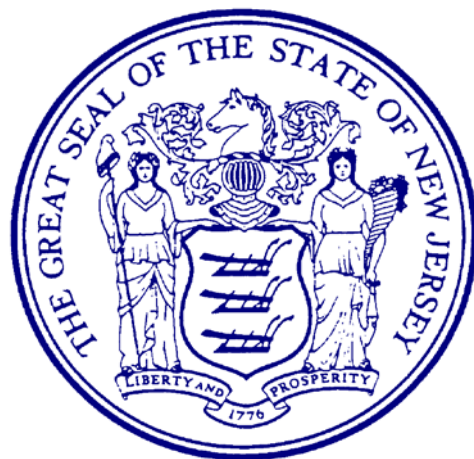


Bally's Park Place Inc. (Bally's Atlantic City)

QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 31, 2013

**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 31, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$17,024	\$20,662
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, \$6,791 ; 2012, \$7,559).....	4	11,520	22,972
4	Inventories		1,273	1,704
5	Other Current Assets.....	5	8,490	9,322
6	Total Current Assets.....		38,307	54,660
7	Investments, Advances, and Receivables.....	6	625,052	579,234
8	Property and Equipment - Gross.....	2,7	857,401	853,004
9	Less: Accumulated Depreciation and Amortization.....	2,7	(173,568)	(140,733)
10	Property and Equipment - Net.....	7	683,833	712,271
11	Other Assets.....	8	22,840	26,653
12	Total Assets.....		\$1,370,032	\$1,372,818
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$7,337	\$7,335
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		1,449	79
17	Income Taxes Payable and Accrued.....			
18	Other Accrued Expenses.....	9	272,830	226,057
19	Other Current Liabilities.....		1,991	2,675
20	Total Current Liabilities.....		283,607	236,146
	Long-Term Debt:			
21	Due to Affiliates.....	10	583,500	584,000
22	External.....	10	1,141	334
23	Deferred Credits		58,936	61,868
24	Other Liabilities.....	11	95,462	77,501
25	Commitments and Contingencies.....	12	0	0
26	Total Liabilities.....		1,022,646	959,849
27	Stockholders', Partners', or Proprietor's Equity.....		347,386	412,969
28	Total Liabilities and Equity.....		\$1,370,032	\$1,372,818

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 31, 2013 AND 2012

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$58,238	\$80,148
2	Rooms.....		9,527	11,777
3	Food and Beverage.....		9,463	14,228
4	Other.....		2,697	3,094
5	Total Revenue.....		79,925	109,247
6	Less: Promotional Allowances.....		19,270	30,450
7	Net Revenue.....		60,655	78,797
	Costs and Expenses:			
8	Cost of Goods and Services.....		46,107	48,455
9	Selling, General, and Administrative.....		5,466	8,083
10	Provision for Doubtful Accounts.....		469	507
11	Total Costs and Expenses.....		52,042	57,045
12	Gross Operating Profit.....		8,613	21,752
13	Depreciation and Amortization.....		7,692	9,260
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	3	5,624	8,064
16	Income (Loss) from Operations.....		(4,703)	4,428
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	(12,410)	(12,410)
18	Interest Expense - External.....		(43)	(7)
19	CRDA Related Income (Expense) - Net.....	12	(1,168)	(877)
20	Nonoperating Income (Expense) - Net.....		449	(664)
21	Total Other Income (Expenses).....		(13,172)	(13,958)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(17,875)	(9,530)
23	Provision (Credit) for Income Taxes.....	2	(6,238)	(3,233)
24	Income (Loss) Before Extraordinary Items.....		(11,637)	(6,297)
25	Extraordinary Items (Net of Income Taxes - 2012, \$0; 2011, \$0).....		0	0
26	Net Income (Loss).....		(\$11,637)	(\$6,297)

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, 2012 AND THE THREE MONTHS ENDED MARCH 31, 2013

(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, 2011.....		100	\$1			\$597,787		(\$178,522)	\$419,266
2	Net Income (Loss) - 2011.....								(60,243)	(60,243)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	ASC - 740 Adjustment.....									0
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2012.....		100	1	0	0	597,787	0	(238,765)	359,023
11	Net Income (Loss) - 2012.....								(11,637)	(11,637)
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 31, 2013		100	\$1	0	\$0	\$597,787	\$0	(\$250,402)	\$347,386

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 31, 2013 AND 2012
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$11,946	\$3,330
	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.....		(1,616)	(889)
5	Proceeds from Disposition of Property and Equipment.....		290	
6	CRDA Obligations		(724)	(1,050)
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.....		(2,050)	(1,939)
	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		(18,449)	(10,663)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(18,449)	(10,663)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(8,553)	(9,272)
25	Cash and Cash Equivalents at Beginning of Period.....		25,577	29,934
26	Cash and Cash Equivalents at End of Period.....		\$17,024	\$20,662
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$0	\$0
28	Income Taxes.....		\$0	\$0

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

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

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$11,637)	(\$6,297)
30	Depreciation and Amortization of Property and Equipment...		6,948	8,516
31	Amortization of Other Assets.....		744	744
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		511	1,000
34	Deferred Income Taxes - Noncurrent		(1,705)	978
35	(Gain) Loss on Disposition of Property and Equipment.....		(271)	0
36	(Gain) Loss on CRDA-Related Obligations.....		1,168	877
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		7,981	(9,937)
39	(Increase) Decrease in Inventories		(28)	(76)
40	(Increase) Decrease in Other Current Assets.....		(5,729)	(3,208)
41	(Increase) Decrease in Other Assets.....		85	83
42	Increase (Decrease) in Accounts Payable.....		522	181
43	Increase (Decrease) in Other Current Liabilities		12,983	13,061
44	Increase (Decrease) in Other Liabilities		374	(2,592)
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$11,946	\$3,330

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$1,616)	(\$889)
49	Less: Capital Lease Obligations Incurred.....			0
50	Cash Outflows for Property and Equipment.....		(\$1,616)	(\$889)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	0
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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 THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(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	137,182	\$4,989	0	\$0
2	Food	145,253	2,568	0	0
3	Beverage	1,608,356	3,217	0	0
4	Travel	0	0	1,831	452
5	Bus Program Cash	1,220	24	0	0
6	Promotional Gaming Credits	98,921	6,116	0	0
7	Complimentary Cash Gifts	51,457	1,913	0	0
8	Entertainment	1,098	39	1,282	275
9	Retail & Non-Cash Gifts	11,679	269	0	0
10	Parking	0	0	0	0
11	Other	27,127	135	0	0
12	Total	2,082,293	\$19,270	3,113	\$727

FOR THE THREE MONTHS ENDED MARCH 31, 2013

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	137,182	\$4,989	0	\$0
2	Food	145,253	2,568	0	0
3	Beverage	1,608,356	3,217	0	0
4	Travel	0	0	1,831	452
5	Bus Program Cash	1,220	24	0	0
6	Promotional Gaming Credits	98,921	6,116	0	0
7	Complimentary Cash Gifts	51,457	1,913	0	0
8	Entertainment	1,098	39	1,282	275
9	Retail & Non-Cash Gifts	11,679	269	0	0
10	Parking	0	0	0	0
11	Other	27,127	135	0	0
12	Total	2,082,293	\$19,270	3,113	\$727

*No item in this category (Other) exceeds 5%.

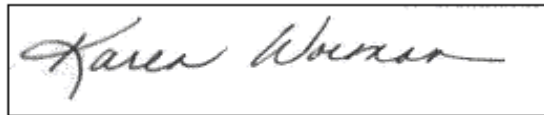
Bally's Park Place Inc. (Bally's Atlantic City)
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 2013

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.

5/15/2013

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 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.). 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. As with many estimates management must make judgments about potential actions by third parties in establishing and evaluating the allowance for doubtful accounts

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	11-40 years
Buildings and improvements	2.5-40 years
Furniture, fixtures and equipment	2.5-20 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

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

AMENDED 10/31/13

and prospects, as well as the effect of obsolescence, demand, competition and other 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, 2013, and 2012 was \$515.

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 — Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers’ possession. Food and beverage, rooms, and other operating revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. The Company does not recognize as revenue taxes collected on goods or services sold to its customers.

Casino Promotional Allowances - The retail value of accommodations, food and beverage and other services furnished to casino guests without charge is included in gross revenue and then deducted as promotional allowances. 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>2013</u>	<u>2012</u>
Rooms	\$2,239	\$2,679
Food and Beverage	4,419	7,399
Other	231	681
Bus Program Cash	24	31
Promotional Gaming Credits	6,116	11,851
Other Cash Complimentaries	1,913	2,101
	<u>\$14,942</u>	<u>\$24,742</u>

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

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 (referred to as "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 in the accompanying 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, 2013 and 2012, the accrued balance for the estimated cost of Total Rewards credit redemptions was \$2,056 and \$3,112, respectively.

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, 2013 and 2012, the liability related to the outstanding NNRR points, which is based on historical redemption activity, was approximately \$334 and \$503, 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.

Gaming Tax — The Company remits weekly to the NJ Division of Taxation a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the NJ Division of Taxation for the three months ended March 31, 2013 and 2012, which are included in cost of sales in the accompanying statements of income, were approximately \$4,281 and \$6,153, respectively.

In House Progressive Liability - In March 2012, the DGE approved a regulation which allowed casinos to remove in-house progressives from the floor. Casinos were no longer required to keep in-house progressives once established on the floor, as a result, the regulations allowed us to remove the liability (reset and incremental portion) from the progressive slot liability account. The offset was an increase to the slot revenue.

Property Taxes - In 2012, Bally's settled with the City of Atlantic City (the "City") with respect to their challenges to the real estate tax assessments for each of the tax years 2009 through 2012. Under the settlement terms, the assessments for the Bally's properties were collectively reduced from approximately \$1,492 million to \$950 million for the 2011 tax year which resulted in a credit of approximately \$10.5 million in 2012 and then a further credit resulting from the reduction for the 2012 tax year from \$950 million to \$700 million. Bally's did not give up any rights to appeal future tax years as part of the settlement. The tax settlement, based on the 2012 City tax rate, resulted in a reduction in the tax payment that would otherwise have been due of approximately \$15.5 million in 2012.

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

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.

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.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted (GAAP) 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 periods. Actual results could differ from such estimates and assumptions.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three months ended March 31, 2013 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.

The Company's property, assets and capital stock are pledged as collateral for certain of CEOC's outstanding debt.

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. The balance shown as "due from affiliates — net," in the accompanying statements of changes in stockholder's equity is non interest bearing.

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

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 \$5,624 and \$8,064 for the three months ended March 31, 2013 and 2012, respectively, for these services.

Atlantic City Country Club 1, LLC. - Atlantic City Country Club 1, LLC (ACCC) is a wholly owned subsidiary of the Company. 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 \$130 and \$143 for the three months ended March 31, 2013 and 2012, respectively, for these services. The costs are included in other operating expenses in the accompanying statements of income.

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

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

	<u>2013</u>	<u>2012</u>
Casino Receivable (Net of allowance for doubtful accounts \$6,743 in 2013 and \$7,389 in 2012)	\$5,318	\$6,672
Other (Net of allowance for doubtful accounts of \$48 in 2013 and \$170 in 2012)	5,864	15,973
Current Portion of Notes Receivable	338	327
	<u>\$11,520</u>	<u>\$22,972</u>

NOTE 5- OTHER CURRENT ASSETS

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

	<u>2013</u>	<u>2012</u>
Tax Deferred Asset	\$1,866	\$3,646
Other	6,624	5,676
	<u>\$8,490</u>	<u>\$9,322</u>

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

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES **AMENDED 10/31/13**

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

	<u>2013</u>	<u>2012</u>
Due from Caesars:	\$580,659	\$535,498
Investment in wholly owned subsidiaries(see Note 2)	14,398	14,398
Atlantic City Country Club 1, LLC		
Casino Reinvestment Development Authority Investment obligations	28,731	28,068
(net of valuation reserves of \$16,821 in 2013 and \$18,193 in 2012)		
Other	1,264	1,270
	<u>\$625,052</u>	<u>\$579,234</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>2013</u>	<u>2012</u>
Land	\$277,433	\$277,961
Buildings and Improvements	467,491	470,559
Furniture, Fixtures and Equipment	112,442	104,080
Construction in progress	35	404
	<u>\$857,401</u>	<u>\$853,004</u>
Less accumulated depreciation	(173,568)	(140,733)
	<u>\$683,833</u>	<u>\$712,271</u>

NOTE 8- OTHER ASSETS

Other assets as of March 31 consist of the following:

	<u>2013</u>	<u>2012</u>
Intangible asset (net of accumulated amortization of \$11,781 in 2013 and \$8,806 in 2012)	\$12,919	\$15,894
Notes Receivable-Net of current portion	9,506	9,844
Non-Current CRDA	0	500
Other	415	415
	<u>\$22,840</u>	<u>\$26,653</u>

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

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NOTE 9- OTHER ACCRUED EXPENSES

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

	<u>2013</u>	<u>2012</u>
Accrued Interest	\$256,874	\$207,234
Accrued Payroll	7,392	8,838
Other	8,564	9,985
	<u>\$272,830</u>	<u>\$226,057</u>

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>2013</u>	<u>2012</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, 2021	33,500	33,500
8.5% Note Payable To HEL due May 31, 2021	50,000	50,000
8.5% Note Payable To HEL due April 30, 2013	0	500
	<u>\$583,500</u>	<u>\$584,000</u>
Long-term debt-other:	<u>\$1,141</u>	<u>\$334</u>

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, 2013 and 2012, accrued interest related to the four inter-company notes totaled \$256,874 and \$207,234 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. 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.

The Company also amended and restated its notes payable to HEL originally due May 31, 2011 in the amount of \$83,500. 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 May 31, 2021.

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NOTE 11 - OTHER LIABILITIES

As of March 31, Other Liabilities were as follows:

	<u>2013</u>	<u>2012</u>
Retirement and Other Employee benefit Plans	\$367	\$396
Deferred Tax Liability	<u>95,095</u>	<u>77,105</u>
	<u>\$95,462</u>	<u>\$77,501</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 \$115 and \$215 as of March 31, 2013 and 2012, 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>2013</u>	<u>2012</u>
CRDA Bonds - net of amortized costs	\$11,283	\$10,347
Deposit - net of reserve	15,430	15,257
Direct Investments - net of reserves	<u>2,018</u>	<u>2,464</u>
	<u>\$28,731</u>	<u>\$28,068</u>

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$1,168 and \$877 for the three months ended March 31, 2013 and 2012, respectively, and is included in CRDA (income) expense, in the statements of 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

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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 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.

In August 2008, the AC Industry entered into a new agreement with the NJSEA that will provide \$90,000 in funding to subsidize New Jersey's horseracing industry. The funding was provided in installments through 2011. In exchange for this funding, the NJSEA and the three active New Jersey racetracks could not conduct any casino gaming at the racetracks prior to December 31, 2011. The Company paid \$11,228, equal to its fair-share of AC Industry casino revenues.

All the Atlantic City casino properties and the CRDA entered into an agreement with the Atlantic City Alliance (the "ACA") to provide funding to subsidize the Atlantic City market. This agreement was signed on November 2, 2011 and is set to expire on December 31, 2016. The agreement provides that in exchange for funding, the ACA will create and implement a marketing plan for the AC Industry. As part of the agreement, the AC Industry provided an initial deposit of \$5,000 in December 2011 and will continue to pay \$30,000 annually for the next five years. The Company paid \$289 in the three months ending March 31, 2013. The Company's obligation for its portion of future payments is estimated at \$10,392, equal to its fair-share of AC Industry casino revenues.