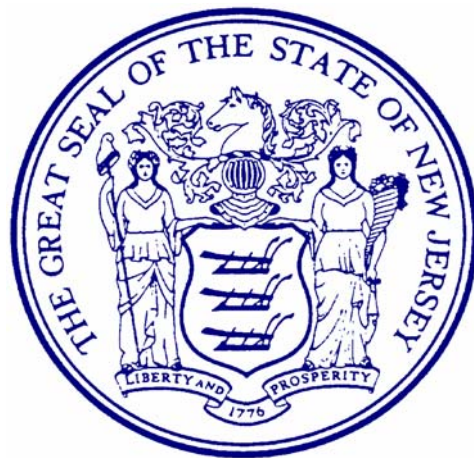


**Bally's Park Place Inc. ( Bally's Atlantic City)**

**QUARTERLY REPORT**

**FOR THE QUARTER ENDED MARCH 2011**

**SUBMITTED TO THE  
DIVISION OF GAMING ENFORCEMENT  
OF THE  
STATE OF NEW JERSEY**



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

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

## BALANCE SHEETS

AS OF MARCH , 2011 AND 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$16,734	\$15,527
2	Short-Term Investments.....		0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2011, \$ 8,143 ; 2010, \$ 9,296 ).....	4	12,440	10,556
4	Inventories .....	3	908	1,085
5	Other Current Assets.....	5	9,299	9,706
6	Total Current Assets.....		39,381	36,874
7	Investments, Advances, and Receivables.....	6	557,950	534,312
8	Property and Equipment - Gross.....	7	846,821	833,294
9	Less: Accumulated Depreciation and Amortization.....	7	(107,512)	(74,185)
10	Property and Equipment - Net.....		739,309	759,109
11	Other Assets.....	8	30,824	33,491
12	Total Assets.....		\$1,367,464	\$1,363,786
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$8,654	\$9,555
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		501	1,530
17	Income Taxes Payable and Accrued.....			2,763
18	Other Accrued Expenses.....	9	178,993	132,008
19	Other Current Liabilities.....		2,024	1,958
20	Total Current Liabilities.....		190,172	147,814
	Long-Term Debt:			
21	Due to Affiliates.....	10	584,000	584,000
22	External.....	10	394	958
23	Deferred Credits .....		98,680	110,546
24	Other Liabilities.....	11	42,152	37,204
25	Commitments and Contingencies.....			
26	Total Liabilities.....		915,398	880,522
27	Stockholders', Partners', or Proprietor's Equity.....		452,066	483,264
28	Total Liabilities and Equity.....		\$1,367,464	\$1,363,786

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 MARCH, 2011 AND 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino.....		\$90,626	\$106,320
2	Rooms.....		11,262	11,290
3	Food and Beverage.....		14,565	15,858
4	Other.....		3,042	3,536
5	Total Revenue.....		119,495	137,004
6	Less: Promotional Allowances.....		32,653	36,903
7	Net Revenue.....		86,842	100,101
	Costs and Expenses:			
8	Cost of Goods and Services.....		67,925	73,959
9	Selling, General, and Administrative.....		10,202	10,308
10	Provision for Doubtful Accounts.....		328	384
11	Total Costs and Expenses.....		78,455	84,651
12	Gross Operating Profit.....		8,387	15,450
13	Depreciation and Amortization.....		8,668	9,080
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	5,923	6,244
16	Income (Loss) from Operations.....		(6,204)	126
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(12,410)	(12,410)
18	Interest Expense - External.....		(4)	(66)
19	CRDA Related Income (Expense) - Net.....	12	(469)	(511)
20	Nonoperating Income (Expense) - Net.....		162	201
21	Total Other Income (Expenses).....		(12,721)	(12,786)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(18,925)	(12,660)
23	Provision (Credit) for Income Taxes.....		(6,703)	(4,216)
24	Income (Loss) Before Extraordinary Items.....		(12,222)	(8,444)
25	Extraordinary Items (Net of Income Taxes - 2011, \$0; 2010, \$0 ).....			
26	Net Income (Loss).....		(\$12,222)	(\$8,444)

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, 2010 AND THE THREE MONTHS ENDED MARCH, 2011

(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, 2009.....		100	\$1			\$597,787		(\$90,703)	\$507,085
2	Net Income (Loss) - 2010.....								(27,420)	(27,420)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	ASC - 740 Adjustment								(15,377)	(15,377)
7										0
8										0
9										0
10	Balance, December 31, 2010.....		100	1	0	0	597,787	0	(133,500)	464,288
11	Net Income (Loss) - 2011.....								(12,222)	(12,222)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15										0
16										0
17										0
18										0
19	Balance, March, 2011 .....		100	\$1	0	\$0	\$597,787	\$0	(\$145,722)	\$452,066

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 THREE MONTHS ENDED MARCH, 2011 AND 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$8,953	\$17,472
	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.....		(1,352)	(1,552)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(1,122)	(1,328)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances .....			
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(2,474)	(2,880)
	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.....			
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 affiliates .....		(17,135)	(22,350)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(17,135)	(22,350)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(10,656)	(7,758)
25	Cash and Cash Equivalents at Beginning of Period.....		27,390	23,285
26	Cash and Cash Equivalents at End of Period.....		\$16,734	\$15,527
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....			\$66
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.

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

## STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH, 2011 AND 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$12,222)	(\$8,444)
30	Depreciation and Amortization of Property and Equipment.....		8,151	8,565
31	Amortization of Other Assets.....		517	515
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current .....		304	
34	Deferred Income Taxes - Noncurrent .....		(1,358)	2,521
35	(Gain) Loss on Disposition of Property and Equipment.....			(4)
36	(Gain) Loss on CRDA-Related Obligations.....		469	511
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		393	720
39	(Increase) Decrease in Inventories .....		394	67
40	(Increase) Decrease in Other Current Assets.....		1,754	616
41	(Increase) Decrease in Other Assets.....		331	84
42	Increase (Decrease) in Accounts Payable.....		(1,355)	(371)
43	Increase (Decrease) in Other Current Liabilities .....		10,669	11,679
44	Increase (Decrease) in Other Liabilities .....		906	1,013
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$8,953	\$17,472

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$1,352)	(\$1,552)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$1,352)	(\$1,552)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
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
	<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	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.

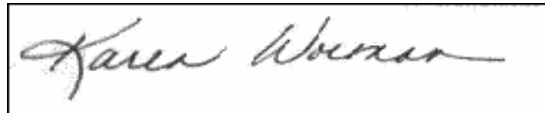
**Bally's Park Place Inc. ( Bally's Atlantic City)**  
**STATEMENT OF CONFORMITY,**  
**ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED MARCH 2011

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division of Gaming Enforcement'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 requirements contained in N.J.S.A. 5:12-84(a)1-5 during the quarter.

5/16/2011

Date



Karen Worman

Vice President of Finance

Title

6320-11

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 # 5 AMENDED 9/30/2011**

**NOTE 1 – 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 Caesars Operating Company, Inc. (“CEOC”), (formerly Harrah’s Operating Company, Inc.) which is a direct wholly owned subsidiary of Caesars Entertainment, Inc. (“Caesars”). (formerly Harrah's Entertainment, Inc.) On November 23, 2010 Harrah's Entertainment, Inc. was changed to Caesars Entertainment Corporation. 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. The Company is licensed to operate the facility by the New Jersey Casino Control Commission (the “CCC”) and is subject to rules and regulations established by the CCC. The Company’s license is subject to renewal every five years with the current license expiring July 2013. On February 1, 2011, the Governor signed into law a bill which transferred certain regulatory authority from The New Jersey Casino Control Commission to The New Jersey Division of Gaming Enforcement. (the “DGE”).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Allowance for Doubtful Accounts** - The Company reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances.

**Inventories** - Inventories, which consist primarily of food, beverage and operating supplies, are stated at the lower of average cost or market value.

**Land, Buildings and Equipment** - Improvements that extend the life of the asset are capitalized. Building improvements are depreciated over the remaining life of the building. Maintenance and repairs are expensed as incurred.

Depreciation is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Land improvements	12 years
Buildings and improvements	5 to 40 years
Furniture, fixtures and equipment	3 to 20 years

The Company reviews the carrying value of land, buildings and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If undiscounted expected future cash flows are less than the carrying value, an impairment loss would be recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other



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

economic factors. No impairment was recognized by the Company for all periods presented in the statements of operations.

**Goodwill and Other Intangible Assets** – The Company accounts for goodwill and other intangible assets in accordance with Accounting Standard Codification (“ASC”) 350, Intangible Assets, Goodwill and Other. The Company performs at least an annual review of intangible assets for impairment.

The Company maintains customer relationships (database) totaling \$24,700. The customer relationships have been determined to have a useful life of twelve years and are being amortized using the straight-line method. Amortization expense for the three months ended March 31, 2011, and 2010 was approximately \$515. Estimated annual amortization expense for customer relationships for each of the years ending December 31, 2011, 2012, 2013 and 2014 is approximately \$2,058.

**Fair Value of Financial Instruments** — The carrying amount of current assets and all current liabilities approximates fair value due to their short-term nature. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. After giving effect to their allowances, the CRDA bonds and deposits approximately reflect their fair value based upon their below-market interest rates.

**Revenue Recognition** — Gaming revenue is (a) the win from gaming activities, which is the difference between gaming wins and losses, less sales incentives and other adjustments and (b) revenue from gaming related activities such as poker and tournaments. Jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. The Company accrues the incremental amount of progressive jackpots as the progressive machine is played, and the progressive jackpot amount increases, with a corresponding reduction of gaming revenue. The retail value of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is included in gross revenue and then deducted as promotional allowances. 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. These costs consisted of the following as of March 31:

	<u>2011</u>	<u>2010</u>
Rooms	\$3,189	\$3,205
Food and Beverage	7,528	8,424
Other	1,019	903
Bus Program Cash	36	50
Promotional Gaming Credits	13,157	10,668

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

Other Cash Complimentaries	2,071	6,988
	\$27,000	\$30,238

**Total Rewards Program Liability** - The Company’s customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of affiliated 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 expense of reward credits is accrued after consideration of estimated forfeitures (defined as “breakage”), as they are earned. The estimated cost to provide reward credits is expensed at the property where they are earned and is included in casino expense on the accompanying consolidated statements of operations. 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. The Company uses historical data to assist in the determination of estimated accruals. At March 31, 2011 and 2010, \$3,553 and \$3,700, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions. These amounts reside on Caesars balance sheet and thus are included in the due form affiliates balance in the accompanying balance sheets of the Company.

In addition to reward credits, the Company’s customers can earn points based on play that are redeemable in Non Negotiable Reel Rewards (“NNRR”). The Company accrues the costs of NNRR points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances in the accompanying statements of income. At March 31, 2011 and 2010, the liability related to outstanding cash-back points, which is based on historical redemption activity, was approximately \$553 and \$676, respectively

**Investments in Subsidiaries** - The Company has an investment in Atlantic City Country Club 1, LLC (“ACCC”) reflected in the accompanying financial statements using the equity method.

**Advertising Expenses** — Advertising costs are expensed as incurred. Advertising expenses are approximately \$531, and \$661 for the three months ended March 31, 2011 and 2010, respectively. Advertising expenses are included in selling, general and administrative expenses in the statements of income.

**Gaming Tax** — The Company remits weekly to the DGE a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the DGE for the three months ended March 31, 2011 and 2010, which are included in Cost of Sales in the accompanying statements of income, were approximately \$7,061 and \$8,490, respectively.

**Income Taxes** - The Company is included in the consolidated federal tax return of Caesars 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.

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

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date. The Company follows the provisions of *ASC 740- Income Taxes*. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

During 2010, management transferred these reserves and the cumulative impact of the related tax expense to the Company in order to reflect the reserve associated with the uncertain income tax position on the Company's general ledger. Similar transfers were performed for all affiliates of CEOC that had uncertain income tax positions reflected at CEOC. In order to properly reflect the transfer of the reserve for uncertain income tax positions to the Company, an offsetting adjustment to equity at the Company was required.

**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.

**Seasonal factors** - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three months ended March 31, 2011 are not necessarily indicative of the results of operations for the full year.

**Omission of Disclosures** - In accordance with the Financial Reporting guidelines provided by the Division of Gaming Enforcement, the Company has elected not to include certain disclosures, which have not significantly changed since filing the most recent Annual Report. Accordingly, the following disclosures have been omitted: Future Lease Obligations, Employee Benefits and certain Income Tax disclosures.

### **NOTE 3 – RELATED PARTY TRANSACTIONS**

The Company participates with CEOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by CEOC 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.

**Cash Activity With CEOC and Affiliates** - The Company transfers cash in excess of its operating and regulatory needs to CEOC on a daily basis. Cash transfers from CEOC 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. No interest is earned on the amount shown as due from affiliates, net, in the accompanying balance sheets.

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

**Atlantic City Country Club 1, LLC.** - The net operating costs of ACCC are allocated to the Company as well as Caesars Atlantic City, Showboat Atlantic City and Harrah's Atlantic City, affiliates of the Company. The Company was charged approximately \$147 and \$163 for the three months ended March 31, 2011 and 2010, respectively, for these services. The costs are included in other operating expenses in the accompanying statements of income.

**Administrative and Other Services** - The Company is charged a fee by CEOC for administrative and other services (including consulting, legal, marketing, information technology, accounting, and insurance). The Company was charged approximately \$5,923 and \$6,244 for the three months ended March 31, 2011 and 2010, respectively, for these services.

**NOTE 4 – RECEIVABLES AND PATRONS' CHECKS**

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

	<u>2011</u>	<u>2010</u>
Casino Receivable (Net of allowance for doubtful accounts \$7,959 in 2011 and \$9,167 in 2010)	\$6,097	\$6,287
Other (Net of allowance for doubtful accounts of \$184 in 2011 and \$129 in 2010)	6,025	4,269
Current Portion of Notes Receivable	318	0
	<u>\$12,440</u>	<u>\$10,556</u>

**NOTE 5- OTHER CURRENT ASSETS**

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

	<u>2011</u>	<u>2010</u>
Tax Deferred Asset	3,254	\$5,050
NJ Sports and Expo Purse Agreement	1,840	2,709
Other	4,205	1,947
	<u>9,299</u>	<u>\$9,706</u>

**NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES**

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

	<u>2011</u>	<u>2010</u>
Due from Caesars:	515,883	\$493,982
Investment in wholly owned subsidiaries(see Note 2) Atlantic City Country Club 1, LLC	14,776	14,398

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

Casino Reinvestment Development Authority Investment obligations (net of valuation reserves of \$19,753 in 2011 and \$19,678 in 2010)	27,143	25,749
Jacobs Family Terrace mortgage receivable (net of valuation reserves of \$250 in 2011 and 2010)	148	183
	<u>\$557,950</u>	<u>\$534,312</u>

The amounts due from Caesars as of March 31 are unsecured and non-interest bearing.

**NOTE 7- LAND, BUILDING AND EQUIPMENT**

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

	<u>2011</u>	<u>2010</u>
Land	\$277,961	\$277,961
Buildings and Improvements	464,131	457,844
Furniture, Fixtures and Equipment	95,894	91,431
Construction in progress	8,835	6,058
	<u>\$846,821</u>	<u>\$833,294</u>
Less accumulated depreciation	(107,512)	(74,185)
	<u>\$739,309</u>	<u>\$759,109</u>

**NOTE 8- OTHER ASSETS**

Other assets as of March 31 consist of the following:

	<u>2011</u>	<u>2010</u>
Intangible asset (net of accumulated amortization of \$6,518 in 2011 and \$4,460 in 2010)	\$18,182	\$20,240
Notes Receivable-Net of current portion	10,672	11,299
Non-Current CRDA	1,555	1,533
Other	415	419
	<u>\$30,824</u>	<u>\$33,491</u>

See Note 2 for discussion of Goodwill and Other Intangible Assets.

**NOTE 9- OTHER ACCRUED EXPENSES**

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

<u>2011</u>	<u>2010</u>
-------------	-------------

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

Accrued Interest	\$157,594	\$107,954
Accrued Payroll	8,455	10,070
Other	12,944	13,984
	\$178,993	\$132,008

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

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

	<u>2011</u>	<u>2010</u>
8.5% Note payable to Harrah's Entertainment Ltd. ("HEL") due January 1, 2019	\$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 January 1, 2019	500	500
	\$584,000	\$584,000
Long-term debt-other:	\$394	\$958

On July 1, 2006, the four promissory notes formerly held by Caesars Entertainment Finance Corporation ("CEFC") were assigned to 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 March 31, 2011 and 2010, accrued interest related to the four inter-company notes totaled \$157,594 and \$107,954 respectively. Since the notes are due to an affiliate, a determination of fair value is not considered meaningful.

The Company amended and restated its notes payable to HEL originally due January 1, 2009 in the amount of \$500,000. The new amended and restated note payable has the same terms and conditions and at the same interest rate but with a new maturity date of January 1, 2019.

Because the Company has both the intent and the ability to extend this liability, the \$83,500 Note Payables due May 31, 2011 is classified as long term debt on the balance sheet as of March 31, 2011.

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**NOTE 11 - OTHER LIABILITIES**

As of March 31, Other Liabilities were as follows:

	<u>2011</u>	<u>2010</u>
Retirement and Other Employee benefit Plans	\$424	\$740
Deferred Tax Liability	41,728	36,464
	<u>\$42,152</u>	<u>\$37,204</u>

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**Litigation** - The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.

**Insurance Reserve** - The Company is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets include insurance allowances of \$120 and \$570 as of March 31, 2011 and 2010, respectively. Actual results may differ from these reserve amounts.

**CRDA Investment Obligation** - The New Jersey Casino Control Act provides, among other things, for an assessment of licenses 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 may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with 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 terms up to 50 years and bear interest at below-market rate.

As of March 31, CRDA related assets were as follows:

	<u>2011</u>	<u>2010</u>
CRDA Bonds - net of amortized costs	\$9,057	\$9,107
Deposit - net of reserve	15,177	12,854
Direct Investments - net of reserves	2,909	4,888
	<u>\$27,143</u>	<u>26,849</u>

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$469 and 511 for the quarter ended March 31, 2011 and 2010, respectively, and is included in CRDA (income) expense, in the statements of

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income.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA. Once CRDA Bonds are issued we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, they are not permitted to do otherwise. As such the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds.

After the initial determination of fair value, the Company will analyze the recoverability of the CRDA Bonds on a quarterly basis and its affect on reported amount based upon the ability and likelihood of bonds to be repaid. When considering recoverability of the CRDA Bonds, the Company considers the relative credit-worthiness of each bondholder, historical collection experience and other information received from the CRDA. If indications exist that the amount expected to be recovered is less than its carrying value, the asset will be written down to its expected realizable amount.

All the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. This agreement expired on January 1, 2009. The agreement provided that in exchange for funding, the NJSEA and the three active New Jersey racetracks would not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry provided \$34,000 over a four year period to the NJSEA and deposited another \$62,000 into the Casino Expansion Fund (managed by the CRDA). The Company's obligation was equal to its fair-share of AC Industry casino revenues, and the Company is eligible to receive funds deposited as a result of this obligation from the Casino Expansion Fund for qualified construction expenditures. The Company has until December 31, 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.

In August 2008, the AC Industry entered into a new agreement with the NJSEA that will provide \$90 million in funding to subsidize New Jersey's horseracing industry. The funding will be provided in installments through 2011. 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 December 31, 2011. The Company's obligation is estimated at \$11,193 equal to its fair-share of AC Industry casino revenues. The total commitment is being charged to operations on a straight line basis beginning January 2009 through December 31, 2011. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company paid \$0 and \$902 for the three months ended March 31, 2011 and 2010, respectively, to the NJSEA under the new agreement. Total obligation paid as of March 31, 2011 is \$ 10,291.

**Revised 9/30/2011**