HARRAH'S RESORT, ATLANTIC CITY
QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2014

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

HARRAH'S RESORT, ATLANTIC CITY
BALANCE SHEETS

AS OF JUNE 30, 2014 AND 2013

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$23,515	$28,201
2	Short-Term Investments			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2014, $5,024; 2013, $10,533)	4	24,530	14,467
4	Inventories	2	1,426	1,556
5	Other Current Assets	5	4,550	14,612
6	Total Current Assets		54,021	58,836
7	Investments, Advances, and Receivables	6	13,468	2,128,944
8	Property and Equipment - Gross	2,7	176,432	1,454,102
9	Less: Accumulated Depreciation and Amortization	2,7	(10,463)	(249,530)
10	Property and Equipment - Net	2,7	165,969	1,204,572
11	Other Assets	8	164,612	40,500
12	Total Assets		$398,070	$3,432,852
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$10,335	$9,012
14	Notes Payable			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates			
16	External	10	3,306	1,162
17	Income Taxes Payable and Accrued		9,788	0
18	Other Accrued Expenses	9	18,262	23,384
19	Other Current Liabilities		1,298	1,224
20	Total Current Liabilities		42,989	34,782
	Long-Term Debt:			
21	Due to Affiliates			
22	External	11	2,848	793,307
23	Deferred Credits		0	242,424
24	Other Liabilities	12	996	20,994
25	Commitments and Contingencies	16		
26	Total Liabilities		46,833	1,091,507
27	Stockholders', Partners', or Proprietor's Equity	3	351,237	2,341,345
28	Total Liabilities and Equity		$398,070	$3,432,852

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

HARRAH'S RESORT, ATLANTIC CITY
STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	Revenue:			
1	Casino		$164,289	$172,954
2	Rooms		34,966	34,288
3	Food and Beverage		41,758	38,599
4	Other		12,673	12,744
5	Total Revenue		253,686	258,585
6	Less: Promotional Allowances	2	65,283	57,953
7	Net Revenue		188,403	200,632
	Costs and Expenses:			
8	Casino		80,801	80,696
9	Rooms, Food and Beverage		17,337	13,353
10	General, Administrative and Other		44,667	53,612
11	Total Costs and Expenses		142,805	147,661
12	Gross Operating Profit		45,598	52,971
13	Depreciation and Amortization		12,103	22,743
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other	3	25,245	21,422
16	Income (Loss) from Operations		8,250	8,806
	Other Income (Expenses):			
17	Interest Expense - Affiliates			
18	Interest Expense - External		(158)	(18,210)
19	CRDA Related Income (Expense) - Net		(1,234)	(2,266)
20	Nonoperating Income (Expense) - Net	13	491	(24,413)
21	Total Other Income (Expenses)		(901)	(44,889)
22	Income (Loss) Before Taxes and Extraordinary Items		7,349	(36,083)
23	Provision (Credit) for Income Taxes		(10,258)	(14,885)
24	Income (Loss) Before Extraordinary Items		17,607	(21,198)
25	Extraordinary Items (Net of Income Taxes - 2014, $0; 2013, $0)			
26	Net Income (Loss)		$17,607	($21,198)

*Prior year balances have been restated to conform with current year's presentation.

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

HARRAH'S RESORT, ATLANTIC CITY
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	Revenue:			
1	Casino		$84,214	$87,963
2	Rooms		18,706	18,246
3	Food and Beverage		21,017	20,205
4	Other		7,023	6,683
5	Total Revenue		130,960	133,097
6	Less: Promotional Allowances	2	31,941	30,865
7	Net Revenue		99,019	102,232
	Costs and Expenses:			
8	Casino		41,345	41,222
9	Rooms, Food and Beverage		9,705	7,801
10	General, Administrative and Other		23,564	28,206
11	Total Costs and Expenses		74,614	77,229
12	Gross Operating Profit		24,405	25,003
13	Depreciation and Amortization		10,182	10,631
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other	3	11,896	10,537
16	Income (Loss) from Operations		2,327	3,835
	Other Income (Expenses):			
17	Interest Expense - Affiliates			
18	Interest Expense - External		(64)	(8,916)
19	CRDA Related Income (Expense) - Net		(257)	(1,060)
20	Nonoperating Income (Expense) - Net	13	25	(17,647)
21	Total Other Income (Expenses)		(296)	(27,623)
22	Income (Loss) Before Taxes and Extraordinary Items		2,031	(23,788)
23	Provision (Credit) for Income Taxes		490	(9,765)
24	Income (Loss) Before Extraordinary Items		1,541	(14,023)
25	Extraordinary Items (Net of Income Taxes - 2014, $0; 2013, $0)			
26	Net Income (Loss)		$1,541	($14,023)

*Prior year balances have been restated to conform with current year's presentation.

The accompanying notes are an integral part of the financial statements.
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HARRAH'S RESORT, ATLANTIC CITY
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND THE SIX MONTHS ENDED JUNE 30, 2014

(UNAUDITED)
($ IN THOUSANDS)

			Common Stock		Preferred Stock		Additional	Accumulated	Retained Earnings	Total Stockholders'
Line (a)	Description (b)	Notes	Shares (c)	Amount (d)	Shares (e)	Amount (f)	Paid-In Capital (g)	Comprehensiv Income/Loss (h)	(Accumulated Deficit) (i)	Equity (Deficit) (j)
1	**Balance, December 31, 2012...........**		25	$25			$918,547	($418)	($117,604)	$800,550
2	Net Income (Loss) - 2013.............								(660,532)	(660,532)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....................................									0
5	Prior Period Adjustments..............									0
6	Comprehensive Income/Loss							418		418
7	Equitization of Intercompany	3					229,855			229,855
8	Capital Contributions								(44,548)	(44,548)
9										0
10	**Balance, December 31, 2013...........**		25	25	0	0	1,148,402	0	(822,684)	325,743
11	Net Income (Loss) - 2014.............								17,607	17,607
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....................................									0
14	Prior Period Adjustments..............									0
15	Equitization of Intercompany	3					7,887			7,887
16										0
17										0
18										0
19	**Balance, June 30, 2014 ....**		25	$25	0	$0	$1,156,289	$0	($805,077)	$351,237

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

HARRAH'S RESORT, ATLANTIC CITY
STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES...		$8,399	$34,870
	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............................		(5,041)	(7,112)
5	Proceeds from Disposition of Property and Equipment...........		0	343
6	CRDA Obligations		(2,071)	(2,054)
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....................		(7,112)	(8,823)
	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.......................................			(32,776)
18	Cash Proceeds from Issuing Stock or Capital Contributions....		0	0
19	Purchases of Treasury Stock..			
20	Payments of Dividends or Capital Withdrawals......................			
21	....			
22	....			
23	Net Cash Provided (Used) By Financing Activities..................		0	(32,776)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		1,287	(6,729)
25	Cash and Cash Equivalents at Beginning of Period...................		22,228	34,930
26	Cash and Cash Equivalents at End of Period.............................		$23,515	$28,201

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).......................................		$211	$14,935
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.

HARRAH'S RESORT, ATLANTIC CITY
STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		$17,607	($21,198)
30	Depreciation and Amortization of Property and Equipment		11,796	20,630
31	Amortization of Other Assets		307	2,113
32	Amortization of Debt Discount or Premium			
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent		0	(2,909)
35	(Gain) Loss on Disposition of Property and Equipment		(5)	(97)
36	(Gain) Loss on CRDA-Related Obligations		1,234	2,266
37	(Gain) Loss from Other Investment Activities			(6,956)
38	(Increase) Decrease in Receivables and Patrons' Checks		(11,306)	(43)
39	(Increase) Decrease in Inventories		70	(4)
40	(Increase) Decrease in Other Current Assets		(2,430)	(1,030)
41	(Increase) Decrease in Other Assets		783	(1,724)
42	Increase (Decrease) in Accounts Payable		577	(6,499)
43	Increase (Decrease) in Other Current Liabilities		4,534	3,341
44	Increase (Decrease) in Other Liabilities		(22,264)	(612)
45	(Increase) Decrease in Other Receivables or Adv		7,496	23,193
46	Impairment of Assets	7,13		24,399
47	Net Cash Provided (Used) By Operating Activities		$8,399	$34,870

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($5,041)	($7,481)
49	Less: Capital Lease Obligations Incurred			369
50	Cash Outflows for Property and Equipment		($5,041)	($7,112)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired			
52	Goodwill Acquired			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed			
55	Issuance of Stock or Capital Invested			
56	Cash Outflows to Acquire Business Entities		$0	$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions		$0	$0
58	Less: Issuances to Settle Long-Term Debt		0	0
59	Consideration in Acquisition of Business Entities		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions		$0	$0

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

HARRAH'S RESORT, ATLANTIC CITY
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 30, 2014
(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	215,511	$17,523		
2	Food	663,809	16,842		
3	Beverage	786,681	5,900		
4	Travel			32,160	8,375
5	Bus Program Cash	84	1		
6	Promotional Gaming Credits	576,780	18,244		
7	Complimentary Cash Gifts	71,744	3,777		
8	Entertainment	24,263	1,092		
9	Retail & Non-Cash Gifts	43,473	869		
10	Parking				
11	Other	247,886	1,035		
12	Total	2,630,231	$65,283	32,160	$8,375

FOR THE THREE MONTHS ENDED JUNE 30, 2014

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	113,096	$8,979		
2	Food	330,618	8,020		
3	Beverage	378,540	2,839		
4	Travel			17,855	4,663
5	Bus Program Cash	84	1		
6	Promotional Gaming Credits	265,423	8,396		
7	Complimentary Cash Gifts	29,358	1,998		
8	Entertainment	15,752	709		
9	Retail & Non-Cash Gifts	22,341	446		
10	Parking				
11	Other	140,020	553		
12	Total	1,295,232	$31,941	17,855	$4,663

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

HARRAH'S RESORT, ATLANTIC CITY
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30, 2014

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.

3. To the best of my knowledge and belief, the information contained in this report is accurate.

4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

8/15/2014
Date

Joseph Lodise

Director of Finance/Operations Controller
Title

008900-11
License Number

On Behalf of:

HARRAH'S RESORT, ATLANTIC CITY
Casino Licensee

HARRAHS CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Harrah's Atlantic City Holding, Inc. and Subsidiaries (the "Company", "Harrah's Atlantic City") is a wholly owned subsidiary of Caesars Entertainment Resort Properties ("CERP") which is a wholly owned subsidiary of Caesars Entertainment Corporation ("Caesars"). The Company operates a casino hotel resort located in the Marina District of Atlantic City, New Jersey, known as Harrah's Resort 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 Division of Gaming Enforcement, (the "DGE") and is subject to rules and regulations established by the DGE. The Company's license is subject to resubmission every five years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Management believes the accounting estimates are appropriate and reasonably stated; however, due to the inherent uncertainties in making these estimates, actual amounts could differ.

Principles of Consolidation - The accompanying consolidated financial statements include the account balances of Harrah's Atlantic City and its wholly-owned subsidiaries. As a result, all material intercompany transactions and balances have been eliminated in consolidation.

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 average cost.

Long-Lived Assets - The Company has significant capital invested in long-lived assets, and judgments are made in determining the estimated useful lives of assets and salvage values and if or when an asset (or asset group) has been impaired. The accuracy of these estimates affects the amount of depreciation and amortization expense recognized in the Company's financial results and whether the Company has a gain or loss on the disposal of an asset. The Company assigns lives to their assets based on their standard policy, which is established by management as representative of the useful life of each category of asset.

The Company reviews the carrying value of their long-lived assets 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. The Company typically estimates its fair value of assets starting with a "Replacement Cost New" approach and then deducting appropriate amounts for both functional and economic obsolescence to arrive at fair value estimates. Other factors considered by management in performing this assessment may include current operating results, trends, prospects, and third-party appraisals, as well as the effect of demand, competition, and other economic, legal, and regulatory factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the lowest level of identifiable cash flows, which, for the Company, is the individual property. These analyses are sensitive to management assumptions and the estimates of the obsolescence factors, and changes in the assumptions and estimates, could have a material impact on the analysis and the consolidated financial statement schedules.

Additions to property and equipment are stated at cost. The Company capitalizes the costs of improvements that extend the life of the asset. The Company expenses maintenance and repair costs as incurred. Gains or losses on the disposition of property and equipment are recognized in the period of disposal. Interest expense is capitalized on internally constructed assets at the applicable weighted-average borrowing rates of interest. Capitalization of interest ceases when the project is substantially complete or construction activity is suspended for more than a brief period of time.

Useful Lives -	Land improvements 12 years	Leasehold improvements 5 to 15 years
	Buildings 30 to 40 years	Furniture, fixtures, and equipment 2.5 to 20 years

Debt Issue Cost - Debt issue costs incurred in connection with the issuance of debt are amortized to interest expense based on the related debt agreement primarily using the effective interest method. Unamortized discounts or premiums are written off and included in gain or loss calculations to the extent debt is retired prior to its original maturity date. Charges of $0 and $1,241 for unamortized debt issue costs are included in the statement of income for the periods ending June 30, 2014 and 2013 respectively.

Goodwill and Other Intangible Assets – The intangible assets represent a customer database with a recorded gross value of $4,352 and $54,700 as of June 30, 2014 and 2013, respectively, and accumulated amortization of $307 and $22,792 as of June 30, 2014 and 2013, respectively. The customer database had been determined to have a useful life of 13 years.

Impairment of Intangible Assets - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principle market or, if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as the "exit price"). Fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability, including consideration of nonperformance risk.

We assess the inputs used to measure fair value using the three-tier hierarchy promulgated under GAAP. This hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Inputs include quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly, including quoted prices for similar assets in active markets, quoted prices from identical or similar assets in inactive markets, and observable inputs such as interest rates and yield curves.

Level 3: Inputs that are significant to the measurement of fair value that are not observable in the market and include management's judgments about assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

Our assessment of goodwill and other intangible assets for impairment includes an assessment using various Level 2 (EBITDA multiples and discount rate) and Level 3 (forecasted cash flows) inputs.

Investment in Atlantic City Express Service, LLC "ACES" - In 2006, the Company entered into an agreement with Caesars Atlantic City, an affiliate of the Company, and one other Atlantic City casino to form Atlantic City Express Service, LLC ("ACES"). With each member having a 33% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan, New York, and Atlantic City. The investment is reflected in the accompanying consolidated financial statements using the equity method. ACES suspended services during the year ended December 31, 2011, and the joint venture agreement terminated, which forced a liquidation of the joint venture's assets. During 2012, the Company received $2,800 in liquidation of the Company's interest in ACES. In 2013, each member received $39 in final settlement of the remaining assets.

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

CRDA Real Estate Project - Harrah's Atlantic City held investments in a townhouse complex and a single-story neighborhood shopping center, all of which are located in Atlantic City, NJ and are collectively referred to as "CRDA Real Estate". In October 2013 and upon expiration of a CRDA mandated 20 year hold period, Caesars Entertainment agreed to sell the CRDA Real Estate to Harbour Pointe Properties, LLC in exchange for $1,825. In June 2013, Harrah's Atlantic City recorded impairments on the

(Dollars in Thousands)

CRDA Real Estate in the amount of $24,399 reflected in asset impairments in the consolidated statements of operations. In December 2013, the sale closed and Harrah's Atlantic City received $1,354 in cash consideration, after customary closing costs.

In 2008, Harrah's Atlantic City recorded a long-term note receivable of $12,000 for the sale of the Ocean Terrace condominiums to Ocean Terrace, LLC. Terms of the note were interest free for the first five years then earning 6.5% interest starting 2013 with principal and interest due at maturity in 2018. In March 2013, Harrah's Atlantic City began renegotiations to modify the terms of the note. Consequently, a reserve of $7,000 was recorded in March 2013. In May 2013, Harrah's Atlantic City received $5,000 in settlement of the note.

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. Accommodations, food and beverage, 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 - 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 at June 30:

	2014	2013
Food and Beverage	$ 17,542	$ 13,817
Rooms	7,889	6,952
Other	2,755	1,415
Other Cash Complimentary	3,777	2,723
Promotional Gaming Credits	18,244	16,619
	$ 50,207	$ 41,526

Total Rewards Point Liability Program – Caesars' customer loyalty program, Total Rewards, offers incentives to customers who gamble at Caesars' 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 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 income. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which reward credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. These amounts are recorded on Caesars' balance sheets with the incremental charges included in due from affiliates, net in the balance sheets. At June 30, 2014 and 2013, the accrued balance for the estimated cost of Total Rewards credit redemptions was $3,716 and $3,378 respectively.

In addition to Reward Credits, customers can earn points based on play that are redeemable in Non-Negotiable Reel Rewards ("NNRR"). The Company accrues the cost of NNRR, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances on the accompanying Consolidated Statements of Income. At June 30, 2014 and 2013, the liability related to outstanding NNRR, which is based on historical redemption activity, were $871 and $747 respectively.

Gaming Tax – The Company remits weekly to the State of New Jersey a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the State of New Jersey for the six months ended June 30, 2014 and 2013, which are included in cost of goods and services in the statement of income, were approximately $13,314 and $13,954 respectively.

Property Taxes - In 2014, the Company settled with the City with respect to their challenges to the real estate tax assessment for prior years. The City approved a refund/ credit of prior year's property taxes during the first quarter of 2014 in the amount of $4,143. This amount was recorded as a receivable on the accompanying balance sheet and in general, administrative and other expense in the accompanying Statement of Income. In addition, the 2014, assessment was reduced by approximately $500,000.

During 2014, the city increased the property tax rate by approximately 32%. There have been discussions that the tax rate will only increase by approximately 29%. However, at present we are not in receipt of final 2014 tax bills to confirm.

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 recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

Internet Gaming - Harrah's Resort Atlantic City did not have Internet gaming operations during 2014 or 2013.

Reclassifications — The Company has reclassified certain amounts for prior periods to conform to the current year's presentation.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2014 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 Caesars Entertainment Operating Company (CEOC) and Caesars' other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated, and managed 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 of the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. No interest is charged on transfers made to or from the Company.

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 $25,245 and $21,422 for these services for the six months ended June 30, 2014 and 2013, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

Equitization of Intercompany Balances – During June 2013, the Company began the process to equitize certain intercompany balances with its parent and affiliates that were previously classified as a receivable/liability. The offset to this entry was Additional Paid in Capital. This is separately shown on the statements of changes in stockholders' equity.

Atlantic City Country Club - Atlantic City Country Club 1, LLC ("ACCC") was a wholly owned subsidiary of Bally's Atlantic City ("Bally's"), an affiliate of the Company. The net operating costs of ACCC were allocated to the Company and Bally's as well as Caesars Atlantic City and Showboat Atlantic City, also affiliates of the Company. The Company was charged approximately $171 and $118 for these costs for the six months ended June 30, 2014 and 2013, respectively. The costs are included in other operating expenses in the accompanying statements of income. Atlantic City Country Club was sold in May 2014.

(Dollars in Thousands)

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of June 30 consist of the following:

	2014	2013
Casino Receivables (Net of Allowance for Doubtful Accounts - 2014, $4,972 & 2013, $10,418)	$ 7,967	$ 6,892
Other (Net of Allowance for Doubtful Accounts- 2014, $52 & 2013, $115)	16,563	7,575
	$ 24,530	$ 14,467

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expenses and Other Current Assets as of June 30 consisted of the following:

	2014	2013
Prepaid Air Charter	$ 1,140	$ 1,498
Prepaid State Income Tax	882	1,209
Prepaid Deferred State Income Tax	-	9,185
Prepaid Taxes	1,151	1,154
Prepaid Marketing	535	158
Prepaid Other	842	1,408
	$ 4,550	$ 14,612

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, Advances and Receivables as of June 30 consisted of the following:

	2014	2013
Due from Affiliates	$ -	$ 2,100,267
CRDA obligation deposit-Net of Valuation Allowance of $2,926 and $10,155 at June 30, 2014 and 2013, respectively	5,852	20,310
CRDA obligation bonds-Net of Valuation Allowance of $4,195 and $4,245 at June 30, 2014 and 2013, respectively	5,385	5,316
CRDA Investments, Net	1,266	1,905
Other	965	1,146
	$ 13,468	$ 2,128,944

(Dollars in Thousands)

NOTE 7 – LAND, BUILDINGS AND EQUIPMENT

Land, Buildings and Equipment as of June 30 consisted of the following:

	2014	2013
Land and Land Improvements	$ 57,660	$ 429,610
Building and Improvements	107,401	876,384
Furniture Fixtures & Equipment	8,815	141,306
Construction in Progress	2,556	6,802
	176,432	1,454,102
Less: Accumulated Depreciation and Amortization	(10,463)	(249,530)
Land, Building and Equipment, Net	$ 165,969	$ 1,204,572

Tangible Asset Impairments - During the second quarter 2013, Harrah's Atlantic City recorded impairments on the CRDA Real Estate in the amount of $24,399.

During the fourth quarter 2013, casino property sales occurred in the Atlantic City market. The pricing of the transactions indicated a substantial decline in market price had occurred for Casinos in Atlantic City. As a result of this triggering event, Caesars determined it was necessary to perform a recoverability test of the carrying amount of the Company. It was determined the carrying values of the Companies was not recoverable. Therefore, a fair value assessment of the properties was performed. Impairment loss for Harrah’s Atlantic City was $990,708 reflected in asset impairments in the accompanying statements of income.

NOTE 8 - OTHER ASSETS

Other Assets as of June 30 consisted of the following:

	2014	2013
Intangible Asstes	$ 4,045	$ 31,908
Deferred Finance Charge		7,988
Deferred Income Taxes	153,696	
Interest Rate Cap Derivative		17
Other	6,871	587
	$ 164,612	$ 40,500

NOTE 9 - OTHER ACCRUED EXPENSES

Other Accrued Expenses as of June 30 consisted of the following:

	2014	2013
Accrued Salaries, Wages and Benefits	$ 3,295	$ 3,880
Taxes Payable	4,630	3,908
Accrued City Wide Progressive Slot Liability	353	293
Accrued Interest, Long-term debt	14	1,332
Accrued CCC/DGE Casino License Fees	497	284
Accrued Utilities	805	803
Accrued Health and Welfare Union	1,606	1,795
Other	7,062	11,089
	$ 18,262	$ 23,384

(Dollars in Thousands)

NOTE 10- SHORT-TERM DEBT

Short-term debt, due to other as of June 30, consists of the following:

	2014	2013
Due to Other		
Current Portion of Capitalized Leases	$ 3,306	$ 1,162
	$ 3,306	$ 1,162

NOTE 11 – LONG TERM DEBT

Long-term debt, due to others as of June 30 consists of the following:

	2014	2013
CMBS Financing - 3.21% & 3.28% at June 30, 2014 and 2013, respectively - Maturity 2015*	$ -	$ 792,213
Capitalized Leases	2,848	1,094
	$ 2,848	$ 793,307

* Caesars is permitted to extend the maturity of the CMBS Loans from 2013 to 2015, subject to satisfying certain conditions, in connection with the amendment to the CMBS Facilities.

Commercial Mortgaged-Back Securities (CMBS) Financing - In 2008, eight properties including Harrah's Atlantic City (the "CMBS properties") and their related assets were spun out of CEOC to Caesars. The CMBS properties borrowed $6,500,000 of CMBS financing (the "CMBS Financing"). The CMBS Financing was secured by the assets of the CMBS properties and certain aspects of the financing were guaranteed by Caesars. On May 22, 2008, two properties and their related operating assets were spun out of CEOC to Caesars and became property secured under the CMBS mortgage loan and/or related mezzanine loans ("CMBS Loans"), and four properties, not including Harrah's Atlantic City were transferred to CEOC from Caesars. The CMBS Financing was refinanced in October 2013 as described below.

CMBS Debt Repurchase — During 2013, Caesars purchased $49,055 of aggregate face value of CMBS Loans for $39,205, recognizing total pre-tax gains of $9,347, net of deferred finance charges.

CERP Financing - On October 11, 2013, Caesars formed CERP from the prior CMBS Financing structure assets, including Harrah's Atlantic City plus the addition of two properties acquired from CEOC, and (i) completed the offering of $1,000,000 aggregate principal amount of their 8% first-priority senior secured notes due 2020 and $1,150,000 aggregate principal amount of their 11% second-priority senior secured notes due 2021 (together with the 8% first-priority senior secured notes due 2020, the "CERP Notes") and (ii) entered into a first lien credit agreement governing their new $2,769,500 senior secured credit facilities, consisting of senior secured term loans in an aggregate principal amount of $2,500,000 (the "CERP Term Loans") and a senior secured revolving credit facility in an aggregate principal amount of up to $269,000. This new borrowing structure if referred to as CERP and the refinancing transaction as "CERP Financing".

Borrowings under the CERP Term Loans bear interest at a rate equal to either the alternate base rate or the greater of (i) the then-current LIBOR rate or (ii) 1.0%; in each case plus an applicable margin. As of December 31, 2013, borrowings under the CERP Term Loans bore interest at the minimum base rate of 1.0%, plus 600 basis points. The CERP Term Loans require scheduled quarterly payments of $6,300 with the balance due at maturity. Borrowings under the senior secured revolving credit facility would bear interest at a rate equal to either the alternate base rate or the greater of (i) the then-current LIBOR rate or (ii) 1.0%; in each case plus an applicable margin.

On a quarterly basis, Caesars is required to pay each lender (i) a commitment fee in respect of any unborrowed amounts under the senior secured revolving credit facility and (ii) a letter of credit fee in respect of the aggregate face amount of outstanding letters of credit under the senior secured revolving credit facility. As of December 31, 2013, the senior secured revolving credit facility bore a commitment fee for unborrowed amounts of 50 basis points. There were no amounts outstanding under the revolving credit facility at December 31, 2013.

(Dollars in Thousands)

The net proceeds from the offering of CERP Notes and the borrowings under the CERP Term Loans, together with cash, was used to retire 100% of the CMBS financing in addition to other borrowings of Caesars, and to pay related fees and expenses. This resulted in a loss on extinguishment of debt of $37,100.

NOTE 12 - OTHER LIABILITIES

Other Liabilities as of June 30 consisted of the following:

	2014	2013
Reported Claims	$ 790	$ 890
CRDA-ACIA Funding	-	129
Deferred CRDA grant	-	276
Fin 48- Tax Reserve	-	19,699
Other Long Term Liabilities	206	-
	$ 996	$ 20,994

NOTE 13 – NON-OPERATING INCOME (EXPENSE)

For the six months ended June 30, 2014 and 2013, Non-Operating Income (Expense) consisted of the following:

	2014	2013
Interest Income	$ 114	$ 115
Gain/Loss on Early Retirement Debt	-	6,956
Asset Write-Off	-	(7,183)
Impairment Tangible Assets	434	(24,399)
Other	(57)	98
	$ 491	$ (24,413)

NOTE 14 — ATLANTIC CITY CONFERENCE CENTER

In June 2013, Caesars established, AC Conference NewCo, LLC (“NewCo”) to construct and operate a new conference center (the "Project) adjacent to Harrah's Atlantic City. NewCo is a direct wholly owned subsidiary of AC Conference HoldCo, LLC, which is a direct wholly owned subsidiary of Caesars.

Also in June 2013, Caesars signed an agreement with the CRDA regarding a grant for financial assistance in the amount of $45,000 million (the "Project Grant") wherein the CRDA will provide Caesars cash to help fund the construction of the Project. Under the Project Grant, Caesars is obligated to contribute to the CRDA the following:

- $46,200 of Atlantic City Economic Development Investment Alternative Tax Obligation balances (“Existing Credits”), of which $1,200 represents a 2.75% administrative fee,
- $9,500 of CRDA Credits that the CRDA will use towards the construction of the CRDA’s marketplace-style retail development project (the "Donation Credits"), and
- Land parcels with an appraised value of $7,300 on which the CRDA’s Marketplace Project will be developed (the Marketplace Parcels).1

The gross value of the credits and land parcels described above held by the Companies immediately prior to the transaction as follows:

(Dollars in Thousands)

Existing Credits		
Bally's Park Place, Inc.	$	23,400
Boardwalk Regency Corporation		10,600
Harrah's Atlantic City Holding, Inc and Subsidiaries		7,000
Ocean Showboat, Inc. and Subsidiaries		5,200
Total	$	46,200
Donation Credits		
Ocean Showboat, Inc. and Subsidiaries	$	9,500
Marketplace Parcels		
Bally's Park Place, Inc.	$	4,600
Boardwalk Regency Corporation		2,700
Total	$	7,300

In return for the above, the CRDA will deposit $45,000 into a Project Fund from which Caesars can draw on a paripassu basis via reimbursements to NewCo based on amounts paid for the Project by NewCo. To date, Caesars received $7,419 in reimbursements from the Project Fund.

In December 2013, the land on which the Project is being built was conveyed from Harrah's Atlantic City to NewCo in return for a promissory note in the amount of $4,000. The promissory note was then conveyed from Harrah's Atlantic City to Caesars and was ultimately conveyed down to NewCo who then cancelled the note.

NOTE 15 – CASINO REINVESTMENT DEVELOPMENT AUTHORITY INVESTMENT

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:

	2014	2013
CRDA Bonds-net of amortized cost	$ 5,385	$ 5,316
Deposit - net reserves	5,852	20,310
Direct Investments - net of reserves	1,266	1,905
	$ 12,503	$ 27,531

The CRDA related assets are held in deferred charges and other non-current assets in the consolidated balance sheets.

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were $1,234 and $2,115 for the six months ended June 30, 2014 and 2013, respectively, and is included in CRDA related expenses, in the statement 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. Accretion for the six months ended June 30, 2014 and 2013 were $28 and $29, respectively, and is included in CRDA related expenses, in the statement of income.

After the initial determination of fair value, the Company will analyze the recoverability of the CRDA Bonds on a quarterly basis and its effect 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.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Litigation - The Company is involved in various legal proceedings relating to routine matters of its business. The Company believes that all the actions brought against it are without merit and will continue to vigorously defend against them. While any proceedings or litigation has an element of uncertainty, the Company believes that the final outcome of these matters, in the aggregate, is not likely to have a material adverse effect upon the Company's results of operations, financial position, or cash flows.

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 $790 and $890 as of June 30, 2014 and 2013, respectively. Actual results may differ from these reserve amounts.

All the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the Atlantic City Alliance (the "ACA") to provide funding to subsidize Atlantic City casino marketing. 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's fair-share was $2,045 for the six months ended June 30, 2014. The Company's obligation for its portion of future payments is estimated at $10,224 equal to its fair-share of AC Industry casino revenues.