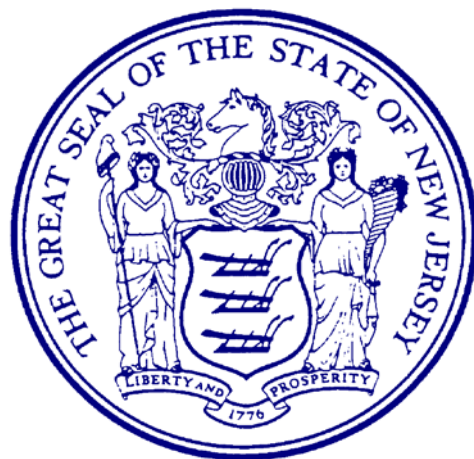


**Bally's Park Place Inc. (Bally's Atlantic City)**

**QUARTERLY REPORT**

**FOR THE QUARTER ENDED DECEMBER 31, 2012**

**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, 2012 AND 2011

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$25,577	\$29,934
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2012, \$6,743 ; 2011, \$7,775).....	4	19,501	13,035
4	Inventories .....		1,245	1,628
5	Other Current Assets.....	5	3,272	7,115
6	Total Current Assets.....		49,595	51,712
7	Investments, Advances, and Receivables.....	6	607,170	568,442
8	Property and Equipment - Gross.....	2,7	855,891	853,040
9	Less: Accumulated Depreciation and Amortization.....	2,7	(166,706)	(133,141)
10	Property and Equipment - Net.....	7	689,185	719,899
11	Other Assets.....	8	23,669	27,479
12	Total Assets.....		\$1,369,619	\$1,367,532
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$6,815	\$7,154
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		1,360	140
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	9	259,467	213,299
19	Other Current Liabilities.....		2,371	2,372
20	Total Current Liabilities.....		270,013	222,965
	Long-Term Debt:			
21	Due to Affiliates.....	10	583,500	584,000
22	External.....	10	1,353	318
23	Deferred Credits .....		60,642	60,890
24	Other Liabilities.....	11	95,088	80,093
25	Commitments and Contingencies.....	14	0	0
26	Total Liabilities.....		1,010,596	948,266
27	Stockholders', Partners', or Proprietor's Equity.....		359,023	419,266
28	Total Liabilities and Equity.....		\$1,369,619	\$1,367,532

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, 2012 AND 2011

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino.....		\$297,259	\$377,311
2	Rooms.....		48,725	51,186
3	Food and Beverage.....		54,435	66,301
4	Other.....		13,189	14,847
5	Total Revenue.....		413,608	509,645
6	Less: Promotional Allowances.....		111,339	140,984
7	Net Revenue.....		302,269	368,661
	Costs and Expenses:			
8	Cost of Goods and Services.....		210,532	277,002
9	Selling, General, and Administrative.....		29,258	40,916
10	Provision for Doubtful Accounts.....		1,204	1,996
11	Total Costs and Expenses.....		240,994	319,914
12	Gross Operating Profit.....		61,275	48,747
13	Depreciation and Amortization.....		36,189	35,940
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	3	30,286	25,414
16	Income (Loss) from Operations.....		(5,200)	(12,607)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	(49,640)	(49,640)
18	Interest Expense - External.....		10	(64)
19	CRDA Related Income (Expense) - Net.....	14	(3,064)	(2,950)
20	Nonoperating Income (Expense) - Net.....		455	(3,560)
21	Total Other Income (Expenses).....		(52,239)	(56,214)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(57,439)	(68,821)
23	Provision (Credit) for Income Taxes.....	2	2,804	(23,799)
24	Income (Loss) Before Extraordinary Items.....		(60,243)	(45,022)
25	Extraordinary Items (Net of Income Taxes - 2012, \$0; 2011, \$0 ).....		0	0
26	Net Income (Loss).....		(\$60,243)	(\$45,022)

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, 2012 AND 2011

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	Revenue:			
1	Casino.....		\$55,906	\$83,783
2	Rooms.....		8,665	11,893
3	Food and Beverage.....		8,477	13,490
4	Other.....		2,325	3,382
5	Total Revenue.....		75,373	112,548
6	Less: Promotional Allowances.....		19,853	31,220
7	Net Revenue.....		55,520	81,328
	Costs and Expenses:			
8	Cost of Goods and Services.....		44,530	64,627
9	Selling, General, and Administrative.....		7,702	8,774
10	Provision for Doubtful Accounts.....		175	787
11	Total Costs and Expenses.....		52,407	74,188
12	Gross Operating Profit.....		3,113	7,140
13	Depreciation and Amortization.....		8,308	9,236
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....	3	5,622	6,463
16	Income (Loss) from Operations.....		(10,817)	(8,559)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	10	(12,410)	(12,410)
18	Interest Expense - External.....		86	(14)
19	CRDA Related Income (Expense) - Net.....	12	(958)	(978)
20	Nonoperating Income (Expense) - Net.....		1,079	(1,453)
21	Total Other Income (Expenses).....		(12,203)	(14,855)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(23,020)	(23,414)
23	Provision (Credit) for Income Taxes.....	2	14,273	(8,428)
24	Income (Loss) Before Extraordinary Items.....		(37,293)	(14,986)
25	Extraordinary Items (Net of Income Taxes - 2012, \$0; 2011, \$0 ).....		0	0
26	Net Income (Loss).....		(\$37,293)	(\$14,986)

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, 2011 AND DECEMBER 31, 2012

(UNAUDITED)  
(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

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, 2010.....		100	\$1			\$597,787		(\$133,500)	\$464,288
2	Net Income (Loss) - 2011.....								(45,022)	(45,022)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	ASC - 740 Adjustment.....									0
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2011.....		100	1	0	0	597,787	0	(178,522)	419,266
11	Net Income (Loss) - 2012.....								(60,243)	(60,243)
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 30, 2012		100	\$1	0	\$0	\$597,787	\$0	(\$238,765)	\$359,023

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, 2012 AND 2011  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$37,320	\$41,081
	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.....		(3,913)	(7,667)
5	Proceeds from Disposition of Property and Equipment.....		1,390	
6	CRDA Obligations .....		(4,052)	(4,801)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances .....		3,599	
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(2,976)	(12,468)
	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 .....		(38,701)	(26,069)
22				
23	Net Cash Provided (Used) By Financing Activities.....		(38,701)	(26,069)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(4,357)	2,544
25	Cash and Cash Equivalents at Beginning of Period.....		29,934	27,390
26	Cash and Cash Equivalents at End of Period.....		\$25,577	\$29,934
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$87	\$27
28	Income Taxes.....		\$0	\$0

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

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

## STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED MAY 1, 2013

Line (a)	Description (b)	Notes	2012 (c)	2011 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$60,243)	(\$45,022)
30	Depreciation and Amortization of Property and Equipment...		33,214	33,876
31	Amortization of Other Assets.....		2,975	2,064
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current .....		511	1,000
34	Deferred Income Taxes - Noncurrent .....		(248)	(39,148)
35	(Gain) Loss on Disposition of Property and Equipment.....		(860)	0
36	(Gain) Loss on CRDA-Related Obligations.....		3,064	2,950
37	(Gain) Loss from Other Investment Activities.....			0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(6,466)	(202)
39	(Increase) Decrease in Inventories .....		383	(326)
40	(Increase) Decrease in Other Current Assets.....		3,331	3,243
41	(Increase) Decrease in Other Assets.....		836	1,878
42	Increase (Decrease) in Accounts Payable.....		(339)	(2,855)
43	Increase (Decrease) in Other Current Liabilities .....		46,167	45,324
44	Increase (Decrease) in Other Liabilities .....		14,995	38,299
45				
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$37,320	\$41,081

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$6,628)	(\$7,667)
49	Less: Capital Lease Obligations Incurred.....		2,715	0
50	Cash Outflows for Property and Equipment.....		(\$3,913)	(\$7,667)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....		\$0	\$0
52	Goodwill Acquired.....		0	0
53	Other Assets Acquired - net .....		0	0
54	Long-Term Debt Assumed.....		0	0
55	Issuance of Stock or Capital Invested.....		0	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)**  
**SCHEDULE OF PROMOTIONAL**  
**EXPENSES AND ALLOWANCES**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	716,924	\$25,866	0	\$0
2	Food	1,123,402	19,323	0	0
3	Beverage	6,823,299	13,647	0	0
4	Travel	0	0	11,829	2,824
5	Bus Program Cash	9,340	187	0	0
6	Promotional Gaming Credits	464,858	38,626	0	0
7	Complimentary Cash Gifts	233,520	9,466	0	0
8	Entertainment	16,368	582	7,997	2,041
9	Retail & Non-Cash Gifts	81,043	1,903	0	0
10	Parking	0	0	0	0
11	Other	301,440	1,739	0	0
12	Total	9,770,194	\$111,339	19,826	\$4,865

FOR THE THREE MONTHS ENDED DECEMBER 31, 2012

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	141,742	\$4,427	0	\$0
2	Food	172,602	3,216	0	0
3	Beverage	1,390,828	2,782	0	0
4	Travel	0	0	2,639	622
5	Bus Program Cash	1,789	36	0	0
6	Promotional Gaming Credits	105,568	6,802	0	0
7	Complimentary Cash Gifts	54,372	1,625	0	0
8	Entertainment	7,556	269	1,560	499
9	Retail & Non-Cash Gifts	13,652	314	0	0
10	Parking	0	0	0	0
11	Other	71,231	382	0	0
12	Total	1,959,340	\$19,853	4,199	\$1,121

\*No item in this category (Other) exceeds 5%.



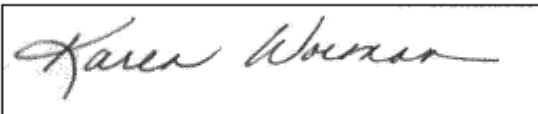
**Bally's Park Place Inc. (Bally's Atlantic City)**  
**STATEMENT OF CONFORMITY,**  
**ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 2012

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.

3/31/2013

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)**

**AMENDED MAY 1, 2013 (Footnotes #10 and #13)**

**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.). 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. As with many estimates management must make judgments about potential actions by third parties in establishing and evaluating the allowance for doubtful accounts

**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	11-40 years
Buildings and improvements	2.5-40 years
Furniture, fixtures and equipment	2.5-20 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. 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

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

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, 2012, and 2011 was \$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** — Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers’ possession. Food and beverage, rooms, and other operating revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. The Company does not recognize as revenue taxes collected on goods or services sold to its customers.

**Casino Promotional Allowances** - The retail value of accommodations, food and beverage and other services furnished to casino guests without charge is included in gross revenue and then deducted as promotional allowances. 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:

	<u>2012</u>	<u>2011</u>
Rooms	\$10,320	\$12,326
Food and Beverage	26,395	31,343
Other	2,604	5,346
Bus Program Cash	187	236
Promotional Gaming Credits	38,626	54,503
Other Cash Complimentaries	9,466	12,367
	<u>\$87,598</u>	<u>\$116,121</u>

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

**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 (referred to as "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 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, 2012 and 2011, the accrued balance for the estimated cost of Total Rewards credit redemptions was \$2,214 and \$3,281, respectively.

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, 2012 and 2011, the liability related to the outstanding NNRR points, which is based on historical redemption activity, was approximately \$261 and \$583, 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.

**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, 2012 and 2011, which are included in cost of sales in the accompanying statements of income, were approximately \$23,682 and \$30,264, respectively.

**In House Progressive Liability** - In March 2012, the DGE approved a regulation which allowed casinos to remove in-house progressives from the floor. Casinos were no longer required to keep in-house progressives once established on the floor, as a result, the regulations allowed us to remove the liability (reset and incremental portion) from the progressive slot liability account. The offset was an increase to the slot revenue.

**Property Taxes** - In 2012, Bally's settled with the City of Atlantic City (the "City") with respect to their challenges to the real estate tax assessments for each of the tax years 2009 through 2012. Under the settlement terms, the assessments for the Bally's properties were collectively reduced from approximately \$1,492 million to \$950 million for the 2011 tax year which resulted in a credit of approximately \$10.5 million in 2012 and then a further credit resulting from the reduction for the 2012 tax year from \$950 million to \$700 million. Bally's did not give up any rights to appeal future tax years as part of the settlement. The tax settlement, based on the 2012 City tax rate, resulted in a reduction in the tax payment that would otherwise have been due of approximately \$15.5 million in 2012.

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

During the 4<sup>th</sup> quarter, company sold the warehouse located in Egg Harbor Township, New Jersey, for \$1,600. Gain on sale of warehouse is included in Non-Operating Income in the accompanying statement of income.

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

**Use of estimates** - The preparation of financial statements in conformity with accounting principles generally accepted (GAAP) 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 periods. Actual results could differ from such estimates and assumptions.

**Recently Issued Accounting Pronouncements** — In December 2011, the Financial Accounting Standards Board (“FASB”) issued updated guidance related to disclosures about offsetting assets and liabilities. The new guidance contains disclosure requirements regarding the nature of an entity’s rights of offset and related arrangements associated with its financial instruments and derivative instruments. The new disclosures are designed to make financial statements that are prepared under GAAP more comparable to those prepared under International Financial Reporting Standards (“IFRS”). To facilitate comparison between financial statements prepared under GAAP and IFRS, the new disclosures give financial statement users information about both gross and net exposures. The new disclosure requirements will be effective for the Company January 1, 2013.

Effective January 1, 2012, the Company adopted the updated guidance related to fair value measurement and disclosure requirements. The changes result in common fair value measurement and disclosure requirements between GAAP and 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. This update relates only to disclosures, there was no impact on the Company’s financial position, results of operations, or cash flows upon adoption.

Effective January 1, 2012, the Company adopted the new guidance for the presentation of comprehensive income. The new guidance requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This update relates only to presentation and disclosures, there was no impact on the Company’s financial position, results of operations, or cash flows upon adoption.

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

Effective January 1, 2012, the Company adopted the revised guidance for goodwill impairment testing. The new guidance allows an entity to perform a qualitative assessment on goodwill to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. In July 2012, the guidance was amended to include assessments for indefinite-lived intangible assets. The Company adopted the amended guidance in the second quarter of 2012 as permitted under the amendment which resulted in no impairments as further described in Note 3, "Goodwill and Other Intangible Assets".

**NOTE 3 – RELATED PARTY TRANSACTIONS**

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.

The Company's property, assets and capital stock are pledged as collateral for certain of CEOC's outstanding debt.

**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. The balance shown as "due from affiliates — net," in the accompanying statements of changes in stockholder's equity is non interest bearing.

**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 \$30,285 and \$25,414 for the twelve months ended December 31, 2012 and 2011, respectively, for these services.

**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 the economic conditions, Caesars suspended the employer match in February 2009 for all participating employees. In April 2012, Caesars reinstated the employer match, with limitations. The Company's contribution expense for the year ended December 31, 2012 was \$393. There were no Company contributions for the year ended December 31, 2011.

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.

**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.

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

The Company recognized approximately \$162 and \$248 in equity award options in each of the years ended December 31, 2012 and 2011, respectively, in property, general, administrative and other expenses within the accompanying statement of operations.

**Multiemployer Benefit Plans** — Certain employees of the Company are covered by union sponsored, collectively bargained, health and welfare plans. The contributions and charges for these plans totaled \$11,795 and \$13,993 for the years ended December 31, 2012 and 2011, respectively, and were included in property, general, administrative and other expenses within the accompanying statement of operations.

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from a single-employer plan in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in these plans for the years ended December 31, 2012 and 2011, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2012 and 2011 is for the plan years beginning January 1, 2012 and 2011, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. All plans detailed in the table below utilized extended amortization provisions to calculate zone status except the Pension Plan of the UNITE HERE National Retirement Fund. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject.

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

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Act Zone Status</u>		<u>FIP/RP Status</u> <u>Pending/Implemented</u>	<u>(\$ in millions)</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective-Bargaining Agreement</u>
		<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>		
Pension Plan of the UNITE HERE National Retirement Fund	13-6130178/001	Red	Red	Yes	\$ 3.3	\$ 3.7	No	Various up to December 2015
Local 68 Engineers Union Pension Plan2	51-0176618/001	Green	Green	No	0.4	0.4	No	Various up to December 2015
NJ Carpenters Pension Fund	22-6174423/001	Yellow	Yellow	Yes	0.2	0.2	No	Various up to December 2015
Other Funds					<u>0.1</u>	<u>0.1</u>		
					<u>\$ 4.0</u>	<u>\$ 4.4</u>		

**Atlantic City Country Club 1, LLC.** - Atlantic City Country Club 1, LLC (ACCC) is a wholly owned subsidiary of the Company. 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 \$171 and \$219 for the twelve months ended December 31, 2012 and 2011, respectively, for these services. The costs are included in other operating expenses in the accompanying statements of income.

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

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

	<u>2012</u>	<u>2011</u>
Casino Receivable (Net of allowance for doubtful accounts \$6,727 in 2012 and \$7,658 in 2011)	\$5,830	\$8,001
Other (Net of allowance for doubtful accounts of \$16 in 2012 and \$117 in 2011)	13,336	4,708
Current Portion of Notes Receivable	335	326
	<u>\$19,501</u>	<u>\$13,035</u>

**NOTE 5- OTHER CURRENT ASSETS**

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

	<u>2012</u>	<u>2011</u>
Tax Deferred Asset	\$1,866	\$3,646
Other	1,406	3,469
	<u>\$3,272</u>	<u>\$7,115</u>



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

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

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

	<u>2012</u>	<u>2011</u>
Due from Caesars:	\$562,184	\$524,804
Investment in wholly owned subsidiaries(see Note 2)	14,398	14,398
Atlantic City Country Club 1, LLC		
Casino Reinvestment Development Authority Investment obligations	29,207	28,035
(net of valuation reserves of \$16,220 in 2012 and \$17,700 in 2011)		
Other	1,381	1,205
	<u>\$607,170</u>	<u>\$568,442</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>2012</u>	<u>2011</u>
Land	\$277,433	\$277,961
Buildings and Improvements	467,491	470,524
Furniture, Fixtures and Equipment	110,967	103,973
Construction in progress	0	582
	<u>\$855,891</u>	<u>\$853,040</u>
Less accumulated depreciation	<u>(166,706)</u>	<u>(133,141)</u>
	<u>\$689,185</u>	<u>\$719,899</u>

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

**NOTE 8- OTHER ASSETS**

Other assets as of December 31 consist of the following:

	<u>2012</u>	<u>2011</u>
Intangible asset (net of accumulated amortization of \$11,037 in 2012 and \$8,062 in 2011)	\$13,663	\$16,638
Notes Receivable-Net of current portion	9,591	9,927
Non-Current CRDA	0	500
Other	415	414
	<u>\$23,669</u>	<u>\$27,479</u>

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>2012</u>	<u>2011</u>
Accrued Interest	\$244,464	\$194,824
Accrued Payroll	6,815	8,188
Other	8,188	10,287
	<u>\$259,467</u>	<u>\$213,299</u>

**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>2012</u>	<u>2011</u>
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 April 30, 2013	0	500
	<u>\$583,500</u>	<u>\$584,000</u>
Long-term debt-other:	<u>\$1,353</u>	<u>\$318</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

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

following year. As of December 31, 2012 and 2011, accrued interest related to the four inter-company notes totaled \$244,464 and \$194,824 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 \$500,500. 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 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>2012</u>	<u>2011</u>
Retirement and Other Employee benefit Plans	\$374	\$403
Deferred Tax Liability	94,714	79,690
	<u>\$95,088</u>	<u>\$80,093</u>

**NOTE 12 – LEASES**

**Operating Leases** — The Company has non-cancelable operating leases for equipment which expire on various dates through 2014.

**Capital Lease** — The Company entered into capital leases for approximately \$2,561 in 2012 and \$3,913 in 2008, 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 \$2,839 and \$1,369, respectively, as of December 31, 2012 and 2011.

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

**Future Minimum Rental Commitments** — Future minimum rental commitments for non-cancelable leases, including renewal options and capital leases, as of December 31, 2012, are as follows (in thousands):

	<u>Lease Obligations</u>	
	<u>Capital</u>	<u>Operating</u>
2013	\$ 1,045	\$ 307
2014	971	130
2015	<u>487</u>	<u>      </u>
Total minimum lease payments	<u>2,503</u>	<u>\$ 437</u>
Amounts representing interest	(290)	
Present value of net minimum lease payments	2,213	
Less current maturities	<u>(860)</u>	
Capital lease obligations — noncurrent	<u>\$ 1,353</u>	

Rental expense included in the accompanying statements of operations for the years ended December 31, 2012 and 2011, was approximately \$4,887 and \$4,810, respectively.

**NOTE 13 – INCOME TAX PROVISION**

The Company is included in the consolidated federal income tax return of Caesars, but files a separate New Jersey income tax return. The provision/(benefit) for income taxes is computed based on a separate return basis.

The tax years that remain open for examination for Caesar's major jurisdictions are 2002 through 2011 for New Jersey due to our execution of New Jersey statute of limitations extensions. The tax years prior to 2010 are no longer subject to examination for U.S. tax purposes.

Significant components of the provision/(benefit) for income taxes for the years ended December 31, 2012 and 2011, are as follows (in thousands):

<b>Income Tax Provision (Benefit)</b>	<u><b>2012</b></u>	<u><b>2011</b></u>
Current:		
Federal	\$ 888	\$ 2,008
State	<u>385</u>	<u>26</u>
	1,273	2,034
Deferred	<u>1,531</u>	<u>(25,833)</u>
Income tax provision/(benefit)	<u>\$ 2,804</u>	<u>\$ (23,799)</u>

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

The income tax provision/(benefit) for the years ended December 31, 2012 and 2011, differ from the federal statutory rate of 35% primarily due to the valuation allowance applied to the federal and state deferred tax assets, 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 \$863 and \$486 for the years ended December 31, 2012 and 2011, 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, 2012 and 2011, were as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Deferred tax assets:		
Compensation programs	\$ 554	\$ 473
Allowance for doubtful accounts	2,798	3,278
Contingencies	16,500	15,865
CRDA investment obligation	5,236	2,263
Federal tax credit carryovers	3,483	3,872
Other	160	127
Net operating loss carryovers	<u>49,059</u>	<u>33,627</u>
	77,790	59,505
Valuation Allowance	<u>(22,085)</u>	
	<u>55,705</u>	<u>59,505</u>
Deferred tax liabilities:		
Depreciation and other property related items	(119,040)	(121,211)
Intangibles	(5,581)	(6,797)
Progress jackpot liability	<u>(3,262)</u>	<u>(2,144)</u>
	<u>(127,883)</u>	<u>(130,152)</u>
Net deferred tax liability	<u>\$ (72,178)</u>	<u>\$ (70,647)</u>

As of December 31, 2012 and 2011, the Company had federal net operating loss (NOL) carryforwards of \$139,062 and \$97,443, respectively. The federal NOLs will begin to expire in 2029. As of December 31, 2012, the Company also had a New Jersey net operating loss carryforward of \$7,211. The New Jersey NOL will expire in 2031. In addition, the Company had federal general business tax credit carryforwards of \$958 and an AMT credit carryforward of \$2,526. The general business tax credits will begin to expire in 2029 and the AMT credit will not expire. The NOLs per the income tax returns included unrecognized tax benefits taken in prior years. Due to application of ASC Topic 740, the NOLs reflected on the tax returns are larger than the related deferred tax assets recognized for financial statement purposes.

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

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing federal and state deferred tax assets. On the basis of this evaluation, as of December 31, 2012, a valuation allowance of \$22,085 has been recorded against the portion of the federal deferred tax assets that are not more likely than not to be realized. The amount of the federal deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

As of December 31, 2012, no valuation allowance has been established for the Company's state NOL carryforwards deferred tax asset because the Company has sufficient future tax liabilities arising within the carryforward period. 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 \$2,177 and \$2,520 of interest during 2012 and 2011, respectively. In total, the Company had accrued balances of \$19,161 and \$16,984 for the payment of interest and penalties at December 31, 2012 and 2011, 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 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 \$115 and \$365 as of December 31, 2012 and 2011, 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.

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

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

	<u>2012</u>	<u>2011</u>
CRDA Bonds - net of amortized costs	\$11,809	\$9,830
Deposit - net of reserve	15,268	15,630
Direct Investments - net of reserves	2,130	2,575
	<u>\$29,207</u>	<u>\$28,035</u>

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$3,064 and \$2,950 for the twelve months ended December 31, 2012 and 2011, 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.

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 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.

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

In August 2008, the AC Industry entered into a new agreement with the NJSEA that will provide \$90,000 in funding to subsidize New Jersey’s horseracing industry. The funding was provided in installments through 2011. In exchange for this funding, the NJSEA and the three active New Jersey racetracks could not conduct any casino gaming at the racetracks prior to December 31, 2011. The Company paid \$11,228, equal to its fair-share of AC Industry casino revenues.

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 the Atlantic City market. 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 paid \$3,432 in the twelve months ending December 31, 2012. The Company’s obligation for its portion of future payments is estimated at \$13,999, equal to its fair-share of AC Industry casino revenues.

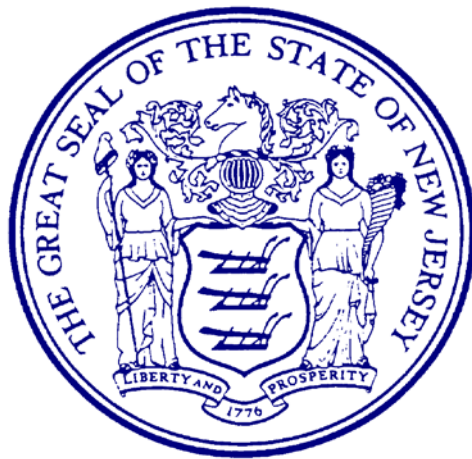


**BALLY'S PARK PLACE INC. (BALLY'S ATLANTIC CITY)**

**ANNUAL FILINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**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, 2012**

(UNAUDITED)  
(\$ IN THOUSANDS)

<b>ACCOUNTS RECEIVABLE BALANCES</b>				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$3,533		
2	Returned Patrons' Checks.....	9,024		
3	Total Patrons' Checks.....	12,557	\$6,727	\$5,830
4	Hotel Receivables.....	1,058	16	\$1,042
	Other Receivables:			
5	Receivables Due from Officers and Employees....	426		
6	Receivables Due from Affiliates.....	-		
7	Other Accounts and Notes Receivables.....	12,204		
8	Total Other Receivables.....	12,630		\$12,630
9	Totals (Form DGE-205).....	\$26,244	\$6,743	\$19,501

<b>UNDEPOSITED PATRONS' CHECKS ACTIVITY</b>		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$5,298
11	Counter Checks Issued.....	109,208
12	Checks Redeemed Prior to Deposit.....	(103,246)
13	Checks Collected Through Deposits.....	(3,508)
14	Checks Transferred to Returned Checks.....	(4,219)
15	Other Adjustments.....	
16	Ending Balance.....	\$3,533
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$1,047
19	Provision as a Percent of Counter Checks Issued.....	1.0%

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

AT DECEMBER 31, 2012

(\$ 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	755			
2	Slot Machines	58			
3	Administration				
4	Casino Accounting	102			
5	Simulcasting	8			
6	Other				
7	Total - Casino	923	\$24,820,466		\$24,820,466
8	ROOMS	312	7,822,584	51,114	7,873,698
9	FOOD AND BEVERAGE	1,011	17,441,438	69,022	17,510,460
10	GUEST ENTERTAINMENT	294	1,004,598		1,004,598
11	MARKETING	156	4,724,805	251,615	4,976,420
12	OPERATION AND MAINTENANCE	298	9,229,515		9,229,515
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	16	326,781	935,347	1,262,128
14	Accounting and Auditing	17	1,015,088		1,015,088
15	Security	197	7,120,455		7,120,455
16	Other Administrative and General	97	2,556,998	55,097	2,612,095
	OTHER OPERATED DEPARTMENTS:				
17	Parking Operations	12	147,937		147,937
18	Health Club/Pool Services	29	617,898		617,898
19	Telephone	15	454,167		454,167
20	Retail Stores	41	836,509		836,509
21	Coat Check	0	66,871		66,871
22					
23	TOTALS - ALL DEPARTMENTS	3,418	\$78,186,110	\$1,362,195	\$79,548,305