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

QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 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 JUNE 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$20,697	$24,801
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, $6,368 ; 2012, $7,252)	4	10,429	23,220
4	Inventories		1,479	2,185
5	Other Current Assets	5	11,996	12,968
6	Total Current Assets		44,601	63,174
7	Investments, Advances, and Receivables	3, 6	421,248	580,661
8	Property and Equipment - Gross	2,7	859,356	853,537
9	Less: Accumulated Depreciation and Amortization	2,7	(179,576)	(149,227)
10	Property and Equipment - Net	7	679,780	704,310
11	Other Assets	8	22,010	25,825
12	Total Assets		$1,167,639	$1,373,970
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$8,393	$8,431
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates			
16	External		988	46
17	Income Taxes Payable and Accrued		0	0
18	Other Accrued Expenses	9	284,756	236,620
19	Other Current Liabilities		2,122	2,513
20	Total Current Liabilities		296,259	247,610
	Long-Term Debt:			
21	Due to Affiliates	10	583,500	584,000
22	External	10	923	349
23	Deferred Credits		57,494	59,736
24	Other Liabilities	11	96,123	78,127
25	Commitments and Contingencies	12		
26	Total Liabilities		1,034,299	969,822
27	Stockholders', Partners', or Proprietor's Equity		133,340	404,148
28	Total Liabilities and Equity		$1,167,639	$1,373,970

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 SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$122,359	$159,644
2	Rooms		21,263	25,514
3	Food and Beverage		21,768	31,124
4	Other		6,046	6,488
5	Total Revenue		171,436	222,770
6	Less: Promotional Allowances		41,872	61,751
7	Net Revenue		129,564	161,019
	Costs and Expenses:			
8	Cost of Goods and Services		97,753	106,862
9	Selling, General, and Administrative		11,589	14,259
10	Provision for Doubtful Accounts		864	780
11	Total Costs and Expenses		110,206	121,901
12	Gross Operating Profit		19,358	39,118
13	Depreciation and Amortization		14,432	18,517
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	11,081	16,534
16	Income (Loss) from Operations		(6,155)	4,067
	Other Income (Expenses):			
17	Interest Expense - Affiliates	10	(24,820)	(24,820)
18	Interest Expense - External		(84)	(14)
19	CRDA Related Income (Expense) - Net	12	(1,825)	(1,264)
20	Nonoperating Income (Expense) - Net		625	(639)
21	Total Other Income (Expenses)		(26,104)	(26,737)
22	Income (Loss) Before Taxes and Extraordinary Items		(32,259)	(22,670)
23	Provision (Credit) for Income Taxes	2	(11,083)	(7,552)
24	Income (Loss) Before Extraordinary Items		(21,176)	(15,118)
25	Extraordinary Items (Net of Income Taxes - 2012, $0; 2011, $0)		0	0
26	Net Income (Loss)		($21,176)	($15,118)

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 QUARTER ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino		$64,121	$79,496
2	Rooms		11,736	13,737
3	Food and Beverage		12,305	16,896
4	Other		3,349	3,394
5	Total Revenue		91,511	113,523
6	Less: Promotional Allowances		22,602	31,301
7	Net Revenue		68,909	82,222
	Costs and Expenses:			
8	Cost of Goods and Services		51,646	58,407
9	Selling, General, and Administrative		6,123	6,176
10	Provision for Doubtful Accounts		395	273
11	Total Costs and Expenses		58,164	64,856
12	Gross Operating Profit		10,745	17,366
13	Depreciation and Amortization		6,740	9,257
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	5,457	8,470
16	Income (Loss) from Operations		(1,452)	(361)
	Other Income (Expenses):			
17	Interest Expense - Affiliates	10	(12,410)	(12,410)
18	Interest Expense - External		(41)	(7)
19	CRDA Related Income (Expense) - Net	12	(657)	(387)
20	Nonoperating Income (Expense) - Net		176	25
21	Total Other Income (Expenses)		(12,932)	(12,779)
22	Income (Loss) Before Taxes and Extraordinary Items		(14,384)	(13,140)
23	Provision (Credit) for Income Taxes	2	(4,845)	(4,319)
24	Income (Loss) Before Extraordinary Items		(9,539)	(8,821)
25	Extraordinary Items (Net of Income Taxes - 2012, $0; 2011, $0)		0	0
26	Net Income (Loss)		($9,539)	($8,821)

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 SIX MONTHS ENDED JUNE 30, 2013

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock Shares (c)	Common Stock Amount (d)	Preferred Stock Shares (e)	Preferred Stock Amount (f)	Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
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.............								(21,176)	(21,176)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....................................									0
14	Prior Period Adjustments..............									0
15	Equitization of Intercompany						(204,507)			(204,507)
16										0
17										0
18										0
19	**Balance, June 30, 2013**		100	$1	0	$0	$393,280	$0	($259,941)	$133,340

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 SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$19,601	$9,854
	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............................		(3,269)	(1,440)
5	Proceeds from Disposition of Property and Equipment...........			
6	CRDA Obligations		(800)	(998)
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....................		(4,069)	(2,438)
	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		(20,412)	(12,549)
22	....			
23	Net Cash Provided (Used) By Financing Activities...................		(20,412)	(12,549)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(4,880)	(5,133)
25	Cash and Cash Equivalents at Beginning of Period...................		25,577	29,934
26	Cash and Cash Equivalents at End of Period.............................		$20,697	$24,801

	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 SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		($21,176)	($15,118)
30	Depreciation and Amortization of Property and Equipment		12,944	17,029
31	Amortization of Other Assets		1,488	1,488
32	Amortization of Debt Discount or Premium		0	0
33	Deferred Income Taxes - Current		511	637
34	Deferred Income Taxes - Noncurrent		(3,147)	(1,154)
35	(Gain) Loss on Disposition of Property and Equipment		(271)	0
36	(Gain) Loss on CRDA-Related Obligations		1,825	1,264
37	(Gain) Loss from Other Investment Activities			
38	(Increase) Decrease in Receivables and Patrons' Checks		9,072	(10,185)
39	(Increase) Decrease in Inventories		(234)	(557)
40	(Increase) Decrease in Other Current Assets		(9,235)	(6,491)
41	(Increase) Decrease in Other Assets		171	168
42	Increase (Decrease) in Accounts Payable		1,578	1,277
43	Increase (Decrease) in Other Current Liabilities		25,040	23,462
44	Increase (Decrease) in Other Liabilities		1,035	(1,966)
45				
46				
47	Net Cash Provided (Used) By Operating Activities		$19,601	$9,854

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line	Description	Notes	2013	2012
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($3,269)	($1,440)
49	Less: Capital Lease Obligations Incurred			0
50	Cash Outflows for Property and Equipment		($3,269)	($1,440)
	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 SIX MONTHS ENDED JUNE 30, 2013
(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	288,714	$10,493		
2	Food	299,820	5,882		
3	Beverage	3,324,510	6,649		
4	Travel			3,741	914
5	Bus Program Cash	3,990	80		
6	Promotional Gaming Credits	188,092	13,567		
7	Complimentary Cash Gifts	106,397	4,165		
8	Entertainment	1,163	41	3,142	755
9	Retail & Non-Cash Gifts	25,449	585		
10	Parking				
11	Other	81,994	410		
12	Total	4,320,129	$41,872	6,883	$1,669

FOR THE THREE MONTHS ENDED JUNE 30, 2013

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	151,532	$5,504		
2	Food	154,567	3,314		
3	Beverage	1,716,154	3,432		
4	Travel			1,910	462
5	Bus Program Cash	2,770	56		
6	Promotional Gaming Credits	89,171	7,451		
7	Complimentary Cash Gifts	54,940	2,252		
8	Entertainment	65	2	1,860	480
9	Retail & Non-Cash Gifts	13,770	316		
10	Parking				
11	Other	54,867	275		
12	Total	2,237,836	$22,602	3,770	$942

*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 JUNE 30, 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.

Karen Worman

8/14/2013
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 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.

(All dollar amounts in thousands)

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 six months ended June 30,2013, and 2012 was $1,029.

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 June 30:

	2013	2012
Rooms	$4,595	$5,308
Food and Beverage	9,354	15,370
Other	597	1,193
Bus Program Cash	80	94
Promotional Gaming Credits	13,567	21,552
Other Cash Complimentaries	4,165	5,304
	$32,358	$48,821

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 June 30, 2013 and 2012, the accrued balance for the estimated cost of Total Rewards credit redemptions was $1,994 and $2,944, 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 June 30, 2013 and 2012, the liability related to the outstanding NNRR points, which is based on historical redemption activity, was approximately $378 and $427, 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 six months ended June 30, 2013 and 2012, which are included in cost of sales in the accompanying statements of income, were approximately $8,950 and $11,426, 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. City of Atlantic City increased property taxes approximately 17% for the year 2013.

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 six months ended June 30, 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.

(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 $11,081 and $16,534 for the six months ended June 30, 2013 and 2012, respectively, for these services.

Equitization of Intercompany Balances - During June 2013, the Company elected to equitize certain intercompany balances with its parent and affiliates that were previously classified as a receivable/liability. Offset to this was Additional Paid in Capital. This is separately shown on the Statement of Changes in Stockholder's Equity.

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 $131 and $140 for the six months ended June 30, 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 June 30 consist of the following:

	2013	2012
Casino Receivable (Net of allowance for doubtful accounts $6,298 in 2013 and $7,158 in 2012)	$5,193	$6,701
Other (Net of allowance for doubtful accounts of $70 in 2013 and $94 in 2012)	4,895	16,189
Current Portion of Notes Receivable	341	330
	$10,429	$23,220

NOTE 5- OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of June 30 consist of the following:

	2013	2012
Tax Deferred Asset	$1,866	$3,646
Other	10,130	9,322
	$11,996	$12,968

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

Investments, advances and receivables as of June 30 consist of the following:

	2013	2012
Due from Caesars:	$376,413	$536,363
Investment in wholly owned subsidiaries(see Note 2)	14,398	14,398
Atlantic City Country Club 1, LLC		
Casino Reinvestment Development Authority Investment obligations	28,804	28,630
(net of valuation reserves of $16,859 in 2013 and $16,713 in 2012)		
Other	1,633	1,270
	$421,248	$580,661

The amounts due from Caesars as of June 30 are unsecured and non-interest bearing.

NOTE 7- LAND, BUILDING AND EQUIPMENT

Property and equipment as of June 30 consist of the following:

	2013	2012
Land	$277,433	$277,433
Buildings and Improvements	467,491	471,060
Furniture, Fixtures and Equipment	113,984	105,044
Construction in progress	448	0
	$859,356	$853,537
Less accumulated depreciation	(179,576)	(149,227)
	$679,780	$704,310

NOTE 8- OTHER ASSETS

Other assets as of June 30 consist of the following:

	2013	2012
Intangible asset (net of accumulated amortization of $12,524 in 2013 and $9,549 in 2012)	$12,176	$15,150
Notes Receivable-Net of current portion	9,419	9,760
Non-Current CRDA	0	500
Other	415	415
	$22,010	$25,825

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

(All dollar amounts in thousands)

NOTE 9- OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30 consist of the following:

	2013	2012
Accrued Interest	$267,896	$219,644
Accrued Payroll	8,297	7,800
Other	8,563	9,176
	$284,756	$236,620

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

Long-term debt-due to affiliates and other as of June 30 consist of the following:

	2013	2012
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
	$583,500	$584,000
Long-term debt-other:	$923	$349

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 June 30, 2013 and 2012, accrued interest related to the four inter-company notes totaled $267,896 and $219,644 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.

(All dollar amounts in thousands)

NOTE 11 - OTHER LIABILITIES

As of June 30, Other Liabilities were as follows:

	2013	2012
Retirement and Other Employee benefit Plans	$359	$389
Deferred Tax Liability	95,764	77,738
	$96,123	$78,127

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 $200 as of June 30, 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 June 30, CRDA related assets were as follows:

	2013	2012
CRDA Bonds - net of amortized costs	$11,267	$10,758
Deposit - net of reserve	15,631	15,520
Direct Investments - net of reserves	1,907	2,352
	$28,805	$28,630

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were $1,825 and $1,264 for the six months ended June 30, 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 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 $928 in the six months ending June 30, 2013. The Company's obligation for its portion of future payments is estimated at $9,753, equal to its fair-share of AC Industry casino revenues.

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