HARRAH'S RESORT, ATLANTIC CITY
QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2011

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

HARRAH'S RESORT, ATLANTIC CITY
BALANCE SHEETS

AS OF DECEMBER 31, 2011 AND 2010

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$48,283	$32,825
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2011, $12,556; 2010, $9,254)	4	22,047	21,868
4	Inventories	2	1,687	2,009
5	Other Current Assets	5	13,502	14,166
6	Total Current Assets		85,519	70,868
7	Investments, Advances, and Receivables	6	584,201	600,330
8	Property and Equipment - Gross	2,7	1,464,736	1,453,866
9	Less: Accumulated Depreciation and Amortization	2,7	(189,020)	(142,342)
10	Property and Equipment - Net	2,7	1,275,716	1,311,524
11	Other Assets	8	48,245	59,874
12	Total Assets		$1,993,681	$2,042,596
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$11,451	$10,775
14	Notes Payable		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates		0	0
16	External		0	0
17	Income Taxes Payable and Accrued	2	0	0
18	Other Accrued Expenses	9	22,436	22,987
19	Other Current Liabilities		2,225	2,872
20	Total Current Liabilities		36,112	36,634
	Long-Term Debt:			
21	Due to Affiliates		0	0
22	External	10	897,928	926,141
23	Deferred Credits		240,681	264,213
24	Other Liabilities	11	22,282	20,739
25	Commitments and Contingencies	15	0	0
26	Total Liabilities		1,197,003	1,247,727
27	Stockholders', Partners', or Proprietor's Equity		796,678	794,869
28	Total Liabilities and Equity		$1,993,681	$2,042,596

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

HARRAH'S RESORT, ATLANTIC CITY
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino		$436,500	$450,782
2	Rooms		79,242	78,263
3	Food and Beverage		85,455	82,552
4	Other		28,265	26,518
5	Total Revenue		629,462	638,115
6	Less: Promotional Allowances	2	162,338	159,094
7	Net Revenue		467,124	479,021
	Costs and Expenses:			
8	Cost of Goods and Services		289,892	284,338
9	Selling, General, and Administrative		58,930	57,483
10	Provision for Doubtful Accounts		5,929	2,640
11	Total Costs and Expenses		354,751	344,461
12	Gross Operating Profit		112,373	134,560
13	Depreciation and Amortization		51,220	54,365
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	45,611	41,812
16	Income (Loss) from Operations		15,542	38,383
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External		(37,524)	(44,139)
19	CRDA Related Income (Expense) - Net		(3,554)	(1,892)
20	Nonoperating Income (Expense) - Net	14	6,344	20,139
21	Total Other Income (Expenses)		(34,734)	(25,892)
22	Income (Loss) Before Taxes and Extraordinary Items		(19,192)	12,491
23	Provision (Credit) for Income Taxes	2,13	(6,927)	5,290
24	Income (Loss) Before Extraordinary Items		(12,265)	7,201
25	Extraordinary Items (Net of Income Taxes - 2011, $0; 2010, $0)		0	0
26	Net Income (Loss)		($12,265)	$7,201

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

FOR THE THREE MONTHS ENDED DECEMBER 31, 2011 AND 2010

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino		$97,315	$98,642
2	Rooms		18,406	17,354
3	Food and Beverage		20,401	17,716
4	Other		7,054	6,118
5	Total Revenue		143,176	139,830
6	Less: Promotional Allowances	2	37,662	35,053
7	Net Revenue		105,514	104,777
	Costs and Expenses:			
8	Cost of Goods and Services		70,452	68,248
9	Selling, General, and Administrative		12,973	13,635
10	Provision for Doubtful Accounts		3,959	446
11	Total Costs and Expenses		87,384	82,329
12	Gross Operating Profit		18,130	22,448
13	Depreciation and Amortization		12,916	13,771
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	12,197	12,893
16	Income (Loss) from Operations		(6,983)	(4,216)
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	0
18	Interest Expense - External		(9,358)	(9,205)
19	CRDA Related Income (Expense) - Net		(1,160)	(194)
20	Nonoperating Income (Expense) - Net	14	(910)	11,416
21	Total Other Income (Expenses)		(11,428)	2,017
22	Income (Loss) Before Taxes and Extraordinary Items		(18,411)	(2,199)
23	Provision (Credit) for Income Taxes	2,13	(7,454)	(1,359)
24	Income (Loss) Before Extraordinary Items		(10,957)	(840)
	Extraordinary Items (Net of Income Taxes -			
25	2011, $0; 2010, $0)		0	0
26	Net Income (Loss)		($10,957)	($840)

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

HARRAH'S RESORT, ATLANTIC CITY
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2011

(UNAUDITED)
($ IN THOUSANDS)

			Common Stock		Preferred Stock					
Line (a)	Description (b)	Notes	Shares (c)	Amount (d)	Shares (e)	Amount (f)	Additional Paid-In Capital (g)	Accumulated Comprehensive Income/Loss (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, December 31, 2009..........**		25	$25			$918,547	($3,558)	($120,916)	$794,098
2	Net Income (Loss) - 2010.............								7,201	7,201
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....................................									0
5	Prior Period Adjustments.............	2							(300)	(300)
6	Comprehensive Income(Loss)							(1,456)		(1,456)
7	Fin 48 Adjustment	2							(4,674)	(4,674)
8										0
9										0
10	**Balance, December 31, 2010..........**		25	25	0	0	918,547	(5,014)	(118,689)	794,869
11	Net Income (Loss) - 2011.............								(12,265)	(12,265)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....................................									0
14	Prior Period Adjustments.............	13							12,460	12,460
15	Comprehensive Income(Loss)							1,614		1,614
16										0
17										0
18										0
19	**Balance, December 31, 2011……...**		25	$25	0	$0	$918,547	($3,400)	($118,494)	$796,678

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

HARRAH'S RESORT, ATLANTIC CITY
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$50,527	$30,692
	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...........................		(10,568)	(6,430)
5	Proceeds from Disposition of Property and Equipment..........		0	321
6	CRDA Obligations		(5,496)	(5,899)
7	Other Investments, Loans and Advances made......................		0	0
8	Proceeds from Other Investments, Loans, and Advances		358	424
9	Cash Outflows to Acquire Business Entities..........................		0	0
10	....		0	0
11	....		0	0
12	Net Cash Provided (Used) By Investing Activities....................		(15,706)	(11,584)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt		0	0
14	Payments to Settle Short-Term Debt......................................		0	0
15	Proceeds from Long-Term Debt		0	0
16	Costs of Issuing Debt..		0	0
17	Payments to Settle Long-Term Debt......................................		(19,363)	(26,214)
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...................		(19,363)	(26,214)
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		15,458	(7,106)
25	Cash and Cash Equivalents at Beginning of Period...................		32,825	39,931
26	Cash and Cash Equivalents at End of Period............................		$48,283	$32,825

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................		$29,697	$32,462
28	Income Taxes..		$1,260	$1,880

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

HARRAH'S RESORT, ATLANTIC CITY
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)...		($12,265)	$7,201
30	Depreciation and Amortization of Property and Equipment...		47,012	50,157
31	Amortization of Other Assets...		4,208	4,208
32	Amortization of Debt Discount or Premium..........................		0	492
33	Deferred Income Taxes - Current		583	(1,802)
34	Deferred Income Taxes - Noncurrent		(23,532)	13,836
35	(Gain) Loss on Disposition of Property and Equipment.........		(27)	(318)
36	(Gain) Loss on CRDA-Related Obligations..........................		3,554	0
37	(Gain) Loss from Other Investment Activities......................		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks		(420)	(2,658)
39	(Increase) Decrease in Inventories		322	(367)
40	(Increase) Decrease in Other Current Assets.........................		81	(45)
41	(Increase) Decrease in Other Assets......................................		21,130	947
42	Increase (Decrease) in Accounts Payable..............................		44	(236)
43	Increase (Decrease) in Other Current Liabilities		(1,198)	(21,421)
44	Increase (Decrease) in Other Liabilities		1,619	7,039
45	(Increase) Decrease in Other Receivable or Adva		17,901	(4,896)
46	(Gain) Loss on early retirment of Debt		(8,485)	(21,445)
47	Net Cash Provided (Used) By Operating Activities...................		$50,527	$30,692

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment..................................		($10,568)	($6,430)
49	Less: Capital Lease Obligations Incurred.............................		0	0
50	Cash Outflows for Property and Equipment..............................		($10,568)	($6,430)
	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.

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

FOR THE QUARTER ENDED DECEMBER 31, 2011

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Division of Gaming Enforcement'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 requirements contained in N.J.S.A. 5:12-84(a)1-5 during the quarter.

March 31, 2012
Date

Scott Noey
Scott Noey

Vice President of Finance
Title

009094-11
License Number

On Behalf of:

HARRAH'S RESORT, ATLANTIC CITY
Casino Licensee

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

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Harrah's Atlantic City Holding, Inc. and Subsidiaries (the "Company", "HACH") operates a casino hotel resort located in the Marina District of Atlantic City, New Jersey, known as Harrah's Resort Atlantic City. The Company is a wholly owned subsidiary of Caesars Entertainment, Inc. ("Caesars") (formerly Harrah's Entertainment, Inc.). A substantial portion of the Company's revenues is derived from gaming 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 as published by the CCC. The Company's license is subject to renew every five years with the current license expiring June 2013.

On February 1, 2011 the Governor signed into law a bill which transferred certain regulatory authority from the New Jersey Casino Control Commission ("CCC") to the New Division of Gaming Enforcement ("DGE").

On January 28, 2008, Caesars 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." Prior to the Acquisition, Marina Associates and Subsidiary (the "Predecessor Company") operated as a General Company and owned and operated Harrah's Casino Hotel Atlantic City. The Predecessor Company was an indirect, wholly owned subsidiary of Caesars Entertainment Operating Company ("CEOC") (formerly Harrah's Operating Company, Inc.), which is a direct wholly owned subsidiary of Caesars.

In conjunction with the Acquisition, the Predecessor Company, along with five affiliates, was spun off from CEOC for the purpose of obtaining financing in the form of commercial mortgaged-backed securities ("CMBS") in order to effect the Acquisition. 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 HACH (Note 10).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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 costs 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 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.

Deferred Assets - Debt issue costs are amortized to interest expense based on the related debt agreement using the straight-line method, which approximates the effective interest method. A charge of $2,497 and $4,429 were included in interest expense in the statement of income for the December 31, 2011 and 2010 respectively.

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 had no goodwill recorded in the accompanying balance sheets as of December 31, 2011 and 2010, as a result of an impairment charge of $185.4 million subsequent to the Company being acquired in 2008. The Company performs at least an annual review of intangible assets for impairment.

The intangible assets include customer relationships (database) of $38,220 and $42,428 as of December 31, 2011 and 2010 respectively. The customer relationships have been determined to have a useful life of 13 years, and are being amortized using the straight-line method. Amortization expense was approximately $4,208 for each of the years ended December 31, 2011 and 2010. Based on the value allocated to amortizing intangibles the annual amortization expense is expected to be approximately $4,208 for each of the five succeeding fiscal years.

Investment in Atlantic City Express Service, LLC "ACES" - In 2006, the Company entered into an agreement with Caesars 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 December 31, 2011 and 2010 was approximately $26,873 and $26,873 respectively. ACES became operational on February 6, 2009. ACES net loss for the years ended December 31, 2011 and 2010 was $3,443 and $3,837 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. As a result of the consolidation of ACES, a prior period adjustment of $300 was made to retained earnings in March 2010 which is reflected in the accompanying statement of shareholders equity.

We evaluate our investment in the unconsolidated subsidiary for impairment when events or changes in circumstance indicate that the carrying value of such investment may have experienced an other than temporary decline in value. If such conditions exist, we compare the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determine whether such impairment is other than temporary based upon our assessment of all relevant factors. ACES suspended services during the year ended December 31, 2011, and accordingly, the joint venture agreement terminated, which will force a liquidation of the joint venture's assets. We recorded a non-cash impairment charge to the Company's investment in affiliates in the amount of $748, representing the amount by which the carrying value of the investment exceeded its potential liquidated value.

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.

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

(Dollars in Thousands)

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

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 tournament. Jackpots, other than 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 at December 31:

	2011	2010
Food and Beverage	$ 32,456	$ 31,702
Rooms	16,647	15,927
Other	6,906	6,053
Other Cash Complimentary	9,881	16,205
Promotional Gaming Credits	53,811	44,568
	$ 119,701	$ 114,455

Total Rewards Program Liability - The Company's customer loyalty program, Total Rewards, offers incentives to customers who gamble and shop 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 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 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. These amounts are recorded on Caesars' balance sheets with the incremental charges included in due from affiliates, net in the balance sheets. At December 31, 2011 and 2010, the accrued balances for the estimated cost of Total Rewards credit redemptions was $4,246 and $4,018 respectively.

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 on the accompanying Consolidated Statements of Income. At December 31, 2011 and 2010, the liability related to outstanding cash-back points, which is based on historical redemption activity, were $991 and $419 respectively.

Advertising Expenses – Advertising costs are expensed as incurred. Advertising expenses are $6,654 and $5,669 for the years ended December 31, 2011 and 2010 respectively. Advertising expenses are included in selling, general and administrative expenses in the accompanying statements of income.

Gaming Tax – The Company remits weekly to the State of New Jersey a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the State of New Jersey for the twelve months ended December 31, 2011 and 2010, which are included in cost of goods and services in the statement of income, were approximately $35,185 and $36,280, respectively.

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.

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.

Recently Issued Accounting Pronouncements — In May 2011, the FASB issued ASU 2011-04, *"Fair Value Measurement"* to provide updated guidance related to fair value measurement and disclosure requirements. The changes result in common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards ("IFRS") and change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. The changes were originally to be effective for the Company on January 1, 2012. In December 2011, the FASB issued updated guidance deferring the effective date indefinitely pending further deliberations by the FASB at a future date.

In September 2011, the FASB issued ASU 2011-09, *"Compensation — Retirement Benefits — Multiemployer Plans"* to provide updated guidance related to disclosures around employer's participation in multiemployer benefit plans. The updated guidance increases the quantitative and qualitative disclosures an employer will be required to provide about its participation in significant multiemployer plans that offer pension or other postretirement benefits. This update relates only to disclosures. There was no impact on the Company's financial position, results of operations, or cash flows upon adoption.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company participates with CEOC and Caesars' other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated, and managed 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.

The Company's property assets and capital stock are pledged as collateral for certain of CEOC's outstanding debt securities.

Certain of the more significant intercompany relationships among the Company, CEOC and other affiliates are discussed in this footnote.

Cash Activity with CEOC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to Caesars on a daily basis. Cash transfers from CEOC 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.

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 $45,611 and $41,812 for these services for the twelve months ended December 31, 2011 and 2010, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

(Dollars in Thousands)

Employee Benefit Plans — Caesars 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. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings. Due to economic conditions, Caesars suspended the employer match for all participating employees. As such, there were no Company contributions for the years ended December 31, 2011 and 2010, respectively.

Caesars also maintains deferred compensation plans, stock-option plans, and an executive supplemental savings plan under which certain employees of the Company's management may defer a portion of their compensation. The expenses charged by Caesars to the Company for employees' participation in these programs are included in the administrative and other services charge discussed above.

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 Company recognized approximately $350 and $257 for equity award options in 2011 and 2010 respectively.

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 $197 and $148 for these costs for the twelve months ended December 31, 2011 and 2010, respectively. The costs are included in other operating expenses in the accompanying statements of income

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

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

	2011	2010
Casino Receivables (Net of Allowance for Doubtful Accounts - 2011, $12,311 & 2010, $8,514	$ 12,205	$ 12,773
Other (Net of Allowance for Doubtful Accounts- 2011, $245 & 2010, $740)	9842	9,095
	$ 22,047	$ 21,868

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	2011	2010
Prepaid Air Charter	$ 2,971	$ 3,292
Prepaid State Income Tax	2,529	-
Prepaid Deferred State Income Tax	6,534	7,117
Prepaid Taxes	718	717
Prepaid Marketing	450	58
Prepaid Other	300	2,982
	$ 13,502	$ 14,166

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

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2011	2010
Due from Affiliates	$ 541,657	$ 557,804
Investment of ACES	2,800	5,131
Notes Receivable	11,247	10,541
CRDA obligation deposit-Net of Valuation Allowance of $9,455 and $8,538 at December 31, 2011 and 2010, respectively	19,403	17,569
CRDA obligation bonds-Net of Valuation Allowance of $3,664 and $3,616 at December 31, 2011 and 2010, respectively	4,065	3,852
CRDA Investments, Net	3,149	3,695
Other	1,880	1,738
	$ 584,201	$ 600,330

NOTE 7 – LAND, BUILDINGS AND EQUIPMENT

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

	2011	2010
Land and Land Improvements	$ 440,594	$ 439,998
Building and Improvements	891,100	885,598
Furniture Fixtures & Equipment	128,563	125,132
Construction in Progress	4,479	3,138
	1,464,736	1,453,866
Less: Accumulated Depreciation and Amortization	(189,020)	(142,342)
Land, Building and Equipment, Net	$ 1,275,716	$ 1,311,524

NOTE 8 - OTHER ASSETS

Other Assets as of December 31 consisted of the following:

	2011	2010
Intangible Asstes	$ 38,220	$ 42,428
Deferred Finance Charge	9,418	12,565
Interest Rate Cap Derivative	6	914
Other	601	3,967
	$ 48,245	$ 59,874

(Dollars in Thousands)

NOTE 9 - OTHER ACCRUED EXPENSES

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

	2011	2010
Accrued Salaries, Wages and Benefits	$ 4,010	$ 6,442
Taxes Payable	3,163	2,401
Accrued In-House Progressive Slot Liability	1,540	1,415
Accrued City Wide Progressive Slot Liability	367	182
Accrued Interest, Long-term debt	1,378	1,421
Accrued CCC/DGE Casino License Fees	519	770
Accrued Utilities	706	806
Accrued Health and Welfare Union	1,672	1,496
Accrued Charter Services	1,360	985
Other accrued Expenses	7,721	7,069
	$ 22,436	$ 22,987

NOTE 10 – LONG TERM DEBT

Long-term debt, due to other as of December 31 consists of the following:

	2011	2010
CMBS Financing - 3.28% & 3.25% at December 31, 2011 and 2010, respectively - Maturity 2015*	$ 897,928	$ 926,141

* Caesars is permitted to extend the maturity of the CMBS Loans from 2013 to 2015, subject to satisfying certain conditions, in connection with the amendment to the CMBS Facilities.

As of December 31, 2011, aggregate annual principal maturities for the five years subsequent to 2011 were as follows:

December 31,	
2012	$ -
2013	
2014	
2015	897,928
Total	$ 897,928

CMBS Financing — Caesars Entertainment obtained the CMBS Financing pursuant to the Loan Agreement and related First through Ninth mezzanine Loan Agreements, all dated January 28, 2008 (collectively, the “Loan Agreements”) On August 31, 2010, Caesars executed an agreement with the lenders to amend the terms of the CMBS Financing to, among other things, (i) provide the right to extend the maturity of the Loan Agreements, subject to certain conditions, by up to 2 years until February 2015, (ii) amend certain terms of the CMBS Loans with respect to reserve requirements, collateral rights, property release prices and the payment of management fees, (iii) provide for ongoing mandatory offers to repurchase CMBS Loans using excess cash flow from the CMBS Properties at discounted prices, (iv) provide for the amortization of the mortgage loan in certain minimum amounts upon the occurrence of certain conditions and (v) provide for certain limitations with respect to the amount of excess cash flow from the CMBS Properties that may be distributed to Caesars Entertainment. Any CMBS Loan purchased pursuant to the amendments will be canceled.

The Company's portion of the outstanding CMBS Financing during 2011 and 2010 was approximately 17.9%.

NOTE 11 - OTHER LIABILITIES

Other Liabilities as of December 31 consisted of the following:

	2011	2010
Reported Claims	$ 2,564	$ 2,560
CRDA-ACIA Funding	164	188
Deferred CRDA grant	354	406
Fin 48- Tax Reserve	19,200	17,585
	$ 22,282	$ 20,739

NOTE 12 - LEASES

The Company has operating leases for a storage warehouse, slot leases and computer equipment. These leases have various expiration dates. Rental expense for the years ended December 31, 2011 and 2010 were $5,549 and $3,334, respectively.

Future minimum lease payments due under these leases are as follows:

2012	$ 1,682
2013	1,183
2014	271
Total	$ 3,136

NOTE 13 – INCOME TAXES (BENEFIT)

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 2010 for New Jersey due to our execution of New Jersey statute of limitations extensions and 2005 through 2010 for the United States.

Significant components of the provision (benefit) for income taxes for the years ended December 31, 2011 and 2010 are as follows (in thousands)

(Dollars in Thousands)

Provision (benefit) for income taxes	2011	2010
Current:		
Federal	$ 1,472	$ (8,953)
State	(6)	(214)
	1,466	(9,167)
Deferred	(8,393)	14,457
Provision for income taxes	$ (6,927)	$ 5,290

The provision for income taxes for the years ended December 31, 2011 and 2010, 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 reports all of the Company's federal income taxes of which the Company's portion was an expense of $176 in 2011 and a benefit of $2,514 in 2010.

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 components of the Company's deferred tax assets and liabilities as of December 31, 2011 and 2010, were as follows:

	2011	2010
Deferred tax assets:		
Compensation programs	$ 292	$ 811
Allowance for doubtful accounts	5,129	3,780
Contingencies	9,555	8,422
CRDA investment obligation	15,092	14,181
Progressive jackpot liability	1,870	1,363
Tax credit carryovers	7,241	1,062
Net Operating loss carryovers	3,513	1,808
	42,692	31,427
Deferred tax liabilities:		
Depreciation and other property related items	(209,455)	(219,639)
Intangible assets	(15,613)	(17,332)
Debt costs	(51,561)	(48,884)
Other	(210)	(2,329)
	(276,839)	(288,184)
Net deferred tax liability	$ (234,147)	$ (256,757)

As of December 31, 2011 and 2010, the Company had federal net operating loss ("NOL") carryforwards of $10,377 and $9,994, respectively. These NOLs will begin to expire in 2029. In addition, the Company had federal general business tax credit carryforwards of $648 and an alternative minimum tax credit of $6,592 as of December 31, 2011. The general business credits will begin to expire in 2030 and the alternative minimum tax credit will not expire. The NOL carryforwards per the income tax returns included unrecognized tax benefits taken in prior years. Due to application of ASC Topic 740, the NOLs reflected on the tax returns are larger than the related deferred tax assets recognized for financial statement purposes. As of December 31, 2011, no valuation allowance has been established for the Company's federal NOL carryforward and tax credit carryforwards deferred tax assets because the Company believes it will have sufficient future tax liabilities arising within the carryforward periods. However, the Company will continue to assess the need for an allowance in future periods.

(Dollars in Thousands)

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company accrued approximately $1,211 and $1,042 of interest during 2011 and 2010, respectively. In total, the Company accrued $8,201 and $6,990 for the payment of interest and penalties at December 31, 2011 and December 31, 2010, 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.

During 2011, the Company identified certain deferred tax assets generated before 2009 related, primarily, to depreciation expense that were recorded on the financial statements of CEOC, the Company's parent, rather than being pushed down and recorded on the Company's financial statements. The net impact on the financial statements included in this report of correcting this error was to increase deferred tax assets and to increase retained earnings by $12,460 thousand in the current year. There were no cash or income statement impacts as a result of this correction.

NOTE 14 – NON-OPERATING INCOME (EXPENSE)

For the twelve months ended December 31, 2011 and 2010, Non-Operating Income (Expense) consisted of the following:

	2011	2010
Interest Income	$ 180	$ 215
Gain/Loss on Early Retirement Debt	8,485	21,445
Other	(2,321)	(1,521)
	$ 6,344	$ 20,139

NOTE 15 – COMMITMENTS AND CONTINGENCIES

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

Insurance Reserve - The Company is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets includes insurance allowances of $2,564 and $2,560 as of December 31, 2011 and 2010, 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:

	2011	2010
CRDA Bonds-net of amortized cost	$ 4,065	$ 3,852
Deposit - net reserves	19,403	17,569
Direct Investments - net of reserves	3,149	3,695
	$ 26,617	$ 25,116

The CRDA related assets are held in deferred charges and other non-current assets in the consolidated balance sheets.

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were $3,484 and $1,984 for the twelve months ended December 31, 2011 and 2010, respectively, and is included in CRDA related expenses, in the statement 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 twelve months ended December 31, 2011 and 2010 were $39 and $43, respectively, and is included in CRDA related expenses, in the statement 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 $10,616 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 paid $997 and $3,716 for the years ended December 31, 2011 and 2010, respectively, to the NJSEA under the new agreement.

All the Atlantic City casino properties (the “AC Industry”) and the CRDA entered into an agreement with the Atlantic City Alliance (the “ACA”) to provide funding to subsidize Atlantic City casino marketing. This agreement was signed on November 2, 2011 and is set to expire on December 31, 2016. The agreement provides that in exchange for funding, the ACA will create and implement a marketing plan for the AC Industry. As part of the agreement, the AC Industry provided an initial deposit of $5,000 in December 2011 and will continue to pay $30,000 annually for the next five years. The Company’s obligation was $386 in 2011. The Company’s obligation for its portion of future payments is estimated at $19,887 equal to its fair-share of AC Industry casino revenues.

HARRAH'S RESORT, ATLANTIC CITY
ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2011

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

OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL

HARRAH'S RESORT, ATLANTIC CITY
ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2011

(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	$8,121		
2	Returned Patrons' Checks	16,395		
3	Total Patrons' Checks	24,516	$12,311	$12,205
4	Hotel Receivables	1,203	245	$958
	Other Receivables:			
5	Receivables Due from Officers and Employees	15		
6	Receivables Due from Affiliates			
7	Other Accounts and Notes Receivables	8,869		
8	Total Other Receivables	8,884		$8,884
9	Totals (Form DGE-205)	$34,603	$12,556	$22,047

UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1)	$7,869
11	Counter Checks Issued	267,036
12	Checks Redeemed Prior to Deposit	(173,019)
13	Checks Collected Through Deposits	(79,791)
14	Checks Transferred to Returned Checks	(13,974)
15	Other Adjustments	
16	Ending Balance	$8,121
17	"Hold" Checks Included in Balance on Line 16	0
18	Provision for Uncollectible Patrons' Checks	$5,929
19	Provision as a Percent of Counter Checks Issued	2.2%

HARRAH'S RESORT, ATLANTIC CITY
ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2011

($ 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	944			
2	Slot Machines	100			
3	Administration	0			
4	Casino Accounting	159			
5	Simulcasting	3			
6	Other	202			
7	Total - Casino	1,408	$30,582	$459	$31,041
8	ROOMS	522	11,754	224	11,978
9	FOOD AND BEVERAGE	1,239	20,351		20,351
10	GUEST ENTERTAINMENT	159	2,237		2,237
11	MARKETING	24	677	299	976
12	OPERATION AND MAINTENANCE	242	9,381		9,381
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	2	0	629	629
14	Accounting and Auditing	64	1,340	293	1,633
15	Security	139	3,568		3,568
16	Other Administrative and General	217	5,703	108	5,811
	OTHER OPERATED DEPARTMENTS:				
17	Retail	46	1,167		1,167
18	Communications	22	243		243
19	Employee Cafeteria	31	726		726
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	4,115	$87,729	$2,012	$89,741