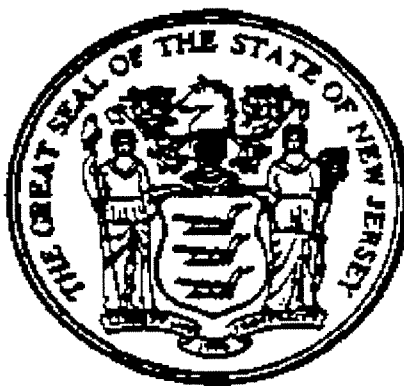


# ANNUAL REPORT

LICENSEE HARRAH'S CASINO HOTEL , ATLANTIC CITY  
ADDRESS 777 HARRAH'S BLVD.  
ATLANTIC CITY, N.J. 08401

FOR THE YEAR ENDED DECEMBER 31, 1997

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF  
CORRESPONDENCE REGARDING THIS  
QUARTERLY REPORT

**JOHN D. MAYEWSKI**

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE & ADMINISTRATION  
CHIEF FINANCIAL OFFICER

ADDRESS

777 HARRAH'S BLVD.  
ATLANTIC CITY, N.J. 08401

Trading Name of Licensee Harrah's Casino Hotel, Atlantic City

## **LIST OF FORMS - ANNUAL REPORT**

FOR THE YEAR ENDED: DECEMBER 31, 1997

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**BALANCE SHEETS**

AS OF DECEMBER 31, 1997 AND 1996

(UNAUDITED)  
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 1997	(d) 1996
<b>ASSETS</b>			
<b>Current Assets:</b>			
1	Cash and Cash Equivalents .....	\$ 22,047	\$ 22,729
2	Short-Term Investments .....	0	0
3	Receivables and patrons' checks (net of allowance for doubtful accounts - . . 1997 \$ 3,300.....;1996 \$ 3,630 .....	7,828	7,164
4	Inventories .....	1,316	994
5	Prepaid expenses and other current assets .. (Note 5)	2,128	2,154
6	<b>Total Current Assets</b> .....	<b>33,319</b>	<b>33,041</b>
7	Investments, Advances and Receivables ..... (Note 6)	29,661	27,737
8	Property and Equipment - Gross ..... (Note 3)	483,806	450,841
9	Less Accumulated Depreciation/Amortization .... (Note 3)	(169,412)	(153,964)
10	Other Assets .....	22,026	23,454
11	<b>Total Assets</b> .....	<b>399,400</b>	<b>381,109</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities:</b>			
12	Accounts Payable .....	\$ 3,147	\$ 4,181
13	Notes Payable .....	0	0
Current portion of long-term debt:			
14	Due to affiliates .....	0	0
15	Other .....	0	0
16	Income taxes payable and accrued .....	7	393
17	Other accrued expenses .. (Note 9)	16,344	23,128
18	Other current liabilities .....	569	505
19	<b>Total current liabilities</b> .....	<b>20,067</b>	<b>28,207</b>
Long-Term Debt:			
20	Due to affiliates .....	0	0
21	Other .. (Note 4)	400,000	400,000
22	Deferred Credits .....	1,296	1,127
23	Other Liabilities .. (Note 10)	43,536	43,295
24	Commitments and Contingencies .....	0	0
25	<b>Total Liabilities</b> .....	<b>464,899</b>	<b>472,629</b>
26	<b>Stockholders', Partners', or Proprietor's Equity</b> .....	<b>(65,499)</b>	<b>(91,520)</b>
27	<b>Total Liabilities and Equity</b> .....	<b>\$ 399,400</b>	<b>\$ 381,109</b>

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

STATEMENTS OF INCOME

For Twelve Months Ended DECEMBER 31, 1997 and 1996

(UNAUDITED)  
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 1997	(d) 1996
	<b>Revenue:</b>		
1	Casino .....	\$ 317,870	\$ 311,895 *
2	Rooms .....	24,397	21,161
3	Food and Beverage .....	41,138	37,267
4	Other .....	11,502	10,105
5	Total revenue .....	394,907	380,428
6	Less: Promotional Allowance .....	42,851	40,956
7	Net revenue .....	352,056	339,472
	<b>Costs and Expenses:</b>		
8	Cost of goods and services .....	187,535	178,729 *
9	Selling, general, and administrative .....	68,723	67,002
10	Provision for doubtful accounts .....	1,454	1,309
11	Total costs and expenses .....	257,712	247,040
12	Gross Operating Profit .....	94,344	92,432
13	Depreciation and amortization .....	18,454	16,266
	Charges from affiliates other than interest:		
14	Management Fees .....	0	0
15	Other .....	22,230	21,227
16	Income (Loss) from Operations .....	53,660	54,939
	<b>Other Income (Expenses):</b>		
17	Interest (expense) - affiliates - .....	0	0
18	Interest (expense) - external .....	(25,250)	(25,490)
19	Investment alternative tax and related income . . . . (expense) - net .....	(231)	(99)
20	Nonoperating Income (expense) - net .....	496	736
21	Total other income (expenses) .....	(24,985)	(24,853)
22	Income (Loss) Before Income Taxes and Extraord. Items	28,675	30,086
23	Provision (credit) for income taxes .....	2,654	3,033
24	Income (Loss) Before Extraordinary Items .....	26,021	27,053
25	Extraordinary items (net of income taxes - 1997, \$0; 1996, \$0) .....	0	0
26	<b>Net Income (Loss) .....</b>	<b>\$ 26,021</b>	<b>\$ 27,053</b>

\* 1996 Reclassified to conform to 1997 presentation.

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

STATEMENTS OF INCOME

For Three Months Ended December 31, 1997 and 1996

(UNAUDITED)  
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 1997	(d) 1996
	<b>Revenue:</b>		
1	Casino .....	\$ 71,701	\$ 71,994 *
2	Rooms .....	6,387	4,722
3	Food and Beverage .....	9,741	8,945
4	Other .....	2,879	2,577
5	Total revenue .....	90,708	88,238
6	Less: Promotional Allowance .....	10,558	7,732
7	Net revenue .....	80,150	80,506
	<b>Costs and Expenses:</b>		
8	Cost of goods and services .....	46,030	44,849 *
9	Selling, general, and administrative .....	15,806	15,455
10	Provision for doubtful accounts .....	169	323
11	Total costs and expenses .....	62,005	60,627
12	Gross Operating Profit .....	18,145	19,879
13	Depreciation and amortization .....	4,799	4,262
	Charges from affiliates other than interest:		
14	Management Fees .....	0	0
15	Other .....	5,558	5,191
16	Income (Loss) from Operations .....	7,788	10,426
	<b>Other Income (Expenses):</b>		
17	Interest (expense) - affiliates - .....	0	0
18	Interest (expense) - external .....	(6,717)	(6,243)
19	Investment alternative tax and related income (expense) - net .....	(73)	(25)
20	Nonoperating Income (expense) - net .....	75	380
21	Total other income (expenses) .....	(6,715)	(5,888)
22	Income (Loss) Before Income Taxes and Extraord. Items .....	1,073	4,538
23	Provision (credit) for income taxes .....	185	839
24	Income (Loss) Before Extraordinary Items .....	888	3,699
25	Extraordinary items (net of income taxes - 1997, \$0; 1996, \$0) .....	0	0
26	<b>Net Income (Loss) .....</b>	<b>\$ 888</b>	<b>\$ 3,699</b>

\* 1996 Reclassified to conform to 1997 presentation.

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

## STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

For the Twelve Months Ended December 31, 1997  
And The Twelve Months Ended December 31, 1996  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance , December 31, 1995	\$165,954	(\$281,489)	\$0	(\$115,535)
2	Net Income (Loss) - 1996		27,053		\$27,053
3	Capital Contributions.....				
4	Capital Withdrawals.....		(3,038)		(\$3,038)
5	Partnership Distributions.....				
6	Prior Period Adjustments.....				
7	.....				
8	.....				
9	.....				
10	Balance , December 31, 1996	165,954	(257,474)	0	(91,520)
11	Net Income 1997		26,021		\$26,021
12	Capital Contributions.....				
13	Capital Withdrawals.....		0		\$0
14	Partnership Distributions.....				
15	Prior Period Adjustments.....				
16	.....				
17	.....				
18	.....				
19	Balance, December 31, 1997	\$165,954	(\$231,453)	\$0	(\$65,499)

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

TRADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY**STATEMENTS OF CASH FLOWS**

For the Twelve Months Ended December 31, 1997 and 1996

(UNAUDITED)  
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 1997	(d) 1996
1	<b>Net Cash Provided (Used) by Operating Activities</b> . . . . .	\$ 37,348	\$ 50,262
	<b>Cash Flows from Investing Activities:</b>		
2	Purchase of short-term investment securities . . . . .	0	0
3	Proceeds from the sale of short-term investment securities . . . . .	0	0
4	Cash outflows for property and equipment . . . . .	(35,994)	(59,648)
5	Proceeds from disposition of property and equipment . . . . .	133	279
6	Purchase of casino reinvestment obligations . . . . .	(4,040)	(3,951)
7	Purchase of other investments and loan advances made . . . . .	(254)	(64)
8	Proceeds from disposal of investments and collection of advances and long-term receivables . . . . .	2,125	2,513
9	Cash outflows to acquire business entities . . . . .	0	0
10	W/O of Prior Year Design Fees . . . . .	0	0
11		0	0
12	<b>Net Cash Provided (Used) by Investing Activities</b> . . . . .	(38,030)	(60,871)
	<b>Cash Flows from Financing Activities:</b>		
13	Cash proceeds from issuance of short-term debt . . . . .	0	0
14	Payments to settle short-term debt . . . . .	0	(30,000)
15	Cash proceeds from issuance of long-term debt . . . . .	0	209,000
16	Costs of issuing debt . . . . .	0	0
17	Payments to settle long-term debt . . . . .	0	(160,851)
18	Cash proceeds from issuing stock or capital contributions . . . . .	0	0
19	Purchases of treasury stock . . . . .	0	0
20	Payments of dividends or capital withdrawals . . . . .	0	(3,038)
21			
22			
23	<b>Net Cash Provided (Used) by Financing Activities</b> . . . . .	0	15,111
24	<b>Net Increase (Decrease) in Cash and Cash Equivalents</b> . . . . .	(682)	4,502
25	<b>Cash and Cash Equivalents at Beginning of Period</b> . . . . .	22,729	18,227
26	<b>Cash and Cash Equivalents at End of Period</b> . . . . .	\$ 22,047	\$ 22,729
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
	<b>Cash Paid During Period for:</b>		
27	Interest (net of amount capitalized) . . . . .	\$ 25,250	\$ 25,490
28	Income Taxes . . . . .	\$ 2,550	\$ 3,554

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

TRADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY

## STATEMENTS OF CASH FLOWS

For the Twelve Months Ended December 31, 1997 and 1996

(UNAUDITED)  
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 1997	(d) 1996
<b>Net Cash Flows From Operating Activities:</b>			
29	Net Income (loss) . . . . .	\$ 26,021	\$ 27,053
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property & equipment . . . . .	18,454	16,266
31	Amortization of other assets . . . . .	1,164	1,307
32	Amortization of debt discount or premium . . . . .	0	0
33	Deferred income taxes - current . . . . .	0	0
34	Deferred income taxes - noncurrent . . . . .	0	0
35	(Gain)/loss in disposition of property & equipment . . . . .	(110)	1
36	Gain /loss on casino reinvestment obligation . . . . .	0	0
37	Loss from other investment activities . . . . .	0	0
38	Net (increase) in receivables and patrons checks . . . . .	(664)	(212)
39	Net (increase) decrease in inventories . . . . .	(322)	164
40	Net (increase ) in other current assets . . . . .	1,981	2,195
41	Net (increase) / decrease in other assets . . . . .	(1,691)	(2,084)
42	Net (decrease ) / increase in accounts payables . . . . .	(1,034)	2,172
43	Net (decrease) in other current liabilities excluding debt . . . . .	(7,106)	1,910
44	Net increase (decrease) in other noncurrent liabilities excluding debt . . . . .	410	335
45	Net increase in other receivables or advances . . . . .	245	1,155
46			
47	<b>Net Cash Provided (Used) by Operating Activities . . . . .</b>	<b>\$ 37,348</b>	<b>\$ 50,262</b>
<b>SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION</b>			
<b>Aquisition of Property and Equipment:</b>			
48	Additions to property and equipment . . . . .	\$ 35,994	\$ 56,648
49	Less: capital lease obligations incurred . . . . .	0	0
50	<b>Cash Outflows for Property and Equipment . . . . .</b>	<b>\$ 35,994</b>	<b>\$ 56,648</b>
<b>Acquisition of Business Entities:</b>			
51	Property and equipment acquired . . . . .	\$	\$
52	Goodwill Acquired . . . . .		
53	Net assets acquired other than cash, goodwill, and property and equipment . . . . .		
54	Long-term debt assumed . . . . .		
55	Issuance of stock or capital invested . . . . .		
56	<b>Cash Outflows To Acquire Business Entities . . . . .</b>	<b>\$</b>	<b>\$</b>
<b>Stock Issued or Capital Contributions:</b>			
57	Total issuance of stock or capital contributions . . . . .	\$ -	\$
58	Less: issuances to settle long-term debt, and . . . . .		
59	Consideration in acquisition of business entities . . . . .		
60	<b>Cash Proceeds from Issuing Stock or Capital Contributions . . . . .</b>	<b>\$</b>	<b>\$</b>

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

**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION**

Marina Associates (the "Partnership") operates as a general partnership which owns and operates a casino hotel located in the Marina District of Atlantic City, New Jersey known as Harrah's Casino Hotel Atlantic City. Harrah's Operating Company, Inc. ("HOC"), a direct wholly-owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's") through its subsidiaries, is the sole owner of the Partnership. A substantial portion of the Partnership's revenues are derived from gaming operations.

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

**Cash Equivalents** - Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

**Inventories** - Inventories of provisions and supplies are valued at the lower of cost, weighted average, or market.

**Property and Equipment** - Property and equipment are stated at cost, including capitalized interest. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the assets, as follows:

Buildings, leaseholds and improvements	40 years
Furniture, fixtures and equipment	3 - 10 years

**Revenue Recognition** - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Food, beverage, rooms and other revenues include the aggregate amounts generated by those departments.

**Promotional Allowances** - Gross revenues include the retail value of complimentary food, beverage, theater and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues.

**Income Taxes** - The accompanying financial statements do not include a provision for federal income tax purposes by the individual partners. In accordance with regulations prescribed by the New Jersey Casino Control Act, the Partnership files a state income tax return on behalf of the partners. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of tax assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities are measured using enacted 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.

**Disclosures** - In accordance with the Quarterly Report Instructions, the Partnership has not submitted updated information for the summary of future lease obligations and contribution of savings and retirement plan in which employees of the Partnership may participate. There has been no significant changes to the information submitted in our December 31, 1996 Annual Report.

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**Reclassifications** - Certain amounts for 1996 have been reclassified to conform with the presentation for 1997.

**Use of Estimates** - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Partnership 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 reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

**Casino Licensing** - In May 1996, the New Jersey Casino Control Commission renewed the Partnership's casino license through May 2000. A New Jersey casino license is not transferable and must be renewed by filing an application.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and Equipment as of December 31 consisted of the following:

	<u>1997</u>	<u>1996</u>
Land and Land Improvements	\$ 54,699	\$ 52,489
Buildings, Leaseholds and Improvements	316,721	266,270
Furniture, Fixtures and Equipment	110,004	97,542
Construction in Progress	2,037	34,195
Equipment held under Capital Leases	<u>345</u>	<u>345</u>
	483,806	450,841
Less Accumulated Depreciation	<u>(169,412)</u>	<u>(153,964)</u>
Property and Equipment, Net	<u>\$ 314,394</u>	<u>\$ 296,877</u>

**NOTE 4 - LONG-TERM DEBT**

Long-term debt as of December 31 consisted of the following:

	<u>1997</u>	<u>1996</u>
Revolving Credit and Letter of Credit Facility, 6.188 %- 6.375% at December 31, 1997 and 5.875% - 8.25% at December 31, 1996, maturing in 2000, with interest payable monthly	<u>\$400,000</u>	<u>\$400,000</u>

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

During October 1996, Harrah's negotiated amendments to its reducing revolving and letter of credit facility (the "Facility"), including an increase in total capacity from \$750 million to \$1.1 billion and modifications to certain financial covenants. As amended, the Facility consists of a \$950 million reducing revolving and letter of credit facility maturing July 31, 2000, and a separate \$150 million revolving credit facility which is renewable annually, at the lenders options through the July 31, 2000 maturity date. The facility is secured by the assets of Harrah's Nevada properties and Harrah's Casino Hotel Atlantic City, the stock of HOC and certain other subsidiaries and certain trademarks. As of December 31, 1997, Marina Associates borrowings under the Facility were \$400 million. The Facility provides for borrowing at either the Eurodollar plus 1.5% or the prime lending rate.

**NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets as of December 31 consisted of the following:

	<u>1997</u>	<u>1996</u>
Prepaid Slot Tax	\$ 634	\$ 626
Prepaid Insurance	165	135
Prepaid Air Charters	366	572
Prepaid Marketing	226	195
Prepaid Other	<u>737</u>	<u>626</u>
	<u>\$ 2,128</u>	<u>\$ 2,154</u>

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

Investments, Advances and Receivable as of December 31 consisted of the following:

	<u>1997</u>	<u>1996</u>
Notes Receivable	\$ 2,156	\$ 2,201
Casino Reinvestment Development Authority Bonds - Net of Valuation Allowance of \$1,180 and \$1,179 at December 31, 1997 and 1996, respectively	2,960	2,716
Casino Reinvestment Development Authority obligation deposits - Net of Valuation Allowance of \$323 and \$289 at December 31, 1997 and 1996, respectively	1,761	1,006
Due from Affiliates	<u>22,784</u>	<u>21,814</u>
	<u>\$29,661</u>	<u>\$27,737</u>

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

Due from Affiliates as of December 31 consisted of the following unsecured, non-interest bearing intercompany amounts:

	<u>1997</u>	<u>1996</u>
Harrah's New Jersey, Inc.	\$18,962	\$18,962
Harrah's Lake Tahoe	149	143
Embassy Suites, Inc.	2,656	1,940
Harrah's Del Rio	176	147
Harrah's Reno	347	344
Bill's Casino	111	111
Harrah's Vicksburg	23	23
Harrah's Joliet	100	94
Harrah's New Orleans	1	1
Harrah's Tunica	-	-
Harrah's Shreveport	17	17
Harrah's St. Louis	72	3
Harrah's North Kansas City	31	29
Harrah's Cherokee	130	0
Harrah's Prairie Band	1	0
Harrah's Gold Card - Las Vegas	8	0
	<u>\$22,784</u>	<u>\$21,814</u>

The Partnership transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC to the Partnership are also made based upon the needs of the Partnership to fund daily operations, including accounts payable and payroll, as well as capital expenditures. The net transfers to HOC were \$58.2 million and \$45.9 million as of December 1997, and 1996, respectively.

**NOTE 7 - OTHER ASSETS**

Other Assets as of December 31 consisted of the following:

	<u>1997</u>	<u>1996</u>
Deposits	\$ 262	\$ 259
Deferred Other	608	974
Deferred Finance Charges	2,662	3,727
Deferred and Prepaid CRDA Obligations	18,494	18,494
	<u>\$ 22,026</u>	<u>\$ 23,454</u>

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 8 - INVESTMENT OBLIGATIONS**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Partnership may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the New Jersey Casino Reinvestment Development Authority ("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 fifty years and bear interest at below market rates.

The Partnership includes CRDA investment bonds and funds on deposit with the CRDA in investments, advances and receivables. The Partnership records a charge to operations to reflect the estimated realizable value of its CRDA investment obligations.

Through 1997, the Partnership was required to make deposits with the CRDA of approximately \$57,352 towards its obligations through that date, of which \$56,438 was deposited. The Partnership's obligation for the fourth quarter of 1997 of approximately \$914 was deposited in January 1998.

To satisfy current Atlantic City obligations as well as those projected beyond the year 2000, the Partnership received approval from the CRDA for a qualified direct investment project to construct various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City at an estimated cost to the Partnership of approximately \$54,500. As of December 31, 1997, approximately \$54,410 has been expended by the Partnership of which approximately \$4,123 was reimbursed to the Partnership from certain government grants and \$18,742 represented a prepayment position of the Partnership's future obligations.

In February 1996, the Partnership began construction on a 416-room hotel tower. The CRDA has committed \$15.8 million of Atlantic City Economic Development Funds to this project. The estimated cost to the Partnership is \$56.3 million of which \$55.8 million has been expended as of December 31, 1997. The project was completed in July 1997.

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
(Unaudited)  
(Dollars in Thousands)

**NOTE 9 - OTHER ACCRUED EXPENSES**

Other Accrued Expenses as of December 31 consisted of the following:

	<u>1997</u>	<u>1996</u>
Accrued Salaries, Wages and Benefits	\$ 7,018	\$6,171
Taxes Payable	1,034	864
Accrued In-House Progressive Slot Liability	177	215
Accrued City Wide Progressive Slot Liability	193	200
Accrued Interest, Long-term debt	3,493	1,287
Accrued Casino Control Commission / Department Gaming Enforcement Casino License Fees	640	374
Other Accrued Expenses	<u>3,789</u>	<u>14,017</u>
	<u>\$16,344</u>	<u>\$23,128</u>

**NOTE 10 - OTHER LIABILITIES**

Other Liabilities as of December 31 consisted of the following:

	<u>1997</u>	<u>1996</u>
Due to Affiliates, Long-term	\$39,885	\$39,512
Other	<u>3,651</u>	<u>3,783</u>
	<u>\$43,536</u>	<u>\$43,295</u>

Due to Affiliates at December 31 consisted of the following unsecured, non-interest bearing inter-company accounts:

	<u>1997</u>	<u>1996</u>
Harrah's Holdings, Inc.,	\$ 603	\$ 603
Harrah's Atlantic City, Inc.	38,855	38,340
Harrah's Holiday Inns of New Jersey, Inc.	292	292
Harrah's Tunica	23	33
Harrah's Las Vegas	105	244
Harrah's Total Gold	<u>7</u>	<u>0</u>
	<u>\$39,885</u>	<u>\$39,512</u>

**HARRAH'S CASINO HOTEL ATLANTIC CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Dollars in Thousands)**

**NOTE 11 - CHARGES FROM AFFILIATES - OTHER**

**Use of Trademarks** - The Partnership entered into a license agreement in August 1995 with Harrah's Las Vegas, Inc., for the use of certain licensed trademarks. Under the agreement, the Partnership is required to pay a fixed license fee of \$19,355 per year through 2000. The licensing agreement may be renewed for additional five-year periods thereafter. For the twelve months ended December 31, 1997 and 1996, the Partnership's license fee was \$19,355.

**Administrative Services** - The Partnership is charged a fee from HOC for administrative services (including legal, accounting and insurance). The Partnership was charged \$2,875 and \$1,865 for these services for the twelve months ended December 31, 1997 and 1996, respectively.

**SCHEDULE OF PROMOTIONAL  
EXPENSES AND ALLOWANCES**  
( \$ IN THOUSANDS )

Amended  
**4-1-98**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1997 - REVISED

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	146,716	\$ 12,779	-	\$ -
2	Food	1,823,300	18,233	-	-
3	Beverage	2,588,800	6,472	-	-
4	Travel	8,414	833	71,162	7,045
5	Bus Program Cash	-	-	7,680	96
6	Other Cash Complimentaries	-	-	2,549,295	32,970
7	Entertainment	194,900	3,898	-	-
8	Retail & Non-Cash Gifts	124,800	624	329,200	1,646
9	Parking	-	-	-	-
10	Other	-	12	2,118	36
11	Total	4,886,932	\$ 42,851	2,959,454	\$ 41,793

FOR THE THREE MONTHS ENDED DECEMBER 31, 1997

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	37,325	\$ 3,251	-	\$ -
2	Food	417,700	4,177	-	-
3	Beverage	629,600	1,574	-	-
4	Travel	3,788	279	18,141	1,796
5	Bus Program Cash	-	-	1,520	19
6	Other Cash Complimentaries	-	-	612,375	8,071
7	Entertainment	52,100	1,042	-	-
8	Retail & Non-Cash Gifts	59,823	231	79,400	397
9	Parking	-	-	-	-
10	Other	-	4	529	9
11	Total	1,200,336	\$ 10,558	711,966	\$ 10,292



# SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

LICENSEE

HARRAH'S CASINO HOTEL , ATLANTIC CITY

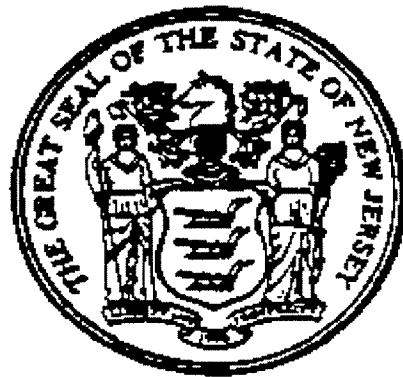
ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

FOR THE YEAR ENDED    DECEMBER 31, 1997

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF  
CORRESPONDENCE REGARDING THIS  
QUARTERLY REPORT

**JOHN D. MAYEWSKI**

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE & ADMINISTRATION  
CHIEF FINANCIAL OFFICER

ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

**SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**

December 31, 1997

(UNAUDITED)

(\$ IN THOUSANDS)

**Accounts Receivable Balances**

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE (e) NET OF ALLOWANCE
1	Patrons' Checks			
	Undeposited patrons' checks . . . .	\$ 3,737		
2	Returned patrons' checks . . . .	4,610		
3	Total patrons' checks . . . . .	8,347	\$ 3,199	\$ 5,148
4	Hotel Receivables . . . . .	1,656	101	1,555
5	Other Receivables:			
	Receivables due from officers and employees . . . . .	14		
6	Receivables due from affiliates . . . . .	0		
7	Other accounts and notes receivable . . . . .	1,111		
8	Total other receivables . . . . .	1,125	0	1,125
9	Totals (Form 205) . . . . .	\$ 11,128	\$ 3,300	\$ 7,828

**UNDEPOSITED PATRON'S CHECKS ACTIVITY**

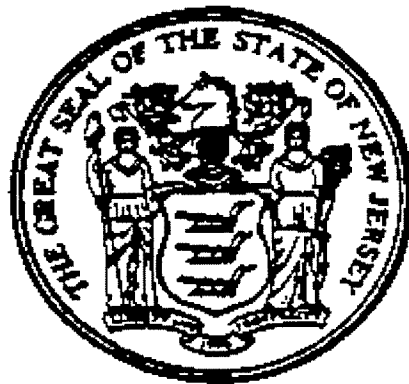
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) . . . . .	\$ 3,832
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) . . . . .	125,050
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits) . . . . .	(77,186)
13	Checks collected through deposits . . . . .	(43,234)
14	Checks transferred to returned checks . . . . .	\$ (4,725)
15	Other adjustments . . . . .	\$ 0
16	Ending Balance . . . (Includes Foreign credit) . . . . .	\$ 3,737
17	"Hold" Checks Included in Balance on Line 16	\$ 0
18	Provision for Uncollectible Patrons' Checks	\$ 1,408
19	Provision as a Percent of Counter Checks Issued	1.1%

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE HARRAH'S CASINO HOTEL , ATLANTIC CITY  
ADDRESS 777 HARRAH'S BLVD.  
ATLANTIC CITY, N.J. 08401

FOR THE YEAR ENDED DECEMBER 31, 1997

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF  
CORRESPONDENCE REGARDING THIS  
QUARTERLY REPORT

**JOHN D. MAYEWSKI** -

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE & ADMINISTRATION

ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

**ANNUAL EMPLOYMENT AND PAYROLL REPORT**

For the year ended December 31, 1997

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	TOTALS
	<b>CASINO</b>				
1	Administration	0			
2	Gaming	667			
3	Slots	292			
4	Casino Accounting	44			
5	Other	300			
6	Total - casino	1,303	37,034	0	37,034
7	<b>ROOMS</b>	313	5,894	0	5,894
8	<b>FOOD AND BEVERAGE</b>	844	15,156	0	15,156
	<b>OTHER OPERATED DEPARTMENTS</b>				
9	Marina	3	60	0	60
10	Cafeteria	10	1,133	0	1,133
11	Communications	24	263	0	263
12	Gift Shop	5	478	0	478
13					
14					
15					
16					
19					
	<b>ADMINISTRATIVE AND GENERAL</b>				
20	Executive office	10	720	0	720
21	Accounting and auditing	47	1,702	0	1,702
22	Security	203	4,503	0	4,503
23	Other administrative and general department	157	5,054	0	5,054
24	<b>MARKETING</b>	26	590	0	590
25	<b>GUEST ENTERTAINMENT</b>	83	2,130	0	2,130
26	<b>PROPERTY OPERATION AND MAINTENANCE</b>	420	8,829	0	8,829
27	<b>TOTALS - ALL DEPARTMENTS</b>	3,448	83,546	0	83,546

Trading Name of Licensee Harrah's Casino Hotel, Atlantic City

ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE

For the Year Ended December 31, 1997

March 30, 1998  
Date

John D. Magowski  
Signature

V.P. of FINANCE & ADMINISTRATION  
Title

# GROSS REVENUE ANNUAL TAX RETURN

LICENSEE MARINA ASSOCIATES

FOR THE YEAR ENDED DECEMBER 31, 1997

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



DIVISION OF FINANCIAL EVALUATION  
REPORTING MANUAL

GROSS REVENUE ANNUAL TAX RETURN

For the Year Ended December 31, 1997  
(\$ in thousands)

LINE			
	Casino win or (loss)		
1	Table games revenue .....	<u>\$64,391</u>	
2	Coin-operated devices revenue .....	<u>\$258,585</u>	
3	Total Revenues .....		<u>\$322,976</u>
	Less - adjustment for uncollectable patron's checks :		
4	Provision for uncollectable patron's checks	<u>\$1,404</u>	
5	Maximum adjustment (4% of line 3)	<u>\$12,919</u>	
6	Adjustment ( the lesser of line 4 or line 5) .....		<u>\$1,404</u>
7	Gross revenues ( line 3 less line 6) .....		<u>\$321,572</u>
8	Tax on gross revenues - current year (8% of line 7) .....		<u>\$25,726</u>
9	Audit or other adjustments to tax on gross revenues in prior years .....		<u>\$0</u>
10	Total tax on gross revenues (line 8 plus or minus line 9) .....		<u>\$25,726</u>
	Deposits made for tax on current year's gross revenues :		
11	January .....	<u>\$1,293</u>	
12	February .....	<u>\$1,909</u>	
13	March .....	<u>\$2,531</u>	
14	April .....	<u>\$1,910</u>	
15	May .....	<u>\$2,010</u>	
16	June .....	<u>\$2,510</u>	
17	July .....	<u>\$2,237</u>	
18	August .....	<u>\$2,203</u>	
19	September .....	<u>\$2,780</u>	
20	October .....	<u>\$1,914</u>	
21	November .....	<u>\$1,771</u>	
22	December .....	<u>\$1,870</u>	
23	January .....	<u>\$788</u>	
24	Total deposits made for tax on current year's gross revenues .....		<u>\$25,726</u>
25	Settlement of prior year's tax on gross revenues resulting from audit or other adjustments - (deposits) credits .....		<u>\$0</u>
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25) .....		<u>(\$0)</u>

STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY :
: SS.
COUNTY OF ATLANTIC :

John Mayewski, being duly sworn according to law upon my oath
Name

deposes and says:

- 1. I have examined this Gross Revenue Annual Tax Return.
2. To the best of my knowledge, all the information contained in this Return has been prepared in conformity with the Casino Control Commission's Gross Revenue Annual Tax Return Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this Return is accurate.

Handwritten signature of John Mayewski over a line labeled 'Signature'.

Vice President of Finance and Administration

Title

6494-11

License Number

Subscribed and sworn to before me this 16th day of March, 1998

Handwritten signature of Mary-Jo L. Pierce over a line labeled 'Signature'.

MARY-JO L. PIERCE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Dec. 30, 2000

Basis of Authority to Take Oaths

On Behalf of:

Marina Associates

Casino Licensee