HARRAH'S CASINO HOTEL, ATLANTIC CITY

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 2008

**SUBMITTED TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

HARRAH'S CASINO HOTEL, ATLANTIC CITY
BALANCE SHEETS

AS OF SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$16,864	$28,459
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2008, $3,286; 2007, $2,109)		20,713	13,512
4	Inventories	2	2,143	1,899
5	Other Current Assets	4	14,134	11,100
6	Total Current Assets		53,854	54,970
7	Investments, Advances, and Receivables	5	233,512	353,975
8	Property and Equipment - Gross	2,6	1,425,648	1,200,721
9	Less: Accumulated Depreciation and Amortization	2,6	(34,530)	(360,099)
10	Property and Equipment - Net	2,6	1,391,118	840,622
11	Other Assets		286,020	90
12	Total Assets		$1,964,504	$1,249,657
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$31,290	$43,804
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External		0	0
17	Income Taxes Payable and Accrued	2	2,131	0
18	Other Accrued Expenses	8	29,336	73,249
19	Other Current Liabilities		1,753	983
20	Total Current Liabilities		64,510	118,036
	Long-Term Debt:			
21	Due to Affiliates	9	0	650,000
22	External	10	1,160,000	0
23	Deferred Credits		213,133	2,311
24	Other Liabilities	11	12,879	1,147
25	Commitments and Contingencies			
26	Total Liabilities		1,450,522	771,494
27	Stockholders', Partners', or Proprietor's Equity		513,982	478,163
28	Total Liabilities and Equity		$1,964,504	$1,249,657

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
STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	Revenue:			
1	Casino		$410,349	$395,023
2	Rooms		48,987	44,066
3	Food and Beverage		61,159	49,953
4	Other		20,889	18,365
5	Total Revenue		541,384	507,407
6	Less: Promotional Allowances	2	122,596	131,659
7	Net Revenue		418,788	375,748
	Costs and Expenses:			
8	Cost of Goods and Services		234,188	203,401
9	Selling, General, and Administrative		48,515	43,707
10	Provision for Doubtful Accounts		1,838	896
11	Total Costs and Expenses		284,541	248,004
12	Gross Operating Profit		134,247	127,744
13	Depreciation and Amortization		41,089	36,126
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	20,351	14,127
16	Income (Loss) from Operations		72,807	77,491
	Other Income (Expenses):			
17	Interest Expense - Affiliates	8	(3,914)	(39,000)
18	Interest Expense - External		(55,033)	0
19	CRDA Related Income (Expense) - Net		4,608	(3,965)
20	Nonoperating Income (Expense) - Net		(721)	(4,555)
21	Total Other Income (Expenses)		(55,060)	(47,520)
22	Income (Loss) Before Taxes and Extraordinary Items		17,747	29,971
23	Provision (Credit) for Income Taxes	2	7,647	1,274
24	Income (Loss) Before Extraordinary Items		10,100	28,697
	Extraordinary Items (Net of Income Taxes -			
25	2008, $0; 2007, $0)			0
26	Net Income (Loss)		$10,100	$28,697

The accompanying notes are an integral part of the financial statements.
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HARRAH'S CASINO HOTEL, ATLANTIC CITY
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	Revenue:			
1	Casino		$154,864	$140,703
2	Rooms		20,017	17,525
3	Food and Beverage		23,647	18,787
4	Other		8,796	9,861
5	Total Revenue		207,324	186,876
6	Less: Promotional Allowances	2	48,208	46,408
7	Net Revenue		159,116	140,468
	Costs and Expenses:			
8	Cost of Goods and Services		86,759	73,487
9	Selling, General, and Administrative		19,599	13,671
10	Provision for Doubtful Accounts		594	262
11	Total Costs and Expenses		106,952	87,420
12	Gross Operating Profit		52,164	53,048
13	Depreciation and Amortization		10,319	12,827
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	7,128	4,566
16	Income (Loss) from Operations		34,717	35,655
	Other Income (Expenses):			
17	Interest Expense - Affiliates	8	0	(13,000)
18	Interest Expense - External		(17,685)	0
19	CRDA Related Income (Expense) - Net		(535)	(1,224)
20	Nonoperating Income (Expense) - Net		152	113
21	Total Other Income (Expenses)		(18,068)	(14,111)
22	Income (Loss) Before Taxes and Extraordinary Items		16,649	21,544
23	Provision (Credit) for Income Taxes	2	6,961	(1,398)
24	Income (Loss) Before Extraordinary Items		9,688	22,942
25	Extraordinary Items (Net of Income Taxes - 2008, $0; 2007, $0)		0	0
26	Net Income (Loss)		$9,688	$22,942

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
STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	___ (e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2006.........**		$165,954	$276,904		$442,858
2	Net Income (Loss) - 2007.........			31,542		31,542
3	Capital Contributions................					0
4	Capital Withdrawals..................					0
5	Partnership Distributions...........					0
6	Prior Period Adjustments..........					0
7						0
8						0
9						0
10	**Balance, December 31, 2007.........**		165,954	308,446	0	474,400
11	Net Income (Loss) - 2008.........			10,100		10,100
12	Capital Contributions................		650,000			650,000
13	Capital Withdrawals..................					0
14	Partnership Distributions...........		(1,160,000)			(1,160,000)
15	Prior Period Adjustments..........					0
16	Purchase Price Adjustment		854,172	(307,010)		547,162
17	Fin 48 Adjsutment			(7,680)		(7,680)
18						0
19	**Balance, September 30, 2008........**		$510,126	$3,856	$0	$513,982

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
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$128,637	$185,815
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			0
4	Cash Outflows for Property and Equipment...........................		(144,538)	(200,653)
5	Proceeds from Disposition of Property and Equipment..........		3,085	2,167
6	CRDA Obligations		(4,797)	(4,798)
7	Other Investments, Loans and Advances made......................		0	
8	Proceeds from Other Investments, Loans, and Advances		809	1,316
9	Cash Outflows to Acquire Business Entities..........................		0	0
10	....		0	
11	....		0	
12	Net Cash Provided (Used) By Investing Activities....................		(145,441)	(201,968)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....................................			
15	Proceeds from Long-Term Debt		1,160,000	
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......................		(1,160,000)	
21	....			
22	....			
23	Net Cash Provided (Used) By Financing Activities...................		0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(16,804)	(16,153)
25	Cash and Cash Equivalents at Beginning of Period..................		33,668	44,612
26	Cash and Cash Equivalents at End of Period............................		$16,864	$28,459

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).......................................		$45,376	$0
28	Income Taxes..		$225	$2,827

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
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)............		$10,100	$28,697
30	Depreciation and Amortization of Property and Equipment...		38,212	36,068
31	Amortization of Other Assets............		2,877	58
32	Amortization of Debt Discount or Premium............		0	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		80,382	(213)
35	(Gain) Loss on Disposition of Property and Equipment.........		(7,611)	2,038
36	(Gain) Loss on CRDA-Related Obligations............		0	0
37	(Gain) Loss from Other Investment Activities............		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(5,324)	32
39	(Increase) Decrease in Inventories		(84)	(647)
40	(Increase) Decrease in Other Current Assets............		(5,898)	(4,267)
41	(Increase) Decrease in Other Assets............		338,780	1,539
42	Increase (Decrease) in Accounts Payable............		6,742	(11,974)
43	Increase (Decrease) in Other Current Liabilities		3,437	38,346
44	Increase (Decrease) in Other Liabilities		(62)	(28)
45	(Increase) decrese in other receivables or advanc		(332,914)	96,166
46	....			
47	Net Cash Provided (Used) By Operating Activities............		$128,637	$185,815

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment............		($144,538)	($200,653)
49	Less: Capital Lease Obligations Incurred............			
50	Cash Outflows for Property and Equipment............		($144,538)	($200,653)
	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.

Amended 3/30/2009

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(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	374,945	$33,780		
2	Food	2,193,400	25,137		
3	Beverage	4,141,933	13,662		
4	Travel	0	0	129,702	12,841
5	Bus Program Cash	22,794	228		
6	Promotional Gaming Credits	2,000	40		
7	Complimentary Cash Gifts	3,273,835	47,365		
8	Entertainment	172,040	4,301		
9	Retail & Non-Cash Gifts	592,300	3,507		
10	Parking	0	0		
11	Other	106,176	679		
12	Total	10,879,423	$128,699	129,702	$12,841

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	140,284	$13,341		
2	Food	640,500	9,608		
3	Beverage	661,333	4,960		
4	Travel	0	0	47,853	4,738
5	Bus Program Cash	6,606	66		
6	Promotional Gaming Credits	2,000	40		
7	Complimentary Cash Gifts	1,097,129	17,305		
8	Entertainment	96,040	2,401		
9	Retail & Non-Cash Gifts	109,100	1,091		
10	Parking	0	0		
11	Other	29,423	295		
12	Total	2,782,415	$49,107	47,853	$4,738

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2008

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission'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.A.C. 19:43-4.2(b)1-5 during the quarter.

11/15/08
Date

Mary Cheeks
MARY CHEEKS

VICE PRESIDENT OF FINANCE
Title

004960-11
License Number

On Behalf of:

HARRAH'S CASINO HOTEL, ATLANTIC CITY
Casino Licensee

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

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Harrah's Atlantic City Operating Company, LLC (the "Company") operates a casino hotel resort located in the Marina District of Atlantic City, New Jersey known as Harrah's Casino Hotel Atlantic City. The Company is a wholly-owned subsidiary of Harrah's Atlantic City Holding, Inc. ("HACH") which is a wholly-owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). A substantial portion of the Company's revenues is derived from gaming and supporting hotel operations.

On January 28, 2008, Harrah's was acquired by affiliates of Apollo Global Management, LLC and TPG Capital, L.P. in an all cash transaction, hereinafter referred to as the "Merger." Prior to the Merger, Marina Associates (the "Partnership") operated as a General Partnership and owned and operated Harrah's Casino Hotel Atlantic City. The Partnership was an indirect, wholly-owned subsidiary of Harrah's Operating Company, Inc. ("HOC"), which is a direct wholly-owned subsidiary Harrah's.

In conjunction with the Merger, the Partnership, along with five affiliates, was spun off from HOC for the purpose of obtaining financing in the form of commercial mortgaged-backed securities ("CMBS") in order to effect the Merger. A series of transactions, hereinafter referred to as the "Restructuring", were executed that, among other things, dissolved the Partnership and liquidated its assets, net of liabilities, to various affiliates (Note 2) and created the Company. CMBS financing was obtained by subsidiaries of HACH (Note 10).

Construction began in first quarter 2006 on a $550,000 upgrade and expansion of the resort ("The Project"), which will include a new hotel tower with approximately 960 rooms, a casino expansion and retail and entertainment complex. A new buffet and most of the retail center opened on February 16, 2007 and pool and SPA opened in May 2007. The new hotel tower opened in phases and is completed in July 2008 (Note 12).

The Company is licensed to operate the facility by the New Jersey Casino Control Commission (the "CCC") and is subject to rules and regulations as published by the CCC. The Company's license is subject to renew every five years with the current license expiring April 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Acquisition of Harrah's – As a result of the Merger, the assets acquired and liabilities assumed in the Merger were revalued based upon their estimated fair values at the date of acquisition. The estimated fair values were determined after review and consideration of relevant information including discounted cash flows analyses, quoted market prices and Harrah's own estimates. The purchase price that exceeds the fair value of the net identifiable tangible and intangible assets acquired was allocated to goodwill. The purchase price allocation is in process and will be completed within one year of the acquisition; thus, the allocation of the purchase price is subject to refinement.

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.

(Dollars in Thousands)

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

Land, Buildings and Equipment - Land, buildings, and equipment were stated at cost, through January 27, 2008 and revalued to fair value on January 28, 2008 in connection with the Merger, including capitalized interest on intercompany funds used to finance construction calculated at Harrah's overall weighted-average borrowing rate of interest.

As a result of the Restructuring, certain real property and equipment of the Partnership were distributed to Harrah's Atlantic City Propco, LLC ("HACPC"), a wholly-owned indirect subsidiary of HACH on January 28, 2008.

Improvements that extend the life of the asset are capitalized. Building improvements are depreciated over the remaining life of the building. Maintenance and repairs are expensed as incurred.

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

Land improvements	12 years
Buildings and improvements	30 to 40 years
Furniture, fixtures and equipment	3 to 12 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. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is 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.

Goodwill and Other Intangible Assets - In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, the Company performs at least an annual review of goodwill and non-amortizing intangibles. The purchase price allocation related to the Merger is in process and will be completed within one year of the Merger; thus, the allocation of the purchase price is subject to refinement. In accordance with the provisions of SFAS No. 142, the Company does not amortize goodwill.

The intangible assets include customer relationships (database) totaling $54,700. The customer relationships have been determined to have a useful life of 12 years, and are being amortized using the straight-line method. Amortization expense for the nine month ended September 30, 2008 was approximately $2,805. Based on the value allocated to amortizing intangibles as of September 30, 2008 per the preliminary purchase price allocation, estimated annual amortization expense for the years ending December 31, 2008 is approximately $3,857

Investment in ACES - In 2006, The Partnership entered into an agreement with Caesars Atlantic City, an affiliate of the Partnership 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 responsibilities of the managing member will rotate annually among the members. The Partnership's anticipated investment in ACES will be approximately $5,000. ACES is currently in the development stage and is expected to be operational by the first quarter of 2009.

As a result of the Restructuring, the Partnership's interest in ACES was transferred to HACH on January 28, 2008.

The investment is reflected in the accompanying financial statements using the equity method. As of September 30, 2008, HACH has made capital contributions of $4,964 which is included in Investment, Advances and Receivable in the accompanying balance sheet. HACH's share of ACES' net loss for the nine months ended September 30, 2008 was $59 and is included in non-operating expenses on the accompanying statements of income.

Investments in Subsidiaries - During 1999, the Partnership, through its wholly owned subsidiary Reno Crossroads LLC ("Reno"), acquired a parcel of land in Reno, Nevada for approximately $10,325. The existing facilities located on the parcel site were demolished and a new plaza was constructed on the site at a cost of approximately $2,365. On February 1, 2000, Reno entered into an agreement to lease this parcel of land to HOC for a period of twenty years at a fixed rent of $1,120 per year.

As a result of the Restructuring, the Partnership's interest in Reno was transferred to HOC on January 28, 2008.

Financial Instruments - The carrying amount of receivables 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 Casino Reinvestment Development Authority ("CRDA") bonds and deposits approximately reflect their fair value based upon their below market interest rates. The carrying amount of long-term debt is estimated to approximate its fair value as the stated rates approximate current rates.

Other Assets - Debt issue costs are amortized to interest expense based on the related debt agreement using the straight-line method, which approximates the effective interest method.

On January 28, 2008, the subsidiaries of HACH entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the CMBS debt. The interest rate cap agreement, which was effective January 28, 2008, and terminates February 13, 2013, is for a notional amount of $1,160,000 at a LIBOR cap rate of 4.5%.

CRDA Real Estate Project - The Partnership's investment in its CRDA real estate project (the "Project") consists of various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City, NJ. Based upon an agreement with the CRDA, the Partnership may sell certain parts of the Project and will operate certain other parts for a period of up to 20 years.

(Dollars in Thousands)

Income or loss from the operation of the Project is included in the results of operations. Buildings are being depreciated using the straight-line method based on an estimated useful life of 27.5 years.

In January 2008, The Partnership sold the apartment building, for $15,000 to Atlantic City Ocean Terrace LLC. The Partnership realized a gain of $6,300 in connection with this transaction in January 2008.

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.

Rewards Program - Our customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of our 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, we accrue the expense of Reward Credits, after consideration of estimated 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 on our 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. We use historical data to assist in the determination of estimated accruals. At September 30, 2008 and 2007, $3,794 and $3,951, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions.

In addition to Reward Credits, customers can earn points based on play that are redeemable in cash ("cash-back points"). We accrue the cost of cash-back points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowances on our statements of income. At September 30, 2008 and 2007, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $1,160 and $ 1,359, respectively.

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 September 30:

	2008	2007
Food and beverage	$ 28,914	$ 27,200
Rooms	13,228	12,766
Other	8,361	7,441
Other Cash Complimentaries	38,548	47,122
	$ 89,051	$ 94,529

Income Taxes - The accompanying consolidated financial statements do not include a provision for federal income taxes for any periods prior to January 28, 2008, since any income or losses allocated to the partners for those periods are reportable for federal income tax purposes by each partner of the Partnership. In accordance with regulations prescribed by the New Jersey Casino Control Act, the Partnership filed a state income tax return on behalf of the partners for periods ending through January 28, 2008. Accordingly, the accompanying consolidated financial statements include a provision for state income taxes. For periods subsequent to January 28, 2008, the Company's financial statements include a provision for federal income taxes as the Company will be included in the consolidated federal tax return of Harrah's. As such, 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.

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.

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Company 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.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three months ended September 30, 2008 are not necessarily indicative of the results of operations for the full year.

NOTE 3 - RELATED PARTY TRANSACTIONS

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

Certain of the more significant intercompany relationships between the Company and HOC are discussed in this footnote.

Cash Activity with Harrah's and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to Harrah's on a daily basis. Cash transfers from Harrah's 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 earned on the amount shown as due from affiliates, net, in the accompanying consolidated financial statements.

Atlantic City Country Club - Atlantic City Country Club 1, LLC ("ACCC") is a wholly owned subsidiary of Bally's Atlantic City ("Bally's"), an affiliate of the Company. The net operating costs of ACCC are 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 $144 and $213 for these costs for the years ended September 30, 2008 and 2007, respectively. The costs are included in other operating expenses in the accompanying statements of income

(Dollars in Thousands)

Administrative and Other Services - The Company is charged a fee by HOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Company was charged $20,351 and $14,127 for these services for the nine months ended September 30, 2008 and 2007, respectively and $7,128 and $4,566 for these services for the three months ended September 30, 2008 and 2007, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

NOTE 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	2008	2007
Prepaid Air Charters	4,190	4,614
Prepaid State Income Tax	0	2,711
Prepaid Deferred State Income Tax	5,377	0
Prepaid Taxes	1,463	1,383
Prepaid Marketing	681	1,342
Prepaid Other	2,423	1,050
	$14,134	$11,100

NOTE 5 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2008	2007
Due from Affiliates	$ 195,199	$ 334,130
Investment in ACES	4,388	0
Notes Receivable	9,110	0
Casino Reinvestment Development Authority obligation deposits - Net of Valuation Allowance of $6,253 and $4,785 at September 30, 2008 and 2007, respectively	18,378	14.838
Casino Reinvestment Development Authority Bonds - Net of Valuation Allowance of $3,922 and $3,693 at September 30, 2008 and 2007, respectively	4,005	4,236
Other	2,432	771
	$233,512	$ 353,975

As a result of the Restructuring, all Due from Affiliate balances were assigned to Harrah's on January 28, 2008.

NOTE 6 – LAND, BUILDINGS AND EQUIPMENT

(Dollars in Thousands)

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

	2008	2007
Land and Land Improvements	$442,974	$ 90,678
Buildings, Leaseholds and Improvements	757,682	750,620
Furniture, Fixtures and Equipment	88,787	191,630
Construction in Progress	136,205	167,793
	1,425,648	1,200,721
Less Accumulated Depreciation	(34,530)	(360,099)
Property and Equipment, Net	$1,391,118	$ 840,622

NOTE 7 - OTHER ASSETS

Other Assets as of September 30 consisted of the following:

	2008	2007
Goodwill	$ 182,406	$ 0
Intangible Assets	51,895	0
Deferred Finance Charge	26,381	0
Interest Rate Cap Derivative	25,338	0
Deferred and Prepaid CRDA Obligations	0	0
Other	0	90
	$ 286,020	$ 90

NOTE 8 - OTHER ACCRUED EXPENSES

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

	2008	2007
Accrued Salaries, Wages and Benefits	$8,022	$ 8,277
Interest Payable	0	47,667
Taxes Payable	3,578	4,496
Accrued In-House Progressive Slot Liability	989	817
Accrued City Wide Progressive Slot Liability	107	704
Accrued Interest, Long-term debt	2,830	0
Accrued Casino Control Commission / Department Gaming Enforcement Casino License Fees	671	674
Accrued Utilities	1,263	1,077
Accrued Health & Welfare Union	1,476	1,155
Accrued Charter Services	2,140	2,791
Other Accrued Expenses	8,260	5,591
	$29,336	$73,249

NOTE 9 - NOTE PAYABLE TO AFFILIATE

Debt as of September 30 consisted of the following:

	2008	2007

Promissory Note	$0	$650,000

On October 31, 2001, the Partnership and HOC consummated a promissory note for $650,000. All principal and interest outstanding on the promissory note was due and payable on demand to HOC. Interest was computed on an annual basis using 360 days for the actual number of days elapsed during a year at an annual rate of eight percent. Any amount of principal not paid by the Partnership to HOC when due would bear an additional two percent annual interest rate. On March 12, 2003, the promissory note was assigned to Harrah's Entertainment Limited ("HEL"). Neither the term nor the amount of debt was affected by this assignment. As of September 30, 2008 and 2007, there was accrued interest of $0 and $47,667, respectively, on the balance sheet related to the promissory note. Since the promissory note was due to an affiliate, a determination of fair value was not considered meaningful.

As a result of the Restructuring, HOC contributed the promissory note to the Partnership. The Partnership then transferred the promissory note to HEL in satisfaction of its payable to HEL.

NOTE 10 – OTHER LONG TERM DEBT

Secured debt as of September 30 consisted of the following:

	2008	2007
CMBS financing, 5.49% at September 30, 2008, maturity 2013	$1,160,000	$0

NOTE 11 - OTHER LIABILITIES

Other Liabilities as of September 30 consisted of the following:

	2008	2007
Reported Claims	344	305
CRDA-ACIA funding	243	267
Deferred CRDA grant	523	575
FIN 48- Tax Reserve	11,769	0
	$12,879	$1,147

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 includes insurance allowances of $332 and $282 as of September 30, 2008 and 2007, 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 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 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 rates. The Company includes net of valuation allowance, funds on deposit and CRDA investment bonds in Investment, Advances and Receivable in the accompanying balance sheets totaling $18,377 and $4,005, respectively, at September 30, 2008 and $14,838 and $4,235, respectively, at September 30, 2007. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment.

To satisfy current Atlantic City obligations as well as those projected beyond the year 2008, the Company 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 ("CRDA real estate project") at an estimated cost to the Company of approximately $54,573. The partnership had a repayment of the Company's future obligations to the CRDA related to the CRDA real estate project. The prepaid asset was being amortized over the related Atlantic City obligation period, which ended in 2007.

The Company has committed approximately $9,589 of its current and future CRDA deposit obligations for the refurbishment of the Atlantic City Convention Center. The amount is amortized on a straight-line basis over a 15-year period commencing September 2001. As of September 30th, 2008 there was accrued CRDA obligation of $ 1,118 in the accompanying balance sheet.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January, 1 2009. As part of the agreement, the AC Industry provides $34,000 over a four year period to the NJSEA and must deposit another $62,000 in the Casino Expansion Fund (managed by the CRDA). The $62,000 will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company's obligation is being charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the $62,000, the Company is eligible to receive funds 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 million in funding to subsidize New Jersey's horseracing industry. The funding will be provided in installments through 2011. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to December 31, 2011. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The total commitment will be charged to operations on a straight line basis beginning January 2009 through December 31, 2011.

The parent company of the issuer ("Debtor") of certain CRDA-backed bonds held by the Company is in Chapter 11 bankruptcy. Debtor is currently in active negotiations to sell its company and has an identified buyer. The CRDA is representing the interest of the casino industry, including the Company, in negotiations with Debtor to restructure the bonds. The face value of the bonds held by the Company is $ 742; however, the Company maintains a reserve on these bonds and on all of its other CRDA-backed bonds. While it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the bond agreement, the Company has concluded that its reserves are currently adequate and will continue to monitor developments of this case.

Purchases - At September 30, 2008, the Company is obligated under purchase commitments totaling approximately $ 28,786 relating to the Expansion Project. Costs incurred under the Project were approximately $489,821 and are included in Property and Equipment - Gross in the accompanying balance sheet as of September 30, 2008.