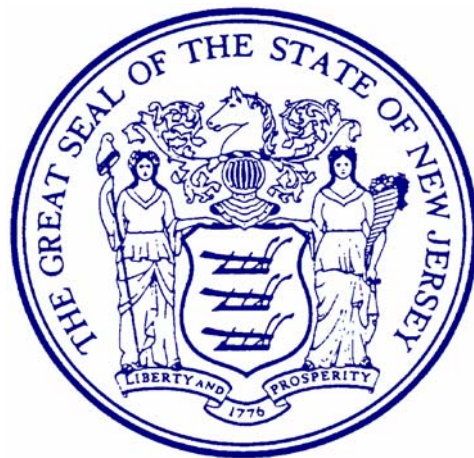


Bally's Park Place, Inc. (Bally's Atlantic City)

QUARTERLY REPORT

JUNE 30, 2007

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



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

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

BALANCE SHEETS

AS OF JUNE 30, 2007 AND 2006

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$42,994	\$43,605
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2007, \$6,686; 2006, \$6,903).....	4	12,655	16,420
4	Inventories		966	1,146
5	Other Current Assets.....	5	16,514	17,669
6	Total Current Assets.....		73,129	78,840
7	Investments, Advances, and Receivables.....	2, 6	756,273	817,485
8	Property and Equipment - Gross.....	2, 7	798,223	696,284
9	Less: Accumulated Depreciation and Amortization.....	2, 7	(74,936)	(28,013)
10	Property and Equipment - Net.....	2, 7	723,287	668,271
11	Other Assets.....	8	440,986	462,858
12	Total Assets.....		\$1,993,675	\$2,027,454
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$13,658	\$18,586
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		51	52
17	Income Taxes Payable and Accrued.....		2,261	11,369
18	Other Accrued Expenses.....	9	84,820	31,356
19	Other Current Liabilities.....		3,051	2,374
20	Total Current Liabilities.....		103,841	63,737
	Long-Term Debt:			
21	Due to Affiliates.....	10	584,000	584,000
22	External.....	10	697	869
23	Deferred Credits	2	129,687	154,613
24	Other Liabilities.....	11	520,779	580,269
25	Commitments and Contingencies.....	12		
26	Total Liabilities.....		1,339,004	1,383,488
27	Stockholders', Partners', or Proprietor's Equity.....		654,671	643,966
28	Total Liabilities and Equity.....		\$1,993,675	\$2,027,454

*Prior year balances have been restated to conform with the current year's presentation.

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 SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	Revenue:			
1	Casino.....		\$319,715	\$332,271
2	Rooms.....		28,960	26,273
3	Food and Beverage.....		40,654	41,803
4	Other.....		11,071	12,998
5	Total Revenue.....		400,400	413,345
6	Less: Promotional Allowances.....		97,229	85,828
7	Net Revenue.....		303,171	327,517
	Costs and Expenses:			
8	Cost of Goods and Services.....		191,916	210,909
9	Selling, General, and Administrative.....		36,841	19,572
10	Provision for Doubtful Accounts.....		977	282
11	Total Costs and Expenses.....		229,734	230,763
12	Gross Operating Profit.....		73,437	96,754
13	Depreciation and Amortization.....		26,307	21,712
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			271
15	Other.....		13,603	5,686
16	Income (Loss) from Operations.....		33,527	69,085
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(24,820)	(24,820)
18	Interest Expense - External.....		(100)	(370)
19	CRDA Related Income (Expense) - Net.....		(2,951)	(3,391)
20	Nonoperating Income (Expense) - Net.....		286	336
21	Total Other Income (Expenses).....		(27,585)	(28,245)
22	Income (Loss) Before Taxes and Extraordinary Items.....		5,942	40,840
23	Provision (Credit) for Income Taxes.....		5,108	16,462
24	Income (Loss) Before Extraordinary Items.....		834	24,378
25	Extraordinary Items (Net of Income Taxes - 20__, \$0; 20__, \$0).....		0	
26	Net Income (Loss).....		\$834	\$24,378

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 JUNE, 2007 AND 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	Revenue:			
1	Casino.....		\$163,403	\$172,085
2	Rooms.....		16,071	14,305
3	Food and Beverage.....		21,518	21,533
4	Other.....		5,844	6,247
5	Total Revenue.....		206,836	214,170
6	Less: Promotional Allowances.....		51,327	44,704
7	Net Revenue.....		155,509	169,466
	Costs and Expenses:			
8	Cost of Goods and Services.....		97,563	104,387
9	Selling, General, and Administrative.....		20,384	10,353
10	Provision for Doubtful Accounts.....		605	204
11	Total Costs and Expenses.....		118,552	114,944
12	Gross Operating Profit.....		36,957	54,522
13	Depreciation and Amortization.....		13,521	10,407
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			271
15	Other.....		6,858	2,909
16	Income (Loss) from Operations.....		16,578	40,935
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(12,384)	(12,410)
18	Interest Expense - External.....		(100)	(187)
19	CRDA Related Income (Expense) - Net.....		(1,486)	(2,126)
20	Nonoperating Income (Expense) - Net.....		1	996
21	Total Other Income (Expenses).....		(13,969)	(13,727)
22	Income (Loss) Before Taxes and Extraordinary Items.....		2,609	27,208
23	Provision (Credit) for Income Taxes.....		2,222	9,456
24	Income (Loss) Before Extraordinary Items.....		387	17,752
25	Extraordinary Items (Net of Income Taxes - 20__, \$____; 20__, \$____).....			
26	Net Income (Loss).....		\$387	\$17,752

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 CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND THE SIX MONTHS ENDED JUNE 30, 2007

(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, 2005.....		100	\$1			\$628,725		\$14,493	\$643,219
2	Net Income (Loss) - 2006.....								41,556	41,556
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Purchase Price Adjustment						(30,938)			(30,938)
7										0
8										0
9										0
10	Balance, December 31, 2006.....		100	1	0	0	597,787	0	56,049	653,837
11	Net Income (Loss) - 2007.....								834	834
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Purchase Price Adjustment									0
16										0
17										0
18										0
19	Balance, March 31, 2007		100	\$1	0	\$0	\$597,787	\$0	\$56,883	\$654,671

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 SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$52,862	\$136,979
	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.....		(76,621)	(20,144)
5	Proceeds from Disposition of Property and Equipment.....		171	7
6	CRDA Obligations		(3,992)	(764)
7	Other Investments, Loans and Advances made.....			0
8	Proceeds from Other Investments, Loans, and Advances		616	2,202
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(79,826)	(18,699)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(88)	(171)
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		21,280	(121,929)
22				
23	Net Cash Provided (Used) By Financing Activities.....		21,192	(122,100)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(5,772)	(3,820)
25	Cash and Cash Equivalents at Beginning of Period.....		48,766	47,425
26	Cash and Cash Equivalents at End of Period.....		\$42,994	\$43,605
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$24,920	\$25,190
28	Income Taxes.....		\$5,108	\$16,462

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 SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$834	\$24,378
30	Depreciation and Amortization of Property and Equipment.....		19,974	15,729
31	Amortization of Other Assets.....		6,333	5,983
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		730	1,666
34	Deferred Income Taxes - Noncurrent		(1,449)	2,906
35	(Gain) Loss on Disposition of Property and Equipment.....		(47)	
36	(Gain) Loss on CRDA-Related Obligations.....		2,951	3,391
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		1,507	5,693
39	(Increase) Decrease in Inventories		(14)	25
40	(Increase) Decrease in Other Current Assets.....		(99)	5,659
41	(Increase) Decrease in Other Assets.....		1,055	22,341
42	Increase (Decrease) in Accounts Payable.....		(3,446)	11,163
43	Increase (Decrease) in Other Current Liabilities		24,578	37,800
44	Increase (Decrease) in Other Liabilities		(45)	245
45				
46	Amortization of CRDA assets			
47	Net Cash Provided (Used) By Operating Activities.....		\$52,862	\$136,979

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$76,621)	(\$20,144)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$76,621)	(\$20,144)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

Bally's Park Place, Inc. (Bally's Atlantic City)
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 30, 2007

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	588,440	\$20,446		
2	Food	1,159,055	16,795		
3	Beverage	4,854,394	9,709		
4	Travel			7,134	1,170
5	Bus Program Cash	517,795	10,673		
6	Other Cash Complimentaries	1,039,093	35,327		
7	Entertainment	314,592	1,573		
8	Retail & Non-Cash Gifts	68,572	2,305		
9	Parking				
10	Other	5,784	401	45,192	2,684
11	Total	8,547,725	\$97,229	52,326	\$3,854

FOR THE THREE MONTHS ENDED JUNE 30, 2007

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	305,292	\$10,954	0	\$0
2	Food	612,585	8,877	0	0
3	Beverage	2,426,503	4,853	0	0
4	Travel	0	0	3,503	576
5	Bus Program Cash	287,638	5,975	0	0
6	Other Cash Complimentaries	550,613	18,535	0	0
7	Entertainment	149,592	748	0	0
8	Retail & Non-Cash Gifts	34,027	1,168	0	0
9	Parking	0	0	0	0
10	Other	3,174	217	26,676	1,572
11	Total	4,369,424	\$51,327	30,179	\$2,148

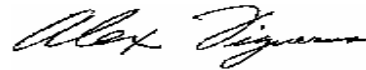
Bally's Park Place, Inc. (Bally's Atlantic City)
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

JUNE 30, 2007

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.

8/15/2007

Date



Alex Figueras

V.P. Finance

Title

7438-11

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 Harrah’s Operating Company, Inc. (“HOC”), which is a direct wholly owned subsidiary of Harrah’s Entertainment, Inc. (“Harrah’s”). 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 four years with the current license expiring April 2008

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

Land, Buildings and Equipment - Land, buildings, and equipment are stated at cost, including capitalized interest on intercompany funds used to finance construction calculated at HOC overall weighted-average borrowing rate of interest.

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

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

Land improvements	12 years
Buildings and improvements	7 to 40 years
Furniture, fixtures and equipment	3 to 10 years

The Company reviews the carrying value of land, buildings and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When

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

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

Goodwill and Other Intangible Assets - In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, the Company performs at least an annual review of goodwill and non-amortizing intangibles. The purchase price allocation related to the Caesars Entertainment, Inc ("CEI") acquisition was completed in June 2006 and refinements have been recorded in these statements. The decrease in goodwill during 2007 is a result of the settlement of pre-acquisition income tax contingencies. The Company completed its annual assessment for impairment during the fourth quarter of 2006 and 2005, respectively, and determined that goodwill had not been impaired. In accordance with the provisions of SFAS No. 142, the Company does not amortize goodwill.

The intangible assets include trademark totaling \$20,000 and customer relationships (database) totaling \$130,000. The trademark has been determined to have a useful life of five years and the customer relationships have been determined to have a useful life of 15 years, and are being amortized using the straight-line method. Amortization expense for the six months ended June 30, 2007, and 2006 was approximately \$6,333 and \$5,984, respectively. Estimated annual amortization expense for each of the years ending December 31, 2007, 2008 and 2009 is approximately \$12,667, for the year ending December 31, 2010 is approximately \$10,478 , and for the year ending December 31, 2011, is approximately \$8,667.

Investments in Subsidiaries - The Company has an investment in Atlantic City Country Club reflected in the accompanying financial statements using the equity method.

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

Revenue Recognition - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Food, beverage, rooms and other revenues include the aggregate amounts generated by those departments.

Total Rewards Program Liability - Harrah's customer loyalty program, Total Rewards, offers incentives to customers who gamble at the Company's property and certain affiliate casinos throughout the United States. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. As a result of the ability of the customer to bank the Reward Credits, the Company accrues the expense of Reward Credits, after consideration of estimated breakage, as they are earned. The value of the cost to provide Reward Credits is expensed as the Reward Credits are

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

earned and is included in Casino expense in the accompanying statements of income. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At June 30, 2007 and 2006, \$5,236 and \$9,861, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions.

In addition to Reward Credits, customers can earn points based on play that are redeemable in cash ("cash-back points"). The Company accrues the cost of cash-back points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowances in the accompanying statements of income. At June 30, 2007 and 2006, the liability related to outstanding cash-back points, which is based on historical redemption activity, was \$2,044 and \$2,527, respectively

Casino Promotional Allowances - Casino promotional allowances consist of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as casino expenses in the accompanying statements of income. These costs consisted of the following at June 30:

	2007	2006
Food & Beverage	\$ 22,621	\$ 24,898
Rooms	8,061	7,493
Other	3,559	4,359
Other Cash Complimentaries	46,000	36,087
	\$ 80,241	\$ 72,837

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

Deferred 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.

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

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

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

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.

Reclassifications - Certain prior year balances have been reclassified to conform to the current year presentation.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2007 are not necessarily indicative of the results of operations for the full year.

NOTE 3 – RELATED PARTY TRANSACTIONS

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

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

Cash Activity with HOC and Affiliates - The Company transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC 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. In addition, the Company transfers cash to HOC to reimburse HOC for payroll costs of certain HOC employees who provide services to the Company. No interest is earned on the amount shown as due from affiliates, net, in the accompanying financial statements.

Administrative and Other Services - Harrah's allocates certain expenses to the Company, such as information technology, internal audit and risk management. Management believes that the methods used to allocate these costs are reasonable. The company was allocated \$13,603 and \$5,686 for these services for the six months ended June 30, 2007 and 2006 respectively. The fee is included in charges from affiliates in the accompanying consolidated statements of income.

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

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

	<u>2007</u>	<u>2006</u>
Casino Receivables (net of allowance for doubtful accounts - \$6,987 in 2007 and \$6,607 in 2006)	\$ 7,647	\$ 5,591
Other (net of allowance for doubtful accounts of \$163 in 2007 and \$772 in 2006)	5,008	10,829
	<u>\$ 12,655</u>	<u>\$ 16,420</u>

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

NOTE 5- PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of June 30 consist of the following:

	2007	2006
Tax Deferred Asset	\$ 9,354	\$ 10,079
Other	7,160	7,590
	\$ 16,514	\$ 17,669

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2007	2006
Due from Harrah's	\$ 722,579	\$ 783,377
Investment in wholly owned subsidiaries (see Note 2):		
Atlantic City Country Club 1, LLC.	14,398	14,398
Casino Reinvestment Development Authority		
Investment obligations (net of valuation reserves of \$18,971 in 2007 and \$18,590 in 2006)	18,848	19,075
Jacobs Family Terrace mortgage receivable (net of valuation reserves of \$250 in 2007 and 2006)	448	635
	\$ 756,273	\$ 817,485

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

NOTE 7- PROPERTY AND EQUIPMENT

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

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

	<u>2007</u>	<u>2006</u>
Land	\$ 123,886	\$ 74,260
Buildings and improvements	532,531	521,439
Furniture, fixtures and equipment	113,069	85,308
Construction in progress	<u>28,737</u>	<u>15,277</u>
	<u>798,223</u>	<u>696,284</u>
Less accumulated depreciation and amortization	<u>(74,936)</u>	<u>(28,013)</u>
	<u><u>\$ 723,287</u></u>	<u><u>\$ 668,271</u></u>

NOTE 8- OTHER ASSETS

Other assets as of June 30 consist of the following:

	<u>2007</u>	<u>2006</u>
Goodwill	\$ 309,843	\$ 314,275
Trademark (net of accumulated amortization of \$8,189 in 2007 and \$4,189 in 2006)	11,811	15,811
Intangible asset (net of accumulated amortization of \$17,743 in 2007 and \$9,076 in 2006)	112,257	120,924
Long Term CRDA	4,513	9,884
Other	<u>2,562</u>	<u>1,964</u>
	<u><u>\$ 440,986</u></u>	<u><u>\$ 462,858</u></u>

See Note 2 for discussion of Goodwill and other intangible assets.

NOTE 9- OTHER ACCRUED EXPENSES

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

	<u>2007</u>	<u>2006</u>
Accrued Payroll	\$ 17,436	\$ 13,999
Accrued Interest	49,640	-
Other	<u>17,744</u>	<u>17,357</u>
	<u><u>\$ 84,820</u></u>	<u><u>\$ 31,356</u></u>

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

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

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

	<u>2007</u>	<u>2006</u>
Long-term debt due to affiliates:		
8.5% Note payable to Harrah's Entertainment Ltd. Finance Corporation ("HEL") due January 1, 2009	\$ 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 April 30, 2013	500	500
	<u>\$ 584,000</u>	<u>\$ 584,000</u>
Long-term debt-other:		
Other secured and unsecured debt	<u>\$ 697</u>	<u>\$ 869</u>

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 June 30, 2007, accrued interest related to the four intercompany notes totaled \$49,640. Since the notes are due to an affiliate, a determination of fair value is not considered meaningful.

NOTE 11- OTHER LIABILITIES

Other liabilities as of June 30 consist of the following:

	<u>2007</u>	<u>2006</u>
Due to Affiliates	\$ 519,344	\$ 578,423
Retirement and other employee benefit plans	1,410	1,821
Other	25	25
	<u>\$ 520,779</u>	<u>\$ 580,269</u>

Due to Affiliates as of June 30 consisted of the following unsecured, non-interest bearing intercompany amounts:

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	2007	2006
Atlantic City Region	\$ 512,563	\$ 577,252
Other	6,780	1,171
	\$ 519,343	\$ 578,423

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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

Insurance Reserve - The Company is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets include insurance allowances of \$170 and \$220 as of June 30, 2007 and 2006, respectively. Actual results may differ from these reserve amounts.

CRDA Investment Obligation - The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below market rates. The Company includes CRDA investment bonds and funds on deposit in investments, advances, and receivables in the accompanying balance sheets totaling \$16,257 and \$21,562, respectively, at June 30, 2007 and \$17,033 and \$20,632, respectively, at June 30, 2006. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment.

The Company has committed \$9,846 of its current and future CRDA deposit obligations for the refurbishment of the Atlantic City Convention Center. The amount is being amortized on a straight-line basis over a 15-year period commencing September 2001.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January, 1 2009. As part of the agreement, the AC Industry will provide \$34,000 over a four year period to the NJSEA and must deposit another \$62,000 in the Casino Expansion Fund (managed by the CRDA). The \$62,000 will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be \$4,800 the first payment of which was made November 2004. This amount will be charged to operations on a straight line basis through January 1, 2009. Once the

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Company meets its deposit obligation related to its fair share of the \$62,000, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

By letter dated March 27, 2007 the Company was informed by the CRDA that the parent company of the issuer of certain CRDA-backed bonds held by the Company has filed for Chapter 11 bankruptcy and does not intend to make future debt service payments on such bonds. The face value of the bonds held by the Company is \$2,350, however, the Company maintains a reserve on these bonds and on all of its other CRDA-backed bonds. Based on the information currently available and remedies available to the Company, the company is not yet in a position to determine if an impairment has occurred, therefore, the Company has not adjusted its reserve on these bonds and will continue to monitor developments of this case.