HARRAH'S RESORT, ATLANTIC CITY

QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2017

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, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	ASSETS:			
	Current Assets:			
1	Cash and Cash Equivalents		$19,988	$17,966
2	Short-Term Investments			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2017, $5,492; 2016, $5,909)	4	18,223	15,843
4	Inventories	2	1,475	1,582
5	Other Current Assets	5	3,866	3,415
6	Total Current Assets		43,552	38,806
7	Investments, Advances, and Receivables	6	8,202	10,449
8	Property and Equipment - Gross	2,7	223,188	191,986
9	Less: Accumulated Depreciation and Amortization	2,7	(29,372)	(18,607)
10	Property and Equipment - Net	2,7	193,816	173,379
11	Other Assets	8	152,424	154,312
12	Total Assets		$397,994	$376,946
	LIABILITIES AND EQUITY:			
	Current Liabilities:			
13	Accounts Payable		$6,682	$6,505
14	Notes Payable			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates			
16	External	10	566	2,552
17	Income Taxes Payable and Accrued		0	0
18	Other Accrued Expenses	9	17,100	19,252
19	Other Current Liabilities		2,042	1,462
20	Total Current Liabilities		26,390	29,771
	Long-Term Debt:			
21	Due to Affiliates			
22	External	11	0	190
23	Deferred Credits			
24	Other Liabilities	12	314	428
25	Commitments and Contingencies	16		
26	Total Liabilities		26,704	30,389
27	Stockholders', Partners', or Proprietor's Equity	3	371,290	346,557
28	Total Liabilities and Equity		$397,994	$376,946

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, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Amended April 2, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino		$173,559	$171,051
2	Rooms		41,972	39,989
3	Food and Beverage		42,044	43,649
4	Other		12,993	12,855
5	Total Revenue		270,568	267,544
6	Less: Promotional Allowances	2	72,542	63,532
7	Net Revenue		198,026	204,012
	Costs and Expenses:			
8	Casino		83,895	76,057
9	Rooms, Food and Beverage		18,551	20,915
10	General, Administrative and Other		45,438	49,810
11	Total Costs and Expenses		147,884	146,782
12	Gross Operating Profit		50,142	57,230
13	Depreciation and Amortization		6,566	4,729
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other	3	18,386	16,372
16	Income (Loss) from Operations		25,190	36,129
	Other Income (Expenses):			
17	Interest Expense - Affiliates			
18	Interest Expense - External		336	(87)
19	CRDA Related Income (Expense) - Net	15	(174)	(3,267)
20	Nonoperating Income (Expense) - Net	13	(1,054)	(371)
21	Total Other Income (Expenses)		(892)	(3,725)
22	Income (Loss) Before Taxes		24,298	32,404
23	Provision (Credit) for Income Taxes		0	0
24	Net Income (Loss)		$24,298	$32,404

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, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Amended April 2, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	Revenue:			
1	Casino		$87,044	$85,438
2	Rooms		22,940	21,516
3	Food and Beverage		22,622	22,435
4	Other		7,104	6,861
5	Total Revenue		139,710	136,250
6	Less: Promotional Allowances	2	37,207	31,142
7	Net Revenue		102,503	105,108
	Costs and Expenses:			
8	Casino		41,870	37,939
9	Rooms, Food and Beverage		10,278	11,481
10	General, Administrative and Other		24,115	25,262
11	Total Costs and Expenses		76,263	74,682
12	Gross Operating Profit		26,240	30,426
13	Depreciation and Amortization		3,470	2,361
	Charges from Affiliates Other than Interest:			
14	Management Fees			
15	Other	3	10,336	9,080
16	Income (Loss) from Operations		12,434	18,985
	Other Income (Expenses):			
17	Interest Expense - Affiliates			
18	Interest Expense - External		129	(41)
19	CRDA Related Income (Expense) - Net	15	(7)	(2,766)
20	Nonoperating Income (Expense) - Net	13	(377)	54
21	Total Other Income (Expenses)		(255)	(2,753)
22	Income (Loss) Before Taxes		12,179	16,232
23	Provision (Credit) for Income Taxes			
24	Net Income (Loss)		$12,179	$16,232

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, 2016 AND THE SIX MONTHS ENDED JUNE 30, 2017

(UNAUDITED)
($ IN THOUSANDS)

Amended April 2, 2018

Line (a)	Description (b)	Notes	Common Stock Shares (c)	Common Stock Amount (d)	Preferred Stock Shares (e)	Preferred Stock Amount (f)	Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
1	**Balance, December 31, 2015..........**		25	$25	0	$0	$1,094,674	$0	($740,425)	$354,274
2	Net Income (Loss) - 2016.............								44,241	44,241
3	Contribution to Paid-in-Capital.....									0
4	Dividends....................................									0
5	Prior Period Adjustments..............									0
6	Equitization of Intercompany	3					(34,254)			(34,254)
7										0
8										0
9										0
10	**Balance, December 31, 2016..........**		25	25	0	0	1,060,420	0	(696,184)	364,261
11	Net Income (Loss) - 2017.............								24,298	24,298
12	Contribution to Paid-in-Capital.....									0
13	Dividends....................................									0
14	Prior Period Adjustments..............									0
15	Equitization of Intercompany	3					(17,269)			(17,269)
16										0
17										0
18										0
19	**Balance, June 30, 2017 ....**		25	$25	0	$0	$1,043,151	$0	($671,886)	$371,290

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, 2017 AND 2016

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		$15,445	($6,298)
	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...........................		(21,338)	(1,850)
5	Proceeds from Disposition of Property and Equipment...........			
6	CRDA Obligations		(2,201)	(2,146)
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....................		(23,539)	(3,996)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt......................................			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt..			
17	Payments to Settle Long-Term Debt......................................			
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock...			
20	Payments of Dividends or Capital Withdrawals......................			
21	....			
22	....			
23	Net Cash Provided (Used) By Financing Activities...................		0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.............		(8,094)	(10,294)
25	Cash and Cash Equivalents at Beginning of Period...................		28,082	28,260
26	Cash and Cash Equivalents at End of Period.............................		$19,988	$17,966

Line	Description	Notes	2017	2016
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).......................................		$15	$86
28	Income Taxes...			

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, 2017 AND 2016

(UNAUDITED)

($ IN THOUSANDS)

Amended April 2, 2018

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss)		$24,298	$32,404
30	Depreciation and Amortization of Property and Equipment		6,259	4,422
31	Amortization of Other Assets		307	307
32	Amortization of Debt Discount or Premium			
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment		(13)	(6)
36	(Gain) Loss on CRDA-Related Obligations	15	174	3,267
37	(Gain) Loss from Other Investment Activities			
38	(Increase) Decrease in Receivables and Patrons' Checks		(4,681)	(3,128)
39	(Increase) Decrease in Inventories		34	(229)
40	(Increase) Decrease in Other Current Assets		3,675	(1,232)
41	(Increase) Decrease in Other Assets		(62)	(117)
42	Increase (Decrease) in Accounts Payable		17	(843)
43	Increase (Decrease) in Other Current Liabilities		(1,483)	894
44	Increase (Decrease) in Other Liabilities		(8)	(657)
45	(Increase) Decrease in Other Receivables or Adv		(13,072)	(41,859)
46	Impairment of Assets / Write Downs & Reserves	13	0	479
47	Net Cash Provided (Used) By Operating Activities		$15,445	($6,298)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Line (a)	Description (b)	Notes	2017 (c)	2016 (d)
	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment		($21,338)	($1,850)
49	Less: Capital Lease Obligations Incurred			
50	Cash Outflows for Property and Equipment		($21,338)	($1,850)
	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 SIX MONTHS ENDED JUNE 30, 2017
(UNAUDITED)
($ IN THOUSANDS)

Amended April 2, 2018

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	479,664	$21,137	0	$0
2	Food	614,592	14,341	0	0
3	Beverage	5,015,703	10,032	0	0
4	Travel	0	0	34,204	6,790
5	Bus Program Cash	2,400	24	0	0
6	Promotional Gaming Credits	769,042	20,235	0	0
7	Complimentary Cash Gifts	68,497	3,618	0	0
8	Entertainment	22,706	827	1,475	184
9	Retail & Non-Cash Gifts	60,246	1,205	23,617	2,362
10	Parking	0	0	402,207	1,609
11	Other	30,673	1,123	93,949	2,349
12	Total	7,063,523	$72,542	555,452	$13,294

FOR THE THREE MONTHS ENDED JUNE 30, 2017

		Promotional Allowances		Promotional Expenses	
Line (a)	**Description (b)**	**Number of Recipients (c)**	**Dollar Amount (d)**	**Number of Recipients (e)**	**Dollar Amount (f)**
1	Rooms	252,924	11,015	0	0
2	Food	316,347	7,257	0	0
3	Beverage	2,624,357	5,249	0	0
4	Travel	0	0	16,268	3,507
5	Bus Program Cash	1,087	11	0	0
6	Promotional Gaming Credits	379,626	10,002	0	0
7	Complimentary Cash Gifts	38,189	1,963	0	0
8	Entertainment	12,193	486	935	117
9	Retail & Non-Cash Gifts	32,627	652	10,501	1,050
10	Parking	0	0	210,433	842
11	Other	16,109	572	47,498	1,188
12	Total	3,673,459	$37,207	285,635	$6,704

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

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

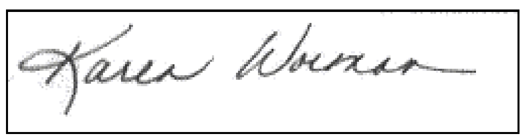
FOR THE QUARTER ENDED JUNE 30, 2017

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.



3/20/2018
Date

Karen Worman

Vice President of Finance
Title

006320-11
License Number

On Behalf of:

HARRAH'S RESORT, ATLANTIC CITY
Casino Licensee

HARRAH'S RESORT, 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" or "CEC"). 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.

CEOC Chapter 11 Reorganization - As described in Note 1 of CEC's audited consolidated financial statements ("CEC's Note 1"), on January 15, 2015, CEOC and certain of its United States subsidiaries (the "Debtors") voluntarily filed for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code").

In addition, there is substantial doubt as to CEC's ability to continue as a going concern as CEC has limited unrestricted cash available to meet its financial commitments, CEC has made material future commitments to support CEOC's plan of reorganization, and CEC is a defendant in litigation related to CEOC transactions. The completion of the Merger with CAC is expected to allow CEC to fulfill its financial commitments in support of the Restructuring. However, if the Merger is not completed for any reason, CEC would still be liable for many of these obligations. In addition, although under the terms of the Restructuring, all related litigation is expected to be resolved, the outstanding litigation matters are only stayed pending CEOC's emergence from bankruptcy. Finally, CEC entered an agreement that provides access to funds to pay certain fees in support of the Restructuring. However, there are restrictions governing when and how the cash designated for this purpose can be used.

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

Inventories - Inventories, which consist primarily of food, beverage, and operating supplies, are stated at the lower of average cost or market value.

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.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life of the asset or the related lease as follows:

Useful Lives
Land improvements 12 years
Buildings 20 to 40 years
Leasehold improvements 5 to 20 years
Furniture, fixtures, and equipment 2.5 to 20 years

Intangible Assets – The intangible assets represent a customer database with a recorded gross carrying value of $4,352 as of June 30, 2017 and 2016, and accumulated amortization of $2,150 and $1,536 as of June 30, 2017 and 2016, 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).

(Dollars in Thousands)

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.

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.

Revenue Recognition - Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Food and beverage, rooms, and other operating revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. Sales taxes and other taxes collected from customers on behalf of governmental authorities are accounted for on a net basis and are not included in net revenues or operating expenses.

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:

	2017	2016
Food and Beverage	$ 17,196	$ 15,483
Rooms	8,511	7,275
Other	2,648	1,674
Other Cash Complimentary	3,618	3,091
Promotional Gaming Credits	20,235	17,265
	$ 52,208	$ 44,788

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 June 30, 2017 and 2016, the accrued balance for the estimated cost of Total Rewards credit redemptions was $3,702 and $2,860 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, 2017 and 2016, the liability related to outstanding NNRR, which is based on historical redemption activity, were $971 and $803 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, 2017 and 2016, which are included in cost of goods and services in the statement of income, were approximately $14,033 and $13,761 respectively.

City of Atlantic City Real Property Tax and Interim Payment in Lieu of Taxes (PILOT) Financial Management - The City increased the property tax rate by approximately 12.8% for the year ending 2016. Beginning for calendar year 2017, each casino licensee entered into a 10-year financial agreement with the City of Atlantic City promising to make quarterly payments in lieu of real estate taxes. The Company will be responsible for the payments based on its share as referenced in the agreement and will be subject to lien provisions if the payments are not made. The total amount of the payment in lieu of property taxes owed to the City of Atlantic City for 2017 will total $120,000. The Company paid its respective quarterly obligations in February and May 2017.

For calendar year 2017, the City decreased its property tax rate by approximately 11% for the properties not included in PILOT program.

Income Taxes — The Company is included in the consolidated federal income tax return of Caesars and is included in the combined New Jersey income tax return for Caesars Entertainment Resorts Properties. Deferred income 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 income taxes 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 2017 or 2016.

Seasonal factors - The Company's operations are subject to seasonal factors and, therefore, the results of operations for the six months ended June 30, 2017 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.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company participates with Caesars and other Caesars subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by Caesars on a company-wide basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the cost and terms for similar programs that it could negotiate on a standalone basis.

Cash Activity with CEC and Affiliates - The Company transfers cash in excess of its operating and regulatory needs to its parent on a daily basis. Cash transfers from the Company's parent are also made based upon the needs of the Company to fund daily operations, including accounts payable, payroll, and capital expenditures. No interest is charged on transfers made to or from the Company.

Administrative and Other Services - Pursuant to a shared services agreement, CEOC provides certain corporate and administrative services (including consulting, legal, marketing, information technology, accounting and insurance) to the Company and allocates the costs of these services to the companies. In May 2014, CES was formed, and the Members entered into the Omnibus License and Enterprise Services Agreement (see below). Certain of these corporate and administrative services are now provided by CES. The Company was charged $18,386 and $16,372 for these services for the six months ended June 30, 2017 and 2016 respectively. The fee is included in charges from affiliates in the accompanying statements of income.

Omnibus License and Enterprise Services Agreement - On May 20, 2014, CEOC, CERP, and Caesars Growth Properties Holdings, LLC ("CGPH") (the "Members" and each a "Member") entered into a services joint venture, Caesars Enterprise Services ("CES"). CES manages certain Enterprise Assets and the other assets it owns, licenses or controls, and employs certain of the corresponding employees and other employees who previously provided services to CEOC, CERP and CGPH, their affiliates and their respective properties and systems under each property's corresponding property management agreement. Corporate expenses that are not allocated to the property directly are allocated by CES to CEOC, CERP, and CGPH according to their allocation percentages. Operating expenses will be allocated to each Member with respect to their respective properties serviced by CES in accordance with historical allocation methodologies, subject to annual revisions and certain prefunding requirements.

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.

HARRAH'S RESORT, ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 4 – RECEIVABLES AND PATRONS' CHECKS

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

	2017	2016
Casino Receivables (Net of Allowance for Doubtful Accounts - 2017, $4,561 & 2016, $5,236)	$ 7,360	$ 5,925
Other (Net of Allowance for Doubtful Accounts- 2017, $931 & 2016, $673)	10,863	9,918
	$ 18,223	$ 15,843

NOTE 5 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	2017	2016
Prepaid State Income Tax	$ 533	$ 1,140
Prepaid Taxes	1,070	1,090
Prepaid Marketing & Entertainment	-	32
Prepaid Other & Other Current Assets	1,164	272
Prepaid Utilities	1,099	881
	$ 3,866	$ 3,415

NOTE 6 - INVESTMENTS, ADVANCES AND RECEIVABLES

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

	2017	2016
CRDA obligation deposit-Net of Valuation Allowance of $1,142 and $965 at June 30, 2017 and 2016, respectively	1,917	4,758
CRDA obligation bonds-Net of Valuation Allowance of $6,333 and $5,966 at June 30, 2017 and 2016, respectively	6,285	5,135
CRDA Investments, Net	-	-
Other	-	556
	$ 8,202	$ 10,449

NOTE 7 – LAND, BUILDINGS AND EQUIPMENT

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

	2017	2016
Land and Land Improvements	$ 57,632	$ 57,515
Building and Improvements	122,506	110,980
Furniture Fixtures & Equipment	39,821	19,953
Construction in Progress	3,229	3,538
	223,188	191,986
Less: Accumulated Depreciation and Amortization	(29,372)	(18,607)
Land, Building and Equipment, Net	$ 193,816	$ 173,379

HARRAH'S RESORT, ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 8 - OTHER ASSETS

Other Assets as of June 30 consisted of the following:

	2017	2016
Intangible Asstes	$ 2,202	$ 2,816
Deferred Income Taxes	149,386	144,671
Other	836	6,825
	$ 152,424	$ 154,312

NOTE 9 - OTHER ACCRUED EXPENSES

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

	2017	2016
Accrued Salaries, Wages and Benefits	$ 2,834	$ 2,519
Taxes Payable	2,358	3,585
Accrued City Wide Progressive Slot Liability	90	60
Accrued Interest, Long-term debt	7	22
Accrued CCC/DGE Casino License Fees	815	416
Accrued Utilities	878	754
Accrued Health and Welfare Union	1,870	1,750
Other Accrued Expenses	8,248	10,146
	$ 17,100	$ 19,252

NOTE 10- SHORT-TERM DEBT

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

	2017	2016
Current Portion of Capitalized Leases / Financing Obligations	566	2,552
	$ 566	$ 2,552

NOTE 11 – LONG TERM DEBT

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

	2017	2016
Capitalized Leases / Financing Obligations	-	190
	$ -	$ 190

NOTE 12 - OTHER LIABILITIES

Other Liabilities as of June 30 consisted of the following:

	2017	2016
Executive Deferred Comp Liability	$ 314	$ 356
Other Long Term Liabilities	-	72
	$ 314	$ 428

(Dollars in Thousands)

NOTE 13 – NON-OPERATING INCOME (EXPENSE)

For the six months ended June 30, 2017 and 2016, Non-Operating Income (Expense) consisted of the following:

	2017	2016
Interest Income	$ 89	$ 116
Demolition Costs	(1,148)	-
Write Downs & Reserves	-	(479)
Other	5	(8)
	$ (1,054)	$ (371)

NOTE 14 – 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:

- $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).

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	$ 46,200
Donation Credits	
Ocean Showboat, Inc. and Subsidiaries	$ 9,500
Marketplace Parcels	
Bally's Park Place, Inc.	$ 4,600
Boardwalk Regency Corporation	2,700
Total	$ 7,300

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. As of June 30, 2017, Caesars received $43,211 in reimbursements from the Project Fund.

(Dollars in Thousands)

NOTE 15 – 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 previously satisfied 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 were used to purchase bonds designated by the CRDA or, under certain circumstances, used to donate 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. Effective May 27, 2016 the CRDA investment obligation of 1.25% of gross gaming revenues will be redirected to the City of Atlantic City to be used for debt service. The CRDA investment obligation will be reduced by previously pledged for bonds issued by the CRDA or otherwise contractually obligated Credit Agreements committed by the Authority.

In July 2016, the Company and Boardwalk Regency Corporation (BRC), Caesars Interactive Entertainment New Jersey LLC (CIE), Showboat Atlantic City Operating Company LLC and Bally's Park Place Inc.(BPP) (the Companies) entered into a Donation Credit agreement with the CRDA. The agreement provides that the Companies will donate their Investment Alternative Tax (IAT) funds on deposit with the CRDA, through the first quarter of 2016, in exchange for a donation credit of 50% to be used by the Companies for any nongaming eligible projects. The agreement also includes $1,490 of reallocated IATs from the Grant Agreement for the Atlantic City Conference Center Project.

As of June 30 CRDA related assets were as follows:

	2017	2016
CRDA Bonds-net of amortized cost	$ 6,285	$ 5,135
Deposit - net reserves	1,917	4,758
	$ 8,202	$ 9,893

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 $174 and $3,267 for the six months ended June 30, 2017 and 2016, 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 six months ended June 30, 2017 and 2016 were $70 and $31 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 16 – 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.

Atlantic City Alliance - All the Atlantic City casino properties and the CRDA entered into an agreement with the Atlantic City Alliance (the "ACA") to provide funding to subsidize the Atlantic City market. This agreement was signed on November 2, 2011 and expired 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 paid $30,000 annually until December 31, 2016. A new agreement effective 2017, as part of the PILOT program, requires the AC industry to provide $15,000 in 2017, $10,000 in 2018 and $5,000 from 2019 thru 2023. The Company's obligation for 2017 is $2,166. The company expensed $1,083 and $2,311 for the six months ending June 30, 2017 and 2016.