ATLANTIC CITY SHOWBOAT, INC
QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2008

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

Amended 4/30/2009

ATLANTIC CITY SHOWBOAT, INC
BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$21,588	$24,954
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2008, $4,802 ; 2007, $3,012)		8,294	12,214
4	Inventories	2	1,368	2,029
5	Other Current Assets	4	12,410	11,492
6	Total Current Assets		43,660	50,689
7	Investments, Advances, and Receivables	5	122,563	389,627
8	Property and Equipment - Gross		665,700	722,581
9	Less: Accumulated Depreciation and Amortization		(24,909)	(283,148)
10	Property and Equipment - Net	6	640,791	439,433
11	Other Assets		48	614
12	Total Assets		$807,062	$880,363
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$4,691	$5,981
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External		15	13
17	Income Taxes Payable and Accrued		0	0
18	Other Accrued Expenses	7	14,777	23,707
19	Other Current Liabilities		1,000	1,516
20	Total Current Liabilities		20,483	31,217
	Long-Term Debt:			
21	Due to Affiliates	8	0	715,000
22	External		5	20
23	Deferred Credits		61,294	21,380
24	Other Liabilities	9	52,035	41,560
25	Commitments and Contingencies	13	0	0
26	Total Liabilities		133,817	809,177
27	Stockholders', Partners', or Proprietor's Equity		673,245	71,186
28	Total Liabilities and Equity		$807,062	$880,363

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

Amended 4/30/2009

ATLANTIC CITY SHOWBOAT, INC
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	Revenue:			
1	Casino		$358,431	$403,133
2	Rooms		38,215	45,493
3	Food and Beverage		52,295	55,620
4	Other		13,344	13,936
5	Total Revenue		462,285	518,182
6	Less: Promotional Allowances		126,315	142,451
7	Net Revenue		335,970	375,731
	Costs and Expenses:			
8	Cost of Goods and Services		214,695	216,707
9	Selling, General, and Administrative		39,633	41,419
10	Provision for Doubtful Accounts		2,984	2,141
11	Total Costs and Expenses		257,312	260,267
12	Gross Operating Profit		78,658	115,464
13	Depreciation and Amortization		27,905	41,911
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	18,753	27,225
16	Income (Loss) from Operations		32,000	46,328
	Other Income (Expenses):			
17	Interest Expense - Affiliates		(4,447)	(57,730)
18	Interest Expense - External		(14,472)	0
19	CRDA Related Income (Expense) - Net		(3,745)	(4,029)
20	Nonoperating Income (Expense) - Net	12	(53,162)	135
21	Total Other Income (Expenses)		(75,826)	(61,624)
22	Income (Loss) Before Taxes and Extraordinary Items		(43,826)	(15,296)
23	Provision (Credit) for Income Taxes		886	(3,938)
24	Income (Loss) Before Extraordinary Items		(44,712)	(11,358)
25	Extraordinary Items (Net of Income Taxes - 2008, $0; 2007, $0)			
26	Net Income (Loss)		($44,712)	($11,358)

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

ATLANTIC CITY SHOWBOAT, INC
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	Revenue:			
1	Casino		$72,984	$89,154
2	Rooms		8,278	10,141
3	Food and Beverage		11,318	12,309
4	Other		3,016	3,615
5	Total Revenue		95,596	115,219
6	Less: Promotional Allowances		26,647	28,706
7	Net Revenue		68,949	86,513
	Costs and Expenses:			
8	Cost of Goods and Services		46,926	52,667
9	Selling, General, and Administrative		8,290	11,523
10	Provision for Doubtful Accounts		1,131	507
11	Total Costs and Expenses		56,347	64,697
12	Gross Operating Profit		12,602	21,816
13	Depreciation and Amortization		6,817	11,168
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	3,550	6,727
16	Income (Loss) from Operations		2,235	3,921
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	(14,433)
18	Interest Expense - External		0	0
19	CRDA Related Income (Expense) - Net		(991)	(1,666)
20	Nonoperating Income (Expense) - Net		(54,079)	187
21	Total Other Income (Expenses)		(55,070)	(15,912)
22	Income (Loss) Before Taxes and Extraordinary Items		(52,835)	(11,991)
23	Provision (Credit) for Income Taxes		(2,580)	(3,481)
24	Income (Loss) Before Extraordinary Items		(50,255)	(8,510)
25	Extraordinary Items (Net of Income Taxes - 2008, $0; 2007, $0)		0	0
26	Net Income (Loss)		($50,255)	($8,510)

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

Amended 4/30/2009

ATLANTIC CITY SHOWBOAT, INC
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2008

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock Shares (c)	Common Stock Amount (d)	Preferred Stock Shares (e)	Preferred Stock Amount (f)	Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, December 31, 2006..........**		1,500	$70,492	0	$0	$0	$0	$15,137	$85,629
2	Net Income (Loss) - 2007.............								(11,358)	(11,358)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....................................									0
5	Prior Period Adjustments.............								(3,085)	(3,085)
6										0
7										0
8										0
9										0
10	**Balance, December 31, 2007..........**		1,500	70,492	0	0	0	0	694	71,186
11	Net Income (Loss) - 2008.............								(44,712)	(44,712)
12	Contribution to Paid-in-Capital.....		(1,500)	(70,492)			715,000			644,508
13	Dividends.....................................									0
14	Prior Period Adjustments.............									0
15	Distribution									0
16	Purchase Price Adjustment								2,263	2,263
17										0
18										0
19	**Balance, December 31, 2008 ....**		0	$0	0	$0	$715,000	$0	($41,755)	$673,245

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

Amended 4/30/2009

ATLANTIC CITY SHOWBOAT, INC
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$6,309	$41,540
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments		0	0
3	Proceeds from the Sale of Short-Term Investments		0	0
4	Cash Outflows for Property and Equipment		(5,049)	(41,367)
5	Proceeds from Disposition of Property and Equipment		124	338
6	CRDA Obligations		(4,737)	(5,188)
7	Other Investments, Loans and Advances made		0	0
8	Proceeds from Other Investments, Loans, and Advances		0	0
9	Cash Outflows to Acquire Business Entities		0	0
10			0	0
11			0	0
12	Net Cash Provided (Used) By Investing Activities		(9,662)	(46,217)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt		(13)	(8)
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt		0	0
17	Payments to Settle Long-Term Debt		0	0
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	0
21			0	0
22			0	0
23	Net Cash Provided (Used) By Financing Activities		(13)	(8)
24	Net Increase (Decrease) in Cash and Cash Equivalents		(3,366)	(4,685)
25	Cash and Cash Equivalents at Beginning of Period		24,954	29,639
26	Cash and Cash Equivalents at End of Period		$21,588	$24,954

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)		$20,642	$62,170
28	Income Taxes		$1,810	$2

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

Amended 4/30/2009

ATLANTIC CITY SHOWBOAT, INC
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND 2007

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)..		($44,712)	($11,358)
30	Depreciation and Amortization of Property and Equipment...		27,905	41,911
31	Amortization of Other Assets...		0	0
32	Amortization of Debt Discount or Premium..........................		0	0
33	Deferred Income Taxes - Current		570	873
34	Deferred Income Taxes - Noncurrent		39,914	(10,423)
35	(Gain) Loss on Disposition of Property and Equipment.........		(50)	(331)
36	(Gain) Loss on CRDA-Related Obligations...........................		3,745	4,029
37	(Gain) Loss from Other Investment Activities.......................		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		3,920	3,656
39	(Increase) Decrease in Inventories		661	(304)
40	(Increase) Decrease in Other Current Assets..........................		(1,488)	(398)
41	(Increase) Decrease in Other Assets......................................		(570)	(3)
42	Increase (Decrease) in Accounts Payable...............................		(1,000)	(9,794)
43	Increase (Decrease) in Other Current Liabilities		(9,188)	(5,366)
44	Increase (Decrease) in Other Liabilities		10,475	24,280
45	Net (Increase) Decrease in Invest., Advances and I		(25,009)	4,427
46	Amortization of Deferred Finance Charges		1,136	341
47	Net Cash Provided (Used) By Operating Activities...................		$6,309	$41,540

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment....................................		($5,049)	($41,408)
49	Less: Capital Lease Obligations Incurred..............................		0	41
50	Cash Outflows for Property and Equipment..............................		($5,049)	($41,367)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired...		$0	$0
52	Goodwill Acquired..		0	0
53	Other Assets Acquired - net		0	0
54	Long-Term Debt Assumed..		0	0
55	Issuance of Stock or Capital Invested....................................		0	0
56	Cash Outflows to Acquire Business Entities..............................		$0	$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.................		$0	$0
58	Less: Issuances to Settle Long-Term Debt............................		0	0
59	Consideration in Acquisition of Business Entities.................		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions......		$0	$0

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

Amended 4/30/2009

ATLANTIC CITY SHOWBOAT, INC
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances: Number of Recipients (c)	Promotional Allowances: Dollar Amount (d)	Promotional Expenses: Number of Recipients (e)	Promotional Expenses: Dollar Amount (f)
1	Rooms	364,399	$27,796	0	$0
2	Food	1,524,417	20,906	0	0
3	Beverage	8,433,395	13,009	0	0
4	Travel	0	0	9,295	1,626
5	Bus Program Cash	757,705	16,358	0	0
6	Promotional Gaming Credits	76,450	2,145	0	0
7	Complimentary Cash Gifts	1,057,830	41,942	0	0
8	Entertainment	49,264	2,385	0	0
9	Retail & Non-Cash Gifts	88,731	1,378	0	0
10	Parking	0	0	0	0
11	Other	45,335	396	24,643	1,848
12	Total	12,397,526	$126,315	33,938	$3,474

FOR THE THREE MONTHS ENDED DECEMBER 31, 2008

Line (a)	Description (b)	Promotional Allowances: Number of Recipients (c)	Promotional Allowances: Dollar Amount (d)	Promotional Expenses: Number of Recipients (e)	Promotional Expenses: Dollar Amount (f)
1	Rooms	79,701	$6,062	0	$0
2	Food	309,345	4,637	0	0
3	Beverage	1,890,760	2,913	0	0
4	Travel	0	0	2,093	366
5	Bus Program Cash	180,157	3,508	0	0
6	Promotional Gaming Credits	74,930	2,126	0	0
7	Complimentary Cash Gifts	170,136	6,670	0	0
8	Entertainment	6,604	301	0	0
9	Retail & Non-Cash Gifts	22,251	322	0	0
10	Parking	0	0	0	0
11	Other	12,398	108	8,059	604
12	Total	2,746,282	$26,647	10,152	$970

ATLANTIC CITY SHOWBOAT, INC
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 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.

4/30/2009
Date

Mary Cheeks
Mary Cheeks

Vice President of Finance
Title

004960-11
License Number

On Behalf of:

ATLANTIC CITY SHOWBOAT, INC
Casino Licensee

NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Showboat Atlantic City Operating Company, LLC (the "Company"), is a wholly-owned subsidiary of Ocean Showboat, Inc. ("OSI"), which is a wholly-owned subsidiary of Showboat Holding, Inc. ("SHI"). SHI is a wholly owned subsidiary of Harrah's Operating Company, Inc. ("HOC"). OSI is a holding company with its principal assets being investments in the Company and other subsidiaries. OSI is an indirect wholly owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). The Company conducts casino gaming operations and operates full supportive services of hotel, restaurant, bar and convention facilities at the Showboat Hotel and Casino in Atlantic City, New Jersey ("Atlantic City Showboat").

On January 28, 2008, Harrah's was acquired by affiliates of Apollo Global Management, LLC and TPG Capital, LP. hereinafter referred to as the "Merger." Prior to the Merger, Atlantic City Showboat, Inc. (the "Predecessor Company") operated and owned the Showboat Hotel and Casino. The Predecessor Company was an indirect, wholly-owned subsidiary of HOC, which is a direct wholly-owned subsidiary Harrah's.

In conjunction with the Merger, the Predecessor Company, 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 Predecessor Company and liquidated its assets, net of liabilities, to various affiliates and created the Company. CMBS financing was obtained by subsidiaries of OSI.

On May 22, 2008, two additional affiliates and their related operating assets were spun out of HOC to Harrah's and the Company, along with one of the original five affiliates, was transferred to HOC from Harrah's as contemplated under the debt agreements effective pursuant to the Merger. An additional series of transactions, hereinafter referred to as the "Post-Closing Restructuring", were executed that, among other things, contributed the CMBS financing to Harrah's and released the Company from the CMBS financing liabilities and created SHI and merged Showboat, Inc. ("SBO"), into SHI. Prior to the Post-Closing Restructuring, OSI was a wholly-owned subsidiary of SBO.

The Company is licensed to operate the facility by the New Jersey Casino Control Commission (the "CCC") and is subject to rules and regulations established by the CCC. The Company's license was renewed July 1, 2008 and will expire on June 30, 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the account balances of OSI 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, total equity was adjusted based on the purchase price assigned to the Company, retained earnings of the Company were eliminated and the assets and liabilities of the Company were adjusted to fair value with goodwill recorded for the excess of the purchase price over the fair value of the net tangible and intangible assets. Harrah's determined the estimated fair values after review and consideration of relevant information including discounted cash flow analyses, quoted market prices and estimates made by management.

For purposes of this regulatory filing, adjustments to the historical assets of the Company were reflected on December 31, 2008 and in its statement of income for the twelve months ended December 31, 2008 and in its statement of cash flows for the twelve months ended December 31, 2008.

Allowance for Doubtful Accounts - The Company reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances. As with many estimates management must make judgments about potential actions by third parties in establishing and evaluating the allowance for bad debts.

Inventories - Inventories, which consist primarily of food, beverage, and operating supplies, are stated at the lower of average cost or market value.

(Dollars in Thousands)

Land, Buildings and Equipment - As a result of the application of purchase accounting, land, buildings and equipment were recorded at their estimated fair values and useful lives as of the Merger date. Additions to land, buildings, and equipment are stated at cost, including capitalized interest on intercompany funds used to finance construction calculated at Harrah's overall weighted-average borrowing rate of interest.

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	5 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. If undiscounted expected future cash flows were less than the carrying value, an impairment loss would be recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors.

Deferred Financing Cost - On January 28, 2008, the subsidiaries of OSI 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, was for a notional amount of $646,000 at a LIBOR cap rate of 4.5%.

Costs associated with the issuance of debt were deferred and were being amortized to interest expense over the life of the related indebtedness using the effective interest method.

As a result of the Post-Closing Restructuring, the deferred finance costs and interest rate cap asset were transferred to Harrah's.

Goodwill - The Company had no goodwill recorded in the accompanying consolidated balance sheet as of December 31, 2008 as a result of an impairment charge subsequent to the acquisition date. The Company accounts for 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 for impairment. The Company completed its annual assessment for impairment in the fourth quarter of 2008 and determined that goodwill had been impaired. A charge of $53,654 was recorded as a non-operating expense in our statement of income for the period ending December 31, 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.

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.

Total Rewards Program Liability - The Company's loyalty program, Total Rewards, offers incentives to customers who gamble at certain of the affiliated casinos throughout the United States of America. 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 Company accrues the expense of Reward Credits, after consideration of estimated 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 expenses in the 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. At December 31, 2008 and 2007, $3,202 and $3,116, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions.

(Dollars in Thousands)

In addition to Reward Credits, customers can earn points based on play that are redeemable in cash ("cash-back points"). The Company accrues 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 in the accompanying statements of income. At December 31, 2008 and 2007, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $574 and $1,013, 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 and gaming credits 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 December 31:

	2008	2007
Food and Beverage	$ 27,621	$ 29,901
Rooms	9,995	12,398
Other	3,166	2,877
Bus Program Cash	16,358	17,108
Promotional Gaming Credits	2,145	-
Other Cash Complimentary	41,942	45,600
	$ 101,227	$ 107,884

Income Taxes - The Company accounts for income taxes under SFAS No. 109, Accounting for Income Taxes, whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statement or income tax returns. Deferred tax assets and liabilities are determined based on differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, 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 Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), on January 1, 2007. As a result of the implementation of FIN 48, the January 1, 2007, balance of retained earnings was increased by approximately $3.1 million.

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 December 31, 2008 are not necessarily indicative of the results of operations for the full year

Recently Issued Pronouncements - In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, but it does not require any new fair value measurements. The provisions of SFAS No. 157 were to be effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position ("FSP") No. 157-2, "Effective Date of FASB Statement No. 157." FSP No. 157-2 defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). Also in February 2008, the FASB issued FSP No. 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13." FSP No. 157-1 excludes SFAS No. 13, "Accounting for Leases," and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. We adopted the required provisions of SFAS No. 157 on January 1, 2008. The required provisions did not have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of SFAS No. 115," which permits an entity to measure certain financial assets and financial liabilities at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. SFAS No. 159 was effective as of January 1, 2008. At this time, we have not adopted the fair value option for assets and liabilities; however, future events and circumstances may impact that decision.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations." SFAS No. 141(R) will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment for certain specific items, including:

Acquisition costs will be generally expensed as incurred;

Assets that an acquirer does not intend to use will be recorded at fair value reflecting the assets' highest and best use;

Noncontrolling interests will be valued at fair value at the acquisition date;

Acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;

In-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date;

Restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and

Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

SFAS No. 141(R) also includes a substantial number of new disclosure requirements. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact of this statement on our financial statements.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company participates with HOC and Harrah's 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.

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 to 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 balance sheets.

Employee Benefit Plans – Harrah's maintains a defined contribution savings and retirement plan in which the non-union employees of the Company may participate. The plan, among other things, provides for pre-tax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50 percent of their eligible earnings. The employer matches 50 percent for the first six percent of employees' contributions. Amounts contributed to the plan are invested, at the participant's direction, in 19 separate funds. Participants become vested in the matching contributions over five years of credited service. The Company's contribution expense for the years ended December 31, 2008 and 2007 was approximately $887 and $886, respectively. In February 2009, Harrah's announced suspension of the employers match for all participating employees, where allowed by law or not in violation of an existing agreement.

The Company also maintains deferred compensation plans and an Executive Supplemental Savings Plan under which certain employees of the Company may defer a portion of their compensation. The expenses charged by HOC to the Company for its employees' participation in these programs are included in the administrative and other services charge discussed below.

The Company's union employees are covered by union-sponsored, collectively bargained, multi-employer pension plans. Contributions are generally determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of hours worked. Contributions to the plans were $1,978 and $1,873 during the twelve months ended December 31, 2008 and 2007, respectively.

Equity Incentive Awards - Harrah's maintains equity incentive awards plans in which employees of the Company may participate. Harrah's allocates an appropriate amount of cost for these awards to each subsidiary where employees participate.

Prior to the completion of the Merger, non-qualified stock options, restricted stock, stock appreciation rights ("SARs"), performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards and performance-based awards may be granted to employees or consultants of Harrah's and its subsidiaries, including the Company and members of Harrah's Board of Directors. In connection with the acquisition of Harrah's, in January 2008 (see note 1), outstanding SARs and stock options, whether vested or unvested, and unvested restricted stock were cancelled and converted into the right to receive cash.

Stock Options - Until the Merger, stock option awards typically vested in equal installments on January 1 following the grant date and on January 1 in each of the two subsequent years and allowed the option holder to purchase stock over specified periods of time, generally seven years from the date of grant, at a fixed price equal to the market value at the date of grant. The Company recognized approximately $1 and $234 for stock option expense in 2008 and 2007, respectively. This expense is included in charges from affiliates in the accompanying statements of income.

Stock Appreciation Rights - Until the Merger, SARs typically vested in equal installments on June 30 following the grant date and on June 30 in'each of the two subsequent years. SARs allowed the holder to receive a payment, in cash or stock, equal to the excess of the fair market value of a specified number of shares of stock on the date the SARs were exercised over an exercise price per share, which typically was the fair market value on the date the SARs were granted. The Company recognized approximately $32 and $200 for SARs expense in 2008 and 2007, respectively. This expense is included in charges from affiliates in the accompanying statements of income.

Restricted Stock - Until the Merger, restricted share grants of Harrah's stock had restrictions that included,, but were not limited to, the right to vote, receive dividends on or transfer the restricted stock. Restricted shares were subject to forfeiture during a specified period or periods prior to vesting. These shares issued generally vested in equal annual installments over a three year period. The compensation arising from a restricted stock grant was based upon the market price of Harrah's stock at the grant date. Such expense was deferred and amortized to expense over the vesting period. The Company recognized approximately $31 and $336 of compensation expense related to Harrah's restricted stock in 2008 and 2007, respectively. This expense is included in charges from affiliates in the accompanying statements of income.

Equity Award Options — In February 2008, Harrah's Board of Directors approved and adopted the Harrah's Entertainment, Inc. Management Equity Incentive Plan (the "Equity Plan"). The Equity Plan authorizes equity award options to be granted to management and other personnel and key service providers. Grants may be either shares of time-based options or shares of performance-based options, or a combination. Time-based options generally vest in equal increments of 20% on each of the first five anniversaries of the grant date. The performance-based options vest based on the investment returns of Harrah's stockholders. One-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to two times their amount vested, and one-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to three times their amount vested subject to certain conditions and limitations. In addition, the performance-based options may vest earlier at lower thresholds upon liquidity events prior to December 31, 2009 and 2011, as well as pro rata, in certain circumstances. The Company recognized approximately $196 for equity award options in 2008.

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 Harrah's Atlantic City, also affiliates of the Company. The Company was charged approximately $199 and $349 for these costs for the twelve months ended December 31, 2008 and 2007, respectively. The costs are included in other operating expenses in the accompanying statements of income

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 approximately

(Dollars in Thousands)

$17,786 and $15,909 respectively for these services for the twelve months ended December 31, 2008 and 2007. These fees are included in charges from affiliates other than interest in the statements of income.

Rental Agreement - The Predecessor Company leased 10½ acres of Boardwalk property in Atlantic City, New Jersey for a term ending in 2082 from an affiliate. Annual rent payments, which were payable monthly were adjusted annually based upon changes in the Consumer Price Index. The Predecessor Company was responsible for taxes, assessments, insurance and utilities. Rent expense under this lease for the twelve months ended December 31, 2008 and 2007 was $967 and $11,316 respectively. The rent is included in charges from affiliates other than interest in the statements of income.

As a result of the Restructuring, on January 28, 2008, the property was transferred to the Predecessor Company from the affiliate and the lease was cancelled.

NOTE 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expenses and Other Current Assets as of December 31 consisted of the following:

	2008	2007
Slot License	$ 827	$ 887
License Fee - House of Blues	1,458	1,458
Horse Tracks	1,863	-
Income Taxes	822	66
Contracts / Utilities	163	167
Entertainment	128	-
Rent	-	968
Current Deffered Tax Asset	6,530	7,100
Other	619	846
	$ 12,410	$ 11,492

NOTE 5 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2008	2007
Due from Affiliates	$ 90,541	$ 358,129
CRDA Deposits	21,722	20,512
CRDA Bonds	21,429	22,213
	43,151	42,725
Less: Valuation Allowance on CRDA Investments	(11,129)	(11,227)
CRDA Investments, Net	32,022	31,498
	$ 122,563	$ 389,627

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

(Dollars in Thousands)

	2008	2007
Harrah's Entertainment	$ 90,541	$ 358,129
	$ 90,541	$ 358,129

As a result of the Restructuring, all Due from Affiliate balances as of January 28, 2008 were assigned to Harrah's. As a result of the Post-Closing Restructuring, all Due from Affiliate balances as of January 28, 2008 were assigned back to the Company.

NOTE 6 – LAND, BUILDINGS AND EQUIPMENT

Land, Buildings and Equipment as of December 31 consisted of the following:

	2008	2007
Land and land Improvements	$ 216,245	$ 23,180
Building and Improvements	378,864	533,647
Capital Leases	38	44
Furniture Fixtures & Equipment	69,422	162,386
Construction in Progress	723	2,807
Other Property and Equipment	408	517
	665,700	722,581
Less: Accumulated Depreciation and Amortization	(24,909)	(283,148)
Land, Building and Equipment, Net	$ 640,791	$ 439,433

NOTE 7 - OTHER ACCRUED EXPENSES

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

	2008	2007
Salaries and Wages	$ 6,534	$ 8,907
Taxes, Other Than taxes on Income	1,693	1,883
Accrued Interest	-	4,782
Utilities	676	-
Regulatory Fees	724	639
Slot Tickets	797	406
Progressive Liability	1,490	1,649
Other	2,863	5,441
	14,777	23,707

NOTE 8 – NOTE PAYABLE TO AFFILIATE

On May 18, 1993, SBO issued $275,000 of 9¼% First Mortgage Bonds ("9¼% Bonds") and subsequently loaned approximately $215,000 of the proceeds to the Company evidenced by an intercompany note with terms and conditions consistent with those of the 9¼% Bonds. Subsequent to the acquisition of SBO by Harrah's on June 1, 1998, Harrah's completed tender offers and consent solicitations for SBO's 9¼% Bonds. As a result of the receipt of the requisite consents, Harrah's eliminated or modified substantially all of the negative covenants, certain events of default and made other changes to the respective indentures governing the 9¼% Bonds.

(Dollars in Thousands)

On January 15, 1999, the Company entered into a $500,000 promissory note (the "Promissory Note") with HOC. The debt terms were consistent with the provisions of third-party credit agreements arranged by HOC. Interest was payable semiannually at a rate of 7½%.

On March 12, 2003, both the 9¼% Bonds and the Promissory Note were assigned by their respective holders to Harrah's Entertainment Limited ("HEL"). The terms and amounts of the debt were not affected by this assignment. As of December 31, 2007, accrued interest was approximately $4,782. Prior to December 31, 2003, accrued interest was paid by the Company on a monthly basis. However, for subsequent tax years, interest payments were remitted annually. Because the 9¼% Bonds and the 7½% Promissory Note were due to an affiliate, a determination of fair value was not considered meaningful.

As a result of the Restructuring, HOC and SBO contributed the promissory notes to the Predecessor Company. The Predecessor Company then transferred the promissory note to HEL in satisfaction of its payable to HEL.

NOTE 9 – OTHER LIABILITIES

Other Liabilities as of December 31 consisted of the following:

	2008	2007
Due to Affiliates, Long-Term	$ 39,880	$ 10,960
FIN 48 - Tax Reserve	11,775	15,740
Other	380	14,860
	52,035	41,560
Atlantic City Region	11,159	10,960
Other	28,721	-
	$ 39,880	$ 10,960

The Atlantic City Region consists of Harrah's casino licenses operating in Atlantic City, New Jersey.

NOTE 10 – LEASES

The Company has operating leases for office space, office equipment, and slot machines, which expire on various dates through 2011. Rental expense included in the accompanying statement of income for the twelve months ended December 31, 2008 and 2007 was approximately $4,201 and $2,977, respectively.

Future minimum lease payments due under the non-cancelable capital and operating leases as of December 31, 2008, are as follows:

	Lease Obligations	
	Capital	Operating
2009	$ 16	$ 1,010
2010	5	101
2011	-	99
2012	-	-
Total minimum lease payments	21	$ 1,210
Less: Imputed Interest	(2)	
Present value of net minimum lease payments	$ 19	

NOTE 11 – INCOME TAXES (BENEFIT)

(Dollars in Thousands)

The Company is included in the consolidated federal tax return of Harrah's, but files a separate New Jersey tax return. The provision for income taxes is computed based on a separate return basis.

The provision for income taxes for the years ended December 31, 2008 and 2007 consisted of the following:

	2008	2007
Federal		
Current	$ 2,847	$ 3,731
Deferred	(175)	(7,700)
	$ 2,672	$ (3,969)
State		
Current	$ (1,719)	$ 1,881
Deferred	(67)	(1,850)
	$ (1,786)	$ 31
Total		
Current	$ 1,128	$ 5,612
Deferred	(242)	(9,550)
Provision (benefit) for income taxes	$ 886	$ (3,938)

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to significant portions of the net deferred tax liability as of December 31, 2008 and 2007, were as follows:

	2008	2007
Deferred tax assets		
Grantor trust	4,224	5,473
Accrued compensation and related benefits	1,011	1,361
allowance for doubtful accounts	1,968	1,230
Self-insurance reserves	12	74
Contingencies	4,427	5,633
Other	5,231	7,538
Total deferred tax assets	16,873	21,309
Deferred tax liabilities		
Land, building and equipment	(71,637)	(35,589)
Net deferred tax liability	(54,764)	(14,280)

As discussed in Note 3, the Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the January 1, 2007, balance of retained earnings was decreased by approximately a $3,085. A reconciliation of the beginning and ending amount of unrecognized tax benefits are as follows:

(Dollars in Thousands)

Balance at January 1, 2008	$	11,870
Additions based on tax positions related to the current year		81
Additions for tax positions of prior years		-
Reductions for tax positions for prior years		(4,517)
Settlements		-
Expiration of Statutes		-
Balance at December 31, 2008	$	7,434

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company accrued approximately $471 during 2008. Additionally, the Company had approximately $4,340, and $3,869 for the payment of interest and penalties accrued at December 31, 2008, and January 1, 2008, respectively. Included in the balance of unrecognized tax benefits at December 31, 2008, and January 1, 2008, are $7,077 and $11,197 respectively, of unrecognized tax benefits that, if recognized, would impact the effective tax rate. As a result of the expected resolution of examination issues with both federal and state tax authorities, the lapsing of various state statutes, and the remittance of tax payments, the Company believes it is reasonably possible that the amount of unrecognized tax benefits will decrease during 2009 between $334 and $7,290.

As a large taxpayer, Harrah's is under continual audit by the Internal Revenue Service ("IRS") on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits for Harrah's and the Company could change during the next twelve months. Harrah's is participating in the IRS's Compliance Assurance Program for the 2007 and 2008 tax year. This program accelerates the examination of key transactions with the goal of resolving any issues before the tax return is filed. The IRS is currently examining in a traditional audit process the 2004, 2005 and 2006 consolidated federal income tax return filed by Harrah's. Additionally, the Company is subject to exam by state tax authorities, and open tax years are 1999 through 2008.

NOTE 12 – NON-OPERATING INCOME (EXPENSE)

For the twelve months ended December 31, 2008 and 2007, Non-Operating Income (Expense) consisted of the following:

	2008	2007
Interest Income	1,119	1,370
Preopening / Demolition Expense	-	(1,411)
Impairment of Goodwill	(53,654)	-
Project Write Downs & Reserves	(724)	-
Gain/Loss on Asset Sales	50	331
Other Non Operating	47	(155)
	(53,162)	135

NOTE 13 – 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.

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. The Company includes CRDA investment bonds and funds on deposit in Investments, Advances, and Receivables in the accompanying balance sheets totaling $21,722 and $21,429, respectively, at December 31, 2008 and $20,512 and $22,213 respectively, at December 31, 2007. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment.

The estimate for Valuation Allowance for the CRDA Bonds considered guidance primarily under FAS 115 "Accounting for Certain Investments in Debt and Equity Securities," FASB SOP FAS 115-1/124-1 "The Meaning of Other-than-temporary Impairment and its Application to Certain Investments" and FAS 157 "Fair Value Measurements." Since there is no market for the bonds issued through the CRDA, initial obligation deposits are marked down by 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 due to their nature. The bonds held by the Company through CRDA 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.

The Company also considered whether any impairment indicators were present for its CRDA bonds that would indicate whether the CRDA Bond's fair value was less than its cost. As noted above, there is no market for the CRDA Bonds and as such 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 and amortizes the cost subsequent to that date. The discount for the bonds is being amortized over the remaining life of the bonds.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA 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 which amounted to $2,807. 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 and is estimated to be $7,261. The total commitment will be charged to operations on a straight line basis beginning January 2009 through December 31, 2011.

ATLANTIC CITY SHOWBOAT, INC.
ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2008

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

ATLANTIC CITY SHOWBOAT, INC.
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2008

(UNAUDITED)
($ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks...............................	$2,668		
2	Returned Patrons' Checks....................................	6,750		
3	Total Patrons' Checks.......................................	9,418	$4,608	$4,810
4	Hotel Receivables..	792	194	$598
	Other Receivables:			
5	Receivables Due from Officers and Employees....	-		
6	Receivables Due from Affiliates..........................	-		
7	Other Accounts and Notes Receivables................	2,886		
8	Total Other Receivables....................................	2,886		$2,886
9	Totals (Form CCC-205)..	$13,096	$4,802	$8,294

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1)...	$3,441
11	Counter Checks Issued..	101,964
12	Checks Redeemed Prior to Deposit...	(67,702)
13	Checks Collected Through Deposits..	(29,583)
14	Checks Transferred to Returned Checks..	(5,452)
15	Other Adjustments..	0
16	Ending Balance..	$2,668
17	"Hold" Checks Included in Balance on Line 16..	0
18	Provision for Uncollectible Patrons' Checks..	$2,984
19	Provision as a Percent of Counter Checks Issued..	2.9%

ATLANTIC CITY SHOWBOAT, INC.
EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2008

($ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages: Other Employees (d)	Salaries and Wages: Officers & Owners (e)	Salaries and Wages: Totals (f)
	CASINO:				
1	Table and Other Games	488			
2	Slot Machines	77			
3	Administration	8			
4	Casino Accounting	117			
5	Simulcasting	1			
6	Other	82			
7	Total - Casino	773	$26,132	$6	$26,138
8	ROOMS	310	7,719		7,719
9	FOOD AND BEVERAGE	957	19,965	0	19,965
10	GUEST ENTERTAINMENT	218	1,935		1,935
11	MARKETING	6	765	11	776
12	OPERATION AND MAINTENANCE	200	8,041		8,041
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	4	84	950	1,034
14	Accounting and Auditing	50	2,667	68	2,735
15	Security	121	4,373		4,373
16	Other Administrative and General	48	2,204	32	2,236
	OTHER OPERATED DEPARTMENTS:				
17	PBX	10	305		305
18	Parking	13	267		267
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	2,710	$74,457	$1,067	$75,524

SHOWBOAT
ANNUAL GROSS REVENUE TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2008

Line		
	CASINO WIN:	
1.	Table and Other Games..........	$ 69,409,192
2.	Slot Machines	292,820,358
3.	Total Casino Win..........	362,229,550
4.	Adjustments..........	28,350
5.	Gross Revenue (line 3 plus line 4)..........	362,257,900
6.	Deduction for Eligible Promotional Gaming Credits..........	3,508,217
7.	Taxable Gross Revenue (line 5 minus line 6)..........	358,749,683
8.	Tax on Gross Revenue - Reporting Year (8% of line 7)..........	28,699,975
9.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	-
10.	Total Taxes on Gross Revenue (the sum of lines 8 and 9)..........	28,699,975
11.	Total Deposits Made for Tax on Reporting Year's Gross Revenue..........	(28,699,975)
12.	Settlement of Prior Years' Tax on Gross Revenue Resulting from Audit or Other Adjustments - (Deposits) Credits	-
13.	Gross Revenue Taxes Payable (the net of lines 10, 11, and 12)	$ (0)

Under penalties of perjury, I declare that I have examined this Annual Gross Revenue Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

March 10, 2009
Date

Gail Myers

Operations Controller 3470-11
Title (License Number)