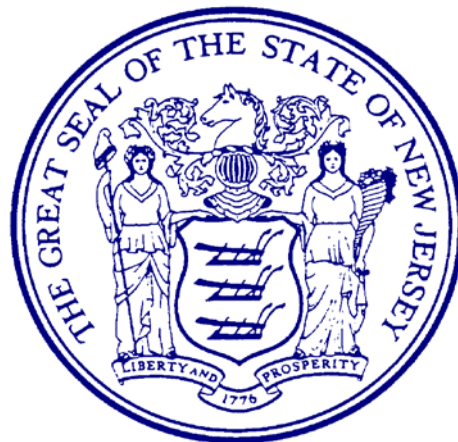


**HARRAH'S RESORT, ATLANTIC CITY
QUARTERLY REPORT**

FOR THE QUARTER ENDED JUNE 30, 2013

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

HARRAH'S RESORT, ATLANTIC CITY

BALANCE SHEETS

AS OF JUNE 30, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$28,201	\$29,555
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2013, \$10,533; 2012, \$11,021).....	4	14,467	21,597
4	Inventories	2	1,556	1,987
5	Other Current Assets.....	5	14,612	15,389
6	Total Current Assets.....		58,836	68,528
7	Investments, Advances, and Receivables.....	6	2,128,944	582,552
8	Property and Equipment - Gross.....	2,7	1,454,102	1,469,058
9	Less: Accumulated Depreciation and Amortization.....	2,7	(249,530)	(212,607)
10	Property and Equipment - Net.....	2,7	1,204,572	1,256,451
11	Other Assets.....	8	40,500	44,508
12	Total Assets.....		\$3,432,852	\$1,952,039
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$9,012	\$8,470
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....	10	1,162	0
17	Income Taxes Payable and Accrued.....			719
18	Other Accrued Expenses.....	9	23,384	19,729
19	Other Current Liabilities.....		1,224	1,715
20	Total Current Liabilities.....		34,782	30,633
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....	11	793,307	861,808
23	Deferred Credits		242,424	237,474
24	Other Liabilities.....	12	20,994	22,503
25	Commitments and Contingencies.....	15		
26	Total Liabilities.....		1,091,507	1,152,418
27	Stockholders', Partners', or Proprietor's Equity.....	3	2,341,345	799,621
28	Total Liabilities and Equity.....		\$3,432,852	\$1,952,039

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

HARRAH'S RESORT, ATLANTIC CITY

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$172,954	\$208,376
2	Rooms.....		34,288	38,282
3	Food and Beverage.....		38,599	47,172
4	Other.....		12,744	13,350
5	Total Revenue.....		258,585	307,180
6	Less: Promotional Allowances.....	2	57,953	77,290
7	Net Revenue.....		200,632	229,890
	Costs and Expenses:			
8	Cost of Goods and Services.....		133,506	146,777
9	Selling, General, and Administrative.....		13,806	15,468
10	Provision for Doubtful Accounts.....		349	1,568
11	Total Costs and Expenses.....		147,661	163,813
12	Gross Operating Profit.....		52,971	66,077
13	Depreciation and Amortization.....		22,743	25,533
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	21,422	30,141
16	Income (Loss) from Operations.....		8,806	10,403
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....		(18,210)	(18,303)
19	CRDA Related Income (Expense) - Net.....		(2,266)	(2,250)
20	Nonoperating Income (Expense) - Net.....	13	(24,413)	13,201
21	Total Other Income (Expenses).....		(44,889)	(7,352)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(36,083)	3,051
23	Provision (Credit) for Income Taxes.....		(14,885)	1,609
24	Income (Loss) Before Extraordinary Items.....		(21,198)	1,442
25	Extraordinary Items (Net of Income Taxes - 2013, \$0; 2012, \$0).....			
26	Net Income (Loss).....		(\$21,198)	\$1,442

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

HARRAH'S RESORT, ATLANTIC CITY

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	Revenue:			
1	Casino.....		\$87,963	\$101,297
2	Rooms.....		18,246	20,129
3	Food and Beverage.....		20,205	23,503
4	Other.....		6,683	6,907
5	Total Revenue.....		133,097	151,836
6	Less: Promotional Allowances.....	2	30,865	37,026
7	Net Revenue.....		102,232	114,810
	Costs and Expenses:			
8	Cost of Goods and Services.....		70,089	72,777
9	Selling, General, and Administrative.....		7,089	7,214
10	Provision for Doubtful Accounts.....		51	619
11	Total Costs and Expenses.....		77,229	80,610
12	Gross Operating Profit.....		25,003	34,200
13	Depreciation and Amortization.....		10,631	12,810
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	10,537	14,572
16	Income (Loss) from Operations.....		3,835	6,818
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....		(8,916)	(8,954)
19	CRDA Related Income (Expense) - Net.....		(1,060)	(1,158)
20	Nonoperating Income (Expense) - Net.....	13	(17,647)	5,291
21	Total Other Income (Expenses).....		(27,623)	(4,821)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(23,788)	1,997
23	Provision (Credit) for Income Taxes.....		(9,765)	1,026
24	Income (Loss) Before Extraordinary Items.....		(14,023)	971
25	Extraordinary Items (Net of Income Taxes - 2013, \$0; 2012, \$0).....			
26	Net Income (Loss).....		(\$14,023)	\$971

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

HARRAH'S RESORT, ATLANTIC CITY
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012 AND THE SIX MONTHS ENDED JUNE 30, 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	Accumulated Comprehensive Income/Loss (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2011.....		25	\$25			\$918,547	(\$3,400)	(\$118,494)	\$796,678
2	Net Income (Loss) - 2012.....								890	890
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Comprehensive Income/Loss							2,982		2,982
7	.....									0
8	.....									0
9	.....									0
10	Balance, December 31, 2012.....		25	25	0	0	918,547	(418)	(117,604)	800,550
11	Net Income (Loss) - 2013.....								(21,198)	(21,198)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Comprehensive Income/Loss							418		418
16	Equitization of Intercompany	3					1,561,575			1,561,575
17	.....									0
18	.....									0
19	Balance, June 30, 2013		25	\$25	0	\$0	\$2,480,122	\$0	(\$138,802)	\$2,341,345

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

HARRAH'S RESORT, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$34,870	\$10,057
	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.....		(7,112)	(4,635)
5	Proceeds from Disposition of Property and Equipment.....		343	
6	CRDA Obligations		(2,054)	(2,565)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		0	182
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(8,823)	(7,018)
	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.....		(32,776)	(21,767)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		(32,776)	(21,767)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(6,729)	(18,728)
25	Cash and Cash Equivalents at Beginning of Period.....		34,930	48,283
26	Cash and Cash Equivalents at End of Period.....		\$28,201	\$29,555
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$14,935	\$14,564
28	Income Taxes.....		\$0	\$0

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

HARRAH'S RESORT, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2013 (c)	2012 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		(\$21,198)	\$1,442
30	Depreciation and Amortization of Property and Equipment...		20,630	23,429
31	Amortization of Other Assets.....		2,113	2,104
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		0	0
34	Deferred Income Taxes - Noncurrent		(2,909)	(3,207)
35	(Gain) Loss on Disposition of Property and Equipment.....		(97)	(14)
36	(Gain) Loss on CRDA-Related Obligations.....		2,266	2,250
37	(Gain) Loss from Other Investment Activities.....		(6,956)	(14,004)*
38	(Increase) Decrease in Receivables and Patrons' Checks		(43)	365
39	(Increase) Decrease in Inventories		(4)	(300)
40	(Increase) Decrease in Other Current Assets.....		(1,030)	(1,887)
41	(Increase) Decrease in Other Assets.....		(1,724)	2,785
42	Increase (Decrease) in Accounts Payable.....		(6,499)	(2,551)
43	Increase (Decrease) in Other Current Liabilities		3,341	(2,498)
44	Increase (Decrease) in Other Liabilities		(612)	259
45	(Increase) Decrease in Other Receivables or Adv		23,193	1,884
46	Impairment of Assets	7,13	24,399	0
47	Net Cash Provided (Used) By Operating Activities.....		\$34,870	\$10,057

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$7,481)	(\$4,635)
49	Less: Capital Lease Obligations Incurred.....		369	0
50	Cash Outflows for Property and Equipment.....		(\$7,112)	(\$4,635)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

*Prior year balances have been restated to conform with current year's presentation.

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

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2013
(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	219,206	\$17,962	0	\$0
2	Food	553,257	12,350	0	0
3	Beverage	816,673	6,125	0	0
4	Travel	0	0	30,869	8,269
5	Bus Program Cash	108	2	0	0
6	Promotional Gaming Credits	474,835	16,619	0	0
7	Complimentary Cash Gifts	51,963	2,723	0	0
8	Entertainment	7,429	334	0	0
9	Retail & Non-Cash Gifts	47,290	946	0	0
10	Parking	0	0	0	0
11	Other	208,967	892	0	0
12	Total	2,379,728	\$57,953	30,869	\$8,269

FOR THE THREE MONTHS ENDED JUNE 30, 2013

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	115,850	\$9,393	0	\$0
2	Food	305,638	6,973	0	0
3	Beverage	395,847	2,969	0	0
4	Travel	0	0	9,986	4,289
5	Bus Program Cash	50	1	0	0
6	Promotional Gaming Credits	261,868	9,165	0	0
7	Complimentary Cash Gifts	28,977	1,345	0	0
8	Entertainment	2,721	122	0	0
9	Retail & Non-Cash Gifts	22,917	459	0	0
10	Parking	0	0	0	0
11	Other	100,831	438	0	0
12	Total	1,234,699	\$30,865	9,986	\$4,289

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

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

FOR THE QUARTER ENDED JUNE 30, 2013

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Division's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.S.A. 5:12-84a(1)-(5) during the quarter.

8/15/2013

Date



Scott Noey

Vice President of Finance

Title

009094-11

License Number

On Behalf of:

HARRAH'S RESORT, ATLANTIC CITY

Casino Licensee

HARRAHS CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 - Land, buildings, and equipment have been recorded at their estimated fair values and useful lives based on the application of purchase accounting at the date the Company was acquired. Additions to land, buildings and equipment are stated at cost, including capitalized interest on intercompany funds used to finance construction calculated at Caesars overall weighted average borrowing rate of interest. Interest capitalized for construction in progress was \$13 and \$21 for the periods ending June 30, 2013 and 2012, respectively.

Improvements that extend the life of the asset are capitalized. Maintenance and repair costs 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	2.5 to 40 years
Furniture, fixtures and equipment	2.5 to 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. 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, legal and regulatory factors. No impairment of property and equipment was recognized by the Company during the periods presented in the consolidated statements of operations.

Deferred Finance Cost - Debt issue costs are amortized as interest expense based on the related debt agreement using the straight-line method, which approximates the effective interest method. Charges of \$1,241 and \$1,150 were included in amortization of finance cost in the statement of income for the periods ending June 30, 2013 and 2012 respectively.

Goodwill and Other Intangible Assets - The intangible assets represent a customer database with a recorded gross value of \$54,700 and accumulated amortization of \$22,792 and \$18,584 as of June 30, 2013 and 2012, respectively. The customer database has been determined to have a useful life of 13 years, and is being amortized using the straight-line method. Amortization expense was approximately \$1,052 for the three months ended June 30, 2013 and 2012. Based on the value allocated to amortizing intangibles the annual amortization expense is expected to be approximately \$4,208 for each of the next five fiscal years.

HARRAHS CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Investment in Atlantic City Express Service, LLC “ACES” - In 2006, the Company entered into an agreement with Caesars Atlantic City, an affiliate of the Company, and one other Atlantic City casino to form ACES. With each member having a 33% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan, New York, and Atlantic City. The investment is reflected in the accompanying consolidated financial statements using the equity method. ACES suspended services during the year ended December 31, 2011, and the joint venture agreement terminated, which forced a liquidation of the joint venture’s assets. During 2012, the Company received \$2,800 in liquidation of the Company’s interest in ACES.

CRDA Real Estate Project - The Company’s investment in its Casino Reinvestment Development Authority (CRDA) real estate project (the “Project”) consists of various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City, NJ. Based upon an agreement with the CRDA, the Company may sell certain parts of the Project and will operate certain other parts for a period of up to 20 years.

Income or loss from the operation of the Project is included in the results of operations. Buildings are being depreciated using the straight-line method based on an estimated useful life of 27.5 years.

In January of 2008 the Company sold its direct investment in a CRDA approved property named Atlantic City Ocean Terrace LLC (“Ocean Terrace”). The Company sold Ocean Terrace for consideration of \$15,000, of which \$3,000 was received in cash and \$12,000 as a ten year note receivable. The note was interest free for the first five years (i.e. Jan 2008 to Dec 2012) and started accruing interest on the unpaid principal at 6.5% compounded annually thereafter. During the first quarter of 2013 the Company received a cash offer from the Mortgagor in the amount of \$5,000. Part of the offer included the stipulation that the \$5,000 payment would be processed within 30 days.

Based on the Company’s current evaluation of the note receivable and its expected future cash flow it has been determined that accepting this offer is in the Company’s best interests at this time. As a result of this new information the Company determined that the asset was impaired and adjusted the net carrying value of the note receivable to \$5,000 in the March 2013 financial statements. Payment was received from the Mortgagor on May 30, 2013.

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. Accommodations, food and beverage, 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 - Casino promotional allowances consist of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as casino expenses in the accompanying statements of income. These costs consisted of the following at June 30:

	2013	2012
Food and Beverage	\$ 13,817	\$ 18,817
Rooms	6,952	7,343
Other	1,415	3,040
Other Cash Complimentary	2,723	4,776
Promotional Gaming Credits	16,619	24,620
	\$ 41,526	\$ 58,596

Total Rewards Point Liability Program – Caesars’ customer loyalty program, Total Rewards, offers incentives to customers who gamble at Caesars’ 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 estimated cost to provide reward credits is expensed at the property where they are earned and is included in casino

HARRAHS CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

expense on the accompanying consolidated statements of income. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which reward credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. These amounts are recorded on Caesars' balance sheets with the incremental charges included in due from affiliates, net in the balance sheets. At June 30, 2013 and 2012, the accrued balance for the estimated cost of Total Rewards credit redemptions was \$3,378 and \$4,170 respectively.

In addition to Reward Credits, customers can earn points based on play that are redeemable in Non-Negotiable Reel Rewards ("NNRR"). The Company accrues the cost of NNRR, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in casino promotional allowances on the accompanying Consolidated Statements of Income. At June 30, 2013 and 2012, the liability related to outstanding NNRR, which is based on historical redemption activity, were \$747 and \$814 respectively.

Gaming Tax – The Company remits weekly to the State of New Jersey a tax equal to eight percent of the gross gaming revenue, as defined. Gaming taxes paid to the State of New Jersey for the six months ended June 30, 2013 and 2012, which are included in cost of goods and services in the statement of income, were approximately \$13,954 and \$16,693 respectively.

In House Progressive Liability - In March 2012, the DGE approved regulations which allowed casinos to remove in-house progressives from the casino 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, Harrah'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 2010 through 2012. Under the settlement terms, the assessments for the Harrah's properties were collectively reduced from approximately \$1,819,980,700 to \$1,469,980,700 for the 2012 tax year. Harrah's did not give up any rights to appeal future tax years as part of the settlement including an appeal of the tax year 2012 which is pending. 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 \$7,500 in 2012. The City of Atlantic City increased property taxes by approximately 17% for the year 2013.

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

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

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2013 are not necessarily indicative of the results of operations for the full year.

Omission of Disclosures - In accordance with the Financial Reporting guidelines provided by the Division of Gaming Enforcement, the Company has elected not to include certain disclosures, which have not significantly changed since filing the most recent Annual Report. Accordingly, the following disclosures have been omitted: Future Lease Obligations, Employee Benefits and certain Income Tax disclosures.

HARRAHS CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company participates with Caesars Entertainment Operating Company (CEOC) and Caesars' other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated, and managed 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 securities.

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 of the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. No interest is earned on the amounts shown as due from affiliates, net in the accompanying consolidated statements of changes in stockholders' equity.

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 \$21,422 and \$30,141 for these services for the six months ended June 30, 2013 and 2012, respectively. The fee is included in charges from affiliates in the accompanying statements of income.

Equitization of Intercompany Balances - During June 2013, the Company began the process to equitize certain intercompany balances with its parent and affiliates that were previously classified as a receivable/liability. The offset to this entry was Additional Paid in Capital. This is separately shown on the statements of changes in stockholders' equity.

Atlantic City Country Club - Atlantic City Country Club 1, LLC ("ACCC") is a wholly owned subsidiary of Bally's Atlantic City ("Bally's"), an affiliate of the Company. The net operating costs of ACCC are allocated to the Company and Bally's as well as Caesars Atlantic City and Showboat Atlantic City, also affiliates of the Company. The Company was charged approximately \$118 and \$126 for these costs for the six months ended June 30, 2013 and 2012, respectively.

NOTE 4 - RECEIVABLES AND PATRONS' CHECKS

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

	<u>2013</u>	<u>2012</u>
Casino Receivables (Net of Allowance for Doubtful Accounts - 2013, \$10,418 & 2012, \$10,887)	\$ 6,892	\$ 9,612
Other (Net of Allowance for Doubtful Accounts- 2013, \$115 & 2012, \$134)	7,575	11,985
	<u>\$ 14,467</u>	<u>\$ 21,597</u>

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expenses and Other Current Assets as of June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Prepaid Air Charter	\$ 1,498	\$ 3,155
Prepaid State Income Tax	1,209	1,879
Prepaid Deferred State Income Tax	9,185	6,534
Prepaid Taxes	1,154	2,201
Prepaid Marketing	158	386
Prepaid Other	1,408	1,234
	<u>\$ 14,612</u>	<u>\$ 15,389</u>

HARRAHS CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, Advances and Receivables as of June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Due from Affiliates	\$ 2,100,267	\$ 540,642
Investment of ACES	-	2,800
Notes Receivable	-	11,617
CRDA obligation deposit-Net of Valuation Allowance of \$10,155 and \$9,309 at June 30, 2013 and 2012, respectively	20,310	19,109
CRDA obligation bonds-Net of Valuation Allowance of \$4,245 and \$4,026 at June 30, 2013 and 2012, respectively	5,316	4,872
CRDA Investments, Net	1,905	2,822
Other	1,146	690
	<u>\$ 2,128,944</u>	<u>\$ 582,552</u>

NOTE 7 – LAND, BUILDINGS AND EQUIPMENT

Land, Buildings and Equipment as of June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Land and Land Improvements	\$ 429,610	\$ 440,594
Building and Improvements	876,384	891,980
Furniture Fixtures & Equipment	141,306	132,171
Construction in Progress	<u>6,802</u>	<u>4,313</u>
	1,454,102	1,469,058
Less: Accumulated Depreciation and Amortization	<u>(249,530)</u>	<u>(212,607)</u>
Land, Building and Equipment, Net	<u>\$ 1,204,572</u>	<u>\$ 1,256,451</u>

Company impaired certain assets in second quarter in the amount of \$24,399.

NOTE 8 - OTHER ASSETS

Other Assets as of June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Intangible Asstes	\$ 31,908	\$ 36,116
Deferred Finance Charge	7,988	7,786
Long Term Asset Derivative	17	-
Other	<u>587</u>	<u>606</u>
	<u>\$ 40,500</u>	<u>\$ 44,508</u>

HARRAHS CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 9 - OTHER ACCRUED EXPENSES

Other Accrued Expenses as of June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Accrued Salaries, Wages and Benefits	\$ 3,880	\$ 3,883
Taxes Payable	3,908	3,635
Accrued City Wide Progressive Slot Liability	293	240
Accrued Interest, Long-term debt	1,332	1,241
Accrued CCC/DGE Casino License Fees	284	702
Accrued Utilities	803	653
Accrued Health and Welfare Union	1,795	1,712
Other accrued Expenses	11,089	7,663
	<u>\$ 23,384</u>	<u>\$ 19,729</u>

NOTE 10- SHORT-TERM DEBT

Short-term debt, due to other as of June 30, consists of the following:

	<u>2013</u>	<u>2012</u>
Due to Other		
Current Portion of Capitalized Leases	\$ 1,162	\$ -
	<u>\$ 1,162</u>	<u>\$ -</u>

NOTE 11 – LONG TERM DEBT

Long-term debt, due to others as of June 30 consists of the following:

	<u>2013</u>	<u>2012</u>
CMBS Financing - 3.21% & 3.28% at June 30, 2013 and 2012, respectively - Maturity 2015*	\$ 792,213	\$ 861,808
Capitalized Leases	1,094	-
	<u>\$ 793,307</u>	<u>\$ 861,808</u>

* Caesars is permitted to extend the maturity of the CMBS Loans from 2013 to 2015, subject to satisfying certain conditions, in connection with the amendment to the CMBS Facilities.

Commercial Mortgaged-Back Securities (CMBS) Financing — Caesars Entertainment obtained the CMBS Financing pursuant to the Loan Agreement and related First through Ninth mezzanine Loan Agreements, all dated January 28, 2008 (collectively, the “Loan Agreements”) On August 31, 2010, Caesars executed an agreement with the lenders to amend the terms of the CMBS Financing to, among other things, (i) provide the right to extend the maturity of the Loan Agreements, subject to certain conditions, by up to 2 years until February 2015, (ii) amend certain terms of the CMBS Loans with respect to reserve requirements, collateral rights, property release prices and the payment of management fees, (iii) provide for ongoing mandatory offers to repurchase CMBS Loans using excess cash flow from the CMBS Properties at discounted prices, (iv) provide for the amortization of the mortgage loan in certain minimum amounts upon the occurrence of certain conditions and (v) provide for certain limitations with respect to the amount of excess cash flow from the CMBS Properties that may be distributed to Caesars Entertainment. Any CMBS Loan purchased pursuant to the amendments will be canceled.

HARRAHS CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 12 - OTHER LIABILITIES

Other Liabilities as of June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Reported Claims	\$ 890	\$ 2,446
CRDA-ACIA Funding	129	152
Deferred CRDA grant	276	328
Fin 48- Tax Reserve	19,699	19,577
	<u>\$ 20,994</u>	<u>\$ 22,503</u>

NOTE 13 – NON-OPERATING INCOME (EXPENSE)

Non-Operating Income (Expense) as of June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest Income	\$ 115	\$ 113
Gain/Loss on Early Retirement Debt	6,956	14,004
Asset Write-Off	(7,183)	-
Impairment - Tangible Assets	(24,399)	-
Other	98	(916)
	<u>\$ (24,413)</u>	<u>\$ 13,201</u>

NOTE 14 – CASINO REINVESTMENT DEVELOPMENT AUTHORITY INVESTMENT

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 June 30, CRDA related assets were as follows:

	<u>2013</u>	<u>2012</u>
CRDA Bonds-net of amortized cost	\$ 5,316	\$ 4,872
Deposit - net reserves	20,310	19,109
Direct Investments - net of reserves	1,905	2,822
	<u>\$ 27,531</u>	<u>\$ 26,803</u>

The CRDA related assets are held in deferred charges and other non-current assets in the consolidated balance sheets.

The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment. Charges to operations were \$2,115 and \$2,203 for the six months ended June 30, 2013 and 2012, respectively, and is included in CRDA related expenses, in the statement 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

HARRAHS CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

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 six months ended June 30, 2013 and 2012 were \$29 and \$27, respectively, and is included in CRDA related expenses, in the statement 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 effect 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.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation - The Company is involved in various legal proceedings relating to routine matters of its business. The Company believes that all the actions brought against it are without merit and will continue to vigorously defend against them. While any proceedings or litigation has an element of uncertainty, the Company believes that the final outcome of these matters, in the aggregate, is not likely to have a material adverse effect upon the Company's results of operations, financial position, or cash flows.

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 \$890 and \$2,446 as of June 30, 2013 and 2012, respectively. Actual results may differ from these reserve amounts.

All the Atlantic City casino properties (the "AC Industry") 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 fair-share was \$1,949 for the six months ended June 30, 2013. The Company's obligation for its portion of future payments is estimated at \$13,658 equal to its fair-share of AC Industry casino revenues.