HARRAH'S CASINO HOTEL, ATLANTIC CITY
QUARTERLY REPORT

FOR THE QUARTER ENDED DECEMBER 31, 2008

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

Amended 4/30/2009

HARRAH'S CASINO HOTEL, ATLANTIC CITY
BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$33,025	$33,668
2	Short-Term Investments		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2008, $5,807; 2007, $ 2,312		20,198	15,389
4	Inventories	2	1,867	2,059
5	Other Current Assets	4	16,032	8,236
6	Total Current Assets		71,122	59,352
7	Investments, Advances, and Receivables	5	616,012	265,243
8	Property and Equipment - Gross	2,6	1,437,883	1,212,047
9	Less: Accumulated Depreciation and Amortization	2,6	(46,156)	(326,494)
10	Property and Equipment - Net	2,6	1,391,727	885,553
11	Other Assets		83,509	82
12	Total Assets		$2,162,370	$1,210,230
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$19,052	$42,189
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	0
18	Other Accrued Expenses	8	25,570	28,452
19	Other Current Liabilities		2,270	1,331
20	Total Current Liabilities		46,892	71,972
	Long-Term Debt:			
21	Due to Affiliates	9	0	650,000
22	External	10	1,160,000	0
23	Deferred Credits		211,069	917
24	Other Liabilities	11	13,616	12,941
25	Commitments and Contingencies		0	0
26	Total Liabilities		1,431,577	735,830
27	Stockholders', Partners', or Proprietor's Equity		730,793	474,400
28	Total Liabilities and Equity		$2,162,370	$1,210,230

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

Amended 4/30/2009

HARRAH'S CASINO HOTEL, ATLANTIC CITY
STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	Revenue:			
1	Casino		$538,776	$513,192
2	Rooms		64,644	57,200
3	Food and Beverage		78,206	65,003
4	Other		26,621	24,177
5	Total Revenue		708,247	659,572
6	Less: Promotional Allowances	2	172,137	165,260
7	Net Revenue		536,110	494,312
	Costs and Expenses:			
8	Cost of Goods and Services		306,087	269,288
9	Selling, General, and Administrative		61,257	57,949
10	Provision for Doubtful Accounts		4,702	1,272
11	Total Costs and Expenses		372,046	328,509
12	Gross Operating Profit		164,064	165,803
13	Depreciation and Amortization		53,860	48,871
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	27,318	18,686
16	Income (Loss) from Operations		82,886	98,246
	Other Income (Expenses):			
17	Interest Expense - Affiliates	9	(3,914)	(52,000)
18	Interest Expense - External	10	(73,839)	0
19	CRDA Related Income (Expense) - Net		2,264	(4,722)
20	Nonoperating Income (Expense) - Net		(187,140)	(4,329)
21	Total Other Income (Expenses)		(262,629)	(61,051)
22	Income (Loss) Before Taxes and Extraordinary Items		(179,743)	37,195
23	Provision (Credit) for Income Taxes	2,13	1,793	5,653
24	Income (Loss) Before Extraordinary Items		(181,536)	31,542
25	Extraordinary Items (Net of Income Taxes - 2008, \$0; 2007, \$0)			
26	Net Income (Loss)		(\$181,536)	\$31,542

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

Amended 4/30/2009

HARRAH'S CASINO HOTEL, ATLANTIC CITY
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
	Revenue:			
1	Casino		$122,324	$118,169
2	Rooms		15,657	13,134
3	Food and Beverage		17,047	15,050
4	Other		5,732	5,812
5	Total Revenue		160,760	152,165
6	Less: Promotional Allowances	2	43,438	33,601
7	Net Revenue		117,322	118,564
	Costs and Expenses:			
8	Cost of Goods and Services		71,899	65,887
9	Selling, General, and Administrative		12,742	14,242
10	Provision for Doubtful Accounts		2,864	376
11	Total Costs and Expenses		87,505	80,505
12	Gross Operating Profit		29,817	38,059
13	Depreciation and Amortization		12,771	12,745
	Charges from Affiliates Other than Interest:			
14	Management Fees		0	0
15	Other	3	6,967	4,559
16	Income (Loss) from Operations		10,079	20,755
	Other Income (Expenses):			
17	Interest Expense - Affiliates		0	(13,000)
18	Interest Expense - External	10	(18,806)	0
19	CRDA Related Income (Expense) - Net		(2,344)	(757)
20	Nonoperating Income (Expense) - Net		(186,419)	226
21	Total Other Income (Expenses)		(207,569)	(13,531)
22	Income (Loss) Before Taxes and Extraordinary Items		(197,490)	7,224
23	Provision (Credit) for Income Taxes	2	(5,854)	4,379
24	Income (Loss) Before Extraordinary Items		(191,636)	2,845
25	Extraordinary Items (Net of Income Taxes - 2008, $0: 2007, $0)			
26	Net Income (Loss)		($191,636)	$2,845

The accompanying notes are an integral part of the financial statements.
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Amended 4/30/2009

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Common Stock (e)	Total Equity (Deficit) (f)
1	**Balance, December 31, 2006.........**		$165,954	$276,904		$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.........			(181,536)		(181,536)
12	Capital Contributions................					0
13	Capital Withdrawals..................					0
14	Partnership Distributions..........					0
15	Prior Period Adjustments..........					0
16	Fin 48 Adjustment					0
17	Purchase Price Adjustment		752,593	(314,689)	25	437,929
18						0
19	**Balance, December 31, 2008.........**		$918,547	($187,779)	$25	$730,793

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

Amended 4/30/2009

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND 2007

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2008 (c)	2007 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$165,468	$252,002
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			0
4	Cash Outflows for Property and Equipment.....		(163,706)	(260,743)
5	Proceeds from Disposition of Property and Equipment.....		3,095	2,167
6	CRDA Obligations		(6,765)	(6,581)
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances		1,265	2,211
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....			
11	.....			
12	Net Cash Provided (Used) By Investing Activities.....		(166,111)	(262,946)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt		1,160,000	
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.....		(1,160,000)	
21	.....			
22	.....			
23	Net Cash Provided (Used) By Financing Activities.....		0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(643)	(10,944)
25	Cash and Cash Equivalents at Beginning of Period.....		33,668	44,612
26	Cash and Cash Equivalents at End of Period.....		$33,025	$33,668

	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		$59,214	$56,333
28	Income Taxes.....		$2,304	$4,402

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

Amended 4/30/2009

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

FOR THE TWELVE MONTHS ENDED DECEMBER 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)..		($181,536)	$31,542
30	Depreciation and Amortization of Property and Equipment...		49,987	48,788
31	Amortization of Other Assets...		3,873	83
32	Amortization of Debt Discount or Premium..........................		5,798	0
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		32	(1,607)
35	(Gain) Loss on Disposition of Property and Equipment.........		(7,620)	2,040
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		(4,809)	(1,845)
39	(Increase) Decrease in Inventories		192	(807)
40	(Increase) Decrease in Other Current Assets..........................		(7,796)	(1,403)
41	(Increase) Decrease in Other Assets......................................		(7,756)	1,522
42	Increase (Decrease) in Accounts Payable.............................		964	(11,152)
43	Increase (Decrease) in Other Current Liabilities		(1,943)	(6,103)
44	Increase (Decrease) in Other Liabilities		675	11,766
45	(Increase) Decrease in Other Receivables or Advai		129,997	179,178
46	Impairment of Intangible Assets		185,410	0
47	Net Cash Provided (Used) By Operating Activities....................		$165,468	$252,002

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....................................		($163,706)	($260,743)
49	Less: Capital Lease Obligations Incurred..............................			
50	Cash Outflows for Property and Equipment..............................		($163,706)	($260,743)
	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.

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

FOR THE TWELVE MONTHS ENDED DECEMBER 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	493,557	$45,060		
2	Food	2,618,000	31,506		
3	Beverage	4,710,333	17,925		
4	Travel			166,167	16,451
5	Bus Program Cash	32,394	324		
6	Promotional Gaming Credits	271,240	6,771		
7	Complimentary Cash Gifts	4,086,508	60,281		
8	Entertainment	186,960	4,674		
9	Retail & Non-Cash Gifts	704,500	4,629		
10	Parking				
11	Other	134,976	967		
12	Total	13,238,468	$172,137	166,167	$16,451

FOR THE THREE MONTHS ENDED DECEMBER 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	118,612	$11,280		
2	Food	424,600	6,369		
3	Beverage	568,400	4,263		
4	Travel			36,465	3,610
5	Bus Program Cash	9,600	96		
6	Promotional Gaming Credits	269,240	6,731		
7	Complimentary Cash Gifts	812,673	12,916		
8	Entertainment	14,920	373		
9	Retail & Non-Cash Gifts	112,200	1,122		
10	Parking				
11	Other	28,800	288		
12	Total	2,359,045	$43,438	36,465	$3,610

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

FOR THE QUARTER ENDED DECEMBER 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.

3/31/2009
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

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

The Company is licensed to operate the facility by the New Jersey Casino Control Commission (the "CCC") and is subject to rules and regulations as published by the CCC. The Company's license is subject to renew every five years with the current license expiring June 2013.

On 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 and Subsidiary (the "Predecessor Company") operated as a General Company and owned and operated Harrah's Casino Hotel Atlantic City. The Predecessor Company was an indirect, wholly owned subsidiary of Harrah's Operating Company, Inc. ("HOC"), which is a direct wholly owned subsidiary of Harrah's.

In conjunction with the Merger, the Predecessor Company, 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 Predecessor Company and liquidated its assets, net of liabilities, to various affiliates and created the Company. CMBS financing was obtained by subsidiaries of HACH (Note 10).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Acquisition of Harrah's – As a result of the Merger, total equity was adjusted based on the purchase price assigned to the Company, retained earnings of the Company were eliminated and the assets and liabilities of the Company were adjusted to fair value with goodwill recorded for the excess of the purchase price over the fair value of the net tangible and intangible assets. Harrah's determined the estimated fair values after review and consideration of relevant information including discounted cash flow analyses, quoted market prices and estimates made by management.

For purposes of this regulatory filing, adjustments to the historical assets of the Company were reflected on December 31, 2008 and in its statement of income for the twelve months ended December 31, 2008 and in its statement of cash flows for the twelve months ended December 31, 2008.

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

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. The Company capitalized approximately $1,273 and $3,348 of interest in 2008 and 2007, respectively.

As a result of the Restructuring, certain real property and equipment of the Company 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	5 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.

Deferred Assets - Debt issue costs are amortized to interest expense based on the related debt agreement using the straight-line method, which approximates the effective interest method.

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 $1,160,000 at a LIBOR cap rate of 4.5%.

Goodwill and Other Intangible Assets - The Company had no goodwill recorded in the accompanying balance sheet as of December 31, 2008, as a result of an impairment charge subsequent to the acquisition date. The Company accounts for 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 for impairment. The Company completed its annual assessment for impairment management in the fourth quarter of 2008 and determined that goodwill had been impaired. A charge of $185,411 was recorded as a non-operating expense in the consolidated statements of income in the fourth quarter 2008.

The intangible assets include customer relationships (database) of $50,843 as of December 31, 2008. The customer relationships have been determined to have a useful life of 13 years, and are being amortized using the straight-line method. Based on the value allocated to amortizing intangibles as of December 31, 2008 per the preliminary purchase price allocation, estimated annual amortization expense for the years ending December 31, 2008 is approximately $3,857.

Investment in ACES - In 2006, The Company entered into an agreement with Caesars Atlantic City, an affiliate of the Company and one other Atlantic City casino to form 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 Company's anticipated investment in ACES will be approximately $6,000. ACES became operational dated February 6, 2009.

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

The investment is reflected in the accompanying financial statements using the equity method. As of December 31, 2008, HACH has made capital contributions of $5,679 which is included in Investment, Advances and Receivable in the accompanying balance sheet. HACH's share of ACES' net loss for the twelve months ended December 31, 2008 was $106 and is included in non-operating expenses on the accompanying statements of income.

Investments in Subsidiaries - During 1999, the Company, 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 Company's interest in Reno was transferred to HOC on January 28, 2008.
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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 Company's investment in its CRDA real estate project (the "Project") consists of various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City, NJ. Based upon an agreement with the CRDA, the Company may sell certain parts of the Project and will operate certain other parts for a period of up to 20 years.

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.

(Dollars in Thousands)

In January 2008, The Company sold the apartment building, for $15,000 to Atlantic City Ocean Terrace LLC. The Company 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.

Total Rewards Program Liability – 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, 2008 and 2007, $4,145 and $3,951, 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, 2008 and 2007, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $1,058 and $1,220, 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:

	2008	2007
Food and beverage	$ 37,213	$ 35,835
Rooms	17,801	16,694
Other	10,356	10,011
Other Cash Complimentaries	61,455	59,179
Promotional Gaming Credits	6,771	0
	$133,596	$121,719

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 Company. In accordance with regulations prescribed by the New Jersey Casino Control Act, the Company 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.

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

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three months ended December 31, 2008 are not necessarily indicative of the results of operations for the full year.

Recently Issued Pronouncements - In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, but it does not require any new fair value measurements. The provisions of SFAS No. 157 were to be effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position ("FSP") No. 157-2, "Effective Date of FASB Statement No. 157." FSP No. 157-2 defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). Also in February 2008, the FASB issued FSP No. 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13." FSP No. 157-1 excludes SFAS No. 13, "Accounting for Leases," and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. We adopted the required provisions of SFAS No. 157 on January 1, 2008. The required provisions did not have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of SFAS No. 115," which permits an entity to measure certain financial assets and financial liabilities at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. SFAS No. 159 was effective as of

January 1, 2008. At this time, we have not adopted the fair value option for assets and liabilities; however, future events and circumstances may impact that decision.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations." SFAS No. 141(R) will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment for certain specific items, including:

Acquisition costs will be generally expensed as incurred;

Assets that an acquirer does not intend to use will be recorded at fair value reflecting the assets' highest and best use;

Noncontrolling interests will be valued at fair value at the acquisition date;

Acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;

In-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date;

Restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and

Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

SFAS No. 141(R) also includes a substantial number of new disclosure requirements. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact of this statement on our financial statements.

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

The Company is has a service provider agreement with Harrah's Entertainment whereby a portion of the corporate expense of Harrah's Entertainment is allocated to the Company and another portion is allocated to HOC. These charges are included in other operating expense in the consolidated statement of operations. Certain of the more significant intercompany 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 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.

Employee Benefit Plans - HOC maintains a defined contribution savings and retirement plan in which employees of the Company may participate. The plan, among other things, provides for pretax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50 % of their eligible earnings. The employer match is 50 % for the first six % of employees' contributions. Amounts contributed to the plan are invested, at the participant's direction, in up to 19 separate funds. Participants become vested in the matching contributions over five years of credited service. The Company's contribution expense for the years ended December 31, 2008 and 2007 was approximately $1,377 and $1,237, respectively. In February 2009, Harrah's announced suspension of the employer match for all participating employees, where allowed by law or not in violation of an existing agreement.

Certain employees of the Company are covered by union-sponsored, collectively bargained multi-employer pension plans ("the Pension Plans"). The Company's contribution expense totaled $3,607 and $3,001 in 2008 and 2007, respectively. The Pension Plan's administrators do not provide sufficient information to enable the Company to determine their share, if any, of unfunded vested benefits.

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 Company 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 Company may participate. Harrah's allocates an appropriate amount of cost for these awards to each subsidiary where employees participate.

Prior to the completion of the Merger, 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 were granted to employees or consultants of Harrah's and its subsidiaries, including the Company and members of Harrah's Board of Directors. In connection with the Merger on January8, 2008 (see Note 1), outstanding SARs and stock options, whether vested or unvested, and unvested restricted stock were cancelled and converted into the right to receive cash.

***Stock Options* -** Until the Merger, 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 Company recognized approximately $6 and $301 for stock option expense in 2008 and 2007, respectively. This expense is included in charges from affiliates in the accompanying statements of income.

***Stock Appreciation Rights* -** Until the Merger, SARs typically vested in equal installments on June 30 following 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 were exercised over an exercise price per share, which typically was the fair market value on the date the SARs were granted. The Company recognized approximately $29 and $314 for SARs expense in 2008 and 2007, respectively. This expense is included in charges from affiliates in the accompanying statements of income.

(Dollars in Thousands)

Restricted Stock **-** Until the Merger, restricted share grants of Harrah's stock had restrictions that included,, but were not 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 Company recognized approximately $65 and $595 of compensation expense related to Harrah's restricted stock in 2008 and 2007, respectively. This expense is included in charges from affiliates in the accompanying statements of income.

Equity Award Options **-** In February 2008, Harrah's Board of Directors approved and adopted theHarrah's Entertainment, Inc. Management Equity Incentive Plan (the "Equity Plan"). The Equity Plan authorizes equity award options to be granted to management and other personnel and key service providers. Grants may be either shares of time-based options or shares of performance-based options, or a combination. Time-based options generally vest in equal increments of 20% on each of the first five anniversaries of the grant date. The performance-based options vest based on the investment returns of Harrah's stockholders. One-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to two times their amount vested, and one-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to three times their amount vested subject to certain conditions and limitations. In addition, the performance-based options may vest earlier at lower thresholds upon liquidity events prior to December 31, 2009 and 2011, as well as pro rata, in certain circumstances. The Company recognized approximately $261 for equity award options in 2008.

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 $276 and $432 for these costs for the years ended December 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 Company was charged $27,318 and $ 18,686 for these services for the twelve months ended December 31, 2008 and 2007, respectively and $ 6,967 and $ 4,559 for three months ended December 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 December 31 consisted of the following:

	2008	2007
Prepaid Air Charters	3,329	4,207
Prepaid State Income Tax	2,899	326

(Dollars in Thousands)

Prepaid Deferred State Income Tax	5,859	1,401
Prepaid Taxes	974	966
Prepaid Marketing	232	732
Prepaid Other	2,739	604
	$16,032	$ 8,236

NOTE 5 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2008	2007
Due from Affiliates	$580,034	$ 244,908
Investment in ACES	5,484	0
Notes Receivable	9,259	0
Casino Reinvestment Development Authority obligation deposits - Net of Valuation Allowance of $8,207 and $5,073 at December 31, 2008 and 2007, respectively	16,903	15,105
Casino Reinvestment Development Authority Bonds - Net of Valuation Allowance of $3,787 and $3,910 at December 31, 2008 and 2007, respectively	3,829	4,015
Other	503	1,215
	$616,012	$265,243

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

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

	2008	2007
Harrah' Entertainment	$ 544,870	$ 207,267
Atlantic City Region	27,153	28,512
Other	8,011	9,129
	$ 580,034	$ 244,908

NOTE 6 – LAND, BUILDINGS AND EQUIPMENT

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

	2008	2007
Land and Land Improvements	$ 439,957	$ 90,678
Buildings, Leaseholds and Improvements	861,726	751,154
Furniture, Fixtures and Equipment	116,856	151,169
Construction in Progress	19,344	219,046

(Dollars in Thousands)

	1,437,883	1,212,047
Less Accumulated Depreciation	(46,156)	(326,494)
Property and Equipment, Net	$1,391,727	$ 885,553

During the second quarter of 2007, The Company 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:

	2008	2007
Intangible Assets	$50,843	$ 0
Deferred Finance Charge	24,859	0
Interest Rate Cap Derivative	5,783	0
Deferred and Prepaid CRDA Obligations	0	25
Other	2,024	57
	$ 83,509	$ 82

NOTE 8 - OTHER ACCRUED EXPENSES

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

	2008	2007
Accrued Salaries, Wages and Benefits	$ 6,736	$ 9,201
Taxes Payable	3,318	2,859
Accrued In-House Progressive Slot Liability	992	959
Accrued City Wide Progressive Slot Liability	288	536
Accrued Interest, Long-term debt	2,301	4,333
Accrued Casino Control Commission / Department Gaming Enforcement Casino License Fees	814	408
Accrued Utilities	1,049	2,096

(Dollars in Thousands)

Accrued Health & Welfare Union	1,473	1,260
Accrued Charter Services	1,767	2,795
Other Accrued Expenses	6,832	4,005
	$25,570	$28,452

NOTE 9 - NOTE PAYABLE TO AFFILIATE

Debt as of December 31 consisted of the following:

	2008	2007
Promissory Note	$ 0	$650,000

On October 31, 2001, the Company and HOC consummated a promissory note for $650,000. All principal and interest outstanding on the promissory note was due and payable on demand to HOC. Interest was computed on an annual basis using 360 days for the actual number of days elapsed during a year at an annual rate of eight percent. Any amount of principal not paid by the Company to HOC when due would bear an additional two percent annual interest rate. On March 12, 2003, the 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 December 31, 2008 and 2007, there was accrued interest of $0 and $4,333, 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 Company. The Company then transferred the promissory note to HEL in satisfaction of its payable to HEL.

NOTE 10 – OTHER LONG TERM DEBT

Secured debt as of December 31 consisted of the following:

	2008	2007
CMBS financing, 4.20% at December 31, 2008, maturity 2013	$1,160,000	$0

NOTE 11 - OTHER LIABILITIES

Other Liabilities as of December 31 consisted of the following:

	2008	2007
Reported Claims	282	282
IBNR Reserve	12	18
CRDA-ACIA funding	237	261
Deferred CRDA grant	510	562
FIN 48- Tax Reserve	12,575	11,818
	$13,616	$12,941

NOTE 12 – LEASES

(Dollars in Thousands)

The Company 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, 2008 and 2007 was $4,342 and $3,882, respectively.

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

2009	1,230
2010	155
2011	105
	$1,490

NOTE 13 – INCOME TAXES

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

	2008	2007
Federal:		
Current	(2,578)	0
Deferred	1,936	0
Provision for income taxes	($ 642)	$ 0000
State:		
Current	1,399	7,759
Deferred	1,036	(2,106)
Provision for income taxes	$ 2,435	$ 5,653
Total:		
Current	(1,179)	7,759
Deferred	2,972	(2,106)
Provision for income taxes	$ 1,793	$ 5,653

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

	2008	2007
Deferred tax assets:		
Allowance for doubtful accounts	2,372	208
Self-insurance reserves	151	7
Accrued compensation and related benefits	1,045	295
Grantor trusts	3,568	1,070
Land	0	978
Other	25,900	3,079
Total deferred state tax assets	$ 33,036	$5,637

Deferred tax liabilities:

(Dollars in Thousands)

Land, buildings and equipment	(216,363)	(4,949)
Intangibles	(20,769)	0
Other	(1,114)	(204)
Total deferred state tax liabilities	(238,246)	(5,153)
Net deferred state tax liability	($205,210)	$ 484

As discussed in Note 2, the Company 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
Additions based on tax provisons related to the current year	$ 70
Additions for tax positions for prior years	911
Reductions for tax positions for prior years settlements	(454)
Balance at December 31, 2008	$ 10,899

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company accrued approximately $1,552 during 2008; additionally, the Company had approximately $3,391and $4,942 for the payment of interest and penalties accrued at January 1, 2008 and December 31, 2008, respectively. Included in the balance of unrecognized tax benefits at January 1, 2008 and December 31, 2008, is $10,139 and $10,482 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 both federal and state tax authorities, the lapsing of various state statutes, and the remittance of tax payments, the Company believes it is reasonably possible that the amount of unrecognized tax benefits will decrease during 2009 between $642 and $7,291.

As a large taxpayer, Harrah's is under continual audit by the Internal Revenue Service ("IRS") on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits for Harrah's and the Company could change during the next twelve months. Harrah's is participating in the IRS's Compliance Assurance Program for the 2007 and 2008 tax year. This program accelerates the examination of key transactions with the goal of resolving any issues before the tax return is filed. The IRS is currently examining in a traditional audit process the 2004, 2005 and 2006 consolidated federal income tax return filed by Harrah's. Additionally, the Company is subject to exam by state tax authorities, and open tax years are 1999 through 2008.

(Dollars in Thousands)

NOTE 14 – NON-OPERATING INCOME/(EXPENSE)

	2008	2007
Impairment of Goodwill	($185,319)	($ 964)
Interest Income	609	783
Other	(2,430)	(4,148)
	($187,140)	($ 4,329)

NOTE 15 – COMMITMENTS AND CONTINGENCIES

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

Insurance Reserve - The Company is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets includes insurance allowances of $282 as of December 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 $16,903 and $3,829, respectively, at December 31, 2008 and $15,105 and $4,015, respectively, at December 31, 2007. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment.

In order to determine the carrying amount for the CRDA Bonds, the Company considered guidance primarily under FAS 115 *Accounting for Certain Investments in Debt and Equity Securities,* FASB SOP FAS 115-1/124-1 *The Meaning of Other-than-temporary Impairment and its Application to Certain Investments* and SFAS 157 "Fair Value Measurements." Since there is no market for the bonds issued through the CRDA, initial obligation deposits are marked down by 33% to represent their fair value and eventual expected conversion into bonds by the CRDA. Once CRDA Bonds are issued we have concluded that the bonds are held-to-maturity due to their nature. The bonds held by the Company through CRDA are held to maturity since the Company has the ability and the intent to hold these bonds to maturity and under the

CRDA; they are not permitted to do otherwise. As such, as of December 31, 2008 the CRDA Bonds are measured at amortized cost.

The Company also considered whether any impairment indicators were present for its CRDA bonds that would indicate whether the CRDA Bond's fair value was less than its cost. As noted above, there is no market for the CRDA Bonds and as such its fair value could only be determined based on unobservable inputs. Such inputs are limited to the historical carrying value of the CRDA Bonds that are reduced, consistent with industry practice, by 1/3 of their face value at the time of issuance to represent fair value and amortizes the cost subsequent to that date. The discount for the bonds is being amortized over the remaining life of the bonds. The amortization expense related to the accretion of the bonds was $47.

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 Company 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. As of December 31st, 2008 there was accrued CRDA obligation of $ 1,167 in the accompanying balance sheet.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into 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 provides $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 which was $3,289. The Company's obligation is being 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.

In August 2008, the AC Industry entered into a new agreement with the NJSEA that will provide $90 million in funding to subsidize New Jersey's horseracing industry. The funding will be provided in installments through 2011. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to December 31, 2011. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company's estimated obligation is $9,360. The total commitment will be charged to operations on a straight line basis beginning January 2009 through December 31, 2011.

HARRAH'S CASINO HOTEL, ATLANTIC CITY
ANNUAL FILINGS

FOR THE YEAR ENDED DECEMBER 31, 2008

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

DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL

Amended 6/12/2009

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

FOR THE YEAR ENDED DECEMBER 31, 2008

(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..................................	$6,101		
2	Returned Patrons' Checks....................................	10,901		
3	Total Patrons' Checks......................................	17,002	$5,537	$11,465
4	Hotel Receivables..	1,971	270	$1,701
	Other Receivables:			
5	Receivables Due from Officers and Employees....	4		
6	Receivables Due from Affiliates..........................			
7	Other Accounts and Notes Receivables................	7,028		
8	Total Other Receivables....................................	7,032		$7,032
9	Totals (Form CCC-205)..	$26,005	$5,807	$20,198

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	**Description (g)**	**Amount (h)**
10	Beginning Balance (January 1)..	$7,366
11	Counter Checks Issued..	202,666
12	Checks Redeemed Prior to Deposit...	(105,370)
13	Checks Collected Through Deposits..	(85,373)
14	Checks Transferred to Returned Checks...	(13,188)
15	Other Adjustments...	
16	Ending Balance..	$6,101
17	"Hold" Checks Included in Balance on Line 16..	
18	Provision for Uncollectible Patrons' Checks..	($4,702)
19	Provision as a Percent of Counter Checks Issued...	-2.3%

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

AT DECEMBER 31, 2008

($ 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	745			
2	Slot Machines	123			
3	Administration				
4	Casino Accounting	179			
5	Simulcasting	5			
6	Other	163			
7	Total - Casino	1,215	$36,499	$362	$36,861
8	ROOMS	505	11,306	202	11,508
9	FOOD AND BEVERAGE	1,072	20,663	203	20,866
10	GUEST ENTERTAINMENT	170	2,351		2,351
11	MARKETING	7	752	280	1,032
12	OPERATION AND MAINTENANCE	267	10,453		10,453
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	5	66	1,081	1,147
14	Accounting and Auditing	57	1,667	273	1,940
15	Security	117	3,584		3,584
16	Other Administrative and General	227	6,833	292	7,125
	OTHER OPERATED DEPARTMENTS:				
17	Communications	23	318		318
18	Employee Cafeteria	12	1,190		1,190
19	Retail	47	943		943
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	3,724	$96,625	$2,693	$99,318

HARRAH'S CASINO HOTEL, ATLANTIC CITY
ANNUAL GROSS REVENUE TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2008

Line		
	CASINO WIN:	
1.	Table and Other Games……...	$ 98,268,682
2.	Slot Machines	446,455,951
3.	Total Casino Win..	544,724,633
4.	Adjustments………………………...………………………………………	17,507
5.	Gross Revenue (line 3 plus line 4)...	544,742,140
6.	Deduction for Eligible Promotional Gaming Credits…………………………	4,473,143
7.	Taxable Gross Revenue (line 5 minus line 6)..	540,268,997
8.	Tax on Gross Revenue - Reporting Year (8% of line 7)..................................	43,221,520
9.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	-
10.	Total Taxes on Gross Revenue (the sum of lines 8 and 9)...............................	43,221,520
11.	Total Deposits Made for Tax on Reporting Year's Gross Revenue..................	(43,221,520)
12.	Settlement of Prior Years' Tax on Gross Revenue Resulting from Audit or Other Adjustments - (Deposits) Credits	-
13.	Gross Revenue Taxes Payable (the net of lines 10, 11, and 12)	$ (0)

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

March 15, 2009
Date

Mary Cheeks
Signature - Mary Cheeks

VP - Finance (004960-11)
Title (License Number)