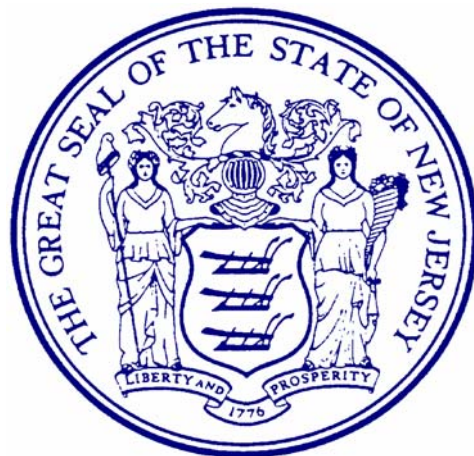


Bally's Park Place, Inc. (Bally's Atlantic City)

QUARTERLY REPORT

DECEMBER 31, 2006

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



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

Bally's Park Place, Inc. (Bally's Atlantic City)

BALANCE SHEETS

AS OF DECEMBER 31, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$48,766	\$47,425
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2006, \$6,525; 2005, \$7,205).....	2	247,079	170,960
4	Inventories		951	1,171
5	Other Current Assets.....	3	17,146	24,994
6	Total Current Assets.....		313,942	244,550
7	Investments, Advances, and Receivables.....	1, 4	34,091	38,937
8	Property and Equipment - Gross.....	1, 5	721,501	681,420
9	Less: Accumulated Depreciation and Amortization.....	1, 5	(55,179)	(17,557)
10	Property and Equipment - Net.....	1, 5	666,322	663,863
11	Other Assets.....	6	447,553	491,181
12	Total Assets.....		\$1,461,908	\$1,438,531
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$16,661	\$7,423
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		51	46
17	Income Taxes Payable and Accrued.....		1,554	1,924
18	Other Accrued Expenses.....	7	60,468	30,103
19	Other Current Liabilities.....	8	8,032	17,463
20	Total Current Liabilities.....		86,766	56,959
	Long-Term Debt:			
21	Due to Affiliates.....	9	584,000	584,000
22	External.....	9	785	1,045
23	Deferred Credits	1	131,136	151,707
24	Other Liabilities.....	10	1,480	1,601
25	Commitments and Contingencies.....	1	0	0
26	Total Liabilities.....		804,167	795,312
27	Stockholders', Partners', or Proprietor's Equity.....		657,741	643,219
28	Total Liabilities and Equity.....		\$1,461,908	\$1,438,531

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

Valid comparisons cannot be made without using information contained in the notes.

Bally's Park Place, Inc. (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$669,961	\$637,643
2	Rooms.....		54,970	51,528
3	Food and Beverage.....		84,392	87,323
4	Other.....		23,542	23,982
5	Total Revenue.....		832,865	800,476
6	Less: Promotional Allowances.....		173,907	166,955
7	Net Revenue.....		658,958	633,521
	Costs and Expenses:			
8	Cost of Goods and Services.....		416,407	383,678
9	Selling, General, and Administrative.....		42,657	86,265
10	Provision for Doubtful Accounts.....		779	769
11	Total Costs and Expenses.....		459,843	470,712
12	Gross Operating Profit.....		199,115	162,809
13	Depreciation and Amortization.....		49,686	45,652
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		622	21,077
15	Other.....		19,825	0
16	Income (Loss) from Operations.....		128,982	96,080
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(49,640)	(49,445)
18	Interest Expense - External.....		(124)	(789)
19	CRDA Related Income (Expense) - Net.....		(7,012)	(5,041)
20	Nonoperating Income (Expense) - Net.....		1,127	12,029
21	Total Other Income (Expenses).....		(55,649)	(43,246)
22	Income (Loss) Before Taxes and Extraordinary Items.....		73,333	52,834
23	Provision (Credit) for Income Taxes.....		31,777	20,296
24	Income (Loss) Before Extraordinary Items.....		41,556	32,538
25	Extraordinary Items (Net of Income Taxes - 20__, \$0; 20__, \$0).....			
26	Net Income (Loss).....		\$41,556	\$32,538

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

Bally's Park Place, Inc. (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$159,633	\$155,217
2	Rooms.....		13,416	11,807
3	Food and Beverage.....		19,469	20,274
4	Other.....		4,063	6,433
5	Total Revenue.....		196,581	193,731
6	Less: Promotional Allowances.....		41,299	42,042
7	Net Revenue.....		155,282	151,689
	Costs and Expenses:			
8	Cost of Goods and Services.....		101,600	94,910
9	Selling, General, and Administrative.....		14,138	25,414
10	Provision for Doubtful Accounts.....		222	27
11	Total Costs and Expenses.....		115,960	120,351
12	Gross Operating Profit.....		39,322	31,338
13	Depreciation and Amortization.....		14,291	11,376
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		351	5,098
15	Other.....		5,497	
16	Income (Loss) from Operations.....		19,183	14,864
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(12,410)	(12,410)
18	Interest Expense - External.....		433	(201)
19	CRDA Related Income (Expense) - Net.....		(1,346)	(1,103)
20	Nonoperating Income (Expense) - Net.....		(355)	182
21	Total Other Income (Expenses).....		(13,678)	(13,532)
22	Income (Loss) Before Taxes and Extraordinary Items.....		5,505	1,332
23	Provision (Credit) for Income Taxes.....		4,168	1,989
24	Income (Loss) Before Extraordinary Items.....		1,337	(657)
	Extraordinary Items (Net of Income Taxes -			
25	20__, \$____; 20__, \$_____).....			
26	Net Income (Loss).....		\$1,337	(\$657)

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

Bally's Park Place, Inc. (Bally's Atlantic City)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2005.....		100	\$1			\$628,725		\$14,493	\$643,219
2	Net Income (Loss) - 20__.....									0
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6										0
7										0
8										0
9										0
10	Balance, December 31, 2005.....		100	1	0	0	628,725	0	14,493	643,219
11	Net Income (Loss) - 2006.....								41,556	41,556
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Purchase Price Adjustment						(27,034)			(27,034)
16										0
17										0
18										0
19	Balance, December 31, 2006		100	\$1	0	\$0	\$601,691	\$0	\$56,049	\$657,741

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

Bally's Park Place, Inc. (Bally's Atlantic City)

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$123,622	\$197,925
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment.....		(39,890)	(31,537)
5	Proceeds from Disposition of Property and Equipment.....		115	43,224
6	CRDA Obligations		(8,414)	(8,156)
7	Other Investments, Loans and Advances made.....		0	4,068
8	Proceeds from Other Investments, Loans, and Advances		1,067	119,879
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(47,122)	127,478
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(254)	(263)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Change in payable to/receivable from affiliate		(74,905)	(314,785)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(75,159)	(315,048)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		1,341	10,355
25	Cash and Cash Equivalents at Beginning of Period.....		47,425	37,070
26	Cash and Cash Equivalents at End of Period.....		\$48,766	\$47,425
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$49,763	\$50,428
28	Income Taxes.....		\$31,777	\$22,975

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

Bally's Park Place, Inc. (Bally's Atlantic City)

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$41,556	\$32,538
30	Depreciation and Amortization of Property and Equipment.....		37,369	45,652
31	Amortization of Other Assets.....		12,317	
32	Amortization of Debt Discount or Premium.....		0	
33	Deferred Income Taxes - Current		6,454	(17,239)
34	Deferred Income Taxes - Noncurrent		(20,571)	151,707
35	(Gain) Loss on Disposition of Property and Equipment.....		448	(377)
36	(Gain) Loss on CRDA-Related Obligations.....		7,012	(5,680)
37	(Gain) Loss from Other Investment Activities.....		0	(16,099)
38	(Increase) Decrease in Receivables and Patrons' Checks		(1,214)	582
39	(Increase) Decrease in Inventories		220	1,100
40	(Increase) Decrease in Other Current Assets.....		1,394	(830)
41	(Increase) Decrease in Other Assets.....		36,492	7,141
42	Increase (Decrease) in Accounts Payable.....		8,737	1,594
43	Increase (Decrease) in Other Current Liabilities		(6,471)	(2,186)
44	Increase (Decrease) in Other Liabilities		(121)	22
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$123,622	\$197,925

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$39,890)	(\$31,537)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$39,890)	(\$31,537)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

Bally's Park Place, Inc. (Bally's Atlantic City)
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	954,148	\$35,089		
2	Food	2,458,775	36,200		
3	Beverage	9,450,338	18,901		
4	Travel			73,798	5,273
5	Bus Program Cash	1,087,443	20,293		
6	Other Cash Complimentaries	1,901,565	53,163		
7	Entertainment	588,658	2,943	3,023	378
8	Retail & Non-Cash Gifts	174,187	6,973	93,229	11,523
9	Parking				
10	Other	11,474	345	211,714	3,657
11	Total	16,626,588	\$173,907	381,764	\$20,831

FOR THE THREE MONTHS ENDED DECEMBER 31, 2006

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	240,728	\$9,721		
2	Food	523,355	8,101		
3	Beverage	2,326,544	4,653		
4	Travel			22,077	1,761
5	Bus Program Cash	238,758	4,403		
6	Other Cash Complimentaries	482,193	12,414		
7	Entertainment	87,174	436		
8	Retail & Non-Cash Gifts	37,468	1,476	20,691	3,239
9	Parking	0	0		
10	Other	3,061	95	20,547	944
11	Total	3,939,281	\$41,299	63,315	\$5,944

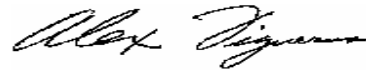
Bally's Park Place, Inc. (Bally's Atlantic City)
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

DECEMBER 31, 2006

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

3/31/2007

Date



Alex Figueras

V.P. Finance

Title

7438-11

License Number

On Behalf of:

Bally's Park Place, Inc. (Bally's Atlantic City)

Casino Licensee

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and 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 Harrah's Operating Company, Inc. ("HOC"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

Prior to June 13, 2005, the company was 100% owned by Caesars Entertainment, Inc ("CEI"). On June 13, 2005, Harrah's Entertainment, Inc. ("Harrah's") completed the acquisition of 100 percent of the outstanding shares of CEI. Following the purchase, the Company became an indirect wholly-owned subsidiary of Harrah's.

In conjunction with the acquisition, total equity was adjusted to the purchase price assigned to the Company, retained earnings of the Company were eliminated and the assets and liabilities of the Company were adjusted to fair value with goodwill recorded for the excess of the purchase price over the fair value of the net tangible and intangible assets. Harrah's determined the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. The purchase price allocation related to the CEI acquisition has been completed and refinements have been recorded in these statements. The following table summarizes the estimated fair value of the Company's assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets	\$ 45,101
Land, buildings and equipment	673,541
Other assets	50,365
Due from affiliates (net)	151,573
Goodwill	310,874
Intangible assets	<u>150,000</u>
Total assets acquired	<u>\$ 1,381,454</u>
Current liabilities	\$ 55,353
Deferred income taxes	137,382
Other liabilities	1,787
Long-term debt	<u>585,240</u>
Total liabilities assumed	<u>\$ 779,762</u>

For purposes of this regulatory filing, adjustments to the historical assets of the Company were reflected on December 31, 2005 and in its statement of operations for the three months and twelve months ended December 31, 2005 and in its statement of cash flows for the twelve months ended December 31, 2005. The operations of the Company for the period from January 1, 2005 through June 13, 2005 are referred to in these financial statements as the "Predecessor Company." The operations of the Company for the period from June 14, 2005 through December 31, 2005 are referred to in these financial statements as the "Company." The Company's balance sheet, statements of income and statements of cash flow are not comparable to the Predecessor Company.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The Company has assumed all Predecessor Companies obligations.

Seasonal factors

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three and twelve months ended December 31, 2006 are not necessarily indicative of the results of operations for the full year.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Revenue Recognition

Casino revenues consist of net gaming wins. Food and beverage and rooms revenues include the aggregate amounts generated by those departments.

Casino Promotional Allowances

Casino promotional allowances consist of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as Casino expenses in the accompanying Statements of Income.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

Property and equipment

Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$11,124 and \$11,376 for the three months ended December 31, 2006 and 2005, respectively; and \$37,369 and \$45,652 for the twelve months ended December 31, 2006 and 2005, respectively.

<u>Asset class</u>	<u>Life</u>
Land Improvements	12 years
Building and Improvements	30-40 years
Furniture, Fixtures and Equipment	3-10 years

Goodwill and Other Intangible Assets

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, the Company performs at least an annual review of goodwill and non-amortizing intangibles. The purchase price allocation related to the Caesars acquisition has been completed and refinements have been recorded in these statements. The Company completed its annual assessment for impairment during the fourth quarter of 2006 and 2005, respectively, and determined that goodwill and non-amortizing intangible assets had not been impaired. In accordance with the provisions of SFAS No. 142, the Company does not amortize goodwill.

The intangible assets include trademark totaling \$20,000 and customer relationships (database) totaling \$130,000. The trademark has been determined to have a useful life of five years and the customer relationships have been determined to have a useful life of 15 years, and are being amortized using the straight-line method. Amortization expense for the twelve months ended December 31, 2006 was approximately \$12,317. Based on the value allocated to amortizing intangibles as of December 31, 2006 per the purchase price allocation, estimated annual amortization expense for each of the years ending December 31, 2007, 2008 and 2009 is approximately \$12,667, for the year ending December 31, 2010 is approximately \$10,478 and for the year ending December 31, 2011 is approximately \$8,667.

Total Rewards / Connection Card liability

Prior to February 2006, the Company participated in CEI's customer rewards program, Connection Card, which offered incentives to customers who gambled at affiliate casinos. Under the program, customers were able to accumulate credits that they could redeem at their discretion under the terms of the program. The credit balance was forfeited if the customer was inactive for a one-year period. The estimated incremental costs of the goods or services to be provided when the credits are redeemed, after consideration of estimated forfeitures, were expensed as related revenues were recognized. The Company used historical and projected data to assist in the determination of estimated cost accruals.

In December 2005, the Company changed the method of calculating its liability by applying a Harrah's company-wide method. This resulted in an increase to the liability of \$3,720. Of this amount, \$1,577 was attributed to pre-acquisition balances and adjusted the purchase price. Of the remaining amount, \$995 was attributed to a change in method and was charged as Non Operating Expense on the accompanying Statements of Income. \$1,148 was considered current operating expense and is included in Casino Expense on the accompanying Statements of Operations.

The accrued cost of anticipated credit redemptions was \$6,960 as of December 31, 2005.

In addition to Connection Card credits, customers could earn points based on play that were redeemable in cash ("cash-back points"). The cost of cash-back points were accrued, after consideration of estimated breakage, as they were earned. The cost was recorded as contra-revenue and included in Casino promotional allowances in the Statements of Income. At December 31, 2005, the liability related to outstanding cash-back points, which is based on historical redemption activity, was \$1,862.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

In February 2006, the Company converted the outstanding Connection Card credits and cash-back points to Harrah's customer loyalty program, Total Rewards, which offers incentives to customers who gamble at certain of Harrah's casinos throughout the United States. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six month period. As a result of the ability of the customer to bank the Reward Credits, the Company accrues the expense of Reward Credits, after consideration of estimated breakage, as they are earned. The value of the cost to provide Reward Credits is expensed as the Reward Credits are earned and is included in Casino expense on our Statements of Income. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. Historical data is used to assist in the determination of estimated accruals. At December 31, 2006 \$6,033 was accrued for the cost of anticipated Total Rewards credit redemptions.

In addition to Reward Credits, customers can earn cash-back points based on play. The cost of cash-back points are accrued, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowances on our Statements of Income. At December 31, 2006, the liability related to outstanding cash-back points, which is based on historical redemption activity, was \$1,888.

Fair value of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt approximate their recorded book values at December 31, 2006.

Investments in subsidiaries

The Company has an investment in Atlantic City Country Club reflected in the accompanying financial statements using the equity method.

Accounting Pronouncements

There were no accounting standards issued in 2006 that are expected to materially impact the Company, except as is referenced in Note 11.

Income Taxes

The Company is included in the consolidated federal tax return of Harrah's and files a separate New Jersey tax return. The provision for federal income taxes is computed based on the statutory federal rate as if the Company had filed a separate income tax return. The provision for state taxes is based on the statutory New Jersey tax.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

tax purposes. The Income tax provision for the period of December 31 is as follows

	<u>2006</u>	<u>2005</u>
Federal:		
Current	21,395	14,421
Deferred	620	(2,497)
	<u>\$ 22,015</u>	<u>\$ 11,924</u>
State:		
Current	9,658	8,789
Deferred	104	(417)
	<u>\$ 9,762</u>	<u>\$ 8,372</u>
Total:		
Current	31,053	23,210
Deferred	724	(2,914)
	<u><u>\$ 31,777</u></u>	<u><u>\$ 20,296</u></u>

Significant Components of the Company's deferred tax assets & liabilities for the period of December 31 are as follows (in thousands):

Net Deferred Tax Liability	<u>2006</u>	<u>2005</u>
Deferred tax assets:		
Self insurance reserves	\$ 74	\$ 1,844
Compensation programs	3,087	1,823
Allowance for doubtful accounts	2,666	2,943
Progressive jackpot liability	4,239	5,040
Amortization	-	7,786
CRDA Investment Obligations	2,538	458
Other	3,407	6,740
Total deferred tax asset	<u>16,011</u>	<u>26,634</u>
Deferred tax liability:		
Depreciation and amortization	(83,092)	(88,912)
Intangibles	(53,269)	(72,190)
Total deferred tax liability	<u>(136,361)</u>	<u>(161,102)</u>
Net deferred tax liability	<u><u>\$ (120,350)</u></u>	<u><u>\$ (134,468)</u></u>

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be a total of \$4,800,000, the first payment of which was made November 2004. The total estimated commitment is being charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of December 31 consist of the following:

	<u>2006</u>	<u>2005</u>
Casino Receivables (net of allowance for doubtful accounts - \$6,493 in 2006 and \$6,924 in 2005)	\$ 7,918	\$ 6,089
Other (net of allowance for doubtful accounts of \$32 in 2006 and \$281 in 2005)	6,244	4,638
Due from Harrah's	192,648	137,962
Due from Caesars	37,989	21,309
Due from Affiliates	2,280	962
	<u>\$ 247,079</u>	<u>\$ 170,960</u>

NOTE 3- PREPAID EXPENSES AND OTHER CURRENT ASSETS

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Prepaid Expense and Other Current Assets as of December 31 consist of the following:

	<u>2006</u>	<u>2005</u>
Tax Deferred Asset	\$ 10,786	\$ 17,239
Other	6,360	7,755
	<u>\$ 17,146</u>	<u>\$ 24,994</u>

NOTE 4 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	<u>2006</u>	<u>2005</u>
Investment in wholly owned subsidiaries (see Note 1):		
Atlantic City Country Club, Inc.	\$ 14,398	\$ 14,398
Casino Reinvestment Development Authority		
Investment obligations (net of valuation reserves		
of \$18,477 in 2006 and \$14,362 in 2005)	19,107	23,483
Jacobs Family Terrace mortgage receivable		
(net of valuation reserves of \$250 in 2006 and 2005)	586	586
	<u>\$ 34,091</u>	<u>\$ 38,467</u>

NOTE 5- PROPERTY AND EQUIPMENT

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

	<u>2006</u>	<u>2005</u>
Land	\$ 74,284	\$ 74,260
Buildings and improvements	522,950	521,403
Furniture, fixtures and equipment	100,432	81,202
Construction in progress	23,835	4,555
	<u>721,501</u>	<u>681,420</u>
Less accumulated depreciation and amortization	<u>(55,179)</u>	<u>(17,557)</u>
	<u>\$ 666,322</u>	<u>\$ 663,863</u>

See Note 1 for discussion of asset revaluation.

NOTE 6- OTHER ASSETS

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Other assets as of December 31 consist of the following:

	<u>2006</u>	<u>2005</u>
Goodwill	\$ 310,874	\$ 303,907
Trademark (net of accumulated amortization of \$6,189 in 2006 and \$1,970 in 2005)	13,811	17,030
Intangible asset (net of accumulated amortization of \$13,409 in 2006 and \$5,311 in 2005)	116,591	159,689
Long Term CRDA	4,553	9,026
Other	1,724	1,529
	<u>\$ 447,553</u>	<u>\$ 491,181</u>

See Note 1 for discussion of Goodwill and other intangible assets.

NOTE 7- OTHER ACCRUED EXPENSES

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

	<u>2006</u>	<u>2005</u>
Accrued Payroll	\$ 17,429	\$ 17,341
Accrued Interest	24,820	-
Other	18,219	12,762
	<u>\$ 60,468</u>	<u>\$ 30,103</u>

NOTE 8- OTHER CURRENT LIABILITIES

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

	<u>2006</u>	<u>2005</u>
Chip and token liability	\$ 2,868	\$ 2,092
Total Rewards / Connection Card liability	-	6,960
Due to affiliates	4,500	3,919
Other	664	4,492
	<u>\$ 8,032</u>	<u>\$ 17,463</u>

See Note 1 for discussion of connection card liability.

NOTE 9- LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Long-term debt-due to affiliates and other as of December 31 consist of the following:

	2006	2005
-		
Long-term debt due to affiliates:		
8.5% Note payable to Harrah's Entertainment Ltd. Finance Corporation ("HEL") due January 1, 2009	\$ 500,000	\$ 500,000
8.5% Note payable to HEL due May 31, 2011	33,500	33,500
8.5% Note payable to HEL due May 31, 2011	50,000	50,000
8.5% Note payable to HEL due April 30, 2013	500	500
	\$ 584,000	\$ 584,000
Long-term debt-other:		
Other secured and unsecured debt	\$ 785	\$ 1,045

In January 1999, the Company executed a \$500,000 note payable to CEI with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. On July 1, 2000, CEI assigned the \$500,000 note to Park Place Finance Corporation. On March 9, 2004, Park Place Finance Corporation changed its name to Caesars Entertainment Finance Corporation ("CEFC").

On June 1, 2001 the Company executed two notes payable in the amounts of \$33,500 and a \$50,000 to CEFC each with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. In April 2004, the Company executed a \$500 note payable to CEFC with interest at a rate of 8.5% per annum, payable on the last business day of each month (see note 1).

On July 1, 2006, the four promissory notes were assigned to Harrah's Entertainment Ltd. ("HEL"). Neither the terms nor the amounts of debt were affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments. Prior to the assignment interest payments were made monthly. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of December 31, 2006, accrued interest related to the four intercompany notes totaled \$24,820.

NOTE 10- OTHER LIABILITIES

Other liabilities as of December 31 consist of the following:

	2006	2005
Retirement and other employee benefit plans	\$ 1,455	\$ 1,576
Other	25	25
	\$ 1,480	\$ 1,601

NOTE 11 – RELATED PARTY TRANSACTIONS

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The Company participates with HOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by HOC on a consolidated basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis. Certain of the more significant inter-company relationships between the Company and HOC are discussed in this footnote.

Cash Activity with HOC and Affiliates

The Company transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC to the Company are also made based upon the needs to the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. In addition, the Company transfers cash to HOC to reimburse HOC for payroll costs of certain HOC employees who provide services to the Company. No interest is earned on the amount shown as due from affiliates, net, in the accompanying financial statements.

Administrative and Other Services

Harrah's allocates certain expenses to the Company, such as information technology, internal audit and risk management. These expenses are allocated using various formulas based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable. The company was allocated \$19,500 and \$21,077 for these services for the twelve months ended December 31, 2006 and 2005 respectively.

Equity Incentive Awards - Harrah's maintains equity incentive awards plans in which employees of the Company may participate. Harrah's allocates an appropriate amount of cost for these awards to each subsidiary where employees participate.

Under these plans, non-qualified stock options, restricted stock, stock appreciation rights ("SARs"), performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards and performance-based awards may be granted to employees or consultants of Harrah's and its subsidiaries, including the Company and members of Harrah's Board of Directors. Currently, only non-qualified stock options, SARs and restricted stock are outstanding under these plans.

Effective January 1, 2006, Harrah's adopted SFAS No. 123 (revised 2004), *Share-Based Payment*, using the modified prospective application and, therefore, Harrah's results for prior periods were not restated and no expense was allocated to the Company.

Stock Options - Stock option awards typically vest in equal installments on January 1 following the grant date and on January 1 in each of the two subsequent years and allow the option holder to purchase stock over specified periods of time, generally seven years from the date of grant, at a fixed price equal to the market value at the date of grant. The Company recognized approximately \$586 for stock option expense in 2006. This expense is included in charges from affiliates expenses in the accompanying statements of income.

Stock Appreciation Rights - SARs typically vest in equal installments on June 30 of the year following the year of the grant date and on June 30 in each of the two subsequent years. SARs allow the holder to receive a payment, in cash or stock, equal to the excess of the fair market value of a specified number of shares of stock on the date the SARs are exercised over an exercise price per

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

share, which typically is the fair market value on the date the SARs were granted. The Company recognized approximately \$113 for SARs expense in 2006. This expense is included in charges from affiliates expenses in the accompanying statements of income.

Restricted Stock - Restricted share grants of Harrah's stock have restrictions that may include, but not be limited to, the right to vote, receive dividends on or transfer the restricted stock. Restricted shares may be subject to forfeiture during a specified period or periods prior to vesting. These shares issued generally vest in equal annual installments over a three year period. The compensation arising from a restricted stock grant is based upon the market price of Harrah's stock at the grant date. Such expense is deferred and amortized to expense over the vesting period. The Company recognized approximately \$248 of compensation expense related to Harrah's restricted stock. This expense is included in charges from affiliates expenses in the accompanying statements of income in 2006.

NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the twelve months ended December 31 consists of the following:

	2006	2005
Interest Income	\$ 1,287	\$ 1,051
Project Write Downs	723	-
Gain (loss) on sale of assets	(448)	377
Equity in income of unconsolidated subsidiaries	-	10,295
Other	(435)	306
	\$ 1,127	\$ 12,029

Nonoperating income (expense) for the three months ended December 31 consists of the following:

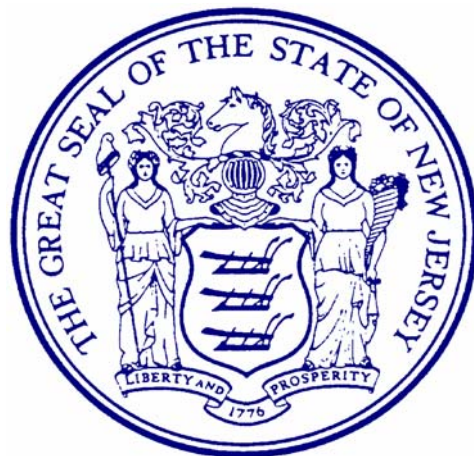
	2006	2005
Interest Income	\$ 331	\$ 298
Project Write Downs	(330)	-
Gain (loss) on sale of assets	(179)	5
Equity in income of unconsolidated subsidiaries	-	(121)
Other	(177)	-
	\$ (355)	\$ 182

Bally's Park Place, Inc. (Bally's Atlantic City)

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2006

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



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

Bally's Park Place, Inc. (Bally's Atlantic City)
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$6,901		
2	Returned Patrons' Checks.....	7,510		
3	Total Patrons' Checks.....	14,411	\$6,493	\$7,918
4	Hotel Receivables.....	1,702	32	\$1,670
	Other Receivables:			
5	Receivables Due from Officers and Employees....			
6	Receivables Due from Affiliates.....	232,917		
7	Other Accounts and Notes Receivables.....	4,574		
8	Total Other Receivables.....	237,491		\$237,491
9	Totals (Form CCC-205).....	\$253,604	\$6,525	\$247,079

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$5,272
11	Counter Checks Issued.....	150,660
12	Checks Redeemed Prior to Deposit.....	(107,590)
13	Checks Collected Through Deposits.....	(35,873)
14	Checks Transferred to Returned Checks.....	(5,568)
15	Other Adjustments.....	
16	Ending Balance.....	\$6,901
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$779
19	Provision as a Percent of Counter Checks Issued.....	0.5%

Bally's Park Place, Inc. (Bally's Atlantic City)

EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2006

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	1,457			
2	Slot Machines	197			
3	Administration	13			
4	Casino Accounting	319			
5	Simulcasting				
6	Other	200			
7	Total - Casino	2,186	\$61,803	\$645	\$62,448
8	ROOMS	491	12,905	144	13,049
9	FOOD AND BEVERAGE	1,512	32,102	283	32,385
10	GUEST ENTERTAINMENT	183	1,748		1,748
11	MARKETING	12	300		300
12	OPERATION AND MAINTENANCE	528	18,004		18,004
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	21	2,098	1,509	3,607
14	Accounting and Auditing	131	3,768	37	3,805
15	Security	365	11,211		11,211
16	Other Administrative and General	160	7,497	135	7,632
	OTHER OPERATED DEPARTMENTS:				
17	PBX	29	756		756
18	Parking	36	853		853
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	5,654	\$153,045	\$2,753	\$155,798

BALLY'S ATLANTIC CITY ANNUAL GROSS REVENUE TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2006

Line

GROSS REVENUE:	
1.	Table and Other Games..... \$ 170,478,063
2.	Slot Machines 506,812,194
3.	Total Gross Revenue..... <u>677,290,257</u>
4.	Adjustments..... _____
5.	Taxable Gross Revenue (line 3 plus line 4)..... <u>677,290,257</u>
6.	Tax on Gross Revenue - Reporting Year (8% of line 5)..... <u>54,183,221</u>
7.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years <u>480</u>
8.	Total Taxes on Gross Revenue (the sum of lines 6 and 7)..... <u>54,183,701</u>
9.	Total Deposits Made for Tax on Reporting Year's Gross Revenue..... <u>(54,183,221)</u>
Settlement of Prior Years' Tax on Gross Revenue	
10.	Resulting from Audit or Other Adjustments - (Deposits) Credits <u>(480)</u>
11.	Gross Revenue Taxes Payable (the net of lines 8, 9 and 10) <u>\$ (0)</u>

Under penalties of perjury, I declare that I have examined this Annual Gross Revenue Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

March 13, 2007
Date



William Pangoras

Operations Controller (1792-11)
Title (License Number)