HARRAH'S CASINO HOTEL, ATLANTIC CITY
QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2007

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

**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

AMENDED 5/1/2008

HARRAH'S CASINO HOTEL, ATLANTIC CITY
BALANCE SHEETS

AS OF DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)	
	ASSETS:				
	Current Assets:				
1	Cash and Cash Equivalents		$33,668	$44,612	
2	Short-Term Investments		0	0	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2007, $2,312 ; 2006, $1,596)		15,389	13,544	
4	Inventories	2	2,059	1,252	
5	Other Current Assets	4	8,236	6,833	*
6	Total Current Assets		59,352	66,241	
7	Investments, Advances, and Receivables	5	265,243	446,411	*
8	Property and Equipment - Gross	2 & 6	1,212,047	986,510	*
9	Less: Accumulated Depreciation and Amortization	2 & 6	(326,494)	(329,488)	
10	Property and Equipment - Net	2 & 6	885,553	657,022	
11	Other Assets	7	82	1,687	
12	Total Assets		$1,210,230	$1,171,361	
	LIABILITIES AND EQUITY:				
	Current Liabilities:				
13	Accounts Payable		$42,189	$32,310	
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		0	615	
18	Other Accrued Expenses	8	28,452	34,273	
19	Other Current Liabilities		1,331	998	
20	Total Current Liabilities		71,972	68,196	
	Long-Term Debt:				
21	Due to Affiliates	9	650,000	650,000	
22	External		0	0	
23	Deferred Credits		917	2,525	*
24	Other Liabilities	10	12,941	1,174	*
25	Commitments and Contingencies				
26	Total Liabilities		735,830	721,895	
27	Stockholders', Partners', or Proprietor's Equity		474,400	449,466	
28	Total Liabilities and Equity		$1,210,230	$1,171,361	

* Certain 2006 amounts have been reclassified to confirm with 2007 presentation.

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

AMENDED 5/1/2008

HARRAH'S CASINO HOTEL, ATLANTIC CITY
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)	
	Revenue:				
1	Casino		$513,192	$503,271	
2	Rooms		57,200	52,069	
3	Food and Beverage		65,003	55,864	
4	Other		24,177	11,970	
5	Total Revenue		659,572	623,174	
6	Less: Promotional Allowances	2	165,260	152,960	
7	Net Revenue		494,312	470,214	
	Costs and Expenses:				
8	Cost of Goods and Services		269,288	236,836	
9	Selling, General, and Administrative		57,949	52,828	*
10	Provision for Doubtful Accounts		1,272	905	
11	Total Costs and Expenses		328,509	290,569	
12	Gross Operating Profit		165,803	179,645	
13	Depreciation and Amortization		48,871	40,239	
	Charges from Affiliates Other than Interest:				
14	Management Fees		0	0	
15	Other	3	18,686	20,172	*
16	Income (Loss) from Operations		98,246	119,234	
	Other Income (Expenses):				
17	Interest Expense - Affiliates	9	(52,000)	(52,000)	
18	Interest Expense - External		0	0	
19	CRDA Related Income (Expense) - Net		(4,722)	(5,324)	
20	Nonoperating Income (Expense) - Net		(4,329)	(874)	
21	Total Other Income (Expenses)		(61,051)	(58,198)	
22	Income (Loss) Before Taxes and Extraordinary Items		37,195	61,036	
23	Provision (Credit) for Income Taxes	2	5,653	8,019	
24	Income (Loss) Before Extraordinary Items		31,542	53,017	
25	Extraordinary Items (Net of Income Taxes - 2007, $0; 2006, $0)		0	0	
26	Net Income (Loss)		$31,542	$53,017	

* Certain 2006 amounts have been reclassified to confirm with 2007 presentation.

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

AMENDED 5/1/2008

HARRAH'S CASINO HOTEL, ATLANTIC CITY
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)	
	Revenue:				
1	Casino		$118,169	$125,164	
2	Rooms		13,134	12,279	
3	Food and Beverage		15,050	13,283	
4	Other		5,812	2,415	
5	Total Revenue		152,165	153,141	
6	Less: Promotional Allowances	2	33,601	41,300	
7	Net Revenue		118,564	111,841	
	Costs and Expenses:				
8	Cost of Goods and Services		65,887	59,118	
9	Selling, General, and Administrative		14,242	14,245	*
10	Provision for Doubtful Accounts		376	336	
11	Total Costs and Expenses		80,505	73,699	
12	Gross Operating Profit		38,059	38,142	
13	Depreciation and Amortization		12,745	10,542	
	Charges from Affiliates Other than Interest:				
14	Management Fees		0	0	
15	Other	3	4,559	4,841	*
16	Income (Loss) from Operations		20,755	22,759	
	Other Income (Expenses):				
17	Interest Expense - Affiliates	9	(13,000)	(13,000)	
18	Interest Expense - External		0	0	
19	CRDA Related Income (Expense) - Net		(757)	(2,610)	
20	Nonoperating Income (Expense) - Net		226	99	
21	Total Other Income (Expenses)		(13,531)	(15,511)	
22	Income (Loss) Before Taxes and Extraordinary Items		7,224	7,248	
23	Provision (Credit) for Income Taxes	2	4,379	3,039	
24	Income (Loss) Before Extraordinary Items		2,845	4,209	
	Extraordinary Items (Net of Income Taxes -				
25	2007, $0; 2006, $0)		0	0	
26	Net Income (Loss)		$2,845	$4,209	

* Certain 2006 amounts have been reclassified to confirm with 2007 presentation.

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 CASINO HOTEL, ATLANTIC CITY
STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	________ (e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2005**		$165,954	$230,495	$0	$396,449
2	Net Income (Loss) - 2005			53,017		53,017
3	Capital Contributions					0
4	Capital Withdrawals					0
5	Partnership Distributions					0
6	Prior Period Adjustments					0
7						0
8						0
9						0
10	**Balance, December 31, 2006**		165,954	283,512	0	449,466
11	Net Income (Loss) - 2007			31,542		31,542
12	Capital Contributions					0
13	Capital Withdrawals					0
14	Partnership Distributions					0
15	Prior Period Adjustments					0
16	Adj. for initial adoption of FIN 48			(6,608)		(6,608)
17						0
18						0
19	**Balance, December 31, 2007**		$165,954	$308,446	$0	$474,400

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

AMENDED 5/1/2008

HARRAH'S CASINO HOTEL, ATLANTIC CITY
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)	
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$252,002	$166,758	*
	CASH FLOWS FROM INVESTING ACTIVITIES:				
2	Purchase of Short-Term Investments				
3	Proceeds from the Sale of Short-Term Investments		0	0	
4	Cash Outflows for Property and Equipment.....		(260,743)	(158,896)	*
5	Proceeds from Disposition of Property and Equipment.....		2,167	200	
6	CRDA Obligations		(6,581)	(6,247)	
7	Other Investments, Loans and Advances made.....		0	0	
8	Proceeds from Other Investments, Loans, and Advances		2,211	1,735	
9	Cash Outflows to Acquire Business Entities.....		0	0	
10	.....		0	0	
11	.....				
12	Net Cash Provided (Used) By Investing Activities.....		(262,946)	(163,208)	*
	CASH FLOWS FROM FINANCING ACTIVITIES:				
13	Proceeds from Short-Term Debt				
14	Payments to Settle Short-Term Debt.....				
15	Proceeds from Long-Term Debt				
16	Costs of Issuing Debt.....				
17	Payments to Settle Long-Term Debt.....				
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0	
19	Purchases of Treasury Stock.....				
20	Payments of Dividends or Capital Withdrawals.....				
21	.....				
22	.....				
23	Net Cash Provided (Used) By Financing Activities.....		0	0	
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(10,944)	3,550	
25	Cash and Cash Equivalents at Beginning of Period.....		44,612	41,062	
26	Cash and Cash Equivalents at End of Period.....		$33,668	$44,612	

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		$56,333	$95,333
28	Income Taxes.....		$4,402	$7,339

* Certain 2006 amounts have been reclassified to confirm with 2007 presentation.

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 CASINO HOTEL, ATLANTIC CITY
STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007 AND 2006

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)	
	CASH FLOWS FROM OPERATING ACTIVITIES:				
29	Net Income (Loss)		$31,542	$53,017	
30	Depreciation and Amortization of Property and Equipment		48,788	40,134	
31	Amortization of Other Assets		83	105	
32	Amortization of Debt Discount or Premium		0	0	
33	Deferred Income Taxes - Current		0	(565)	
34	Deferred Income Taxes - Noncurrent		(1,607)	579	
35	(Gain) Loss on Disposition of Property and Equipment		2,040	(96)	
36	(Gain) Loss on CRDA-Related Obligations		0	0	
37	(Gain) Loss from Other Investment Activities		0	0	
38	(Increase) Decrease in Receivables and Patrons' Checks		(1,845)	1,854	
39	(Increase) Decrease in Inventories		(807)	227	
40	(Increase) Decrease in Other Current Assets		(1,403)	1,815	
41	(Increase) Decrease in Other Assets		1,522	4,653	
42	Increase (Decrease) in Accounts Payable		(11,152)	16,166	*
43	Increase (Decrease) in Other Current Liabilities		(6,103)	(38,259)	*
44	Increase (Decrease) in Other Liabilities		11,766	(18)	*
45	(Increase) decrese in other receivables or advanc		179,178	87,146	*
46					
47	Net Cash Provided (Used) By Operating Activities		$252,002	$166,758	

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2007 (c)	2006 (d)	
	ACQUISITION OF PROPERTY AND EQUIPMENT:				
48	Additions to Property and Equipment		($260,743)	($158,896)	*
49	Less: Capital Lease Obligations Incurred		0	0	
50	Cash Outflows for Property and Equipment		($260,743)	($158,896)	
	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	

* Certain 2006 amounts have been reclassified to confirm with 2007 presentation.

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 CASINO HOTEL, ATLANTIC CITY
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

(UNAUDITED)
($ IN THOUSANDS)

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	539,501	$46,991		
2	Food	3,084,300	30,843		
3	Beverage	5,705,600	14,264		
4	Travel			147,141	14,567
5	Bus Program Cash	31,525	314		
6	Other Cash Complimentaries	4,916,582	61,457		
7	Entertainment	322,280	8,057		
8	Retail & Non-Cash Gifts	502,127	2,511		
9	Parking				
10	Other	164,673	823		
11	Total	15,266,588	$165,260	147,141	$14,567

FOR THE THREE MONTHS ENDED DECEMBER 30, 2007

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	116,837	$10,177		
2	Food	691,000	6,910		
3	Beverage	1,306,800	3,267		
4	Travel	0	0	34,357	3,401
5	Bus Program Cash	7,810	78		
6	Other Cash Complimentaries	856,823	10,710		
7	Entertainment	57,280	1,432		
8	Retail & Non-Cash Gifts	165,326	827		
9	Parking		0		
10	Other	40,074	200		
11	Total	3,241,950	$33,601	34,357	$3,401

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

FOR THE QUARTER ENDED DECEMBER 31, 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.

5/1/2008
Date

Mary Cheeks
MARY CHEEKS

VICE PRESIDENT OF FINANCE
Title

004960-11
License Number

On Behalf of:

HARRAH'S CASINO HOTEL, ATLANTIC CITY
Casino Licensee

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

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Marina Associates and Subsidiary (the "Partnership") operates as a General Partnership and owns and operates a casino hotel resort located in the Marina District of Atlantic City, New Jersey known as Harrah's Casino Hotel Atlantic City. The Partnership is 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"). A substantial portion of the Partnership's revenues is derived from gaming and supporting hotel operations.

Construction began in first quarter 2006 on a $550,000 upgrade and expansion of the resort ("The Project"), which will include a new hotel tower with approximately 960 rooms, a casino expansion and retail and entertainment complex. A new buffet and most of the retail center opened on February 16, 2007 and pool and SPA opened on Memorial Day weekend.. The new hotel tower is expected to open in the second quarter of 2008 (see Note 13).

The Partnership 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 Partnership's license is subject to renewal every four years with the current license expiring in April 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the account balances of the Partnership and its wholly-owned subsidiary, Reno Crossroads LLC ("Reno"). As a result, all material intercompany transactions and balances have been eliminated in consolidation.

Allowance for Doubtful Accounts - The Partnership 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 Harrah's overall weighted-average borrowing rate of interest. The Partnership capitalized approximately $3,348 and $2,128 of interest in 2007 and 2006, respectively.

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.

(Dollars in Thousands)

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	30 to 40 years
Furniture, fixtures and equipment	3 to 12 years

The Partnership reviews the carrying value of land, buildings and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Partnership in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors.

Investment in ACES - In 2006, The Partnership entered into an agreement with two other Atlantic City casinos to form Atlantic City Express Service, LLC ("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, NY and Atlantic City. The responsibilities of the managing member will rotate annually among the members. The Partnership's anticipated investment in ACES will be approximately $5,000. ACES is currently in the developing stage and is expected to be operational by the third quarter of 2008. As of December 31, 2007, Partnership has made capital contribution of $2,192, which is included in Investment, Advances and Receivable in the accompanying balance sheet. The Partnership's share of ACES' net loss for the twelve months ended December 30, 2007 was $89 and is included in non-operating expenses on the accompanying statements of income.

Investments in Subsidiaries - During 1999, the Partnership, through its wholly owned subsidiary Reno Crossroads LLC ("Reno"), acquired a parcel of land in Reno, Nevada for approximately $10,325. The existing facilities located on the parcel site were demolished and a new plaza was constructed on the site at a cost of approximately $2,365. On February 1, 2000, Reno entered into an agreement to lease this parcel of land to HOC for a period of twenty years at a fixed rent of $1,120 per year.

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. The carrying amount of long-term debt is estimated to approximate its fair value as the stated rates approximate current rates

CRDA Real Estate Project - The Partnership'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 Partnership 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.

Certain CRDA assets were sold in January 2008.

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.

Rewards Program - Our customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of our 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, we accrue 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 earned and is included in Casino expense on our 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. We use historical data to assist in the determination of estimated accruals. At December 31, 2007 and 2006, \$3,794 and \$4,279, 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"). We accrue 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 our statements of income. At December 31, 2007 and 2006, the liability related to outstanding cash-back points, which is based on historical redemption activity, was \$1,220 and \$1,449, 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 December 31:

	2007	2006
Food and beverage	$ 35,835	$ 29,922
Rooms	16,694	14,347
Other	10,011	5,680
Other Cash Complimentaries	57,450	61,610
	$119,990	$111,559

Income Taxes - The accompanying consolidated financial statements do not include a provision for federal income taxes, since any income or losses allocated to the partners are reportable for federal income tax purposes by each partner.

In accordance with regulations prescribed by the New Jersey Casino Control Act, the Partnership files a state income tax return on behalf of the partners. Accordingly, the accompanying consolidated financial statements include a provision for state income taxes.

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.

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Partnership 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.

The Partnership adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), on January 1, 2007. As a result of the implementation of FIN 48, the January 1, 2007, the Partnership recognized approximately a $6,608 increase in the net liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007, balance of retained earnings.

The Partnership recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

Seasonal factors - The Partnership's operations are subject to seasonal factors and, therefore, the results of operations of the three months ended December 31, 2007 are not necessarily indicative of the results of operations for the full year.

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

NOTE 3 - RELATED PARTY TRANSACTIONS

The Partnership 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 Partnership 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 intercompany relationships between the Partnership and HOC are discussed in this footnote.

Cash Activity with HOC and Affiliates - The Partnership transfers cash in excess of its operating and regulatory needs to HOC on a daily basis. Cash transfers from HOC to the Partnership are also made based upon the needs of the Partnership 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 consolidated financial statements.

Employee Benefit Plans - HOC maintains a defined contribution savings and retirement plan in which the nonunion employees of the Partnership may participate. The plan, among other things, provides for pre-tax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50 percent of their eligible earnings. The employer matches 50 percent of the first six percent of employees' contributions. Amounts contributed to the plan are invested, at the participant's direction, in up to 20 separate funds; prior to January 2008 this also included a Harrah's company stock fund. The Partnership's contribution expense totaled $1,237 and $1,278 in 2007 and 2006, respectively. Participants become vested in the matching contributions over five years of credited service.

Certain employees of the Partnership are covered by union-sponsored, collectively bargained multi-employer pension plans ("the Pension Plans"). The Partnership's contribution expense totaled $3,001 and $2,392 in 2007 and 2006, respectively. The Pension Plan's administrators do not provide sufficient information to enable the Partnership to determine their share, if any, of unfunded vested benefits.

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

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

Under these plans, non-qualified stock options, restricted stock, stock appreciation rights ("SARs"), performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards and performance-based awards may be granted to employees or consultants of Harrah's and its subsidiaries, including the Partnership and members of Harrah's Board of Directors. In connection with the acquisition of Harrah's in January 2008 (see Note 14), outstanding SARs and stock options, whether vested or unvested, and unvested restricted stock were cancelled and converted into the right to received cash. New equity incentive award plans are expected to replace the terminated plans.

Effective January 1, 2006, Harrah's adopted SFAS No. 123 (revised 2004), *Share-Based Payment*, using the modified prospective application. The effect of the adoption relates to the stock option and stock appreciation rights expense discussed in the following paragraphs.

Stock Options – Until the January 2008 acquisition of Harrah's, stock option awards typically vested in equal installments on January 1 following the grant date and on January 1 in each of the two subsequent years and allowed the option holder to purchase stock over specified periods of time, generally seven years from the date of grant, at a fixed price equal to the market value at the date of grant. The Partnership recognized approximately $301 and $437 for stock option expense in 2007 and 2006, respectively. This expense is included in charges from affiliates in the accompanying statements of income.

(Dollars in Thousands)

Stock Appreciation Rights – Until the January 2008 acquisition of Harrah's, SARs typically vested in equal installments on June 30 of the year following the year of the grant date and on June 30 in each of the two subsequent years. SARs allowed the holder to receive a payment, in cash or stock, equal to the excess of the fair market value of a specified number of shares of stock on the date the SARs are exercised over an exercise price per share, which typically was the fair market value on the date the SARs were granted. The Partnership recognized approximately $314 and $108 for SARs expense in 2007 and 2006, respectively. This expense is included in charges from affiliates in the accompanying statements of income.

Restricted Stock – Until the January 2008 acquisition of Harrah's, restricted share grants of Harrah's stock had restrictions that included, but were not be limited to, the right to vote, receive dividends on or transfer the restricted stock. Restricted shares were subject to forfeiture during a specified period or periods prior to vesting. These shares issued generally vested in equal annual installments over a three year period. The compensation arising from a restricted stock grant was based upon the market price of Harrah's stock at the grant date. Such expense was deferred and amortized to expense over the vesting period. The Partnership recognized approximately $595 and $250 of compensation expense in 2007 and 2006, respectively related to Harrah's restricted stock. This expense is included in charges from affiliates in the accompanying statements of income.

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 Partnership. The net operating costs of ACCC are allocated to the Partnership and Bally's as well as Caesars Atlantic City and Showboat Atlantic City, also affiliates of the Partnership. The Partnership was charged approximately $432 and $671 for these costs for the years ended December 31, 2007 and 2006, respectively. The costs are included in other operating expenses in the accompanying statements of income

Administrative and Other Services - The Partnership is charged a fee by HOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Partnership was charged $ 18,686 and $ 20,172 for these services for the twelve months ended December 31, 2007 and 2006, respectively and $ 4,559 and $ 4,841 for three months ended December 31, 2007 and 2006 respectively. The fee is included in charges from affiliates in the accompanying statements of income

NOTE 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	2007	2006
Prepaid Air Charters	4,207	3,680
Prepaid State Income Tax	326	0
Prepaid Deferred State Income Tax	1,401	902
Prepaid Taxes	966	935
Prepaid Marketing	732	728
Prepaid Other	604	588
	$ 8,236	$ 6,833

(Dollars in Thousands)

NOTE 5 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2007	2006
Due from Affiliates	$ 244,908	$ 428,190
Casino Reinvestment Development Authority obligation deposits - Net of Valuation Allowance of $5,073 and $3,109 at December 31, 2007 and 2006, respectively	15,105	12,965
Casino Reinvestment Development Authority Bonds - Net of Valuation Allowance of $3,910 and $3,691 at December 31, 2007 and 2006, respectively	4,015	4,259
Other	1,215	997
	$265,243	$446,411

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

	2007	2006
Harrah's Entertainment	$ 207,267	$ 416,801
Atlantic City Region	28,512	2,854
Other	9,129	8,535
	$244,908	$ 428,190

NOTE 6 – LAND, BUILDINGS AND EQUIPMENT

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

	2007	2006
Land and Land Improvements	$ 90,678	$ 93,179
Buildings, Leaseholds and Improvements	751,154	585,193
Furniture, Fixtures and Equipment	151,169	166,363
Construction in Progress	219,046	141,775
	1,212,047	986,510
Less Accumulated Depreciation	(326,494)	(329,488)
Property and Equipment, Net	$ 885,553	$657,022

Construction began in first quarter 2006 on a $550,000 upgrade and expansion of the resort ("The Expansion Project"), which will include a new hotel tower with approximately 960 rooms, a casino expansion and retail and entertainment complex. A new buffet and most of the retail center opened on February 16, 2007 and a pool and spa opened on May 26, 2007. The new hotel tower is expected to open in the second quarter of 2008 (see Note 13).

(Dollars in Thousands)

During the second quarter, The Partnership sold certain piece of land for $2,000. The loss on transaction is included in Non Operating (Income) Loss in the accompanying statement of income

NOTE 7 - OTHER ASSETS

Other Assets as of December 31 consisted of the following:

	2007	2006
Deposits	$ 41	$ 41
Deferred Other	15	15
Long-term Portion of Prepaid Insurance	1	31
Deferred and Prepaid CRDA Obligations	25	1,600
	$ 82	$ 1,687

NOTE 8 - OTHER ACCRUED EXPENSES

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

	2007	2006
Accrued Salaries, Wages and Benefits	$9,201	$ 7,780
Taxes Payable	2,859	3,113
Accrued In-House Progressive Slot Liability	959	536
Accrued City Wide Progressive Slot Liability	536	600
Accrued Interest, Long-term debt	4,333	8,667
Accrued Casino Control Commission / Department Gaming Enforcement Casino License Fees	408	644
Accrued Utilities	2,096	915
Accrued Health & Welfare Union	1,260	958
Accrued Charter Services	2,795	2,622
Other Accrued Expenses	4,005	8,438
	$28,452	$34,273

NOTE 9 - NOTE PAYABLE TO AFFILIATE

Debt as of December 31 consisted of the following:

	2007	2006
Promissory Note	$650,000	$650,000

On October 31, 2001, the Partnership and HOC consummated a promissory note for $650,000. All principal and interest outstanding on the promissory note is due and payable on demand to HOC. Interest is computed on an annual basis using 360 days for the actual number of days elapsed during a year, and an annual rate of eight percent. Any amount of principal not paid by the Partnership to HOC when due will bear an additional two percent annual interest rate. On March 12, 2003, the eight percent promissory note was assigned to Harrah's

(Dollars in Thousands)

Entertainment Limited ("HEL"). Neither the term nor the amount of debt was affected by this assignment. Based on the affiliate's agreement not to demand repayment prior to January 1, 2009, these amount has been classified as non-current in the accompanying balance sheet. As of December 31, 2007 and 2006, there was accrued interest of $4,333 and $8,667, respectively, on the balance sheet related to the Promissory note. Since the eight percent Promissory Note is due to an affiliate, a determination of fair value is not considered meaningful.

NOTE 10 - OTHER LIABILITIES

Other Liabilities as of December 31 consisted of the following:

	2007	2006
Reported Claims	282	275
IBNR Reserve	18	0
CRDA-ACIA funding	261	284
Deferred CRDA grant	562	615
FIN 48- Tax Reserve	11,818	
	$12,941	$1,174

NOTE 11 – LEASES

The Partnership has operating leases for a storage warehouse, parking areas and computer equipment. These leases have various expiration dates through 2011. Rental expense for the years ended December 31, 2007 and 2006 was $3,882 and $3,589, respectively.

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

2008	531
2009	206
2010	105
2011	105
	$ 947

NOTE 12 – STATE INCOME TAXES

The provision for income taxes consisted of the following at December 31:

	2007	2006
State:		
Current	7,759	8,006
Deferred	(2,106)	13
Provision for income taxes	$ 5,653	$ 8,019

(Dollars in Thousands)

The components of the Partnership's net deferred state income tax liability included in the balance sheets were as follows as of December 31:

	2007	2006
Deferred tax assets:		
Allowance for doubtful accounts	208	144
Self-insurance reserves	7	40
Accrued compensation and related benefits	295	250
Grantor trusts	1,070	671
Land	978	978
Other	3,079	2,160
Total deferred state tax assets	$ 5,637	$4,243
Deferred tax liabilities:		
Land, buildings and equipment	(4.949)	(5,569)
Other	(204)	(296)
Total deferred state tax liabilities	(5,153)	(5,865)
Net deferred state tax liability	$ 484	$(1,622)

As discussed in Note 2, the Partnership adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the January 1, 2007, balance of retained earnings was decreased by approximately a $6,608. A reconciliation of the beginning and ending amount of unrecognized tax benefits are as follows:

Balance at January 1, 2007	$	9,336
Additions based on tax positions related to the current year		936
Additions for tax positions of prior years		100
Reductions for tax positions for prior years		-
Settlements		
Balance at December 31, 2007	$	10,372

The Partnership recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Partnership accrued approximately $1,153 during 2007. Additionally, the Partnership had approximately $2,237 and $3,391 for the payment of interest and penalties accrued at January 1, 2007, and December 31, 2007, respectively. Included in the balance of unrecognized tax benefits at January 1, 2007, and December 31, 2007, are $9,203 and $10,139, respectively, of unrecognized tax benefits that, if recognized, would impact the effective tax rate. As a result of the expected resolution of examination issues with state tax authorities, the lapsing of various state statutes, and the remittance of tax payments, the Partnership believes it is reasonably possible that the amount of unrecognized tax benefits will decrease during 2008 between $0 and $7,000.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Litigation - The Partnership 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 Partnership's financial position or results of operations.

Insurance Reserve - The Partnership 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 $282 and $275 as of December 31, 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 Partnership 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 Partnership includes net of valuation allowance, funds on deposit and CRDA investment bonds in Investment, Advances and Receivable in the accompanying balance sheets totaling $15,105 and $4,015, respectively, at December 31, 2007 and $12,965 and $4,259, respectively, at December 31, 2006. The Partnership records charges to operations to reflect the estimated net realizable value of its CRDA investment.

To satisfy current Atlantic City obligations as well as those projected beyond the year 2007, the Partnership received approval from the CRDA for a qualified direct investment project to construct various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City ("CRDA real estate project") at an estimated cost to the Partnership of approximately $54,573. The partnership had a repayment of the Partnership's future obligations to the CRDA related to the CRDA real estate project. The prepaid asset was being amortized over the related Atlantic City obligation period, which ended in 2007. As of December 31, 2006, approximately $1,594 was included in deferred charges and other non-current assets in the accompanying balance sheets.

The Partnership has committed approximately $9,589 of its current and future CRDA deposit obligations for the refurbishment of the Atlantic City Convention Center. The amount is 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 Partnership's obligation is equal to its fair-share of AC Industry casino revenues. The Partnership estimates this commitment over the four year period to be $3,215 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 Partnership meets its deposit obligation related to its fair share of the $62,000, the Partnership is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Partnership 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.

The parent company of the issuer ("Debtor") of certain CRDA-backed bonds held by the Partnership is in Chapter 11 bankruptcy. Debtor is currently in active negotiations to sell its company and has an identified buyer. The CRDA is representing the interest of the casino industry, including the Partnership, in negotiations with Debtor to restructure the bonds. The face value of the bonds held by the Partnership is $ 723; however, the Partnership maintains a reserve on these bonds and on all of its other CRDA-backed bonds. While it is probable the Partnership will be unable to collect all amounts due in accordance with the original contractual terms of the bond agreement, the Partnership has concluded that its reserves are currently adequate and will continue to monitor developments of this case.

Purchases - At December 31, 2007, the Partnership is obligated under purchase commitments totaling approximately $160,560 relating to the Expansion Project. Costs incurred under the Project were approximately $376,178 and are included in Property and Equipment - Gross in the accompanying balance sheet as of December 31, 2007.

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NOTE 14 - SUBSEQUENT EVENTS

On January 28, 2008, Harrah's was acquired by affiliates of Apollo Global Management, LLC and TPG Capital, L.P. in an all cash transaction, hereinafter referred to as the "Merger." The underlying assets acquired and liabilities assumed in the Merger will be revalued based upon their estimated fair values at the date of acquisition. The estimated fair values will be determined after review and consideration of relevant information including discounted cash flows analyses, quoted market prices and our own estimates. To the extent that the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired, such excess will be allocated to goodwill. The purchase price allocation will be completed within one year of the acquisition, and the purchase price will be pushed-down to the applicable reporting unit. Financial statements of the Company, subsequent to the Merger, may be significantly different from the Company's pre-Merger financial statements.

HARRAH'S CASINO HOTEL , ATLANTIC CITY

ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2007

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

HARRAH'S CASINO HOTEL , ATLANTIC CITY
SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2007

(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..................................	$7,366		
2	Returned Patrons' Checks..................................	3,589		
3	Total Patrons' Checks..................................	10,955	$1,819	$9,136
4	Hotel Receivables..................................	1,407	493	$914
	Other Receivables:			
5	Receivables Due from Officers and Employees....	3		
6	Receivables Due from Affiliates..........................	-		
7	Other Accounts and Notes Receivables................	5,336		
8	Total Other Receivables..................................	5,339		$5,339
9	Totals (Form CCC-205)..................................	$17,701	$2,312	$15,389

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)..................................	$5,405
11	Counter Checks Issued..................................	156,542
12	Checks Redeemed Prior to Deposit..................................	(71,834)
13	Checks Collected Through Deposits..................................	(77,115)
14	Checks Transferred to Returned Checks..................................	(5,632)
15	Other Adjustments..................................	0
16	Ending Balance..................................	$7,366
17	"Hold" Checks Included in Balance on Line 16..................................	0
18	Provision for Uncollectible Patrons' Checks..................................	($1,272)
19	Provision as a Percent of Counter Checks Issued..................................	-0.8%

HARRAH'S CASINO HOTEL , ATLANTIC CITY
EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2007

($ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages: Other Employees (d)	Salaries and Wages: Officers & Owners (e)	Salaries and Wages: Totals (f)
	CASINO:				
1	Table and Other Games	607			
2	Slot Machines	142			
3	Administration				
4	Casino Accounting	172			
5	Simulcasting	0			
6	Other	312			
7	Total - Casino	1,233	$33,537	$362	$33,899
8	ROOMS	413	9,684	158	9,842
9	FOOD AND BEVERAGE	1,187	20,086	193	20,279
10	GUEST ENTERTAINMENT	136	1,776	0	1,776
11	MARKETING	9	449	248	697
12	OPERATION AND MAINTENANCE	274	10,150	0	10,150
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	16	19	857	876
14	Accounting and Auditing	42	1,445	179	1,624
15	Security	120	3,401	0	3,401
16	Other Administrative and General	207	6,644	588	7,232
	OTHER OPERATED DEPARTMENTS:				
17	Cafeteria	35	887	0	887
18	Communications	24	304		304
19	Gift Shop	58	1,300		1,300
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	3,754	$89,682	$2,585	$92,267

TRADING NAME OF LICENSEE: HARRAH'S CASINO HOTEL

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2007

Line		
	CASINO WIN:	
1.	Table and Other Games Win	$ 69,216,261
2.	Slot Machines Win	450,281,344
3.	Total Win	519,497,605
4.	Recovery for Uncollectible Patrons' Checks	19,014
5.	Gross Revenue (line 3 plus line 4)	519,516,619
6.	Tax on Gross Revenue - Reporting Year (8% of line 5)	41,561,330
7.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	20,449
8.	Total Taxes on Gross Revenue (the sum of lines 6 and 7)	41,581,779
9.	Total (Deposits) Made for Tax on Reporting Year's Gross Revenue	(41,561,330)
10.	Settlement of Prior Years' Tax on Gross Revenue Resulting from Audit or Other Adjustments - (Deposits) Credits	(20,449)
11.	Gross Revenue Taxes Payable (the net of lines 8, 9 and 10)	$ -

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

March 15, 2008
Date

Mary Cheeks
Signature - Mary Cheeks

Vice President of Finance
Title of Officer