees .....	-			
25	Total .....	1			
26	Departmental Income (Loss) .....	\$ 173,446			



# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** ADAMAR OF NEW JERSEY INC.  
**ADDRESS** BRIGHTON & BOARDWALK ATLANTIC CITY  
ATLANTIC CITY NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 19

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

LESTER BRZOWSKI

**OFFICIAL TITLE.....**

VICE PRESIDENT OF FINANCE

**ADDRESS.....**

BRIGHTON & BOARDWALK

ATLANTIC CITY NJ 08401

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 88  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	CASINO				
1	Administration .....	18			
2	Gaming .....	874			
3	Slots .....	180			
4	Casino accounting .....	488			
5	Other .....	69			
6	Total-casino .....	1629	\$ 36,363	\$	\$ 36,363
7	ROOMS .....	576	5,884		5,884
8	FOOD AND BEVERAGE .....	401	13,932		13,932
	OTHER OPERATED DEPARTMENTS				
9	Communications	21	279		279
10	Gift Shop	29	338		338
11	Transportation	201	2,018		2,018
12	Hotel Sales	11	319		319
13	Tivoli Pier	116	702		702
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office .....	18	181	1,583	1,764
21	Accounting and auditing .....	272	4,447		4,447
22	Security .....	225	4,212		4,212
23	Other administrative and general department ..	61	1,243		1,243
24	MARKETING .....	98	4,655		4,655
25	GUEST ENTERTAINMENT .....	104	1,036		1,036
26	PROPERTY OPERATION AND MAINTENANCE .....	129	3,118		3,118
27	TOTALS - ALL DEPARTMENTS .....	389	\$ 78,727	\$ 1,583	\$ 80 3.

Trading Name of Licensee ADAMAR OF NEW JERSEY INC  
TROPWORLD CASINO & ENTERTAINMENT RESORT

GROSS REVENUE  
ANNUAL TAX RETURN

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

LICENSEE TROPWORLD CASINO AND ENTERTAINMENT RESORT

For the Year Ended December 31, 1988

ADDRESS ATLANTIC CITY, NJ 08401

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1988

3/14/89  
Date

*John M. [Signature]*  
Signature

CONTROLLER  
Title

CASINO CONTRACTOR

STATE OF NEW JERSEY



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

John M. [Signature]

OFFICIAL TITLE

CONTROLLER

ADDRESS

Atlantic City Boardwalk

Atlantic City, NJ 08401

# GROSS REVENUE ANNUAL TAX RETURN

**LICENSEE** TROPWORLD CASINO AND ENTERTAINMENT RESORT

**ADDRESS** Brighton and the Boardwalk

Atlantic City, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 19<sup>88</sup>**

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

Lester Brzozowski

**OFFICIAL TITLE** .....

Vice President of Finance

**ADDRESS** .....

Brighton and the Boardwalk

Atlantic City, NJ 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 93,034,433	
2	Coin-operated devices revenue .....	<u>139,750,434</u>	
3	Total revenues .....		<u>\$232,784,867</u>
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 1,281,336	
5	Maximum adjustment (4% of line 3) .....	<u>\$ 9,311,395</u>	
6	Adjustment (the lesser of line 4 or line 5) .....		<u>1,281,336</u>
7	Gross revenues (line 3 less line 6) .....		<u>\$231,503,531</u>
8	Tax on gross revenues - current year (8% of line 7) .....		<u>\$ 18,520,282</u>
9	Audit or other adjustments to tax on gross revenues in prior years .....		<u>-0-</u>
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		<u>18,520,282</u>
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 955,237	
12	February .....	<u>1,516,438</u>	
13	March .....	<u>1,231,201</u>	
14	April .....	<u>1,282,023</u>	
15	May .....	<u>1,696,536</u>	
16	June .....	<u>1,476,413</u>	
17	July .....	<u>1,773,370</u>	
18	August .....	<u>1,953,155</u>	
19	September .....	<u>1,507,980</u>	
20	October .....	<u>1,924,395</u>	
21	November .....	<u>1,538,624</u>	
22	December .....	<u>1,169,210</u>	
23	January .....	<u>495,700</u>	
24	Total deposits made for tax on current year's gross revenues .....		<u>( 18,520,282)</u>
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		<u>-0-</u>
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		<u>\$ -0-</u>

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF :  
 COUNTY OF :ss.  
 :

Lester Brzozowski  
 Name, being duly sworn according

to law upon my oath deposes and says:

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

Lester Brzozowski  
 Signature

Vice President of Finance  
 Title

3032-11

License Number

On Behalf Of:  
 TROPWORLD CASINO AND  
 ENTERTAINMENT RESORT  
Casino Licensee

Subscribed and sworn to  
 before me this 14<sup>th</sup> day  
 of March, 1989.

Dolores Durfor  
 Signature

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

Basis of Authority  
 to Take Oaths

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 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	1,004	28,112	22,461	\$ 76.46	79.9 %	44,501	\$ 38.59
NOVEMBER	1,004	32,128	29,300	\$ 73.05	91.2 %	58,457	\$ 36.61
DECEMBER	1,014	28,392	16,913	\$ 63.80	59.6 %	34,451	\$ 31.32
4TH QUARTER TOTALS		88,632	68,674	\$ 71.89	77.5 %	137,409	\$ 35.93
ANNUAL TOTALS		229,028	185,510	\$ 84.49	81.0 %	376,821	\$ 41.60

NEW JERSEY STATE LIBRARY  
3 3009 00006 3588

974-901

0193

# ANNUAL REPORT

**LICENSEE** TRUMP CASTLE ASSOCIATES  
**ADDRESS** Huron Avenue & Brigantine Blvd.  
Atlantic City, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 1988**

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



PROPERTY OF  
NEW JERSEY STATE LIBRARY  
MAR 23 1989  
185 W. STATE ST.  
TRENTON, N.J.

**NAME OF OFFICER IN CHARGE  
OF CORRESPONDENCE REGARDING  
THIS ANNUAL REPORT . . . . .** Thomas P. Venier  
**OFFICIAL TITLE . . . . .** Vice President Finance  
**ADDRESS . . . . .** Huron Avenue & Brigantine Blvd.  
Atlantic City, NJ 08401

**LIST OF FORMS - ANNUAL REPORT**

FOR THE YEAR ENDED DECEMBER 31, 1988

LINE NO.	DESCRIPTION	(c) 19 88	(d) 19 87
<b>ASSETS</b>			
<b>Current Assets:</b>			
1	Cash	\$ 13,711	\$ 31,138
2	Marketable securities		0
3	Receivables and patrons' checks (net of allowance for doubtful)		
4	<b>Balance Sheets</b>		
		11,800	13,917
			FORM NO.
			CCC-305
5	Inventories	3,000	2,942
6	<b>Statements of Income (Year)</b>		
			CCC-310
7	<b>Statements of Income (Three Months)</b>		
		38,300	47,631
			CCC-315
8	<b>Statements of Changes in Stockholders' Equity</b>		
		1,000	2,287
			CCC-320
9	Property and Equipment - Net	140,000	290,371
10	<b>Statements of Changes in Partners' or Proprietor's Equity</b>		
		12,551	13,306
			CCC-325
11	<b>Statements of Cash Flows</b>		
		396,000	362,585
			CCC-335
<b>LIABILITIES AND EQUITY</b>			
<b>Notes to Financial Statements</b>			
<b>Current Liabilities:</b>			
12	<b>Schedule of Receivables and Patrons' Checks</b>		
		22,630	5,929
			CCC-340
13	Accounts payable		0
14	<b>Casino Departmental Schedule</b>		
			CCC-345
15	Due to affiliates		0
			CCC-350
16	<b>Statement of Conformity and Accuracy</b>		
			CCC-350
17	Income taxes payable and accrued		0
18	Other accrued expenses	9,909	12,026
19	Other current liabilities	11,270	9,073
20	<b>Total current liabilities</b>	44,519	37,034
21	Long-Term Debt:		
22	Due to affiliates	305,722	303,520
23	Other	17,991	0
24	Deferred Credits	445	789
25	Other Liabilities	19	24
26	Investments and Contingencies		
27	<b>Total liabilities</b>	368,086	331,667
28	Stockholders', Partners', or Proprietor's Equity	28,203	30,918
29	<b>Total liabilities and equity</b>	\$ 396,289	\$ 362,585

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

# BALANCE SHEETS

STATEMENTS OF INCOME  
 DECEMBER 31, 19 88 AND 19 87

(UNAUDITED)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>ASSETS</b>		
	Current Assets:		
1	Cash .....	\$ 19,713	\$ 31,138
2	Marketable securities .....	0	0
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$ 1,257 ; 19 <u>87</u> , \$ 1,830 ) .....	13,858	11,517
4	Inventories .....	3,038	2,942
5	Prepaid expenses and other current assets .....	2,300	2,234
6	Total current assets .....	38,909	47,831
7	Investments, Advances, And Receivables .....	5,053	2,987
8	Property And Equipment - Net ..... (NOTE 2) .....	340,374	298,371
9	Other Assets ..... (NOTE 5) .....	12,551	13,396
10	Total Assets .....	\$ 396,887	\$ 362,585
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
11	Accounts payable ..... (NOTE 6) .....	\$ 22,638	\$ 5,929
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 7) .....	9,909	12,026
17	Other current liabilities ..... (NOTE 8) .....	11,970	9,079
18	Total current liabilities .....	44,517	27,034
	Long-Term Debt:		
19	Due to affiliates ..... (NOTE 3) .....	305,722	303,820
20	Other ..... (NOTE 4) .....	17,981	0
21	Deferred Credits .....	445	789
22	Other Liabilities .....	19	24
23	Commitments And Contingencies ..... (NOTE 10)		
24	Total Liabilities .....	368,684	331,667
25	Stockholders', Partners', Or Proprietor's Equity .....	28,203	30,918
26	Total Liabilities And Equity .....	\$ 396,887	\$ 362,585

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

**STATEMENTS OF INCOME**

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Revenue:</b>		
<u>1</u>	Casino .....	\$ 248,022	\$ 239,953
<u>2</u>	Rooms .....	19,167	18,467
<u>3</u>	Food and beverage .....	40,165	40,924
<u>4</u>	Other .....	8,747	7,557
<u>5</u>	Total revenue .....	316,101	306,901
<u>6</u>	Less: promotional allowances .....(NOTE 12.)	37,619	38,092
<u>7</u>	Net revenue .....	278,482	268,809
	<b>Costs And Expenses:</b>		
<u>8</u>	Cost of goods and services .....	145,501	136,267
<u>9</u>	Selling, general, and administrative .....	74,671	65,938
<u>10</u>	Provision for doubtful accounts .....	1,618	1,432
<u>11</u>	Total .....	221,790	203,637
	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	56,692	65,172
<u>13</u>	Depreciation and amortization .....	19,973	23,332
	Charges from affiliates:		
<u>14</u>	Interest .....(NOTE 3)...	41,837	41,637
<u>15</u>	Management fees .....	0	0
<u>16</u>	Other .....	0	0
<u>17</u>	Interest expense - external .....	0	0
<u>18</u>	Income (Loss) From Operations .....	(5,118)	203
<u>19</u>	Nonoperating income (expense) - net .....(NOTE 9)...	2,648	2,894
<u>20</u>	Investment alternative tax and related income (expense) - net.....(NOTE 10)	(992)	(1,200)
<u>21</u>	Income (Loss) Before Income Taxes And Extraordinary Items.....	(3,462)	1,897
<u>22</u>	Provision (Credit) for income taxes .....(NOTE 1)...	(344)	190
<u>23</u>	Income (Loss) Before Extraordinary Items .....	(3,118)	1,707
<u>24</u>	Extraordinary items (net of income taxes - 19 <u>  </u> , \$ (Loss) ; 19 <u>  </u> , \$ ) .....	0	0
<u>25</u>	Net Income (Loss) .....	\$ (3,118)	\$ 1,707

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino .....	\$ 56,594	\$ 59,108
2	Rooms .....	4,380	4,541
3	Food and beverage .....	9,182	8,550
4	Other .....	1,382	2,068
5	Total revenue .....	71,538	74,267
6	Less: promotional allowances ..... (NOTE 12)	8,269	9,914
7	Net revenue .....	63,269	64,353
	Costs And Expenses:		
8	Cost of goods and services .....	33,664	30,926
9	Selling, general, and administrative .....	18,519	21,115
10	Provision for doubtful accounts .....	(537)	587
11	Total .....	51,646	52,628
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	11,623	11,725
13	Depreciation and amortization .....	3,574	5,923
	Charges from affiliates:		
14	Interest ..... (NOTE 3) ..	10,483	10,434
15	Management fees .....	0	0
16	Other .....	0	0
17	Interest expense - external .....	0	0
18	Income (Loss) From Operations .....	(2,434)	(4,632)
19	Nonoperating income (expense) - net ..... (NOTE 9) ..	707	767
20	Investment alternative tax and related income (expense) - net.....	(234)	(239)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	(1,961)	(4,104)
22	Provision (Credit) for income taxes ..... (NOTE 1) ..	(194)	(391)
23	Income (Loss) Before Extraordinary Items .....	(1,767)	(3,713)
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....	0	0
25	Net Income (Loss) .....	\$ (1,767)	\$ (3,713)

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

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1988 and 1987

NOT APPLICABLE

(UNAUDITED)  
( \$ IN THOUDANDS)

LINE (a)	DESCRIPTION (b)	19 __		19 __	
		(c) SHARES	(d) DOLLARS	(e) SHARES	(f) DOLLARS
	Common Stock:				
1	Beginning balance (January 1) .....		\$		\$
2	Sale of stock .....				
3	.....				
4	Ending balance .....				
	Preferred Stock:				
5	Beginning balance (January 1) .....				
6	Sale of stock .....				
7	.....				
8	Ending Balance .....				
	Additional Paid-in Capital:				
9	Beginning balance (January 1) .....				
10	.....				
11	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

FOR THE YEARS ENDED DECEMBER 31, 1988 and 1987  
 (UNAUDITED)  
 (\$ IN THOUSANDS)

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

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Invested Capital:</b>		
1	Beginning balance (January 1) .....	\$ 66,196	\$ 66,196
2	Additional capital invested .....	0	0
3	.....	0	0
4	Ending balance .....	66,196	66,196
	<b>Accumulated Income (Loss):</b>		
5	Beginning balance (January 1) .....	7,322	5,615
6	Prior period adjustments .....	0	0
7	Net income (loss) .....	(3,118)	1,707
8	.....		
9	Ending balance .....	4,204	7,322
	<b>Capital Withdrawals:</b>		
10	Beginning balance (January 1) .....	( 42,600 )	( 26,673 )
11	Additional capital withdrawals .....	( 5,857 )	( 17,395 )
12	Repayment of Withdrawals.....	6,260	1,468
13	Ending balance .....	( 42,197 )	( 42,600 )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</b>		
14	Beginning balance (January 1) .....	( 0 )	( 0 )
15	.....		
16	.....		
17	Ending balance .....	( 0 )	( 0 )
18	Ending Partners' Or Proprietor's Equity .....	\$ 28,203	\$ 30,918

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

# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
 (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.....	\$ 33,597	\$ 26,957
	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	Cash outflows for property and equipment.....	(60,491)	(11,593)
5	Proceeds from disposition of property and equipment.....	143	684
6	Purchase of casino reinvestment obligations.....	(3,058)	(2,974)
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.....	(63,406)	(13,883)
	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.....	17,981	
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....		
18	Cash proceeds from issuing stock or capital contributions.....	403	(15,927)
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....		
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	18,384	(15,927)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(11,425)	(2,853)
25	Cash And Cash Equivalents At Beginning Of Year .....	31,138	33,991
26	Cash And Cash Equivalents At End Of Year.....	\$ 19,713	\$ 31,138

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized).....	\$ 39,935	\$ 39,935
28	Income taxes.....	\$	\$

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

# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (c)	Description (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss).....	\$ (3,118)	\$ 1,707
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	18,417	20,670
31	Amortization of other assets.....	1,556	2,662
32	Amortization of debt discount or premium.....	1,902	1,702
33	Deferred income taxes - current.....	0	0
34	Deferred income taxes - noncurrent.....	(344)	190
35	(Gain) loss on disposition of property and equipment.....	(72)	66
36	(Gain) loss on casino reinvestment obligations.....	992	1,200
37	(Gain) loss from other investment activities.....	0	0
38	Net (increase) decrease in receivables and patrons' checks.....	(2,341)	(4,271)
39	Net (increase) decrease in inventories.....	(96)	(473)
40	Net (increase) decrease in other current assets.....	(66)	496
41	Net (increase) decrease in other assets.....	(711)	0
42	Net increase (decrease) in accounts payables.....	16,709	(88)
43	Net increase (decrease) in other current liabilities excluding debt.....	774	3,220
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....	(5)	(124)
45			
46			
47	<b>Net Cash Provided (Used) By Operating Activities.....</b>	<b>\$ 33,597</b>	<b>\$ 26,957</b>

## SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment.....	\$ 60,491	\$ 11,593
49	Less: Capital lease obligations incurred.....	0	0
50	<b>Cash Outflows For Property And Equipment.....</b>	<b>\$ 60,491</b>	<b>\$ 11,593</b>
	<b>Acquisition Of Business Entities:</b>		
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	<b>Cash Outflows To Acquire Business Entities.....</b>	<b>\$ 0</b>	<b>\$ 0</b>
	<b>Stock Issued Or Capital Contributions:</b>		
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	<b>Cash Proceeds From Issuing Stock Or Capital Contributions.....</b>	<b>\$ 0</b>	<b>\$ 0</b>

TRUMP 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.

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 \$1,257,000 through December 31, 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 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 December 31:

	<u>1988</u>	<u>1987</u>
Land	\$ 28,768	\$ 27,980
Buildings	237,120	237,120
Furniture, Fixtures and Equipment	67,374	65,719
Construction in Progress	64,730	9,205
Building Improvements	8,821	7,555
	-----	-----
TOTAL	\$406,813	\$347,579
Less Accumulated Depreciation	66,439	49,208
	-----	-----
Net Property and Equipment	\$340,374	\$298,371
	=====	=====

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 or premium, if any, and interest on the bonds. The bonds are non-recourse to the Partners of the Partnership and the shareholders of the Company and all other persons and entities (other than the Company and the Partnership). The bonds cannot be subordinated to any other future borrowings by the Partnership or the Company.

The bond indenture permits the quarterly distribution of available cash flow, as defined, to the Partners in excess of \$1,512,000. The Partnership must also maintain such cash flow in an aggregate amount of \$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:

NOTE 3 - OTHER ASSETS 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 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 December 31, 1988, the Company had borrowed approximately \$17,981,000 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 December 31, 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)	---	1,017
Deferred Bond Costs (Net)	11,839	12,379
Other Non-Current Assets	124	---
	-----	-----
<b>TOTAL OTHER ASSETS</b>	<b>\$12,551</b>	<b>\$13,396</b>
	=====	=====

NOTE 6 - ACCOUNTS PAYABLE:  
(In Thousands of Dollars)

	<u>1988</u>	<u>1987</u>
Accounts Payable Trade	\$13,599	\$ 429
Accounts Payable - Affiliates	3,747	---
Hilton Hotel Corporation	5,000	5,000
Other	292	500
	-----	-----
<b>TOTAL ACCOUNTS PAYABLE</b>	<b>\$22,638</b>	<b>\$5,929</b>
	=====	=====

NOTE 7 - OTHER ACCRUED EXPENSES:  
(In Thousands of Dollars)

Other accrued expenses consist of:	<u>1988</u>	<u>1987</u>
Accrued Payroll	\$2,598	\$ 2,303
Accrued Interest	1,775	1,775
Accrued Advertising	948	1,018
Accrued Progressive Jackpots	777	2,371
Accrued Payroll Taxes	---	998
Accrued Sick/Vacation	3,334	3,039
Other	477	522
	-----	-----
<b>TOTAL OTHER ACCRUED EXPENSES</b>	<b>\$9,909</b>	<b>\$12,026</b>
	=====	=====

**NOTE 8 - OTHER CURRENT LIABILITIES:**  
(In Thousands of Dollars)

Other current liabilities consist of:	<u>1988</u>	<u>1987</u>
Due to Partners	\$---	\$---
Outstanding Chip Liability	1,616	1,087
Outstanding Token Liability	209	151
Patron Deposits	150	215
Accrued Utilities	366	288
Accrued Group Health Insurance	1,098	897
Accrued Insurance	1,891	1,539
A/P Other	1,268	2,254
Accrued Legal	164	116
Accrued CCC/DGE	887	473
Construction Retainage	3,240	417
Accrued Inventories	388	903
Accrued CRDA	693	739
	-----	-----
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>\$11,970</b>	<b>\$9,079</b>
	=====	=====

**NOTE 9 - NON-OPERATING INCOME (EXPENSE) - NET:**  
(In Thousands of Dollars)

Non-operating income for quarter ended December 31, 1988:

	<u>Three Months</u>	
	<u>1988</u>	<u>1987</u>
G/L Equipment	\$---	\$ (113)
Discount Earned	61	21
Interest Income	646	859
	-----	-----
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$ 707</b>	<b>\$ 767</b>
	=====	=====

	<u>Twelve Months</u>	
G/L Equipment	\$ 72	\$ (66)
Discount Earned	245	74
Interest Income	2,331	2,886
	-----	-----
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$2,648</b>	<b>\$2,894</b>
	=====	=====

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

In May, 1988, the New Jersey Casino Control Commission ("CCC") issued the Partnership a license to operate Trump Castle. A license is not transferable, is issued for a term of 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 December 31, 1988, the financial statements reflect \$754,000 of below market interest rate bonds issued by the CRDA and \$6,908,000 of deposits towards the purchase of below market interest rate bonds. For the twelve months ended December 31, 1988 and 1987, the Partnership charged \$992,000 and \$1,202,000 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 11 - 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 \$420,000 for matching contributions for the twelve months ended December 31, 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 12 - PROMOTIONAL ALLOWANCE AND PROMOTIONAL EXPENSES:

Promotional Allowances and Expenses and number of recipients for the twelve months ended December 31, 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	190,596	\$12,292,000	---	---
Food	1,140,837	15,253,000	---	---
Beverage	2,114,769	6,873,000	---	---
Travel	13,466	1,474,000	18,028	7,419,000
Cash Coupons	---	---	1,912,426	24,100,000
Admissions	118,671	1,322,000	---	---
Other	9,643	405,000	54,571	2,292,000
	-----	-----	-----	-----
TOTALS	3,587,982	\$37,619,000	1,985,025	\$33,811,000
	=====	=====	=====	=====

Promotional Allowances and Expenses and number of recipients for the three months ended December 31, 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	41,796	\$2,669,000	---	\$ ---
Food	216,949	3,418,000	---	---
Beverage	472,923	1,537,000	---	---
Travel	2,741	305,000	1,671	1,471,000
Cash Coupons	---	---	416,044	5,051,000
Admissions	24,147	269,000	---	---
Other	1,691	71,000	54,571	2,292,000
<b>TOTALS</b>	<b>760,247</b>	<b>\$8,269,000</b>	<b>472,286</b>	<b>\$8,814,000</b>

Line	DESCRIPTION	AMOUNT
1	Other Receivables:	
2	Receivables due from officers and employees	136
3	Receivables due from affiliates	1,503
4	Other accounts and notes receivable	2,097
5	Total other receivables	3,736
6	Checks (Form 105)	13,858

Line	DESCRIPTION	AMOUNT
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)	253,534
12	Checks redeemed prior to deposit including the unrecorded portion of counter checks redeemed through partial redemptions, and substitute checks indicated through transactions relating to consolidations, substitutions, and patrons' cash deposits	(190,527)
13	Checks collected through deposits	53,976
14	Checks transferred to returned checks	(10,193)
15	Other adjustments	0
16	Ending Balance	8,503
17	"Paid" Checks Included in Balance to Date	0
18	Provision For Uncollectible Patrons' Checks	(1,603)
19	Provision As A Percent Of Counter Checks Issued	0

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 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 .....	\$ 6,503		
2	Returned patrons' checks .....	3,236		
3	Total patrons' checks .....	9,739	\$ 1,134	\$ 8,605
4	Hotel Receivables .....	1,640	123	1,517
5	Other Receivables:			
	Receivables due from officers and employees.....	136		
6	Receivables due from affiliates .....	1,303		
7	Other accounts and notes receivables .....	2,297		
8	Total other receivables .....	3,736	0	3,736
9	Totals (Form 305).....	\$ 15,115	\$ 1,257	\$ 13,858

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) .....	253,534
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) .....	(190,527)
13	Checks collected through deposits .....	(53,978)
14	Checks transferred to returned checks .....	(10,192)
15	Other adjustments .....	0
16	Ending Balance .....	\$ 6,503
17	"Hold" Checks Included in Balance On Line 16 .....	\$ 0
18	Provision For Uncollectible Patrons' Checks .....	\$ 1,603
	Provision As A Percent Of Counter Checks Issued .....	.6

STATEMENT OF CONFORMITY AND ACCURACY

TRADING NAME OF LICENSEE TRUMP CASTLE HOTEL & CASINO

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack .....	\$ 49,261	\$ 337,552	14.6	70
2	Craps .....	47,359	304,542	15.6	24
3	Roulette .....	11,639	46,891	24.8	12
4	Big Six .....	2,127	4,747	44.8	3
5	Baccarat .....	6,296	66,293	9.5	3
6	Other table games .....	360	1,261	28.5	2
7	Total table games revenue .....	117,042	\$ 761,286	15.4	114
			HANDLE		
8	\$.05 slot machines .....	4,243	\$ 27,815	15.3	98
9	\$.25 slot machines .....	50,999	373,635	13.6	844
10	\$1.00 slot machines .....	23,418	216,243	10.8	229
	Other slot machines .....	50,726	521,398	9.7	489
	Total coin-operated devices revenue .....	129,386	\$ 1,139,091	11.4	1,660
13	Progressive jackpot adjustment .....	1,594			
14	Total coin-operated devices revenue after adjustment .....	130,980			
15	Other income .....				
16	Total revenue .....	248,022			
	Expenses:				
17	Payroll and payroll related expenses .....	35,528			
18	Licenses and taxes .....	20,514			
19	Provision for uncollectible patrons' checks .....	1,603			
20	Other .....	5,770			
21	Total .....	63,415			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	184,607			
	Complimentary services and casino management fees:				
23	Complimentary services .....	8,594			
24	Casino management fees .....	0			
25	Total .....	8,594			
26	Departmental Income (Loss) .....	\$ 176,013			

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

Tom Venier  
Signature

Vice President Finance  
Title

00711-11  
License Number

Subscribed and sworn to  
before me this 14<sup>th</sup> day  
of March, 1989

On Behalf Of:

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

**GROSS REVENUE  
ANNUAL TAX RETURN**

**LICENSEE** TRUMP CASTLE HOTEL AND CASINO

**ADDRESS** Huron Ave. & Brigantine Blvd.

Atlantic City, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 19 88**

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

Thomas P. Venier

**OFFICIAL TITLE**

Vice President Finance

**ADDRESS**

Huron Ave. & Brigantine Blvd.

Atlantic City, NJ 08401

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 88

STATE OF NEW JERSEY  
COUNTY OF ATLANTIC

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	\$ 117,042	
2	Coin-operated devices revenue .....	129,386	
3	Total revenues .....		\$ 246,428
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks .....	\$ 1,603	
5	Maximum adjustment (4% of line 3) .....	\$ 9,857	
6	Adjustment (the lesser of line 4 or line 5) .....		1,603
7	Gross revenues (line 3 less line 6) .....		\$ 244,825
8	Tax on gross revenues - current year (8% of line 7) .....		\$ 19,586
9	Audit or other adjustments to tax on gross revenues in prior years .....		-0-
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		19,586
	Deposits made for tax on current year's gross revenues:		
11	January .....	\$ 1,639	
12	February .....	1,457	
13	March .....	1,686	
14	April .....	1,606	
15	May .....	1,685	
16	June .....	1,590	
17	July .....	2,104	
18	August .....	1,785	
19	September .....	1,581	
20	October .....	1,484	
21	November .....	1,419	
22	December .....	1,534	
23	January .....	16	
24	Total deposits made for tax on current year's gross revenues .....		( 19,586
25	Settlement of prior years' tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		-0-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		\$ -0-



# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** TRUMP CASTLE ASSOCIATES

**ADDRESS** Huron Avenue & Brigantine Blvd.  
Atlantic City, NJ 08401

**FOR THE YEAR ENDED DECEMBER 31, 1988**

**TO THE**

**CASINO CONTROL COMMISSION**

**OF THE**

**STATE OF NEW JERSEY**



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

Thomas P. Venier

**OFFICIAL TITLE.....**

Vice President Finance

**ADDRESS.....**

Huron Avenue & Brigantine Blvd.

Atlantic City, NJ 08401

TRADING NAME OF LICENSEE TRUMP CASTLE HOTEL & CASINO**ANNUAL EMPLOYMENT AND PAYROLL REPORT**FOR THE YEAR ENDED DECEMBER 31, 19 88

(\$ in Thousands)

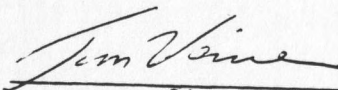
LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		(f) TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
	<b>CASINO</b>				
1	Administration .....	17			
2	Gaming .....	601			
3	Slots .....	271			
4	Casino accounting .....	47			
5	Other .....	242			
6	- Total-casino .....	1,184	\$ 28,679,845	\$ 294,608	\$ 28,974,453
7	ROOMS .....	241	3,219,030		3,219,030
8	FOOD AND BEVERAGE .....	936	13,050,926	118,590	13,169,516
	<b>OTHER OPERATED DEPARTMENTS</b>				
9	Telephone	22	343,382		343,382
10	Beauty Shop	7	23,409		23,409
11	Gift Shop	17	256,313		256,313
12	Transportation	121	1,742,887		1,742,887
13	Uniforms	33	487,627		487,627
14	Health Club	3	75,776		75,776
15	Marina	22	622,516		622,516
16	Environmental Services	196	2,672,971		2,672,971
17	Print Shop	16	461,862		461,862
18					
19					
	<b>ADMINISTRATIVE AND GENERAL</b>				
20	Executive office .....	8		1,201,650	1,201,650
21	Accounting and auditing .....	240	5,226,934	85,309	5,312,243
22	Security .....	200	4,166,180		4,166,180
23	Other administrative and general department ..	64	1,513,734	93,078	1,606,812
24	MARKETING .....	45	648,417		648,417
25	GUEST ENTERTAINMENT .....	31	1,759,683		1,759,683
26	PROPERTY OPERATION AND MAINTENANCE .....	116	3,665,546		3,665,546
27	TOTALS - ALL DEPARTMENTS .....	3,502	\$ 68,617,038	\$ 1,793,235	\$ 70,410,273

Trading Name of Licensee TRUMP CASTLE HOTEL & CASINO

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 19 88

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature

**Thomas P. Venier**  
**Vice President Finance**  
\_\_\_\_\_  
Title

TRADING NAME OF LICENSEE TRUMP CASTLE HOTEL & CASINO

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 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%	29,696	\$ 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%	92,883	\$ 45.73
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	607	18,817	16,283	\$ 101.33	86.5%	29,443	\$ 56.04
NOVEMBER	607	18,210	15,263	\$ 96.81	83.8%	28,060	\$ 52.66
DECEMBER	607	18,817	13,012	\$ 99.08	69.2%	23,784	\$ 54.21
4TH QUARTER TOTALS		55,844	44,558	\$ 99.13	79.8%	81,287	\$ 54.34
ANNUAL TOTALS		221,987	195,484	\$ 98.44	88.1%	363,512	\$ 52.94

1-2009 (FORM) 3570  
 1987-1988

NEW JERSEY STATE LIBRARY  
3 3009 00006 3570

974.961  
C193

# ANNUAL REPORT

PROPERTY OF  
NEW JERSEY STATE LIBRARY  
MAR 23 1989  
185 W. STATE ST.  
TRENTON, N.J.

**LICENSEE** TRUMP PLAZA ASSOCIATES  
**ADDRESS** MISSISSIPPI AVENUE & BOARDWALK  
ATLANTIC CITY, NJ 08401

Balance Sheet  
Statements of Income  
Statements of Income (Three Months)  
Statements of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 1988  
for Proprietor's Equity

Statements of Cash Flow  
Notes to Financial Statements  
Schedule of Investments and  
Casino Departmental Schedule  
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 ANNUAL REPORT . . . . . Lee C. Johnson  
OFFICIAL TITLE . . . . . Vice President of Finance  
ADDRESS . . . . . Mississippi Avenue & Boardwalk  
Atlantic City, NJ 08401

TRADING NAME OF LICENSEE TRUMP PLAZA HOTEL & CASINO

# LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1988

LINE NO.	DESCRIPTION	12/31/88	12/31/87
ASSETS			
Current Assets:			
	Cash	11,332	11,332
	Marketable securities		
	Trade Accounts Receivable	11,332	11,332
	Prepaid expenses and other current assets		
	Total current assets	22,664	22,664
	Investments, Advances, and Receivables		6,575
	Stockholders', Partners', or Proprietor's Equity		283,502
	Total Assets	22,664	312,741
Current Liabilities:			
	Accounts payable		6,540
	Income taxes payable and accrued		17,145
	Other accrued expenses		8,911
	Other current liabilities		11,103
	Total current liabilities		43,709
	Long-Term Debt:		
	Due to affiliates		270,932
	Other		
	Deferred Credits		
	Other Liabilities		
	Commitments And Contingencies		
	Total Liabilities		270,932
	Stockholders', Partners', or Proprietor's Equity		42,809
	Total Liabilities And Equity		312,741

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

## BALANCE SHEETS

DECEMBER 31, 19 88 AND 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>ASSETS</b>		
	Current Assets:		
1	Cash .....	\$ 16,766	\$ 11,563
2	Marketable securities .....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>88</u> , \$ 11,332 ; 19 <u>87</u> , \$ 8,443 ) .....	13,184	14,323
4	Inventories .....	3,992	3,121
5	Prepaid expenses and other current assets (Note 2) .....	2,713	3,934
6	Total current assets .....	36,655	32,941
7	Investments, Advances, And Receivables (Note 3) .....	8,784	6,525
8	Property And Equipment - Net (Note 4) .....	303,131	283,502
9	Other Assets (Note 5) .....	41,267	41,876
10	Total Assets .....	\$ 389,837	\$ 364,844
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
11	Accounts payable .....	\$ 4,509	\$ 6,540
12	Notes payable .....	338	228
	Current portion of long-term debt:		
13	Due to affiliates .....	-	-
14	Other (Note 9) .....	1,857	440
15	Income taxes payable and accrued .....	1,250	-
16	Other accrued expenses (Note 6) .....	15,899	17,165
17	Other current liabilities (Note 7) .....	17,365	9,934
18	Total current liabilities .....	41,218	34,307
	Long-Term Debt:		
19	Due to affiliates (Note 8) .....	250,000	250,000
20	Other (Note 9) .....	25,442	27,008
21	Deferred Credits (Note 10) .....	5,882	3,391
22	Other Liabilities .....	-	-
23	Commitments And Contingencies (Note 14)		
24	Total Liabilities .....	322,542	314,706
25	Stockholders', Partners', Or Proprietor's Equity .....	67,295	50,138
26	Total Liabilities And Equity .....	\$ 389,837	\$ 364,844

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

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE: (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	Revenue:		
1	Casino .....	\$ -	\$ -
2	Rooms .....	300,184	243,993
3	Food and beverage .....	22,175	19,135
4	Other .....	42,838	36,719
5	Total revenue .....	388,568	312,828
6	Less: promotional allowances ... (Note 11) .....	40,851	34,518
7	Net revenue .....	347,717	278,310
	Costs And Expenses:		
8	Cost of goods and services .....	161,974	128,504
9	Selling, general, and administrative .....	94,664	81,518
10	Provision for doubtful accounts .....	4,455	2,278
11	Total .....	261,093	212,300
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	86,624	66,010
13	Depreciation and amortization .....	14,346	13,394
	Charges from affiliates:		
14	Interest ..(Note 12).....	32,188	30,931
15	Management fees .....	-	-
16	Other ..(Note 14).....	1,025	775
17	Interest expense - external .....	2,538	1,844
18	Income (Loss) From Operations .....	36,527	19,066
19	Nonoperating income (expense) - net ..(Note 13).....	1,558	1,622
20	Investment alternative tax and related income (expense) - net.....	(1,232)	(1,008)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	36,853	19,680
22	Provision (Credit) for income taxes ..(Note 15).....	3,691	1,781
23	Income (Loss) Before Extraordinary Items .....	33,162	17,899
24	Extraordinary items (net of income taxes - 19 <u>  </u> , \$                   ; 19 <u>  </u> , \$                   ) .....	-	-
25	Net Income (Loss) .....	\$ 33,162	\$ 17,899

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

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Revenue:</b>		
1	Casino .....	\$ 71,626	\$ 63,604
2	Rooms .....	5,190	4,728
3	Food and beverage .....	10,677	9,987
4	Other .....	1,944	3,971
5	Total revenue .....	89,437	82,290
6	Less: promotional allowances ..(Note.11).....	9,425	8,855
7	Net revenue .....	80,012	73,435
	<b>Costs And Expenses:</b>		
8	Cost of goods and services .....	36,979	35,343
9	Selling, general, and administrative .....	25,167	22,398
10	Provision for doubtful accounts .....	1,107	487
11	Total .....	63,253	58,228
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	16,759	15,207
13	Depreciation and amortization .....	3,821	3,498
	Charges from affiliates:		
14	Interest ... (Note.12).....	8,047	8,046
15	Management fees .....	-	-
16	Other .....	345	194
17	Interest expense - external .....	551	553
18	Income (Loss) From Operations .....	3,995	2,916
19	Nonoperating income (expense) - net ..(Note.13).....	905	678
20	Investment alternative tax and related income (expense) - net.....	(295)	(260)
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	4,605	3,334
22	Provision (Credit) for income taxes ..(Note.15).....	462	319
23	Income (Loss) Before Extraordinary Items .....	4,143	3,015
24	Extraordinary items (net of income taxes - 19__, \$ ; 19__, \$ ) .....	-	-
25	Net Income (Loss) .....	\$ 4,143	\$ 3,015

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

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

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>88</u>	(d) 19 <u>87</u>
	<b>Invested Capital:</b>		
1	Beginning balance (January 1) .....	\$	\$
2	Additional capital invested .....	50,707	50,707
3	.....	-	-
4	Ending balance .....	50,707	50,707
	<b>Accumulated Income (Loss):</b>		
5	Beginning balance (January 1) .....		
6	Prior period adjustments .....	32,606	14,707
7	Net income (loss) .....	-	-
8	.....	33,162	17,899
9	Ending balance .....	65,768	32,606
	<b>Capital Withdrawals:</b>		
10	Beginning balance (January 1) .....	( 33,175 )	( 24,912 )
11	Additional capital withdrawals .....	( 16,005 )	( 8,263 )
12	.....		
13	Ending balance .....	( 49,180 )	( 33,175 )
	<b>Net Unrealized Loss On Noncurrent Marketable Equity Securities:</b>		
14	Beginning balance (January 1) .....	( )	( )
15	.....		
16	.....		
17	Ending balance .....	( )	( )
18	<b>Ending Partners' Or Proprietor's Equity .....</b>	<b>\$ 67,295</b>	<b>\$ 50,138</b>

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

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(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.....	\$ 58,339	\$ 37,813
	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.....	(33,979)	(46,650)
5	Proceeds from disposition of property and equipment.....	378	68
6	Purchase of casino reinvestment obligations.....	(3,704)	(3,024)
7	Purchase of other investments and loans/advances made.....	-	-
8	Proceeds from disposal of investments and collection of advances and long-term receivables.....	213	1,538
9	Cash outflows to acquire business entities.....		
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(37,092)	(48,068)
	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 .....	(5,866)	(1,281)
15	Cash proceeds from issuance of long-term debt.....	451	
16	Costs of issuing debt.....		
17	Payments to settle long-term debt.....	(600)	(227)
18	Cash proceeds from issuing stock or capital contributions.....		
19	Purchases of treasury stock.....		
20	Payments of dividends or capital withdrawals.....	(16,005)	(8,263)
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	(16,044)	(8,630)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	5,203	(18,885)
25	Cash And Cash Equivalents At Beginning Of Year .....	11,563	30,448
26	Cash And Cash Equivalents At End Of Year.....	\$ 16,766	\$ 11,563

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During Year For:			
27	Interest (net of amount capitalized).....	\$ 37,491	\$ 31,617
28	Income taxes.....	\$	\$

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

# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 19 88 and 19 87

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	(c) 19 88	(d) 1987
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss).....	\$ 33,162	\$ 17,899
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.....	13,430	12,615
31	Amortization of other assets.....	916	779
32	Amortization of debt discount or premium.....		
33	Deferred income taxes - current.....		
34	Deferred income taxes - noncurrent.....	2,491	1,780
35	(Gain) loss on disposition of property and equipment.....	542	258
36	(Gain) loss on casino reinvestment obligations.....	1,232	1,008
37	(Gain) loss from other investment activities.....		
38	Net (increase) decrease in receivables and patrons' checks.....	1,139	(3,419)
39	Net (increase) decrease in inventories.....	(871)	(945)
40	Net (increase) decrease in other current assets.....	1,221	(835)
41	Net (increase) decrease in other assets.....	(307)	(777)
42	Net increase (decrease) in accounts payables.....	(2,031)	2,076
43	Net increase (decrease) in other current liabilities excluding debt.....	7,415	7,374
44	Net increase (decrease) in other noncurrent liabilities excluding debt.....		
45	.....		
46	.....		
47	<b>Net Cash Provided (Used) By Operating Activities.....</b>	<b>\$ 58,339</b>	<b>\$ 37,813</b>

## SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment.....	\$ ( 33,979 )	\$ (46,650)
49	Less: Capital lease obligations incurred.....	-	-
50	<b>Cash Outflows For Property And Equipment.....</b>	<b>\$ ( 33,979 )</b>	<b>\$ (46,650)</b>
	<b>Acquisition Of Business Entities:</b>		
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	<b>Cash Outflows To Acquire Business Entities.....</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>Stock Issued Or Capital Contributions:</b>		
57	Total issuances of stock or capital contributions.....	\$ -	\$ -
58	Less: Issuances to settle long-term debt.....	-	-
59	Consideration in acquisition of business entities.....	-	-
60	<b>Cash Proceeds From Issuing Stock Or Capital Contributions.....</b>	<b>\$ -</b>	<b>\$ -</b>

TRUMP PLAZA ASSOCIATES  
NOTES TO 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 a Redemption Agreement.

During 1988, the Company dissolved its wholly-owned subsidiary, Nagoya Holding Corp. The accompanying financial statements include those of the Company and reflect the consolidation of Nagoya Holding Corp. for the year ended December 31, 1987, only. All significant intercompany balances and transactions have been eliminated.

B. Gaming Revenues

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

C. Promotional Allowances

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

D. Inventories

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

E. Property and Equipment

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

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

The interest associated with borrowings used to finance the construction of the transportation center and other projects has been capitalized and is being amortized over the estimated useful life of the assets.

TRUMP PLAZA ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

F. Land Rights

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

G. Debt Issuance Costs

Costs incurred in connection with the financing of long-term debt due to affiliates are being amortized over the life of the debt using the effective interest method.

H. 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.

Under the New Jersey Casino Control Commission regulations, the Company is required to file a New Jersey corporation business tax return. Accordingly, a provision of state income taxes has been reflected in the accompanying financial statements.

NOTE 2: PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	<u>1988</u>	<u>1987</u>
Prepaid special event costs	\$ 445,000	\$ 768,000
Prepaid taxes	418,000	1,297,000
Prepaid insurance	761,000	683,000
Prepaid air transportation costs	376,000	289,000
Prepaid rent	242,000	273,000
Prepaid advertising costs	115,000	399,000
Other	356,000	225,000
	<u>\$2,713,000</u>	<u>\$3,934,000</u>

NOTE 3: INVESTMENTS, ADVANCES AND RECEIVABLES

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

	<u>1988</u>	<u>1987</u>
Advances due from -		
Resorts International	\$ -	\$ 85,000
Trump Boardwalk Realty Corp.	3,000	-
Trump Taj Mahal	554,000	-
Trump Organization	-	11,000
Trump's Castle Associates	-	242,000
Seashore Four Associates	845,000	1,282,000
Plaza Hotel, NYC	4,000	-
Casino reinvestment escrow deposit, net of valuation adjustment -(1989) \$3,684,000; (1988) \$2,453,000	7,378,000	4,905,000
	<u>\$8,784,000</u>	<u>\$6,525,000</u>

TRUMP PLAZA ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 4: PROPERTY AND EQUIPMENT - NET

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

	<u>1988</u>	<u>1987</u>
Land and land improvements	\$ 30,938,000	\$ 29,727,000
Buildings	263,058,000	233,733,000
Furniture, fixtures and equipment	49,987,000	46,880,000
Leasehold improvements	2,115,000	2,071,000
Construction in progress	<u>7,025,000</u>	<u>9,738,000</u>
	353,123,000	322,149,000
Less - Accumulated depreciation & amortization	<u>(49,992,000)</u>	<u>(38,647,000)</u>
Net property and equipment	<u>\$303,131,000</u>	<u>\$283,502,000</u>

NOTE 5: OTHER ASSETS

Other assets as of December 31 consisted of the following:

	<u>1988</u>	<u>1987</u>
Land rights, net	\$ 31,905,000	\$ 32,246,000
Deferred preopening costs, net	284,000	473,000
Debt issuance costs, net	6,964,000	7,321,000
Deposits	1,159,000	1,171,000
Other deferred charges	<u>955,000</u>	<u>665,000</u>
	<u>\$ 41,267,000</u>	<u>\$ 41,876,000</u>

NOTE 6: OTHER ACCRUED EXPENSES

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

	<u>1988</u>	<u>1987</u>
Accrued payroll	\$ 6,309,000	\$ 5,327,000
Accrued progressive jackpot liabilities	3,835,000	3,178,000
Accrued interest	1,519,000	4,329,000
Accrued gaming taxes payable	580,000	365,000
Accrued Casino Control Commission & Division of Gaming Enforcement fees	1,115,000	502,000
Accrued utilities	321,000	280,000
Accrued union benefits	164,000	176,000
Accrued health insurance benefits	275,000	200,000
Accrued sales, use & luxury tax	156,000	179,000
Accrued transportation costs	74,000	207,000
Accrued special event costs	425,000	88,000
Accrued legal costs	241,000	41,000
Accrued construction costs	32,000	964,000
Other	<u>853,000</u>	<u>1,329,000</u>
	<u>\$ 15,899,000</u>	<u>\$ 17,165,000</u>

TRUMP PLAZA ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 7: OTHER CURRENT LIABILITIES

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

	<u>1988</u>	<u>1987</u>
Unredeemed chip/token liability	\$ 1,071,000	\$ 726,000
Patron deposits	336,000	461,000
Casino reinvestment liability	880,000	784,000
Reserve for insurance claims	1,607,000	990,000
Due to partners	13,085,000	5,771,000
Advance room/theatre deposits	176,000	1,062,000
Advances due to Trump's Castle Associates	183,000	-
Other	27,000	140,000
	<u>\$ 17,365,000</u>	<u>\$ 9,934,000</u>

NOTE 8: LONG-TERM DEBT-DUE TO AFFILIATES

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

	<u>1988</u>	<u>1987</u>
12 7/8% promissory note, interest payable semi-annually, sinking fund payments to retire \$25,000,000 principal amount annually commence June 15, 1991 are calculated to retire 70% of the promissory note prior to maturity in 1998.	<u>\$250,000,000</u>	<u>\$250,000,000</u>

On May 16, 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 twelve months ended December 31, 1988, the Company generated \$16,005,000 in net cash available for distribution based on results of operations. As of December 31, 1988, the financial statements include \$13,085,000 to be distributed to the partners in 1989. The mortgage is subordinate to \$9,790,000 of existing indebtedness as of December 31, 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  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 9: LONG-TERM DEBT - OTHER

Long-term debt - other as of December 31 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.	10,040,000	10,339,000
Other notes with interest rates ranging from 11.02% to 12.5%, principal and interest payable monthly, secured by television and automobile equipment.	317,000 27,299,000	167,000 27,448,000
Less current maturities	1,857,000 <u>\$25,442,000</u>	440,000 <u>\$27,008,000</u>

(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 16, 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. 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

Travel	97,450	21,000,000	4,483	\$ 361,000
Theatre	1,403,339	13,070,000	-	-
Travel	3,624,763	2,100,000	-	-
Theatre	127,554	4,070,000	3,424	11,034,000
Travel	-	-	1,379,364	24,841,000
Theatre	-	-	14,385	572,000
Other	10,647	267,000	63,063	1,502,000
TOTAL	<u>5,263,752</u>	<u>18,507,000</u>	<u>1,557,361</u>	<u>\$38,403,000</u>

TRUMP PLAZA ASSOCIATES  
NOTES TO 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	\$ 1,857,000
1990	2,057,000
1991	2,937,000
1992	9,467,000
1993	8,804,000
Thereafter	2,177,000
	<u>\$27,299,000</u>

NOTE 10: DEFERRED CREDITS

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

NOTE 11: PROMOTIONAL ALLOWANCES AND EXPENSES

Promotional allowances and expenses for the three and twelve months ended December 31, 1988 consisted of the following:

Three months ended:

	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
Rooms	19,175	\$ 3,067,000	1,919	\$ 154,000
Food	366,165	3,662,000	-	-
Beverage	814,799	2,167,000	-	-
Travel	-	-	16,563	2,484,000
Theatre	12,892	467,000	1,156	42,000
Coin Bonus	-	-	404,198	7,006,000
Tips	-	-	3,819	153,000
Other	2,450	62,000	14,084	352,000
<b>TOTAL</b>	<u>1,215,481</u>	<u>\$ 9,425,000</u>	<u>441,739</u>	<u>\$10,191,000</u>

Twelve months ended:

	<u>Promotional Allowances</u>		<u>Promotional Expenses</u>	
	Number of Recipients	Dollar Amount	Number of Recipients	Dollar Amount
Rooms	97,450	\$12,844,000	3,483	\$ 361,000
Food	1,403,339	13,670,000	-	-
Beverage	3,624,762	9,192,000	-	-
Travel	-	-	73,770	11,034,000
Theatre	127,554	4,878,000	3,414	93,000
Coin Bonus	-	-	1,374,564	24,841,000
Tips	-	-	14,285	572,000
Other	10,647	267,000	60,065	1,502,000
<b>TOTAL</b>	<u>5,263,752</u>	<u>\$40,851,000</u>	<u>1,529,581</u>	<u>\$38,403,000</u>

TRUMP PLAZA ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 12: CHARGES FROM AFFILIATES - INTEREST

Charges from affiliates for the three and twelve months ended December 31, 1988 and 1987 consisted of interest expense associated with the 12-7/8% promissory note due in the principal amount of \$250,000,000 to Trump Plaza Funding, Inc.

NOTE 13: NONOPERATING INCOME (EXPENSE) - NET

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

	Three months ended		Twelve months ended	
	1988	1987	1988	1987
Other nonoperating income	\$ 164,000	\$ 251,000	\$ 178,000	\$ 223,000
Interest income	770,000	417,000	1,770,000	1,657,000
Gain/(loss) on disposal of property and equipment	(29,000)	10,000	(390,000)	(258,000)
	<u>\$ 905,000</u>	<u>\$ 678,000</u>	<u>\$1,558,000</u>	<u>\$1,622,000</u>

NOTE 14: LEASE COMMITMENTS

The Company leases property (primarily land), certain parking space, and various equipment under operating leases. Rent expense was \$957,000 and \$4,401,000 for the three and twelve months ended December 31, 1988 and \$938,000 and \$4,620,000 for the three and twelve months ended December 31, 1987, respectively.

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

1989	\$ 2,312,000
1990	3,013,000
1991	3,200,000
1992	3,100,000
1993	3,100,000
Thereafter through 2078	515,246,000
	<u>\$529,971,000</u>

Included above are future minimum lease payments under noncancellable leases with Seashore Four Associates and Trump Seashore Associates, affiliates of the Company, which are as follows:

1989	\$ 1,600,000
1990	1,963,000
1991	2,000,000
1992	1,900,000
1993	1,900,000
Thereafter through 2078	429,163,000
	<u>\$438,526,000</u>

Rent expense charged by the affiliates was \$345,000 and \$1,025,000 for the three and twelve months ended December 31, 1988 and \$194,000 and \$775,000 for the three and twelve months ended December 31, 1987, respectively.

TRUMP PLAZA ASSOCIATES  
NOTES TO FINANCIAL STATEMENTS, continued

NOTE 14: LEASE COMMITMENTS (Cont.)

Certain of these leases contain options to purchase the leased properties at various prices and times throughout the lease terms. During 1988, Trump Seashore Associates, a newly created affiliate of the Company exercised a \$10,000,000 option to purchase. At December 31, 1988, the aggregate option prices for these leases were \$18,000,000.

NOTE 15: INCOME TAXES

The provision for income taxes for the three and twelve months ended December 31 consisted of the following:

	Three months ended		Twelve months ended	
	1988	1987	1988	1987
Current				
State	\$1,250,000	\$ -	\$1,250,000	\$ -
Deferred				
Federal	-	13,000	-	-
State	(788,000)	306,000	2,441,000	1,781,000
	<u>(788,000)</u>	<u>319,000</u>	<u>2,441,000</u>	<u>1,781,000</u>
Total	<u>\$ 462,000</u>	<u>\$ 319,000</u>	<u>\$3,691,000</u>	<u>\$1,781,000</u>

The provision for federal income taxes for the three months ended December 31, 1987 reflects an adjustment to the credit reported for the nine months ended September 30, 1987.

NOTE 16: INVESTMENT OBLIGATION

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

Commencing twelve months after the date of opening of the hotel and casino (May 15, 1984) and continuing twenty-five years thereafter, the Company must either obtain investment tax credits, as defined, in an amount equivalent to 1.25% of its gross casino revenues or pay an alternative tax of 2.5% of its gross casino revenues, as defined. Investment tax credits may be obtained by making qualified investments or by the purchase of bonds at below market rates from the Casino Reinvestment Development Authority (CRDA). The Partnership is required to make quarterly deposits with the CRDA.

As of December 31, 1988, the consolidated financial statements reflect \$1,680,000 of below market interest rate bonds issued by the CRDA in 1987 and \$9,382,000 of deposits towards the purchase of below market interest rate bonds. To give effect to the below market interest rate associated with the CRDA bonds, the Company charged to operations \$295,000 and \$1,232,000 for the three and twelve months ended December 31, 1988 and \$260,000 and \$1,008,000 for the three and twelve months ended December 31, 1987, respectively. The investment is included in investments, advances and receivables in the accompanying consolidated balance sheets.

TRUMP PLAZA ASSOCIATES  
 NOTES TO FINANCIAL STATEMENTS, continued

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

NOTE 17: EMPLOYEE BENEFIT PLANS

Effective November 1, 1986, the Company adopted a retirement savings plan for its non-union employees under Section 401(K) of the Internal Revenue Code. Through December 31, 1988 the plan allows employees of the Company to defer up to 10% of their earnings through contributions to the plan. The Company matched 50% of eligible employees' contributions up to a maximum of 3% of the individual's earnings. The Company recorded charges of \$339,000 and \$371,000 for matching contributions for the year ended December 31, 1988 and 1987, respectively.

Effective January 1, 1989 employees will be eligible to contribute up to 15% of their earnings to the Plan and the Company will match 50% of eligible employees' contributions up to a maximum of 4% of the individual's earnings.

The Company made payments to various trustee pension plans under union, industry-wide union agreements. The payments are based on the hours worked by or gross wages paid to covered employees. It is not practical to determine the amount of payments ultimately used to fund pension benefit plans or the current financial condition of these plans. Under the Employment Retirement Income Security Act, the Company may be liable for its share of the plan's unfunded liability, if any, if the plans are terminated. Pension expense for the years ended December 31, 1988 and 1987 was \$436,000 and \$488,000 respectively.

Other securities and notes receivables	1988	1987
Total other receivables	488	487
Total (Form 987)	26,316	21,372

UNRECORDED PATRONS' CHECKS ACTIVITY		AMOUNT
DESCRIPTION		
1	Beginning balance (January 1)	10,732
2	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	279,387
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)	1,200,394
4	Checks transferred to returned checks	1,046,773
5	Other adjustments	119,711
6	Ending balance	2,007,007
7	*Checks included in balance in Line 6	2,007,007
8	Provision for Uncollectible Patrons' Checks	1,260
9	Provision As A Percent Of Counter Checks Issued	1,947

# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 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 .....	\$ 7,057		
2	Returned patrons' checks .....	13,743		
3	Total patrons' checks .....	20,800	\$ 11,203	\$ 9,597
4	Hotel Receivables .....	3,228	129	3,099
	Other Receivables:			
5	Receivables due from officers and employees.....	16		
6	Receivables due from affiliates .....	-		
7	Other accounts and notes receivables .....	472		
8	Total other receivables .....	488	-	488
9	Totals (Form 305).....	\$ 24,516	\$ 11,332	\$ 13,184

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) .....	279,387
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits) .....	( 200,581 )
13	Checks collected through deposits .....	( 66,729 )
14	Checks transferred to returned checks .....	( 15,712 )
15	Other adjustments .....	-
16	Ending Balance .....	\$ 7,057
17	"Hold" Checks Included In Balance On Line 16 .....	\$ -
18	Provision For Uncollectible Patrons' Checks .....	\$ 4,362
19	Provision As A Percent Of Counter Checks Issued .....	1.6 %

STATEMENT OF CONFORMITY AND ACCURACY  
 TRADING NAME OF LICENSEE TRUMP PLAZA HOTEL & CASINO

# CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 88

(UNAUDITED)  
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack .....	\$ 66,152	\$ 421,208	15.7%	80
2	Craps .....	53,919	341,000	15.8	20
3	Roulette .....	14,122	56,787	24.9	12
4	Big Six .....	3,409	7,137	47.8	3
5	Baccarat .....	9,309	70,943	13.1	2
6	Other table games .....	-	-	-	-
7	Total table games revenue .....	146,911	\$ 897,075	16.4%	117
			HANDLE		
8	\$.05 slot machines .....	4,166	27,525	15.1%	96
9	\$.25 slot machines .....	67,942	521,456	13.0	873
10	\$1.00 slot machines .....	18,656	164,829	11.3	141
11	Other slot machines .....	63,166	650,430	9.7	562
12	Total coin-operated devices revenue .....	153,930	\$ 1,364,240	11.3%	1672
13	Progressive jackpot adjustment .....	(657)			
14	Total coin-operated devices revenue after adjustment .....	153,273			
15	Other income .....	963			
16	Total revenue .....	301,147			
	Expenses:				
17	Payroll and payroll related expenses .....	48,107			
18	Licenses and taxes .....	24,549			
19	Provision for uncollectible patrons' checks	4,362			
20	Other .....	13,220			
21	Total .....	90,238			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	210,909			
	Complimentary services and casino management fees:				
23	Complimentary services .....	67,226			
24	Casino management fees .....	-			
25	Total .....	67,226			
26	Departmental Income (Loss) .....	\$ 143,683			



GROSS REVENUE ANNUAL TAX RETURN

# GROSS REVENUE ANNUAL TAX RETURN

Casino win or (loss) \_\_\_\_\_  
 Table games revenue ..... \$ 146,917  
 Coin-operated devices revenue ..... 133,930  
 Total revenues **LICENSEE** TRUMP PLAZA ASSOCIATES ..... \$ 300,847  
 Less - adjustment **ADDRESS** MISSISSIPPI AVENUE & BOARDWALK  
 Provision for uncollectible pay .....  
ATLANTIC CITY, NJ 08401  
 Maximum adjustment (4% of line 3) ..... \$ 12,034

FOR THE YEAR ENDED DECEMBER 31, 19 88

Gross revenues (line 3 less line 6) ..... \$ 295,475  
 8% of gross revenues - current year (8% of line 4) ..... \$ 23,718  
 TO THE  
 Credit or other adjustments to tax on gross revenues in prior years .....  
 Total tax on gross revenues (line 5 plus or minus line 8) ..... \$ 23,718

## CASINO CONTROL COMMISSION

Deposits made for tax on current year's gross revenues  
 January ..... \$ 1,977  
 February ..... 1,597  
 OF THE  
 March ..... 1,763  
 STATE OF NEW JERSEY  
 April ..... 2,199  
 May .....  
 June .....  
 July .....  
 August ..... 2,137  
 September ..... 2,577  
 October ..... 1,755  
 November ..... 1,805  
 December ..... 1,482  
 January ..... 579  
 Total deposits made for tax on current year's gross revenues ..... \$ 23,718



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

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

**ADDRESS**..... Mississippi Avenue & Boardwalk  
Atlantic City, NJ 08401

Gross revenues tax payable (line 10 less line 24 plus or minus line 25) ..... \$

# GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 88

STATE OF \_\_\_\_\_ (UNAUDITED)

COUNTY OF \_\_\_\_\_ (\$ IN THOUSANDS)

LINE		
	Casino win or (loss)	
1	Table games revenue .....	\$ 146,911
2	Coin-operated devices revenue .....	153,930
3	Total revenues .....	\$ 300,841
	Less - adjustment for uncollectible patrons' checks:	
4	Provision for uncollectible patrons' checks' .....	\$ 4,363
5	Maximum adjustment (4% of line 3) .....	\$ 12,034
6	Adjustment (the lesser of line 4 or line 5) .....	4,363
7	Gross revenues (line 3 less line 6) .....	\$ 296,478
8	Tax on gross revenues - current year (8% of line 7) .....	\$ 23,718
9	Audit or other adjustments to tax on gross revenues in prior years .....	-
10	Total tax on gross revenues (line 8 plus or minus line 9) .....	23,718
	Deposits made for tax on current year's gross revenues:	
11	January .....	\$ 1,577
12	February .....	1,687
13	March .....	1,545
14	April .....	2,199
15	May .....	1,840
16	June .....	1,832
17	July .....	2,803
18	August .....	2,137
19	September .....	2,477
20	October .....	1,756
21	November .....	1,805
22	December .....	1,481
23	January .....	579
24	Total deposits made for tax on current year's gross revenues .....	( 23,718 )
	Settlement of prior years' tax on gross revenues	
25	resulting from audit or other adjustments - (deposits) credits .....	-
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....	\$ -



# ANNUAL EMPLOYMENT AND PAYROLL REPORT

**LICENSEE** TRUMP PLAZA ASSOCIATES

**ADDRESS** MISSISSIPPI AVENUE & BOARDWALK

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1988

TO THE

**CASINO CONTROL COMMISSION**

OF THE

**STATE OF NEW JERSEY**



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

Lee C. Johnson

**OFFICIAL TITLE.....**

Vice President of Finance

**ADDRESS.....**

Mississippi Avenue & Boardwalk

Atlantic City, NJ 08401

TRADING NAME OF LICENSEE TRUMP PLAZA HOTEL & CASINO

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 88  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		TOTALS
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
<b>CASINO</b>					
1	Administration .....				
2	Gaming .....	1,129			
3	Slots .....	128			
4	Casino accounting .....	382			
5	Other .....	58			
6	Total-casino .....	1,697	\$ 29,915	\$	\$ 29,915
7	ROOMS .....	227	3,238		3,238
8	FOOD AND BEVERAGE .....	1,117	12,815		12,815
<b>OTHER OPERATED DEPARTMENTS</b>					
9	Customer Services	38	450		450
10	Gift Shop	30	353		353
11	Wardrobe	32	458		458
12	Parking	119	1,305		1,305
13	Communications	21	284		284
14	Employee Cafeteria	74	1,128		1,128
15					
16					
17					
18					
19					
<b>ADMINISTRATIVE AND GENERAL</b>					
20	Executive office .....	22	338	1,282	1,620
21	Accounting and auditing .....	177	3,042		3,042
22	Security .....	270	4,974		4,974
23	Other administrative and general department ..	157	3,663		3,663
24	MARKETING .....	125	3,722		3,722
25	GUEST ENTERTAINMENT .....	37	1,145		1,145
26	PROPERTY OPERATION AND MAINTENANCE .....	367	7,427		7,427
27	TOTALS - ALL DEPARTMENTS .....	4,510	\$ 74,257	\$ 1,282	\$ 75,539

CCC-377

CCC-376

Trading Name of Licensee TRUMP PLAZA HOTEL & CASINO

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

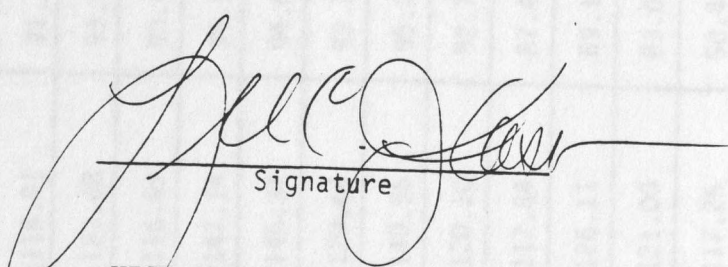
For the Year Ended December 31, 19 88

HOTEL STAFFING

PERIOD ENDING DECEMBER 31, 19 88

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	16,166	15,097	\$ 90.18	87.5 %	31,794	\$ 45.09
FEBRUARY	566	15,742	14,093	\$ 88.00	89.6 %	28,980	\$ 46.89
MARCH	566	17,576	15,247	\$ 87.00	87.0 %	31,714	\$ 45.76
1ST QUARTER TOTALS		49,484	44,437				
APRIL	583	17,180	16,290	\$ 87.00	95.3 %	31,714	\$ 45.76
MAY	521	17,674	16,199	\$ 87.00	91.7 %	31,714	\$ 45.76
JUNE	527	17,174	16,107	\$ 87.00	93.8 %	31,714	\$ 45.76
2ND QUARTER TOTALS		62,028	58,528				
JULY	528	17,516	16,176	\$ 87.00	92.4 %	31,714	\$ 45.76
AUGUST	528	17,416	16,197	\$ 87.00	93.0 %	31,714	\$ 45.76
SEPTEMBER	528	17,103	15,688	\$ 87.00	91.7 %	31,714	\$ 45.76
3RD QUARTER TOTALS		51,735	48,061				
OCTOBER	528	17,089	15,728	\$ 87.00	92.0 %	31,714	\$ 45.76
NOVEMBER	528	15,694	14,603	\$ 87.00	92.4 %	31,714	\$ 45.76
DECEMBER	528	17,367	16,197	\$ 87.00	93.3 %	31,714	\$ 45.76
4TH QUARTER TOTALS		51,056	48,931				
ANNUAL TOTALS		198,052	189,317				

3/10/89  
Date

  
Signature

VICE PRESIDENT OF FINANCE  
Title

TRADING NAME OF LICENSEE TRUMP PLAZA HOTEL & CASINO

## HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 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	562	17,509	16,226	\$120.10	92.7 %	32,452	\$ 60.05
NOVEMBER	558	16,809	14,683	\$117.84	87.4 %	29,366	\$ 58.92
DECEMBER	566	17,367	11,992	\$126.11	69.1 %	23,984	\$ 63.05
4TH QUARTER TOTALS		51,685	42,901	\$121.00	83.0 %	85,802	\$ 60.50
ANNUAL TOTALS		209,092	189,117	\$117.25	90.4 %	378,234	\$ 58.62