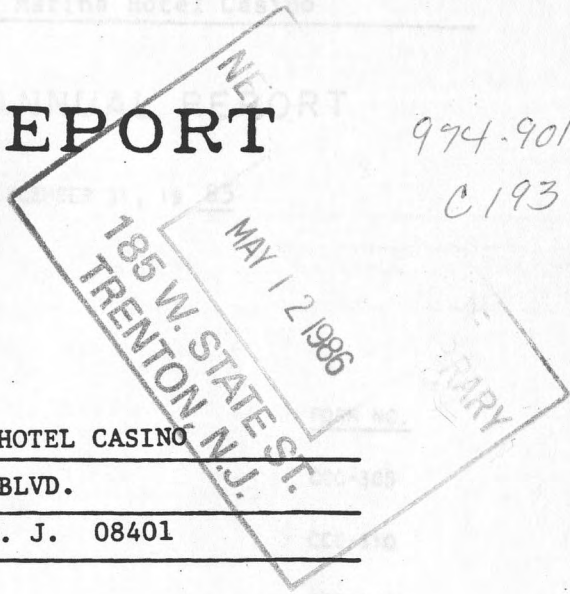


ANNUAL REPORT

994-901
C193



LICENSEE HARRAH'S MARINA HOTEL CASINO
ADDRESS 1725 BRIGANTINE BLVD.
ATLANTIC CITY, N. J. 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT CHRISTOPHER R. GIBBONS
OFFICIAL TITLE VICE PRESIDENT, FINANCE
ADDRESS 1725 BRIGANTINE BLVD.
ATLANTIC CITY, N. J. 08401

SCHEMATIC CHECKS

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85

LINE	DESCRIPTION	AMOUNT	ALLOTTMENT	ACCOUNTS RECEIVABLE (NET OF ALLOTTMENT)
1	Patrons' Checks	4,237		
2	Unredeemed patrons' checks	9,021		
3	<u>TITLE</u>		<u>FORM NO.</u>	
3	Balance Sheets	14,058	CCC-305	8,299
4	Statements of Income (Year)	1,237	CCC-310	786
5	Statements of Income (Three Months)		CCC-315	
6	Statements of Changes in Stockholders' Equity		CCC-320	
7	Statements of Changes in Partners' or Proprietor's Equity	18,979	CCC-325	
8	Statements of Changes in Financial Position	19,100	CCC-330	19,100
9	Notes to Financial Statements	31,471	CCC-340	28,165
10	Schedule of Receivables and Patrons' Checks		CCC-345	
11	Casino Departmental Schedule		CCC-350	
12	Statement of Conformity and Accuracy			
10	Beginning Balance (January 1)			3,935
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, part company operations, substitutions, and patrons' cash deposits)			164,002
12	Checks received prior to deposit reflecting the unrecorded surplus of counter checks returned through patrons' operations, and excluding checks received through transactions relating to consolidations, part company operations, and patrons' cash deposits			117,784
13	Checks collected through deposits			42,540
14	Checks transferred to returned checks			5,516
15	Other adjustments			-0-
16	Ending Balance			6,057
17	"Hold" Checks included in Balance on Line 16			-0-
18	Provision for Unredeemed Patrons' Checks			1,584
19	Provision As a Result of Counter Checks Issued			1,0

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES				
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
1	Patrons' Checks:	\$ 6,057		
	Undeposited patrons' checks			
2	Returned patrons' checks	8,025		
3	Total patrons' checks	14,082	\$ 5,783	\$ 8,299
4	Hotel Receivables	1,219	433	786
5	Other Receivables:	7		
	Receivables due from officers and employees.....			
6	Receivables due from affiliates ..(NOTE 4).....	18,976		
7	Other accounts and notes receivables	117		
8	Total other receivables	19,100		19,100
9	Totals (Form 305).....	\$ 34,401	\$ 6,216	\$ 28,185

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 3,935
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	164,002
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(113,784)
13	Checks collected through deposits	(42,580)
14	Checks transferred to returned checks	(5,516)
15	Other adjustments	-0-
16	Ending Balance	\$ 6,057
17	"Hold" Checks Included In Balance On Line 16	\$ -0-
18	Provision For Uncollectible Patrons' Checks	\$ 1,584
19	Provision As A Percent Of Counter Checks Issued	1.0

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:	\$	\$
1	Casino	215,536	210,848
2	Rooms	14,190	13,870
3	Food and beverage	35,291	35,265
4	Other	7,874	6,864
5	Total revenue	272,891	266,847
6	Less: promotional allowances (NOTE 7)	28,018	22,625
7	Net revenue	244,873	244,222
	Costs And Expenses:		
8	Cost of goods and services	136,690	124,865
9	Selling, general, and administrative	39,246	33,739
10	Provision for doubtful accounts	1,724	1,969
11	Total	177,660	160,573
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	67,213	83,649
13	Depreciation and amortization	7,828	6,492
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	-0-	-0-
16	Other (NOTE 11)	4,416	11,781
17	Interest expense - external (NOTE 10)	1,497	327
18	Income (Loss) From Operations	53,472	65,049
19	Nonoperating income (expense) - net	244	581
20	Investment alternative tax and related income (expense) - net.....	-0-	-0-
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	53,716	65,630
22	Provision (Credit) for income taxes (NOTE 12)	4,948	5,326
23	Income (Loss) Before Extraordinary Items	48,768	60,304
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-0-	-0-
25	Net Income (Loss)	\$ 48,768	\$ 60,304

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

BALANCE SHEETS

DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
ASSETS			
Current Assets:			
1	Cash	\$ 5,951	\$ 6,153
2	Marketable securities	-0-	-0-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>85</u> , \$ 6,216 ; 19 <u>84</u> , \$ 4,885)	28,185	5,770
4	Inventories	1,018	852
5	Prepaid expenses and other current assets	1,132	24,629
6	Total current assets	36,286	37,404
7	Investments, Advances, And Receivables	4,779	-0-
8	Property And Equipment - Net (NOTE 2)	219,261	161,680
9	Other Assets	5,649	3,355
10	Total Assets	\$ 265,975	\$ 202,439
LIABILITIES AND EQUITY			
Current Liabilities:			
11	Accounts payable	\$ 6,668	\$ 8,017
12	Notes payable	-0-	-0-
Current portion of long-term debt:			
13	Due to affiliates	-0-	15,002
14	Other (NOTE 3)	585	719
15	Income taxes payable and accrued	1,038	-0-
16	Other accrued expenses (NOTE 8)	11,044	6,793
17	Other current liabilities (NOTE 9)	28,855	1,481
18	Total current liabilities	48,190	32,012
Long-Term Debt:			
19	Due to affiliates	-0-	-0-
20	Other (NOTE 3)	75,302	9,912
21	Deferred Credits	-0-	-0-
22	Other Liabilities	200	-0-
23	Commitments And Contingencies (NOTES 5 & 6)		
24	Total Liabilities	123,692	41,924
25	Stockholders', Partners', Or Proprietor's Equity	142,283	160,515
26	Total Liabilities And Equity	\$ 265,975	\$ 202,439

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:		
1	Casino	\$ 50,258	\$ 49,762
2	Rooms	3,186	2,979
3	Food and beverage	8,312	8,211
4	Other	2,200	1,578
5	Total revenue	63,956	62,530
6	Less: promotional allowances (NOTE 7)	7,288	4,995
7	Net revenue	56,668	57,535
	Costs And Expenses:		
8	Cost of goods and services	35,183	23,041
9	Selling, general, and administrative	8,233	17,186
10	Provision for doubtful accounts	(402)	458
11	Total	43,014	40,685
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	13,654	16,850
13	Depreciation and amortization	2,387	1,789
	Charges from affiliates:		
14	Interest	-0-	-0-
15	Management fees	-0-	-0-
16	Other (NOTE 11)	1,142	2,523
17	Interest expense - external	1,231	(260)
18	Income (Loss) From Operations	8,894	12,798
19	Nonoperating income (expense) - net	196	(277)
20	Investment alternative tax and related income (expense) - net.....	-0-	-0-
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	9,090	12,521
22	Provision (Credit) for income taxes (NOTE 12)	825	1,017
23	Income (Loss) Before Extraordinary Items	8,265	11,504
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$; 19 <u> </u> , \$)	-0-	-0-
25	Net Income (Loss)	\$ 8,265	\$ 11,504

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	19 <u>85</u>		19 <u>84</u>	
		SHARES	DOLLARS	SHARES	DOLLARS
	Common Stock:		\$ N/A		\$ N/A
1	Beginning balance (January 1)				
2	Sale of stock				
3	.....			
4	Ending balance				
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	.....			
8	Ending balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)				
10	.....			
11	.....			
12	Ending balance				
	Treasury Stock:				
13	Beginning balance (January 1)	()	()	()	()
14	Purchase of additional stock	()	()	()	()
15	Sale or retirement of stock				
16	Ending balance	()	()	()	()
	Subscriptions Receivable For Capital Stock:				
17	Beginning balance (January 1)	()	()	()	()
18	.....			
19	.....			
20	Ending balance	()	()	()	()
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:				
21	Beginning balance (January 1)	()	()	()	()
22	.....			
23	.....			
24	Ending balance	()	()	()	()
	Retained Earnings:				
25	Beginning balance (January 1)				
26	Prior period adjustments				
27	Net income (loss)				
28	Dividends	()	()	()	()
29	.....			
30	.....			
31	Ending balance				
	Ending Stockholders' Equity		\$		\$

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

TRADING NAME OF LICENSEE Harrah's Marina Hotel Casino

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Invested Capital:		
1	Beginning balance (January 1)	\$ 31,763	\$ 31,763
2	Additional capital invested	-0-	-0-
3	.....	-0-	-0-
4	Ending balance	31,763	31,763
	Accumulated Income (Loss):		
5	Beginning balance (January 1)	161,490	101,186
6	Prior period adjustments	-0-	-0-
7	Net income (loss)	48,768	60,304
8	.....	-0-	-0-
9	Ending balance	210,258	161,490
	Capital Withdrawals:		
10	Beginning balance (January 1)	(32,738)	(11,043)
11	Additional capital withdrawals	(67,000)	(21,695)
12	.....	
13	Ending balance	(99,738)	(32,738)
	Net Unrealized Loss On Noncurrent Marketable Equity Securities:		
14	Beginning balance (January 1)	(-0-)	(-0-)
15	.....	
16	.....	
17	Ending balance	(-0-)	(-0-)
18	Ending Partners' Or Proprietor's Equity	\$ 142,283	\$ 160,515

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

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Sources Of Funds:		
1	Income (loss) before extraordinary items	\$ 48,768	\$ 60,304
	Add (deduct) items not affecting working capital:		
2	Depreciation and amortization of property and equipment	7,828	6,492
3	Amortization of other assets	-0-	-0-
4	Deferred income taxes - noncurrent	-0-	-0-
5	(Gain) loss on dispositions of property and equipment	385	6
6	.....	
7	.....	
8	.....	
9	Total		
10	Extraordinary items		-0-
11	Total funds provided (used) by operations	56,981	66,802
12	Proceeds from dispositions of property and equipment	1,651	187
13	Proceeds from long-term debt	67,000	-0-
14	Additions to deferred credits and other liabilities	-0-	-0-
15	Proceeds from issuance of stock or capital contributions	-0-	-0-
16	.....	
17	.....	
18	.....	
19	Total funds provided	125,632	66,989
	Uses Of Funds:		
21	Additions to property and equipment	67,445	20,039
22	Investment in casino reinvestment obligations	4,779	-0-
23	Other additions to investments, advances, and receivables	-0-	-0-
24	Increase in other assets	2,294	2,744
25	Reductions of long-term debt	1,610	717
26	Dividends declared or capital distributions	67,000	21,695
27	Decrease in other liabilities	254	-0-
28	.....	
29	.....	
30	.....	
31	Total funds used	143,382	45,195
32	Increase (Decrease) In Working Capital.....	\$ (17,750)	\$ 21,794
	Summary Of Changes In Components Of Working Capital:		
33	Cash	\$ (202)	\$ (5,304)
34	Marketable securities	-0-	-0-
35	Receivables and patrons' checks	(896)	(1,248)
36	Inventories	166	(991)
37	Prepaid expenses and other current assets	(186)	23,129
38	Accounts payable	1,349	(3,084)
39	Notes payable	-0-	-0-
40	Current portion of long-term debt	134	7,932
41	Income taxes payable and accrued	(1,038)	-0-
42	Other accrued expenses	(4,251)	1,675
43	Other current liabilities	(12,826)	(315)
44	Increase (Decrease) In Working Capital	\$ (17,750)	\$ 21,794

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 MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies:

Organization -

Marina Associates (The Company), doing business as Harrah's Marina Hotel Casino, operates as a general partnership. On July 31, 1983, the partnership redeemed the capital contribution and paid previously undistributed earnings attributable to a limited partner and the form of organization was changed from a limited to a general partnership. As a result, Holiday Inns, Inc., through its subsidiaries, became the sole owner of the Company.

Gaming Revenues -

Gaming revenues are the net win from gaming activities and represent the difference between amounts wagered and amounts won by patrons.

Promotional Allowances -

Gross revenues include the retail value of complimentary food, beverage and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues. The cost of promotional allowances is charged to operations.

Inventories -

Inventories of provisions and supplies are valued at the lower of cost, weighted average, or market.

Property and Equipment -

Property and equipment is carried at cost and is depreciated on the straight-line method using rates based on the following estimated useful lives:

Buildings, leaseholds and improvements	40 years
Furniture, fixtures and equipment	3-10 years

The interest associated with borrowings used to finance the construction and expansion of the hotel/casino during the construction period has been capitalized and is being amortized over the estimated useful life of the complex.

Pre-opening Expenses -

Costs incurred prior to opening were deferred and charged to operations over a three-year period using the straight-line method. Such costs were fully amortized during 1983.

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

Income Taxes -

The accompanying financial statements do not include a provision for Federal income taxes, since any income or losses allocated to the partners are reportable for Federal income tax purposes by the individual partners.

In accordance with regulations prescribed by the New Jersey Casino Control Act, the Company files a State income tax return on behalf of the partners.

Reclassifications -

Reclassifications of 1984 intercompany reported amounts have been made to conform to the 1985 presentation.

NOTE 2: Property and Equipment:

Property and equipment consist of the following:

	<u>1985</u>	<u>1984</u>
Land and land improvements	\$ 26,439,000	\$ 26,512,000
Buildings, leaseholds and improvements	147,522,000	115,399,000
Furniture, fixtures and equipment	34,760,000	26,725,000
Construction in progress	<u>38,582,000</u>	<u>15,454,000</u>
	247,303,000	184,090,000
Less accumulated depreciation and amortization	<u>(28,042,000)</u>	<u>(22,410,000)</u>
Property and equipment, net	<u>\$219,261,000</u>	<u>\$161,680,000</u>

NOTE 3: Long-Term Debt:

Long-term debt consisted of the following:

	<u>1985</u>	<u>1984</u>
Mortgage payable (a)	\$ 8,437,000	\$ 8,560,000
Other notes payable (b)	67,450,000	2,071,000
	75,887,000	10,631,000
Less long-term debt due within one year	<u>(585,000)</u>	<u>(719,000)</u>
	<u>\$75,302,000</u>	<u>\$ 9,912,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

(a) The mortgage payable, dated September 14, 1978, provides for interest and principal payments as follows:

- From September 15, 1982, through September 14, 1995, principal and interest at 8.9% is payable in equal monthly installments of \$73,333. An additional principal payment of \$1,584,000 is due September 14, 1999.
- Thereafter, principal and interest at 8.9% is payable in 60 equal monthly installments.

The mortgage note is collateralized by a lien on certain of the Company's land.

(b) Other notes payable consist of (1) a note bearing interest at 9% payable to a former limited partner which provides for a payment of \$450,000 in 1986; and (2) a term loan with First Tennessee Bank acting as agent for a consortium of six banks total revolving credit line of \$100 million dated May 31, 1985, with \$67 million borrowed to date. Principal payable in 16 quarterly installments with interest thereon, if due, commencing August 31, 1987. Interest due is based on the renegotiation term of each loan, and is due quarterly unless renegotiation is for more than 360 days, which it then would be due semiannually. The revolving credit facilities require annual commitment fees of .375 percent of the available credit and is due each quarter.

The aggregate maturities of long-term debt in future fiscal years ending December 31:

1986	\$ 585,000
1987	8,522,000
1988	16,910,000
1989	16,926,000
Thereafter	32,944,000
	<u>\$75,887,000</u>

NOTE 4: Due From Affiliates::

Due from Affiliates consisted of the following unsecured, non-interest bearing intercompany amounts at June 30, 1985, and 1984. Due from affiliates are classified as receivables:

	<u>1985</u>	<u>1984</u>
Due from Affiliates -		
Harrah's New Jersey, Inc.	\$18,972,000	\$18,972,000
Harrah's Atlantic City, Inc.	0	1,352,000
Holiday Inns, Inc.	0	2,869,000
Harrah's Tahoe	1,000	0
Harrah's Associates	0	118,000
Harrah's Reno	3,000	0
Total Due from Affiliates	<u>\$18,976,000</u>	<u>\$23,311,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 5: Commitments and Contingencies:

Leases -

The Company has several operating leases relating to a storage warehouse, parking areas, computer equipment and shoreline land. These leases have various expiration dates through 2003. Rental expenses for the years ended December 31, 1985, and 1984, were approximately \$1,231,000 and \$1,084,000, respectively.

Future minimum lease payments due under these leases are as follows:

1986	\$ 955,000
1987	938,000
1988	850,000
1989	848,000
Thereafter	<u>2,036,000</u>
	<u>\$5,627,000</u>

Commitments -

The Company has a commitment fee associated with the First Tennessee loan (Note 3). The fee is based on the difference between the actual amount borrowed and the total credit line and is calculated at 3/8% per annum and is due quarterly.

NOTE 6: Investment Obligation:

Section 144 of the New Jersey Casino Control Act, as amended in 1984, requires a casino license to make investments in New Jersey or pay an investment alternative tax if it fails to do so. For each of the calendar years 1979 to 1983, a casino licensee whose gross casino revenues exceed its cumulative investment (the "cumulative investment"), must either make investments in an amount equivalent to 2% of its gross casino revenues or pay an investment alternative tax in the same amount within five years of the applicable calendar year. The cumulative investment of a casino licensee includes the real property and improvement costs associated with its hotel/casino complex.

Commencing with calendar year 1984, and continuing for twenty-five years thereafter, a casino licensee must either obtain investment tax credits in an amount equivalent to 1.25% of its gross casino revenues or pay an alternative tax of 2.5% of its gross casino revenues. Investment tax credits may be obtained by making qualified investments or by the purchase of bonds at below market rates from the newly created Casino Reinvestment Development Authority. In addition, commencing with obligations incurred after 1983, payments of a casino licensee's obligation must be made quarterly.

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

At December 31, 1985, the Company's investment obligation was payable as follows:

1986	\$ 2,827,000
1987	3,485,000
1988	3,992,000
	<u>\$10,304,000</u>

The Company has filed a petition with the Casino Control Commission for a determination of the eligibility of certain roadway improvements currently being made in Atlantic City. In the opinion of management and counsel, these improvements will be eligible for credit in satisfaction of the investment obligation, and the Company will not be required to purchase bonds or pay the alternative tax. Accordingly, no liability has been recorded in the financial statements for this obligation.

NOTE 7: Promotional Allowances:

Promotional allowances for the three months ended December 31, 1985, consist of:

	PROMOTIONAL ALLOWANCES		PROMOTIONAL EXPENSES	
	NUMBER OF RECIPIENTS	DOLLAR AMOUNT	NUMBER OF RECIPIENTS	DOLLAR AMOUNT
Rooms	14,000	\$1,746,000	-0-	-0-
Food	737,000	3,015,000	-0-	-0-
Beverage	579,000	2,027,000	-0-	-0-
Travel	-0-	-0-	86,000	471,000
Theatre	27,000	500,000	-0-	-0-
Coupon Redemption of Cash & Tokens	-0-	-0-	228,000	2,880,000
Other	-0-	-0-	101,000	594,000
	<u>1,357,000</u>	<u>\$7,288,000</u>	<u>415,000</u>	<u>\$3,945,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

Promotional allowances for the year ended December 31, 1985, consist of:

	<u>PROMOTIONAL ALLOWANCES</u>		<u>PROMOTIONAL EXPENSES</u>	
	<u>NUMBER OF RECIPIENTS</u>	<u>DOLLAR AMOUNT</u>	<u>NUMBER OF RECIPIENTS</u>	<u>DOLLAR AMOUNT</u>
Rooms	54,000	\$ 6,794,000	-0-	\$ -0-
Food	2,791,000	11,418,000	-0-	-0-
Beverage	2,410,000	8,434,000	-0-	-0-
Travel	-0-	-0-	379,000	2,082,000
Theatre	74,000	1,372,000	-0-	-0-
Coupon Redemption of				
Cash & Tokens	-0-	-0-	976,000	12,343,000
Other	-0-	-0-	201,000	1,180,000
	<u>5,329,000</u>	<u>\$28,018,000</u>	<u>1,556,000</u>	<u>\$15,605,000</u>

NOTE 8: Other Accrued Expenses:

Other accrued expenses as of December 31, 1985, consist of:

	<u>1985</u>	<u>1984</u>
Accrued salaries and wages	\$ 4,066,000	\$3,599,000
Taxes payable	153,000	392,000
Other accrued expenses	3,926,000	1,408,000
Accrued progressive slot liability	1,050,000	901,000
Accrued interest	1,403,000	92,000
Accrued CCC/DGE/Casino license fees	446,000	401,000
	<u>\$11,044,000</u>	<u>\$6,793,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 9: Other Current Liabilities:

Other current liabilities as of December 31, 1985, consist of:

	<u>1985</u>	<u>1984</u>
Chip and token reserve	\$ 671,000	\$ 489,000
Patron deposits	176,000	247,000
Insurance reserves	-0-	454,000
Deferred trade	182,000	158,000
Advance deposits	-0-	70,000
Other current liabilities	17,000	63,000
Due to Affiliates (see below)	<u>27,809,000</u>	<u>-0-</u>
	<u>\$28,855,000</u>	<u>\$ 1,481,000</u>

Due to Affiliates consist of the following unsecured, non-interest bearing intercompany amounts at December 31, 1985, and 1984. Due to Affiliates are classified as other current liabilities:

Due to Affiliates -		
Harrah's Services, Inc.	\$ 19,000	\$ 6,000
Harrah's Associates	5,000	-0-
Holiday Inns - Hotel Group	8,377,000	-0-
Harrah's Holdings, Inc.	16,084,000	14,996,000
Harrah's Atlantic City, Inc.	3,204,000	-0-
Harrah's Las Vegas	1,000	-0-
Harrah's Holiday Inns, of N. J.	119,000	-0-
	<u>\$27,809,000</u>	<u>\$15,002,000</u>

NOTE 10: Interest Expense:

Interest expense as of December 31, 1985 and 1984 consist of:

	<u>1985</u>	<u>1984</u>
Gross interest expense	\$ 3,739,000	\$ 739,000
Capitalized interest	(2,242,000)	(412,000)
Net interest expense	<u>\$ 1,497,000</u>	<u>\$ 327,000</u>

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 11: Charges from Affiliates (Continued):

NOTE 11: Charges from Affiliates:
 Unallocable charges from Harrah's Atlantic City for the quarter ended December 31, 1985, and direct and unallocable charges for the quarter ended December 31, 1984, are as follows:

	1985	1984
Executive Development	\$ 149,000	\$ 192,000
Business Development	-0-	159,000
Human Resources	223,000	202,000
Finance	90,000	270,000
Logistics	145,000	934,000
Management Information Services	236,000	250,000
Sales and Marketing	19,000	69,000
Legal and Risk Management	39,000	108,000
Other	241,000	339,000
	<u>\$1,142,000</u>	<u>\$2,523,000</u>

Direct charges from Harrah's Atlantic City for the quarter ended December 31, 1985 consist of:

	1985	1984
Business Development	-0-	N/A
Finance	134,000	N/A
Logistics	594,000	N/A
	<u>728,000</u>	<u>N/A*</u>
Total Direct and Unallocable	<u>\$1,870,000</u>	<u>\$2,523,000</u>

*Included above

NOTE 12: Provision for State Income Taxes:

The Company, in accordance with regulations prescribed by the New Jersey Casino Control Act, has provided for New Jersey State tax at the statutory rate (9%).

NOTE 13: Savings and Retirement Plan

An employee Savings and Retirement Plan was established on October 1, 1985. This plan covers all non-union employees who have been employed at least one year with a minimum of one thousand hours worked. The company will match employee contributions up to 6% of gross pay, subject to stockholder approval. A participating employee is vested in company contributions according to their years of service. The company's contribution in 1985 was \$496,538.

HARRAH'S MARINA HOTEL CASINO

NOTES TO FINANCIAL STATEMENTS (cont'd)

NOTE 11: Charges from Affiliates (Continued):

Unallocable charges from Harrah's Atlantic City for the year ended December 31, 1985, and direct and unallocable charges for the year ended December 31, 1984 are as follows:

	<u>1985</u>	<u>1984</u>
Executive	\$ 658,000	\$ 803,000
Business Development	43,000	694,000
Human Resources	853,000	1,178,000
Finance	311,000	1,299,000
Logistics	392,000	4,075,000
Management Information Services	826,000	1,175,000
Sales and Marketing	35,000	1,410,000
Legal and Risk Management	227,000	366,000
Other	<u>1,071,000</u>	<u>781,000</u>
	<u>\$4,416,000</u>	<u>\$11,781,000</u>

Direct charges from Harrah's Atlantic City for the year ended December 31, 1985 consist of:

	<u>1985</u>	<u>1984</u>
Business Development	\$ 200,000	N/A
Finance	601,000	N/A
Logistics	<u>2,678,000</u>	N/A
	<u>3,479,000</u>	N/A*
Total Direct and Unallocable	<u>\$7,895,000</u>	<u>\$11,781,000</u>

*Included above

Note 12: Provision for State Income Taxes:

The Company, in accordance with regulations prescribed by the New Jersey Casino Control Act, has provided for New Jersey State tax at the statutory rate (9%).

Note 13: Savings and Retirement Plan

An employee Savings and Retirement Plan was established on October 1, 1985. This plan covers all non-union employees who have been employed at least one year with a minimum of one thousand hours worked. The company will match employee contributions up to 6% of gross pay, subject to stockholder approval. A participating employee is vested in company contributions according to their years of service. The company's contribution in 1985 was \$496,558.

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack	\$ 37,535	\$ 224,820	16.7 %	60
2	Craps	35,192	216,460	16.3	22
3	Roulette	8,908	36,181	24.6	12
4	Big Six	2,342	4,939	47.4	3
5	Baccarat	3,082	24,195	12.7	2
6	Other table games	-0-	-0-		
7	Total table games revenue	87,059	\$ 506,595	17.2 %	99
			HANDLE		
8	\$.05 slot machines	3,270	\$ 22,453	14.6 %	70
9	\$.25 slot machines	59,275	443,465	13.4	657
10	\$1.00 slot machines	42,355	403,163	10.5	214
11	Other slot machines	23,522	205,527	11.4	373
12	Total coin-operated devices revenue	128,422	\$ 1,074,608	12.0 %	1,314
13	Progressive jackpot adjustment	55			
14	Total coin-operated devices revenue after adjustment	128,477			
15	Other income	-0-			
16	Total revenue	215,536			
	Expenses:				
17	Payroll and payroll related expenses	27,038			
18	Licenses and taxes	17,865			
19	Provision for uncollectible patrons' checks	1,802			
20	Other	6,726			
21	Total	53,431			
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees.....	162,105			
	Complimentary services and casino management fees:				
23	Complimentary services	17,289			
24	Casino management fees	-0-			
25	Total	-0-			
26	Departmental Income (Loss)	\$ 144,816			

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE HARRAH'S MARINA HOTEL CASINO

ADDRESS 1725 BRIGANTINE BLVD.

ATLANTIC CITY, N. J. 08401

FOR THE YEAR ENDED DECEMBER 31, 19 85

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

CHRISTOPHER R. GIBBONS

OFFICIAL TITLE.....

VICE PRESIDENT, FINANCE

ADDRESS.....

1725 BRIGANTINE BLVD.

ATLANTIC CITY, N. J. 08401

TRADING NAME OF LICENSEE HARRI MARINA HOTEL CASINO

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85
(\$ in Thousands)

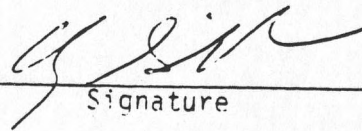
LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
	CASINO				
1	Administration	2			
2	Gaming	903			
3	Slots	157			
4	Casino accounting	430			
5	Other	41			
6	Total-casino	1,533	\$ 28,692	\$ -	\$ 28,692
7	ROOMS	261	2,520	-	2,520
8	FOOD AND BEVERAGE	810	10,865	-	10,865
	OTHER OPERATED DEPARTMENTS				
9	Customer Services	23	344	-	344
10	Gift Shop/Boutique	22	265	-	265
11	Communications	16	239	-	239
12	Cafeteria	25	838	-	838
13	Marina	4	110	-	110
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	3	187	-	187
21	Accounting and auditing	167	2,779	-	2,779
22	Security	227	4,147	-	4,147
23	Other administrative and general department ..	102	2,448	-	2,448
24	MARKETING	67	1,161	-	1,161
25	GUEST ENTERTAINMENT	37	1,052	-	1,052
26	PROPERTY OPERATION AND MAINTENANCE	530	6,759	-	6,759
27	TOTALS - ALL DEPARTMENTS	3,827	\$ 62,406	\$ -	\$ 62,406

Trading Name of Licensee HARRAH'S MARINA HOTEL CASINO

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 1985

3/12/86
Date


Signature

Vice President, Finance
Title

GROSS REVENUE ANNUAL TAX RETURN

LICENSEE HARRAH'S MARINA HOTEL CASINO

ADDRESS 1725 BRIGANTINE BLVD.

ATLANTIC CITY, NJ 08401

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL TAX RETURN

CHRISTOPHER GIBBONS

OFFICIAL TITLE

VICE-PRESIDENT, FINANCE

ADDRESS

1725 BRIGANTINE BLVD.

ATLANTIC CITY, NJ 08401

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)

(\$ IN THOUSANDS)

LINE			
	Casino win or (loss)		
1	Table games revenue	\$ 87,059,243	
2	Coin-operated devices revenue	<u>128,422,131</u>	
3	Total revenues		<u>\$215,481,374</u>
	Less - adjustment for uncollectible patrons' checks:		
4	Provision for uncollectible patrons' checks	\$ 1,595,820	
5	Maximum adjustment (4% of line 3)	<u>\$ 8,619,255</u>	
6	Adjustment (the lesser of line 4 or line 5)		<u>1,595,820</u>
7	Gross revenues (line 3 less line 6)		<u>\$213,885,554</u>
8	Tax on gross revenues - current year (8% of line 7)		<u>\$ 17,110,844</u>
9	Audit or other adjustments to tax on gross revenues in prior years		<u>-0-</u>
10	Total tax on gross revenues (line 8 plus or minus line 9)		<u>17,110,844</u>
	Deposits made for tax on current year's gross revenues:		
11	January	\$ 899,795	
12	February	<u>1,125,126</u>	
13	March	<u>1,663,093</u>	
14	April	<u>1,381,478</u>	
15	May	<u>1,706,256</u>	
16	June	<u>1,386,826</u>	
17	July	<u>1,478,468</u>	
18	August	<u>1,910,159</u>	
19	September	<u>1,346,204</u>	
20	October	<u>1,285,106</u>	
21	November	<u>1,539,246</u>	
22	December	<u>1,055,637</u>	
23	January	<u>316,762</u>	
24	Total deposits made for tax on current year's gross revenues		<u>(17,094,156)</u>
	Settlement of prior years' tax on gross revenues		
25	resulting from audit or other adjustments - (deposits) credits		<u>-0-</u>
26	Gross revenues tax payable (line 10 less line 24 plus or minus line 25)		<u>\$ 16,688</u>

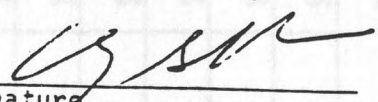
STATEMENT OF CONFORMITY AND ACCURACY

STATE OF NEW JERSEY :
:ss.
COUNTY OF ATLANTIC :

Christopher Gibbons, being duly sworn according
Name

to law upon my oath deposes and says:

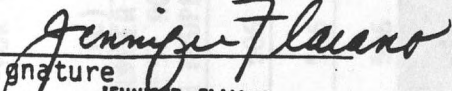
1. I have examined this Gross Revenue Annual Tax Return.
2. All the information contained in this Return has been prepared in conformity with the Casino Control Commission's Gross Revenue Annual Tax Return Instructions and Uniform Chart of Accounts.
3. The information contained in this Return is accurate to the best of my knowledge and belief.


Signature

Vice-President, Finance
Title

20200-02
License Number

Subscribed and sworn to
before me this 14th day
of MARCH, 1986.


Signature

JENNIFER FLAIANO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires OCT. 28, 1993

Basis of Authority
to Take Oaths

On Behalf Of:
Harrah's Marina Hotel Casino
Casino Licensee

TRADING NAME OF LICENSEE Harrah's Marina Hotel Casino

HOTEL STATISTICS

FOR THE 12 MONTHS ENDED December 31, 1985

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
LINE	PERIOD	NUMBER OF GUEST ROOMS IN PROPERTY	NUMBER OF AVAILABLE ROOMS	NUMBER OF OCCUPIED ROOMS	AVERAGE RATE PER OCCUPIED ROOM	OCCUPANCY RATE	NUMBER OF GUESTS ACCOMMODATED	AVERAGE RATE PER GUEST ACCOMMODATED
1	JANUARY	506	15,686	9,108	\$ 83.00	58.1 %	16,519	\$ 45.76
2	FEBRUARY	506	14,168	11,047	\$ 81.51	78.0 %	20,032	\$ 44.95
3	MARCH	506	15,686	13,296	\$ 80.87	84.8 %	25,018	\$ 42.98
4	1ST QUARTER TOTALS		45,540	33,451	\$ 81.66	73.5 %	61,569	\$ 44.37
5	APRIL	506	15,180	11,803	\$ 93.39	77.8 %	21,128	\$ 52.17
6	MAY	506	15,686	12,912	\$ 94.00	82.3 %	22,991	\$ 52.79
7	JUNE	506	15,180	13,290	\$ 104.28	87.5 %	24,000	\$ 57.74
8	2ND QUARTER TOTALS		46,046	38,005	\$ 97.40	82.5 %	68,119	\$ 54.34
9	JULY	506	15,686	14,517	\$ 113.51	92.5 %	27,819	\$ 59.23
10	AUGUST	506	15,686	15,379	\$ 112.74	98.0 %	29,121	\$ 59.54
11	SEPTEMBER	506	15,180	11,967	\$ 99.59	78.8 %	21,745	\$ 54.81
12	3RD QUARTER TOTALS		46,552	41,863	\$ 109.25	89.9 %	78,685	\$ 58.12
13	OCTOBER	506	15,686	13,016	\$ 88.59	83.0 %	23,247	\$ 49.60
14	NOVEMBER	506	15,180	12,546	\$ 88.58	82.6 %	24,837	\$ 44.74
15	DECEMBER	750	18,614	10,806	\$ 85.34	58.1 %	20,347	\$ 45.32
16	4TH QUARTER TOTALS		49,480	36,368	\$ 87.62	73.5 %	68,431	\$ 46.57
17	ANNUAL TOTALS		187,618	149,687	\$ 94.82	79.8 %	276,804	\$ 51.28

ANNUAL REPORT

994-901
C 193

PROPERTY OF
NEW JERSEY STATE LIBRARY
MAY 12 1986
185 W. STATE ST.
TRENTON, N.J.

LICENSEE HARRAH'S ATLANTIC CITY, INC.

ADDRESS 115 38TH STREET

BRIGANTINE, N.J. 08203

FOR THE YEAR ENDED DECEMBER 31, 1985

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL REPORT

JOHN R. SPINA

OFFICIAL TITLE

DIRECTOR OF CENTRAL SYSTEMS

ADDRESS

1725 BRIGANTINE BLVD.

ATLANTIC CITY, NEW JERSEY 08401

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

TRADING NAME OF LICENSEE HARRAH'S ATLANTIC CITY, INC.

LIST OF FORMS - ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1985

DESCRIPTION	ALLOWANCE	ACCOUNTS RECEIVABLE
Patrons' Checks		
Deposited patrons' checks		
Returned patrons' checks		
Total patrons' checks		
TITLE		FORM NO.
Balance Sheets		CCC-305
Statements of Income (Year)		CCC-310
Statements of Income (Three Months)		CCC-315
Statements of Changes in Stockholders' Equity		CCC-320
Statements of Changes in Partners' or Proprietor's Equity		CCC-325
Statements of Changes in Financial Position		CCC-330
Notes to Financial Statements		
Schedule of Receivables and Patrons' Checks		CCC-340
Casino Departmental Schedule		CCC-345
Statement of Conformity and Accuracy		CCC-350
Beginning Balance (January 1)		
Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)		
Checks redeemed prior to deposits (including the unredeemed portion of counter checks redeemed through earlier redemptions, and any other checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)		
Checks collected through deposits		
Checks transferred to returned checks		
Other adjustments		
Ending Balance		
"Hold" Checks Included in Balance On Line 16		
Provision for Uncollectible Patrons' Checks		
Provision As A Percent Of Counter Checks Issued		

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

DECEMBER 31, 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	ACCOUNTS RECEIVABLE BALANCES		
		ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE (e) NET OF ALLOWANCE
1	Patrons' Checks:	\$ -		
	Undeposited patrons' checks	-		
2	Returned patrons' checks	-		
3	Total patrons' checks	-	\$ -	\$ -
4	Hotel Receivables	-	-	-
	Other Receivables:			
5	Receivables due from officers and employees.....	5		
6	Receivables due from affiliates ..Note 12.....	28,220		
7	Other accounts and notes receivables	120		
8	Total other receivables	28,345	-	28,345
9	Totals (Form 305).....	\$ 28,345	\$ -	\$ 28,345

UNDEPOSITED PATRONS' CHECKS ACTIVITY		
LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ -
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	
13	Checks collected through deposits	()
14	Checks transferred to returned checks	()
15	Other adjustments	()
16	Ending Balance	\$
17	"Hold" Checks Included In Balance On Line 16	\$ -
18	Provision For Uncollectible Patrons' Checks	\$ -
19	Provision As A Percent Of Counter Checks Issued	\$ -

TRADING NAME OF LICENSEE HARRAH'S ATLANTIC CITY, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:		
1	Casino	\$	\$
2	Rooms		
3	Food and beverage		
4	Other Note 8.....	15,784	23,024
5	Total revenue	15,784	23,024
6	Less: promotional allowances		
7	Net revenue	15,784	23,024
	Costs And Expenses:		
8	Cost of goods and services		
9	Selling, general, and administrative	16,857	23,024
10	Provision for doubtful accounts		
11	Total	16,857	23,024
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	(1,073)	0
13	Depreciation and amortization	567	
	Charges from affiliates:		
14	Interest		
15	Management fees		
16	Other		
17	Interest expense - external	77	
18	Income (Loss) From Operations	(1,717)	0
19	Nonoperating income (expense) - net Note 9.....	24,107	29,283
20	Investment alternative tax and related income (expense) - net.....		
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	22,390	29,283
22	Provision (Credit) for income taxes Note 10.....	10,103	11,913
23	Income (Loss) Before Extraordinary Items	12,287	17,370
24	Extraordinary items (net of income taxes - 19__, \$; 19__, \$)		
25	Net Income (Loss)	\$ 12,287	\$ 17,370

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

BALANCE SHEETS

DECEMBER 31, 19 85, AND 19 84

Amended 3/28/86
DATE

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(RESTATED)	
		(c) 19 <u>85</u>	(d) 19 <u>84</u>
	ASSETS		
	Current Assets:		
1	Cash	\$ 183	\$ 91
2	Marketable securities		
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 19 <u>85</u> , \$ -0- ; 19 <u>84</u> , \$ -0-)	28,345	1,627
4	Inventories	2,344	1,867
5	Prepaid expenses and other current assets	122	142
6	Total current assets	30,994	3,727
7	Investments, Advances, And Receivables <i>Note 2</i>	121,545	131,722
8	Property And Equipment - Net <i>Note 3</i>	4,694	3,125
9	Other Assets	45	19
10	Total Assets	\$ 157,278	\$ 138,593
	LIABILITIES AND EQUITY		
	Current Liabilities:		
11	Accounts payable	\$ 1,385	\$ 1,138
12	Notes payable		
	Current portion of long-term debt:		
13	Due to affiliates		
14	Other <i>Note 4</i>	168	54
15	Income taxes payable and accrued		
16	Other accrued expenses	1,547	1,357
17	Other current liabilities <i>Note 5</i>	105,683	74,326
18	Total current liabilities	108,783	76,875
	Long-Term Debt:		
19	Due to affiliates		
20	Other <i>Note 4</i>	878	
21	Deferred Credits <i>Note 6</i>	21,487	15,275
22	Other Liabilities		
23	Commitments And Contingencies <i>Note 7</i>		
24	Total Liabilities	131,148	92,150
25	Stockholders', Partners', Or Proprietor's Equity	26,130	46,443
26	Total Liabilities And Equity	\$ 157,278	\$ 138,593

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

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 19 85 and 19 84

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(c) 19 <u>85</u>	(d) 19 <u>84</u>
	Revenue:		
1	Casino	\$ 25,000	\$ 25
2	Rooms		
3	Food and beverage		
4	Other <u>NOTE 8</u>		
5	Total revenue	3,621	4,886
6	Less: promotional allowances	3,621	4,886
7	Net revenue	3,621	4,886
	Costs And Expenses:		
8	Cost of goods and services		
9	Selling, general, and administrative	3,966	4,886
10	Provision for doubtful accounts		
11	Total	3,966	4,886
12	Income (Loss) Before Depreciation And Amortization, Charges From Affiliates, And Interest.....	(345)	0
13	Depreciation and amortization	264	
	Charges from affiliates:		
14	Interest		
15	Management fees		
16	Other		
17	Interest expense - external	24	0
18	Income (Loss) From Operations	633	0
19	Nonoperating income (expense) - net <u>NOTE 9</u>	3,482	2,802
20	Investment alternative tax and related income (expense) - net.....		
21	Income (Loss) Before Income Taxes And Extraordinary Items.....	2,849	2,802
22	Provision (Credit) for income taxes <u>NOTE 10</u>	1,114	1,060
23	Income (Loss) Before Extraordinary Items	1,735	1,742
24	Extraordinary items (net of income taxes - 19 <u> </u> , \$ <u> </u> ; 19 <u> </u> , \$ <u> </u>)		
25	Net Income (Loss)	\$ 1,735	\$ 1,742

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

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	1985		1984	
		SHARES	DOLLARS	SHARES	DOLLARS
	Common Stock:				
1	Beginning balance (January 1) Note 11	25,000	\$ 25	25,000	\$ 25
2	Sale of stock				
3	Ending balance				
4	Ending balance	25,000	25	25,000	25
	Preferred Stock:				
5	Beginning balance (January 1)				
6	Sale of stock				
7	Ending balance				
8	Ending balance				
	Additional Paid-in Capital:				
9	Beginning balance (January 1)		500		500
10	.....			
11	.....			
12	Ending balance		500		500
	Treasury Stock:				
13	Beginning balance (January 1)		()		()
14	Purchase of additional stock		()		()
15	Sale or retirement of stock		()		()
16	Ending balance		()		()
	Subscriptions Receivable For				
	Capital Stock:				
17	Beginning balance (January 1)		()		()
18	.....			
19	.....			
20	Ending balance		()		()
	Net Unrealized Loss On Noncurrent				
	Marketable Equity Securities:				
21	Beginning balance (January 1)		()		()
22	.....			
23	.....			
24	Ending balance		()		()
	Retained Earnings:				
25	Beginning balance (January 1)		45,918		28,548
26	Prior period adjustments				
27	Net income (loss)		12,287		17,370
28	Dividends		(32,600)		()
29	.....			
30	.....			
31	Ending balance		25,605		45,918
32	Ending Stockholders' Equity		\$ 26,130		\$ 46,443

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 19 85 AND 19 84
(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	(RESTATED)	
		(c) 1985	(d) 1984
Sources Of Funds:			
1	Income (loss) before extraordinary items	\$ 12,287	\$ 17,370
Add (deduct) items not affecting working capital:			
2	Depreciation and amortization of property and equipment	567	
3	Amortization of other assets		
4	Deferred income taxes - noncurrent	6,212	5,631
5	(Gain) loss on dispositions of property and equipment		
6	<u>Deduct: Equity Earnings</u>	<u>(24,107)</u>	<u>(29,283)</u>
7	.....	
8	.....	
9	Total	(24,107)	(29,283)
10	Extraordinary items	(24,107)	(29,283)
11	Total funds provided (used) by operations	(5,041)	(6,282)
12	Proceeds from dispositions of property and equipment	597	
13	Proceeds from long-term debt	878	
14	Additions to deferred credits and other liabilities		
15	Proceeds from issuance of stock or capital contributions		
16	<u>Capital Distribution</u>	<u>35,600</u>	
17	.....	
18	.....	
19	.....	
20	Total funds provided	32,034	(6,282)
Uses Of Funds:			
21	Additions to property and equipment	2,733	2,249
22	Investment in casino reinvestment obligations		
23	Other additions to investments, advances, and receivables	1,316	(9,566)
24	Increase in other assets	26	
25	Reductions of long-term debt		75
26	Dividends declared or capital distributions	32,600	
27	.....	
28	.....	
29	.....	
30	.....	
31	Total funds used	36,675	(7,242)
32	Increase (Decrease) In Working Capital	\$ (4,641)	\$ 960
Summary Of Changes In Components Of Working Capital:			
33	Cash	\$ 92	\$ 91
34	Marketable securities		
35	Receivables and patrons' checks	26,718	(3,750)
36	Inventories	477	1,867
37	Prepaid expenses and other current assets	(20)	141
38	Accounts payable	(247)	(1,059)
39	Notes payable		
40	Current portion of long-term debt	(114)	1
41	Income taxes payable and accrued		
42	Other accrued expenses	(190)	(1,319)
43	Other current liabilities	(31,357)	4,988
44	Increase (Decrease) In Working Capital	\$ (4,641)	\$ 960

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

NOT APPLICABLE

TRADING NAME OF LICENSEE HARRAH'S ATLANTIC CITY, INC.

CASINO DEPARTMENTAL SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 19 85

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	AMOUNT (c)	DROP (d)	WIN OR (LOSS) PERCENT (e)	WEIGHTED AVG. NUMBER OF TABLES (f) OR MACHINES
	Revenue:				
1	Blackjack	\$	\$	%	
2	Craps				
3	Roulette				
4	Big Six				
5	Baccarat				
6	Other table games				
7	Total table games revenue		\$ -	%	
			HANDLE		
8	\$.05 slot machines		\$	%	
9	\$.25 slot machines				
10	\$1.00 slot machines				
11	Other slot machines				
12	Total coin-operated devices revenue		\$ -	%	
13	Progressive jackpot adjustment				
14	Total coin-operated devices revenue after adjustment				
15	Other income				
16	Total revenue				
	Expenses:				
17	Payroll and payroll related expenses				
18	Licenses and taxes				
19	Provision for uncollectible patrons' checks				
20	Other				
21	Total				
22	Departmental Income (Loss) Before Complimentary Services And Casino Management Fees				
	Complimentary services and casino management fees:				
23	Complimentary services				
24	Casino management fees				
25	Total				
26	Departmental Income (Loss)	\$	-		

HARRAH'S ATLANTIC CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

On November 23, 1983, Harrah's Atlantic City, a New Jersey Corporation merged with Holiday Marina, Inc. and on November 30, 1983, the name of this corporation was changed to Harrah's Atlantic City, Inc. (H.A.C.), a wholly owned subsidiary of Holiday Inns, Inc.

H.A.C., a service corporation, provides administrative, managerial and other support services to Marina Associates (Marina) and Harrah's Assoc. (Plaza), both of which are New Jersey partnerships and subsidiaries of the company. All expenses incurred by H.A.C. are charged to Marina and Plaza in accordance with their respective partnership agreements. H.A.C. has 48.66% and 50% ownership interests in Marina Associates and Harrah's Associates respectively. The accompanying financial statements include H.A.C.'s interest in the net earnings of Marina and Plaza.

On May 26, 1984, H.A.C. received a casino license from the New Jersey Casino Control Commission. The license expires May 25, 1986.

INVENTORIES

Inventories of provisions and supplies are valued at the lower of cost, weighted average or market.

PROPERTY AND EQUIPMENT

Property and equipment is carried at cost and is depreciated on the straight-line method using rates based on the following estimated useful lives:

BUILDINGS	40 years
FURNITURE, FIXTURES AND EQUIPMENT	6-10 years
AUTOMOBILES	3 years

Expenditures for maintenance and repairs are charged against income; renewals and betterments are capitalized. Assets and related amounts are removed from the accounts upon retirement or other disposition, and any resulting gains or losses are recorded as income.

INCOME TAXES

The accompanying financial statements include a provision for federal income taxes and indirectly include a provision for state income taxes. In accordance with regulations prescribed by the New Jersey Control Act, the provision for state income taxes for Marina Associates and Harrah's Associates is reflected on the books of the individual partnership and is deducted in equity in earnings of partnerships interests.

HARRAH'S ATLANTIC CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2: INVESTMENTS, ADVANCES, AND RECEIVABLES

Investments, advances, and receivables consisted of: (in thousands)

	<u>1985</u>	<u>1984</u>
	(in thousands)	
Investment in Marina Assoc.	\$ 66,144	\$75,009
Investment in Harrah's Assoc.	46,862	49,716
Investment in DJ Trump Parking	5,579	4,262
Investment in Seashore Assoc.	2,960	2,735
	<u>\$121,545</u>	<u>\$131,722</u>

NOTE 3: OTHER LIABILITIES - CURRENT

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of:

	<u>1985</u>	<u>1984</u>
	(in thousands)	
Land	\$ 251	\$ 42
Buildings, Leaseholds & Improvements	3,369	2,242
Furniture, Fixtures & Equipment	2,103	1,394
	<u>5,723</u>	<u>3,678</u>
Less: Accumulated Depreciation	(1,029)	(553)
	<u>\$ 4,694</u>	<u>\$ 3,125</u>

NOTE 4: LONG-TERM DEBT

	<u>1985</u>	<u>1984</u>
	(in thousands)	
a) Long-Term Debt	\$ 1,025	\$ 54
b) Capitalized Lease Obligations	21	0
	<u>\$ 1,046</u>	<u>\$ 54</u>

a) 1985-Mortgage note, dated September 20, 1983, bearing interest at 9% which provides for principal payments as follows:

<u>Year Ending December 31,</u>	(in thousands)
1986	164
1987	179
1988	682
	<u>\$ 1,025</u>

a) 1984-Mortgage note, dated December 30, 1983 with principal and interest payable in 10 monthly installments at an interest rate of 12½% per annum.

b) Harrah's Atlantic City has a lease on warehouse equipment that expires in 1990. Future lease payments due under this lease are as follows:

HARRAH'S ATLANTIC CITY, INC.
 NOTES TO FINANCIAL STATEMENTS

Note 4: LONG-TERM DEBT (continued)

<u>Year ending December 31,</u>		(in thousands)
1986	Various expenses such as payroll, legal, consulting and other operating expenses are charged by the company and charged to Harrah's Marina at Trump Plaza or Charges to Marina and Plaza were:	4
1987		4
1988		5
1989		5
Thereafter		3
		\$ 21

NOTE 5: OTHER LIABILITIES - CURRENT

Other current liabilities consisted of:

	<u>1985</u>	<u>1984</u>
	(in thousands)	
Due to A.I.R. Corp.	\$ 3	\$ 3
Due to H.I.I. Parent	104,738	40,691
Due to (from) Harrah's Club	0	31,910
Due to Hotel Group	591	0
Due to Marina Associates	0	1,352
Due to Harrah's New Jersey, Inc.	339	338
Other Liabilities	12	32
	<u>\$105,683</u>	<u>\$74,326</u>

NOTE 6: DEFERRED CREDITS

Deferred credits consisted of:

	<u>1985</u>	<u>1984</u>
	(in thousands)	
Deferred Federal Income Taxes	<u>\$21,487</u>	<u>\$15,275</u>

NOTE 7: SAVINGS AND RETIREMENT PLAN

An employee savings and retirement plan was established on October 1, 1985. This plan covers all non-union employees who have been employed at least one year with a minimum of one thousand hours. The company will match employee contributions up to 6% of gross pay, subject to stockholder approval. A participating employee is vested in company contributions according to their years of service. The company's contributions for the quarter ended 12/31/85 were \$50,900.

3/28/85

HARRAH'S ATLANTIC CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8: OTHER REVENUE - RELATED PARTY TRANSACTIONS

Various expenses, such as payroll, legal, consulting and other operating expenses are incurred by the company and charged to Harrah's Marina and Trump Plaza at cost. Charges to Marina and Plaza were:

	<u>9 MONTH</u> <u>TOTAL</u>	<u>1985</u>		<u>12 MONTH</u> <u>TOTAL</u>	<u>1984</u> <u>12 MONTH</u> <u>TOTAL</u>
		<u>DIRECT</u>	<u>INDIRECT</u>		
				(in thousands)	
<u>MARINA</u>					
Executive	509	0	149	658	803
Business Development	243	0	0	243	694
Finance	688	134	90	912	1,299
Human Resources	631	0	223	854	1,178
Logistics	2,331	594	145	3,070	4,075
Manag. Info. Systems	590	0	236	826	1,175
Sales & Marketing	15	0	19	34	1,410
Legal & Risk Manag.	188	0	39	227	366
Other	830	0	241	1,071	781
	<u>6,025</u>	<u>728</u>	<u>1,142</u>	<u>7,895</u>	<u>11,781</u>
<u>PLAZA</u>					
Executive	574	0	194	768	456
Business Development	319	0	0	319	565
Finance	510	90	90	690	650
Human Resources	607	0	209	816	596
Logistics	2,505	541	92	3,138	2,539
Manag. Info. Systems	590	0	236	826	632
Sales & Marketing	15	0	19	34	146
Legal & Risk Manag.	188	0	39	227	237
Other	830	0	241	1,071	722
	<u>6,138</u>	<u>631</u>	<u>1,120</u>	<u>7,889</u>	<u>6,543</u>
Total Distributed	<u>\$12,163</u>	<u>\$1,359</u>	<u>\$2,262</u>	<u>\$15,784</u>	<u>\$18,324</u>
Undistributed Expenses	1,084		633	1,717	
Total 1985	<u>\$13,247</u>	<u>\$ 1,359</u>	<u>\$ 2,895</u>	<u>\$17,501</u>	<u>\$18,324</u>
Plaza Pre Opening					4,700
Total 1984					<u>\$23,024</u>

HARRAH'S ATLANTIC CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9: EQUITY INCOME FROM SUBSIDIARIES

Equity income from Marina, Harrah's and Seashore Four Associates consisted of:

12 MONTHS ENDED DECEMBER 31, 1985

(in thousands)

	<u>MARINA</u>	<u>PLAZA</u>	<u>SEASHORE FOUR</u>	<u>COMBINED</u>
Net Income	\$48,768	\$ 865	\$ 448	
Ownership Interest	@48.66%	@50.00%	@50.00%	
	23,730	433	224	
Ownership Differential Amortization	-	(280)	-	
EQUITY INCOME	<u>\$23,730</u>	<u>\$ 153</u>	<u>\$ 224</u>	<u>\$24,107</u>

QUARTER ENDED DECEMBER 31, 1985

(in thousands)

	<u>MARINA</u>	<u>PLAZA</u>	<u>SEASHORE FOUR</u>	<u>COMBINED</u>
Net Income (Loss)	\$ 8,265	\$(1,066)	\$126	
Ownership Interest	@48.66%	@50.00%	@50.00	
	\$4,022	(533)	63	
Ownership Differential Amortization	-	(70)	-	
EQUITY INCOME	<u>\$ 4,022</u>	<u>\$(603)</u>	<u>63</u>	<u>\$ 3,482</u>

The provision for income taxes consisted of the following:

	1985	1984
Federal Income Tax		
Currently Payable	\$4,695	\$ 6,222
Deferred	3,408	5,531
	\$10,103	\$11,753

The provision for Federal income taxes differs from the amount computed at the statutory rate primarily due to the utilization of investment tax credits. Investment tax credits are reflected as a reduction of the related assets are placed into service.

Amended 3/28/86
DATE

HARRAH'S ATLANTIC CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9: EQUITY INCOME FROM SUBSIDIARIES

Equity income from Harrah's Marina, Trump Plaza and Seashore Four Associates at December 31, 1984:

12 MONTHS ENDED DECEMBER 31, 1984

(000's)

	<u>MARINA</u>	<u>PLAZA</u>	<u>SEASHORE FOUR</u>	<u>COMBINED</u>
Net Income (Loss)	\$60,304	\$ (241)	\$ 446	
Ownership Interest	<u>@48.66%</u>	<u>@50.00%</u>	<u>@50.00%</u>	
	29,344	(121)	223	
Ownership Differential Amortization	<u>-</u>	<u>(163)</u>	<u>-</u>	
EQUITY INCOME	<u>\$29,344</u>	<u>\$ (284)</u>	<u>\$ 223</u>	<u>\$29,283</u>

QUARTER ENDED DECEMBER 31, 1984

(000's)

	<u>MARINA</u>	<u>PLAZA</u>	<u>SEASHORE FOUR</u>	<u>COMBINED</u>
Net Income (Loss)	\$11,504	\$(5,712)	\$446	
Ownership Interest	<u>@48.66%</u>	<u>@50.00%</u>	<u>@50.00</u>	
	5,598	(2,856)	223	
Ownership Differential Amortization	<u>-</u>	<u>(163)</u>	<u>-</u>	
EQUITY INCOME	<u>\$ 5,598</u>	<u>\$(3,019)</u>	<u>223</u>	<u>\$ 2,802</u>

NOTE 10: PROVISION FOR INCOME TAXES

The provision for income taxes consisted of the following:

	<u>1985</u>	<u>1984</u>
	(in thousands)	
Federal Income Tax		
Currently Payable	\$4,695	\$ 6,282
Deferred	5,408	5,631
	<u>\$10,103</u>	<u>\$11,913</u>

The provision for Federal income taxes differs from the amount computed at the statutory rate primarily due to the utilization of investment tax credits. Investment tax credits are reflected as a reduction of income tax expense when the related assets are placed into service.

HARRAH'S ATLANTIC CITY, INC.
 NOTES TO FINANCIAL STATEMENTS

STATEMENT OF CONFORMITY AND ACCURACY

NOTE 11: STOCKHOLDERS, PARTNERS OR PROPRIETOR'S

STATE OF New Jersey
 COUNTY OF Atlantic

<u>STOCKHOLDER</u>	<u>NUMBER OF SHARES OF COMMON STOCK</u>
Holiday Inn, Inc. 3742 Lamar Avenue Memphis, Tennessee 38195	25,000 Authorized & Issued \$1 Par Value

NOTE 12: RECEIVABLES DUE FROM AFFILIATES

Receivables due from Affiliates consisted of:

	<u>1985</u>	(in thousands)	<u>1984</u>
Due from H.H.I. New Jersey	\$ 1,639		\$ 623
Due from Harrah's Associates	285		995
Due from Harrah's Tahoe	1		-
Due from Marina Associates	3,204		-
Due from Harrah's Club	23,081		-
Due from Harrah's Services	10		-
	<u>\$ 28,220</u>		<u>\$ 1,618</u>

Subscribed and sworn to
 before me this 14th day
 of March, 1985

[Signature]
 Signature
 HOLLY L. KENDRICK
 NOTARY PUBLIC OF NEW JERSEY
 My Commission Expires 03-31-1988

[Signature]
 Signature
 Harrah's Atlantic City, Inc.
 Executive Vice President

Date of Authority
 to Take Oaths

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE HARRAH'S ATLANTIC CITY, INC.

ADDRESS 115 38TH STREET

BRIGANTINE, N.J. 08203

FOR THE YEAR ENDED DECEMBER 31, 19 85

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY



**NAME OF OFFICER IN CHARGE
OF CORRESPONDENCE REGARDING
THIS ANNUAL EMPLOYMENT
AND PAYROLL REPORT.....**

JOHN R. SPINA

OFFICIAL TITLE.....

DIRECTOR OF CENTRAL SYSTEMS

ADDRESS.....

1725 BRIGANTINE BLVD.

ATLANTIC CITY, NEW JERSEY 08401

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 19 85
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		TOTALS (f)
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	
CASINO					
1	Administration				
2	Gaming				
3	Slots				
4	Casino accounting				
5	Other		\$	\$	\$
6	Total-casino				
7	ROOMS				
8	FOOD AND BEVERAGE				
OTHER OPERATED DEPARTMENTS					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
ADMINISTRATIVE AND GENERAL					
20	Executive office	14	477	194	671
21	Accounting and auditing	83	1,833		1,833
22	Security	0	0		
23	Other administrative and general department ..	237	3,958	141	4,099
24	MARKETING	2	36		36
25	GUEST ENTERTAINMENT	8	280		280
26	PROPERTY OPERATION AND MAINTENANCE				
27	TOTALS - ALL DEPARTMENTS	344	\$ 6,584	\$ 335	\$ 6,919

Trading Name of Licensee HARRAH'S ATLANTIC CITY, INC.

ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE

For the Year Ended December 31, 1985 ..

March 14, 1986
Date


Signature

Director, Central Systems
Title