HARRAH'S CASINO HOTEL, ATLANTIC CITY
QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 31, 2008

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

HARRAH'S CASINO HOTEL, ATLANTIC CITY
BALANCE SHEETS

AS OF MARCH 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$35,838	$39,921
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2008, $2,538 ; 2007, $1,761)		16,639	12,976
4	Inventories	2	2,052	1,620
5	Other Current Assets	4	8,738	8,431
6	Total Current Assets		63,267	62,948
7	Investments, Advances, and Receivables	5	20,475	417,895
8	Property and Equipment - Gross	2 & 6	1,077,247	1,057,741
9	Less: Accumulated Depreciation and Amortization	2 & 6	(8,415)	(339,750)
10	Property and Equipment - Net	2 & 6	1,068,832	717,991
11	Other Assets		627,670	1,082
12	Total Assets		$1,780,244	$1,199,916
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$34,894	$40,511
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	(75)	978
18	Other Accrued Expenses	8	27,205	48,099
19	Other Current Liabilities		895	1,097
20	Total Current Liabilities		62,919	90,685
	Long-Term Debt:			
21	Due to Affiliates	9	0	650,000
22	External	10	1,350,000	0
23	Deferred Credits		133,003	2,524
24	Other Liabilities	11	13,747	1,155
25	Commitments and Contingencies			
26	Total Liabilities		1,559,669	744,364
27	Stockholders', Partners', or Proprietor's Equity		220,575	455,552
28	Total Liabilities and Equity		$1,780,244	$1,199,916

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 INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	Revenue:			
1	Casino		$123,074	$125,376
2	Rooms		12,035	12,440
3	Food and Beverage		16,884	15,219
4	Other		5,516	3,646
5	Total Revenue		157,509	156,681
6	Less: Promotional Allowances	2	36,211	41,016
7	Net Revenue		121,298	115,665
	Costs and Expenses:			
8	Cost of Goods and Services		69,434	63,045
9	Selling, General, and Administrative		12,464	14,097
10	Provision for Doubtful Accounts		565	259
11	Total Costs and Expenses		82,463	77,401
12	Gross Operating Profit		38,835	38,264
13	Depreciation and Amortization		14,003	11,085
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	6,623	4,829
16	Income (Loss) from Operations		18,209	22,350
	Other Income (Expenses):			
17	Interest Expense - Affiliates	8	(3,914)	(13,000)
18	Interest Expense - External		(18,589)	0
19	CRDA Related Income (Expense) - Net		5,614	(1,343)
20	Nonoperating Income (Expense) - Net		(225)	(585)
21	Total Other Income (Expenses)		(17,114)	(14,928)
22	Income (Loss) Before Taxes and Extraordinary Items		1,095	7,422
23	Provision (Credit) for Income Taxes	2	(699)	1,336
24	Income (Loss) Before Extraordinary Items		1,794	6,086
25	Extraordinary Items (Net of Income Taxes - 2007, $0; 2006, $0)		0	0
26	Net Income (Loss)		$1,794	$6,086

The accompanying notes are an integral part of the financial statements.
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HARRAH'S CASINO HOTEL, ATLANTIC CITY
STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007
AND THE THREE MONTHS ENDED MARCH 31, 2008

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2006**		$165,954	$276,904	$0	$442,858
2	Net Income (Loss) - 2007			31,542		31,542
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, 2007**		165,954	308,446	0	474,400
11	Net Income (Loss) - 2008			1,794		1,794
12	Capital Contributions		650,000			650,000
13	Capital Withdrawals					0
14	Partnership Distributions		(1,350,000)			(1,350,000)
15	Prior Period Adjustments					0
16	Purchase Price Adjustment		752,827	(308,446)		444,381
17						0
18						0
19	**Balance, March 31, 2008**		$218,781	$1,794	$0	$220,575

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 THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$61,190	$68,106
	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..........................		(61,019)	(72,286)
5	Proceeds from Disposition of Property and Equipment..........		2,951	187
6	CRDA Obligations		(1,503)	(1,589)
7	Other Investments, Loans and Advances made......................		0	0
8	Proceeds from Other Investments, Loans, and Advances		551	891
9	Cash Outflows to Acquire Business Entities..........................		0	0
10	....		0	0
11	....			
12	Net Cash Provided (Used) By Investing Activities....................		(59,020)	(72,797)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt....................................			
15	Proceeds from Long-Term Debt		1,350,000	
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......................		(1,350,000)	
21	....			
22	....			
23	Net Cash Provided (Used) By Financing Activities..................		0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		2,170	(4,691)
25	Cash and Cash Equivalents at Beginning of Period..................		33,668	44,612
26	Cash and Cash Equivalents at End of Period............................		$35,838	$39,921

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized)......................................		$8,247	$0
28	Income Taxes..		$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 CASINO HOTEL, ATLANTIC CITY
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(UNAUDITED)

($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		$1,794	$6,086
30	Depreciation and Amortization of Property and Equipment		12,026	11,069
31	Amortization of Other Assets		1,977	16
32	Amortization of Debt Discount or Premium		0	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		251	0
35	(Gain) Loss on Disposition of Property and Equipment		(7,533)	(187)
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		(1,250)	568
39	(Increase) Decrease in Inventories		7	(368)
40	(Increase) Decrease in Other Current Assets		(502)	(1,598)
41	(Increase) Decrease in Other Assets		(1,970)	589
42	Increase (Decrease) in Accounts Payable		(1,038)	8,201
43	Increase (Decrease) in Other Current Liabilities		(1,758)	14,288
44	Increase (Decrease) in Other Liabilities		806	(20)
45	(Increase) decrese in other receivables or advanc		58,380	29,462
46				
47	Net Cash Provided (Used) By Operating Activities		$61,190	$68,106

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($61,019)	($72,286)
49	Less: Capital Lease Obligations Incurred		0	0
50	Cash Outflows for Property and Equipment		($61,019)	($72,286)
	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.

Amended 3/30/2009

HARRAH'S CASINO HOTEL, ATLANTIC CITY
SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED MARCH 31, 2008

(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	98,370	$8,568		
2	Food	734,000	7,340		
3	Beverage	1,590,400	3,976		
4	Travel	0	0	32,243	3,192
5	Bus Program Cash	10,259	103		
6	Other Cash Complimentaries	1,191,750	15,958		
7	Entertainment	19,400	485		
8	Retail & Non-Cash Gifts	298,056	1,490		
9	Parking		0		
10	Other	26,084	130		
11	Total	3,968,319	$38,050	32,243	$3,192

FOR THE THREE MONTHS ENDED MARCH 31, 2008

		Promotional Allowances		Promotional Expenses	
Line (a)	Description (b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	98,370	$8,568		
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10	Other	26,084	130		
11	Total	3,968,319	$38,050	32,243	$3,192

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

FOR THE QUARTER ENDED MARCH 31, 2008

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.

5/15/2008
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

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION - AMENDED 7/21/2008

Harrah's Atlantic City Operating Company, LLC (the "Company") operates a casino hotel resort located in the Marina District of Atlantic City, New Jersey known as Harrah's Casino Hotel Atlantic City. The Company is a wholly-owned subsidiary of Harrah's Atlantic City Holding, Inc. ("HACH") which is a wholly-owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). A substantial portion of the Company's revenues is derived from gaming and supporting hotel operations.

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." Prior to the Merger, Marina Associates (the "Partnership") operated as a General Partnership and owned and operated Harrah's Casino Hotel Atlantic City. The Partnership was an indirect, wholly-owned subsidiary of Harrah's Operating Company, Inc. ("HOC"), which is a direct wholly-owned subsidiary Harrah's.

In conjunction with the Merger, the Partnership, along with five affiliates, was spun off from HOC for the purpose of obtaining financing in the form of commercial mortgaged-backed securities ("CMBS") in order to effect the Merger. A series of transactions, hereinafter referred to as the "Restructuring", were executed that, among other things, dissolved the Partnership and liquidated its assets, net of liabilities, to various affiliates (Note 2) and created the Company. CMBS financing was obtained by subsidiaries of HACH (Note 10).

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 in May 2007. The new hotel tower is expected to open in the second quarter of 2008 (see Note 11).

The Company is licensed to operate the facility by the New Jersey Casino Control Commission (the "CCC") The license is subject to renewal every five years. The Company's license is under renewal process with the current license expiring in June 2008.

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.

Acquisition of Harrah's – As a result of the Merger, the assets acquired and liabilities assumed in the Merger were revalued based upon their estimated fair values at the date of acquisition. The estimated fair values were determined after review and consideration of relevant information including discounted cash flows analyses, quoted market prices and Harrah's own estimates. The purchase price that exceeded the fair value of the net identifiable tangible and intangible assets acquired was allocated to goodwill. The purchase price allocation is in process and will be completed within one year of the acquisition; thus, the allocation of the purchase price is subject to refinement.

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.

(Dollars in Thousands)

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

Land, Buildings and Equipment - Land, buildings, and equipment were stated at cost, through January 27, 2008 and revalued to fair value on January 28, 2008 in connection with the Merger, including capitalized interest on intercompany funds used to finance construction calculated at Harrah's overall weighted-average borrowing rate of interest.

As a result of the Restructuring, certain real property and equipment of the Partnership were distributed to Harrah's Atlantic City Propco, LLC ("HACPC"), a wholly-owned indirect subsidiary of HACH, on January 28, 2008.

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

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

Goodwill and Other Intangible Assets - 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 Merger is in process and will be completed within one year of the Merger; thus, the allocation of the purchase price is subject to refinement. In accordance with the provisions of SFAS No. 142, the Company does not amortize goodwill.

The intangible assets include computer systems totaling $4,500 and customer relationships (database) totaling $133,900. The computer systems has been determined to have a useful life of eight years and the customer relationships have been determined to have a useful life of 12 years, and are being amortized using the straight-line method. Amortization expense for the three months ended March 31, 2008 was approximately $1,953. Based on the value allocated to amortizing intangibles as of March 31, 2008 per the preliminary purchase price allocation, estimated annual amortization expense for the years ending December 31, 2008 is approximately $10,744 and for the years ending December 31, 2009, 2010, 2011 and 2012 is approximately $11,721.

Investment in ACES - In 2006, The Partnership entered into an agreement with Caesars Atlantic City, an affiliate of the Partnership and one other Atlantic City casino 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, New York 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 development stage and is expected to be operational by the third quarter of 2008.

As a result of the Restructuring, the Partnership's interest in ACES was transferred to HACH on January 28, 2008.

As of March 31, 2008, HACH has made capital contributions of $4,048, which is included in Investment, Advances and Receivable in the accompanying balance sheet. HACH's share of ACES' net loss for the three months ended March 31, 2008 was $29 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.

As a result of the Restructuring, the Partnership's interest in Reno was transferred to HOC on January 28, 2008.

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.

Other 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.

On January 28, 2008, the subsidiaries of HACH entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the CMBS debt. The interest rate cap agreement, which was effective January 28, 2008, and terminates February 13, 2013, is for a notional amount of $1,350,000 at a LIBOR cap rate of 4.5%.

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.

In January 2008, The Partnership sold the apartment building, for $15,000 to Atlantic City Ocean Terrace LLC. The Partnership realized a gain of $6,300 in connection with this transaction 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 - Harrah's customer loyalty program, Total Rewards, offers incentives to customers who gamble at the Company 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 estimated cost to provide Reward Credits is expensed as the Reward Credits are earned and is included in Cost of Goods and Services in the accompanying statements of income. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At March 31, 2008 and 2007, $3,794 and $4,102, respectively, was accrued for the cost of anticipated Reward 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 Promotional Allowances in the accompanying statements of income. At March 31, 2008 and 2007, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $1,147 and $1,429, 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 March 31:

	2008	2007
Food and beverage	$ 8,906	$ 7,881
Rooms	3,478	3,061
Other	2,124	473

(Dollars in Thousands)

Other Cash Complimentaries	12,898	16,747
	$ 27,406	$ 28,162

Income Taxes - The accompanying consolidated financial statements do not include a provision for federal income taxes for any periods prior to January 28, 2008, since any income or losses allocated to the partners for those periods are reportable for federal income tax purposes by each partner of the Partnership. In accordance with regulations prescribed by the New Jersey Casino Control Act, the Partnership filed a state income tax return on behalf of the partners for periods ending through January 28, 2008. Accordingly, the accompanying consolidated financial statements include a provision for state income taxes. For periods subsequent to January 28, 2008, the Company's financial statements include a provision for federal income taxes as the Company will be included in the consolidated federal tax return of Harrah's. As such, 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.

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 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.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three months ended March 31, 2008 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 intercompany relationships between the Company and HOC are discussed in this footnote.

Cash Activity with Harrah's and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to Harrah's on a daily basis. Cash transfers from Harrah's 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, net, in the accompanying consolidated financial statements.

(Dollars in Thousands)

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 Showboat Atlantic City, also affiliates of the Company. The Company was charged approximately $191 and $166 for these costs for the years ended March 31, 2008 and 2007, respectively. The costs are included in other operating expenses in the accompanying statements of income

Administrative and Other Services - The Company is charged a fee by HOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Partnership was charged $6,623 and $ 4,829 for these services for the three months ended March 31, 2008 and 2007, 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 March 31 consisted of the following:

	2008	2007
Prepaid Air Charters	4,661	4,394
Prepaid State Income Tax	325	0
Prepaid Deferred State Income Tax	1,401	902
Prepaid Taxes	495	469
Prepaid Marketing	569	1,238
Prepaid Other	1,287	1,428
	$ 8,738	$ 8,431

NOTE 5 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2008	2007
Due from Affiliates	$ 0	$ 399,783
Casino Reinvestment Development Authority obligation deposits - Net of Valuation Allowance of $5,632 and $3,667 at March 31, 2008 and 2007, respectively	15,570	13,060
Casino Reinvestment Development Authority Bonds - Net of Valuation Allowance of $3,922 and $3,693 at March 31, 2008 and 2007, respectively	4,011	4,259
Other	894	793

(Dollars in Thousands)

	$ 20,475	$ 417,895

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

	2008	2007
Harrah's Entertainment	$ 0	$ 383,353
Atlantic City Region	0	7,158
Other	0	9,272
	$ 0	$ 399,783

As a result of the Restructuring, all Due from Affiliate balances were assigned to Harrah's on January 28, 2008.

NOTE 6 – LAND, BUILDINGS AND EQUIPMENT

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

	2008	2007
Land and Land Improvements	$162,933	$ 93,183
Buildings, Leaseholds and Improvements	580,505	586,611
Furniture, Fixtures and Equipment	61,228	169,744
Construction in Progress	272,581	208,203
	1,077,247	1,057,741
Less Accumulated Depreciation	(8,415)	(339,750)
Property and Equipment, Net	$1,068,832	$717,991

NOTE 7 - OTHER ASSETS

Other Assets as of March 31 consisted of the following:

	2008	2007
Goodwill	$ 437,442	$ 0
Intangible Assets	136,447	0
Interest rate cap derivative	20,475	0
Debt issue costs	33,231	0
Deferred and Prepaid CRDA Obligations	25	1,002
Other	50	80
	$ 627,670	$ 1,082

NOTE 8 - OTHER ACCRUED EXPENSES

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

	2008	2007
Accrued Salaries, Wages and Benefits	$6,353	$ 7,424

(Dollars in Thousands)

Taxes Payable	4,307	4,233
Accrued In-House Progressive Slot Liability	726	643
Accrued City Wide Progressive Slot Liability	728	729
Accrued Interest, Long-term debt	3,710	21,667
Accrued Casino Control Commission / Department Gaming Enforcement Casino License Fees	650	1,295
Accrued Utilities	1,066	837
Accrued Health & Welfare Union	1,387	1,155
Accrued Charter Services	2,196	2,140
Other Accrued Expenses	6,082	7,976
	$27,205	$48,099

NOTE 9 - NOTE PAYABLE TO AFFILIATE

Debt as of March 31 consisted of the following:

	2008	2007
Promissory Note	$0	$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 Entertainment Limited ("HEL"). Neither the term nor the amount of debt was affected by this assignment. As of March 31, 2008 and 2007, there was accrued interest of $0 and $21,667, respectively, on the balance sheet related to the promissory note. Since the promissory note is due to an affiliate, a determination of fair value is not considered meaningful.

As a result of the Restructuring, HOC contributed the promissory note to the Partnership, The Partnership then transferred the promissory note to HEL in satisfaction of its payable to HEL.

NOTE 10 – OTHER LONG TERM DEBT

Secured debt as of March 31 consisted of the following:

	2008	2007
CMBS financing, 5.818% at March 31, 2008, maturity 2013	$1,350,000	$0

NOTE 11 - OTHER LIABILITIES

Other Liabilities as of March 31 consisted of the following:

	2008	2007
Reported Claims	350	275

(Dollars in Thousands)

CRDA-ACIA funding	255	279
Deferred CRDA grant	549	601
Due to Affiliates	461	0
FIN 48- Tax Reserve	12,132	0
	$13,747	$1,155

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 includes insurance allowances of $332 and $275 as of March 31, 2008 and 2007, 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 net of valuation allowance, funds on deposit and CRDA investment bonds in Investment, Advances and Receivable in the accompanying balance sheets totaling $15,570 and $4,011, respectively, at March 31, 2008 and $13,060 and $4,259, respectively, at March 31, 2007. The Company 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 2008, the Company 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 Company of approximately $54,573. The partnership had a repayment of the Company'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.

The Company 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 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 $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 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.

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

Purchases - At March 31, 2008, the Company is obligated under purchase commitments totaling approximately $114,205 relating to the Expansion Project. Costs incurred under the Project were approximately $427,328 and are included in Property and Equipment - Gross in the accompanying balance sheet as of March 31, 2008.