

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

QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2009

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



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

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

BALANCE SHEETS

AS OF JUNE 30, 2009 AND 2008

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$24,153	\$19,012
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2009, \$9,356 ; 2008, \$8,139).....	4	11,362	12,737
4	Inventories		1,541	590
5	Other Current Assets.....	5	15,237	29,161
6	Total Current Assets.....		52,293	61,500
7	Investments, Advances, and Receivables.....	6	488,439	238,954
8	Property and Equipment - Gross.....	2,7	831,734	813,867
9	Less: Accumulated Depreciation and Amortization.....	2,7	(48,990)	(16,243)
10	Property and Equipment - Net.....	7	782,744	797,624
11	Other Assets.....	8	31,849	318,019
12	Total Assets.....		\$1,355,325	\$1,416,097
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$9,878	\$10,722
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		1,243	61
17	Income Taxes Payable and Accrued.....			1,269
18	Other Accrued Expenses.....	9	95,981	49,321
19	Other Current Liabilities.....		2,077	2,171
20	Total Current Liabilities.....		109,179	63,544
	Long-Term Debt:			
21	Due to Affiliates.....	10	584,000	584,000
22	External.....	10	2,303	587
23	Deferred Credits		115,228	133,080
24	Other Liabilities.....	11	35,333	33,687
25	Commitments and Contingencies.....	12		
26	Total Liabilities.....		846,043	814,898
27	Stockholders', Partners', or Proprietor's Equity.....		509,282	601,199
28	Total Liabilities and Equity.....		\$1,355,325	\$1,416,097

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

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

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	Revenue:			
1	Casino.....		\$235,699	\$286,978
2	Rooms.....		23,530	25,864
3	Food and Beverage.....		32,857	36,151
4	Other.....		7,027	9,371
5	Total Revenue.....		299,113	358,364
6	Less: Promotional Allowances.....		69,208	77,741
7	Net Revenue.....		229,905	280,623
	Costs and Expenses:			
8	Cost of Goods and Services.....		152,922	185,503
9	Selling, General, and Administrative.....		16,199	26,978
10	Provision for Doubtful Accounts.....		2,249	1,357
11	Total Costs and Expenses.....		171,370	213,838
12	Gross Operating Profit.....		58,535	66,785
13	Depreciation and Amortization.....		18,369	22,057
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	18,413	12,608
16	Income (Loss) from Operations.....		21,753	32,120
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(24,820)	(24,820)
18	Interest Expense - External.....		(161)	(47)
19	CRDA Related Income (Expense) - Net.....		(1,038)	(1,707)
20	Nonoperating Income (Expense) - Net.....		(71)	(857)
21	Total Other Income (Expenses).....		(26,090)	(27,431)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(4,337)	4,689
23	Provision (Credit) for Income Taxes.....		(585)	2,661
24	Income (Loss) Before Extraordinary Items.....		(3,752)	2,028
	Extraordinary Items (Net of Income Taxes -			
25	20__, \$0; 20__, \$0).....			
26	Net Income (Loss).....		(\$3,752)	\$2,028

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

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2009 AND 2008

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	Revenue:			
1	Casino.....		\$119,833	\$144,808
2	Rooms.....		12,700	13,813
3	Food and Beverage.....		17,688	18,777
4	Other.....		3,736	4,443
5	Total Revenue.....		153,957	181,841
6	Less: Promotional Allowances.....		37,143	37,911
7	Net Revenue.....		116,814	143,930
	Costs and Expenses:			
8	Cost of Goods and Services.....		75,702	94,875
9	Selling, General, and Administrative.....		8,835	13,416
10	Provision for Doubtful Accounts.....		952	605
11	Total Costs and Expenses.....		85,489	108,896
12	Gross Operating Profit.....		31,325	35,034
13	Depreciation and Amortization.....		9,035	11,384
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	8,745	6,276
16	Income (Loss) from Operations.....		13,545	17,374
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(12,410)	(12,410)
18	Interest Expense - External.....		(131)	(22)
19	CRDA Related Income (Expense) - Net.....		(471)	(894)
20	Nonoperating Income (Expense) - Net.....		185	(475)
21	Total Other Income (Expenses).....		(12,827)	(13,801)
22	Income (Loss) Before Taxes and Extraordinary Items.....		718	3,573
23	Provision (Credit) for Income Taxes.....		1,394	1,473
24	Income (Loss) Before Extraordinary Items.....		(676)	2,100
25	Extraordinary Items (Net of Income Taxes - 20__, \$____; 20__, \$_____).....			
26	Net Income (Loss).....		(\$676)	\$2,100

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

Bally's Park Place, Inc (Bally's Atlantic City)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008 AND THE SIX MONTHS ENDED JUNE 30, 2009

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2007.....		100	\$1	0	\$0	\$597,787	\$0	\$66,355	\$664,143
2	Net Income (Loss) - 2007.....								(86,137)	(86,137)
3	Contribution to Paid-in-Capital....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Merger of Company.....								(64,972)	(64,972)
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2008.....		100	1	0	0	597,787	0	(84,754)	513,034
11	Net Income (Loss) - 2009.....								(3,752)	(3,752)
12	Contribution to Paid-in-Capital....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	.....									0
16	.....									0
17	.....									0
18	.....									0
19	Balance, June 30, 2009		100	\$1	0	\$0	\$597,787	\$0	(\$88,506)	\$509,282

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

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

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$40,798	(\$483,246)
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment.....		(2,833)	(22,560)
5	Proceeds from Disposition of Property and Equipment.....			16
6	CRDA Obligations		(3,270)	(3,697)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(6,103)	(26,241)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(87)	(82)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Transfer to Affiliates		(38,413)	498,450
22				
23	Net Cash Provided (Used) By Financing Activities.....		(38,500)	498,368
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(3,805)	(11,119)
25	Cash and Cash Equivalents at Beginning of Period.....		27,958	30,131
26	Cash and Cash Equivalents at End of Period.....		\$24,153	\$19,012
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$161	\$7,920
28	Income Taxes.....			\$350

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

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

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2009 (c)	2008 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$3,752)	\$2,028
30	Depreciation and Amortization of Property and Equipment.....		17,330	19,301
31	Amortization of Other Assets.....		1,039	2,756
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent		(555)	29,544
35	(Gain) Loss on Disposition of Property and Equipment.....		28	76
36	(Gain) Loss on CRDA-Related Obligations.....		1,038	1,707
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		1,851	795
39	(Increase) Decrease in Inventories		1,002	262
40	(Increase) Decrease in Other Current Assets.....		(879)	(2,697)
41	(Increase) Decrease in Other Assets.....		(442)	1
42	Increase (Decrease) in Accounts Payable.....		657	307
43	Increase (Decrease) in Other Current Liabilities		22,150	10,612
44	Increase (Decrease) in Other Liabilities		1,331	(547,938)
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$40,798	(\$483,246)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$2,562)	(\$22,560)
49	Less: Capital Lease Obligations Incurred.....		(271)	
50	Cash Outflows for Property and Equipment.....		(\$2,833)	(\$22,560)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

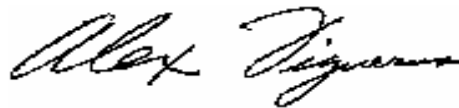
Bally's Park Place, Inc (Bally's Atlantic City)
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30, 2009

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

8/17/2009

Date



Alex Figueras

Vice President of Finance

Title

7438-11

License Number

On Behalf of:

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

Casino Licensee

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

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Bally's Park Place, Inc., a New Jersey corporation (the "Company"), is an indirect, wholly owned subsidiary of Harrah's Operating Company, Inc. ("HOC"), which is a direct wholly owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

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

In January 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".

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Acquisition - On January 28, 2008, Harrah's was acquired by affiliates of Apollo Global Management, LLC and TPG Capital, LP. The total purchase price was approximately \$30.7 billion. In conjunction with the acquisition, total equity was adjusted to 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 flows analyses, quoted market prices and estimates made by management.

Cash and Cash Equivalents — Cash and cash equivalents are highly liquid investments with an original maturity of less than six months and are stated at the lower of cost or market value.

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.

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 HOC overall weighted-average borrowing rate of interest.

Improvements that extend the life of the asset are capitalized. Building improvements are

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

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 10 years

Goodwill and Other Intangible Assets – The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 42, which provides guidance regarding the recognition and measurement of intangible assets, eliminates the amortization of certain intangibles and requires assessment for impairment of intangible assets that are subject to amortization at least annually. During 2008 the company concluded that goodwill was impaired and charged off the entire balance. The Company has no goodwill as of June 30, 2009.

The intangible assets include customer relationship (database) totaling \$24,700 with a useful life of twelve years and are being amortized using the straight-line method. Previous to the Merger, the Predecessor Company maintained a trademark totaling \$20,000 and customer relationships (database) totaling \$130,000. The trademark was determined to have a useful life of five years and the customer relationships were determined to have a useful life of 15 years, and were being amortized using the straight-line method. Amortization expense for the six months ended June 30, 2009, and 2008 was approximately \$515 and \$2,756 respectively. Estimated annual amortization expense for the years ending December 31, 2009, 2010, 2011, 2012, and 2013 is approximately \$2,058.

Investments in Subsidiaries - The Company has an investment in Atlantic City Country Club 1, LLC (“ACCC”) reflected in the accompanying financial statements using the equity method.

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

Revenue Recognition - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. The retail value of rooms, food & beverage, and other services, furnished to hotel-casino guests without charge, is included in gross revenue and then deducted as promotional allowances.

Total Rewards Program Liability - Harrah’s customer loyalty program, Total Rewards, offers incentives to customers who gamble at the Company’s property and certain affiliate casinos throughout the United States. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program.

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

The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. As a result of the ability of the customer to bank the Reward Credits, the Company accrues the expense of Reward Credits, after consideration of estimated breakage, as they are earned. The value of the cost to provide Reward Credits is expensed as the Reward Credits are earned and is included in Casino expense in the accompanying statements of income. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At June 30, 2009 and 2008, \$3,602 and \$4,583, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions.

In addition to Reward Credits, customers can earn points based on play that are redeemable in cash ("cash-back points"). The Company accrues the cost of cash-back points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowances in the accompanying statements of income. At June 30, 2009 and 2008, the liability related to outstanding cash-back points, which is based on historical redemption activity, was approximately \$1,048 and \$1,684, 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 as of June 30:

	2009	2008
Rooms	\$ 6,614	\$ 6,665
Food and Beverage	16,755	19,423
Other	1,537	3,391
Bus Program Cash	2,638	8,637
Promotional Gaming Credits	15,517	-
Other Cash Complimentaries	12,633	26,141
	<u>\$ 55,694</u>	<u>\$ 64,257</u>

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

Deferred 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

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

an increase or decrease to the tax provision in the period that includes the enactment date.

The Company follows the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Seasonal factors – The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2009 are not necessarily indicative of the results of operations for the full year.

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

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.

Cash Activity With HOC and Affiliates — The Company transfers cash in excess of its operating and regulatory needs to HOC on a daily basis. Cash transfers from HOC to the Company are also made based upon the needs to the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. No interest is earned on the amount shown as due from affiliates, net, in the accompanying balance sheets.

Atlantic City Country Club 1, LLC. — The net operating costs of ACCC are allocated to the Company as well as Caesars Atlantic City, Showboat Atlantic City and Harrah's Atlantic City, affiliates of the Company. The Company was charged approximately \$169 and \$193 for the six months ended June 30, 2009 and 2008, respectively, for these services. 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 approximately \$18,413 and \$12,608 for the six months ended June 30, 2009 and 2008, respectively, for these services. The fee is included in charges from affiliates in the accompanying statements of income.

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

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

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

	2009	2008
Casino Receivable (Net of allowance for doubtful accounts-\$9,233 in 2009 and \$8,034 in 2008)	\$ 7,447	\$ 7,795
Other (Net of allowance for doubtful accounts of \$123 in 2009 and \$105 in 2008)	3,915	4,942
	<u>\$ 11,362</u>	<u>\$ 12,737</u>

NOTE 5- OTHER CURRENT ASSETS

Other Current Assets as of June 30 consist of the following:

	2009	2008
Tax Deferred Asset	\$ 6,021	\$ 20,740
Other	9,216	8,421
	<u>\$ 15,237</u>	<u>\$ 29,161</u>

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

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

	2009	2008
Due from Harrah's:	\$ 449,678	\$ 199,434
Investment in wholly owned subsidiaries(see Note 2) Atlantic City Country Club 1, LLC	14,398	14,398
Casino Reinvestment Development Authority Investment obligations (net of valuation reserves of \$21,822 in 2009 and \$22,212 in 2008)	24,120	24,799
Jacobs Family Terrace mortgage receivable (net of valuation reserves of \$250 in 2009 and 2008)	243	323
	<u>\$ 488,439</u>	<u>\$ 238,954</u>

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

NOTE 7- PROPERTY AND EQUIPMENT

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

	2009	2008
Land	\$ 278,092	\$ 277,403
Buildings and Improvements	454,255	443,177
Furniture, Fixtures and Equipment	90,405	74,285
Construction in progress	8,982	19,002
	<u>\$ 831,734</u>	<u>\$ 813,867</u>
Less accumulated depreciation	<u>(48,990)</u>	<u>(16,243)</u>
	<u>\$ 782,744</u>	<u>\$ 797,624</u>

NOTE 8- OTHER ASSETS

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

Other assets as of June 30 consist of the following:

	2009	2008
Intangible asset (net of accumulated amortization of \$2,916 in 2009 and \$1,837 in 2008)	\$ 21,784	\$ 51,063
Non-Current CRDA	9,576	4,046
Other	489	57
Goodwill	-	262,853
	<u>\$ 31,849</u>	<u>\$ 318,019</u>

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

NOTE 9- OTHER ACCRUED EXPENSES

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

	2009	2008
Accrued Payroll	\$ 11,452	\$ 11,817
Accrued Utilities	1,356	2,301
Accrued Interest	70,724	21,084
Other	12,449	14,119
	<u>\$ 95,981</u>	<u>\$ 49,321</u>

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

Long-term debt-due to affiliates and other as of June 30 consist of the following:

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	2009	2008
8.5% Note payable to Harrah's Entertainment Ltd. ("HEL") due January 1, 2019	\$ 500,000	\$ 500,000
8.5% Note Payable To HEL due May 31, 2011	33,500	33,500
8.5% Note Payable To HEL due May 31, 2011	50,000	50,000
8.5% Note Payable To HEL due April 30, 2013	<u>500</u>	<u>500</u>
	<u>\$ 584,000</u>	<u>\$ 584,000</u>
Long-term debt-other:		
Other secured and Unsecured debt (Net of current maturity of \$1,243)	<u>\$ 2,303</u>	<u>\$ 587</u>

On July 1, 2006, the four promissory notes formerly held by Caesars Entertainment Finance Corporation ("CEFC") were assigned to HEL. Neither the terms nor the amounts of debt were affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments. Prior to the assignment interest payments were made monthly. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of June 30, 2009 and 2008, accrued interest related to the four intercompany notes totaled \$70,724 and \$21,084 respectively. Since the notes are due to an affiliate, a determination of fair value is not considered meaningful.

The Company amended and restated its notes payable to HEL originally due January 1, 2009 in the amount of \$500,000. The new amended and restated note payable has the same terms and conditions and at the same interest rate but with a new maturity date of January 1, 2019.

NOTE 11- OTHER LIABILITIES

Other liabilities as of June 30 consist of the following:

	2009	2008
Retirement and Other Employee benefit Plans	\$ 1,146	\$ 1,345
Other	<u>34,187</u>	<u>32,342</u>
	<u>\$ 35,333</u>	<u>\$ 33,687</u>

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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

Insurance Reserve - The Company is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets include insurance allowances of \$460 and \$445 as of June 30, 2009 and 2008, respectively. Actual results may differ from these reserve amounts.

CRDA Investment Obligation - The New Jersey Casino Control Act provides for, among other things, 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 has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below market rates. The Company includes CRDA investment bonds and funds on deposit in investments, advances, and receivables in the accompanying balance sheets totaling \$14,606 and \$27,303, respectively, at June 30, 2009 and \$15,570 and \$28,619, respectively, at June 30, 2008. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment.

The estimate for Valuation Allowance for the CRDA Bonds considered guidance primarily under SFAS 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 FAS 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. This discount is being amortized over the remaining life of the bond. 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 June 30, 2009 the CRDA Bonds are measured at amortized cost.

All the Atlantic City casino properties (the "AC Industry") and the CRDA entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. This agreement expired on January 1, 2009. The agreement provided that in exchange for funding, the NJSEA and the three active New Jersey racetracks would not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry provided \$34,000 over a four year period to the NJSEA and deposited another \$62,000 into the Casino Expansion Fund (managed by the CRDA). The Company's obligation was equal to \$4,800, its fair-share of AC Industry casino revenues, and the Company is eligible to receive funds deposited as a result of this obligation from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

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In August 2008, the AC Industry entered into a new agreement with the NJSEA that will provide \$90 million in funding to subsidize New Jersey's horseracing industry. The funding will be provided in installments through 2011. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to December 31, 2011. The Company's obligation is estimated at \$11,700, equal to its fair-share of AC Industry casino revenues. The total commitment is being charged to operations on a straight line basis beginning January 2009 through December 31, 2011.