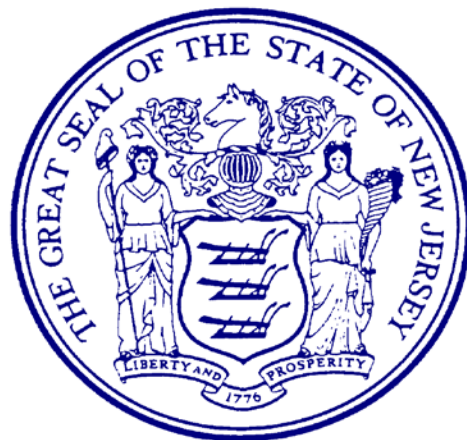


**HARRAH'S RESORT, ATLANTIC CITY
QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2014**

**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 DECEMBER 31, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$21,460	\$22,228
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2014, \$4,931; 2013, \$5,032).....	4	11,598	13,544
4	Inventories	2	1,529	1,496
5	Other Current Assets.....	5	2,620	2,120
6	Total Current Assets.....		37,207	39,388
7	Investments, Advances, and Receivables.....	6	9,602	13,334
8	Property and Equipment - Gross.....	2,7	184,660	170,475
9	Less: Accumulated Depreciation and Amortization.....	2,7	(7,329)	0
10	Property and Equipment - Net.....	2,7	177,331	170,475
11	Other Assets.....	8	159,365	165,702
12	Total Assets.....		\$383,505	\$388,899
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$6,814	\$8,928
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....	10, 14	4,001	3,180
17	Income Taxes Payable and Accrued.....		8,385	8,798
18	Other Accrued Expenses.....	9	15,231	13,829
19	Other Current Liabilities.....		2,354	2,313
20	Total Current Liabilities.....		36,785	37,048
	Long-Term Debt:			
21	Due to Affiliates.....			
22	External.....	11, 14	3,679	4,338
23	Deferred Credits		0	0
24	Other Liabilities.....	12	318	21,770
25	Commitments and Contingencies.....	16		
26	Total Liabilities.....		40,782	63,156
27	Stockholders', Partners', or Proprietor's Equity.....	3	342,723	325,743
28	Total Liabilities and Equity.....		\$383,505	\$388,899

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 TWELVE MONTHS ENDED DECEMBER 31, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	Revenue:			
1	Casino.....		\$359,995	\$352,356
2	Rooms.....		75,599	72,985
3	Food and Beverage.....		86,063	78,563
4	Other.....		28,804	26,977
5	Total Revenue.....		550,461	530,881
6	Less: Promotional Allowances.....	2	146,550	129,181
7	Net Revenue.....		403,911	401,700
	Costs and Expenses:			
8	Casino.....		174,465	153,389
9	Rooms, Food and Beverage.....		35,533	36,250
10	General, Administrative and Other.....		96,500	109,910
11	Total Costs and Expenses.....		306,498	299,549
12	Gross Operating Profit.....		97,413	102,151
13	Depreciation and Amortization.....		8,593	42,907
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	48,071	43,013
16	Income (Loss) from Operations.....		40,749	16,231
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....		(115)	(28,118)
19	CRDA Related Income (Expense) - Net.....		(2,066)	(3,427)
20	Nonoperating Income (Expense) - Net.....	13	(2,492)	(1,038,384)
21	Total Other Income (Expenses).....		(4,673)	(1,069,929)
22	Income (Loss) Before Taxes and Extraordinary Items.....		36,076	(1,053,698)
23	Provision (Credit) for Income Taxes.....	15	1,222	(393,166)
24	Income (Loss) Before Extraordinary Items.....		34,854	(660,532)
25	Extraordinary Items (Net of Income Taxes - 2014, \$0; 2013, \$0).....			
26	Net Income (Loss).....		\$34,854	(\$660,532)

*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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	Revenue:			
1	Casino.....		\$91,504	\$83,105
2	Rooms.....		17,420	16,231
3	Food and Beverage.....		20,740	18,861
4	Other.....		6,940	6,263
5	Total Revenue.....		136,604	124,460
6	Less: Promotional Allowances.....	2	37,612	34,476
7	Net Revenue.....		98,992	89,984
	Costs and Expenses:			
8	Casino.....		45,919	39,012
9	Rooms, Food and Beverage.....		7,329	7,683
10	General, Administrative and Other.....		22,763	27,002
11	Total Costs and Expenses.....		76,011	73,697
12	Gross Operating Profit.....		22,981	16,287
13	Depreciation and Amortization.....		1,123	9,997
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....	3	9,812	10,519
16	Income (Loss) from Operations.....		12,046	(4,229)
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....		123	(1,312)
19	CRDA Related Income (Expense) - Net.....		(91)	(943)
20	Nonoperating Income (Expense) - Net.....	13	(2,659)	(1,016,426)
21	Total Other Income (Expenses).....		(2,627)	(1,018,681)
22	Income (Loss) Before Taxes and Extraordinary Items.....		9,419	(1,022,910)
23	Provision (Credit) for Income Taxes.....	15	4,465	(380,705)
24	Income (Loss) Before Extraordinary Items.....		4,954	(642,205)
25	Extraordinary Items (Net of Income Taxes - 2014, \$0; 2013, \$0).....			
26	Net Income (Loss).....		\$4,954	(\$642,205)

*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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2014

(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, 2012.....		25	\$25			\$918,547	(\$418)	(\$117,604)	\$800,550
2	Net Income (Loss) - 2013.....								(660,532)	(660,532)
3	Contribution to Paid-in-Capital....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6	Comprehensive Income/Loss						418			418
7	Equitization of Intercompany	3					229,855			229,855
8	Capital Contributions								(44,548)	(44,548)
9	.....									0
10	Balance, December 31, 2013.....		25	25	0	0	1,148,402	0	(822,684)	325,743
11	Net Income (Loss) - 2014.....								34,854	34,854
12	Contribution to Paid-in-Capital....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15	Equitization of Intercompany	3					(17,874)			(17,874)
16	.....									0
17	.....									0
18	.....									0
19	Balance, December 31, 2014		25	\$25	0	\$0	\$1,130,528	\$0	(\$787,830)	\$342,723

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 TWELVE MONTHS ENDED DECEMBER 31, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$17,983	\$819,930
	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.....		(10,986)	(7,518)
5	Proceeds from Disposition of Property and Equipment.....		0	1,780
6	CRDA Obligations		(4,461)	(4,383)
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities.....		0	0
10	.....		
11	.....		
12	Net Cash Provided (Used) By Investing Activities.....		(15,447)	(10,121)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt		(3,304)	
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....			(39,205)
18	Cash Proceeds from Issuing Stock or Capital Contributions..		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Transition from CMBS Financing to CERP			(783,306)
22	.....		
23	Net Cash Provided (Used) By Financing Activities.....		(3,304)	(822,511)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(768)	(12,702)
25	Cash and Cash Equivalents at Beginning of Period.....		22,228	34,930
26	Cash and Cash Equivalents at End of Period.....		\$21,460	\$22,228
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$367	\$24,914
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 TWELVE MONTHS ENDED DECEMBER 31, 2014 AND 2013

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2014 (c)	2013 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$34,854	(\$660,532)
30	Depreciation and Amortization of Property and Equipment.....		7,979	38,699
31	Amortization of Other Assets.....		614	4,208
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current		(413)	0
34	Deferred Income Taxes - Noncurrent		11,577	(245,333)
35	(Gain) Loss on Disposition of Property and Equipment.....		(136)	264
36	(Gain) Loss on CRDA-Related Obligations.....		2,066	3,427
37	(Gain) Loss from Other Investment Activities.....		0	(9,347)
38	(Increase) Decrease in Receivables and Patrons' Checks		1,946	751
39	(Increase) Decrease in Inventories		(33)	56
40	(Increase) Decrease in Other Current Assets.....		(500)	11,462
41	(Increase) Decrease in Other Assets.....		(5,854)	(129,108)
42	Increase (Decrease) in Accounts Payable.....		(1,956)	(6,068)
43	Increase (Decrease) in Other Current Liabilities		2,264	5,691
44	Increase (Decrease) in Other Liabilities		(22,111)	3,440
45	(Increase) Decrease in Other Receivables or Adv		(12,314)	787,213
46	Impairment of Assets	7,13		1,015,107
47	Net Cash Provided (Used) By Operating Activities.....		\$17,983	\$819,930

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$14,290)	(\$7,887)
49	Less: Capital Lease Obligations Incurred.....		3,304	369
50	Cash Outflows for Property and Equipment.....		(\$10,986)	(\$7,518)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

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

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

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014
(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	492,400	\$39,943		
2	Food	1,340,686	33,846		
3	Beverage	1,834,122	13,756		
4	Travel			75,654	19,821
5	Bus Program Cash	1,007	10		
6	Promotional Gaming Credits	1,411,990	44,661		
7	Complimentary Cash Gifts	121,539	6,805		
8	Entertainment	73,375	3,302		
9	Retail & Non-Cash Gifts	100,064	2,001		
10	Parking		0		
11	Other	547,817	2,226		
12	Total	5,923,000	\$146,550	75,654	\$19,821

FOR THE THREE MONTHS ENDED DECEMBER 31, 2014

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	128,052	\$10,426		
2	Food	309,534	7,981		
3	Beverage	576,491	4,324		
4	Travel			25,659	6,802
5	Bus Program Cash	733	7		
6	Promotional Gaming Credits	398,313	12,598		
7	Complimentary Cash Gifts	10,520	589		
8	Entertainment	11,898	536		
9	Retail & Non-Cash Gifts	29,517	590		
10	Parking				
11	Other	139,315	561		
12	Total	1,604,373	\$37,612	25,659	\$6,802

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

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

FOR THE QUARTER ENDED DECEMBER 31, 2014

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.

3/31/2015

Date



Joseph Lodise

Director of Finance/Operations Controller
Title

008900-11

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 DESCRIPTION OF BUSINESS

Harrah's Atlantic City Holding, Inc. and Subsidiaries (the "Company", "Harrah's Atlantic City") is a wholly owned subsidiary of Caesars Entertainment Resort Properties ("CERP") which is a wholly owned subsidiary of Caesars Entertainment Corporation ("Caesars"). The Company operates a casino hotel resort located in the Marina District of Atlantic City, New Jersey, known as Harrah's Resort 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 Division of Gaming Enforcement, (the "DGE") and is subject to rules and regulations established by the DGE. The Company's license is subject to resubmission every five years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Management believes the accounting estimates are appropriate and reasonably stated; however, due to the inherent uncertainties in making these estimates, actual amounts could differ.

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

Cash and Cash Equivalents - Cash equivalents are highly liquid investments with original maturities of three months or less from the date of purchase and are stated at the lower of cost or market value.

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

Inventories - Inventories, which consist primarily of food, beverage, and operating supplies, are stated at average cost.

Long-Lived Assets - The Company has significant capital invested in long-lived assets, and judgments are made in determining the estimated useful lives of assets and salvage values and if or when an asset (or asset group) has been impaired. The accuracy of these estimates affects the amount of depreciation and amortization expense recognized in the Company's financial results and whether the Company has a gain or loss on the disposal of an asset. The Company assigns lives to their assets based on their standard policy, which is established by management as representative of the useful life of each category of asset.

The Company reviews the carrying value of their long-lived assets 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 Company typically estimates its fair value of assets starting with a "Replacement Cost New" approach and then deducting appropriate amounts for both functional and economic obsolescence to arrive at fair value estimates. Other factors considered by management in performing this assessment may include current operating results, trends, prospects, and third-party appraisals, as well as the effect of demand, competition, and other economic, legal, and regulatory factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the lowest level of identifiable cash flows, which, for the Company, is the individual property. These analyses are sensitive to management assumptions and the estimates of the obsolescence factors, and changes in the assumptions and estimates, could have a material impact on the analysis and the consolidated financial statement schedules.

Additions to property and equipment are stated at cost. The Company capitalizes the costs of improvements that extend the life of the asset. The Company expenses maintenance and repair costs as incurred. Gains or losses on the disposition of property and equipment are recognized in the period of disposal. Interest expense is capitalized on internally constructed assets at the applicable weighted-average borrowing rates of interest. Capitalization of interest ceases when the project is substantially complete or construction activity is suspended for more than a brief period of time. Interest capitalized for construction in progress was \$11 and \$30 for the periods ending December 31, 2014 and 2013, respectively.

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

Useful Lives - Land improvements 12 years
Buildings 30 to 40 years

Leasehold improvements 5 to 15 years
Furniture, fixtures, and equipment 2.5 to 20 years

Goodwill and Other Intangible Assets – The intangible assets represent a customer database with a recorded gross value of \$4,352 and \$4,104 as of December 31, 2014 and 2013, respectively, and accumulated amortization of \$614 and \$0 as of December 31, 2014 and 2013, respectively. The customer database had been determined to have a useful life of 13 years.

Impairment of Intangible Assets - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principle market or, if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as the "exit price"). Fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability, including consideration of nonperformance risk.

We assess the inputs used to measure fair value using the three-tier hierarchy promulgated under GAAP. This hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Inputs include quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly, including quoted prices for similar assets in active markets, quoted prices from identical or similar assets in inactive markets, and observable inputs such as interest rates and yield curves.

Level 3: Inputs that are significant to the measurement of fair value that are not observable in the market and include management's judgments about assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

Our assessment of goodwill and other intangible assets for impairment includes an assessment using various Level 2 (EBITDA multiples and discount rate) and Level 3 (forecasted cash flows) inputs.

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 Atlantic City Express Service, LLC ("ACES"). With each member having a 33% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan, New York, and Atlantic City. The 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. In 2013, each member received \$39 in final settlement of the remaining assets.

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

CRDA Real Estate Project - Harrah's Atlantic City held investments in a townhouse complex and a single-story neighborhood shopping center, all of which are located in Atlantic City, NJ and are collectively referred to as "CRDA Real Estate". In October 2013 and upon expiration of a CRDA mandated 20 year hold period, Caesars Entertainment agreed to sell the CRDA Real Estate to Harbour Pointe Properties, LLC in exchange for \$1,825. In June 2013, Harrah's Atlantic City recorded impairments on the CRDA Real Estate in the amount of \$24,399 reflected in asset impairments in the consolidated statements of operations. In December 2013, the sale closed and Harrah's Atlantic City received \$1,354 in cash consideration, after customary closing costs.

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

In 2008, Harrah's Atlantic City recorded a long-term note receivable of \$12,000 for the sale of the Ocean Terrace condominiums to Ocean Terrace, LLC. Terms of the note were interest free for the first five years then earning 6.5% interest starting 2013 with principal and interest due at maturity in 2018. In March 2013, Harrah's Atlantic City began renegotiations to modify the terms of the note. Consequently, a reserve of \$7,000 was recorded in March 2013. In May 2013, Harrah's Atlantic City received \$5,000 in settlement of the note.

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 December 31:

	2014	2013
Food and Beverage	\$ 36,937	\$ 29,807
Rooms	16,696	14,246
Other	6,874	3,467
Other Cash Complimentary	6,805	6,949
Promotional Gaming Credits	44,661	40,024
	\$ 111,973	\$ 94,493

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 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 December 31, 2014 and 2013, the accrued balance for the estimated cost of Total Rewards credit redemptions was \$4,232 and \$3,728 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 December 31, 2014 and 2013, the liability related to outstanding NNRR, which is based on historical redemption activity, were \$709 and \$682 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 twelve months ended December 31, 2014 and 2013, which are included in cost of goods and services in the statement of income, were approximately \$29,229 and \$28,509 respectively.

Property Taxes - In 2014, the Company settled with the City with respect to their challenges to the real estate tax assessment for prior years. The City approved a refund/ credit of prior year's property taxes during the first quarter of 2014 in the amount of \$4,143. This amount was recorded as a receivable on the accompanying balance sheet and in general, administrative and other expense in the accompanying Statement of Income. In addition, the 2014, assessment was reduced by approximately \$500,000. During 2014, the city increased the property tax rate by approximately 32%.

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

Income Taxes — The Company is included in the consolidated federal tax return of Caesars and files a separate New Jersey tax return. Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense.

Internet Gaming - Harrah's Resort Atlantic City did not have Internet gaming operations during 2014 or 2013.

Recently Issued Accounting Pronouncements — The company does not expect that any recently issued accounting pronouncements will have a material effect on our financial statements.

Reclassifications — The Company has reclassified certain amounts for prior periods to conform to the current year's presentation.

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.

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 charged on transfers made to or from the Company.

Stock-Based Compensation Plans - Caesars maintains stock-based compensation plans in which certain employees of the Company may participate. Caesars allocates an appropriate amount of cost for these plans to each subsidiary where employees participate. The Company recognized \$248 and \$137 in stock-based compensation expense for each of the years ended December 31, 2014 and 2013, respectively, are included in Selling, General, and Administrative expenses in the accompanying statements of income.

Employee Benefit Plans — Caesars maintains a defined contribution savings and retirement plan that allows employees to make pre-tax and after-tax contributions. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings (subject to IRS rules and regulations) and are eligible to receive a company match of up to \$600, which was reinstated in 2012. Participating employees become vested in matching contributions on a pro-rata basis over five years of credited service. The Company's contribution expense for each of the years ended December 31, 2014 and 2013 were \$550 and \$554 respectively and are included in the accompanying statements of income.

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 were \$13,743 and \$12,771 for the years ended December 31, 2014 and 2013, respectively, are included in Selling, General, and Administrative expenses in the accompanying statements of income.

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.

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

- 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.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status (1)</u>		<u>FIP/RP Status (2)</u>	<u>Contributions of CEOC on behalf of HACH (\$ in thousands)</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective-Bargaining Agreement</u>
		<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>		
Pension Plan of the UNITE HERE National Retirement Fund (4)	13-6130178/001	Red	Red	Yes	\$ 4,727	\$ 4,279	No	March 2015
Local 68 Engineers Union Pension Plan (3)	51-0176618/001	Green	Yellow	No	471	457	No	April 2017
NJ Carpenters Pension Fund	22-6174423/001	Yellow	Yellow	Yes	122	117	No	April 2017
Other funds					<u>118</u>	<u>114</u>		
					<u>\$ 5,438</u>	<u>\$ 4,967</u>		

- (1) Represents the Pension Protection Act ("PPA") zone status for applicable plan year beginning January 1, 2014, except where noted otherwise.
(2) Indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.
(3) Plan years begin July 1.
(4) As described in Note 19, " Subsequent Event - Other ," in 2015, the Pension Plan of the UNITE HERE National Retirement Fund voted to expel Caesars Entertainment and its participating subsidiaries from the plan.

The zone status is based on information that the Company received from the plan administrator and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than less than 65% funded, plans in the yellow zone are between 65% and less than 80% funded, and plans in the green zone are at least at least 80% funded. All plans detailed in the table above utilized extended amortization provisions to calculate zone status.

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 \$48,071 and \$43,013 for these services for the twelve months ended December 31, 2014 and 2013, 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 \$169 and \$97 for these costs for the twelve months ended December 31, 2014 and 2013, respectively. The costs are included in other operating expenses in the accompanying statements of income. Atlantic City Country Club was sold in May 2014.

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

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

	<u>2014</u>	<u>2013</u>
Casino Receivables (Net of Allowance for Doubtful Accounts - 2014, \$4,855 & 2013, \$4,932)	\$ 6,743	\$ 6,299
Other (Net of Allowance for Doubtful Accounts- 2014, \$76 & 2013, \$100)	<u>4,855</u>	<u>7,245</u>
	<u>\$ 11,598</u>	<u>\$ 13,544</u>

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

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expenses and Other Current Assets as of December 31 consisted of the following:

	2014	2013
Prepaid Air Charter	\$ 14	\$ 1,377
Prepaid State Income Tax	1,490	-
Prepaid Deferred State Income Tax	-	-
Prepaid Taxes	577	577
Prepaid Marketing & Entertainment	159	25
Prepaid Other & Other Current Assets	380	141
	\$ 2,620	\$ 2,120

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2014	2013
CRDA obligation deposit-Net of Valuation Allowance of \$2,131 and \$2,551 at December 31, 2014 and 2013, respectively	4,262	5,336
CRDA obligation bonds-Net of Valuation Allowance of \$3,980 and \$4,215 at December 31, 2014 and 2013, respectively	3,517	5,341
CRDA Investments, Net	946	1,586
Other	877	1,071
	\$ 9,602	\$ 13,334

NOTE 7 – LAND, BUILDINGS AND EQUIPMENT

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

	2014	2013
Land and Land Improvements	\$ 57,515	\$ 57,660
Building and Improvements	109,850	106,915
Furniture Fixtures & Equipment	11,174	4,819
Construction in Progress	6,121	1,081
	184,660	170,475
Less: Accumulated Depreciation and Amortization	(7,329)	-
Land, Building and Equipment, Net	\$ 177,331	\$ 170,475

Tangible Asset Impairments – During the second quarter 2013, Harrah's Atlantic City recorded impairments on the CRDA Real Estate in the amount of \$24,399 reflected in asset impairments in the accompanying statements of income.

During the fourth quarter 2013, casino property sales occurred in the Atlantic City market. The pricing of the transactions indicated a substantial decline in market price had occurred for Casinos in Atlantic City. As a result of this triggering event, Caesars determined it was necessary to perform a recoverability test of the carrying amount of the Company. It was determined

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

the carrying values of the Companies was not recoverable. Therefore, a fair value assessment of the properties was performed. Impairment loss for Harrah's Atlantic City was \$990,708 reflected in asset impairments in the accompanying statements of income.

NOTE 8 - OTHER ASSETS

Other Assets as of December 31 consisted of the following:

	<u>2014</u>	<u>2013</u>
Intangible Asstes	\$ 3,738	\$ 4,352
Deferred Finance Charge	-	-
Deferred Income Taxes	148,920	160,498
Other	6,707	852
	<u>\$ 159,365</u>	<u>\$ 165,702</u>

NOTE 9 - OTHER ACCRUED EXPENSES

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

	<u>2014</u>	<u>2013</u>
Accrued Salaries, Wages and Benefits	\$ 3,017	\$ 1,880
Taxes Payable	2,826	2,689
Accrued City Wide Progressive Slot Liability	269	174
Accrued Interest, Long-term debt	57	38
Accrued CCC/DGE Casino License Fees	542	472
Accrued Utilities	1,081	735
Accrued Health and Welfare Union	1,552	1,517
Other accrued Expenses	5,887	6,324
	<u>\$ 15,231</u>	<u>\$ 13,829</u>

NOTE 10- SHORT-TERM DEBT

Short-term debt, due to other as of December 31 consists of the following:

	<u>2014</u>	<u>2013</u>
Current Portion of Capitalized Leases / Financing Obligations	4,001	3,180
	<u>\$ 4,001</u>	<u>\$ 3,180</u>

NOTE 11 – LONG TERM DEBT

Long-term debt, due to others as of December 31 consists of the following:

	<u>2014</u>	<u>2013</u>
Capitalized Leases / Financing Obligations	3,679	4,338
	<u>\$ 3,679</u>	<u>\$ 4,338</u>

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

NOTE 12 - OTHER LIABILITIES

Other Liabilities as of December 31 consisted of the following:

	<u>2014</u>	<u>2013</u>
Reported Claims	\$ 115	\$ 840
Fin 48- Tax Reserve	-	20,930
Other Long Term Liabilities	<u>203</u>	<u>-</u>
	<u>\$ 318</u>	<u>\$ 21,770</u>

NOTE 13 – NON-OPERATING INCOME (EXPENSE)

For the twelve months ended December 31, 2014 and 2013, Non-Operating Income (Expense) consisted of the following:

	<u>2014</u>	<u>2013</u>
Interest Income	\$ 211	\$ 229
Gain/Loss on Early Retirement Debt	-	9,347
Asset Write-Off	(2,124)	(7,181)
Impairment Goodwill Intangible	-	(25,452)
Impairment Tangible Assets	(120)	(1,015,107)
Other	<u>(459)</u>	<u>(220)</u>
	<u>\$ (2,492)</u>	<u>\$ (1,038,384)</u>

NOTE 14 - LEASES

Capital Lease — The Company entered into capital leases for gaming equipment, which is included in furniture, fixtures, and equipment, in the accompany balance sheets.

Future minimum rental commitments for non-cancelable leases including renewal options and capital leases, as of December 31, 2014, are as follows:

	<u>Capital Lease Obligations</u>	<u>Financing Obligations</u>
2015	\$ 1,915	\$ 2,395
2016	1,148	1,903
2017 and thereafter	<u>765</u>	<u>-</u>
Total minimum	<u>3,828</u>	<u>4,298</u>
Amounts representing interest	(235)	(211)
Present value of net minimum	3,593	4,087
Less current maturities	<u>(1,766)</u>	<u>(2,235)</u>
Capital lease obligations/ Financing obligations — noncurrent	<u>\$ 1,827</u>	<u>\$ 1,852</u>

Rent expense, which includes both cancelable and non-cancelable operating leases for the years ended December 31, 2014 and 2013, was \$4,214 and \$3,950 respectively. These amounts are included in the accompanying Statements of Income.

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

NOTE 15 – INCOME TAXES

The Company is included in the consolidated federal income tax return of Caesars. The Company will file a separate final New Jersey return through May 2014. During May 2014, the Company merged into Caesars Entertainment Resort Properties (“CERP”). As such, the Company will file as part of the CERP combined New Jersey filing for the remainder of 2014 and future years.

The tax years that remain open for examination for Caesars major jurisdictions are 2010 through 2014 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 for income taxes for the years ended December 31, 2014 and 2013 are as follows:

Provision (benefit) for income taxes	<u>2014</u>	<u>2013</u>
Current:		
Federal	\$ 14,520	\$ (523)
State	(23,472)	(1,012)
	<u>(8,952)</u>	<u>(1,535)</u>
Deferred	10,174	(391,631)
Provision for income taxes	<u>\$ 1,222</u>	<u>\$ (393,166)</u>

The provision for income taxes for the years ended December 31, 2014 differ from the federal statutory rate of 35% primarily due to state income taxes, the impact of nondeductible expenses, federal tax credits and the accrual for uncertain tax positions.

The Company does not have a formal tax sharing agreement in place with its parent entity for federal income tax purposes. Therefore, Caesars reports all of the Company’s federal income taxes of which the Company’s portion was an expense of \$14,520 and a benefit of \$1,755 in 2014 and 2013, 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, 2014 and 2013 were as follows:

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

	2014	2013
Deferred tax assets:		
Compensation programs	\$ -	\$ -
Allowance for doubtful accounts	1,791	2,064
Contingencies	-	7,937
CRDA investment obligation	4,831	5,725
Progressive jackpot liability	-	-
Tax credit carryovers	2,354	2,031
Net Operating loss carryovers	-	95
Depreciation and other property related items	182,934	210,710
Intangible Assets	-	6,725
Other	720	303
	192,630	235,590
Valuation Allowance	(7,551)	(33,305)
	185,079	202,285
Deferred tax liabilities:		
Depreciation and other property related items	-	-
Intangible assets	(1,317)	-
Debt costs	(43,227)	(51,576)
Other	-	-
	(44,544)	(51,576)
Net deferred tax liability	\$ 140,535	\$ 150,709

The Company had New Jersey net operating loss (NOL) carryforwards, which will begin to expire in 2029.

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, 2014, a valuation allowance of \$7,551 has been recorded against the portion of the state deferred tax assets that are not more likely than not to be realized. The amount of the federal and state deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

At the beginning of 2014, the Company had an unrecognized tax benefits balance of \$10,480. During 2014, the unrecognized tax liability was reduced by \$10,480 due to state statute of limitations expirations. The ending balance of unrecognized tax benefits at December 31, 2014 was \$0. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. We reduced our accrual by \$10,450 during 2014 primarily due to state statute of limitations expirations. As of December 31, 2014, the Company accrued \$0 for the payment of interest and penalties.

It is reasonably possible that the unrecognized tax benefits liability will not change within the next 12 months. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. Although we believe that adequate provision has been made for such issues, there is a possibility that the ultimate resolution of such issues could have an adverse effect on our earnings. Conversely, if these issues are resolved favorably in the future, the related provision would be reduced, thus having a favorable impact on earnings.

NOTE 16 — ATLANTIC CITY CONFERENCE CENTER

In June 2013, Caesars established, AC Conference NewCo, LLC ("NewCo") to construct and operate a new conference center (the "Project) adjacent to Harrah's Atlantic City. NewCo is a direct wholly owned subsidiary of AC Conference HoldCo, LLC, which is a direct wholly owned subsidiary of Caesars.

Also in June 2013, Caesars signed an agreement with the CRDA regarding a grant for financial assistance in the amount of \$45,000 million (the "Project Grant") wherein the CRDA will provide Caesars cash to help fund the construction of the Project. Under the Project Grant, Caesars is obligated to contribute to the CRDA the following:

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

- \$46,200 of Atlantic City Economic Development Investment Alternative Tax Obligation balances (“Existing Credits”), of which \$1,200 represents a 2.75% administrative fee,
- \$9,500 of CRDA Credits that the CRDA will use towards the construction of the CRDA’s marketplace-style retail development project (the "Donation Credits"), and
- Land parcels with an appraised value of \$7,300 on which the CRDA’s Marketplace Project will be developed (the Marketplace Parcels).¹

The gross value of the credits and land parcels described above held by the Companies immediately prior to the transaction as follows:

Existing Credits	
Harrah's Atlantic City Holding, Inc and Subsidiaries	\$ 23,400
Bally's Park Place, Inc.	10,600
Boardwalk Regency Corporation	7,000
Ocean Showboat, Inc. and Subsidiaries	5,200
Total	<u>\$ 46,200</u>
Donation Credits	
Ocean Showboat, Inc. and Subsidiaries	<u>\$ 9,500</u>
Marketplace Parcels	
Bally's Park Place, Inc.	\$ 4,600
Boardwalk Regency Corporation	2,700
Total	<u>\$ 7,300</u>

In return for the above, the CRDA will deposit \$45,000 into a Project Fund from which Caesars can draw on a paripassu basis via reimbursements to NewCo based on amounts paid for the Project by NewCo. To date, Caesars received \$14,796 in reimbursements from the Project Fund.

CERP is building a new meeting and conference center that will be connected to its Harrah’s Atlantic City casino. In July 2014, CEC contributed to CERP the subsidiaries holding the interests in the conference center. The total net book value contributed was \$82,000, which primarily consisted of real estate and the initial development costs. There was no impact on CEC’s consolidated financial statements as a result of this transaction.

NOTE 17 – 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. During 2014, the Company entered into a donation credit agreement, whereby a portion of the Company’s CRDA deposits were permitted to be used for non-gaming related projects.

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

As of December 31 CRDA related assets were as follows:

	2014	2013
CRDA Bonds-net of amortized cost	\$ 3,517	\$ 5,341
Deposit - net reserves	4,262	5,336
Direct Investments - net of reserves	946	1,586
	\$ 8,725	\$ 12,263

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 \$2,066 and \$3,179 for the twelve months ended December 31, 2014 and 2013, 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 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 twelve months ended December 31, 2014 and 2013 were (\$78) and \$57, 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 18 – 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 \$115 and \$840 as of December 31, 2014 and 2013, 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 \$4,104 for the twelve months ended December 31, 2014. The Company’s obligation for its portion of future payments is estimated at \$9,831 equal to its fair-share of AC Industry casino revenues.

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

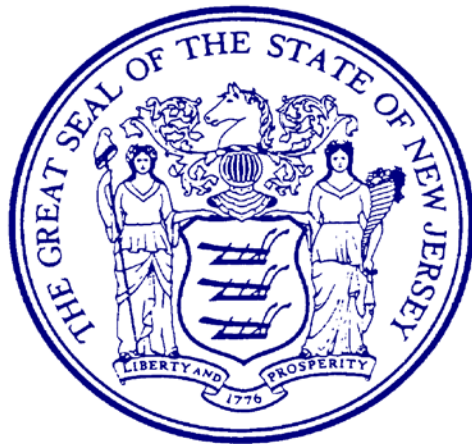
NOTE 19 – SUBSEQUENT EVENT

Employee Benefit Plans - In January 2015, the National Retirement Fund (“NRF”), a multi-employer defined benefit pension plan, voted to expel Caesars Entertainment and its participating subsidiaries from the plan. NRF claims that CEOC’s bankruptcy presents an “actuarial risk” to the plan because, depending on the outcome of the bankruptcy proceeding, Caesars Entertainment might no longer be liable to the plan for any partial or complete withdrawal liability. Caesars Entertainment vigorously disputes NRF’s legal and contractual authority to take such action and has challenged NRF’s actions in the appropriate legal forums

**HARRAH'S RESORT, ATLANTIC CITY
ANNUAL FILINGS**

FOR THE YEAR ENDED DECEMBER 31, 2014

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



**OFFICE OF FINANCIAL INVESTIGATIONS
REPORTING MANUAL**

HARRAH'S RESORT, ATLANTIC CITY
ANNUAL SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS
FOR THE YEAR ENDED DECEMBER 31, 2014

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$5,246		
2	Returned Patrons' Checks.....	6,352		
3	Total Patrons' Checks.....	11,598	\$4,855	\$6,743
4	Hotel Receivables.....	1,374	76	\$1,298
	Other Receivables:			
5	Receivables Due from Officers and Employees....	186		
6	Receivables Due from Affiliates.....			
7	Other Accounts and Notes Receivables.....	3,371		
8	Total Other Receivables.....	3,557		\$3,557
9	Totals (Form DGE-205).....	\$16,529	\$4,931	\$11,598

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$4,732
11	Counter Checks Issued.....	120,020
12	Checks Redeemed Prior to Deposit.....	(81,771)
13	Checks Collected Through Deposits.....	(33,806)
14	Checks Transferred to Returned Checks.....	(3,929)
15	Other Adjustments.....	
16	Ending Balance.....	\$5,246
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$523
19	Provision as a Percent of Counter Checks Issued.....	0.4%

HARRAH'S RESORT, ATLANTIC CITY ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2014

(\$ 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	905			
2	Slot Machines	74			
3	Administration				
4	Casino Accounting	106			
5	Simulcasting				
6	Other	234			
7	Total - Casino	1,319	\$24,991	\$269	\$25,260
8	ROOMS	477	11,001	199	11,200
9	FOOD AND BEVERAGE	1,032	19,294		19,294
10	GUEST ENTERTAINMENT	198	1,012		1,012
11	MARKETING	3	785	344	1,129
12	OPERATION AND MAINTENANCE	230	8,670		8,670
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	3	57	1,425	1,482
14	Accounting and Auditing	2	132		132
15	Security	163	4,263	107	4,370
16	Other Administrative and General	183	5,425	93	5,518
	OTHER OPERATED DEPARTMENTS:				
17	Retail	46	1,445		1,445
18	Employee Cafeteria	7	822		822
19					0
20					0
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	3,663	\$77,897	\$2,437	\$80,334