

Bally's Park Place Inc. (Bally's Atlantic City)

QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2010

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

Bally's Park Place Inc. (Bally's Atlantic City)

BALANCE SHEETS

AS OF DECEMBER 31, 2010 AND 2009

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$27,390	\$23,285
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2010, \$8,312; 2009, \$9,217).....	4	12,833	11,276
4	Inventories		1,302	1,152
5	Other Current Assets.....	5	11,357	10,322
6	Total Current Assets.....		52,882	46,035
7	Investments, Advances, and Receivables.....	6	541,550	526,830
8	Property and Equipment - Gross.....	2,7	846,021	832,049
9	Less: Accumulated Depreciation and Amortization.....	2,7	(99,913)	(65,931)
10	Property and Equipment - Net.....	7	746,108	766,118
11	Other Assets.....	8	31,422	34,090
12	Total Assets.....		\$1,371,962	\$1,373,073
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$10,009	\$9,926
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		1,084	1,279
17	Income Taxes Payable and Accrued.....		0	2,674
18	Other Accrued Expenses.....	9	167,540	119,294
19	Other Current Liabilities.....		2,807	3,082
20	Total Current Liabilities.....		181,440	136,255
	Long-Term Debt:			
21	Due to Affiliates.....	10	584,000	584,000
22	External.....	10	402	1,517
23	Deferred Credits		100,038	108,025
24	Other Liabilities.....	11	41,794	36,191
25	Commitments and Contingencies.....	14		
26	Total Liabilities.....		907,674	865,988
27	Stockholders', Partners', or Proprietor's Equity.....		464,288	507,085
28	Total Liabilities and Equity.....		\$1,371,962	\$1,373,073

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

Bally's Park Place Inc. (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino.....		\$425,345	\$474,382
2	Rooms.....		49,318	48,805
3	Food and Beverage.....		68,961	68,429
4	Other.....		14,915	14,551
5	Total Revenue.....		558,539	606,167
6	Less: Promotional Allowances.....		144,237	145,465
7	Net Revenue.....		414,302	460,702
	Costs and Expenses:			
8	Cost of Goods and Services.....		297,031	309,327
9	Selling, General, and Administrative.....		45,008	44,966
10	Provision for Doubtful Accounts.....		1,045	3,905
11	Total Costs and Expenses.....		343,084	358,198
12	Gross Operating Profit.....		71,218	102,504
13	Depreciation and Amortization.....		36,926	37,150
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	24,609	24,138
16	Income (Loss) from Operations.....		9,683	41,216
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(49,640)	(49,640)
18	Interest Expense - External.....		(251)	(297)
19	CRDA Related Income (Expense) - Net.....		(1,283)	478
20	Nonoperating Income (Expense) - Net.....		494	(92)
21	Total Other Income (Expenses).....		(50,680)	(49,551)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(40,997)	(8,335)
23	Provision (Credit) for Income Taxes.....	13	(13,577)	(2,386)
24	Income (Loss) Before Extraordinary Items.....		(27,420)	(5,949)
25	Extraordinary Items (Net of Income Taxes - 2010, \$0; 2009, \$0).....			
26	Net Income (Loss).....		(\$27,420)	(\$5,949)

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

Bally's Park Place Inc. (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2010 AND 2009

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	Revenue:			
1	Casino.....		\$90,150	\$107,321
2	Rooms.....		11,232	11,292
3	Food and Beverage.....		13,641	15,138
4	Other.....		3,021	3,473
5	Total Revenue.....		118,044	137,224
6	Less: Promotional Allowances.....		31,383	35,546
7	Net Revenue.....		86,661	101,678
	Costs and Expenses:			
8	Cost of Goods and Services.....		67,517	75,526
9	Selling, General, and Administrative.....		11,635	10,924
10	Provision for Doubtful Accounts.....		308	664
11	Total Costs and Expenses.....		79,460	87,114
12	Gross Operating Profit.....		7,201	14,564
13	Depreciation and Amortization.....		9,586	9,478
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	5,863	6,524
16	Income (Loss) from Operations.....		(8,248)	(1,438)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(12,410)	(12,410)
18	Interest Expense - External.....		(43)	(176)
19	CRDA Related Income (Expense) - Net.....		334	1,618
20	Nonoperating Income (Expense) - Net.....		66	233
21	Total Other Income (Expenses).....		(12,053)	(10,735)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(20,301)	(12,173)
23	Provision (Credit) for Income Taxes.....		(7,887)	(2,598)
24	Income (Loss) Before Extraordinary Items.....		(12,414)	(9,575)
	Extraordinary Items (Net of Income Taxes -			
25	2010, \$_____; 2009, \$_____).....			
26	Net Income (Loss).....		(\$12,414)	(\$9,575)

The accompanying notes are an integral part of the financial statements.
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Bally's Park Place Inc. (Bally's Atlantic City)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2010

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2008.....		100	\$1	0	\$0	\$597,787	\$0	(\$84,754)	\$513,034
2	Net Income (Loss) - 2008.....								(5,949)	(5,949)
3	Contribution to Paid-in-Capital.....								0	0
4	Dividends.....								0	0
5	Prior Period Adjustments.....								0	0
6									0	0
7									0	0
8									0	0
9									0	0
10	Balance, December 31, 2009.....		100	1	0	0	597,787	0	(90,703)	507,085
11	Net Income (Loss) - 2010.....								(27,420)	(27,420)
12	Contribution to Paid-in-Capital.....								0	0
13	Dividends.....								0	0
14	Prior Period Adjustments.....								0	0
15	ASC 740 Adjustment	2							(15,377)	(15,377)
16									0	0
17									0	0
18									0	0
19	Balance, December 31, 2010		100	\$1	0	\$0	\$597,787	\$0	(\$133,500)	\$464,288

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

Bally's Park Place Inc. (Bally's Atlantic City)
STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$51,641	\$78,295
	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.....		(14,846)	(3,943)
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations		(5,547)	(5,714)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		623	
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(19,770)	(9,657)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		0	(92)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Change in payable to/receivable from affiliate		(27,766)	(73,219)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(27,766)	(73,311)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		4,105	(4,673)
25	Cash and Cash Equivalents at Beginning of Period.....		23,285	27,958
26	Cash and Cash Equivalents at End of Period.....		\$27,390	\$23,285
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$251	\$324
28	Income Taxes.....		\$1,720	\$577

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

Bally's Park Place Inc. (Bally's Atlantic City)

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2010 (c)	2009 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(27,420)	(5,949)
30	Depreciation and Amortization of Property and Equipment.....		34,847	35,092
31	Amortization of Other Assets.....		2,079	2,058
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		1,492	804
34	Deferred Income Taxes - Noncurrent		(7,987)	(8,438)
35	(Gain) Loss on Disposition of Property and Equipment.....		9	35
36	(Gain) Loss on CRDA-Related Obligations.....		1,283	(478)
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		(1,557)	1,937
39	(Increase) Decrease in Inventories		(150)	1,391
40	(Increase) Decrease in Other Current Assets.....		(2,527)	3,232
41	(Increase) Decrease in Other Assets.....		589	(3,702)
42	Increase (Decrease) in Accounts Payable.....		83	705
43	Increase (Decrease) in Other Current Liabilities		45,297	49,142
44	Increase (Decrease) in Other Liabilities		5,603	2,466
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$51,641	\$78,295

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$14,846)	(\$4,959)
49	Less: Capital Lease Obligations Incurred.....		0	1,016
50	Cash Outflows for Property and Equipment.....		(\$14,846)	(\$3,943)
	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.....			
59	Consideration in Acquisition of Business Entities.....			
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.

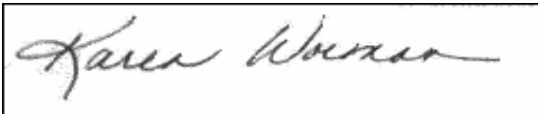
Bally's Park Place Inc. (Bally's Atlantic City)
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 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.

3/31/2011

Date



Karen Worman

Vice President of Finance

Title

6320-11

License Number

On Behalf of:

Bally's Park Place Inc. (Bally's Atlantic City)

Casino Licensee

BALLY’S PARK PLACE, INC. (Bally’s Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

The accompanying financial statements include the accounts of Bally’s Park Place, Inc., a New Jersey corporation (the “Company”), an indirect, wholly owned subsidiary of Caesars Operating Company, Inc. (“CEOC”), (formerly Harrah’s Operating Company, Inc.) which is a direct wholly owned subsidiary of Caesars Entertainment, Inc. (“Caesars”). (formerly Harrah's Entertainment, Inc.) On November 23, 2010 Harrah's Entertainment, Inc. was changed to Caesars Entertainment Corporation. The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as “Bally’s Atlantic City.”

The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The Company is licensed to operate the facility by the New Jersey 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 July 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Land, Buildings and Equipment - 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 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. If undiscounted expected future cash flows are 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. No impairment was recognized by the Company for all periods presented in the statements of operations.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Goodwill and Other Intangible Assets – The Company accounts for goodwill and other intangible assets in accordance with Accounting Standard Codification (“ASC”) 350, Intangible Assets, Goodwill and Other. The Company performs at least an annual review of intangible assets for impairment.

The Company maintains customer relationships (database) totaling \$24,700. The customer relationships have been determined to have a useful life of twelve years and are being amortized using the straight-line method. Amortization expense for the twelve months ended December 31, 2010, and 2009 was approximately \$2,058 and \$2,058 respectively. Estimated annual amortization expense for customer relationships for each of the years ending December 31, 2010, 2011, 2012, 2013 and 2014 is approximately \$2,058.

Fair Value of Financial Instruments — The carrying amount of current assets 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 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.

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 December 31:

	<u>2010</u>	<u>2009</u>
Rooms	\$12,926	\$13,613
Food and Beverage	33,608	35,201
Other	3,800	3,657
Bus Program Cash	246	2,744
Promotional Gaming Credits	49,192	37,049
Other Cash Complimentaries	17,745	26,051
	<u>\$117,517</u>	<u>\$118,315</u>

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Total Rewards Program Liability - The Company's customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of affiliated casinos throughout the United States. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, the expense of reward credits is accrued after consideration of estimated forfeitures (defined as "breakage"), as they are earned. The estimated cost to provide reward credits is expensed at the property where they are earned and is included in casino expense on the accompanying consolidated statements of operations. 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, 2010 and 2009, \$3,552 and \$3,528, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions. These amounts reside on Caesars balance sheet and thus are included in the due from affiliates balance in the accompanying balance sheets of the Company.

In addition to reward credits, the Company's customers can earn points based on play that are redeemable in cash ("cash-back points"). The Company accrues the costs 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, 2010 and 2009, the liability related to outstanding cash-back points, which is based on historical redemption activity, was approximately \$606 and \$779, respectively. Of this, \$270 and \$779, respectively, reside on Caesars Balance Sheet and thus are included in the due from affiliates balance in the accompanying consolidated balance sheets of the company.

Fair Value of Financial Instruments — The carrying amount of current assets 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 CRDA bonds and deposits approximately reflect their fair value based upon their below-market interest rates.

Investments in Subsidiaries - The Company has an investment in Atlantic City Country Club 1, LLC ("ACCC") reflected in the accompanying financial statements using the equity method.

Advertising Expenses — Advertising costs are expensed as incurred. Advertising expenses are approximately \$3,311, and \$3,696 for the twelve months ended December 31, 2010 and 2009, respectively. Advertising expenses are included in selling, general and administrative expenses in the statements of income.

Gaming Tax — The Company remits weekly to the CCC a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the CCC for the twelve months ended December 31, 2010 and 2009, which are included in casino expenses in the accompanying statements of income, were approximately \$34,087 and \$37,744, respectively.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

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

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date. The Company 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 CEOC that had uncertain income tax positions reflected at CEOC. 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 financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company participates with CEOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by CEOC on a consolidated basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis.

Cash Activity With CEOC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to CEOC on a daily basis. Cash transfers from CEOC to the Company are also made based upon the needs 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 - CEOC maintains a defined contribution savings and retirement plan in which employees of the Company may participate. The plan, among other things, provides for pretax and after-tax contributions by employees.

Amounts contributed to the plan are invested, at the participant's direction, in up to 19 separate

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

funds. Participants become vested in the matching contributions over five years of credited service.

CEOC also maintains deferred compensation plans, stock option 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 CEOC to the Company for its employees' participation in these programs are included in the administrative and other services charge discussed above

Certain employees of the Company are covered by union-sponsored, collectively bargained multi-employer pension plans (the "Pension Plans"). The Company's contribution expense totaled \$4,287 and \$4,204 in 2010 and 2009, respectively. The Pension Plan's administrators do not provide sufficient information to enable the Company to determine their share, if any, of unfunded vested benefits.

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

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 Caesars 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, 2011, as well as pro rata, in certain circumstances. The Company recognized approximately \$353 and \$294 for equity award options in 2010 and 2009 respectively.

Atlantic City Country Club 1, LLC. - The net operating costs of ACCC are allocated to the Company as well as Caesars Atlantic City, Showboat Atlantic City and Harrah's Atlantic City, affiliates of the Company. The Company was charged approximately \$165 and \$214 for the twelve months ended December 31, 2010 and 2009, respectively, for these services. 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 CEOC for administrative and other services (including consulting, legal, marketing, information technology, accounting, and insurance). The Company was charged approximately \$24,609 and \$24,138 for the twelve months ended December 31, 2010 and 2009, respectively, for these services.

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of December 31 consist of the following:

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

	<u>2010</u>	<u>2009</u>
Casino Receivable (Net of allowance for doubtful accounts \$8,143 in 2010 and \$9,105 in 2009)	\$6,650	\$7,657
Other (Net of allowance for doubtful accounts of \$169 in 2010 and \$112 in 2009)	5,867	3,619
Current Portion of Notes Receivable	316	0
	<u>\$12,833</u>	<u>\$11,276</u>

NOTE 5- OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of December 31 consist of the following:

	<u>2010</u>	<u>2009</u>
Tax Deferred Asset	\$3,558	\$5,050
NJ Sports and Expo Purse Agreement	3,900	3,900
Other	3,899	1,372
	<u>\$11,357</u>	<u>\$10,322</u>

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of December 31 consist of the following:

	<u>2010</u>	<u>2009</u>
Due from Caesars:	\$500,482	\$487,251
Investment in wholly owned subsidiaries(see Note 2)	14,398	14,398
Atlantic City Country Club 1, LLC		
Casino Reinvestment Development Authority Investment obligations	26,518	24,984
(net of valuation reserves of \$19,473 in 2010 and \$19,428 in 2009)		
Jacobs Family Terrace mortgage receivable	152	197
(net of valuation reserves of \$250 in 2010 and 2009)		
	<u>\$541,550</u>	<u>\$526,830</u>

The amounts due from Caesars as of December 31 are unsecured and non-interest bearing.

NOTE 7- LAND, BUILDING AND EQUIPMENT

Property and equipment as of December 31 consist of the following:

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

	<u>2010</u>	<u>2009</u>
Land	\$277,961	\$277,961
Buildings and Improvements	459,824	457,695
Furniture, Fixtures and Equipment	100,082	91,435
Construction in progress	8,154	4,958
	<u>\$846,021</u>	<u>\$832,049</u>
Less accumulated depreciation	<u>(99,913)</u>	<u>(65,931)</u>
	<u>\$746,108</u>	<u>\$766,118</u>

NOTE 8- OTHER ASSETS

Other assets as of December 31 consist of the following:

	<u>2010</u>	<u>2009</u>
Intangible asset (net of accumulated amortization of \$5,489 in 2010 and \$3,431 in 2009)	\$18,697	\$20,755
Notes Receivable-Net of current portion	10,252	10,568
Non-Current CRDA	2,034	2,340
Other	439	427
	<u>\$31,422</u>	<u>\$34,090</u>

See Note 2 for discussion of Goodwill and Other Intangible Assets.

NOTE 9- OTHER ACCRUED EXPENSES

Other accrued expenses as of December 31 consist of the following:

	<u>2010</u>	<u>2009</u>
Accrued Interest	\$145,184	\$95,544
Accrued Payroll	9,239	10,198
Other	13,127	13,552
	<u>\$167,540</u>	<u>\$119,294</u>

NOTE 10- LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER

Long-term debt-due to affiliates and other as of December 31 consist of the following:

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

	<u>2010</u>	<u>2009</u>
8.5% Note payable to Harrah's Entertainment Ltd. ("HEL") due January 1, 2019	\$500,000	\$500,000
8.5% Note Payable To HEL due May 31, 2011	33,500	33,500
8.5% Note Payable To HEL due May 31, 2011	50,000	50,000
8.5% Note Payable To HEL due January 1, 2019	500	500
	\$584,000	\$584,000
Long-term debt-other:	\$402	\$1,517

On July 1, 2006, the four promissory notes formerly held by Caesars Entertainment Finance Corporation ("CEFC") were 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 December 31, 2010 and 2009, accrued interest related to the four inter-company notes totaled \$145,184 and \$95,544 respectively. Since the notes are due to an affiliate, a determination of fair value is not considered meaningful.

The Company amended and restated its notes payable to HEL originally due January 1, 2009 in the amount of \$500,000. The new amended and restated note payable has the same terms and conditions and at the same interest rate but with a new maturity date of January 1, 2019.

Because the Company has both the intent and the ability to extend this liability, the \$83,500 Note Payables due May 31, 2011 is classified as long term debt on the balance sheet as of December 31, 2010.

NOTE 11 - OTHER LIABILITIES

As of December 31, Other Liabilities were as follows:

	<u>2010</u>	<u>2009</u>
Retirement and Other Employee benefit Plans	\$430	\$762
Deferred Tax Liability	41,364	35,429
	\$41,794	\$36,191

NOTE 12 – LEASES

The Company leases equipment used in operations and classifies those leases as either capital or

BALLY’S PARK PLACE, INC. (Bally’s Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

operating leases following the provisions of ASC 840, “Leases”. The Company has entered into operating leases for office equipment and slot machines which expire on various dates through 2012. In 2008, the Company entered into capital leases for approximately \$3,913 for gaming equipment, which is included in Furniture, Fixtures, and Equipment in the accompanying Balance Sheet. Rental expense included in the accompanying statement of operations for the year ended December 31, 2010 and 2009 was approximately \$4,398 and \$3,576 respectively.

Future minimum lease payments due under non-cancelable leases as of December 31, 2010 are as follows ((In thousands):

	CAPITAL	OPERATING
2011	\$ 1,133	\$ 1,766
2012	<u>-</u>	<u>698</u>
Total Minimum Lease payments	1,133	2,464
Less: imputed interest	<u>(47)</u>	<u> </u>
Present value of net minimum lease payments	<u><u>1,086</u></u>	<u><u>2,464</u></u>

NOTE 13 – INCOME TAX PROVISION

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

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

The tax years that remain open for examination for Caesars major jurisdictions are 2002 through 2009 for New Jersey due to our execution of New Jersey statute of limitations extensions and 2005 through 2009 for the United States.

Significant components of the provision (benefit) for income taxes for the years ended December 31, 2010 and 2009 are as follows (in thousands):

Provision (benefit) for income taxes	<u>2010</u>	<u>2009</u>
Current:		
Federal	(\$6,337)	(\$2,988)
State	(746)	6,654
	(\$7,083)	\$3,666
Deferred	(\$6,494)	(\$6,052)
Provision for income taxes	(\$13,577)	(\$2,386)

The provision (benefit) for income taxes for the years ended December 31, 2010 and 2009 differ from the federal statutory rate of 35% primarily due to state income taxes, the impact of nondeductible expenses, federal tax credits and the accrual for uncertain tax positions.

The Company does not have a formal tax sharing agreement in place with its parent entity for federal income tax purposes. Therefore, Caesars or CEOC pays all of the Company's federal income taxes of which the Company's portion was (\$6,337) in 2010 and (\$2,988) in 2009.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities as of December 31, 2010 and 2009 relate primarily to property, intangible assets, and federal net operating loss and tax credits carryovers.

As of December 31, 2010 the Company had a Federal net operating loss ("NOL") carry forward of \$38,228 which will begin to expire in 2029. In addition, the Company had federal general business tax credits carry forward of \$1,077 which will begin to expire in 2029. As of December 31, 2010, no valuation allowance has been established for the Company's NOL carry forwards or general business tax credits carry forward deferred tax assets because the Company has sufficient future tax liabilities arising within the carry forward periods. However, the Company will continue to assess the need for an allowance in future periods.

We recognize interest and penalties accrued related to unrecognized tax benefits in income tax expense. We accrued approximately \$2,469 and \$1,809 during 2010 and 2009, respectively. In total, we accrued \$14,413 and \$11,944 for the payment of interest and penalties at December 31,

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

2010 and December 31, 2009, respectively.

It is reasonably possible that the amount of unrecognized tax benefits could increase or decrease within the next twelve months. Management estimates that the amount of unrecognized tax benefits will not change significantly within the next twelve months.

The reconciliation of the beginning and ending amount of unrecognized tax benefits are as follows :

Balance at January 1, 2009	\$ 23,388
Additions based on tax positions related to the current year	134
Additions for tax positions of prior years	0
Reductions for tax positions for prior years	(37)
Settlements	0
Expiration of Statutes	0
Balance at December 31, 2009	\$ 23,485
Additions based on tax positions related to the current year	0
Additions for tax positions of prior years	3,511
Reductions for tax positions for prior years	(46)
Settlements	0
Expiration of Statutes	0
Balance at December 31, 2010	\$26,950

NOTE 14 – 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.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

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 \$260 and \$550 as of December 31, 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 December 31, CRDA related assets were as follows:

	<u>2010</u>	<u>2009</u>
CRDA Bonds - net of amortized costs	\$9,075	\$9,107
Deposit - net of reserve	14,423	11,964
Direct Investments - net of reserves	26,690	27,749
	<u>\$50,188</u>	<u>\$48,820</u>

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$1,283 and (\$1,129) for the quarter ended December 31, 2010 and 2009, respectively, and is included in CRDA (income) expense, in the statements of income.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 33% to represent their fair value and eventual expected conversion into bonds by the CRDA. Once CRDA Bonds are issued we have concluded that the bonds are held-to-maturity since the Company has the ability and the intent to hold these bonds to maturity and under the CRDA, they are not permitted to do otherwise. As such the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value. The Company accretes such discount over the remaining life of the bonds. Accretion for the quarter ended December 31, 2010 and 2009 was \$108 and \$97 respectively, and is included in CRDA (income) expense in the 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

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

expected realizable amount.

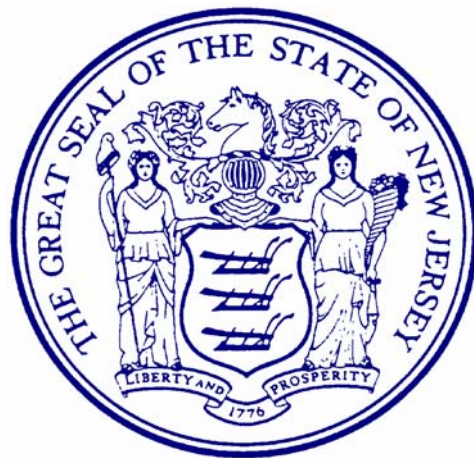
All the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. This agreement expired on January 1, 2009. The agreement provided that 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 December 31, 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 \$11,193 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's obligation is equal to its fair-share of AC Industry casino revenues. The Company paid \$3,609 and 3,749 for the years ended December 31, 2010 and 2009, respectively, to the NJSEA under the new agreement.

Bally's Park Place Inc. (Bally's Atlantic City)
ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2010

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

Bally's Park Place Inc. (Bally's Atlantic City)
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2010

(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.....	\$4,333		
2	Returned Patrons' Checks.....	10,776		
3	Total Patrons' Checks.....	15,109	\$8,143	\$6,966
4	Hotel Receivables.....	1,348	169	\$1,179
	Other Receivables:			
5	Receivables Due from Officers and Employees....	557		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	4,132		
8	Total Other Receivables.....	4,688		\$4,688
9	Totals (Form CCC-205).....	\$21,145	\$8,312	\$12,833

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$5,343
11	Counter Checks Issued.....	129,987
12	Checks Redeemed Prior to Deposit.....	(101,193)
13	Checks Collected Through Deposits.....	(24,482)
14	Checks Transferred to Returned Checks.....	(5,322)
15	Other Adjustments.....	
16	Ending Balance.....	\$4,333
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$854
19	Provision as a Percent of Counter Checks Issued.....	0.7%

Bally's Park Place Inc. (Bally's Atlantic City)

EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2010

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	1,047			
2	Slot Machines	87			
3	Administration	10			
4	Casino Accounting	162			
5	Simulcasting	13			
6	Other	102			
7	Total - Casino	1,421	\$41,125		\$41,125
8	ROOMS	436	10,728	231	10,959
9	FOOD AND BEVERAGE	1,150	23,820	109	23,929
10	GUEST ENTERTAINMENT	219	1,531		1,531
11	MARKETING	30	329	785	1,113
12	OPERATION AND MAINTENANCE	377	13,012		13,012
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	22	630	724	1,354
14	Accounting and Auditing	76	2,957	33	2,990
15	Security	233	8,215		8,215
16	Other Administrative and General	76	4,721	284	5,005
	OTHER OPERATED DEPARTMENTS:				
17	PBX	21	579		579
18					0
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	4,061	\$107,647	\$2,166	\$109,813

BALLY'S ATLANTIC CITY

ANNUAL GROSS REVENUE TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2010

Line

CASINO WIN:

1.	Table and Other Games.....	\$ 142,366,290
2.	Slot Machines	283,638,705
3.	Total Casino Win.....	426,004,995
4.	Adjustments.....	
5.	Gross Revenue (line 3 plus line 4).....	426,004,995
6.	Deduction for Eligible Promotional Gaming Credits.....	38,339,682
7.	Taxable Gross Revenue (line 5 minus line 6).....	387,665,313
8.	Tax on Gross Revenue - Reporting Year (8% of line 7).....	31,013,225
9.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	6,263
10.	Total Taxes on Gross Revenue (the sum of lines 8 and 9).....	31,019,488

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.



03/09/11

Date

William Pangoras

Operations Controller (1792-11)

Title (License Number)