QUARTERLY REPORT

LICENSEE: ATLANTIC CITY SHOWBOAT, INC

FOR THE QUARTER ENDED DECEMBER 31, 2005

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

BALANCE SHEETS

AS OF DECEMBER 31, 2005 AND 2004

(UNAUDITED)
($ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)	
	ASSETS			
	Current Assets:			
1	Cash and Cash Equivalents	33,081	$ 42,441	
2	Short-Term Investments	-	-	
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2005, $1,062 ; 2004, $1,361)	19,350	3,937	
4	Inventories NOTE 2	1,854	1,441	
5	Prepaid Expenses, Other Current Assets and Deferred Tax Asset NOTE 4	13,040	4,957	
6	Total Current Assets	67,325	52,776	
7	Investments, Advances, and Receivables NOTES 5 & 13	1,528,939	1,444,768	
8	Property and Equipment - Gross	729,268	670,672	
9	Less: Accumulated Depreciation and Amortization	(311,688)	(293,551)	*
10	Property and Equipment - Net NOTE 6	417,580	377,121	
11	Other Assets	1,155	1,455	*
12	Total Assets	$ 2,014,999	$ 1,876,120	
	LIABILITIES AND EQUITY			
	Current Liabilities:			
13	Accounts Payable	15,265	10,432	
14	Notes Payable	-	-	
	Current Portion of Long-Term Debt:			
15	Due to Affiliates	-	-	
16	Other	-	231	
17	Income Taxes Payable and Accrued	-	-	
18	Other Accrued Expenses NOTE 7	72,904	73,828	
19	Other Current Liabilities	910	700	
20	Total Current Liabilities	89,079	85,191	
	Long-Term Debt:			
21	Due to Affiliates NOTE 8	715,000	715,000	
22	Other	-	146	
23	Deferred Credits	28,892	22,112	
24	Other Liabilities NOTE 9	1,101,910	986,212	
25	Commitments and Contingencies NOTE 13			
26	Total Liabilities	1,934,881	1,808,661	
27	Stockholders', Partners', or Proprietor's Equity	80,118	67,459	
28	Total Liabilities and Equity	$ 2,014,999	$ 1,876,120	

* Prior Year Balances have been restated to conform to current year presentation

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

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)
($ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	Revenue:		
1	Casino	$ 409,291	$ 387,037
2	Rooms	41,157	39,139
3	Food and Beverage	53,128	49,144
4	Other	8,875	5,069
5	Total Revenue	512,451	480,389
6	Less: Promotional Allowances	132,076	125,569
7	Net Revenue	380,375	354,820
	Costs and Expenses:		
8	Cost of Goods and Services	203,308	192,773
9	Selling, General, and Administrative	32,126	32,193
10	Provision for Doubtful Accounts	195	(6)
11	Total Costs and Expenses	235,629	224,960
12	Gross Operating Profit	144,746	129,860
13	Depreciation and Amortization	34,119	32,982
	Charges from Affiliates Other than Interest:		
14	Management Fees	-	
15	Other NOTE 3	19,810	17,189
16	Income (Loss) from Operations	90,817	79,689
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates NOTE 8	(57,755)	(57,777)
18	Interest (Expense) - External	-	-
19	Investment Alternative Tax and Related Income (Expense) - Net	(1,292)	(2,215)
20	Nonoperating Income (Expense) - Net NOTE 12	(8,880)	(277)
21	Total Other Income (Expenses)	(67,927)	(60,269)
22	Income (Loss) Before Income Taxes and Extraordinary Items	22,890	19,420
23	Provision (Credit) for Income Taxes	10,231	7,172
24	Income (Loss) Before Extraordinary Items	12,659	12,248
25	Extraordinary Items (Net of Income Taxes - (2005, $ 0 ; 2004, $ 0)	-	-
26	Net Income (Loss)	$ 12,659	$ 12,248

The accompanying notes are an integral part of the financial statements.
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TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)
($ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	Revenue:		
1	Casino	$ 100,798	$ 88,444
2	Rooms	10,174	9,914
3	Food and Beverage	14,641	10,937
4	Other	2,295	879
5	Total Revenue	127,908	110,174
6	Less: Promotional Allowances	35,177	28,964
7	Net Revenue	92,731	81,210
	Costs and Expenses:		
8	Cost of Goods and Services	52,776	43,263
9	Selling, General, and Administrative	8,476	12,320
10	Provision for Doubtful Accounts	88	(44)
11	Total Costs and Expenses	61,340	55,539
12	Gross Operating Profit	31,391	25,671
13	Depreciation and Amortization	8,803	8,482
	Charges from Affiliates Other than Interest:		
14	Management Fees	-	-
15	Other NOTE 3	5,365	4,177
16	Income (Loss) from Operations	17,223	13,012
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates NOTE 8	(14,436)	(14,442)
18	Interest (Expense) - External	-	-
19	Investment Alternative Tax and Related Income (Expense) - Net	291	(558)
20	Nonoperating Income (Expense) - Net NOTE 12	246	(292)
21	Total Other Income (Expenses)	(13,899)	(15,292)
22	Income (Loss) Before Income Taxes and Extraordinary Items	3,324	(2,280)
23	Provision (Credit) for Income Taxes	2,256	(2,429)
24	Income (Loss) Before Extraordinary Items	1,068	149
25	Extraordinary Items (Net of Income Taxes - (2005, $ 0 ; 2004, $ 0)	-	-
26	Net Income (Loss)	$ 1,068	$ 149

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TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELEVE MONTHS ENDED DECEMBER 31, 2004 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)
($ IN THOUSANDS)

Line (a)	Description (b)	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, 2003**	1,500	$ 70,492	-	$ -	$ -	$ -	$ (15,281)	$ 55,211
2	Net Income (Loss) - 2004							12,248	12,248
3	Contribution to Paid-in-Capital								
4	Dividends								
5	Prior Period Adjustments								
6									
7									
8									
9									
10	**Balance, December 31, 2004**	1,500	70,492	-	-	-	-	(3,033)	67,459
11	Net Income (Loss) - 2005							12,659	12,659
12	Contribution to Paid-in -Capital								
13	Dividends								
14	Prior Period Adjustments								
15									
16									
17									
18									
19	**Balance, December 31, 2005**	1,500	$ 70,492	-	$ -	$ -	$ -	$ 9,626	$ 80,118

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

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)
($ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 69,320	$ 56,887
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities	-	-
3	Proceeds from the Sale of Short-Term Investment Securities	-	-
4	Cash Outflows for Property and Equipment	(73,704)	(44,967)
5	Proceeds from Disposition of Property and Equipment	3	13
6	Purchase of Casino Reinvestment Obligations	(4,602)	(4,371)
7	Purchase of Other Investments and Loans/Advances made		
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables		
9	Cash Outflows to Acquire Business Entities		
10			
11			
12	Net Cash Provided (Used) By Investing Activities	(78,303)	(49,325)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt		
14	Payments to Settle Short-Term Debt	(231)	22
15	Cash Proceeds from Issuance of Long-Term Debt		
16	Costs of Issuing Debt		
17	Payments to Settle Long-Term Debt	(146)	(230)
18	Cash Proceeds from Issuing Stock or Capital Contributions		
19	Purchases of Treasury Stock		
20	Payments of Dividends or Capital Withdrawals	-	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities	(377)	(208)
24	Net Increase (Decrease) in Cash and Cash Equivalents	(9,360)	7,354
25	Cash and Cash Equivalents at Beginning of Period	42,441	35,087
26	Cash and Cash Equivalents at End of Period	$ 33,081	$ 42,441

	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized)	$ 57,331	$ 46,126
28	Income Taxes	$ 2,428	$ 800

The accompanying notes are an integral part of the financial statements.
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STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)
($ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss)	$ 12,659	$ 12,248
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment	34,119	32,982
31	Amortization of Other Assets	341	340
32	Amortization of Debt Discount or Premium	-	-
33	Deferred Income Taxes - Current	(7,138)	1,694
34	Deferred Income Taxes - Noncurrent	6,780	2,375
35	(Gain) Loss on Disposition of Property and Equipment	(3)	556
36	(Gain) Loss on Casino Reinvestment Obligations	1,292	2,215
37	(Gain) Loss from Other Investment Activities	-	-
38	Net (Increase) Decrease in Receivables and Patrons' Checks	(14,732)	(75)
39	Net (Increase) Decrease in Inventories	(413)	1
40	Net (Increase) Decrease in Other Current Assets	(945)	281
41	Net (Increase) Decrease in Other Assets	(41)	(307)
42	Net Increase (Decrease) in Accounts Payable	3,594	3,041
43	Net Increase (Decrease) in Other Current Liabilities Excluding Debt	(714)	53,281
44	Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt	115,924	44,502
45	Net (Increase) Decrease in Invest., Advances, and Receivables	(81,403)	(96,247)
46			
47	Net Cash Provided (Used) By Operating Activities	$ 69,320	$ 56,887

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment	$ 73,704	$ 44,967
49	Less: Capital Lease Obligations Incurred		-
50	Cash Outflows for Property and Equipment	$ 73,704	$ 44,967
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired	$	$
52	Goodwill Acquired		
53	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment		
54	Long-Term Debt Assumed		
55	Issuance of Stock or Capital Invested		
56	Cash Outflows to Acquire Business Entities	$	$
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions	$	$
58	Less: Issuances to Settle Long-Term Debt		
59	Consideration in Acquisition of Business Entities		
60	Cash Proceeds from Issuing Stock or Capital Contributions	$	$

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

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

($ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

		Promotional Allowances		Promotional Expenses	
Line (a)	(b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	411,944	34,545	-	-
2	Food	1,896,538	25,352	-	-
3	Beverage	7,946,386	10,928	-	-
4	Travel	-	-	4,101	718
5	Bus Program Cash	861,776	15,803	-	-
6	Other Cash Complimentaries	1,426,675	42,328	-	-
7	Entertainment	95,939	2,301	-	-
8	Retail & Non-Cash Gifts	71,674	555	-	-
9	Parking	-	-	-	-
10	Other	29,996	264	27,630	2,072 *
11	Total	12,740,928	$ 132,076	31,731	$ 2,790

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

		Promotional Allowances		Promotional Expenses	
Line (a)	(b)	Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	102,350	$ 8,493	-	$ -
2	Food	599,627	8,029	-	-
3	Beverage	2,161,500	3,102	-	-
4	Travel	-	-	1,286	225
5	Bus Program Cash	204,190	3,860	-	-
6	Other Cash Complimentaries	359,796	11,094	-	-
7	Entertainment	9,508	228	-	-
8	Retail & Non-Cash Gifts	36,468	327	-	-
9	Parking	-	-	-	-
10	Other	4,914	44	10,613	796
11	Total	3,478,353	35,177	11,899	$ 1,021

*Included in the other Promotional Expenses is the cost of Cigarette and Cigar complimentaries in the amount of $175,000.
*Included in the other Promotional Expenses is the cost of House of Blues complimentaries in the amount of $981,000.
*No other individual complimentary service or item within the "Other" category exceeds 5% of that column's total.

(1) ORGANIZATION AND BASIS OF PRESENTATION

Atlantic City Showboat, Inc. (the "Company"), is a wholly-owned subsidiary of Ocean Showboat, Inc.(OSI), which is a wholly-owned subsidiary of Showboat, Inc. ("SBO"). SBO is a wholly owned subsidiary of Harrah's Operating Company, Inc. ("HOC"), which is a direct wholly owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). OSI was incorporated in 1983 and is a holding company with its principal assets being investments in the Company. The Company conducts casino gaming operations and operates full supportive services of hotel, restaurant, bar and convention facilities at the Showboat Hotel and Casino in Atlantic City, New Jersey ("Atlantic City Showboat"). On June 1, 1998, Harrah's, a Delaware corporation, purchased SBO and its subsidiaries.

The Company is licensed to operate the facility by the New Jersey Control Commission (the "CCC") and is subject to rules and regulations established by the CCC. The Company's license is subject to renewal every four years with the current license expiring April 2008.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allowance for Doubtful Accounts

The Company reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating the allowance for bad debts.

Inventories

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

Land, Buildings and Equipment

Land, buildings, and equipment additions are stated at cost, including capitalized interest on intercompany funds used to finance construction calculated at Harrah's overall weighted-average borrowing rate of interest.

Improvements and repairs that extend the life of the asset are capitalized. Building improvements are depreciated over the remaining life of the building. Maintenance and repairs are expensed as incurred.

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

Land improvements	12 years
Buildings and improvements	30 to 40 years
Furniture, fixtures and equipment	3 to 12 years

Land, Building & Equipment (Cont.)

The Company reviews the carrying value of land, buildings and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors.

Deferred Financing Cost

Costs associated with the issuance of debt have been deferred and are being amortized to interest expense over the life of the related indebtedness using the effective interest method.

Financial Instruments

The carrying amount of cash equivalents, receivables and all current liabilities approximates fair value due to their short-term nature. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. After giving effect to their allowances, the Casino Reinvestment Development Authority (CRDA) bonds and deposits approximately indicate their fair value based upon their below market interest rates. The carrying amount of long-term debt is estimated to approximate its fair value as the stated rates approximate current rates.

Revenue Recognition

Casino revenues consist of net gaming wins. Food and beverage and rooms revenues include the aggregate amounts generated by those departments.

Total Rewards Program Liability

Our customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of our 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, we accrue the expense of Reward Credits, after consideration of estimated breakage, as they are earned. The value of the cost to provide Reward Credits is expensed as the Reward Credits are earned and is included in Casino expense on our 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. We use historical data to assist in the determination of estimated accruals. At December 31, 2005 and 2004, $3,850 and $2,377 million, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions.

In addition to Reward Credits, customers can earn points based on play that are redeemable in cash ("cash-back points"). We accrue the cost of cash-back points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowances on our Consolidated Statements of Income. At December 31, 2005 and 2004, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $1,048 and $1,959 million, respectively.

Promotional Allowances (Cont.)

Gross revenues include the retail value of complimentary food, beverage, theater and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues. Recent accounting pronouncements on promotional allowances have been expanded to include cash rebates. The estimated cost of providing complimentary services and cash rebates to customers for the twelve months ended December 31, 2005 and 2004, respectively, were as follows:

	2005	2004
Food and Beverage	$27,884	$24,388
Rooms	11,730	11,778
Other	1,695	570
Bus Program Cash	15,803	12,678
Other Cash Complimentaries	42,328	46,303
	$99,440	$95,717

Income Taxes

The Company is included in the consolidated federal tax return of Harrah's and files a separate New Jersey tax return. The provision for federal income taxes is computed based on the statutory federal rate as if the Company had filed a separate income tax return. The provision for state taxes is based on the statutory New Jersey tax.

Deferred income taxes reflect the net tax effects of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

(3) RELATED PARTY TRANSACTIONS

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

Certain of the more significant intercompany relationships between the Company and HOC are discussed in this footnote.

Cash Activity with HOC and Affiliates

The Company transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC to the Company are also made based upon the needs to the Company to fund daily operations, Including accounts payable and payroll, as well as capital expenditures. In addition, the Company transfers cash to HOC to reimburse HOC for payroll costs of certain HOC employees who provide services to the Company. No interest is earned on the amount shown as due from affiliates, net, in the accompanying financial statements.

Employee Benefits

The Company maintains a defined contribution savings and retirement plan in which the non-union employees of the Company may participate. The plan, among other things, provides for pre-tax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50 percent of their eligible earnings. The employer matches 50 percent for the first six percent of employees' contributions. Amounts contributed to the plan are invested, at the participant's direction, in up to 14 separate funds, including a Harrah's company stock fund. Participants become vested in the matching contributions over five years of credited service. The Company's contribution expense for the years ended December 31, 2005 and 2004 was approximately $837 and $836, respectively.

HOC also maintains deferred compensation plans, stock option plans and an Executive Supplemental Savings Plan, under which certain employees of the Company may defer a portion of their compensation. The expenses charged by HOC to the Company for its employees' participation in these programs are included in the administrative and other services charge discussed below.

The Company's union employees are covered by union-sponsored, collectively bargained, multi-employer pension plans. Contributions are generally determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of hours worked. Contributions to the plans were $1,287 and $1,128 during the twelve months ended December 31, 2005 and 2004, respectively.

Administrative and Other Services

The Company is charged a fee by HOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Company was charged approximately $8,964 and $6,636 respectively for these services for the twelve months ended December 31, 2005 and 2004. These fees are included in Charges from Affiliates Other than Interest in the statement of income.

Rental Agreement

The Company leases 10½ acres of Boardwalk property in Atlantic City, New Jersey for a term ending in 2082 from an affiliate. Annual rent payments, which are payable monthly are adjusted annually based upon changes in the Consumer Price Index. The Company is responsible for taxes, assessments, insurance and utilities. Rent expense under this lease for the twelve months ended December 31, 2005 and 2004 was $10,846 and $10,553 respectively.

(4) PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 2005 and 2004, Prepaid Expenses and Other Current Assets consisted of the following:

	2005	2004
Prepaid Slot License	$ 1,012	$995
Prepaid Insurance	0	93
Deposits	48	282
Prepaid Advertising	1,225	541
Prepaid Contracts/Utilities	163	143
Prepaid Income Taxes	120	0
Prepaid Rent	911	868
Current Deferred Tax Asset	8,857	1,719
Other	704	316
	$13,040	$4,957

(5) INVESTMENTS, ANDVANCES AND RECEIVABLES

As of December 31, 2005 and 2004, Investments, Advances and Receivables consisted of the following:

	2005	2004
CRDA Deposits (Note 13)	$ 19,996	$ 21,044
CRDA Bonds (Note 13)	21,464	16,608
	41,460	37,652
Less: Valuation Allowance on CRDA Investments	(12,013)	(10,974)
CRDA Investments, Net	29,447	26,678
Due From Affiliates	1,499,492	1,418,090
	$1,528,939	$1,444,768

Due From Affiliates consisted of the following:

	2005	2004
HARRAH'S	$1,499,118	$1,417,713
Harrah's Atlantic City	61	61
Showboat Indiana	14	14
Harrah's Lake Tahoe	19	19
Harrah's Joliet	8	8
Harrah's Ak-Chin	238	238
Harrah's North Kansas City	34	37
	$1,499,492	$1,418,090

(6) LAND, BUILDINGS AND EQUIPMENT

As of December 31, 2005 and 2004, Land, Building and Equipment consisted of the following:

	2005	2004
Land and Land Improvements	$ 23,222	$ 17,018
Building and Improvements	482,418	435,663
Furniture, Fixtures and Equipment	207,682	201,138
Construction in Progress	15,438	16,363
Other property and equipment	508	490
	729,268	670,672
Less-accumulated depreciation and amortization	(311,688)	(293,551)
	$417,580	$377,121

(7) OTHER ACCRUED EXPENSES

As of December 31, 2005 and 2004, Other Accrued Expenses consisted of the following:

	2005	2004
Salaries and Wages	$ 8,092	$ 8,230
Taxes, Other Than Taxes on Income	2,458	2,132
Accrued Advertising and Promotion	1,123	2,586
Accrued Interest	57,388	57,387
Other	3,843	3,493
	$72,904	$73,828

(8) LONG-TERM DEBT

On May 18, 1993, SBO issued $275,000 of 9 ¼% First Mortgage Bonds due 2008 ("9¼% Bonds") and subsequently loaned approximately $215,000 of the proceeds to the Company evidenced by an intercompany note with terms and conditions consistent with those of the 9¼% Bonds. Subsequent to the acquisition of SBO by Harrah's on June 1, 1998, Harrah's completed tender offers and consent solicitations for SBO's 9¼% Bonds. As a result of the receipt of the requisite consents, Harrah's eliminated or modified substantially all of the negative covenants, certain events of default and made other changes to the respective indentures governing the 9¼% Bonds.

On January 15, 1999, the Company entered into a $500,000 intercompany promissory note with HOC. The debt terms are consistent with the provisions of third party credit agreements arranged by HOC. The intercompany note is due on January 15, 2009, and is secured by the assets of the Company. Interest is payable semiannually at a rate of 7½%.

March 12, 2003, both the 9¼% Bonds and the 7½% Promissory Note were assigned by their respective holders to Harrah's Entertainment Limited, formerly known as Gaming Entertainment Limited. The terms and amounts of the debt were not affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments.

Long-Term Debt (Cont.)

Prior to the assignment interest payments were made semiannually. Throughout the remainder of 2003 interest payments were made on a monthly basis. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year.. As of December 31, 2005 and 2004, there was accrued interest of $57,387 and $57,387 respectively.

(9) OTHER LIABILITIES

As of December 31, 2005 and 2004, Other Liabilities consisted of the following:

	2005	2004
Due to Affiliates, Long-Term	$1,101,745	$985,972
Other	165	240
	$1,101,910	$986,212

Due To Affiliates, Long Term consisted of the following:

	2005	2004
HARRAH'S	$702,543	$588,280
SBO	380,566	380,566
Harrah's Las Vegas	6,441	6,441
Harrah's Reno	45	45
Harrah's Tunica	0	16
Harvey's Tahoe	691	691
Harrah's Laughlin	85	95
Horeshoe Tunica	5	0
Rio Las Vegas	105	99
OSI	38	38
Harrah's Atlantic City	10,185	8,833
Bally's Atlantic City	172	0
Caesars Atlantic City	1	0
Showboat Operating Company	68	868
	$1,101,745	$985,972

(10) LEASES

The Company leased a warehouse under a long-term lease agreement that was capitalized as a capital lease. The Company had the option to purchase the warehouse from January 1, 2006 through March 31, 2006 at an option price of approximately $1,928. As of January 31, 2006 the warehouse lease was terminated.

Leases (Cont)

Leases (with initial or remaining terms in excess of one year) as of December 31, 2005:

	Capital Lease	Operating Leases
Year ending December 31,		
2006	0	598
2007	0	15
2008	0	8
2009	0	1
Total minimum lease payments	0	$0
Less amount representing interest	0	
Present value of minimum lease payments	$0	

The Company has operating leases for office space, office equipment, and slot machines, which expire on various dates through 2006. Rental expense included in the accompanying statement of income for the twelve months ended December 31, 2005 and 2004 was approximately $3,139 and $3,913, respectively.

(11) INCOME TAXES (BENEFIT)

For the years ended December 31, 2005 and 2004, Income Tax Expense (Benefit) consisted of the following:

	2005	2004
Federal:		
Current	$7,867	$3,362
Deferred	140	3,636
	8,006	6,998
State :		
Current	2,721	(259)
Deferred	(498)	433
	2,223	174
Total		
Current	10,588	3,103
Deferred	(357)	4,069
	10,231	$7,172

Income Taxes (Benefit) (Cont.)

Temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities that give rise to significant portions of the net deferred tax liability relate to the following:

	2005	2004
Deferred tax assets:		
CRDA Obligation	$(4,846)	$ (5,251)
Accrued Vacations	(1,132)	(1,065)
Allowance Doubtful Accounts	(434)	(556)
Wide Area Progressive Trust	(8,158)	(8,822)
Other	(3,828)	(2,806)
Total Deferred Tax Assets	(18,398)	(18,500)
Deferred Tax Liabilities:		
Depreciation and Amortization	38,433	38,893
Net Deferred Tax Liability	20,035	$ 20,393

(12) NON-OPERATING INCOME (EXPENSE)

For the twelve months ended December 31, 2005 and 2004, Non-Operating Income (Expense) consisted of the following:

	2005	2004
Interest Income	$ 1,284	$ 818
Preopening/Demolition Expense	(6,552)	(525)
Gain/Loss on Asset Sales	3	(556)
Other Non Operating Expense	(3,616)	(14)
	$(8,880)	$(277)

(13) COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.

CRDA Investment Obligation

The New Jersey Casino Control Act provides, among other things, for an assessment of licenses equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA.

CRDA Investment Obligation (Cont.)

Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be used for donations designated by 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.

The Company includes CRDA investment bonds and funds on deposit in deferred charges and other non-current assets in the accompanying balance sheets. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment obligations.

Deposits with the CRDA bear interest at two-thirds of market rates resulting in a current value lower than cost. As more fully disclosed in Note 5, at December 31, 2005 and 2004, Investments, Advances, and Receivables include $29,447 and $26,678 respectively, representing the Company's bond purchases and deposits with the CRDA, net of the valuation allowance. The carrying value of these deposits, net of the valuation allowance, approximates fair value.

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.

2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission'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.A.C. 19:43-4.2(b)1-5 during the quarter.

Signature - Mark Sachais

Vice President of Finance
Title

006908-11
License Number

On Behalf Of:

Atlantic City Showboat, Inc.
Casino Licensee

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

LICENSEE ATLANTIC CITY SHOWBOAT, INC

FOR THE YEAR ENDED DECEMBER 31, 2005

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

TRADING NAME OF LICENSEE _ATLANTIC CITY SHOWBOAT, INC.

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2005

(UNAUDITED)
($ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE NET OF ALLOWANCE (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks	$ 2,361		
2	Returned Patrons' Checks	$ 1,697		
3	Total Patrons' Checks	$ 4,058	$ 914	$ 3,144
4	Hotel Receivables	$ 309	$ 148	$ 161
	Other Receivables:			
5	Receivables Due from Officers and Employees	$ -		
6	Receivables Due from Affiliates	$ 10		
7	Other Accounts and Notes Receivables	$ 16,035		
8	Total Other Receivables	$ 16,045		$ 16,045
9	Totals (Form CCC-205)	$ 20,412	$ 1,062	$ 19,350

UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	$ 1,269
11	Counter Checks Issued (Excluding Counter Checks Issued Through Transactions Relating to Consolidations, Partial Redemptions, Substitutions, and Patrons' Cash Deposits)	$ 61,709
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)	$ (34,773)
13	Checks Collected Through Deposits	$ (23,734)
14	Checks Transferred to Returned Checks	$ (2,110)
15	Other Adjustments	
16	Ending Balance	$ 2,361
17	"Hold" Checks Included in Balance on Line 16	$
18	Provision for Uncollectible Patrons' Checks	$ 195
19	Provision as a Percent of Counter Checks Issued	0.3%

Under penalties of perjury, I declare that I have examined this Schedule of Receivables and Patrons' Checks and to the best of my knowledge and belief, it is true and complete.

Date

Signature - Mark Sachais

Vice President of Finance
Title of Officer

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE ATLANTIC CITY SHOWBOAT, INC

FOR THE YEAR ENDED DECEMBER 31, 2005

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT, INC.

ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2005
($ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF EMPLOYEES AT DECEMBER 31 (c)	SALARIES AND WAGES		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO				
1	Administration	12			
2	Gaming	500			
3	Slots	115			
4	Casino Accounting	163			
5	Simulcasting	4			
6	Other	93			
7	Total - Casino	887	$ 24,328	$ 185	$ 24,513
8	ROOMS	320	9,118	70	9,188
9	FOOD AND BEVERAGE	921	19,300	129	19,429
	OTHER OPERATED DEPARTMENTS				
10	PBX	0	324	-	324
11	PARKING	12	229	-	229
12					
13					
14					
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office	3	257	493	750
21	Accounting and auditing	68	3,034	176	3,210
22	Security	119	4,527	-	4,527
23	Other administrative and general department	30	3,990	81	4,071
24	MARKETING	3	198	81	279
25	GUEST ENTERTAINMENT	174	1,026	-	1,026
26	PROPERTY OPERATION AND MAINTENANCE	211	7,952	-	7,952
27	TOTALS - ALL DEPARTMENTS	2,748	$ 74,283	$ 1,215	$ 75,498

Under the penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

Date

Signature - Mark Sachais

Vice President of Finance
Title of Officer

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2005

Line		
	CASINO WIN:	
1.	Table and Other Games Win	$ 47,793,416
2.	Slot Machines Win	366,586,059
3.	Total Win	414,379,475
4.	Recovery for Uncollectible Patrons' Checks	
5.	Gross Revenue (line 3 plus line 4)	414,379,475
6.	Tax on Gross Revenue - Reporting Year (8% of line 5)	33,150,358
7.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	18,720
8.	Total Taxes on Gross Revenue (the sum of lines 6 and 7)	33,169,078
9.	Total (Deposits) Made for Tax on Reporting Year's Gross Revenue	(33,150,358)
10.	Settlement of Prior Years' Tax on Gross Revenue Resulting from Audit or Other Adjustments - (Deposits) Credits	(18,720)
11.	Gross Revenue Taxes Payable (the net of lines 8, 9 and 10)	$ -

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

3/15/06
Date

Signature - Mark Sachais

Vice President of Finance
Title of Officer

2/05

CCC-381