BOARDWALK REGENCY CORPORATION

QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2010

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

BOARDWALK REGENCY CORPORATION
BALANCE SHEETS

AS OF JUNE 30, 2010 AND 2009

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$14,209	$12,264
2	Short-Term Investments			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2010, $15,492; 2009, $15,987)	2 & 4	19,086	19,624
4	Inventories	2	624	774
5	Other Current Assets	5	12,652	10,693
6	Total Current Assets		46,571	43,355
7	Investments, Advances, and Receivables	6 & 12	362,595	280,912
8	Property and Equipment - Gross	2 & 7	839,650	852,290
9	Less: Accumulated Depreciation and Amortization		(98,160)	(59,660)
10	Property and Equipment - Net		741,490	792,630
11	Other Assets	2 & 8	127,960	305,608
12	Total Assets		$1,278,616	$1,422,505
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$11,775	$8,647
14	Notes Payable			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates			
16	External		49	45
17	Income Taxes Payable and Accrued	2		4,999
18	Other Accrued Expenses	9	126,899	81,054
19	Other Current Liabilities		3,405	3,105
20	Total Current Liabilities		142,128	97,850
	Long-Term Debt:			
21	Due to Affiliates	10	518,330	518,330
22	External	10	455	504
23	Deferred Credits	2	90,053	91,299
24	Other Liabilities	11	172,111	163,362
25	Commitments and Contingencies			
26	Total Liabilities		923,077	871,345
27	Stockholders', Partners', or Proprietor's Equity		355,539	551,160
28	Total Liabilities and Equity		$1,278,616	$1,422,505

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

BOARDWALK REGENCY CORPORATION
STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino		$203,015	$217,366
2	Rooms		19,267	17,546
3	Food and Beverage		24,995	22,850
4	Other		7,497	7,022
5	Total Revenue		254,774	264,784
6	Less: Promotional Allowances		63,416	58,869
7	Net Revenue		191,358	205,915
	Costs and Expenses:			
8	Cost of Goods and Services		126,192	126,758
9	Selling, General, and Administrative		27,623	23,438
10	Provision for Doubtful Accounts		1,643	3,087
11	Total Costs and Expenses		155,458	153,283
12	Gross Operating Profit		35,900	52,632
13	Depreciation and Amortization	2	24,735	22,858
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other	3	10,535	10,613
16	Income (Loss) from Operations		630	19,161
	Other Income (Expenses):			
17	Interest Expense - Affiliates		(22,029)	(24,601)
18	Interest Expense - External		(197)	(312)
19	CRDA Related Income (Expense) - Net		(497)	(411)
20	Nonoperating Income (Expense) - Net		(995)	(5,007)
21	Total Other Income (Expenses)		(23,718)	(30,331)
22	Income (Loss) Before Taxes and Extraordinary Items		(23,088)	(11,170)
23	Provision (Credit) for Income Taxes	2	(8,864)	189
24	Income (Loss) Before Extraordinary Items		(14,224)	(11,359)
	Extraordinary Items (Net of Income Taxes -			
25	2010, $0; 2009, $0)			
26	Net Income (Loss)		($14,224)	($11,359)

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

BOARDWALK REGENCY CORPORATION
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2010 AND 2009

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino		$103,120	$113,748
2	Rooms		10,114	9,288
3	Food and Beverage		13,386	12,011
4	Other		4,190	3,982
5	Total Revenue		130,810	139,029
6	Less: Promotional Allowances		32,262	30,799
7	Net Revenue		98,548	108,230
	Costs and Expenses:			
8	Cost of Goods and Services		63,923	63,325
9	Selling, General, and Administrative		15,481	10,364
10	Provision for Doubtful Accounts		464	1,657
11	Total Costs and Expenses		79,868	75,346
12	Gross Operating Profit		18,680	32,884
13	Depreciation and Amortization	2	12,210	10,748
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other	3	5,257	5,068
16	Income (Loss) from Operations		1,213	17,068
	Other Income (Expenses):			
17	Interest Expense - Affiliates		(11,014)	(13,587)
18	Interest Expense - External		(99)	(162)
19	CRDA Related Income (Expense) - Net		(242)	(231)
20	Nonoperating Income (Expense) - Net		(567)	(2,429)
21	Total Other Income (Expenses)		(11,922)	(16,409)
22	Income (Loss) Before Taxes and Extraordinary Items		(10,709)	659
23	Provision (Credit) for Income Taxes	2	(4,070)	3,891
24	Income (Loss) Before Extraordinary Items		(6,639)	(3,232)
	Extraordinary Items (Net of Income Taxes -			
25	2010, $0; 2009, $0)			
26	Net Income (Loss)		($6,639)	($3,232)

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

BOARDWALK REGENCY CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009 AND THE SIX MONTHS ENDED JUNE 30, 2010

(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, 2008..........**		100	$1,370			$915,830		($354,681)	$562,519
2	Net Income (Loss) - 2009.............								(181,650)	(181,650)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....................................									0
5	Prior Period Adjustments.............									0
6										0
7										0
8										0
9										0
10	**Balance, December 31, 2009..........**		100	1,370	0	0	915,830	0	(536,331)	380,869
11	Net Income (Loss) - 2010.............								(14,224)	(14,224)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....................................									0
14	Prior Period Adjustments.............									0
15	ASC 740 Adjustments	2							(16,666)	(16,666)
16										0
17	Deconsolidation of VIE	2							5,560	5,560
18										0
19	**Balance, June 30, 2010 ....**		100	$1,370	0	$0	$915,830	$0	($561,661)	$355,539

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

BOARDWALK REGENCY CORPORATION
STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$55,251	$36,954
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment...........................		(3,772)	(1,347)
5	Proceeds from Disposition of Property and Equipment..........		20	
6	CRDA Obligations		(2,538)	(2,716)
7	Other Investments, Loans and Advances made......................			
8	Proceeds from Other Investments, Loans, and Advances		21	90
9	Cash Outflows to Acquire Business Entities..........................		0	0
10	Deconsolidation of Variable Interest Entity		438	
11	....			
12	Net Cash Provided (Used) By Investing Activities....................		(5,831)	(3,973)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....................................			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt..			
17	Payments to Settle Long-Term Debt.....................................			
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock..			
20	Payments of Dividends or Capital Withdrawals......................			
21	Borrowing/Repayment of Intercompany Payable		(60,103)	(47,004)
22	....			
23	Net Cash Provided (Used) By Financing Activities..................		(60,103)	(47,004)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(10,683)	(14,023)
25	Cash and Cash Equivalents at Beginning of Period..................		24,892	26,287
26	Cash and Cash Equivalents at End of Period............................		$14,209	$12,264

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................		$172	$3,425
28	Income Taxes..		$0	$34

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

BOARDWALK REGENCY CORPORATION
STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		($14,224)	($11,359)
30	Depreciation and Amortization of Property and Equipment		20,308	18,430
31	Amortization of Other Assets		4,427	4,428
32	Amortization of Debt Discount or Premium			
33	Deferred Income Taxes - Current			194
34	Deferred Income Taxes - Noncurrent		1,763	(3,234)
35	(Gain) Loss on Disposition of Property and Equipment		(2)	
36	(Gain) Loss on CRDA-Related Obligations		1,537	777
37	(Gain) Loss from Other Investment Activities		237	237
38	(Increase) Decrease in Receivables and Patrons' Checks		4,335	4,955
39	(Increase) Decrease in Inventories		20	311
40	(Increase) Decrease in Other Current Assets		(2,286)	(142)
41	(Increase) Decrease in Other Assets		574	617
42	Increase (Decrease) in Accounts Payable		586	(3,223)
43	Increase (Decrease) in Other Current Liabilities		21,896	24,306
44	Increase (Decrease) in Other Liabilities		16,080	657
45	Impairment of Goodwill			
46				
47	Net Cash Provided (Used) By Operating Activities		$55,251	$36,954

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line	Description	Notes	2010	2009
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($3,772)	($1,347)
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($3,772)	($1,347)
	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.

BOARDWALK REGENCY CORPORATION
STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30, 2010

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.

August 16, 2010
Date

Alex Figueras

Vice President of Finance
Title

007438-11
License Number

On Behalf of:

BOARDWALK REGENCY CORPORATION
Casino Licensee

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Boardwalk Regency Corporation (the “Company”), a New Jersey corporation, is a wholly owned subsidiary of Caesars New Jersey, Inc. (“CNJ”), a New Jersey corporation. The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as “Caesars Atlantic City”. CNJ is a wholly owned subsidiary of Caesars World, Inc. (“CWI”), a Florida corporation, and CWI is a wholly owned subsidiary of Harrah’s Operating Company, Inc. (“HOC”), a direct wholly owned subsidiary of Harrah’s Entertainment, Inc. (“Harrah’s”). The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

The Company is licensed to operate the facility by the New Jersey Casino Control Commission (the “CCC”) and is subject to rules and regulations established by the CCC. The Company’s license is subject to renewal every five years with the current license expiring June 2013.

In January 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 “Acquisition”.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Allowance for Doubtful Accounts - The Company reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances.

Inventories - Inventories 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 Acquisition, including capitalized interest on intercompany funds used to finance construction calculated at HOC’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:

(All dollar amounts in thousands)

Land improvements	12 years
Buildings and improvements	5 to 40 years
Furniture, fixtures and equipment	3 to 20 years

The Company reviews the carrying value of land, buildings and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. 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 – The company accounts for goodwill and other intangible assets in accordance with *ASC 350, "Intangible Assets – Goodwill and Other"*, which provides guidance regarding the recognition and measurement of intangible assets, eliminates amortization of certain intangibles and requires assessment for impairment of intangible assets that are subject to amortization at least annually.

The Company completed an assessment of goodwill and other non amortizing intangible assets as of September 30, 2009 and as a result determined that goodwill had been impaired. This impairment charge is largely a result of adjustments to the Company's long-term operating plan as a result of the current economic climate. A charge of $167,653 was recorded to our Statements of Income in the third quarter 2009 and was reflected in Non-Operating Income (Expense).

In accordance with ASC 820, Fair Value Measurements and Disclosures, the guidance establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring non-financial assets or liabilities at fair value.

Goodwill is measured using level 3 inputs, which consist of a discounted cash flow analysis. Level 3 inputs are unobservable inputs that are corroborated by market data. Significant assumptions and factors influencing the measurement of fair value include future cash flows, discount rates, exit multiples, and capital expenditures.

The Company maintains customer relationships (database) totaling $106,200. The customer relationships have been determined to have a useful life of twelve years and are being amortized using the straight-line method. Estimated annual amortization expense for customer relationships for each of the years ending December 31, 2010, 2011, 2012, 2013, and 2014, is approximately $8,850. Amortization expense for the six months ending June 30, 2010 and 2009 was approximately $4,425 and $4,425 respectively.

Investment in Atlantic City Express Service, LLC "ACES" - In 2006, the Company entered into an agreement with Harrah's Atlantic City, an affiliate of the Company, and one other Atlantic City casino to form 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 total investment in ACES as of June 30, 2010 and 2009 was approximately $26,718 and $20,459 respectively. ACES became operational on February 6, 2009. ACES net loss for the six months ended June 30, 2010 and 2009 was $3,233, and $4,439 respectively.

In June 2009, the FASB issued *ASU 2009-17 (ASC Topic 810), "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,*" which is effective as of January 1, 2010. The new standard amends existing consolidation guidance for variable interest entities and requires a company to perform a qualitative analysis when determining whether it must consolidate a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the company that has both the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and either the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. As a result of the adoption of ASU 2009-17, ACES was consolidated within our financial statements for all periods prior to December 31, 2009, and is no longer consolidated beginning in January 2010. The deconsolidation of ACES resulted in a reduction of cash balances of $438 shown as an investing outflow of cash in our Statement of Cash Flows.

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

Revenue Recognition - Gaming revenue is (a) the win from gaming activities, which is the difference between gaming wins and losses, less sales incentives and other adjustments and (b) revenue from gaming related activities such as poker and tournaments. Jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. The Company accrues the incremental amount of progressive jackpots as the progressive machine is played, and the progressive jackpot amount increases, with a corresponding reduction of gaming revenue. The retail value of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is included in gross revenue and then deducted as promotional allowances. Food and beverage and rooms revenues include the aggregate amounts generated by those departments.

Total Rewards Program Liability - Harrah's customer loyalty program, Total Rewards, offers incentives to customers who gamble at the Company's property and certain affiliate 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 twelve-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 as the Reward Credits are earned and is included in Cost of Goods and Services in the accompanying 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 June 30, 2010 and 2009, $3,597 and $3,419, respectively, was accrued for the cost of anticipated Rewards Credit redemptions. These amounts reside on Harrah's Balance Sheet and thus are included in the due from affiliates balance in the accompanying consolidated balance sheets of the company

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 June 30, 2010 and 2009, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $523 and $599, respectively. These amounts reside on Harrah's Balance Sheet and thus are included in the due from affiliates balance in the accompanying consolidated balance sheets of the company

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 as of June 30, 2010 and 2009:

(All dollar amounts in thousands)

	2010	2009
Food & Beverage	$ 14,350	$ 12,769
Rooms	4,932	5,388
Other	2,217	2,173
Bus Program Cash	0	2,703
Promotional Gaming Credits	18,364	32,889
Other Cash Complimentaries	13,740	33,487
	$ 53,603	$ 89,409

Advertising Expenses — advertising costs are expensed as incurred. Advertising expenses are $4,264 and $2,741 for the six months ended June 30, 2010 and 2009, respectively. Advertising expenses are included in selling, general and administrative expenses in the consolidated statements of operations.

Gaming Tax — The Company remits weekly to the CCC a tax equal to 8% of the gross gaming revenue, as defined. Gaming taxes paid to the CCC for the six months ended June 30, 2010 and 2009, which are included in casino expenses in the accompanying consolidated statements of income were approximately $16,256 and $17,384, respectively.

Income Taxes - The Company is included in the consolidated federal tax return of Harrah's and files a separate New Jersey tax return. The provision for federal income taxes is computed based on the statutory federal rate as if the Company had filed a separate income tax return. The provision for state taxes is based on the statutory New Jersey tax.

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date. The Company follows the provisions of *ASC 740- Income Taxes*. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

During 2010, management transferred these reserves and the cumulative impact of the related tax expense to the Company in order to reflect the reserve associated with the uncertain income tax position on the Company's general ledger. Similar transfers were performed for all affiliates of HOC that had uncertain income tax positions reflected at HOC. In order to properly reflect the transfer of the reserve for uncertain income tax positions to the Company, an offsetting adjustment to equity at the Company was required.

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 could differ from these estimates.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2010 are not necessarily indicative of the results of operations for the full year.

Omission of Disclosures - In accordance with the Financial Reporting guidelines provided by the Casino Control Commission, the Company has elected not to include certain disclosures, which have not significantly changed since filing the most recent Annual Report. Accordingly, the following disclosures have been omitted: Future Lease Obligations, Employee Benefits and certain Income Tax disclosures.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company participates with 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.

Cash Activity with HOC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to HOC on a daily basis. Cash transfers from HOC 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 in the accompanying 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 Harrah's Atlantic City and Showboat Atlantic City, also affiliates of the Company. The Company was charged approximately $136 and $154 for these costs for the six months ended June 30, 2010 and 2009, 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 $10,535 and $10,613 for these services for the six months ended June 30, 2010 and 2009, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

(All dollar amounts in thousands)

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

	2010	2009
Casino Receivables (Net of Allowance for Doubtful Accounts - 2010, $15,171 & 2009, $15,639)	$ 13,758	$ 15,758
Other (Net of Allowance for Doubtful Accounts - 2010, $321 & 2009, $348)	5,328	3,866
	$ 19,086	$ 19,624

NOTE 5 –OTHER CURRENT ASSETS

Other Current Assets as of June 30 consist of the following:

	2010	2009
Tax Deferred Asset	$ 3,973	$ 3,559
Purse Enhancement Agreement	2,648	2,684
Other	6,031	4,450
	$ 12,652	$ 10,693

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2010	2009
Casino Reinvestment Development Authority Obligation ("CRDA") (net of valuation reserves- 2010, $13,043 and 2009, $12,670)	$ 19,249	$ 17,790
Investment In ACES	5,127	-
Due from Harrahs	338,219	263,122
	$ 362,595	$ 280,912

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

NOTE 7 – PROPERTY AND EQUIPMENT

(All dollar amounts in thousands)

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

	2010	2009
Land	$ 182,580	$ 182,580
Buildings and Improvements	524,778	520,357
Furniture, Fixtures, and Equipment	118,037	105,501
Construction in Progress	14,255	43,852
	$ 839,650	$ 852,290
Less Accumulated Depreciation & Amortization	(98,160)	(59,660)
	$ 741,490	$ 792,630

NOTE 8 – OTHER ASSETS

Other assets as of June 30 consist of the following:

	2010	2009
Customer Database (less Accumulated Amortization of $21,388 in 2010 & $12,538 in 2009)	$ 84,813	$ 93,662
Goodwill	-	167,653
Other	43,147	44,293
	$ 127,960	$ 305,608

During May 2003, the Company entered into an agreement to lease the Pier at Caesars (the “Pier”) to developers for an initial term of 75 years. The 75 year term commenced upon completion of the Pier’s construction in 2006. The lease agreement provides for the repayment of certain qualified pier development costs incurred by the developers which are included in Other and are being amortized over the life of the lease.

NOTE 9 - OTHER ACCRUED EXPENSES

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

	2010	2009
Accrued Payroll	$ 9,679	$ 9,599
Accrued Interest Payable	106,867	62,812
Other	10,353	8,643
	$ 126,899	$ 81,054

NOTE 10- LONG-TERM DEBT

(All dollar amounts in thousands)

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

8.5% Note Payable to Harrah's Entertainment, Ltd. ("HEL") due December 31, 2010	$ 518,330	$ 518,330
	$ 518,330	$ 518,330
Due to Other		
Mortgage Note due October 15, 2011 Interest at 10.0%	$ 504	$ 549
Less: Current Maturities	$ (49)	$ (45)
	$ 455	$ 504
Total Long Term Debt	$ 518,785	$ 518,834

On July 1, 2006, the note formerly held by CEFC was assigned to HEL. Neither the terms nor the amounts of debt were affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments. Prior to the assignment interest payments were made monthly. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of June 30, 2010, accrued interest related to the intercompany note totaled $106,828. Since the note is due to an affiliate, a determination of fair value is not considered meaningful.

Because the Company has both the intent and the ability to extend this liability, the Note Payable due December 31, 2010 is classified as long term debt on the balance sheet as of June 30, 2010.

NOTE 11 – OTHER LIABILITIES

Other Liabilities as of June 30 consisted of the following:

	2010	2009
Due to Affiliates, Atlantic City Region	$ 94,986	$ 89,476
Due to Affiliates, Other	39,768	39,223
ACES Minority Interest Liability	-	13,470
CRDA-Seat Licenses	4,463	7,517
Deferred Tax Liability	32,894	13,676
	$ 172,111	$ 163,362

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

(All dollar amounts in thousands)

Litigation – The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.

Insurance Reserve - The Company is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets include insurance allowances of $410 and $400 as of June 30, 2010 and 2009, respectively. Actual results may differ from these reserve amounts.

CRDA Investment Obligation - The New Jersey Casino Control Act provides, among other things, for an assessment of licenses equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below-market rate.

As of June 30, CRDA related assets were as follows:

	2010	2009
CRDA Bonds — net of amortized costs	$ 3,949	$ 3,919
Deposits — net of reserves of $11,293 and $10,857	15,300	13,871
Total	$ 19,249	$ 17,790

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were $259 and $174 for the six months ended June 30, 2010 and 2009, respectively, and is included in CRDA Expense, in the consolidated statements of income.

The funds on deposit are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA.

Once CRDA Bonds are issued, we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA; they are not permitted to do otherwise. As such, the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds.

Accretion for the six months ended June 30, 2010 and 2009 was $18 and $98, respectively, and is included in CRDA Expense in the consolidated statements of income.

After the initial determination of fair value, the Company will analyze the recoverability of the CRDA Bonds on a quarterly basis and its affect on reported amount based upon the ability and likelihood of bonds to be repaid. When considering recoverability of the CRDA Bonds, the Company considers the relative credit-worthiness of each bondholder, historical collection experience and other information received from the CRDA. If indications exist that the amount expected to be recovered is less than its carrying value, the asset will be written down to its expected realizable amount.

All the Atlantic City casino properties (the “AC Industry”) and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the “NJSEA”) to provide funding to subsidize New Jersey’s horseracing industry. This agreement expired on January 1, 2009. The agreement provided that in exchange for funding, the NJSEA and the three active New Jersey racetracks would not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry provided $34,000 over a four-year period to the NJSEA and deposited another $62,000 into the Casino Expansion Fund (managed by the CRDA). The Company’s obligation was equal to its fair-share of AC Industry casino revenues, and the Company is eligible to receive funds deposited as a result of this obligation from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

In August 2008, the AC Industry entered into a new agreement with the NJSEA that will provide $90 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 estimated at $10,634, equal to its fair-share of AC Industry casino revenues. The total commitment is being charged to operations on a straight-line basis beginning January 2009 through December 31, 2011. The Company recognized $1,795 for payments to NJSEA for the six months ended June 30, 2010.