

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

**QUARTERLY REPORT**

**FOR THE QUARTER ENDED DECEMBER 31, 2011**

**SUBMITTED TO THE  
DIVISION OF GAMING ENFORCEMENT  
OF THE  
STATE OF NEW JERSEY**



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

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

## BALANCE SHEETS

AS OF DECEMBER 31, 2011 AND 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$29,934	\$27,390
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2011, \$7,775 ; 2010, \$8,312 ).....	4	13,035	12,833
4	Inventories .....		1,628	1,302
5	Other Current Assets.....	5	7,115	11,357
6	Total Current Assets.....		51,712	52,882
7	Investments, Advances, and Receivables.....	6	568,442	541,550
8	Property and Equipment - Gross.....	2,7	853,040	846,021
9	Less: Accumulated Depreciation and Amortization.....	2,7	(133,141)	(99,913)
10	Property and Equipment - Net.....	7	719,899	746,108
11	Other Assets.....	8	27,479	31,422
12	Total Assets.....		\$1,367,532	\$1,371,962
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$7,154	\$10,009
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		140	1,084
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	9	213,299	167,540
19	Other Current Liabilities.....		2,372	2,807
20	Total Current Liabilities.....		222,965	181,440
	Long-Term Debt:			
21	Due to Affiliates.....	10	584,000	584,000
22	External.....	10	318	402
23	Deferred Credits .....		60,890	100,038
24	Other Liabilities.....	11	80,093	41,794
25	Commitments and Contingencies.....	12	0	0
26	Total Liabilities.....		948,266	907,674
27	Stockholders', Partners', or Proprietor's Equity.....		419,266	464,288
28	Total Liabilities and Equity.....		\$1,367,532	\$1,371,962

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 TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino.....		\$377,311	\$425,345
2	Rooms.....		51,186	49,318
3	Food and Beverage.....		66,301	68,961
4	Other.....		14,847	14,915
5	Total Revenue.....		509,645	558,539
6	Less: Promotional Allowances.....		140,984	144,237
7	Net Revenue.....		368,661	414,302
	Costs and Expenses:			
8	Cost of Goods and Services.....		277,002	297,031
9	Selling, General, and Administrative.....		40,916	45,008
10	Provision for Doubtful Accounts.....		1,996	1,045
11	Total Costs and Expenses.....		319,914	343,084
12	Gross Operating Profit.....		48,747	71,218
13	Depreciation and Amortization.....		35,940	36,926
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	3	25,414	24,609
16	Income (Loss) from Operations.....		(12,607)	9,683
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	(49,640)	(49,640)
18	Interest Expense - External.....		(64)	(251)
19	CRDA Related Income (Expense) - Net.....	12	(2,950)	(1,283)
20	Nonoperating Income (Expense) - Net.....		(3,560)	494
21	Total Other Income (Expenses).....		(56,214)	(50,680)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(68,821)	(40,997)
23	Provision (Credit) for Income Taxes.....	2, 13	(23,799)	(13,577)
24	Income (Loss) Before Extraordinary Items.....		(45,022)	(27,420)
25	Extraordinary Items (Net of Income Taxes - 2011, \$0; 2010, \$0 ).....		0	0
26	Net Income (Loss).....		(\$45,022)	(\$27,420)

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 QUARTER ENDED DECEMBER 31, 2011 AND 2010

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	Revenue:			
1	Casino.....		\$83,783	\$90,150
2	Rooms.....		11,893	11,232
3	Food and Beverage.....		13,490	13,641
4	Other.....		3,382	3,021
5	Total Revenue.....		112,548	118,044
6	Less: Promotional Allowances.....		31,220	31,383
7	Net Revenue.....		81,328	86,661
	Costs and Expenses:			
8	Cost of Goods and Services.....		64,627	67,517
9	Selling, General, and Administrative.....		8,774	11,635
10	Provision for Doubtful Accounts.....		787	308
11	Total Costs and Expenses.....		74,188	79,460
12	Gross Operating Profit.....		7,140	7,201
13	Depreciation and Amortization.....		9,236	9,586
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	3	6,463	5,863
16	Income (Loss) from Operations.....		(8,559)	(8,248)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	(12,410)	(12,410)
18	Interest Expense - External.....		(14)	(43)
19	CRDA Related Income (Expense) - Net.....	12	(978)	334
20	Nonoperating Income (Expense) - Net.....		(1,453)	66
21	Total Other Income (Expenses).....		(14,855)	(12,053)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(23,414)	(20,301)
23	Provision (Credit) for Income Taxes.....	2, 13	(8,428)	(7,887)
24	Income (Loss) Before Extraordinary Items.....		(14,986)	(12,414)
	Extraordinary Items (Net of Income Taxes -			
25	2011, \$0; 2010, \$0 ).....		0	0
26	Net Income (Loss).....		(\$14,986)	(\$12,414)

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, 2010 AND DECEMBER 31, 2011

(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, 2009.....		100	\$1			\$597,787		(\$90,703)	\$507,085
2	Net Income (Loss) - 2010.....								(27,420)	(27,420)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	ASC - 740 Adjustment								(15,377)	(15,377)
7										0
8										0
9										0
10	Balance, December 31, 2010.....		100	1	0	0	597,787	0	(133,500)	464,288
11	Net Income (Loss) - 2011.....								(45,022)	(45,022)
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, December 31, 2011		100	\$1	0	\$0	\$597,787	\$0	(\$178,522)	\$419,266

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 TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$41,081	\$51,641
	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.....		(7,667)	(14,846)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations .....		(4,801)	(5,547)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances .....			623
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(12,468)	(19,770)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt .....			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....			
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Change in Payable to / Receivable from affiliates .....		(26,069)	(27,766)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(26,069)	(27,766)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		2,544	4,105
25	Cash and Cash Equivalents at Beginning of Period.....		27,390	23,285
26	Cash and Cash Equivalents at End of Period.....		\$29,934	\$27,390
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$27	\$251
28	Income Taxes.....		\$0	\$1,720

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 TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2011 (c)	2010 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$45,022)	(\$27,420)
30	Depreciation and Amortization of Property and Equipment.....		33,876	34,847
31	Amortization of Other Assets.....		2,064	2,079
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current .....		1,000	1,492
34	Deferred Income Taxes - Noncurrent .....		(39,148)	(7,987)
35	(Gain) Loss on Disposition of Property and Equipment.....			9
36	(Gain) Loss on CRDA-Related Obligations.....		2,950	1,283
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(202)	(1,557)
39	(Increase) Decrease in Inventories .....		(326)	(150)
40	(Increase) Decrease in Other Current Assets.....		3,243	(2,527)
41	(Increase) Decrease in Other Assets.....		1,878	589
42	Increase (Decrease) in Accounts Payable.....		(2,855)	83
43	Increase (Decrease) in Other Current Liabilities .....		45,324	45,297
44	Increase (Decrease) in Other Liabilities .....		38,299	5,603
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$41,081	\$51,641

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$7,667)	(\$14,846)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$7,667)	(\$14,846)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	
52	Goodwill Acquired.....		0	
53	Other Assets Acquired - net .....		0	
54	Long-Term Debt Assumed.....		0	
55	Issuance of Stock or Capital Invested.....		0	
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
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.

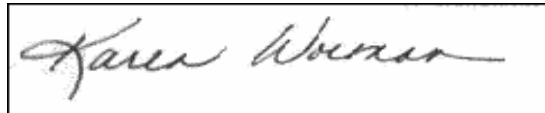
**Bally's Park Place Inc. ( Bally's Atlantic City)**  
**STATEMENT OF CONFORMITY,**  
**ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 2011

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division of Gaming Enforcement'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 requirements contained in N.J.S.A. 5:12-84(a)1-5 during the quarter.

3/31/2012

Date



Karen Worman

Vice President of Finance

Title

6320-11

License Number

On Behalf of:

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

Casino Licensee



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

**NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION**

The accompanying financial statements include the accounts of Bally’s Park Place, Inc., a New Jersey corporation (the “Company”), an indirect, wholly owned subsidiary of Caesars Operating Company, Inc. (“CEOC”), (formerly Harrah’s Operating Company, Inc.) which is a direct wholly owned subsidiary of Caesars Entertainment, Inc. (“Caesars”), (formerly Harrah's Entertainment, Inc.). On November 23, 2010 Harrah's Entertainment, Inc. was changed to Caesars Entertainment Corporation. 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 July 2013. On February 1, 2011, the Governor signed into law a bill which transferred certain regulatory authority from the New Jersey Casino Control Commission to the New Jersey Division of Gaming Enforcement, (the “DGE”).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Allowance for Doubtful Accounts** - The Company reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances.

**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** - 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 20 years

The Company reviews the carrying value of land, buildings and equipment for impairment whenever

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

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. If undiscounted expected future cash flows are less than the carrying value, an impairment loss would be 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. No impairment was recognized by the Company for all periods presented in the statements of operations.

**Goodwill and Other Intangible Assets** – The Company accounts for goodwill and other intangible assets in accordance with Accounting Standard Codification (“ASC”) 350, Intangible Assets, Goodwill and Other. The Company performs at least an annual review of intangible assets for impairment.

The Company maintains customer relationships (database) totaling \$24,700. The customer relationships have been determined to have a useful life of twelve years and are being amortized using the straight-line method. Amortization expense for the twelve months ended December 31, 2011, and 2010 was \$2,058. Estimated annual amortization expense for customer relationships for each of the years ending December 31, 2012, 2013 and 2014 is approximately \$2,058.

**Fair Value of Financial Instruments** — The carrying amount of current assets 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 CRDA bonds and deposits approximately reflect their fair value based upon their below-market interest rates.

**Revenue Recognition** — Gaming revenue is (a) the win from gaming activities, which is the difference between gaming wins and losses, less sales incentives and other adjustments and (b) revenue from gaming related activities such as poker and tournaments. Jackpots, other than the incremental amount of progressive jackpots, are recognized at the time they are won by customers. The Company accrues the incremental amount of progressive jackpots as the progressive machine is played, and the progressive jackpot amount increases, with a corresponding reduction of gaming revenue. The retail value of accommodations, food and beverage, and other services furnished to hotel-casino guests without charge is included in gross revenue and then deducted as promotional allowances. Food and beverage and rooms revenues include the aggregate amounts generated by those departments.

**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 December 31:

2011

2010

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

Rooms	\$12,326	\$12,926
Food and Beverage	31,343	33,608
Other	5,346	3,800
Bus Program Cash	236	246
Promotional Gaming Credits	54,503	49,192
Other Cash Complimentaries	12,367	17,745
	\$116,121	\$117,517

**Total Rewards Program Liability** - The Company’s customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of affiliated casinos throughout the United States. Under the program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits, the expense of reward credits is accrued after consideration of estimated forfeitures (defined as “breakage”), as they are earned. The estimated cost to provide reward credits is expensed at the property where they are earned and is included in casino expense on the accompanying consolidated statements of operations. 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 December 31, 2011 and 2010, \$3,281 and \$3,552, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions. These amounts reside on Caesars balance sheet and thus are included in the due from affiliates balance in the accompanying balance sheets of the Company.

In addition to reward credits, the Company’s customers can earn points based on play that are redeemable in Non Negotiable Reel Rewards (“NNRR”). The Company accrues the costs of NNRR 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 December 31, 2011 and 2010, the liability related to outstanding cash-back points, which is based on historical redemption activity, was approximately \$583 and \$606, respectively.

**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.

**Advertising Expenses** — Advertising costs are expensed as incurred. Advertising expenses are approximately \$2,753, and \$3,311 for the twelve months ended December 31, 2011 and 2010, respectively. Advertising expenses are included in selling, general and administrative expenses in the statements of income.

**Gaming Tax** — The Company remits weekly to the NJ Division of Taxation a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the NJ Division of Taxation for the twelve months ended December 31, 2011 and 2010, which are included in Cost of Sales in the accompanying statements of income, were approximately \$30,264 and \$34,087, respectively.

**Income Taxes** - The Company is included in the consolidated federal tax return of Caesars and files

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

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 an increase or decrease to the tax provision in the period that includes the enactment date. The Company follows the provisions of *ASC 740- Income Taxes*. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

**Recently Issued Accounting Pronouncements** — In May 2011, the FASB issued ASU 2011-04, “*Fair Value Measurement*” to provide updated guidance related to fair value measurement and disclosure requirements. The changes result in common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards (“IFRS”) and change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. The changes were originally to be effective for the Company on January 1, 2012. In December 2011, the FASB issued updated guidance deferring the effective date indefinitely pending further deliberations by the FASB at a future date.

In September 2011, the FASB issued ASU 2011-09, “*Compensation — Retirement Benefits — Multiemployer Plans*” to provide updated guidance related to disclosures around employer's participation in multiemployer benefit plans. The updated guidance increases the quantitative and qualitative disclosures an employer will be required to provide about its participation in significant multiemployer plans that offer pension or other postretirement benefits. This update relates only to disclosures. There was no impact on the Company's financial position, results of operations, or cash flows upon adoption.

**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.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

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

The Company participates with CEOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by CEOC 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 CEOC and Affiliates** - The Company transfers cash in excess of its operating and regulatory needs to CEOC on a daily basis. Cash transfers from CEOC 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.

**Employee Benefit Plans** - Caesars 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. Due to economic conditions, Caesars suspended the employer match for all participating employees. As such, there were no Company contributions for the years ended December 31, 2011 and 2010, respectively.

Caesars also maintains deferred compensation plans, stock-option plans, and an executive supplemental savings plan under which certain employees of the Company's management may defer a portion of their compensation. The expenses charged by Caesars to the Company for employees' participation in these programs are included in the administrative and other services charge discussed above.

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 \$4,408 and \$4,287 in 2011 and 2010, 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.

**Equity Incentive Awards** - Caesars maintains equity incentive awards plans in which employees of the Company may participate. Caesars allocates an appropriate amount of cost for these awards to each subsidiary where employees participate. The Company recognized approximately \$235 and \$353 in equity award options in each of the years ended December 31, 2011 and 2010, respectively.

**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 \$219 and \$165 for the twelve months ended December 31, 2011 and 2010, 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 CEOC for administrative and other services (including consulting, legal, marketing, information technology, accounting, and insurance). The Company was charged approximately \$25,414 and \$24,609 for the twelve months ended December 31, 2011 and 2010, respectively, for these services.

**NOTE 4 – RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of December 31 consist of the following:

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

	<u>2011</u>	<u>2010</u>
Casino Receivable (Net of allowance for doubtful accounts \$7,658 in 2011 and \$8,143 in 2010)	\$8,001	\$6,650
Other (Net of allowance for doubtful accounts of \$117 in 2011 and \$169 in 2010)	4,708	5,867
Current Portion of Notes Receivable	326	316
	<u>\$13,035</u>	<u>\$12,833</u>

**NOTE 5- OTHER CURRENT ASSETS**

Prepaid Expense and Other Current Assets as of December 31 consist of the following:

	<u>2011</u>	<u>2010</u>
Tax Deferred Asset	\$3,646	\$3,558
NJ Sports and Expo Purse Agreement	0	3,900
Other	3,469	3,899
	<u>\$7,115</u>	<u>\$11,357</u>

**NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, advances and receivables as of December 31 consist of the following:

	<u>2011</u>	<u>2010</u>
Due from Caesars:	\$524,804	\$500,482
Investment in wholly owned subsidiaries(see Note 2)	14,398	14,398
Atlantic City Country Club 1, LLC		
Casino Reinvestment Development Authority Investment obligations	28,035	26,518
(net of valuation reserves of \$17,700 in 2011 and \$19,473 in 2010)		
Other	1,205	152
	<u>\$568,442</u>	<u>\$541,550</u>

The amounts due from Caesars as of December 31 are unsecured and non-interest bearing.

**NOTE 7- LAND, BUILDING AND EQUIPMENT**

Property and equipment as of December 31 consist of the following:

<u>2011</u>	<u>2010</u>
-------------	-------------

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

Land	\$277,961	\$277,961
Buildings and Improvements	470,524	459,824
Furniture, Fixtures and Equipment	103,973	100,082
Construction in progress	582	8,154
	\$853,040	\$846,021
Less accumulated depreciation	(133,141)	(99,913)
	\$719,899	\$746,108

**NOTE 8- OTHER ASSETS**

Other assets as of December 31 consist of the following:

	<u>2011</u>	<u>2010</u>
Intangible asset (net of accumulated amortization of \$8,062 in 2011 and \$5,489 in 2010)	\$16,638	\$18,697
Notes Receivable-Net of current portion	9,927	10,252
Non-Current CRDA	500	2,034
Other	414	439
	\$27,479	\$31,422

See Note 2 for discussion of Goodwill and Other Intangible Assets.

**NOTE 9- OTHER ACCRUED EXPENSES**

Other accrued expenses as of December 31 consist of the following:

	<u>2011</u>	<u>2010</u>
Accrued Interest	\$194,824	\$145,184
Accrued Payroll	8,188	9,239
Other	10,287	13,117
	\$213,299	\$167,540

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

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

<u>2011</u>	<u>2010</u>
-------------	-------------

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

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, 2021	33,500	33,500
8.5% Note Payable To HEL due May 31, 2021	50,000	50,000
8.5% Note Payable To HEL due January 1, 2019	500	500
	<u>\$584,000</u>	<u>\$584,000</u>
Long-term debt-other:	<u>\$318</u>	<u>\$402</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 December 31, 2011 and 2010, accrued interest related to the four inter-company notes totaled \$194,824 and \$145,184 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.

The Company also amended and restated its notes payable to HEL originally due May 31, 2011 in the amount of \$83,500. 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 May 31, 2021.

**NOTE 11 - OTHER LIABILITIES**

As of December 31, Other Liabilities were as follows:

	<u>2011</u>	<u>2010</u>
Retirement and Other Employee benefit Plans	\$403	\$430
Deferred Tax Liability	79,690	41,364
	<u>\$80,093</u>	<u>\$41,794</u>

**NOTE 12 – LEASES**

**Operating Leases** — The Company has non-cancelable operating leases for equipment which



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

expire on various dates through 2014.

**Capital Lease** — In 2008, the Company entered into a capital leases for approximately \$3,900, for gaming equipment, which is included in furniture, fixtures, and equipment, in the accompany balance sheets. The net book value of the assets held under capital lease is \$1,400 and \$2,200, respectively, as of December 31, 2011 and 2010.

**Future Minimum Rental Commitments** — Future minimum rental commitments for non-cancelable leases, including renewal options and capital leases, as of December 31, 2011, are as follows (in thousands):

	<u>Lease Obligations</u>	
	<u>Capital</u>	<u>Operating</u>
2012	\$ 33	\$ 727
2013	-	296
2014	-	116
	<hr/>	<hr/>
Total minimum lease payments	33	<u>\$ 1,139</u>
Amounts representing interest	<hr/> -	
Present value of net minimum lease payments	33	
Less current maturities	<hr/> (33)	
Capital lease obligations - concurrent	<u>\$ -</u>	

Rental expense included in the accompanying statements of operations for the years ended December 31, 2011 and 2010, was approximately \$4,800 and \$4,400, respectively.

**NOTE 13 – INCOME TAX PROVISION**

The Company is included in the consolidated federal tax return of Caesars, but files a separate New

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

Jersey tax return. The provision for income taxes is computed based on a separate return basis.

The tax years that remain open for examination for Caesars major jurisdictions are 2002 through 2010 for New Jersey due to our execution of New Jersey statute of limitations extensions and 2005 through 2010 for the United States.

Significant components of the provision (benefit) for income taxes for the years ended December 31, 2011 and 2010 are as follows:

Provision (benefit) for income taxes	<u>2011</u>	<u>2010</u>
Current		
Federal	\$1,957	(\$6,337)
State	<u>26</u>	<u>(746)</u>
	\$1,983	(\$7,083)
Deferred	<u>(\$25,782)</u>	<u>(\$6,494)</u>
Provision for income taxes	(\$23,799)	(\$13,577)

The income tax benefit for the years ended December 31, 2011 and 2010, differ from the federal statutory rate of 35% primarily due to state income taxes, the impact of nondeductible expenses, federal tax credits and the accrual for uncertain tax positions.

The Company does not have a formal tax sharing agreement in place with its parent entity for federal income tax purposes. Therefore, Caesars pays all of the Company's federal income taxes of which the Company's portion was an expense of \$500 and a benefit of \$6,300 for the years ended December 31, 2011 and 2010, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Company's deferred tax assets and liabilities as of December 31, 2011 and 2010, were as follows:

	<u>2011</u>	<u>2010</u>
Deferred tax assets:		
Compensation programs	473	1,659

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

Allowance for doubtful accounts	3,278	3,498
Contingencies	15,865	14,837
CRDA investment obligation	2,263	1,506
Federal tax credit carryovers	3,872	1,077
Other	127	383
Net operating loss carryovers	<u>33,627</u>	<u>13,380</u>
	<u>59,505</u>	<u>36,340</u>
Deferred tax liabilities		
Depreciation and other property related items	(121,211)	(122,936)
Intangibles	(6,797)	(7,638)
Progress jackpot liability	<u>(2,144)</u>	<u>(2,246)</u>
	(130,152)	(132,820)
Net deferred tax liability	<u>(70,647)</u>	<u>(96,480)</u>

As of December 31, 2011 and 2010, the Company had federal net operating loss (NOL) carryforwards of \$97,400 and \$38,200, respectively. The federal NOLs will begin to expire in 2029.

As of December 31, 2011, the Company also had a New Jersey net operating loss carryforward of \$13,100. The New Jersey NOL will expire in 2031. In addition, the Company had federal general business tax credit carryforwards of \$700 and an AMT credit carryforward of \$2,500. The general business tax credits will begin to expire in 2029 and the AMT credit will not expire. The NOL and alternative minimum tax credit carryforwards per the income tax returns included unrecognized tax benefits taken in prior years. Due to application of ASC Topic 740, the NOLs and credits reflected on the tax returns are larger than the related deferred tax assets recognized for financial statement purposes. As of December 31, 2011, no valuation allowance has been established for the Company's NOL carryforwards or general business tax credit carryforwards deferred tax assets because the Company has sufficient future tax liabilities arising within the carryforward periods. However, the Company will continue to assess the need for an allowance in future periods.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company accrued approximately \$2,600 and \$2,500 of interest during 2011 and 2010, respectively. In total, the Company accrued \$17,000 and \$14,400 for the payment of interest and penalties at December 31, 2011 and 2010, respectively.

It is reasonably possible that the amount of unrecognized tax benefits could increase or decrease within the next twelve months. Management estimates that the amount of unrecognized tax benefits will not change significantly within the next twelve months.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

**Litigation** - The Company is involved in various claims and legal actions arising in the ordinary

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

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 \$365 and \$260 as of December 31, 2011 and 2010, 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 licenses 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 rate.

As of December 31, CRDA related assets were as follows:

	<u>2011</u>	<u>2010</u>
CRDA Bonds - net of amortized costs	\$9,830	\$9,075
Deposit - net of reserve	15,630	14,423
Direct Investments - net of reserves	<u>2,575</u>	<u>3,020</u>
	<u>\$28,035</u>	<u>\$26,518</u>

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$2,950 and \$1,283 for the twelve months ended December 31, 2011 and 2010, respectively, and is included in CRDA (income) expense, in the statements of income.

The funds on deposits are held in an interest-bearing account by the CRDA. Initial obligation deposits are marked down by approximately 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 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 the CRDA Bonds are measured at amortized cost. As there is no market for the CRDA Bonds, 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. The Company accretes such discount over the remaining life of the bonds. Accretion for the quarter ended December 31, 2011 and 2010 was \$160 and \$108 respectively, and is included in CRDA (income) expense in the statements of income.

After the initial determination of fair value, the Company will analyze the recoverability of the CRDA Bonds on a quarterly basis and its affect on reported amount based upon the ability and likelihood of bonds to be repaid. When considering recoverability of the CRDA Bonds, the Company considers the relative credit-worthiness of each bondholder, historical collection

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

experience and other information received from the CRDA. If indications exist that the amount expected to be recovered is less than its carrying value, the asset will be written down to its expected realizable amount.

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 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.

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 \$11,228 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. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company paid \$937 and \$3,609 for the twelve months ended December 31, 2011 and 2010, respectively, to the NJSEA under the new agreement. Total obligation paid as of December 31, 2011 is \$11,228.

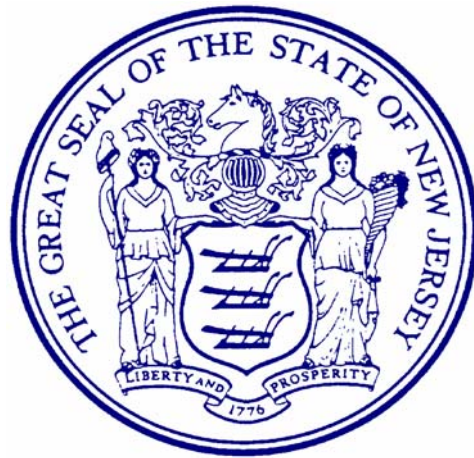
All the Atlantic City casino properties and the CRDA entered into an agreement with the Atlantic City Alliance (the "ACA") to provide funding to subsidize Atlantic City casino marketing. This agreement was signed on November 2, 2011 and is set to expire on December 31, 2016. The agreement provides that in exchange for funding, the ACA will create and implement a marketing plan for the AC Industry. As part of the agreement, the AC Industry provided an initial deposit of \$5,000 in December 2011 and will continue to pay \$30,000 annually for the next five years. The Company's obligation was \$364 in 2011. The Company's obligation for its portion of future payments is estimated at \$17,106 equal to its fair-share of AC Industry casino revenues.

**BALLY'S PARK PLACE INC. (BALLY'S ATLANTIC CITY)**

**ANNUAL FILINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

**SUBMITTED TO THE  
DIVISION OF GAMING ENFORCEMENT  
OF THE  
STATE OF NEW JERSEY**



**OFFICE OF FINANCIAL INVESTIGATIONS  
REPORTING MANUAL**

**BALLY'S PARK PLACE INC. (BALLY'S ATLANTIC CITY)**  
**ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

(UNAUDITED)  
(\$ IN THOUSANDS)

<b>ACCOUNTS RECEIVABLE BALANCES</b>				
<b>Line (a)</b>	<b>Description (b)</b>	<b>Account Balance (c)</b>	<b>Allowance (d)</b>	<b>Accounts Receivable (Net of Allowance) (e)</b>
	Patrons' Checks:			
<b>1</b>	Undeposited Patrons' Checks.....	\$5,298		
<b>2</b>	Returned Patrons' Checks.....	10,361		
<b>3</b>	Total Patrons' Checks.....	15,659	\$7,658	\$8,001
<b>4</b>	Hotel Receivables.....	1,616	117	\$1,499
	Other Receivables:			
<b>5</b>	Receivables Due from Officers and Employees....	493		
<b>6</b>	Receivables Due from Affiliates.....			
<b>7</b>	Other Accounts and Notes Receivables.....	3,042		
<b>8</b>	Total Other Receivables.....	3,535		\$3,535
<b>9</b>	Totals (Form DGE-205).....	\$20,810	\$7,775	\$13,035

<b>UNDEPOSITED PATRONS' CHECKS ACTIVITY</b>		
<b>Line (f)</b>	<b>Description (g)</b>	<b>Amount (h)</b>
<b>10</b>	Beginning Balance (January 1).....	\$4,333
<b>11</b>	Counter Checks Issued.....	119,393
<b>12</b>	Checks Redeemed Prior to Deposit.....	(110,436)
<b>13</b>	Checks Collected Through Deposits.....	(3,142)
<b>14</b>	Checks Transferred to Returned Checks.....	(4,850)
<b>15</b>	Other Adjustments.....	
<b>16</b>	Ending Balance.....	\$5,298
<b>17</b>	"Hold" Checks Included in Balance on Line 16.....	0
<b>18</b>	Provision for Uncollectible Patrons' Checks.....	\$1,600
<b>19</b>	Provision as a Percent of Counter Checks Issued.....	1.3%

**Bally's Park Place Inc. (Bally's Atlantic City)**  
**ANNUAL EMPLOYMENT AND PAYROLL REPORT**

AT DECEMBER 31, 2011

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	911			
2	Slot Machines	86			
3	Administration				
4	Casino Accounting	154			
5	Simulcasting	11			
6	Other				
7	Total - Casino	1,162	\$28,869	\$0	\$28,869
8	ROOMS	359	9,210		9,210
9	FOOD AND BEVERAGE	1,066	20,657		20,657
10	GUEST ENTERTAINMENT	243	1,917		1,917
11	MARKETING	192	6,704	278	6,982
12	OPERATION AND MAINTENANCE	325	11,660		11,660
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	18	219	819	1,038
14	Accounting and Auditing	56	2,105	0	2,105
15	Security	232	7,857		7,857
16	Other Administrative and General	113	2,747	281	3,028
	OTHER OPERATED DEPARTMENTS:				
17	Parking Operations	0	0		0
18	Health Club/Pool Services	29	527		527
19	Telephone	16	480		480
20	Retail Stores	40	766		766
21	Coat Check	5	82		82
22					0
23	TOTALS - ALL DEPARTMENTS	3,856	\$93,802	\$1,378	\$95,179