RADIANT LOGISTICS, INC
Form 8-K
September 10, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) September 10, 2015

RADIANT LOGISTICS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	001-35392	04-3625550
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

405 114th Avenue, S.E., Third Floor, Bellevue, WA 98004

(Address of Principal Executive Offices) (Zip Code)

(425) 943-4599

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
¨Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
¨Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
¨Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

On September 10, 2015 Radiant Logistics, Inc. (the "Company," "we," "us" or "our") released presentation materials (the "Presentation Materials") that management intends to use from time to time in presentations about our operations and performance. We may use the Presentation Materials in presentations to current and potential investors, professionals within the securities industry, lenders, creditors, insurers, vendors, customers, employees and others with an interest in us and our business.

The information contained in the Presentation Materials is summary information that should be considered in the context of our filings with the Securities and Exchange Commission and other public announcements that we may make by press release or otherwise from time to time. The Presentation Materials speak as of the date of this Current Report on Form 8-K (this "Report"). While we may elect to update the Presentation Materials in the future to reflect events and circumstances occurring or existing after the date of this Report, we specifically disclaim any obligation to do so. The Presentation Materials are furnished as Exhibit 99.1 to this Report and are incorporated herein by this reference.

The information referenced under Item 7.01 (including Exhibit 99.1 referenced in Item 9.01 below) of this Report shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or under the Exchange Act, whether made before or after the date hereof, except as expressly set forth by specific reference in such filing to this Report. This Report shall not be deemed an admission as to the materiality of any information in the Report that is required to be disclosed solely by Regulation FD.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

No.	Description
99.1	Presentation Materials

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	Radiant Logistics, Inc.
Date: September 10, 2015	By: /s/ Robert L. Hines, Jr.
	Robert L. Hines, Jr.
	Senior Vice-President, General Counsel and Secretary

ssued or incurred under the Credit Agreement in connection with any letter of credit issued for the account of Harrah s Entertainment or any of its subsidiaries (including with respect to the issuance of, or payments in respect of drawings under, such letters of credit);

(16) Investments consisting of or to finance purchases and acquisitions of inventory, supplies, materials, services or equipment or purchases of contract rights or licenses or leases of intellectual property;

(17) any Investment in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or any related Indebtedness;

(18) any Investment in an entity or purchase of a business or assets in each case owned (or previously owned) by a customer of a Restricted Subsidiary as a condition or in connection with such customer (or any member of such customer s group) contracting with a Restricted Subsidiary, in each case in the ordinary course of business;

(19) any Investment in an entity which is not a Restricted Subsidiary to which a Restricted Subsidiary sells accounts receivable pursuant to a Receivable Financing;

(20) additional Investments in joint ventures not to exceed at any one time in the aggregate outstanding under this clause (20), the greater of $350.0 million and 2.0% of Total Assets; *provided, however*, that if any Investment pursuant to this clause (20) is made in any Person that is not a Restricted Subsidiary of the Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Issuer after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (20) for so long as such Person continues to be a Restricted Subsidiary;

(21) Investments of a Restricted Subsidiary of the Issuer acquired after the Issue Date or of an entity merged into, amalgamated with, or consolidated with the Issuer or a Restricted Subsidiary of the Issuer in a transaction that is not prohibited by the covenant described under Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation; and

(22) any Investment in any Subsidiary of the Issuer or any joint venture in connection with intercompany cash management arrangements or related activities arising in the ordinary course of business.

Permitted Liens means, with respect to any Person:

(1) pledges or deposits by such Person under workmen s compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or U.S. government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law, such as carriers , warehousemen s and mechanics Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review;

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(3) Liens for taxes, assessments or other governmental charges not yet due or payable or subject to penalties for nonpayment or which are being contested in good faith by appropriate proceedings;

(4) Liens in favor of issuers of performance and surety bonds or bid bonds or with respect to other regulatory requirements or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business;

(5) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not Incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(6) (A) Liens on assets of a Restricted Subsidiary that is not a Subsidiary Pledgor securing Indebtedness of such Restricted Subsidiary permitted to be Incurred pursuant to the covenant described under Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock , (B) Liens securing First Priority Lien Obligations in an aggregate principal amount not to exceed the greater of (x) the aggregate principal amount of Indebtedness permitted to be incurred pursuant to clause (a) of the second paragraph of the covenant described under Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock and (y) the maximum principal amount of Indebtedness that, as of the date such Indebtedness was Incurred, and after giving effect to the Incurrence of such Indebtedness and the application of proceeds therefrom on such date, would not cause the Secured Indebtedness Leverage Ratio of the Issuer to exceed 4.50 to 1.00; and (C) Liens securing Indebtedness permitted to be Incurred pursuant to clause (d), (l), (p), (t) or (w) of the second paragraph of the covenant described under Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock (*provided* that (1) in the case of clause (d), such Lien extends only to the assets and/or Capital Stock, the acquisition, lease, construction, repair, replacement or improvement of which is financed thereby and any proceeds or products thereof, (2) in the case of clause (t), such Lien does not extend to the property or assets of any Subsidiary of the Issuer other than a Foreign Subsidiary, and (3) in the case of clause (w) such Lien applies solely to acquired property or asset of the acquired entity, as the case may be);

(7) Liens existing on the Issue Date (other than Liens in favor of the lenders under the Credit Agreement);

(8) Liens on assets, property or shares of stock of a Person at the time such Person becomes a Subsidiary; *provided, however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided, further, however*, that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary of the Issuer;

(9) Liens on assets or property at the time the Issuer or a Restricted Subsidiary of the Issuer acquired the assets or property, including any acquisition by means of a merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiary of the Issuer; *provided, however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such acquisition; *provided, further*, *however*, that the Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary of the Issuer;

(10) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary of the Issuer permitted to be Incurred in accordance with the covenant described under Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock ;

(11) Liens securing Hedging Obligations not incurred in violation of the Indenture; *provided* that with respect to Hedging Obligations relating to Indebtedness, such Lien extends only to the property securing such Indebtedness;

(12) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person s obligations in respect of bankers acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(13) leases and subleases of real property which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;

(14) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(15) Liens in favor of the Issuer or any Subsidiary Pledgor;

(16) Liens on accounts receivable and related assets of the type specified in the definition of Receivables Financing Incurred in connection with a Qualified Receivables Financing;

(17) deposits made in the ordinary course of business to secure liability to insurance carriers;

(18) Liens on the Equity Interests of Unrestricted Subsidiaries;

(19) grants of software and other technology licenses in the ordinary course of business;

(20) Liens to secure any refinancing, refunding, extension, renewal or replacement (or successive refinancings, refundings, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (6), (7), (8), (9), (10), (11) and (15); *provided, however*, that (x) such new Lien shall be limited to all or part of the same property that secured the original Lien (plus improvements on such property), and (y) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (A) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (6), (7), (8), (9), (10), (11) and (15) at the time the original Lien became a Permitted Lien under the Indenture, and (B) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement; *provided* further, however, that in the case of any Liens to secure any refinancing, refunding, extension or renewal of Indebtedness secured by a Lien referred to in clause (6)(B), the principal amount of any Indebtedness Incurred for such refinancing, refunding, extension or renewal shall be deemed secured by a Lien under clause (6)(B) and not this clause (20) for purposes of determining the principal amount of Indebtedness outstanding under clause (6)(B), for purposes of clause (1) under Security for the Notes Release of Collateral and for purposes of the definition of Secured Bank Indebtedness;

(21) Liens on equipment of the Issuer or any Restricted Subsidiary granted in the ordinary course of business to the Issuer s or such Restricted Subsidiary s client at which such equipment is located;

(22)

judgment and attachment Liens not giving rise to an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(23) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(24) Liens incurred to secure cash management services or to implement cash pooling arrangements in the ordinary course of business;

(25) other Liens securing obligations incurred in the ordinary course of business which obligations do not exceed $100.0 million at any one time outstanding;

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(26) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(27) any amounts held by a trustee in the funds and accounts under an indenture securing any revenue bonds issued for the benefit of the Issuer or any Restricted Subsidiary; and

(28) Liens arising by virtue of any statutory or common law provisions relating to banker s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution.

For purposes of this definition, notwithstanding anything in the foregoing clauses (1) through (28), any Lien that secures Retained Notes or Long-Term Retained Notes shall not under any circumstances be deemed Permitted Liens.

Person means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock Issuer, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

*Preferred Stoc*k means any Equity Interest with preferential right of payment of dividends or upon liquidation, dissolution, or winding up.

Pre-Opening Expenses means, with respect to any fiscal period, the amount of expenses (other than interest expense) incurred with respect to capital projects that are classified as pre-opening expenses on the applicable financial statements of the Issuer and its Restricted Subsidiaries for such period, prepared in accordance with GAAP.

Project Financings means (1) any Capitalized Lease Obligations, mortgage financing, purchase money Indebtedness or other Indebtedness incurred in connection with the acquisition, lease, construction, repair, replacement, improvement or financing related to any of the Margaritaville Casino & Resort in Biloxi, Mississippi, the retail facilities related to the Margaritaville Casino & Resort and the planned casino and hotel in the community of Ciudad Real, Spain or any refinancing of any such Indebtedness that does not extend to any assets other than the assets listed above and (2) any Sale/Leaseback Transaction with respect to any of the Margaritaville Casino & Resort in Biloxi, Mississippi, the retail facilities related to the Margaritaville Casino & Resort and the planned casino and hotel in the community of Ciudad Real, Spain.

Qualified IPO means any underwritten public Equity Offering.

Qualified Non-Recourse Debt means Indebtedness that (1) is (a) incurred by a Qualified Non-Recourse Subsidiary to finance (whether prior to or within 270 days after) the acquisition, lease, construction, repair, replacement or improvement of any property (real or personal) or equipment (whether through the direct purchase of property or the Equity Interests of any person owning such property and whether in a single acquisition or a series of related acquisitions) or (b) assumed by a Qualified Non-Recourse Subsidiary, (2) is non-recourse to the Issuer and any Subsidiary Pledgor and (3) is non-recourse to any Restricted Subsidiary that is not a Qualified Non-Recourse Subsidiary.

Qualified Non-Recourse Subsidiary means (1) a Restricted Subsidiary that is not a Subsidiary Pledgor and that is formed or created after the Closing Date in order to finance an acquisition, lease, construction, repair, replacement or improvement of any property or equipment (directly or through one of its Subsidiaries) that secures Qualified Non-Recourse Debt and (2) any Restricted Subsidiary of a Qualified Non-Recourse Subsidiary.

Qualified Receivables Financing means any Receivables Financing of a Receivables Subsidiary that meets the following conditions:

(1) the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other

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provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary;

(2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at Fair Market Value (as determined in good faith by the Issuer); and

(3) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Bank Indebtedness, Indebtedness in respect of the Notes or any Refinancing Indebtedness with respect to the Notes shall not be deemed a Qualified Receivables Financing.

Rating Agency means (1) each of Moody s and S&P and (2) if Moody s or S&P ceases to rate the Notes for reasons outside of the Issuer s control, a nationally recognized statistical rating organization within the meaning of Rule 15cs-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer or any direct or indirect parent of the Issuer as a replacement agency for Moody s or S&P, as the case may be.

Real Estate Facility means the mortgage financing and mezzanine financing arrangements between the Real Estate Subsidiaries, which are direct or indirect subsidiaries of Harrah s Entertainment, and JPMorgan Chase Bank N.A. and its successors and assigns on behalf of the noteholders dated as of January 28, 2008, as amended, restated, supplemented, extended, waived, replaced, restructured, repaid, refunded, refinanced or otherwise modified from time to time.

Real Estate Subsidiary means those Subsidiaries of Harrah s Entertainment that are party to (prior to, on or after the Issue Date) the Real Estate Facility (and their respective Subsidiaries) secured by the Real Property collateralizing such facility on the Issue Date plus any additional Real Property sold, contributed or transferred to such Subsidiaries by the Issuer or any Restricted Subsidiary (whether directly or indirectly through the sale, contribution or transfer of the Capital Stock of a Subsidiary the assets of which are comprised solely of such Real Property) subsequent to the Issue Date in accordance with the terms of the covenant described under Certain Covenants Asset Sales.

Real Property means, collectively, all right, title and interests (including any leasehold, mineral or other estate) in and to any and all parcels of or interests in real property owned, leased or operated by any Person, whether by lease, license or other means, together with, in each case, all easements, hereditaments and appurtenances relating thereto, all buildings, structures, parking areas and improvements and appurtenant fixtures and equipment, all general intangibles and contract rights and other property and rights incidental to the ownership, lease or operation thereof.

Receivables Fees means distributions or payments made directly or by means of discounts with respect to any participation interests issued or sold in connection with, and all other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

Receivables Financing means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries); and (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

Receivables Repurchase Obligation means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

Receivables Subsidiary means a Wholly Owned Restricted Subsidiary of the Issuer (or another Person formed for the purposes of engaging in Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Subsidiary of the Issuer (excluding guarantees of obligations (other than the principal of and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Issuer or any other Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Issuer or any other Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(b) with which neither the Issuer nor any other Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(c) to which neither the Issuer nor any other Subsidiary of the Issuer has any obligation to maintain or preserve such entity s financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer s Certificate certifying that such designation complied with the foregoing conditions.

Representative means the trustee, agent or representative (if any) for an issue of Indebtedness; *provided* that if, and for so long as, such Indebtedness lacks such a Representative, then the Representative for such Indebtedness shall at all times constitute the holder or holders of a majority in outstanding principal amount of obligations under such Indebtedness.

Restricted Cash means cash and Cash Equivalents held by Restricted Subsidiaries that is contractually restricted from being distributed to the Issuer, except for (i) such cash and Cash Equivalents subject only to such restrictions that are contained in agreements governing Indebtedness permitted under the Indenture and that is secured by such cash or Cash Equivalents and (ii) cash and Cash Equivalents constituting cage cash.

Restricted Investment means an Investment other than a Permitted Investment.

Restricted Subsidiary means, with respect to any Person, any Subsidiary of such Person other than an Unrestricted Subsidiary of such Person. Unless otherwise indicated in this Description of 2018(2) Second Lien Notes, all references to Restricted Subsidiaries shall mean Restricted Subsidiaries of the Issuer.

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Retained Notes means the Issuer s 5.500% Senior Notes due 2010, 8.00% Senior Notes due 2011, 5.375% Senior Notes due 2013, 7.875% Senior Subordinated Notes due 2010 and 8.125% Senior Subordinated Notes due 2011, in each case to the extent outstanding after completion of the Transactions.

Sale/Leaseback Transaction means an arrangement relating to property now owned or hereafter acquired by the Issuer or a Restricted Subsidiary whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or such Restricted Subsidiary leases it from such Person, other than leases between the Issuer and a Restricted Subsidiary of the Issuer or between Restricted Subsidiaries of the Issuer.

S&P means Standard & Poor s Ratings Group or any successor to the rating agency business thereof.

SEC means the Securities and Exchange Commission.

Second Lien Notes means the 2015 Notes, the 2018 Notes and the 10.00% Second-Priority Senior Secured Notes due 2018 issued on April 15, 2009.

Secured Bank Indebtedness means any Bank Indebtedness that is secured by a Permitted Lien incurred or deemed incurred pursuant to clause (6)(B) of the definition of Permitted Lien.

Secured Indebtedness means any Indebtedness secured by a Lien.

Secured Indebtedness Leverage Ratio means, with respect to any Person, at any date the ratio of (i) Secured Indebtedness constituting First-Priority Lien Obligations of such Person and its Restricted Subsidiaries as of such date of calculation (determined on a consolidated basis in accordance with GAAP) *less* the amount of cash and Cash Equivalents in excess of any Restricted Cash held by such Person and its Restricted Subsidiaries as of such date of determination to (ii) EBITDA of such Person for the four full fiscal quarters for which internal financial statements are available immediately preceding such date on which such additional Indebtedness is Incurred. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, repays, repurchases or redeems any Indebtedness subsequent to the commencement of the period for which the Secured Indebtedness Leverage Ratio is being calculated but prior to the event for which the calculation of the Secured Indebtedness Leverage Ratio is made (the *Secured Leverage Calculation Date*), then the Secured Indebtedness Leverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, repayment, repurchase or redemption of Indebtedness as if the same had occurred at the beginning of the applicable four-quarter period; *provided* that the Issuer may elect pursuant to an Officer s Certificate delivered to the Trustee to treat all or any portion of the commitment under any Indebtedness as being Incurred at such time, in which case any subsequent Incurrence of Indebtedness under such commitment shall not be deemed, for purposes of this calculation, to be an Incurrence at such subsequent time.

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations (including the Acquisition Transactions) and discontinued operations (as determined in accordance with GAAP), in each case with respect to an operating unit of a business, and any operational changes that the Issuer or any of its Restricted Subsidiaries has determined to make and/or made during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Secured Leverage Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations (including the Acquisition Transactions), discontinued operations and other operational changes (and the change of any associated Indebtedness and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation, amalgamation, discontinued operation or operational change, in each case with respect to an operating unit of a business, that would have required adjustment pursuant to this definition, then the Secured Indebtedness Leverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, discontinued operation, merger, amalgamation, consolidation or operational change had occurred at the beginning of the applicable four-quarter period. For purposes of making the computation referred to above, with respect to each New Project that commences operations and records not less than one full fiscal quarter s operations during the four-quarter reference period, the operating results of such New Project will be annualized on a straight line basis during such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer. Any such *pro forma* calculation may include adjustments appropriate, in the reasonable good faith determination of the Issuer as set forth in an Officer s Certificate, to reflect (1) operating expense reductions and other operating improvements or synergies reasonably expected to result from the applicable event (including, to the extent applicable, from the Acquisition Transactions) and (2) all adjustments of the nature used in connection with the calculation of Adjusted EBITDA as set forth in Debt Covenant Compliance in Exhibit 99.1 to the Quarterly Report on Form 10-Q for the nine months ended September 30, 2008 for Harrah s Entertainment to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period.

For purposes of this definition, any amount in a currency other than U.S. dollars will be converted to U.S. dollars based on the average exchange rate for such currency for the most recent twelve month period immediately prior to the date of determination in a manner consistent with that used in calculating EBITDA for the applicable period.

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

Security Documents means the security agreements, pledge agreements, collateral assignments, mortgages and related agreements, as amended, supplemented, restated, renewed, refunded, replaced, restructured, repaid, refinanced or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

Senior Interim Loan Facility means the interim loan agreement, dated as of January 28, 2008 by and among the Issuer, as borrower, and the guarantors, the lenders party thereto in their capacities as lenders thereunder and Citibank N.A., as administrative agent, including any guarantees, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications or restatements thereof.

Significant Subsidiary means any Restricted Subsidiary that would be a Significant Subsidiary of the Issuer within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC (or any successor provision).

Similar Business means a business, the majority of whose revenues are derived from the activities of the Issuer and its Subsidiaries as of the Issue Date or any business or activity that is reasonably similar or complementary thereto or a reasonable extension, development or expansion thereof or ancillary thereto.

Sponsors means (i) Apollo Management, L.P. and any of its respective Affiliates other than any portfolio companies (collectively, the *Apollo Sponsors*), (ii) Texas Pacific Group and any of its respective Affiliates other than any portfolio companies (collectively, the *Texas Pacific Sponsors*), (iii) any individual who is a partner or employee of an Apollo Sponsor or a Texas Pacific Sponsor that is licensed by a relevant gaming authority on the Issue Date or thereafter replaces such licensee and (iv) any Person that forms a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision) with any Apollo Sponsors and/or Texas Pacific Sponsors; *provided* that the Apollo Sponsors and/or the Texas Pacific Sponsors (x) owns a majority of the voting power and (y) controls a majority of the Board of Directors of the Issuer.

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Standard Securitization Undertakings means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing including, without limitation, those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

Stated Maturity means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

Subordinated Indebtedness means (a) with respect to the Issuer, any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the Notes, and (b) with respect to any Subsidiary Pledgor, any Indebtedness of such Subsidiary Pledgor which is by its terms subordinated in right of payment to obligations in respect of the Notes.

Subsidiary means, with respect to any Person, (1) any corporation, association or other business entity (other than a partnership, joint venture or limited liability company) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, and (2) any partnership, joint venture or limited liability company of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (y) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

Subsidiary Pledgor means any Subsidiary of the Issuer that pledges its property and assets to secure the Notes, as provided in the Security Documents; *provided* that upon the release or discharge of such Subsidiary from its obligations to pledge its assets and property to secure the Notes in accordance with the Indenture or the Security Documents, such Subsidiary ceases to be a Subsidiary Pledgor.

Tax Distributions means any distributions described in clause (12) of the covenant entitled Certain Covenants Limitation on Restricted Payments.

TIA means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date of the Indenture.

Total Assets means the total consolidated assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer, without giving effect to any amortization of the amount of intangible assets since February 1, 2008.

Total Secured Leverage Ratio means, with respect to any Person, at any date the ratio of (i) Secured Indebtedness (other than Qualified Non-Recourse Debt and Indebtedness secured by Liens that are junior in priority to the Liens securing the Notes) of such Person and its Restricted Subsidiaries as of such date of calculation (determined on a consolidated basis in accordance with GAAP) *less* the amount of cash and Cash Equivalents in excess of any Restricted Cash held by such Person and its Restricted Subsidiaries as of such date of determination to (ii) EBITDA of such Person for the four full fiscal quarters for which internal financial statements are available immediately preceding such date on which such additional Indebtedness is Incurred. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, repays, repurchases or redeems any

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Indebtedness subsequent to the commencement of the period for which the Total Secured Leverage Ratio is being calculated but prior to the event for which the calculation of the Total Secured Leverage Ratio is made (the *Total Secured Leverage Calculation Date*), then the Total Secured Leverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, repayment, repurchase or redemption of Indebtedness as if the same had occurred at the beginning of the applicable four-quarter period; *provided* that the Issuer may elect pursuant to an Officer s Certificate delivered to the Trustee to treat all or any portion of the commitment under any Indebtedness as being Incurred at such time, in which case any subsequent Incurrence of Indebtedness under such commitment shall not be deemed, for purposes of this calculation, to be an Incurrence at such subsequent time.

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations (including the Acquisition Transactions) and discontinued operations (as determined in accordance with GAAP), in each case with respect to an operating unit of a business, and any operational changes that the Issuer or any of its Restricted Subsidiaries has determined to make and/or made during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Total Secured Leverage Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations (including the Acquisition Transactions), discontinued operations and other operational changes (and the change of any associated Indebtedness and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation, amalgamation, discontinued operation or operational change, in each case with respect to an operating unit of a business, that would have required adjustment pursuant to this definition, then the Total Secured Leverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, discontinued operation, merger, amalgamation, consolidation or operational change had occurred at the beginning of the applicable four-quarter period. For purposes of making the computation referred to above, with respect to each New Project that commences operations and records not less than one full fiscal quarter s operations during the four-quarter reference period, the operating results of such New Project will be annualized on a straight line basis during such period.

For purposes of this definition, whenever *pro forma* effect is to be given to any event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer. Any such *pro forma* calculation may include adjustments appropriate, in the reasonable good faith determination of the Issuer as set forth in an Officer s Certificate, to reflect (1) operating expense reductions and other operating improvements or synergies reasonably expected to result from the applicable event (including, to the extent applicable, from the Acquisition Transactions) and (2) all adjustments of the nature used in connection with the calculation of Adjusted EBITDA as set forth in Debt Covenant Compliance in Exhibit 99.1 to the Quarterly Report on Form 10-Q for the nine months ended September 30, 2008 for Harrah s Entertainment to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period.

For purposes of this definition, any amount in a currency other than U.S. dollars will be converted to U.S. dollars based on the average exchange rate for such currency for the most recent twelve month period immediately prior to the date of determination in a manner consistent with that used in calculating EBITDA for the applicable period.

Transactions means the transactions described under The Acquisition Transactions.

Treasury Rate means, as of the applicable redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two business days prior to such redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to December 15, 2013;

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provided, however, that if the period from such redemption date to December 15, 2013 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Trust Officer means:

(1) any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person s knowledge of and familiarity with the particular subject, and

(2) who shall have direct responsibility for the administration of the Indenture.

Trustee means the party named as such in the Indenture until a successor replaces it and, thereafter, means the successor.

Unrestricted Subsidiary means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of such Person in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary;

The Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary of the Issuer) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on any property of, the Issuer or any other Subsidiary of the Issuer that is not a Subsidiary of the Subsidiary to be so designated; *provided, however*, that the Subsidiary to be so designated and its Subsidiaries do not at the time of designation have and do not thereafter Incur any Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any of its Restricted Subsidiaries*; provided, further, however*, that either:

(a) the Subsidiary to be so designated has total consolidated assets of $1,000 or less; or

(b) if such Subsidiary has consolidated assets greater than $1,000, then such designation would be permitted under the covenant described under Certain Covenants Limitation on Restricted Payments.

The Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that immediately after giving effect to such designation:

(x) (1) the Issuer could Incur $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test described under Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock, or (2) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would be greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such designation, in each case on a *pro forma* basis taking into account such designation, and

(y) no Event of Default shall have occurred and be continuing.

Any such designation by Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors or any committee thereof of the Issuer giving effect to such designation and an Officer s Certificate certifying that such designation complied with the foregoing provisions.

U.S. Government Obligations means securities that are:

(1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged, or

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(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in each case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such U.S. Government Obligations or a specific payment of principal of or interest on any such U.S. Government Obligations held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligations or the specific payment of principal of or interest on the U.S. Government Obligations evidenced by such depository receipt.

Voting Stock of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

Vessel means (a) any vessel, boat, ship, catamaran, riverboat, or barge of any kind or nature whatsoever, whether or not temporarily or permanently moored or affixed to any real property, (b) any improvement to real property which is used or susceptible of use as a dockside, riverboat or water-based venue for business operations, (c) any property which is a vessel within the meaning given to that term in 1 U.S.C. § 3, and (d) any property which would be a vessel within the meaning of that term as defined in 1 U.S.C. § 3 but for its removal from navigation for use in gaming or other business operations and/or any modifications made thereto to facilitate dockside gaming or other business operations which may affect its seaworthiness, and, in each case, all appurtenances thereof.

Weighted Average Life to Maturity means, when applied to any Indebtedness or Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing (1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment, by (2) the sum of all such payments.

Wholly Owned Restricted Subsidiary is any Wholly Owned Subsidiary that is a Restricted Subsidiary.

Wholly Owned Subsidiary of any Person means a Subsidiary of such Person 100% of the outstanding Capital Stock or other ownership interests of which (other than directors qualifying shares or shares required to be held by Foreign Subsidiaries) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

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DESCRIPTION OF 2015 SENIOR NOTES

General

The 5.625% senior notes due 2015 (the *Notes*) were issued by Harrah s Operating (*Harrah s Operating* or the *Issuer*) and are governed by an indenture among Harrah s Operating, Harrah s Entertainment and U.S. Bank National Association, as trustee, as supplemented by the first supplemental indenture dated as of August 19, 2005 among Harrah s Operating, Harrah s Entertainment and the trustee and as further supplemented by the second supplemental indenture dated as of September 28, 2005 among Harrah s Operating, Harrah s Entertainment and the trustee. References to the indenture in this Description of 2015 Senior Notes mean the indenture as supplemented by the first and second supplemental indentures, unless the context otherwise requires. The Notes were issued on May 27, 2005 and September 28, 2005 and form a single series for all purposes under the indenture, including waivers, amendments, redemption and acceleration. The following summary highlights certain material terms of the Notes. We urge you to read the indenture because it, and not this description, defines your rights as holders of the Notes.

The Notes:

- are senior unsecured Obligations of Harrah s Operating;
- are equal in right of payment to any existing and future senior unsecured Indebtedness of Harrah s Operating; and
- are guaranteed by Harrah s Entertainment.

The guarantees by Harrah s Entertainment are:

- senior unsecured Obligations of Harrah s Entertainment; and
- equal in right of payment to any other existing and future senior unsecured Indebtedness of Harrah s Entertainment.

Principal, Maturity and Interest

The Notes were issued in fully registered book-entry form only, without coupons in denominations of $2,000 and any integral multiple of $1,000. The Notes will mature on June 1, 2015, referred to as the Maturity Date. Each Note bears interest at the rate of 5.625% from May 27, 2005, or from the most recent interest payment date to which interest has been paid or provided for, payable semiannually on June 1 and December 1 of each year (each, an Interest Payment Date), commencing December 1, 2005, to the persons in whose names such Notes are registered at the close of business on the date fifteen calendar days prior to such Interest Payment Date.

If any Interest Payment Date, date of redemption (the Redemption Date) or Maturity Date of any of the Notes is not a business day, then payment of principal, premium, if any, and interest will be made on the next succeeding business day. No interest will accrue on the amount so payable for the period from such Interest Payment Date, Redemption Date or Maturity Date, as the case may be, to the date payment is made. Interest on the Notes will be computed on the basis of a 360-day year, consisting of twelve 30-day months.

The Notes are not entitled to the benefit of any sinking fund.

Optional Redemption

The Notes are redeemable, in whole or in part, at any time, at our option, at a redemption price equal to the greater of:

100% of the principal amount of Notes to be redeemed, and

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the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal on such Notes discounted to the Redemption Date, on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the applicable Treasury Rate (as defined below) plus 30 basis points.

Accrued and unpaid interest will be paid to the Redemption Date.

Treasury Rate means, with respect to any Redemption Date for the Notes, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding the Redemption Date of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date. The Treasury Rate shall be calculated on the third business day preceding the Redemption Date.

Comparable Treasury Issue means the United States Treasury security selected by the Reference Treasury Dealer (as defined below) as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

Comparable Treasury Price means with respect to any Redemption Date the Reference Treasury Dealer Quotations for that Redemption Date.

Reference Treasury Dealer means Citigroup Global Markets Inc. and its successor; *provided* that, if Citigroup Global Markets Inc. ceases to be a primary U.S. Government securities dealer, the Issuer will substitute another nationally recognized investment banking firm that is a primary U.S. Government securities dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by the Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such Redemption Date.

Remaining Scheduled Payments means the remaining scheduled payments of principal of and interest on the Notes that would be due after the related Redemption Date but for that redemption. If that Redemption Date is not an Interest Payment Date with respect to the Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to such Redemption Date.

The Issuer will mail a notice of redemption at least 30 days but not more than 60 days before the Redemption Date to each holder of Notes to be redeemed. If the Issuer elects to partially redeem the Notes, the trustee will select in a fair and appropriate manner the Notes to be redeemed.

Unless the Issuer defaults in payment of the redemption price, on and after the Redemption Date, interest will cease to accrue on the Notes or portions thereof called for redemption.

Merger, Consolidation or Sale of Assets

Harrah s Operating may not consolidate with or merge with or into any other corporation, person or entity or, directly or indirectly, sell, lease or convey all or substantially all of its assets to another corporation, person or entity, and may not permit any corporation, person or entity to, directly or indirectly, sell, lease or convey all or substantially all of its assets to Harrah s Operating, whether in a single transaction or a series of related transactions, unless:

either the successor or transferee is a corporation organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes, by supplemental indenture, Harrah s Operating s obligations on the Notes and the indenture, or Harrah s Operating is the surviving person;

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immediately after giving effect to the transaction, no Event of Default, and no event or condition which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

Harrah s Operating has delivered to the trustee an officers certificate and an opinion of counsel stating that the consolidation, merger, sale, conveyance or lease and the supplemental indenture comply with the indenture.

Harrah s Entertainment may not consolidate with or merge with or into any other corporation, person or entity or, directly or indirectly, sell, lease or convey all or substantially all of its assets (computed on a consolidated basis) to another corporation, person or entity, and may not permit any corporation, person or entity to, directly or indirectly, sell, lease or convey all or substantially all of its assets to Harrah s Entertainment, whether in a single transaction or a series of related transactions, unless:

either the successor or transferee is a corporation organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes, by a supplemental indenture, Harrah s Entertainment s obligations under the guarantee and the indenture, or Harrah s Entertainment is the surviving person;

immediately after giving effect to the transaction, no Event of Default, and no event or condition which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

Harrah s Entertainment has delivered to the trustee an officers certificate and an opinion of counsel stating that the consolidation, merger, sale, conveyance or lease and the supplemental indenture comply with the indenture.

Events of Default

Event of Default means, with respect to the Notes, any of the following events:

failure to pay principal of any Notes when due and payable at maturity, upon redemption or otherwise;

failure to pay any interest on any Notes when due and payable, and such default continues for 30 days;

default in the performance or breach of any covenant or warranty of Harrah s Operating or Harrah s Entertainment in the indenture, which default continues uncured for a period of 60 days after Harrah s Operating or Harrah s Entertainment receives written notice from the trustee or Harrah s Operating, Harrah s Entertainment and the trustee receive written notice from the holders of at least 25% in principal amount of the outstanding Notes as provided in the indenture;

certain events of bankruptcy, insolvency or reorganization; and

the acceleration of the maturity of any Indebtedness of Harrah s Operating (other than Non-recourse Indebtedness), at any one time, in an amount in excess of the greater of (1) $25 million and (2) 5% of the Consolidated Net Tangible Assets, if such acceleration is not annulled within 30 days after Harrah s Operating receives written notice from the trustee and the holders of at least 25% in principal amount of the outstanding Notes.

Non-recourse Indebtedness means indebtedness with terms providing that the lender s claim for repayment of that indebtedness is limited solely to a claim against the property which secures the indebtedness.

Consolidated Net Tangible Assets means the total amount of assets (including investments in Joint Ventures) of Harrah s Operating and its subsidiaries (less applicable depreciation, amortization and other valuation reserves) after deduction therefrom of:

all current liabilities of Harrah s Operating s and its subsidiaries excluding (1) the current portion of long-term indebtedness, (2) intercompany liabilities and (3) any liabilities which are by their terms

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renewable or extendable at the option of the obligor thereon to a time more than twelve months from the time as of which the amount thereof is being computed; and

all goodwill, trade names, trademarks, patents, unamortized debt discount and any other like intangibles, all as set forth on the consolidated balance sheet of Harrah s Operating for the most recently completed fiscal quarter for which financial statements are available and computed in accordance with generally accepted accounting principles.

If an Event of Default with respect to Notes (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization) occurs and is continuing, either the trustee or the holders of at least 25% in principal amount of the outstanding Notes may, by a notice as provided in the indenture, declare the unpaid principal amount of, and any accrued and unpaid interest on, all Notes to be due and payable immediately. However, at any time after a declaration of acceleration with respect to Notes has been made, but before the trustee obtains a judgment or decree based on that acceleration, the holders of a majority in aggregate principal amount of the then outstanding Notes may, under certain circumstances, rescind and annul that acceleration and its consequences. For information regarding waiver of defaults, see Amendment and Waiver below.

The indenture provides that, subject to the trustee s duty to act with the required standard of care during an Event of Default, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any of the holders, unless such holders offer the trustee reasonable security or indemnity. Subject to certain provisions of the indenture, including those entitling the trustee to receive security and indemnification, the holders of a majority in principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the Notes.

The indenture requires that the Issuer furnish annually to the trustee a statement as to its performance of its obligations under the indenture. In addition, the Issuer is required to notify the trustee any time it becomes aware of a default or Event of Default.

Amendment and Waiver

The Issuer generally may amend the indenture or the Notes with the written consent of the holders of at least a majority in principal amount of the outstanding Notes affected by the amendment. The holders of a majority in principal amount of the outstanding Notes may also waive our compliance in a particular instance with any provision of the indenture with respect to the Notes. The Issuer must obtain the consent of each holder of Notes affected by a particular amendment or waiver, however, if such amendment or waiver:

reduces the amount of Notes whose holders must consent to an amendment, supplement or waiver;

reduces the rate of or extends the time for payment of interest, including default interest, on the Notes;

reduces the principal of, or changes the fixed maturity of, any Notes or reduces the amount of, or postpones the date fixed for, redemption or analogous obligation with respect to any Notes;

reduces the principal amount of discount Notes payable upon acceleration of maturity;

makes the principal of or interest on the Notes payable in currency other than that stated in the Notes;

makes any change to provisions of the indenture concerning waivers of defaults or Events of Default by holders or the rights of holders of Notes to recover the principal of or interest on those Notes; or waives a default in the payment of the principal of or interest on any Notes, except as otherwise provided in the indenture.

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The Issuer may amend the indenture or the Notes without the consent of any holder of a debt security:

- to cure any ambiguity, defect or inconsistency;
- to comply with the indenture s provisions with respect to successor corporations;
- to comply with any requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, as amended;
- to make any change that does not adversely affect the rights of any holder of Notes; or
- to issue additional Notes as permitted by the indenture.

The holders of a majority in principal amount of the outstanding Notes, by notice to the trustee, may waive any existing default or Event of Default and its consequences with respect to the Notes other than a default or Event of Default in the payment of the principal of or any interest on any Notes; *provided, however*, that the holders of a majority in principal amount of the outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from the acceleration.

Additional Covenants of Harrah s Operating

Limitation on Liens. Neither Harrah s Operating nor any of its Subsidiaries may issue, assume or guarantee any Indebtedness secured by a Lien upon any Consolidated Property or on any Indebtedness or shares of capital stock of, or other ownership interests in, any Subsidiaries (regardless of whether the Consolidated Property, Indebtedness, capital stock or ownership interests were acquired before or after the date of the Indenture) without effectively providing that the Notes shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured, except that this restriction does not apply to:

- Liens existing on the date of original issuance of the Notes;
- Liens affecting property of a corporation or other entity existing at the time it becomes a Subsidiary of Harrah s Operating or at the time it is merged into or consolidated with Harrah s Operating or a Subsidiary of Harrah s Operating;
- Liens on property existing at the time of acquisition thereof or to secure Indebtedness incurred prior to, at the time of, or within 24 months after the acquisition for the purpose of financing all or part of the purchase price thereof;
- Liens on any property to secure all or part of the cost of improvements or construction thereon or Indebtedness incurred to provide funds for such purpose in a principal amount not exceeding the cost of such improvements or construction;
- Liens which secure Indebtedness owing by a Subsidiary of Harrah s Operating to Harrah s Operating or to a Subsidiary of Harrah s Operating;

Liens securing Indebtedness of Harrah s Operating the proceeds of which are used substantially simultaneously with the incurrence of such Indebtedness to retire Funded Debt;

purchase money security Liens on personal property;

Liens securing Indebtedness of Harrah s Operating or any of its Subsidiaries the proceeds of which are used within 24 months of the incurrence of such Indebtedness for the cost of the construction and development or improvement of property of Harrah s Operating or any of its Subsidiaries;

Liens on the stock, partnership or other equity interest of Harrah s Operating or any of its Subsidiaries in any Joint Venture or any such Subsidiary which owns an equity interest in such Joint Venture to secure Indebtedness, provided the amount of such Indebtedness is contributed and/or advanced solely to such Joint Venture;

Liens to government entities, including pollution control or industrial revenue bond financing;

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Liens required by any contract or statute in order to permit Harrah s Operating or a Subsidiary of Harrah s Operating to perform any contract or subcontract made by it with or at the request of a governmental entity;

mechanic s, materialman s, carrier s or other like Liens, arising in the ordinary course of business;

Liens for taxes or assessments and similar charges;

zoning restrictions, easements, licenses, covenants, reservations, restrictions on the use of real property and certain other minor irregularities of title; and

any extension, renewal, replacement or refinancing of any Indebtedness secured by a Lien permitted by any of the foregoing clauses.

Notwithstanding the foregoing, Harrah s Operating and any one or more of its Subsidiaries may, without securing the Notes, issue, assume or guarantee Indebtedness which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with all other such Indebtedness of Harrah s Operating and its Subsidiaries which would otherwise be subject to the foregoing restrictions (not including Indebtedness permitted by the preceding paragraph) and the aggregate Value of Sale and Lease-Back Transactions (other than those in connection with which Harrah s Operating has voluntarily retired Funded Debt), does not at any one time exceed 15% of Consolidated Net Tangible Assets of Harrah s Operating and its consolidated Subsidiaries.

Limitation on Sale and Lease-Back Transactions. Neither Harrah s Operating nor any of its Subsidiaries will enter into any Sale and Lease-Back Transaction unless either:

Harrah s Operating or such Subsidiary would be entitled, pursuant to the above provisions, to incur Indebtedness in a principal amount equal to or exceeding the Value of such Sale and Lease-Back Transaction, secured by a Lien on the property to be leased, without equally and ratably securing the Notes, or

Harrah s Operating within 120 days after the effective date of such Sale and Lease-Back Transaction applies to the voluntary retirement of its Funded Debt an amount equal to the Value of the Sale and Lease-Back Transaction (subject to credits for certain voluntary retirements of Funded Debt).

Taxes. Harrah s Operating will, and will cause each of its significant subsidiaries to, pay prior to delinquency all material taxes, assessments and governmental levies, except as contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to a holder of the Notes.

Guarantee of Notes

Harrah s Entertainment will irrevocably and unconditionally guarantee, on an unsecured senior basis, the payment of all obligations of Harrah s Operating under the Notes. If Harrah s Operating defaults in the payment of the principal of, premium, if any, or interest on such Notes when and as the same shall become due, whether upon maturity, acceleration, call for redemption or otherwise, without the necessity of action by the trustee or any holder of such Notes, Harrah s Entertainment shall be required promptly and fully to make such payment. The indenture provides for the release of Harrah s Entertainment as guarantor of the Notes in certain circumstances, including circumstances in which:

Harrah s Operating ceases to be a wholly owned subsidiary of Harrah s Entertainment; or

Harrah s Operating transfers all or substantially all of its assets to, or merges with, another entity in a transaction governed by the When Company May Merge, Etc. covenant in the indenture, and (1) such transferee entity assumes Harrah s Operating s obligations under the indenture and (2) such transfer or merger otherwise complies with the requirements of such covenant.

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Harrah s Entertainment conducts substantially all of its business through Harrah s Operating and its subsidiaries and does not own any material assets other than the common stock of Harrah s Operating. As such, Harrah s Entertainment is dependent on the receipt of dividends or other payments from Harrah s Operating to make payments on the guarantee of the Notes.

Limited Liability of Certain Persons

None of the past, present or future stockholders, incorporators, employee officers or directors, as such, of Harrah s Operating, Harrah s Entertainment or any of our affiliates or successor corporations shall have any personal liability in respect of our obligations under the indenture or the Notes by reason of his, her or its status as such stockholder, incorporator, employee officer or director.

Mandatory Disposition Pursuant to Gaming Laws

Federal, state and local authorities in several jurisdictions regulate extensively our casino entertainment operations. The nature of such regulation is described in detail under Gaming Regulatory Overview. The gaming authority of any jurisdiction in which Harrah s Entertainment or any its subsidiaries conduct or propose to conduct gaming may require that a holder of the Notes or the beneficial owner of the Notes of a holder be licensed, qualified or found suitable under applicable gaming laws. Under the indenture, each person that holds or acquires beneficial ownership of any of the Notes shall be deemed to have agreed, by accepting such Notes, that if any such gaming authority requires such person to be licensed, qualified or found suitable under applicable gaming laws, such holder or beneficial owner, as the case may be, shall apply for a license, qualification or a finding of suitability within the required time period.

If a person required to apply or become licensed or qualified or be found suitable fails to do so, the Issuer shall have the right, at its election, (1) to require such person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of such election or such earlier date as may be requested or prescribed by such gaming authority or (2) to redeem such Notes at a redemption price equal to the lesser of:

- such person s cost, or

- 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the earlier of (1) the redemption date or (2) the date of the finding of unsuitability, which may be less than 30 days following the notice of redemption if so requested or prescribed by the applicable gaming authority. The Issuer will notify the trustee in writing of any such redemption as soon as practicable. The Issuer will not be responsible for any costs or expenses any such holder may incur in connection with its application for a license, qualification or a finding of suitability.

No Protection in the Event of a Change of Control

The Notes do not contain any provisions which may afford holders of the Notes protection in the event either Harrah s Operating or Harrah s Entertainment has a change of control or in the event of a highly leveraged transaction (whether or not such transaction results in a change in control) which could adversely affect holders of the Notes.

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Defeasance of Debt Securities and Certain Covenants in Certain Circumstances

Defeasance and Discharge. The indenture provides that the Issuer may be discharged from any and all obligations in respect of the Notes, except for certain obligations to pay additional amounts, if any, upon the occurrence of certain tax, assessment or governmental charge events with respect to payments on such Notes, to register the transfer or exchange of Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold money for payment in trust. The Issuer will be so discharged when it:

- deposits with the trustee money and/or government obligations that, through the payment of interest and principal in accordance with their terms, will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants to pay each installment of principal and interest on the Notes on the dates such payments are due; and

- delivers to the trustee an opinion of counsel, based on a change in tax law or a ruling from the United States Internal Revenue Service, to the effect that holders of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of the deposit, defeasance and discharge.

Defeasance of Certain Covenants. The indenture provides that, unless otherwise provided by the terms of the Notes, upon compliance with certain conditions:

- the Issuer may omit to comply with certain restrictive covenants contained in the indenture, and

- any omission to comply with such obligations will not constitute a default or Event of Default with respect to the Notes.

When the Issuer may omit to comply with certain provisions of the indenture as provided above, we refer to it as a covenant defeasance.

The conditions require, among others, that the Issuer:

- deposit with the trustee money and/or government obligations that, through the payment of interest and principal in respect thereof, in accordance with their terms, will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants to pay each installment of principal and interest on the Notes on the dates such payments are due; and

- deliver to the trustee an opinion of counsel to the effect that holders of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of the deposit and defeasance.

Certain Definitions

Affiliate of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, control, including, with correlative meanings, the terms controlled by and under common control with, as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities or by agreement or otherwise.

Consolidated Property means any property of Harrah s Operating or any of its Subsidiaries.

Funded Debt means all Indebtedness of Harrah s Operating which (1) matures by its terms on, or is renewable at the option of any obligor thereon to, a date more than one year after the date of original issuance of such Indebtedness and (2) ranks at least *pari passu* with the Notes.

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Indebtedness of any person means (1) any indebtedness of such person, contingent or otherwise, in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), or evidenced by Notes, bonds, debentures or similar instruments or letters of credit, or representing the balance deferred and unpaid of the purchase price of any property, including any such indebtedness incurred in connection with the acquisition by such person or any of its Subsidiaries of any other business or entity, if and to the extent such indebtedness would appear as a liability upon a balance sheet of such person prepared in accordance with generally accepted accounting principles, including for such purpose obligations under capitalized leases, and (2) any guarantee, endorsement (other than for collection or deposit in the ordinary course of business), discount with recourse, agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire or to supply or advance funds with respect to, or to become liable with respect to (directly or indirectly) any indebtedness, obligation, liability or dividend of any person, but shall not include indebtedness or amounts owed for compensation to employees, or for goods or materials purchased, or services utilized, in the ordinary course of business of such person. Notwithstanding anything to the contrary in the foregoing, Indebtedness shall not include (1) any contracts providing for the completion of construction or other payment or performance with respect to the construction, maintenance or improvement of, or payment of taxes, revenue share payments or other fees to governmental entities with respect to, property or equipment of Harrah s Operating or its Affiliates or (2) any contracts providing for the obligation to advance funds, property or services on behalf of an Affiliate of Harrah s Operating in order to maintain the financial condition of such Affiliate. For purposes of this definition of Indebtedness, a capitalized lease shall be deemed to mean a lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized.

Joint Venture means any partnership, corporation or other entity, in which up to and including 50% of the partnership interests, outstanding voting stock or other equity interests is owned, directly or indirectly, by Harrah s Operating and/or one or more of its Subsidiaries.

Lien means any mortgage, pledge, hypothecation, assignment, deposit, arrangement, encumbrance, security interest, lien (statutory or otherwise), or preference, priority or other security or similar agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

Obligations means any principal, interest, premium, if any, penalties, fees, indemnifications, reimbursements, damages or other liabilities or amounts payable under the documentation governing or otherwise in respect of any Indebtedness.

Sale and Lease-Back Transaction means any arrangement with a person (other than Harrah s Operating or any of its Subsidiaries), or to which any such person is a party, providing for the leasing to Harrah s Operating or any of its Subsidiaries for a period of more than three years of any Consolidated Property which has been or is to be sold or transferred by Harrah s Operating or any of its Subsidiaries to such person or to any other person (other than Harrah s Operating or any of its Subsidiaries), to which funds have been or are to be advanced by such person on the security of the leased property.

Stated Maturity means when used with respect to the Notes or any installment of interest thereon the date specified in the Notes as the fixed date on which the principal of the Notes or such installment of principal or interest is due and payable.

Subsidiary of any specified person means any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power for the election of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such person, or by one or more other Subsidiaries, or by such person and one or more other Subsidiaries.

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Value means, with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of (1) the net proceeds of the sale or transfer of property leased pursuant to such Sale and Lease-Back Transaction or (2) the fair value, in the opinion of Harrah s Operating s Board of Directors as evidenced by a board resolution, of such property at the time of entering into such Sale and Lease-Back Transaction.

The Trustee

The trustee under the indenture is U.S. Bank National Association.

Governing Law

The indenture and the Notes are governed by, and construed in accordance with, the internal laws of the state of New York.

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DESCRIPTION OF 2016 SENIOR NOTES

General

The 6.50% senior notes due 2016 (the *Notes*) were issued on June 9, 2006 by Harrah s Operating (*Harrah s Operating* or the *Issuer*) and are governed by an indenture among Harrah s Operating, Harrah s Entertainment and U.S. Bank National Association, as trustee. The following summary highlights certain material terms of the Notes. We urge you to read the indenture because it, and not this description, defines your rights as holders of the Notes.

The Notes:

- are senior unsecured Obligations of Harrah s Operating;
- are equal in right of payment to any existing and future senior unsecured Indebtedness of Harrah s Operating; and
- are guaranteed by Harrah s Entertainment.

The guarantees by Harrah s Entertainment are:

- senior unsecured Obligations of Harrah s Entertainment; and
- equal in right of payment to any other existing and future senior unsecured Indebtedness of Harrah s Entertainment.

Principal, Maturity and Interest

The Notes were issued in fully registered book-entry form only, without coupons in denominations of $2,000 and any integral multiple of $1,000. The Notes will mature on June 1, 2016, referred to as the Maturity Date. Each Note bears interest at the rate of 6.50% from June 9, 2006, or from the most recent interest payment date to which interest has been paid or provided for, payable semiannually on June 1 and December 1 of each year (each, an Interest Payment Date), commencing December 1, 2006, to the persons in whose names such Notes are registered at the close of business on the date fifteen calendar days prior to such Interest Payment Date.

If any Interest Payment Date, date of redemption (the Redemption Date) or Maturity Date of any of the Notes is not a business day, then payment of principal, premium, if any, and interest will be made on the next succeeding business day. No interest will accrue on the amount so payable for the period from such Interest Payment Date, Redemption Date or Maturity Date, as the case may be, to the date payment is made. Interest on the Notes will be computed on the basis of a 360-day year, consisting of twelve 30-day months.

The Notes are not entitled to the benefit of any sinking fund.

Optional Redemption

The Notes are redeemable, in whole or in part, at any time, at our option, at a redemption price equal to the greater of:

- 100% of the principal amount of Notes to be redeemed, and

the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal on such Notes discounted to the Redemption Date, on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the applicable Treasury Rate (as defined below) plus 25 basis points.

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Accrued and unpaid interest will be paid to the Redemption Date.

Treasury Rate means, with respect to any Redemption Date for the Notes, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding the Redemption Date of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

Comparable Treasury Issue means the United States Treasury security selected by the Reference Treasury Dealer (as defined below) as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

Comparable Treasury Price means with respect to any Redemption Date the Reference Treasury Dealer Quotations for that Redemption Date.

Reference Treasury Dealer means Citigroup Global Markets Inc. and its successor; *provided* that, if Citigroup Global Markets Inc. ceases to be a primary U.S. Government securities dealer, the Issuer will substitute another nationally recognized investment banking firm that is a primary U.S. Government securities dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by the Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such Redemption Date.

Remaining Scheduled Payments means the remaining scheduled payments of principal of and interest on the Notes that would be due after the related Redemption Date but for that redemption. If that Redemption Date is not an Interest Payment Date with respect to the Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to such Redemption Date.

The Issuer will mail a notice of redemption at least 30 days but not more than 60 days before the Redemption Date to each holder of Notes to be redeemed. If the Issuer elects to partially redeem the Notes, the trustee will select in a fair and appropriate manner the Notes to be redeemed.

Unless the Issuer defaults in payment of the redemption price, on and after the Redemption Date, interest will cease to accrue on the Notes or portions thereof called for redemption.

Merger, Consolidation or Sale of Assets

Harrah s Operating may not consolidate with or merge with or into any other corporation, person or entity or, directly or indirectly, sell, lease or convey all or substantially all of its assets to another corporation, person or entity, and may not permit any corporation, person or entity to, directly or indirectly, sell, lease or convey all or substantially all of its assets to Harrah s Operating, whether in a single transaction or a series of related transactions, unless:

- either the successor or transferee is a corporation organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes, by supplemental indenture, Harrah s Operating s obligations on the Notes and the indenture, or Harrah s Operating is the surviving person;

- immediately after giving effect to the transaction, no Event of Default, and no event or condition which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

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Harrah s Operating has delivered to the trustee an officers certificate and an opinion of counsel stating that the consolidation, merger, sale, conveyance or lease and the supplemental indenture comply with the indenture.

Harrah s Entertainment may not consolidate with or merge with or into any other corporation, person or entity or, directly or indirectly, sell, lease or convey all or substantially all of its assets (computed on a consolidated basis) to another corporation, person or entity, and may not permit any corporation, person or entity to, directly or indirectly, sell, lease or convey all or substantially all of its assets to Harrah s Entertainment, whether in a single transaction or a series of related transactions, unless:

either the successor or transferee is a corporation organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes, by a supplemental indenture, Harrah s Entertainment s obligations under the guarantee and the indenture, or Harrah s Entertainment is the surviving person;

immediately after giving effect to the transaction, no Event of Default, and no event or condition which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

Harrah s Entertainment has delivered to the trustee an officers certificate and an opinion of counsel stating that the consolidation, merger, sale, conveyance or lease and the supplemental indenture comply with the indenture.

Events of Default

Event of Default means, with respect to the Notes, any of the following events:

failure to pay principal of any Notes when due and payable at maturity, upon redemption or otherwise;

failure to pay any interest on any Notes when due and payable, and such default continues for 30 days;

default in the performance or breach of any covenant or warranty of Harrah s Operating or Harrah s Entertainment in the indenture, which default continues uncured for a period of 60 days after Harrah s Operating or Harrah s Entertainment receives written notice from the trustee or Harrah s Operating, Harrah s Entertainment and the trustee receive written notice from the holders of at least 25% in principal amount of the outstanding Notes as provided in the indenture;

certain events of bankruptcy, insolvency or reorganization; and

the acceleration of the maturity of any Indebtedness of Harrah s Operating (other than Non-recourse Indebtedness), at any one time, in an amount in excess of the greater of (1) $25 million and (2) 5% of the Consolidated Net Tangible Assets, if such acceleration is not annulled within 30 days after Harrah s Operating receives written notice from the trustee and the holders of at least 25% in principal amount of the outstanding Notes.

Non-recourse Indebtedness means indebtedness with terms providing that the lender s claim for repayment of that indebtedness is limited solely to a claim against the property which secures the indebtedness.

Consolidated Net Tangible Assets means the total amount of assets (including investments in Joint Ventures) of Harrah s Operating and its subsidiaries (less applicable depreciation, amortization and other valuation reserves) after deduction therefrom of:

all current liabilities of Harrah s Operating s and its subsidiaries excluding (1) the current portion of long-term indebtedness, (2) intercompany liabilities and (3) any liabilities which are by their terms renewable or extendable at the option of the obligor thereon to a time more than twelve months from the time as of which the amount thereof is being computed; and

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all goodwill, trade names, trademarks, patents, unamortized debt discount and any other like intangibles, all as set forth on the consolidated balance sheet of Harrah s Operating for the most recently completed fiscal quarter for which financial statements are available and computed in accordance with generally accepted accounting principles.

If an Event of Default with respect to Notes (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization) occurs and is continuing, either the trustee or the holders of at least 25% in principal amount of the outstanding Notes may, by a notice as provided in the indenture, declare the unpaid principal amount of, and any accrued and unpaid interest on, all Notes to be due and payable immediately. However, at any time after a declaration of acceleration with respect to Notes has been made, but before the trustee obtains a judgment or decree based on that acceleration, under certain circumstances, and without further act, the declaration of acceleration may be deemed to have been waived and its consequences may be deemed to have been rescinded and annulled. For information regarding waiver of defaults, see Amendment and Waiver below.

The indenture provides that, subject to the trustee s duty to act with the required standard of care during an Event of Default, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any of the holders, unless such holders offer the trustee reasonable security or indemnity. Subject to certain provisions of the indenture, including those entitling the trustee to receive security and indemnification, the holders of a majority in principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the Notes.

The indenture requires that the Issuer furnish annually to the trustee a statement as to its performance of its obligations under the indenture. In addition, the Issuer is required to notify the trustee any time it becomes aware of a default or Event of Default.

Amendment and Waiver

The Issuer generally may amend the indenture or the Notes with the written consent of the holders of at least a majority in principal amount of the outstanding Notes affected by the amendment. The holders of a majority in principal amount of the outstanding Notes may also waive our compliance in a particular instance with any provision of the indenture with respect to the Notes. The Issuer must obtain the consent of each holder of Notes affected by a particular amendment or waiver, however, if such amendment or waiver:

reduces the percentage in principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

reduces the rate of or extends the time for payment of interest, including default interest, on the Notes;

reduces the principal of, or changes the fixed maturity of, any Notes or reduces the amount of, or postpones the date fixed for, redemption or analogous obligation with respect to any Notes or otherwise impairs the right to institute suit for the enforcement of any payment on or after maturity;

reduces the principal amount of discount Notes payable upon acceleration of maturity;

makes the principal of or interest on the Notes payable at a different place or in currency other than that stated in the Notes;

makes any change to provisions of the indenture concerning waivers of certain covenants, defaults or Events of Default by holders or the rights of holders of Notes to recover the principal of or interest on those Notes; or

waives a default in the payment of the principal of or interest on any Notes, except as otherwise provided in the indenture.

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The Issuer may amend the indenture or the Notes without the consent of any holder of a debt security to, among other things:

- cure any ambiguity, defect or inconsistency;
- comply with the indenture s provisions with respect to successor corporations;
- comply with any requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, as amended;
- make any change that does not adversely affect the rights of any holder of Notes; or
- issue additional Notes as permitted by the indenture.

The holders of a majority in principal amount of the outstanding Notes, by notice to the trustee, may waive any existing default or Event of Default and its consequences with respect to the Notes other than a default or Event of Default in the payment of the principal of or any interest on any Notes; *provided, however*, that the holders of a majority in principal amount of the outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from the acceleration.

Additional Covenants of Harrah s Operating

Limitation on Liens. Neither Harrah s Operating nor any of its Subsidiaries may issue, assume or guarantee any Indebtedness secured by a Lien upon any Consolidated Property or on any Indebtedness or shares of capital stock of, or other ownership interests in, any Subsidiaries (regardless of whether the Consolidated Property, Indebtedness, capital stock or ownership interests were acquired before or after the date of the Indenture) without effectively providing that the Notes shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured, except that this restriction does not apply to:

- Liens existing on the date of original issuance of the Notes;
- Liens affecting property of a corporation or other entity existing at the time it becomes a Subsidiary of Harrah s Operating or at the time it is merged into or consolidated with Harrah s Operating or a Subsidiary of Harrah s Operating;
- Liens on property existing at the time of acquisition thereof or to secure Indebtedness incurred prior to, at the time of, or within 24 months after the acquisition for the purpose of financing all or part of the purchase price thereof;
- Liens on any property to secure all or part of the cost of improvements or construction thereon or Indebtedness incurred to provide funds for such purpose in a principal amount not exceeding the cost of such improvements or construction;
- Liens which secure Indebtedness owing by a Subsidiary of Harrah s Operating to Harrah s Operating or to a Subsidiary of Harrah s Operating;

Liens securing Indebtedness of Harrah s Operating the proceeds of which are used substantially simultaneously with the incurrence of such Indebtedness to retire Funded Debt;

purchase money security Liens on personal property;

Liens securing Indebtedness of Harrah s Operating or any of its Subsidiaries the proceeds of which are used within 24 months of the incurrence of such Indebtedness for the cost of the construction and development or improvement of property of Harrah s Operating or any of its Subsidiaries;

Liens on the stock, partnership or other equity interest of Harrah s Operating or any of its Subsidiaries in any Joint Venture or any such Subsidiary which owns an equity interest in such Joint Venture to secure Indebtedness, provided the amount of such Indebtedness is contributed and/or advanced solely to such Joint Venture;

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Liens to government entities, including pollution control or industrial revenue bond financing;

Liens required by any contract or statute in order to permit Harrah s Operating or a Subsidiary of Harrah s Operating to perform any contract or subcontract made by it with or at the request of a governmental entity;

mechanic s, materialman s, carrier s or other like Liens, arising in the ordinary course of business;

Liens for taxes or assessments and similar charges;

zoning restrictions, easements, licenses, covenants, reservations, restrictions on the use of real property and certain other minor irregularities of title; and

any extension, renewal, replacement or refinancing of any Indebtedness secured by a Lien permitted by any of the foregoing clauses. Notwithstanding the foregoing, Harrah s Operating and any one or more of its Subsidiaries may, without securing the Notes, issue, assume or guarantee Indebtedness which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with all other such Indebtedness of Harrah s Operating and its Subsidiaries which would otherwise be subject to the foregoing restrictions (not including Indebtedness permitted by the preceding paragraph) and the aggregate Value of Sale and Lease-Back Transactions (other than those in connection with which Harrah s Operating has voluntarily retired Funded Debt), does not at any one time exceed 15% of Consolidated Net Tangible Assets of Harrah s Operating and its consolidated Subsidiaries.

Limitation on Sale and Lease-Back Transactions. Neither Harrah s Operating nor any of its Subsidiaries will enter into any Sale and Lease-Back Transaction unless either:

Harrah s Operating or such Subsidiary would be entitled, pursuant to the above provisions, to incur Indebtedness in a principal amount equal to or exceeding the Value of such Sale and Lease-Back Transaction, secured by a Lien on the property to be leased, without equally and ratably securing the Notes, or

Harrah s Operating within 120 days after the effective date of such Sale and Lease-Back Transaction applies to the voluntary retirement of its Funded Debt an amount equal to the Value of the Sale and Lease-Back Transaction (subject to credits for certain voluntary retirements of Funded Debt).

Taxes. Harrah s Operating will, and will cause each of its significant subsidiaries to, pay prior to delinquency all material taxes, assessments and governmental levies, except as contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to a holder of the Notes.

Guarantee of Notes

Harrah s Entertainment will irrevocably and unconditionally guarantee, on an unsecured senior basis, the payment of all obligations of Harrah s Operating under the Notes. If Harrah s Operating defaults in the payment of the principal of, premium, if any, or interest on such Notes when and as the same shall become due, whether upon maturity, acceleration, call for redemption or otherwise, without the necessity of action by the trustee or any holder of such Notes, Harrah s Entertainment shall be required promptly and fully to make such payment. The indenture provides for the release of Harrah s Entertainment as guarantor of the Notes in certain circumstances, including circumstances in which:

Harrah s Operating ceases to be a wholly owned subsidiary of Harrah s Entertainment; or

Harrah s Operating transfers all or substantially all of its assets to, or merges with, another entity in a transaction governed by the When Company May Merge, Etc. covenant in the indenture, and (1) such transferee entity assumes Harrah s Operating s obligations under the indenture and (2) such transfer or merger otherwise complies with the requirements of such covenant.

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Harrah s Entertainment conducts substantially all of its business through Harrah s Operating and its subsidiaries and does not own any material assets other than the common stock of Harrah s Operating. As such, Harrah s Entertainment is dependent on the receipt of dividends or other payments from Harrah s Operating to make payments on the guarantee of the Notes.

Limited Liability of Certain Persons

None of the past, present or future stockholders, incorporators, employee officers or directors, as such, of Harrah s Operating, Harrah s Entertainment or any of our affiliates or successor corporations shall have any personal liability in respect of our obligations under the indenture or the Notes by reason of his, her or its status as such stockholder, incorporator, employee officer or director.

Mandatory Disposition Pursuant to Gaming Laws

Federal, state and local authorities in several jurisdictions regulate extensively our casino entertainment operations. The nature of such regulation is described in detail under Gaming Regulatory Overview. The gaming authority of any jurisdiction in which Harrah s Entertainment or any its subsidiaries conduct or propose to conduct gaming may require that a holder of the Notes or the beneficial owner of the Notes of a holder be licensed, qualified or found suitable under applicable gaming laws. Under the indenture, each person that holds or acquires beneficial ownership of any of the Notes shall be deemed to have agreed, by accepting such Notes, that if any such gaming authority requires such person to be licensed, qualified or found suitable under applicable gaming laws, such holder or beneficial owner, as the case may be, shall apply for a license, qualification or a finding of suitability within the required time period.

If a person required to apply or become licensed or qualified or be found suitable fails to do so, the Issuer shall have the right, at its election, (1) to require such person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of such election or such earlier date as may be requested or prescribed by such gaming authority or (2) to redeem such Notes at a redemption price equal to the lesser of:

- such person s cost, or

- 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the earlier of (1) the redemption date or (2) the date of the finding of unsuitability, which may be less than 30 days following the notice of redemption if so requested or prescribed by the applicable gaming authority. The Issuer will notify the trustee in writing of any such redemption as soon as practicable. The Issuer will not be responsible for any costs or expenses any such holder may incur in connection with its application for a license, qualification or a finding of suitability.

No Protection in the Event of a Change of Control

The Notes do not contain any provisions which may afford holders of the Notes protection in the event either Harrah s Operating or Harrah s Entertainment has a change of control or in the event of a highly leveraged transaction (whether or not such transaction results in a change in control) which could adversely affect holders of the Notes.

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Defeasance of Debt Securities and Certain Covenants in Certain Circumstances

Defeasance and Discharge. The indenture provides that the Issuer may be discharged from any and all obligations in respect of the Notes, except for certain obligations to pay additional amounts, if any, upon the occurrence of certain tax, assessment or governmental charge events with respect to payments on such Notes, to register the transfer or exchange of Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold money for payment in trust. The Issuer will be so discharged when it:

- deposits with the trustee money and/or government obligations that, through the payment of interest and principal in accordance with their terms, will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants to pay each installment of principal and interest on the Notes on the dates such payments are due; and

- delivers to the trustee an opinion of counsel, based on a change in tax law or a ruling from the United States Internal Revenue Service, to the effect that holders of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of the deposit, defeasance and discharge.

Defeasance of Certain Covenants. The indenture provides that, unless otherwise provided by the terms of the Notes, upon compliance with certain conditions:

- the Issuer may omit to comply with certain restrictive covenants contained in the indenture, and

- any omission to comply with such obligations will not constitute a default or Event of Default with respect to the Notes.

When the Issuer may omit to comply with certain provisions of the indenture as provided above, we refer to it as a covenant defeasance.

The conditions require, among others, that the Issuer:

- deposit with the trustee money and/or government obligations that, through the payment of interest and principal in respect thereof, in accordance with their terms, will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants to pay each installment of principal and interest on the Notes on the dates such payments are due; and

- deliver to the trustee an opinion of counsel to the effect that holders of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of the deposit and defeasance.

Certain Definitions

Affiliate of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, control, including, with correlative meanings, the terms controlled by and under common control with, as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities or by agreement or otherwise.

Consolidated Property means any property of Harrah s Operating or any of its Subsidiaries.

Funded Debt means all Indebtedness of Harrah s Operating which (1) matures by its terms on, or is renewable at the option of any obligor thereon to, a date more than one year after the date of original issuance of such Indebtedness and (2) ranks at least *pari passu* with the Notes.

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Indebtedness of any person means (1) any indebtedness of such person, contingent or otherwise, in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), or evidenced by Notes, bonds, debentures or similar instruments or letters of credit, or representing the balance deferred and unpaid of the purchase price of any property, including any such indebtedness incurred in connection with the acquisition by such person or any of its Subsidiaries of any other business or entity, if and to the extent such indebtedness would appear as a liability upon a balance sheet of such person prepared in accordance with generally accepted accounting principles, including for such purpose obligations under capitalized leases, and (2) any guarantee, endorsement (other than for collection or deposit in the ordinary course of business), discount with recourse, agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire or to supply or advance funds with respect to, or to become liable with respect to (directly or indirectly) any indebtedness, obligation, liability or dividend of any person, but shall not include indebtedness or amounts owed for compensation to employees, or for goods or materials purchased, or services utilized, in the ordinary course of business of such person. Notwithstanding anything to the contrary in the foregoing, Indebtedness shall not include (1) any contracts providing for the completion of construction or other payment or performance with respect to the construction, maintenance or improvement of, or payment of taxes, revenue share payments or other fees to governmental entities with respect to, property or equipment of Harrah s Operating or its Affiliates or (2) any contracts providing for the obligation to advance funds, property or services on behalf of an Affiliate of Harrah s Operating in order to maintain the financial condition of such Affiliate. For purposes of this definition of Indebtedness, a capitalized lease shall be deemed to mean a lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized.

Joint Venture means any partnership, corporation or other entity, in which up to and including 50% of the partnership interests, outstanding voting stock or other equity interests is owned, directly or indirectly, by Harrah s Operating and/or one or more of its Subsidiaries.

Lien means any mortgage, pledge, hypothecation, assignment, deposit, arrangement, encumbrance, security interest, lien (statutory or otherwise), or preference, priority or other security or similar agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

Obligations means any principal, interest, premium, if any, penalties, fees, indemnifications, reimbursements, damages or other liabilities or amounts payable under the documentation governing or otherwise in respect of any Indebtedness.

Sale and Lease-Back Transaction means any arrangement with a person (other than Harrah s Operating or any of its Subsidiaries), or to which any such person is a party, providing for the leasing to Harrah s Operating or any of its Subsidiaries for a period of more than three years of any Consolidated Property which has been or is to be sold or transferred by Harrah s Operating or any of its Subsidiaries to such person or to any other person (other than Harrah s Operating or any of its Subsidiaries), to which funds have been or are to be advanced by such person on the security of the leased property.

Stated Maturity means when used with respect to the Notes or any installment of interest thereon the date specified in the Notes as the fixed date on which the principal of the Notes or such installment of principal or interest is due and payable.

Subsidiary of any specified person means any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power for the election of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such person, or by one or more other Subsidiaries, or by such person and one or more other Subsidiaries.

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Value means, with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of (1) the net proceeds of the sale or transfer of property leased pursuant to such Sale and Lease-Back Transaction or (2) the fair value, in the opinion of Harrah s Operating s Board of Directors as evidenced by a board resolution, of such property at the time of entering into such Sale and Lease-Back Transaction.

The Trustee

The trustee under the indenture is U.S. Bank National Association.

Governing Law

The indenture and the Notes are governed by, and construed in accordance with, the internal laws of the state of New York.

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DESCRIPTION OF 2017 SENIOR NOTES

General

The 5.75% senior notes due 2017 (the *Notes*) were issued on September 28, 2005 by Harrah s Operating (*Harrah s Operating* or the *Issuer*) and are governed by an indenture among Harrah s Operating, Harrah s Entertainment and U.S. Bank National Association, as trustee. The following summary highlights certain material terms of the Notes. We urge you to read the indenture because it, and not this description, defines your rights as holders of the Notes.

The Notes:

- are senior unsecured Obligations of Harrah s Operating;
- are equal in right of payment to any existing and future senior unsecured Indebtedness of Harrah s Operating; and
- are guaranteed by Harrah s Entertainment.

The guarantees by Harrah s Entertainment are:

- senior unsecured Obligations of Harrah s Entertainment; and
- equal in right of payment to any other existing and future senior unsecured Indebtedness of Harrah s Entertainment.

Principal, Maturity and Interest

The Notes were issued in fully registered book-entry form only, without coupons in denominations of $2,000 and any integral multiple of $1,000. The Notes will mature on October 1, 2017, referred to as the Maturity Date. Each Note bears interest at the rate of 5.75% from September 28, 2005, or from the most recent interest payment date to which interest has been paid or provided for, payable semiannually on April 1 and October 1 of each year (each, an Interest Payment Date), commencing December 1, 2005, to the persons in whose names such Notes are registered at the close of business on the date fifteen calendar days prior to such Interest Payment Date.

If any Interest Payment Date, date of redemption (the Redemption Date) or Maturity Date of any of the Notes is not a business day, then payment of principal, premium, if any, and interest will be made on the next succeeding business day. No interest will accrue on the amount so payable for the period from such Interest Payment Date, Redemption Date or Maturity Date, as the case may be, to the date payment is made. Interest on the Notes will be computed on the basis of a 360-day year, consisting of twelve 30-day months.

The Notes are not entitled to the benefit of any sinking fund.

Optional Redemption

The Notes are redeemable, in whole or in part, at any time, at our option, at a redemption price equal to the greater of:

- 100% of the principal amount of Notes to be redeemed, and

the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal on such Notes discounted to the Redemption Date, on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the applicable Treasury Rate (as defined below) plus 35 basis points.

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Accrued and unpaid interest will be paid to the Redemption Date.

Treasury Rate means, with respect to any Redemption Date for the Notes, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding the Redemption Date of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date. The Treasury Rate shall be calculated on the third business day preceding the Redemption Date.

Comparable Treasury Issue means the United States Treasury security selected by the Reference Treasury Dealer (as defined below) as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

Comparable Treasury Price means with respect to any Redemption Date the Reference Treasury Dealer Quotations for that Redemption Date.

Reference Treasury Dealer means Citigroup Global Markets Inc. and its successor; *provided* that, if Citigroup Global Markets Inc. ceases to be a primary U.S. Government securities dealer, the Issuer will substitute another nationally recognized investment banking firm that is a primary U.S. Government securities dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by the Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such Redemption Date.

Remaining Scheduled Payments means the remaining scheduled payments of principal of and interest on the Notes that would be due after the related Redemption Date but for that redemption. If that Redemption Date is not an Interest Payment Date with respect to the Notes, the amount of the next succeeding scheduled interest payment on the Notes will be reduced by the amount of interest accrued on the Notes to such Redemption Date.

The Issuer will mail a notice of redemption at least 30 days but not more than 60 days before the Redemption Date to each holder of Notes to be redeemed. If the Issuer elects to partially redeem the Notes, the trustee will select in a fair and appropriate manner the Notes to be redeemed.

Unless the Issuer defaults in payment of the redemption price, on and after the Redemption Date, interest will cease to accrue on the Notes or portions thereof called for redemption.

Merger, Consolidation or Sale of Assets

Harrah s Operating may not consolidate with or merge with or into any other corporation, person or entity or, directly or indirectly, sell, lease or convey all or substantially all of its assets to another corporation, person or entity, and may not permit any corporation, person or entity to, directly or indirectly, sell, lease or convey all or substantially all of its assets to Harrah s Operating, whether in a single transaction or a series of related transactions, unless:

- either the successor or transferee is a corporation organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes, by supplemental indenture, Harrah s Operating s obligations on the Notes and the indenture, or Harrah s Operating is the surviving person;

- immediately after giving effect to the transaction, no Event of Default, and no event or condition which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

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Harrah s Operating has delivered to the trustee an officers certificate and an opinion of counsel stating that the consolidation, merger, sale, conveyance or lease and the supplemental indenture comply with the indenture.

Harrah s Entertainment may not consolidate with or merge with or into any other corporation, person or entity or, directly or indirectly, sell, lease or convey all or substantially all of its assets (computed on a consolidated basis) to another corporation, person or entity, and may not permit any corporation, person or entity to, directly or indirectly, sell, lease or convey all or substantially all of its assets to Harrah s Entertainment, whether in a single transaction or a series of related transactions, unless:

either the successor or transferee is a corporation organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes, by a supplemental indenture, Harrah s Entertainment s obligations under the guarantee and the indenture, or Harrah s Entertainment is the surviving person;

immediately after giving effect to the transaction, no Event of Default, and no event or condition which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

Harrah s Entertainment has delivered to the trustee an officers certificate and an opinion of counsel stating that the consolidation, merger, sale, conveyance or lease and the supplemental indenture comply with the indenture.

Events of Default

Event of Default means, with respect to the Notes, any of the following events:

failure to pay principal of any Notes when due and payable at maturity, upon redemption or otherwise;

failure to pay any interest on any Notes when due and payable, and such default continues for 30 days;

default in the performance or breach of any covenant or warranty of Harrah s Operating or Harrah s Entertainment in the indenture, which default continues uncured for a period of 60 days after Harrah s Operating or Harrah s Entertainment receives written notice from the trustee or Harrah s Operating, Harrah s Entertainment and the trustee receive written notice from the holders of at least 25% in principal amount of the outstanding Notes as provided in the indenture;

certain events of bankruptcy, insolvency or reorganization; and

the acceleration of the maturity of any Indebtedness of Harrah s Operating (other than Non-recourse Indebtedness), at any one time, in an amount in excess of the greater of (1) $25 million and (2) 5% of the Consolidated Net Tangible Assets, if such acceleration is not annulled within 30 days after Harrah s Operating receives written notice from the trustee and the holders of at least 25% in principal amount of the outstanding Notes.

Non-recourse Indebtedness means indebtedness with terms providing that the lender s claim for repayment of that indebtedness is limited solely to a claim against the property which secures the indebtedness.

Consolidated Net Tangible Assets means the total amount of assets (including investments in Joint Ventures) of Harrah s Operating and its subsidiaries (less applicable depreciation, amortization and other valuation reserves) after deduction therefrom of:

all current liabilities of Harrah s Operating s and its subsidiaries excluding (1) the current portion of long-term indebtedness, (2) intercompany liabilities and (3) any liabilities which are by their terms renewable or extendable at the option of the obligor thereon to a time more than twelve months from the time as of which the amount thereof is being computed; and

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all goodwill, trade names, trademarks, patents, unamortized debt discount and any other like intangibles, all as set forth on the consolidated balance sheet of Harrah s Operating for the most recently completed fiscal quarter for which financial statements are available and computed in accordance with generally accepted accounting principles.

If an Event of Default with respect to Notes (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization) occurs and is continuing, either the trustee or the holders of at least 25% in principal amount of the outstanding Notes may, by a notice as provided in the indenture, declare the unpaid principal amount of, and any accrued and unpaid interest on, all Notes to be due and payable immediately. However, at any time after a declaration of acceleration with respect to Notes has been made, but before the trustee obtains a judgment or decree based on that acceleration, the holders of a majority in aggregate principal amount of the then outstanding Notes may, under certain circumstances, rescind and annul that acceleration and its consequences. For information regarding waiver of defaults, see Amendment and Waiver below.

The indenture provides that, subject to the trustee s duty to act with the required standard of care during an Event of Default, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any of the holders, unless such holders offer the trustee reasonable security or indemnity. Subject to certain provisions of the indenture, including those entitling the trustee to receive security and indemnification, the holders of a majority in principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the Notes.

The indenture requires that the Issuer furnish annually to the trustee a statement as to its performance of its obligations under the indenture. In addition, the Issuer is required to notify the trustee any time it becomes aware of a default or Event of Default.

Amendment and Waiver

The Issuer generally may amend the indenture or the Notes with the written consent of the holders of at least a majority in principal amount of the outstanding Notes affected by the amendment. The holders of a majority in principal amount of the outstanding Notes may also waive our compliance in a particular instance with any provision of the indenture with respect to the Notes. The Issuer must obtain the consent of each holder of Notes affected by a particular amendment or waiver, however, if such amendment or waiver:

reduces the amount of Notes whose holders must consent to an amendment, supplement or waiver;

reduces the rate of or extends the time for payment of interest, including default interest, on the Notes;

reduces the principal of, or changes the fixed maturity of, any Notes or reduces the amount of, or postpones the date fixed for, redemption or analogous obligation with respect to any Notes;

reduces the principal amount of discount Notes payable upon acceleration of maturity;

makes the principal of or interest on the Notes payable in currency other than that stated in the Notes;

makes any change to provisions of the indenture concerning waivers of defaults or Events of Default by holders or the rights of holders of Notes to recover the principal of or interest on those Notes; or

waives a default in the payment of the principal of or interest on any Notes, except as otherwise provided in the indenture.

The Issuer may amend the indenture or the Notes without the consent of any holder of a debt security:

to cure any ambiguity, defect or inconsistency;

to comply with the indenture s provisions with respect to successor corporations;

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to comply with any requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, as amended;

to make any change that does not adversely affect the rights of any holder of Notes; or

to issue additional Notes as permitted by the indenture.

The holders of a majority in principal amount of the outstanding Notes, by notice to the trustee, may waive any existing default or Event of Default and its consequences with respect to the Notes other than a default or Event of Default in the payment of the principal of or any interest on any Notes; *provided, however*, that the holders of a majority in principal amount of the outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from the acceleration.

Additional Covenants of Harrah s Operating

Limitation on Liens. Neither Harrah s Operating nor any of its Subsidiaries may issue, assume or guarantee any Indebtedness secured by a Lien upon any Consolidated Property or on any Indebtedness or shares of capital stock of, or other ownership interests in, any Subsidiaries (regardless of whether the Consolidated Property, Indebtedness, capital stock or ownership interests were acquired before or after the date of the Indenture) without effectively providing that the Notes shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured, except that this restriction does not apply to:

Liens existing on the date of original issuance of the Notes;

Liens affecting property of a corporation or other entity existing at the time it becomes a Subsidiary of Harrah s Operating or at the time it is merged into or consolidated with Harrah s Operating or a Subsidiary of Harrah s Operating;

Liens on property existing at the time of acquisition thereof or to secure Indebtedness incurred prior to, at the time of, or within 24 months after the acquisition for the purpose of financing all or part of the purchase price thereof;

Liens on any property to secure all or part of the cost of improvements or construction thereon or Indebtedness incurred to provide funds for such purpose in a principal amount not exceeding the cost of such improvements or construction;

Liens which secure Indebtedness owing by a Subsidiary of Harrah s Operating to Harrah s Operating or to a Subsidiary of Harrah s Operating;

Liens securing Indebtedness of Harrah s Operating the proceeds of which are used substantially simultaneously with the incurrence of such Indebtedness to retire Funded Debt;

purchase money security Liens on personal property;

Liens securing Indebtedness of Harrah s Operating or any of its Subsidiaries the proceeds of which are used within 24 months of the incurrence of such Indebtedness for the cost of the construction and development or improvement of property of Harrah s Operating or any of its Subsidiaries;

Liens on the stock, partnership or other equity interest of Harrah s Operating or any of its Subsidiaries in any Joint Venture or any such Subsidiary which owns an equity interest in such Joint Venture to secure Indebtedness, provided the amount of such Indebtedness is contributed and /or advanced solely to such Joint Venture;

Liens to government entities, including pollution control or industrial revenue bond financing;

Liens required by any contract or statute in order to permit Harrah s Operating or a Subsidiary of Harrah s Operating to perform any contract or subcontract made by it with or at the request of a governmental entity;

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- mechanic s, materialman s, carrier s or other like Liens, arising in the ordinary course of business;
- Liens for taxes or assessments and similar charges;
- zoning restrictions, easements, licenses, covenants, reservations, restrictions on the use of real property and certain other minor irregularities of title; and
- any extension, renewal, replacement or refinancing of any Indebtedness secured by a Lien permitted by any of the foregoing clauses.

Notwithstanding the foregoing, Harrah s Operating and any one or more of its Subsidiaries may, without securing the Notes, issue, assume or guarantee Indebtedness which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with all other such Indebtedness of Harrah s Operating and its Subsidiaries which would otherwise be subject to the foregoing restrictions (not including Indebtedness permitted by the preceding paragraph) and the aggregate Value of Sale and Lease-Back Transactions (other than those in connection with which Harrah s Operating has voluntarily retired Funded Debt), does not at any one time exceed 15% of Consolidated Net Tangible Assets of Harrah s Operating and its consolidated Subsidiaries.

Limitation on Sale and Lease-Back Transactions. Neither Harrah s Operating nor any of its Subsidiaries will enter into any Sale and Lease-Back Transaction unless either:

- Harrah s Operating or such Subsidiary would be entitled, pursuant to the above provisions, to incur Indebtedness in a principal amount equal to or exceeding the Value of such Sale and Lease-Back Transaction, secured by a Lien on the property to be leased, without equally and ratably securing the Notes, or
- Harrah s Operating within 120 days after the effective date of such Sale and Lease-Back Transaction applies to the voluntary retirement of its Funded Debt an amount equal to the Value of the Sale and Lease-Back Transaction (subject to credits for certain voluntary retirements of Funded Debt).

Taxes. Harrah s Operating will, and will cause each of its significant subsidiaries to, pay prior to delinquency all material taxes, assessments and governmental levies, except as contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to a holder of the Notes.

Guarantee of Notes

Harrah s Entertainment will irrevocably and unconditionally guarantee, on an unsecured senior basis, the payment of all obligations of Harrah s Operating under the Notes. If Harrah s Operating defaults in the payment of the principal of, premium, if any, or interest on such Notes when and as the same shall become due, whether upon maturity, acceleration, call for redemption or otherwise, without the necessity of action by the trustee or any holder of such Notes, Harrah s Entertainment shall be required promptly and fully to make such payment. The indenture provides for the release of Harrah s Entertainment as guarantor of the Notes in certain circumstances, including circumstances in which:

- Harrah s Operating ceases to be a wholly owned subsidiary of Harrah s Entertainment; or
- Harrah s Operating transfers all or substantially all of its assets to, or merges with, another entity in a transaction governed by the When Company May Merge, Etc. covenant in the indenture, and (1) such transferee entity assumes Harrah s Operating s obligations under the indenture and (2) such transfer or merger otherwise complies with the requirements of such covenant.

Harrah s Entertainment conducts substantially all of its business through Harrah s Operating and its subsidiaries and does not own any material assets other than the common stock of Harrah s Operating. As such, Harrah s Entertainment is dependent on the receipt of dividends or other payments from Harrah s Operating to make payments on the guarantee of the Notes.

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Limited Liability of Certain Persons

None of the past, present or future stockholders, incorporators, employee officers or directors, as such, of Harrah s Operating, Harrah s Entertainment or any of our affiliates or successor corporations shall have any personal liability in respect of our obligations under the indenture or the Notes by reason of his, her or its status as such stockholder, incorporator, employee officer or director.

Mandatory Disposition Pursuant to Gaming Laws

Federal, state and local authorities in several jurisdictions regulate extensively our casino entertainment operations. The nature of such regulation is described in detail under Gaming Regulatory Overview. The gaming authority of any jurisdiction in which Harrah s Entertainment or any its subsidiaries conduct or propose to conduct gaming may require that a holder of the Notes or the beneficial owner of the Notes of a holder be licensed, qualified or found suitable under applicable gaming laws. Under the indenture, each person that holds or acquires beneficial ownership of any of the Notes shall be deemed to have agreed, by accepting such Notes, that if any such gaming authority requires such person to be licensed, qualified or found suitable under applicable gaming laws, such holder or beneficial owner, as the case may be, shall apply for a license, qualification or a finding of suitability within the required time period.

If a person required to apply or become licensed or qualified or be found suitable fails to do so, the Issuer shall have the right, at its election, (1) to require such person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of such election or such earlier date as may be requested or prescribed by such gaming authority or (2) to redeem such Notes at a redemption price equal to the lesser of:

- such person s cost, or

- 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the earlier of (1) the redemption date or (2) the date of the finding of unsuitability, which may be less than 30 days following the notice of redemption if so requested or prescribed by the applicable gaming authority. The Issuer will notify the trustee in writing of any such redemption as soon as practicable. The Issuer will not be responsible for any costs or expenses any such holder may incur in connection with its application for a license, qualification or a finding of suitability.

No Protection in the Event of a Change of Control

The Notes do not contain any provisions which may afford holders of the Notes protection in the event either Harrah s Operating or Harrah s Entertainment has a change of control or in the event of a highly leveraged transaction (whether or not such transaction results in a change in control) which could adversely affect holders of the Notes.

Defeasance of Debt Securities and Certain Covenants in Certain Circumstances

Defeasance and Discharge. The indenture provides that the Issuer may be discharged from any and all obligations in respect of the Notes, except for certain obligations to pay additional amounts, if any, upon the occurrence of certain tax, assessment or governmental charge events with respect to payments on such Notes, to register the transfer or exchange of Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold money for payment in trust. The Issuer will be so discharged when it:

- deposits with the trustee money and/or government obligations that, through the payment of interest and principal in accordance with their terms, will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants to pay each installment of principal and interest on the Notes on the dates such payments are due; and

- delivers to the trustee an opinion of counsel, based on a change in tax law or a ruling from the United States Internal Revenue Service, to the effect that holders of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of the deposit, defeasance and discharge.

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Defeasance of Certain Covenants. The indenture provides that, unless otherwise provided by the terms of the Notes, upon compliance with certain conditions:

- the Issuer may omit to comply with certain restrictive covenants contained in the indenture, and
- any omission to comply with such obligations will not constitute a default or Event of Default with respect to the Notes.

When the Issuer may omit to comply with certain provisions of the indenture as provided above, we refer to it as a covenant defeasance.

The conditions require, among others, that the Issuer:

- deposit with the trustee money and/or government obligations that, through the payment of interest and principal in respect thereof, in accordance with their terms, will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent public accountants to pay each installment of principal and interest on the Notes on the dates such payments are due; and
- deliver to the trustee an opinion of counsel to the effect that holders of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of the deposit and defeasance.

Certain Definitions

Affiliate of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, control, including, with correlative meanings, the terms controlled by and under common control with, as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities or by agreement or otherwise.

Consolidated Property means any property of Harrah s Operating or any of its Subsidiaries.

Funded Debt means all Indebtedness of Harrah s Operating which (1) matures by its terms on, or is renewable at the option of any obligor thereon to, a date more than one year after the date of original issuance of such Indebtedness and (2) ranks at least *pari passu* with the Notes.

Indebtedness of any person means (1) any indebtedness of such person, contingent or otherwise, in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), or evidenced by Notes, bonds, debentures or similar instruments or letters of credit, or representing the balance deferred and unpaid of the purchase price of any property, including any such indebtedness incurred in connection with the acquisition by such person or any of its Subsidiaries of any other business or entity, if and to the extent such indebtedness would appear as a liability upon a balance sheet of such person prepared in accordance with generally accepted accounting principles, including for such purpose obligations under capitalized leases, and (2) any guarantee, endorsement (other than for collection or deposit in the ordinary course of business), discount with recourse, agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire or to supply or advance funds with respect to, or to become liable with respect to (directly or indirectly) any indebtedness, obligation, liability or dividend of any person, but shall not include indebtedness or amounts owed for compensation to employees, or for goods or materials purchased, or services utilized, in the ordinary course of business of such person. Notwithstanding anything to the contrary in the foregoing, Indebtedness shall not include (1) any contracts providing for the completion of construction or other payment or performance with respect to the construction, maintenance or improvement of, or payment of taxes, revenue share payments or other fees to governmental entities with respect to, property or equipment of Harrah s Operating or its Affiliates or (2) any contracts providing for the obligation to advance funds, property or

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services on behalf of an Affiliate of Harrah s Operating in order to maintain the financial condition of such Affiliate. For purposes of this definition of Indebtedness, a capitalized lease shall be deemed to mean a lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized.

Joint Venture means any partnership, corporation or other entity, in which up to and including 50% of the partnership interests, outstanding voting stock or other equity interests is owned, directly or indirectly, by Harrah s Operating and/or one or more of its Subsidiaries.

Lien means any mortgage, pledge, hypothecation, assignment, deposit, arrangement, encumbrance, security interest, lien (statutory or otherwise), or preference, priority or other security or similar agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

Obligations means any principal, interest, premium, if any, penalties, fees, indemnifications, reimbursements, damages or other liabilities or amounts payable under the documentation governing or otherwise in respect of any Indebtedness.

Sale and Lease-Back Transaction means any arrangement with a person (other than Harrah s Operating or any of its Subsidiaries), or to which any such person is a party, providing for the leasing to Harrah s Operating or any of its Subsidiaries for a period of more than three years of any Consolidated Property which has been or is to be sold or transferred by Harrah s Operating or any of its Subsidiaries to such person or to any other person (other than Harrah s Operating or any of its Subsidiaries), to which funds have been or are to be advanced by such person on the security of the leased property.

Stated Maturity means when used with respect to the Notes or any installment of interest thereon the date specified in the Notes as the fixed date on which the principal of the Notes or such installment of principal or interest is due and payable.

Subsidiary of any specified person means any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power for the election of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such person, or by one or more other Subsidiaries, or by such person and one or more other Subsidiaries.

Value means, with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of (1) the net proceeds of the sale or transfer of property leased pursuant to such Sale and Lease-Back Transaction or (2) the fair value, in the opinion of Harrah s Operating s Board of Directors as evidenced by a board resolution, of such property at the time of entering into such Sale and Lease-Back Transaction.

The Trustee

The trustee under the indenture is U.S. Bank National Association.

Governing Law

The indenture and the Notes are governed by, and construed in accordance with, the internal laws of the state of New York.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX MATTERS SET FORTH IN THE THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE CODE); (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUERS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUERS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the notes, but does not purport to be a complete analysis of all the potential tax considerations. This summary is based upon the Code, the Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change, possibly on a retroactive basis. This summary is limited to the tax consequences of those U.S. Holders and Non-U.S. Holders (each as defined below) who purchase notes for cash and who hold such notes as capital assets within the meaning of Section 1221 of the Code, which we refer to as Holders. This summary does not purport to deal with all aspects of U.S. federal income taxation that might be relevant to particular Holders in light of their particular investment circumstances or status, nor does it address specific tax consequences that may be relevant to particular persons (including, for example, financial institutions, broker-dealers, insurance companies, partnerships or other pass-through entities or investors or investors in such entities, expatriates, tax-exempt organizations and U.S. persons that have a functional currency other than the U.S. dollar or persons in special situations, such as those who have elected to mark securities to market or those who hold notes as part of a straddle, hedge, conversion transaction or other integrated investment). In addition, this summary does not address U.S. federal alternative minimum tax consequences or consequences under U.S. federal estate and gift tax laws or the tax laws of any state, local or foreign jurisdiction. We have not sought any ruling from the Internal Revenue Service (the IRS), with respect to the statements made and the conclusions reached in this summary, and we cannot assure you that the IRS will agree with such statements and conclusions.

This summary is for general information only. Prospective purchasers of the notes are urged to consult their independent tax advisors concerning the U.S. federal income taxation and other tax consequences to them of acquiring, owning and disposing of the notes, as well as the application of other federal tax laws and state, local and foreign income and other tax laws.

For purposes of the following summary, U.S. Holder is a Holder that is for, U.S. federal income tax purposes: (i) a citizen or individual resident of the U.S.; (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the U.S., any state thereof or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if a court within the U.S. is able to exercise primary supervision over the trust s administration and one or more U.S. persons have the authority to control all its substantial decisions or if a valid lection to be treated as U.S. person is in effect with respect to such trust. A Non-U.S. Holder is a Holder that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes.

A partnership for U.S. federal income tax purposes is not subject to income tax on income derived from holding the notes. A partner of the partnership may be subject to tax on such income under rules similar o the rules for U.S. holders or Non-U.S. Holders depending on, among other things, whether (i) the partner is a U.S. or a non-U.S. person and (ii) the partnership is or is not engaged in a U.S. trade or business to which income or gain from the notes is effectively connected. If you are a partner of a partnership acquiring notes, you should consult your tax advisor about the U.S. tax consequences of holding and disposing of the notes.

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Possible Alternative Treatment

We may be obligated to pay amounts in excess of the stated interest or principal on the notes, including as described under Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes-Option Redemption, Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes-Mandatory Redemption; Offers to Purchase; Open Market Purchases, Description of 2018(2) Second Lien Notes-Optional Redemption and Description of 2018(2) Second Lien Notes-Offers to Purchase; Open Market Purchases. These potential payments may implicate the provisions of Treasury regulations relating to contingent payment debt instruments. According to the applicable Treasury regulations, certain contingencies will not cause a debt instrument to be treated as a contingent payment debt instrument if such contingencies, as of the date of issuance, are remote or incidental. We intend to take the position that the foregoing contingencies are remote or incidental, and we do not intend to treat the notes as contingent payment debt instruments. Our position that such contingencies are remote or incidental is binding on a Holder unless such Holder discloses its contrary position in the manner required by applicable Treasury regulations. Our position is not, however, binding on the IRS, and if the IRS were to successfully challenge this position, a Holder might be required to accrue interest income at a higher rate than the stated interest rate on the notes, and to treat as ordinary interest income any gain realized on the taxable disposition of notes. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments. Holders should consult their own tax advisors regarding the possible application of the contingent payment debt instrument rules to the notes.

U.S. Holders

Payments of Stated Interest

Payments of stated interest on the notes will generally be treated as qualified stated interest for U.S. federal income tax purposes and taxable as ordinary interest income at the time they accrue or are received by a U.S. Holder in accordance with the U.S. Holder s regular method of accounting for U.S. federal income tax purposes.

Original Issue Discount

The Second Lien Notes were, and (as described in further detail below) the Reacquired Notes will be, issued with OID. As a result, U.S. Holders of the notes, regardless of the method of accounting they use, will have to include any OID in income prior to their receipt of the corresponding cash. U.S. Holders of the notes will be required to include OID in income for United States federal income tax purposes.

We will furnish annually to the IRS, and to holders of the notes, information with respect to the OID accruing while the notes are held by such holders. The notes will bear a legend setting forth information about OID, or a name and telephone number for our employee who can provide this information.

Acquisition Premium

A U.S. Holder who purchases notes for an amount that is greater than the notes adjusted issue price but less than or equal to the stated principal amount will be considered to have purchased the notes at an acquisition premium. Under the acquisition premium rules, the amount of OID that the Holder must include in its gross income with respect to the notes for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year.

Disposition of Notes

Upon the sale, exchange, redemption or other taxable disposition of notes, a U.S. Holder generally will recognize taxable gain or loss equal o the difference between (i) the sum of cash plus the fair market value of all other property received on such disposition (except to the extent such cash or property is attributable to accrued but unpaid stated interest, which will be treated as ordinary interest income to the extent not so previously taxed) and (ii) such Holder s adjusted tax basis in the notes. A U.S. Holder s adjusted tax basis in notes generally equals the cost of the notes to such Holder and reduced by any previously amortized bond premium) increased by any OID and market discount included in gross income with respect to the notes decreased by any payments (other than payments of qualified stated interest) received by such Holder with respect to the notes.

Subject to the ruled discussed below under Market Discount, gain or loss recognized on the disposition of notes generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of such disposition, the U.S. Holder s holding period for the notes is more than one year. Noncorporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses by U.S. Holders is subject to limitations under the Code.

Market Discount

The market discount on a note is the excess of the adjusted issue price of the note over the U.S. Holder s tax basis in the note immediately after its acquisition. If such market discount exceeds a statutorily defined de minimis amount, any gain recognized on the sale of the note will be treated as ordinary income rather than capital gain, to the extend of accrued market discount on the date of sale, unless the U.S. Holder has made an election to include market discount in income as it accrues. Market discount will be treated as accruing ratably over the period from the date of the U.S. Holder s acquisition of the note to the maturity date of the note or, at the election of the U.S. Holder, on a constant yield basis.

Non-U.S. Holders

Payments of Interest

Subject to the discussion of back-up withholding below, payments of interest (including OID) on the notes by us or any of our agents to a Non-U.S. Holder will not be subject to U.S. federal withholding tax under the portfolio interest exemption, provided that such payments are not effectively connected with the conduct of a U.S. trade or business conducted by the Non-U.S. Holder, and:

(1) the Non-U.S. Holder does not, directly or indirectly, actually or constructively own 10% or more of the total combined voting power of all classes of HOC s stock entitled to vote;

(2) the Non-U.S. Holder is not a controlled foreign corporation for U.S. federal income tax purposes that is related to HOC (within the meaning of Section 864(d)(4) of the Code);

(3) the Non-U.S. Holder is not a bank described in Section 881(c)(3)(A) of the Code; and

(4) either (a) the beneficial owner of the notes certifies to us or our agent on IRS Form W-8BEN (or a suitable substitute form or successor form), under penalties of perjury, that it is not a U.S. Person (as defined in the Code) and provides its name and address, or (b) a securities clearing organization, bank or other financial institution that holds customers securities in the ordinary course of its trade or business (a financial institution) and holds the notes on behalf of the beneficial owner certifies to us or our agent, under penalties of perjury, that such a certification has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes us with a copy thereof.

If a Non-U.S. Holder cannot satisfy the requirements of the portfolio interest exemption, payments of interest (including OID but excluding any pre-issuance accrued interest you received on the first stated interest payment date) made to such Non-U.S. Holder will be subject to a 30% U.S. federal withholding tax unless the beneficial owner of the notes provides us or our agent, as the case may be, with a properly executed:

(1) IRS Form W-9BEN (or successor form) claiming, under penalties of perjury, an exemption from, or reduction in, withholding tax under an applicable treaty (a Treaty Exemption), or

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(2) IRS Form W-8ECI (or successor form) stating that interest paid on the notes is not subject to withholding tax because it is effectively connected with a U.S. trade or business of the beneficial owner (in which case such interest will be subject to regular graduated U.S. tax rates as described below).

The certification requirement described above also may require a Non-U.S. Holder that provides an IRS form to also provide its U.S. taxpayer identification number.

We suggest that you consult your tax advisor about the specific methods for satisfying these requirements. A claim for exemption will not be valid if the person receiving the applicable form has actual knowledge or reason to know that the statements on the form are false.

If interest (including OID on the notes is effectively connected with a U.S. trade or business of the beneficial owner, the Non-U.S. Holder, although exempt from the withholding tax described above, will be subject to U.S. federal income tax on such interest on a net income basis generally in the same manner as if it were a U.S. Holder, unless an applicable income tax treaty provides otherwise. In addition, if such Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, interest on the notes which is effectively connected with a U.S. trade or business will be included in such foreign corporation s earnings and profits.

Disposition of Notes

Except as described below under Information Reporting and Backup Withholding Non-U.S. Holders, no withholding of U.S. federal income tax will be required with respect to any gain realized by a Non-U.S. Holder upon the sale, exchange or disposition of notes.

A Non-U.S. Holder will not be subject to U.S. federal income tax on gain realized on the sale, exchange or other disposition of notes unless the Non-U.S. Holder is an individual who is present in the U.S. for a period or periods aggregating 183 or more days in the taxable year of the disposition and certain other conditions are met or such gain is effectively connected with a U.S. trade or business conducted by the Non-U.S. Holder (and, if required by an applicable treaty, is attributable to a U.S. permanent establishment or fixed base maintained by the Non-U.S. Holder).

Information Reporting and Backup Withholding

U.S. Holders

For each calendar year in which the notes are outstanding, we are required to provide the IRS with certain information, including the beneficial owner s name, address and taxpayer identification number, the aggregate amount of interest (including OID but excluding any pre-issuance accrued interest you received on the first stated interest payment date) paid to that beneficial owner during the calendar year and the amount of tax withheld, if any.

In the event that U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law, is notified by the IRS that it is subject to backup withholding because it previously failed to properly report payments of interest or dividends or fails to certify, under penalties of perjury, that it has furnished the correct taxpayer identification number and that it has not been notified by the IRS that it is not subject to backup withholding, we, our agent or the paying agents, or a broker may be required to withhold tax at a rate of 28% of each payment of interest on the notes and on the proceed from a sale (including a retirement, redemption or other taxable disposition) of the notes. The backup withholding obligation, however, does not apply with respect to certain payments to U.S. Holders, including corporations and tax-exempt organizations, provided that they establish entitlement to an exemption. This backup withholding is not an additional tax and may be refunded or credited against the U.S. Holder s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

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Non-U.S. Holders

U.S. backup withholding tax will not apply to payments on notes or proceeds from the sale (including a retirement, redemption or other taxable disposition) of notes payable to a Non-U.S. Holder if the certification described in Non-U.S. Holders Payments of Interest is duly provided by such Non-U.S. Holder or the Non-U.S. Holder otherwise establishes an exemption, provided that the payor does not have actual knowledge that the Holder is a U.S. Person or that the conditions of any claimed exemption are not satisfied. Certain information reporting may still apply to interest payments (including OID but excluding any pre-issuance accreted interest your received on the first stated interest payment date) even if an exemption from backup withholding is established. Copies of any information returns may also be made available to the tax authorities in the country in which a Non-U.S. Holder resides under the provisions of an applicable treaty.

Any amounts withheld under the backup withholding tax rules from a payment to a Non-U.S. Holder will be allowed as a refund, or a credit against such Non-U.S. Holder s U.S. federal income tax liability, provided that the requisite procedures are followed.

The Company

Harrah s BC, Inc. acquired certain of the notes pursuant to open market purchases and tender offers. Because Harrah s BC, Inc. is a related party to Harrah s Operating for U.S. federal income tax purposes, the acquisitions by Harrah s BC, Inc. were treated as if Harrah s Operating reacquired these notes (the Reacquired Notes). As a result, any sale by Harrah s BC, Inc. of such Reacquired Notes would be treated as if Harrah s Operating reissued such Reacquired Notes for a new issue price equal to the amount of cash paid by a Holder for such Reacquired Notes. To the extent that this new issue price is less than the stated principal amount of such Reacquired Notes by more than a de minimis amount, the Reacquired Notes would have OID and thus would not be fungible with the other notes.

Applicable High Yield Discount Obligations

If the Reacquired Notes are sold by Harrah s BC, Inc. for an amount that is less than their principal amount and such amount exceeds a de minimis threshold, then the Reacquired Notes would be treated as issued with OID equal to the excess of the stated principal amount of Reacquired Notes over the new issue price. Consequently, Holders of the Reacquired Notes would be required to include OID into income in the manner described above (depending on whether such Holder is a U.S. Holder or Non-U.S. Holder).

If the new yield-to-maturity on a Reacquired Note exceeds the AFR plus 5 percentage points, the Reacquired Note would be treated as an applicable high yield discount obligation and we would not be allowed to take a deduction for OID attributable to such Reacquired Note until such time that the OID is actually paid in cash or other property. If the new yield-to-maturity on a Reacquired Note exceeds the sum of (i) the AFR and (ii) 6 percentage points, any deductions of interest attributable to such excess yield-to-maturity would be permanently disallowed.

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SELLING SECURITY HOLDERS

The notes were originally issued in transactions exempt from the registration requirements of the Securities Act. Each institution that has provided us with the information specified below and such selling security holder may from time to time offer and sell pursuant to this prospectus or a supplement hereto any or all notes held by such selling security holder.

The following table sets forth information with respect to the selling security holders and the principal amounts of notes beneficially owned by each selling security holder that may be offered under this prospectus. This information is based on information provided by, or on behalf of, the selling security holders.

The selling security holders may offer all, some or none of the notes.

Name	Principal Amount of Notes Owned Prior to the Offering		Principal Amount of Notes to be Offered	Principal Amount of Notes to be Owned After the Offering
Hamlet Tender, LLC[1]	$ 3,913,000	2015 Second Lien Notes	$ 3,913,000	$ 0
	5,595,000	2018(1) Second Lien Notes	5,595,000	0
	51,275,000	2018(2) Second Lien Notes	51,275,000	0
	11,597,000	2015 Senior Notes	11,597,000	0
	2,243,000	2016 Senior Notes	2,243,000	0
	6,817,000	2017 Senior Notes	6,817,000	0
Apollo Hamlet Holdings B, LLC[1]	6,029,000	2015 Second Lien Notes	6,029,000	0
	8,626,000	2018(1) Second Lien Notes	8,626,000	0
	79,079,000	2018(2) Second Lien Notes	79,079,000	0
	17,889,000	2015 Senior Notes	17,889,000	0
	3,458,000	2016 Senior Notes	3,458,000	0
	10,513,000	2017 Senior Notes	10,513,000	0
Hamlet FW, LLC[2]	9,942,000	2015 Second Lien Notes	9,942,000	0
	14,223,000	2018(1) Second Lien Notes	14,223,000	0
	130,351,000	2018(2) Second Lien Notes	130,351,000	0
	29,486,000	2015 Senior Notes	29,486,000	0
	5,701,000	2016 Senior Notes	5,701,000	0
	17,329,000	2017 Senior Notes	17,329,000	0
Co-Invest Hamlet Holdings 1, LLC[3]	1,783,000	2015 Second Lien Notes	1,783,000	0
	2,550,000	2018(1) Second Lien Notes	2,550,000	0
	23,378,000	2018(2) Second Lien Notes	23,378,000	0
Co-Invest Hamlet Holdings 2, LLC[3]	539,000	2015 Second Lien Notes	539,000	0
	771,000	2018(1) Second Lien Notes	771,000	0
	7,063,000	2018(2) Second Lien Notes	7,063,000	0
Harrah s BC, Inc.[4]	339,922,000	2015 Senior Notes	339,922,000	0
	213,118,000	2016 Senior Notes	300,902,000	0
	300,902,000	2017 Senior Notes	213,118,000	0

(1) Each of Apollo Tender, LLC and Apollo Hamlet Holdings B, LLC is an affiliate of, and is controlled by, affiliates of Apollo. The address of each of Apollo Tender, LLC and Apollo Hamlet Holdings B, LLC is c/o Apollo Global Management, LLC, 9 West 57th Street, New York, New York 10019.

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(2) Hamlet FW, LLC is an affiliate of, and is controlled by, affiliates of TPG. The address of Hamlet FW, LLC is c/o TPG Capital, L.P., 301 Commerce Street, Suite 3300, Forth Worth, Texas 76102.

(3) Co-Invest Hamlet Holdings 1, LLC and Co-Invest Hamlet Holdings 2, LLC are beneficially owned by certain of Apollo s and TPG s co-investors that also hold non-voting capital stock in Harrah s Entertainment, Inc. The disposition of the securities listed above that are held by Co-Invest Hamlet Holdings 1, LLC and Co-Invest Hamlet Holdings 2, LLC is jointly controlled by Apollo and TPG. The address is Co-Invest Hamlet Holdings 1, LLC is c/o Harrah s Entertainment, Inc., One Caesars Palace Drive, Las Vegas, Nevada 89109.

(4) Harrah s BC, Inc. is a wholly owned subsidiary of Harrah s Entertainment, Inc. that is side-by-side with Harrah s Operating. See Security Ownership of Certain Beneficial Owners and Management for information regarding the beneficial ownership of Harrah s Entertainment. The address of Harrah s BC, Inc. is c/o Harrah s Entertainment, Inc., One Caesars Palace Drive, Las Vegas, Nevada 89109.

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PLAN OF DISTRIBUTION

The selling security holders and their successors, which term includes their transferees, pledgees and donees and their successors, may sell the notes directly to purchasers or through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, concessions or commissions from the selling security holders or the purchasers. These discounts, concessions or commissions as to any particular underwriter, broker-dealer or agent may be in excess of those customary in the types of transactions involved.

The securities may be sold in one or more transactions at:

- fixed prices;
- prevailing market prices at the time of sale;
- prices related to the prevailing market prices;
- varying prices determined at the time of sale; or
- negotiated prices.

These sales may be effected in transactions:

- in the over-the-counter market;
- otherwise than in the over-the-counter market;
- through the writing of options; or
- through the settlement of short sales.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as agent on both sides of the trade. In connection with the sale of the notes, the selling security holders may enter into hedging transactions with broker-dealers or other financial institutions. The selling security holders may also sell the notes short and deliver these securities to close out such short positions, or loan or pledge the notes to broker-dealers that in turn may sell these securities.

The aggregate proceeds to the selling security holders form the sale of the notes offered by them hereby will be the purchase price of the notes less discounts and commissions, if any. We will not receive any of the proceeds from this offering.

We do not intend to list the notes for trading on any national securities exchange or on the New York Stock Exchange and can give no assurance about the development of any trading market for the notes. In order to comply with the securities laws of some states, if applicable, the notes may be sold in such jurisdictions only through registered or licensed brokers or dealers.

Broker-dealers or agents who participate in the sale of the notes are underwriters within the meaning of Section 2(a)(11) of the Securities Act. Selling security holders who participate in the sale of the notes may also be deemed to be underwriters within the meaning of Section 2(a)(11) of the Securities Act. Profits on the sale of the notes and the underlying common stock by selling security holders and any discounts, commissions or concessions received by any broker-dealers or agents might be deemed to be underwriting discounts and commissions under the Securities Act. Selling security holders who are deemed to be underwriters within the meaning of Section 2(a)(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. To the extent the selling security holders are deemed to be underwriters, they may be subject to statutory liabilities, including, but not limited to, Sections 11, 12 and 17 of the Securities Act.

The selling security holders and any other person participating in a distribution are subject to applicable provisions of the Exchange Act and the rules and regulations thereunder. Regulation M of the Exchange Act may

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limit the timing of purchases and sales of any of the securities by the selling security holders and any other person. In addition, Regulation M may restrict the ability of any person engaged in the distribution of the securities to engage in market-making activities with respect to the particular securities being distributed for a period of up to five business days before the distribution. The selling security holders have acknowledged that they understand their obligations to comply with the provisions of the Exchange Act and the rules thereunder relating to stock manipulation, particularly Regulation M, and have agreed that they will not engage in any transaction in violation of such provisions.

A selling security holder may decide not to sell any notes described in this prospectus. We cannot assure holders that any selling security holder will use this prospectus to sell any or all of the notes. Any securities covered by this prospectus which qualify for sale pursuant to Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than pursuant to this prospectus. In addition, a selling security holder may transfer, devise or gift the notes by other means not described in this prospectus.

With respect to a particular offering of the notes, to the extent required, an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement of which this prospectus is a part will be prepared and will set forth the following information:

- the specific notes to be offered and sold;
- the names of the selling security holders;
- the respective purchase prices and public offering prices and other material terms of the offering;
- the names of any participating agents, broker-dealers or underwriters; and
- any applicable commissions, discounts, concessions and other items constituting, compensation from the selling security holders.

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LEGAL MATTERS

The validity of the notes and the enforceability of obligations under the notes and guarantees being issued are being passed upon for us by O Melveny & Myers LLP, New York, New York.

EXPERTS

The consolidated financial statements as of December 31, 2009 and December 31, 2008 (Successor Company) and for the year ended December 31, 2009 (Successor Company), the period January 28, 2008 through December 31, 2008 (Successor Company), the period January 1, 2008 through January 27, 2008 (Predecessor Company), and the year ended December 31, 2007 (Predecessor Company), included in this prospectus, and the related consolidated financial statement schedule included elsewhere in the Registration Statement, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the Registration Statement. Such consolidated financial statements and consolidated financial statement schedule have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual and quarterly reports and other information with the SEC. You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C., 20549. Please call 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our filings will also be available to the public from commercial document retrieval services and at the web site maintained by the SEC at http://www.sec.gov. Our reports and other information that we have filed, or may in the future file, with the SEC are not incorporated by reference into and do not constitute part of this prospectus.

We have filed a registration statement on Form S-1 to register with the SEC the notes for resale. This prospectus is part of that registration statement. As allowed by the SEC s rules, this prospectus does not contain all of the information you can find in the registration statement or the exhibits to the registration statement. You should note that where we summarize in this prospectus the material terms of any contract, agreement or other document filed as an exhibit to the registration statement, the summary information provided in the prospectus is less complete than the actual contract, agreement or document. You should refer to the exhibits filed to the registration statement for copies of the actual contract, agreement or document.

We have not authorized anyone to give you any information or to make any representations about us or the transactions we discuss in this prospectus other than those contained in this prospectus. If you are given any information or representations about these matters that is not discussed in this prospectus, you must not rely on that information. This prospectus is not an offer to sell or a solicitation of an offer to buy securities anywhere or to anyone where or to whom we are not permitted to offer or sell securities under applicable law.

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HARRAH S ENTERTAINMENT, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Harrah s Entertainment, Inc.

Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Harrah s Entertainment, Inc. and subsidiaries (the Company) as of December 31, 2009 (Successor Company) and December 31, 2008 (Successor Company), and the related consolidated statements of operations, stockholders (deficit)/equity and comprehensive (loss)/income, and cash flows for the year ended December 31, 2009 (Successor Company), the period January 28, 2008 through December 31, 2008 (Successor Company), the period January 1, 2008 through January 27, 2008 (Predecessor Company), and the year ended December 31, 2007 (Predecessor Company). Our audits also included the consolidated financial statement schedule listed at Item 16(b). These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Harrah s Entertainment, Inc. and subsidiaries as of December 31, 2009 (Successor Company) and December 31, 2008 (Successor Company), and the results of their operations and their cash flows for the year ended December 31, 2009 (Successor Company), the period January 28, 2008 through December 31, 2008 (Successor Company), the period January 1, 2008 through January 27, 2008 (Predecessor Company), and the year ended December 31, 2007 (Predecessor Company), in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada

March 9, 2010

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HARRAH S ENTERTAINMENT, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

	December 31, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 918.1	$ 650.5
Receivables, less allowance for doubtful accounts of $207.1 and $201.4	323.5	394.0
Deferred income taxes	148.2	157.6
Prepayments and other	156.4	199.4
Inventories	52.7	62.7
Total current assets	1,598.9	1,464.2
Land, buildings, riverboats and equipment		
Land and land improvements	7,291.9	7,310.8
Buildings, riverboats and improvements	8,896.2	8,860.8
Furniture, fixtures and equipment	2,029.1	1,888.1
Construction in progress	988.8	821.7
	19,206.0	18,881.4
Less: accumulated depreciation	(1,281.2)	(614.3)
	17,924.8	18,267.1
Assets held for sale	16.7	49.3
Goodwill	3,456.9	4,902.2
Intangible assets other than goodwill	4,951.3	5,307.9
Investments in and advances to non-consolidated affiliates	94.0	30.4
Deferred charges and other	936.6	1,027.5
	$ 28,979.2	$ 31,048.6
Liabilities and Stockholders Deficit		
Current liabilities		
Accounts payable	$ 260.8	$ 382.3
Interest payable	195.6	417.7
Accrued expenses	1,074.8	1,115.0
Current portion of long-term debt	74.3	85.6
Total current liabilities	1,605.5	2,000.6
Long-term debt	18,868.8	23,123.3
Deferred credits and other	872.5	669.1
Deferred income taxes	5,856.9	4,327.0
	27,203.7	30,120.0
Preferred stock; $0.01 par value; 40,000,000 shares authorized, 19,893,515 and 19,912,447 shares issued and outstanding (net of 42,020 and 23,088 shares held in treasury) as of December 31, 2009 and 2008, respectively	2,642.5	2,289.4
Stockholders deficit		
Common stock, non-voting and voting; $0.01 par value; 80,000,020 shares authorized; 40,672,302 and 40,711,008 shares issued and outstanding (net of 85,907 and 47,201 shares held in treasury) as of December 31, 2009 and 2008, respectively	0.4	0.4

Additional paid-in capital	3,480.0	3,825.1
Accumulated deficit	(4,269.3)	(5,096.3)
Accumulated other comprehensive loss	(134.0)	(139.6)
Total Harrah s Entertainment, Inc. Stockholders deficit	(922.9)	(1,410.4)
Non-controlling interests	55.9	49.6
Total stockholders deficit	(867.0)	(1,360.8)
	$ 28,979.2	$ 31,048.6

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

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HARRAH S ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions)

	Successor		Predecessor	
	Year Ended Dec. 31, 2009	Jan. 28, 2008 through Dec. 31, 2008	Jan. 1, 2008 through Jan. 27, 2008	Year Ended Dec. 31, 2007
Revenues				
Casino	$ 7,124.3	$ 7,476.9	$ 614.6	$ 8,831.0
Food and beverage	1,479.3	1,530.2	118.4	1,698.8
Rooms	1,068.9	1,174.5	96.4	1,353.6
Management fees	56.6	59.1	5.0	81.5
Other	592.4	624.8	42.7	695.9
Less: casino promotional allowances	(1,414.1)	(1,498.6)	(117.0)	(1,835.6)
Net revenues	8,907.4	9,366.9	760.1	10,825.2
Operating expenses				
Direct				
Casino	3,925.5	4,102.8	340.6	4,595.2
Food and beverage	596.0	639.5	50.5	716.5
Rooms	213.5	236.7	19.6	266.3
Property, general, administrative and other	2,018.8	2,143.0	178.2	2,421.7
Depreciation and amortization	683.9	626.9	63.5	817.2
Project opening costs	3.6	28.9	0.7	25.5
Write-downs, reserves and recoveries	107.9	16.2	4.7	(59.9)
Impairment of goodwill and other non-amortizing intangible assets	1,638.0	5,489.6		169.6
Loss/(income) on interests in non-consolidated affiliates	2.2	2.1	(0.5)	(3.9)
Corporate expense	150.7	131.8	8.5	138.1
Acquisition and integration costs	0.3	24.0	125.6	13.4
Amortization of intangible assets	174.8	162.9	5.5	73.5
Total operating expenses	9,515.2	13,604.4	796.9	9,173.2
(Loss)/income from operations	(607.8)	(4,237.5)	(36.8)	1,652.0
Interest expense, net of capitalized interest	(1,892.5)	(2,074.9)	(89.7)	(800.8)
Gains/(losses) on early extinguishments of debt	4,965.5	742.1		(2.0)
Other income, including interest income	33.0	35.2	1.1	43.3
Income/(loss) from continuing operations before income taxes	2,498.2	(5,535.1)	(125.4)	892.5
(Provision)/benefit for income tax	(1,651.8)	360.4	26.0	(350.1)
Income/(loss) from continuing operations, net of tax	846.4	(5,174.7)	(99.4)	542.4
Discontinued operations				
Income from discontinued operations		141.5	0.1	145.4
Provision for income taxes		(51.1)		(53.2)
Income from discontinued operations, net		90.4	0.1	92.2

Net income/(loss)	846.4	(5,084.3)	(99.3)	634.6
Less: net income attributable to non-controlling interests	(18.8)	(12.0)	(1.6)	(15.2)
Net income/(loss) attributable to Harrah s Entertainment Inc	$ 827.6	$ (5,096.3)	$ (100.9)	$ 619.4

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

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HARRAH S ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS (DEFICIT)/EQUITY AND COMPREHENSIVE (LOSS)/INCOME

(In millions)

	Common Stock		Additional	Retained Earnings/	Accumulated Other			
	Shares Outstanding	Amount	Paid-in-Capital	(Accumulated Deficit)	Comprehensive Income/(Loss)	Non-controlling Interests	Total	Comprehensive Income/(Loss)
Balance at January 1, 2007, Predecessor	186.1	$ 18.6	$ 5,148.2	$ 907.1	$ (2.8)	$ 52.4	$ 6,123.5	
Net income				619.4		15.2	634.6	$ 634.6
Pension adjustment related to London Clubs International, net of tax benefit of $0.8					(1.8)		(1.8)	(1.8)
Reclassification of loss on derivative instrument from other comprehensive income to net income, net of tax provision of $0.3					0.6		0.6	0.6
Foreign currency translation adjustments, net of tax provision of $15.5					19.4		19.4	19.4
Cash dividends				(299.2)			(299.2)	
Adjustment for initial adoption of ASC 740				(12.3)			(12.3)	
Non-controlling distributions, net of contributions						(15.4)	(15.4)	
Net shares issued under incentive compensation plans, including share-based compensation expense of $53.0 and income tax benefit of $47.7	2.7	0.3	247.2	(17.8)			229.7	
2007 Comprehensive Income, Predecessor								$ 652.8
Balance at December 31, 2007, Predecessor	188.8	18.9	5,395.4	1,197.2	15.4	52.2	6,679.1	
Net loss				(100.9)		1.6	(99.3)	$ (99.3)
Foreign currency translation adjustments, net of tax benefit of $3.1					(1.8)		(1.8)	(1.8)
Non-controlling distributions, net of contributions						(0.6)	(0.6)	
Acceleration of predecessor incentive compensation plans, including share-based compensation expense of $2.9 and income tax benefit of $65.8			156.0				156.0	
								$ (101.1)

2008 Comprehensive Loss, Predecessor								
Balance at January 27, 2008, Predecessor	188.8	18.9	5,551.4	1,096.3	13.6	53.2	6,733.4	
Redemption of Predecessor equity	(188.8)	(18.9)	(5,551.4)	(1,096.3)	(13.6)		(6,680.2)	
Issuance of Successor common stock	40.7	0.4	4,085.0				4,085.4	
Balance at January 28, 2008, Successor	40.7	0.4	4,085.0			53.2	4,138.6	
Net loss				(5,096.3)		12.0	(5,084.3)	$ (5,084.3)
Share-based compensation			14.0				14.0	

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	Common Stock		Additional	Retained	Accumulated			
	Shares Outstanding	Amount	Paid-in-Capital	Earnings/ (Accumulated Deficit)	Other Comprehensive Income/(Loss)	Non-controlling Interests	Total	Comprehensive Income/(Loss)
Debt exchange transaction, net of tax provision of $13.9			25.7				25.7	
Repurchase of treasury shares			(2.1)				(2.1)	
Cumulative preferred stock dividends			(297.8)				(297.8)	
Pension adjustment related to acquisition of London Clubs International, net of tax benefit of $3.0					(6.9)		(6.9)	(6.9)
Reclassification of loss on derivative instrument from other comprehensive income to net income, net of tax provision of $0.3					0.6		0.6	0.6
Foreign currency translation adjustments, net of tax benefit of $14.7					(31.2)	1.3	(29.9)	(29.9)
Fair market value of swap agreements, net of tax benefit of $28.2					(51.9)		(51.9)	(51.9)
Adjustment for ASC 740 tax implications			0.3				0.3	
Non-controlling distributions, net of contributions						(16.9)	(16.9)	
Fair market value of interest rate cap agreement on commercial mortgage-backed securities, net of tax benefit of $28.4					(50.2)		(50.2)	(50.2)
2008 Comprehensive Loss, Successor								$ (5,222.6)
Balance at December 31, 2008, Successor	40.7	0.4	3,825.1	(5,096.3)	(139.6)	49.6	(1,360.8)	
Net income				827.6		18.8	846.4	$ 846.4
Share-based compensation			16.4				16.4	
Repurchase of treasury shares	*	*	(1.3)				(1.3)	
Cumulative preferred stock dividends			(354.8)				(354.8)	
Related party debt exchange transaction, net of tax provision of $52.3			80.1				80.1	
					(14.1)		(14.1)	(14.1)

Pension adjustment, net of tax benefit of $7.1				
Foreign currency translation adjustments, net of tax provision of $9.4	19.0	4.8	23.8	23.8
Fair market value of swap agreements, net of tax benefit of $14.6	(27.7)		(27.7)	(27.7)

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	Common Stock Shares Outstanding	Common Stock Amount	Additional Paid-in-Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interests	Total	Comprehensive Income/(Loss)
Adjustment for ASC 740 tax implications			(2.4)				(2.4)	
Purchase of additional interest in subsidiary			(83.7)			(3.3)	(87.0)	
Non-controlling distributions, net of contributions						(14.0)	(14.0)	
Fair market value of interest rate cap agreements on commercial mortgage backed securities, net of tax provision of $8.8					15.7		15.7	15.7
Reclassification of loss on interest rate cap agreement from other comprehensive income to interest expense					12.1		12.1	12.1
Reclassification of loss on interest rate locks from other comprehensive loss to interest expense, net of tax provision of $0.2					0.6		0.6	0.6
Other			0.6	(0.6)				
2009 Comprehensive Income, Successor								$ 856.8
Balance at December 31, 2009, Successor	40.7	$ 0.4	$ 3,480.0	$ (4,269.3)	$ (134.0)	$ 55.9	$ (867.0)	

* Amounts round to zero and do not change rounded totals.

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

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HARRAH S ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Successor		Predecessor	
	2009	Jan. 28, 2008 through Dec. 31, 2008	Jan. 1, 2008 through Jan. 27, 2008	2007
Cash flows provided by/(used in) operating activities				
Net income/(loss).	$ 846.4	$ (5,084.3)	$ (99.3)	$ 634.6
Adjustments to reconcile net income/(loss) to cash flows provided by operating activities:				
Loss/(income) from discontinued operations, before income taxes		(141.5)	(0.1)	(145.4)
Gain on liquidation of LCI Fifty	(9.0)			
Income from insurance claims for hurricane damage		(185.4)		(130.3)
(Gains)/losses on early extinguishments of debt	(4,965.5)	(742.1)		2.0
Depreciation and amortization	1,145.2	1,027.3	104.9	905.8
Non-cash write-downs, reserves and recoveries, net	32.0	51.7	(0.1)	26.2
Impairment of intangible assets	1,638.0	5,489.6		169.6
Share-based compensation expense	16.4	15.8	50.9	53.0
Deferred income taxes	1,541.2	(466.7)	(19.0)	(35.0)
Tax benefit from stock equity plans			42.6	1.8
Insurance proceeds for business interruption from hurricane losses		97.9		119.1
Net change in long-term accounts	74.7	(80.1)	68.3	(45.1)
Net change in working capital accounts	(117.4)	403.4	(167.6)	(171.3)
Other	18.2	136.5	26.6	123.8
Cash flows provided by operating activities	220.2	522.1	7.2	1,508.8
Cash flows provided by/(used in) investing activities				
Land, buildings, riverboats and equipment additions, net of change in construction payables	(464.5)	(1,181.4)	(125.6)	(1,376.7)
Insurance proceeds for hurricane losses for discontinued operations		83.3		13.4
Insurance proceeds for hurricane losses for continuing operations		98.1		15.7
Payment for Acquisition		(17,490.2)		
Payments for businesses acquired, net of cash acquired			0.1	(584.3)
Purchase of non-controlling interest in subsidiary				(8.5)
Investments in and advances to non-consolidated affiliates	(66.9)	(5.9)		(1.8)
Proceeds from other asset sales	20.0	5.1	3.1	99.6
Other	(11.9)	(23.2)	(1.7)	(81.0)
Cash flows used in investing activities	(523.3)	(18,514.2)	(124.1)	(1,923.6)
Cash flows provided by/(used in) financing activities				
Proceeds from issuance of long-term debt	2,259.6	21,524.9		
Debt issuance costs	(76.4)	(644.5)		(6.4)
Borrowings under lending agreements	3,076.6	433.0	11,316.3	39,130.8
Repayments under lending agreements	(3,535.1)	(6,760.5)	(11,288.8)	(37,619.5)
Cash paid in connection with early extinguishments of debt	(1,003.5)	(2,167.4)	(87.7)	(120.1)
Scheduled debt retirements	(45.5)	(6.5)		(1,001.7)
Payment to bondholders for debt exchange		(289.0)		
Dividends paid				(299.2)
Equity contribution from buyout		6,007.0		
Purchase of additional interest in subsidiary	(83.7)			
Non-controlling interests distributions, net of contributions	(17.2)	(14.6)	(1.6)	(20.0)
Proceeds from exercises of stock options			2.4	126.2

Excess tax (provision)/benefit from stock equity plans		(50.5)	77.5	51.7
Repurchase of treasury shares	(3.0)	(3.6)		
Other	(1.1)	(1.3)	(0.8)	(5.3)
Cash flows provided by financing activities	570.7	18,027.0	17.3	236.5
Cash flows from discontinued operations				
Cash flows from operating activities		4.7	0.5	88.9
Cash flows from investing activities				(0.2)
Cash flows provided by discontinued operations		4.7	0.5	88.7
Net increase/(decrease) in cash and cash equivalents	267.6	39.6	(99.1)	(89.6)
Cash and cash equivalents, beginning of period	650.5	610.9	710.0	799.6
Cash and cash equivalents, end of period	$ 918.1	$ 650.5	$ 610.9	$ 710.0

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

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HARRAH S ENTERTAINMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In these footnotes, the words Company, Harrah s Entertainment, we, our and us refer to Harrah s Entertainment, Inc., a Delaware corporation, and its wholly-owned subsidiaries, unless otherwise stated or the context requires otherwise.

Note 1 Summary of Significant Accounting Policies

BASIS OF PRESENTATION AND ORGANIZATION. As of December 31, 2009, we owned, operated or managed 52 casinos, primarily under the Harrah s, Caesars and Horseshoe brand names in the United States. Our casino entertainment facilities include 33 land-based casinos, 12 riverboat or dockside casinos, three managed casinos on Indian lands in the United States, one managed casino in Canada, one combination thoroughbred racetrack and casino, one combination greyhound racetrack and casino, and one combination harness racetrack and casino. Our 33 land-based casinos include one in Uruguay, nine in England, one in Scotland, two in Egypt and one in South Africa. We view each property as an operating segment and aggregate all operating segments into one reporting segment.

On January 28, 2008, Harrah s Entertainment was acquired by affiliates of Apollo Global Management, LLC (Apollo) and TPG Capital, LP (TPG) in an all cash transaction, hereinafter referred to as the Acquisition. Although Harrah s Entertainment continued as the same legal entity after the Acquisition, the accompanying Consolidated Statement of Operations, the Consolidated Statement of Cash Flows and the Consolidated Statements of Stockholders (Deficit)/Equity and Comprehensive (Loss)/Income for the year ended December 31, 2008 are presented as the Predecessor period for the period prior to the Acquisition and as the Successor period for the period subsequent to the Acquisition. As a result of the application of purchase accounting as of the Acquisition date, the consolidated financial statements for the Successor periods and the Predecessor periods are presented on different bases and are, therefore, not comparable.

PRINCIPLES OF CONSOLIDATION. Our Consolidated Financial Statements include the accounts of Harrah s Entertainment and its subsidiaries after elimination of all significant intercompany accounts and transactions.

We consolidate into our financial statements the accounts of all wholly-owned subsidiaries, and any partially-owned subsidiary that we have the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50% owned are consolidated, investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method, and investments in affiliates of 20% or less are accounted for using the cost method.

We also consolidate into our financial statements the accounts of any variable interest entity for which we are determined to be the primary beneficiary. Up through and including December 31, 2009, we analyzed our variable interests to determine if the entity that is party to the variable interest is a variable interest entity in accordance with Accounting Standards Codification (ASC) 810, Consolidation. Our analysis included both quantitative and qualitative reviews. Quantitative analysis is based on the forecasted cash flows of the entity. Qualitative analysis is based on our review of the design of the entity, its organizational structure including decision-making ability, and financial agreements. Based on these analyses, there were no consolidated variable interest entities that were material to our consolidated financial statements.

As discussed in Note 2, Recently Issued Accounting Pronouncements, we adopted the provisions of Accounting Standards Update (ASU) 2009-17 (Topic 810) effective January 1, 2010.

CASH AND CASH EQUIVALENTS. Cash includes the minimum cash balances required to be maintained by state gaming commissions or local and state governments, which totaled approximately

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$25.0 million and $27.4 million at December 31, 2009 and 2008, respectively. Cash equivalents are highly liquid investments with an original maturity of less than three months and are stated at the lower of cost or market value.

ALLOWANCE FOR DOUBTFUL ACCOUNTS. We reserve an estimated amount for receivables that may not be collected. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves.

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

LAND, BUILDINGS, RIVERBOATS AND EQUIPMENT. As a result of the application of purchase accounting, land, buildings, riverboats and equipment were recorded at their estimated fair value and useful lives as of the Acquisition date. Additions to land, buildings, riverboats and equipment subsequent to the Acquisition are stated at cost. We capitalize the costs of improvements that extend the life of the asset. We expense maintenance and repair costs as incurred. Gains or losses on the dispositions of land, buildings, riverboats or equipment are included in the determination of income. Interest expense is capitalized on internally constructed assets at our overall weighted-average borrowing rate of interest. Capitalized interest amounted to $32.4 million for the year ended December 31, 2009, $53.3 million for the period from January 28, 2008 through December 31, 2008, $2.7 million for the period from January 1, 2008 through January 27, 2008 and $20.4 million for the year ended December 31, 2007, respectively.

We depreciate our buildings, riverboats and equipment for book purposes using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Buildings and improvements	5 to 40 years
Riverboats and barges	30 years
Furniture, fixtures and equipment	2 $^{1}/2$ to 20 years

We review the carrying value of land, buildings, riverboats 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. In cases where 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 estimated fair value of the asset. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effect of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the operating unit level, which for most of our assets is the individual property.

Assets held for sale at December 31, 2009 primarily consisted of the building in Memphis, Tennessee which previously housed a majority of the corporate functions. The sale of this building closed in January 2010. Also in January 2010, we closed Bill s Lake Tahoe and later sold the property in February 2010. Neither the financial position of Bill s Lake Tahoe as of December 31, 2009, nor the results of operations for the three years then ended are material to the consolidated financial statements. As a result, Bill s Lake Tahoe has not been included in either assets held for sale or discontinued operations.

GOODWILL AND OTHER INTANGIBLE ASSETS. The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values after review and consideration of relevant information including discounted cash flows, quoted market prices and estimates made by management. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is recorded as goodwill.

We determine the estimated fair value of each reporting unit as a function, or multiple, of earnings before interest, taxes, depreciation and amortization (EBITDA), combined with estimated future cash flows discounted at rates commensurate with the Company s capital structure and the prevailing borrowing rates within the casino industry in general. Both EBITDA multiples and discounted cash flows are common measures used to value and buy or sell cash-intensive businesses such as casinos. We determine the estimated fair values of our non-amortizing intangible assets other than goodwill by using the relief from royalty method under the income approach. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the operating unit level, which for most of our assets is the individual casino.

During the fourth quarter of each year, we perform annual assessments for impairment of goodwill and other intangible assets that are not subject to amortization as of September 30. We perform assessments for impairment of goodwill and other intangible assets more frequently if impairment indicators exist. The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results, valuation multiples and discount rates of each reporting unit, to determine their estimated fair value. Changes in these assumptions can materially affect these estimates. Once an impairment of goodwill or other intangible assets has been recorded, it cannot be reversed.

See Note 4, Goodwill and Other Intangible Assets, for additional discussion of goodwill and other intangible assets.

UNAMORTIZED DEBT ISSUE COSTS. Debt discounts or premiums incurred in connection with the issuance of debt are capitalized and amortized to interest expense using the effective interest method. Debt issue costs are amortized to interest expense based on the related debt agreements using the straight-line method, which approximates the effective interest method. Unamortized discounts or premiums are written off and included in our gain or loss calculations to the extent we retire debt prior to its original maturity date. Unamortized deferred financing charges are included in Deferred charges and other in our Consolidated Balance Sheets.

DERIVATIVE INSTRUMENTS. We account for derivative instruments in accordance with ASC 815, Derivatives and Hedging), which requires that all derivative instruments be recognized in the financial statements at fair value. Any changes in fair value are recorded in the statements of operations or in other comprehensive income/(loss) within the equity section of the balance sheets, depending upon whether or not the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair values of our derivative instruments are based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts.

Our derivative instruments contain a credit risk that the counterparties may be unable to meet the terms of the agreements. We minimize that risk by evaluating the creditworthiness of our counterparties, which are limited to major banks and financial institutions. Our derivatives are recorded at their fair values, adjusted for the credit rating of the counterparty if the derivative is an asset, or adjusted for the credit rating of the Company if the derivative is a liability. See Note 6, Debt, for additional discussion of our derivative instruments.

TOTAL REWARDS POINT LIABILITY PROGRAM. 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 forfeitures (referred to as 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 direct Casino expense in our Consolidated Statements of Operations. 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, 2009 and 2008, in Accrued expenses, we had accrual balances of $53.2 million and $64.7 million, respectively, for the estimated cost of Total Rewards credit redemptions.

In addition to reward credits, customers at certain of our properties can earn points based on play that are redeemable in cash (cash-back points). In 2007, certain of our properties introduced a modification to the cash-back program whereby points are redeemable in playable credits at slot machines where, after one play-through, the credits can be cashed out. We accrue the cost of cash-back points and the modified program, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowance in our Consolidated Statements of Operations. At December 31, 2009 and 2008, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $2.8 million and $9.3 million, respectively.

SELF-INSURANCE ACCRUALS. We are self-insured up to certain limits for costs associated with general liability, workers compensation and employee health coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. In estimating our liabilities, we consider historical loss experience and make judgments about the expected levels of costs per claim. We also rely on actuarial consultants to assist in the determination of such accruals. Our accruals are estimated based upon actuarial estimates of undiscounted claims, including those claims incurred but not reported. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals; however, changes in health care costs, accident frequency and severity and other factors can materially affect the estimate for these liabilities.

REVENUE RECOGNITION. Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers possession. Food and beverage, rooms, and other operating revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer.

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances is included in casino expenses as follows:

	Successor		Predecessor	
(In millions)	**2009**	**Jan. 28, 2008 through Dec. 31, 2008**	**Jan. 1, 2008 through Jan. 27, 2008**	**2007**
Food and beverage	$ 473.4	$ 500.6	$ 42.4	$ 582.9
Rooms	190.4	168.7	12.7	192.3
Other	70.6	88.6	5.5	95.6
	$ 734.4	$ 757.9	$ 60.6	$ 870.8

ADVERTISING. The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense was $188.2 million for the year ended December 31, 2009, $253.7 million for the period from January 28, 2008 through December 31, 2008, $20.9 million for the period from January 1, 2008 through January 27, 2008, and $294.9 million for the year ended December 31, 2007, respectively.

INCOME TAXES. We are subject to income taxes in the United States (including federal and state) and numerous foreign jurisdictions in which we operate. We record income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards. ASC 740, Income

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Taxes, requires a reduction of the carrying amounts of deferred tax assets by a valuation allowance if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the ASC 740 more likely than not realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss and tax credit carryforwards not expiring unused, and tax planning alternatives.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We have previously provided a valuation allowance on foreign tax credits, certain foreign and state net operating losses (NOLs), and other deferred foreign and state tax assets. U.S. tax rules require us to allocate a portion of our total interest expense to our foreign operations for purposes of determining allowable foreign tax credits. Consequently, this decrease to taxable income from foreign operations results in a diminution of the foreign taxes available as a tax credit. Although we have consistently generated taxable income on a consolidated basis, certain foreign and state NOLs and other deferred foreign and state tax assets were not deemed realizable because they are attributable to subsidiaries that are not expected to produce future earnings. Other than these exceptions, we are unaware of any circumstances that would cause the remaining deferred tax assets to not be realizable. Further, a portion of the valuation allowance against state NOLs was removed as a result of operations and debt activity in the year ended December 31, 2009.

We adopted the directives of ASC 740 regarding uncertain income tax positions on January 1, 2007. We classify reserves for tax uncertainties within Accrued expenses and Deferred credits and other in our Consolidated Condensed Balance Sheets, separate from any related income tax payable or deferred income taxes. In accordance with ASC 740 s directives regarding uncertain tax positions, reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions, as well as potential interest or penalties associated with those liabilities.

We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. We are under regular and recurring audit by the Internal Revenue Service (IRS) on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months. As a result of the expiration of the statue of limitations and closure of IRS audits, our 2004 and 2005 federal income tax years were closed during the year ended December 31, 2009. The IRS audit of our 2006 federal income tax year also concluded during the year ended December 31, 2009. We participated in the IRS s Compliance Assurance Program (CAP) for the 2007 and 2008 tax years. Our 2007 federal income tax year has reached the IRS appeals stage of the audit process and we expect this appeal to close before March 31, 2010. Our 2008 federal income tax year is currently under post-CAP review by the IRS. We did not participate in the IRS s CAP program for our 2009 income tax year and we will not participate in the CAP program for the 2010 income tax year.

We are also subject to exam by various state and foreign tax authorities. Tax years prior to 2005 are generally closed for foreign and state income tax purposes as the statutes of limitations have lapsed. However, various subsidiaries are still capable of being examined by the New Jersey Division of Taxation for tax years beginning with 1999 due to our execution of New Jersey statute of limitation extensions.

RECLASSIFICATION. We have recast certain amounts for prior periods to conform to our 2009 presentation. We have also corrected the classification of $22.5 million in investments from short-term assets to long-term assets in our December 31, 2008 Consolidated Balance Sheet. We have concluded that this change is not material.

USE OF ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires that we 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 periods. Our actual results could differ from those estimates.

Note 2 Recently Issued Accounting Pronouncements

On July 1, 2009 the Financial Accounting Standards Board (FASB) launched the ASC a structural overhaul to U.S. GAAP that changes from a standards-based model (with thousands of individual standards) to a topical based model. For final consensuses that have been ratified by the FASB, the ASC will be updated with an Accounting Standards Update (ASU), which is assigned a number that corresponds to the year and that ASU s spot in the progression (e.g., 2010 1 will be the first ASU issued in 2010). ASUs will replace accounting changes that historically were issued as Statement of Financial Accounting Standards (SFAS), FASB Interpretations (FIN,) FASB Staff Positions (FSPs,) or other types of FASB Standards.

The following are accounting standards adopted or issued during 2009 that could have an impact on our Company.

We adopted the provisions of ASC 805, Business Combinations, on January 1, 2009. This standard establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and non-controlling interest in the acquiree and the goodwill acquired. The revision is intended to simplify existing guidance and converge rulemaking under U.S. GAAP with international accounting rules. The primary impact to our financial results will be possible charges to income tax expense for changes in deferred tax valuation allowances and income tax uncertainties related to the Acquisition.

We adopted the provision of ASC 810-10-65-1, Non-controlling Interests, on January 1, 2009. This statement requires an entity to classify non-controlling interests in subsidiaries as a separate component of equity. Additionally, transactions between an entity and non-controlling interests are required to be treated as equity transactions. As a result of the adoption of this standard, we have recast certain amounts within our 2008 and 2007 financial statements to conform to the 2009 presentation.

On January 1, 2009, we adopted the provisions of ASC 815, Derivatives and Hedging, which requires disclosures that allow financial statement users to understand (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under ASC 815 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. Because ASC 815 applies only to financial statement disclosures, it did not have a material impact on our consolidated financial position, results of operations and cash flows.

In April 2009, the FASB issued ASC 320, Investments in Debt and Equity Securities, which amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This statement did not affect our consolidated financial statements upon adoption.

In April 2009, the FASB issued ASC 825, Financial Instruments, which requires disclosures about fair value of financial instruments, whether recognized or not recognized in the statement of financial position, for interim reporting periods of publicly traded companies as well as in annual financial statements. We first adopted the required disclosure in our interim financial statements filed on Form 10-Q for the quarter and six months ended June 30, 2009.

In second quarter 2009, we adopted the provisions of ASC 855, Subsequent Events. ASC 855 establishes general standards for accounting for and disclosing events that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. We have evaluated subsequent events through March 9, 2010, which represents the date these financial statements are issued. The results of our evaluation are described further in Note 21, Subsequent Events.

In June 2009, the FASB issued ASU 2009-17 (ASC Topic 810), Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, which is effective as of January 1, 2010. The new standard amends existing consolidation guidance for variable interest entities and requires a company to perform a qualitative analysis when determining whether it must consolidate a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the company that has both the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and either the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. As a result of the adoption of ASU 2009-17, we have two joint ventures which were consolidated within our financial statements for all periods presented within the financial statements included within this Form 10-K that will no longer be consolidated beginning in January 2010. Net revenues and operating income for the year ended December 31, 2009 for these two joint ventures were approximately $40.3 million and $1.7 million, respectively. As a result, we believe the adoption of ASU 2009-17 is not material to our financial statements.

In August 2009, the FASB issued ASU 2009-05, Measuring Liabilities at Fair Value, to provide guidance on measuring the fair value of liabilities under ASC 820, Fair Value Measurements and Disclosures. The ASU clarifies that the quoted price for the identical liability, when traded as an asset in an active market, is also a Level 1 measurement for that liability when no adjustment to the quoted price is required. In the absence of a Level 1 measurement, an entity must use a valuation technique that uses a quoted price or another valuation technique consistent with the principles of Topic 820 (e.g., a market approach or an income approach). The ASU is effective for the first interim or annual reporting period beginning after ASU s issuance. The adoption of ASU 2009-05 is not material to our financial statements.

Note 3 The Acquisition

The Acquisition was completed on January 28, 2008, and was financed by a combination of borrowings under the Company s new term loan facility due 2015, the issuance of Senior Notes due 2016 and Senior PIK Toggle Notes due 2018, certain secured financing, and equity investments by Apollo and TPG, co-investors and members of management. See Note 6, Debt, for a discussion of our debt.

The purchase price was approximately $30.7 billion, including the assumption of $12.4 billion of debt and the incurrence of approximately $1.0 billion of transaction costs. All of the outstanding shares of Harrah s Entertainment stock were acquired, with shareholders receiving $90.00 in cash for each outstanding share of common stock.

As a result of the Acquisition, the issued and outstanding shares of non-voting common stock and the non-voting preferred stock of Harrah s Entertainment are owned by entities affiliated with Apollo and TPG and certain co-investors and members of management, and the issued and outstanding shares of voting common stock of Harrah s Entertainment are owned by Hamlet Holdings LLC, which is owned by certain individuals affiliated with Apollo and TPG. As a result of the Acquisition, our stock is no longer publicly traded.

The purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of the Acquisition. We determined the estimated fair values after review and consideration of relevant information including discounted cash flow analyses, quoted market prices and our own estimates. To the extent that the purchase price exceeded the fair value of the net identifiable tangible and intangible assets, such excess was recorded as goodwill. Goodwill and intangible assets that are determined to have an indefinite life are not amortized.

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The following table reconciles the purchase price and financing adjustments in connection with the Acquisition and summarizes the estimated fair values of the assets and liabilities assumed at the date of the Acquisition.

(In millions)	Predecessor January 27, 2008	Acquisition Adjustments	Successor January 28, 2008
Assets			
Current assets	$ 1,658.6	$ 696.8	$ 2,355.4
Land, buildings, riverboats and equipment	15,621.3	2,165.7	17,787.0
Long-term assets	511.5	812.9	1,324.4
Intangible assets	2,030.2	4,385.7	6,415.9
Goodwill	3,549.7	5,888.2	9,437.9
Total assets	$ 23,371.3	$ 13,949.3	$ 37,320.6
Liabilities and Stockholders Equity			
Current liabilities, including current portion of long-term debt	$ 1,797.9	$ 321.7	$ 2,119.6
Deferred income taxes	1,974.1	2,914.4	4,888.5
Long-term debt	12,367.5	11,535.0	23,902.5
Other long-term liabilities	498.4	0.6	499.0
Total liabilities	16,637.9	14,771.7	31,409.6
Minority interests	53.2		53.2
Stockholders equity, including preferred stock	6,680.2	(822.4)	5,857.8
Total liabilities and stockholders equity	$ 23,371.3	$ 13,949.3	$ 37,320.6

Of the estimated $6,415.9 million of intangible assets, $2,732.0 million was assigned to trademarks that are not subject to amortization and $1,951.0 million was assigned to gaming rights that are not subject to amortization. The remaining intangible assets include customer relationships of $1,454.5 million, contract rights estimated at $134.3 million, gaming rights estimated at $42.8 million, trademarks subject to amortization estimated at $7.8 million and internally developed information technology systems estimated at $93.5 million.

Patented technology was assigned lives ranging from 1 to 10 years based on the estimated remaining usefulness of that technology for Harrah s Entertainment. Amortizing contract rights were assigned lives based on the remaining life of the contract, including any extensions that management is probable to exercise, ranging from 11 months to 11 years. Amortizing customer relationships were given lives of 10 to 14 years based upon attrition rates and computations of incremental value derived from existing relationships.

The following unaudited pro forma consolidated financial information assumes that the Acquisition was completed at the beginning of 2008 and 2007.

(In millions)	December 31, 2008	2007
Net revenues	$ 10,127.0	$ 10,825.2
Loss from continuing operations, net of tax	$ (5,349.7)	$ (409.1)
Net loss attributable to Harrah s Entertainment, Inc.	$ (5,272.8)	$ (332.1)

Pro forma results for the year ended December 31, 2008, include non-recurring charges of $82.8 million related to the accelerated vesting of stock options, stock appreciation rights (SARs) and restricted stock and $66.8 million of legal and other professional charges related to the Acquisition. Pro forma results for the year ended December 31, 2007 included $13.4 million for costs related to the Acquisition.

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The unaudited pro forma results are presented for comparative purposes only. The pro forma results are not necessarily indicative of what our actual results would have been had the Acquisition been completed at the beginning of the periods, or of future results.

Note 4 Goodwill and Other Intangible Assets

We account for our goodwill and other intangible assets in accordance with ASC 350, Intangible Assets Goodwill and Other, which provides guidance regarding the recognition and measurement of intangible assets and requires assessments for impairment of intangible assets that are not subject to amortization at least annually.

The following table sets forth changes in our goodwill:

(In millions)	
Balance at December 31, 2007 (Predecessor)	$ 3,553.6
Additions or adjustments	(3.9)
Balance at January 27, 2008 (Predecessor)	3,549.7
Elimination of Predecessor goodwill	(3,549.7)
Goodwill assigned in purchase price allocation	9,437.9
Balance at January 28, 2008 (Successor)	9,437.9
Adjustments for taxes	16.3
Foreign currency translation	(14.1)
Impairments of goodwill	(4,537.9)
Balance at December 31, 2008 (Successor)	4,902.2
Additions or adjustments	
Impairments of goodwill	(1,445.3)
Balance at December 31, 2009	$ 3,456.9

During the fourth quarter of each year, we perform annual assessments for impairment of goodwill and other intangible assets that are not subject to amortization as of September 30. We perform assessments for impairment of goodwill and other intangible assets more frequently if impairment indicators exist. For our assessment, we determine the estimated fair value of each reporting unit as a function, or multiple, of EBITDA, combined with estimated future cash flows discounted at rates commensurate with the Company s capital structure and the prevailing borrowing rates within the casino industry in general. Both EBITDA multiples and discounted cash flows are common measures used to value and buy or sell cash-intensive businesses such as casinos. We determine the estimated fair values of our non-amortizing intangible assets by using the relief from royalty method under the income approach.

Due to the relative impact of weak economic conditions on certain properties in the Las Vegas market, we performed an interim assessment of goodwill and certain intangible assets for impairment during the second quarter of 2009 which resulted in an impairment charge of $297.1 million. During the third quarter of 2009, we completed a preliminary annual assessment of goodwill and other non-amortizing intangible assets as of September 30, 2009 which resulted in an impairment charge of $1,328.6 million. We finalized our annual assessment during the fourth quarter, and as a result of the final assessment, we recorded a charge of approximately $12.3 million, which brought the aggregate charges recorded for the year ended December 31, 2009 to approximately $1,638.0 million. These impairment charges were primarily a result of adjustments to our long-term operating plan as a result of the current economic climate.

Our 2008 analysis of goodwill and non-amortizing intangible assets reflected factors impacted by then-current market conditions, including lower valuation multiples for gaming assets, higher discount rates resulting from turmoil in the credit markets and the completion of our 2009 budget and forecasting process. This analysis

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indicated that our goodwill and other non-amortizing intangible assets were impaired. Therefore, a charge of $5,489.6 million was recorded to our consolidated condensed statement of operations in fourth quarter 2008.

Since the date of the Acquisition, we have recorded aggregate impairment charges to Goodwill of $5,983.2 million.

The table below summarizes our impairment charges for goodwill and other non-amortizing intangible assets:

	Successor		Predecessor	
(In millions)	Year Ended Dec. 31, 2009	Jan. 28, 2008 through Dec. 31, 2008	Jan. 1, 2008 through Jan. 27, 2008	Year Ended Dec. 31, 2007
Goodwill	$ 1,445.3	$ 4,537.9	$	$
Trademarks	106.7	687.0		
Gaming rights and other	86.0	264.7		169.6
Total impairment of goodwill and other non-amortizing intangible assets	$ 1,638.0	$ 5,489.6	$	$ 169.6

The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets other than goodwill:

		December 31, 2009			December 31, 2008		
(In millions)	Weighted Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets							
Customer relationships	11.7	$ 1,454.5	$ (240.8)	$ 1,213.7	$ 1,454.5	$ (115.2)	$ 1,339.3
Contract rights	5.5	130.1	(66.5)	63.6	128.8	(33.2)	95.6
Patented technology	8.0	93.5	(22.4)	71.1	93.5	(10.7)	82.8
Gaming rights	16.4	42.8	(5.0)	37.8	42.8	(2.4)	40.4
Trademarks	5.0	7.8	(3.0)	4.8	7.8	(1.4)	6.4
		$ 1,728.7	$ (337.7)	1,391.0	$ 1,727.4	$ (162.9)	1,564.5
Non-amortizing intangible assets							
Trademarks				1,937.0			2,043.1
Gaming rights				1,623.3			1,700.3
				3,560.3			3,743.4
Total intangible assets other than goodwill				$ 4,951.3			$ 5,307.9

The aggregate amortization expense for those intangible assets that continue to be amortized was $174.8 million for the year ended December 31, 2009, $162.9 million for the period from January 28, 2008 through December 31, 2008, $5.5 million for the period from January 1, 2008 through January 27, 2008 and $73.5 million for the year ended December 31, 2007. Estimated annual amortization expense for the years ending December 31, 2010, 2011, 2012, 2013, 2014 and thereafter is $159.2 million, $155.8 million, $154.4 million, $152.1 million, $141.9 million and $658.5 million, respectively.

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Note 5 Detail of Accrued Expenses

Accrued expenses consisted of the following as of December 31:

(In millions)	2009	2008
Payroll and other compensation	$ 226.0	$ 193.1
Insurance claims and reserves	209.6	213.0
Accrued taxes	149.3	158.9
Total Rewards liability	53.2	64.7
Other accruals	436.7	485.3
	$ 1,074.8	$ 1,115.0

Note 6 Debt

In connection with the Acquisition, eight of our properties (the CMBS properties) and their related assets were spun out of HOC to Harrah s Entertainment. As of the Acquisition date, the CMBS properties were Harrah s Las Vegas, Rio, Flamingo Las Vegas, Harrah s Atlantic City, Showboat Atlantic City, Harrah s Lake Tahoe, Harveys Lake Tahoe and Bill s Lake Tahoe. The CMBS properties borrowed $6,500 million of real estate loans (the CMBS Financing). The CMBS Financing is secured by the assets of the CMBS properties and certain aspects of the financing are guaranteed by Harrah s Entertainment. On May 22, 2008, Paris Las Vegas and Harrah s Laughlin and their related operating assets were spun out of HOC to Harrah s Entertainment and became property secured under the CMBS loans, and Harrah s Lake Tahoe, Harveys Lake Tahoe, Bill s Lake Tahoe and Showboat Atlantic City were transferred to HOC from Harrah s Entertainment as contemplated under the debt agreements effective pursuant to the Acquisition.

In connection with the Acquisition, the following debt was issued on or about January 28, 2008:

Debt Issued	Face Value (in millions)
Term loan facility, maturity 2015	$ 7,250.0
10.75% Senior Notes due 2016	5,275.0
10.75%/11.5% Senior PIK Toggle Notes due 2018	1,500.0
CMBS financing	6,500.0

In connection with the Acquisition, the following debt was retired on or about January 28, 2008:

Debt Extinguished	Face Value (in millions)
Credit Facilities due 2011	$ 5,795.8
7.5% Senior Notes due 2009	131.2
8.875% Senior Subordinated Notes due 2008	394.3
7.5% Senior Notes due 2009	424.2
7.0% Senior Notes due 2013	299.4
Floating Rate Notes due 2008	250.0
Floating Rate Contingent Convertible Senior Notes due 2024	374.7

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Subsequent to the Acquisition, the following debt was retired through purchase or exchange during 2008:

Debt Extinguished	Face Value (in millions)
5.5% Senior Notes due 2010	$ 32.3
7.875% Senior Subordinated Notes due 2010	12.1
8.125% Senior Subordinated Notes due 2011	21.7
10.75% Senior PIK Toggle Notes due 2018	350.0
10.75% Senior Notes due 2016	732.0
5.5% Senior Notes due 2010	371.3
8.0% Senior Notes due 2011	19.7
5.375% Senior Notes due 2013	221.4
5.75% Senior Notes due 2017	140.2
5.625% Senior Notes due 2015	136.0
6.5% Senior Notes due 2016	98.8
7.875% Senior Subordinated Notes due 2010	63.8
8.125% Senior Subordinated Notes due 2011	91.1

Included in the table above is approximately $2,224 million, face amount, of HOC s debt that was retired in connection with private exchange offers in December 2008. Retired notes, maturing between 2010 and 2018, were exchanged for new 10.0% Second-Priority Senior Secured Notes due 2015 and new 10.0% Second-Priority Senior Secured Notes due 2018, as reflected in the table below. Approximately $448 million, face amount, of the $2,224 million retired notes, maturing between 2010 and 2011 and participating in the exchange offers, elected to receive cash of approximately $289 million in lieu of new notes.

The following debt was issued in connection with our debt exchange in December 2008:

Debt Issued	Face Value (in millions)
10.0% Second-Priority Senior Secured Notes due 2015	$ 214.8
10.0% Second-Priority Senior Secured Notes due 2018	847.6

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The following table presents our outstanding debt as of December 31, 2009 and 2008:

Detail of Debt (dollars in millions)	Final Maturity	Rate(s) at Dec. 31, 2009	Face Value at Dec. 31, 2009	Book Value at Dec. 31, 2009	Book Value at Dec. 31, 2008
Credit Facilities and Secured Debt					
Term Loans	2015	3.28%-9.50%	$ 6,835.1	$ 6,810.6	$ 7,195.6
Revolving Credit Facility	2014	3.23%-3.75%	427.0	427.0	533.0
Senior Secured Notes	2017	11.25%	2,095.0	2,045.2	
CMBS financing	2013	3.23%	5,551.2	5,551.2	6,500.0
Second-Priority Senior Secured Notes	2018	10.0%	4,553.1	1,959.1	542.7
Second-Priority Senior Secured Notes	2015	10.0%	214.8	150.7	144.0
Secured debt	2010	6.0%	25.0	25.0	25.0
Chester Downs term loan	2016	12.375%	230.0	217.2	
Other	Various	Various			1.1
Subsidiary-guaranteed debt					
Senior Notes, including senior interim loans	2016	10.75%	478.6	478.6	4,542.7
Senior PIK Toggle Notes, including senior interim loans	2018	10.75%/11.5%	9.4	9.4	1,150.0
Unsecured Senior Debt					
7.5%	2009	7.5%			6.0
5.5%	2010	5.5%	191.6	186.9	321.5
8.0%	2011	8.0%	13.2	12.5	47.4
5.375%	2013	5.375%	125.2	95.5	200.6
7.0%	2013	7.0%	0.6	0.7	0.7
5.625%	2015	5.625%	451.8	319.5	578.1
6.5%	2016	6.5%	360.1	251.9	436.7
5.75%	2017	5.75%	237.9	151.3	372.7
Floating Rate Contingent Convertible Senior Notes	2024	0.5%	0.2	0.2	0.2
Unsecured Senior Subordinated Notes					
7.%	2010	7.875%	143.4	142.5	287.0
8.125%	2011	8.125%	12.0	11.4	216.8
Other Unsecured Borrowings					
5.3% special improvement district bonds	2035	5.3%	68.4	68.4	69.7
Other	Various	Various	18.1	18.1	24.9
Capitalized Lease Obligations					
6.42%-9.8%	to 2011	6.42%-9.8%	10.2	10.2	12.5
Total debt			22,051.9	18,943.1	23,208.9
Current portion of long-term debt			(74.3)	(74.3)	(85.6)
Long-term debt			$ 21,977.6	$ 18,868.8	$ 23,123.3

Book values of debt as of December 31, 2009 are presented net of unamortized discounts of $3,108.9 million and unamortized premiums of $0.1 million. As of December 31, 2008, book values are presented net of unamortized discounts of $1,253.4 million and unamortized premiums of $77.4 million.

At December 31, 2009, $143.4 million, face amount, of our 7.875% Senior Subordinated Notes due March 15, 2010, $191.6 million, face amount, of our 5.5% Senior Notes due July 1, 2010, and $25.0 million, face amount, of our 6.0% Secured Debt due July 15, 2010, are classified as long-term in our consolidated condensed balance sheet because the Company has both the intent and the ability to refinance these notes under our revolving credit facility. Our current maturities of debt include required interim principal payments on our Term Loan, our Chester Downs term loan, and the special improvement district bonds.

As of December 31, 2009, aggregate annual principal maturities for the four years subsequent to 2010 were: 2011, $78.5 million; 2012, $48.8 million; 2013, $5,725.9 million; and 2014, $475.9 million.

Credit Agreement and Incremental Facility Amendment In connection with the Acquisition, Harrah s Operating Company, Inc. (HOC), a wholly-owned subsidiary of Harrah s Entertainment, entered into the senior secured credit facilities (the Credit Facilities .) This financing is neither secured nor guaranteed by Harrah s Entertainment s other direct, wholly-owned subsidiaries, including the subsidiaries that own properties that are security for the CMBS Financing.

On June 3, 2009, HOC entered into an amendment and waiver to its Credit Facilities to, among other things: (i) allow for one or more future issuances of additional secured notes or loans, including the $1,375.0 million and $720.0 million of first lien notes both of which are discussed below; (ii) exclude from the maintenance covenant under its senior secured credit facilities (a) notes secured with a first priority lien on the assets of HOC and its subsidiaries that secure the senior secured credit facilities that collectively result in up to $2,000.0 million of net proceeds (provided that the aggregate face amount of all such notes shall not collectively exceed $2,200.0 million) and (b) up to $250.0 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned subsidiaries; (iii) subject to specified procedures, allow HOC to buy back loans from individual lenders at negotiated prices, which may be less than par and (iv) subject to the requirement to make such offers on a pro rata basis to all lenders, allow HOC to agree with certain lenders to extend the maturity of their term loans or revolving commitments, and for HOC to pay increased interest rates or otherwise modify the terms of their loans or revolving commitments in connection with such an extension.

On June 15, 2009, HOC issued $1,375.0 million principal amount of 11.25% senior secured notes due 2017. These notes are secured with a first priority lien on the assets of HOC and the subsidiaries that secure the senior secured credit facilities. Proceeds from this issuance were used to pay a portion of HOC s outstanding term loans and revolving loans under its senior secured credit facilities, of which approximately $231.9 million was used to permanently reduce commitments under the revolving credit facility and approximately $832.1 million was used to reduce amounts due on the term loan.

On September 11, 2009, HOC issued $720.0 million principal amount of additional first lien notes. Proceeds from this issuance were used to pay a portion of HOC s outstanding terms loan and revolving loans under its senior secured credit facilities, of which approximately $138.1 million was used to permanently reduce commitments under the revolving credit facility and approximately $495.3 million was used to reduce amounts due on the term loan.

On October 22, 2009, HOC completed cash tender offers for certain of its outstanding debt securities with maturities in 2010 and 2011 (as more fully discussed below). In connection with the cash tender offers, HOC borrowed $1,000 million of new term loans under its senior secured credit facilities pursuant to an incremental amendment (the Incremental Loans). A portion of the net proceeds of the Incremental Loans were used to purchase the notes validly tendered and not validly withdrawn pursuant to the 2010/2011 Tender Offers.

As of December 31, 2009, after consideration of the 2009 activity discussed above, our Credit Facilities provide for senior secured financing of up to $8,465.1 million, consisting of (i) senior secured term loan facilities in an aggregate principal amount of up to $6,835.1 million with $5,835.1 million maturing on January 20, 2015 and $1,000.0 million maturing on October 31, 2016, and (ii) a senior secured revolving credit facility in an aggregate principal amount of $1,630.0 million, maturing January 28, 2014, including both a letter of credit sub-facility and a swingline loan sub-facility. The credit facilities require scheduled quarterly payments of $5.0 million, with the balance due at maturity. Effective March 31, 2010, the required quarterly payments will increase to $7.5 million. A total of $7,262.1 million face amount of borrowings were outstanding under the Credit Facilities as of December 31, 2009, with an additional $162.2 million committed to letters of credit that were issued under the Credit Facilities. After consideration of these borrowings and letters of credit, $1,040.8 million of additional borrowing capacity was available to the Company under the Credit Facilities as of December 31, 2009.

Interest and Fees Borrowings under the Credit Facilities, other than borrowings under the Incremental Loans, bear interest at a rate equal to the then-current LIBOR rate or at a rate equal to the alternate base rate, in each case plus an applicable margin. As of December 31, 2009, the Credit Facilities, other than borrowings under the Incremental Loans, bore interest at LIBOR plus 300 basis points for the term loans and a portion of the revolver loan and 150 basis points over LIBOR for the swingline loan and at the alternate base rate plus 200 basis points for the remainder of the revolver loan.

Borrowings under the Incremental Loans bear interest at a rate equal to either the alternate base rate or the greater of i) the then-current LIBOR rate or ii) 2.0%; in each case plus an applicable margin. At December 31, 2009, borrowings under the Incremental Loans bore interest at the minimum base rate of 2.0%, plus 750 basis points.

In addition, on a quarterly basis, we are required to pay each lender (i) a commitment fee in respect of any unborrowed amounts under the revolving credit facility and (ii) a letter of credit fee in respect of the aggregate face amount of outstanding letters of credit under the revolving credit facility. As of December 31, 2009, the Credit Facilities bore a commitment fee for unborrowed amounts of 50 basis points.

We make monthly interest payments on our CMBS financing. Our Senior Secured Notes, including the Second-Priority Senior Secured Notes, and our unsecured debt have semi-annual interest payments, with the majority of those payments on June 15 and December 15. Our previously outstanding senior secured notes that were retired as part of the exchange offers below had semi-annual interest payments on February 1 and August 1 of every year.

In July 2008, HOC made the permitted election under the Indenture governing its 10.75%/11.5% Senior Toggle Notes due 2018 and the Interim Loan Agreement dated January 28, 2008, to pay all interest due on January 28, and February 1, 2009, for the loan in-kind. A similar election was made in January 2009 to pay the interest due August 1, 2009, for the 10.75%/11.5% Senior Toggle Notes due 2018 in-kind, and in March 2009, the election was made to pay the interest due April 28, 2009, on the Interim Loan Agreement in-kind. In connection with the debt exchange detailed below, the Interim Toggle Notes were no longer outstanding. The Company used the cash savings generated by this election for general corporate purposes, including the early retirement of other debt.

Exchange Offers, Debt Repurchases and Open Market Purchases From time to time, we may retire portions of our outstanding debt in open market purchases, privately negotiated transactions or otherwise. These repurchases will be funded through available cash from operations and from our established debt programs. Such repurchases are dependent on prevailing market conditions, the Company s liquidity requirements, contractual restrictions and other factors.

In December 2008, HOC completed private exchange offers whereby approximately $2,224 million, face amount, of HOC s debt maturing between 2010 and 2018, was exchanged for new 10.0% Second-Priority Senior Secured Notes with a face value of $214.8 million due 2015 and new 10.0% Second-Priority Senior Secured Notes with a face value of $847.6 million due 2018. Interest on the new notes is payable in cash each June 15 and December 15 until maturity. The Second-Priority Senior Secured Notes are secured by a second priority security interest in substantially all of HOC s and its subsidiary s property and assets that secure the senior secured credit facilities. These liens are junior in priority to the liens on substantially the same collateral securing the senior secured credit facilities.

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On April 15, 2009, HOC completed private exchange offers to exchange approximately $3,648.8 million aggregate principal amount of new 10.0% Second-Priority Senior Secured Notes due 2018 for approximately $5,470.1 million principal amount of its outstanding debt due between 2010 and 2018. The new notes are guaranteed by Harrah s Entertainment and are secured on a second-priority lien basis by substantially all of HOC s and its subsidiaries assets that secure the senior secured credit facilities. In addition to the exchange offers, a subsidiary of Harrah s Entertainment paid approximately $96.7 million to purchase for cash certain notes of HOC with an aggregate principal amount of approximately $522.9 million maturing between 2015 and 2017. The notes purchased pursuant to this tender offer remained outstanding for HOC but reduce Harrah s Entertainment s outstanding debt on a consolidated basis. Additionally, HOC paid approximately $4.8 million in cash to purchase notes of approximately $24.0 million aggregate principal amount from retail holders that were not eligible to participate in the exchange offers. As a result of the exchange and tender offers, we recorded a pretax gain in the second quarter 2009 of approximately $4,023.0 million.

On October 22, 2009, HOC completed cash tender offers (the 2010/2011 Tender Offers) for certain of its outstanding debt securities with maturities in 2010 and 2011. HOC purchased $4.5 million principal amount of its 5.500% senior notes due 2010, $17.2 million principal amount of its 7.875% senior subordinated notes due 2010, $19.6 million principal amount of its 8.000% senior notes due 2011 and $4.2 million principal amount of its 8.125% senior subordinated notes due 2011 for an aggregate consideration of approximately $44.5 million.

During the 2009 fourth quarter, we entered into and completed purchase and sale agreements with certain lenders to acquire mezzanine loans (CMBS Loans) under our CMBS financing. We purchased approximately $948.8 million face value of our outstanding CMBS Loans for approximately $237.2 million, recognizing a pre-tax gain on the transaction of approximately $688.1 million. As a result of the recent debt repurchase, the total outstanding debt related to CMBS Financing is now approximately $5,551.5 million.

As a result of the receipt of the requisite consent of lenders having loans made under the Senior Unsecured Interim Loan Agreement (Interim Loan Agreement) representing more than 50% of the sum of all loans outstanding under the Interim Loan Agreement, waivers or amendments of certain provisions of the Interim Loan Agreement to permit HOC, from time to time, to buy back loans at prices below par from specific lenders in the form of voluntary prepayments of the loans by HOC on a non-pro rata basis are now operative. Included in the exchanged debt discussed above are approximately $297 million of 10.0% Second-Priority Senior Secured Notes that were exchanged for approximately $442 million principal amount of loans surrendered in the exchange offer for loans outstanding under the Interim Loan Agreement. As a result of these transactions, all loans outstanding under the Interim Loan Agreement have been retired.

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As a result of the 2009 exchange and tender offers, the CMBS Financing repurchases, and purchases of our debt on the open market, we recorded a pre-tax gain in 2009 of $4,965.5 million arising from early extinguishment of debt, comprised as follows:

(In millions)	Year Ended Dec 31, 2009
Face value of HOC Open Market Purchases:	
5.50% due 7/01/2010	$ 68.0
7.875% due 3/15/2010	111.5
8.00% due 02/01/2011	37.7
8.125% due 05/15/2011	178.2
5.375% due 12/15/2013	87.2
10.75% due 1/28/2016	265.0
Face value of other HET Subsidiary Open Market Purchases:	
5.625% due 06/01/2015	$ 138.0
5.750% due 06/01/2017	169.0
6.50% due 06/01/2016	24.0
Total Face Value of open market purchases	1,078.6
Cash paid for open market purchases	(657.0)
Net cash gain on purchases	421.6
Write-off of unamortized discounts and debt fees	(167.2)
Gain on CMBS repurchases	688.1
Gain on debt exchanges	4,023.0
Aggregate gains on early extinguishments of debt	$ 4,965.5

Under the American Recovery and Reinvestment Act of 2009 (the Act), the Company will receive temporary tax relief under the Delayed Recognition of Cancellation of Debt Income (CODI) rules. The Act contains a provision that allows for a five-year deferral for tax purposes of CODI for debt reacquired in 2009 and 2010, followed by recognition of CODI ratably over the succeeding five years. The provision applies for specified types of repurchases including the acquisition of a debt instrument for cash and the exchange of one debt instrument for another. For state income tax purposes, certain states have conformed to the Act and others have not.

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Collateral and Guarantors HOC s Credit Facilities are guaranteed by Harrah s Entertainment, and are secured by a pledge of HOC s capital stock, and by substantially all of the existing and future property and assets of HOC and its material, wholly-owned domestic subsidiaries, including a pledge of the capital stock of HOC s material, wholly-owned domestic subsidiaries and 65% of the capital stock of the first-tier foreign subsidiaries, in each case subject to exceptions. The following casino properties have mortgages under the Credit Facilities:

Las Vegas	**Atlantic City**	**Louisiana/Mississippi**	**Iowa/Missouri**
Caesars Palace	Bally s Atlantic City	Harrah s New Orleans (Hotel only)	Harrah s St. Louis
Bally s Las Vegas	Caesars Atlantic City	Harrah s Louisiana Downs	Harrah s North Kansas City
Imperial Palace	Showboat Atlantic City	Horseshoe Bossier City	Harrah s Council Bluffs
Bill s Gamblin Hall & Saloon		Harrah s Tunica	Horseshoe Council Bluffs/ Bluffs Run
		Horseshoe Tunica	
		Tunica Roadhouse	

Illinois/Indiana	**Other Nevada**
Horseshoe Southern Indiana	Harrah s Reno
Harrah s Metropolis	Harrah s Lake Tahoe
Horseshoe Hammond	Harveys Lake Tahoe
	Bill s Lake Tahoe[a]

[a] In December 2009, we announced the closure of this property effective January 2010 and we sold the property in February 2010. Additionally, certain undeveloped land in Las Vegas also is mortgaged.

Restrictive Covenants and Other Matters The Credit Facilities require compliance on a quarterly basis with a maximum net senior secured first lien debt leverage test. In addition, the Credit Facilities include negative covenants, subject to certain exceptions, restricting or limiting HOC s ability and the ability of its restricted subsidiaries to, among other things: (i) incur additional debt; (ii) create liens on certain assets; (iii) enter into sale and lease-back transactions; (iv) make certain investments, loans and advances; (v) consolidate, merge, sell or otherwise dispose of all or any part of its assets or to purchase, lease or otherwise acquire all or any substantial part of assets of any other person; (vi) pay dividends or make distributions or make other restricted payments; (vii) enter into certain transactions with its affiliates; (viii) engage in any business other than the business activity conducted at the closing date of the loan or business activities incidental or related thereto; (ix) amend or modify the articles or certificate of incorporation, by-laws and certain agreements or make certain payments or modifications of indebtedness; and (x) designate or permit the designation of any indebtedness as Designated Senior Debt.

Harrah s Entertainment is not bound by any financial or negative covenants contained in HOC s credit agreement, other than with respect to the incurrence of liens on and the pledge of its stock of HOC.

All borrowings under the senior secured revolving credit facility are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties, and the requirement that such borrowing does not reduce the amount of obligations otherwise permitted to be secured under our new senior secured credit facilities without ratably securing the retained notes.

Certain covenants contained in HOC s credit agreement require the maintenance of a senior first priority secured debt to last twelve months (LTM) Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), as defined in the agreements, ratio (Senior Secured Leverage Ratio). The June 3, 2009 amendment and waiver to our credit agreement excludes from the Senior Secured Leverage Ratio (a) the

$1,375.0 million Original First Lien Notes issued June 15, 2009 and the $720 million Additional First Lien Notes issued on September 11, 2009 and (b) up to $250.0 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned subsidiaries. Certain covenants contained in HOC s credit agreement governing its senior secured credit facilities, the indenture and other agreements governing HOC s 10.0% Second-Priority Senior Secured Notes due 2015 and 2018, and our first lien notes restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet defined Adjusted EBITDA to Fixed Charges, senior secured debt to LTM Adjusted EBITDA and consolidated debt to LTM Adjusted EBITDA ratios. The covenants that restrict additional indebtedness and the ability to make future acquisitions require an LTM Adjusted EBITDA to Fixed Charges ratio (measured on a trailing four-quarter basis) of 2.0:1.0. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions.

The indenture governing the 10.75% Senior Notes, 10.75%/11.5% Senior Toggle Notes and the agreements governing the other cash pay debt and PIK toggle debt limit HOC s (and most of its subsidiaries) ability to among other things: (i) incur additional debt or issue certain preferred shares; (ii) pay dividends or make distributions in respect of our capital stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) with respect to HOC only, engage in any business or own any material asset other than all of the equity interest of HOC so long as certain investors hold a majority of the notes; (vi) create or permit to exist dividend and/or payment restrictions affecting its restricted subsidiaries; (vii) create liens on certain assets to secure debt; (viii) consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; (ix) enter into certain transactions with its affiliates; and (x) designate its subsidiaries as unrestricted subsidiaries. Subject to certain exceptions, the indenture governing the notes and the agreements governing the other cash pay debt and PIK toggle debt will permit us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

Other Financing Transactions During 2009, Chester Downs and Marina LLC (Chester Downs), a majority-owned subsidiary of HOC and owner of Harrah s Chester, entered into an agreement to borrow under a senior secured term loan with a principal amount of $230 million and borrowed such amount, net of original issue discount. The proceeds of the term loan were used to pay off intercompany debt due to HOC and to repurchase equity interests from certain minority partners of Chester Downs. As a result of the purchase of these equity interests, HOC currently owns 95.0% of Chester Downs.

Derivative Instruments

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2009 we have entered into 10 interest rate swap agreements for notional amounts totaling $6,500 million. The difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreements will have a corresponding effect on future cash flows. The major terms of the interest rate swap agreements as of December 31, 2009 are as follows:

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received as of Dec. 31, 2009	Next Reset Date	Maturity Date
April 25, 2007	$ 200	4.898%	0.28219%	January 26, 2010	April 25, 2011
April 25, 2007	200	4.896%	0.28219%	January 26, 2010	April 25, 2011
April 25, 2007	200	4.925%	0.28219%	January 26, 2010	April 25, 2011
April 25, 2007	200	4.917%	0.28219%	January 26, 2010	April 25, 2011
April 25, 2007	200	4.907%	0.28219%	January 26, 2010	April 25, 2011
September 26, 2007	250	4.809%	0.28219%	January 26, 2010	April 25, 2011
September 26, 2007	250	4.775%	0.28219%	January 26, 2010	April 25, 2011
April 25, 2008	2,000	4.276%	0.28219%	January 26, 2010	April 25, 2013
April 25, 2008	2,000	4.263%	0.28219%	January 26, 2010	April 25, 2013
April 25, 2008	1,000	4.172%	0.28219%	January 26, 2010	April 25, 2012

The variable rate on our interest rate swap agreements did not materially change as a result of the January 26, 2010 reset.

Prior to February 15, 2008, our interest rate swap agreements were not designated as hedging instruments; therefore, gains or losses resulting from changes in the fair value of the swaps were recognized in Interest expense in the period of the change. On February 15, 2008, eight of our interest rate swap agreements for notional amounts totaling $3,500 million were designated as cash flow hedging instruments for accounting purposes and on April 1, 2008, the remaining swap agreements were designated as cash flow hedging instruments for accounting purposes.

During October 2009, we borrowed $1,000 million under the Incremental Loans and used a majority of the net proceeds to temporarily repay most of our revolving debt under the Credit Facility. As a result, we no longer had a sufficient amount of outstanding debt under the same terms as our interest rate swap agreements to support hedge accounting treatment for the full $6,500 million in interest rate swaps. Thus, as of September 30, 2009, we removed the cash flow hedge designation for the $1,000 million swap agreement, freezing the amount of deferred losses recorded in Other Comprehensive Income associated with this swap agreement, and reducing the total notional amount on interest rate swaps designated as cash flow hedging instruments to $5,500 million. Beginning October 1, 2009, we began amortizing deferred losses frozen in Other Comprehensive Income into income over the original remaining term of the hedged forecasted transactions that are still considered to be probable of occurring.

During the fourth quarter of 2009, we re-designated approximately $310 million of the $1,000 million swap as a cash flow hedging instrument. As a result, at December 31, 2009, $5,810 million of our total interest rate swap notional amount of $6,500 million remained designated as hedging instruments for accounting purposes. Any future changes in fair value of the portion of the interest rate swap not designated as a hedging instrument will be recognized in Interest expense during the period in which the changes in value occur.

On January 28, 2008, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the CMBS Financing. The interest rate cap agreement, which was effective January 28, 2008 and terminates February 13, 2013, is for a notional amount of $6,500 million at a LIBOR cap rate of 4.5%. The interest rate cap was designated as a cash flow hedging instrument for accounting purposes on May 1, 2008.

On November 30, 2009, we purchased and extinguished approximately $948.8 million of the CMBS Financing. The hedging relationship between the CMBS Financing and the interest rate cap has remained effective subsequent to the debt extinguishment. As a result of the extinguishment, we reclassified approximately $12.1 million of deferred losses out of accumulated other comprehensive income and into interest expense associated with hedges for which the forecasted future transactions are no longer probable of occurring. The change in the fair value for the ineffective portion of the cap will be recorded to interest expense starting December 1, 2009.

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The following table represents the fair values of derivative instruments in the Consolidated Balance Sheets as of December 31, 2009 and 2008:

As of December 31,	Asset Derivatives 2009 Balance Sheet Location	Fair Value	2008 Balance Sheet Location	Fair Value	Liability Derivatives 2009 Balance Sheet Location	Fair Value	2008 Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Interest Rate Swaps		$		$	Deferred Credits and Other	$ (337.6)	Deferred Credits and Other	$ (335.3)
Interest Rate Cap	Deferred Charges and Other	56.8	Deferred Charges and Other	32.4				
Subtotal		56.8		32.4		(337.6)		(335.3)
Derivatives not designated as hedging instruments								
Interest Rate Swaps					Deferred Credits and Other	(37.6)		
Interest Rate Cap	Deferred Charges and Other		Deferred Charges and Other					
Subtotal						(37.6)		
Total Derivatives		$ 56.8		$ 32.4		$ (375.2)		$ (335.3)

The following table represents the effect of derivative instruments in the Consolidated Statements of Operations as for the year ended December 31, 2009 and the period from January 28, 2008 through December 31, 2008:

Cash Flow Hedging Relationships	Amount of (Gain) or Loss on Derivatives Recognized in OCI (Effective Portion) 2009	Jan. 28 through Dec. 31, 2008	Location of (Gain) or Loss Reclassified From Accumulated OCI Into Income (Effective Portion)	Amount of (Gain) or Loss Reclassified from Accumulated OCI into Income (Effective Portion) 2009	Jan. 28 through Dec. 31, 2008	Location of (Gains) or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of (Gains) or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) 2009	Jan. 28 through Dec. 31, 2008
Interest rate contracts	$ 20.9	$ 158.8	Interest Expense	$ 15.1	$ 0.8	Interest Expense	$ (7.6)	$ 104.3

Derivatives Not Designated as Hedging Instruments	Location of (Gain) or Loss Recognized in Income on Derivative	Amount of (Gain) or Loss Recognized in Income on Derivatives 2009	Jan. 28 through Dec. 31, 2008
Interest Rate Contracts	Interest Expense	(7.6)	116.0

A change in interest rates on variable-rate debt will impact our financial results. For example, assuming a constant outstanding balance for our variable-rate debt, excluding the $5,810 million of variable-rate debt for which our interest rate swap agreements are designated as hedging instruments for accounting purposes, for the next twelve months, a hypothetical 1% increase in corresponding interest rates would change interest expense for the twelve months following December 31, 2009 by approximately $60.2 million. At December 31, 2009, the three-month USD LIBOR rate was 0.253%. A hypothetical reduction of this rate to 0% would decrease interest expense for the next twelve months by approximately $15.2 million. At December 31, 2009, our variable-rate debt, excluding the aforementioned $5,810 million of variable-rate debt hedged against interest rate swap agreements, represents approximately 37% of our total debt, while our fixed-rate debt is approximately 63% of our total debt.

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Note 7 Preferred and Common Stock

Preferred Stock

As of both December 31, 2009 and 2008, the authorized preferred stock shares are 40,000,000, par value $0.01 per share, stated value $100.00 per share.

On January 28, 2008, our Board of Directors adopted a resolution authorizing the creation and issuance of a series of preferred stock known as the Non-Voting Perpetual Preferred Stock. The number of shares constituting such series shall be 20,000,000.

On a quarterly basis, each share of non-voting preferred stock accrues dividends at a rate of 15.0% per annum, compounded quarterly. Dividends will be paid in cash, when, if, and as declared by the Board of Directors, subject to approval by the appropriate regulators. We currently do not expect to pay cash dividends. Dividends on the non-voting perpetual preferred stock are cumulative. As of December 31, 2009, such dividends in arrears are $652.6 million. Shares of the non-voting preferred stock rank prior in right of payment to the non-voting and voting common stock and are entitled to a liquidation preference.

Upon the occurrence of any liquidating event, each holder of non-voting preferred stock shall have the right to require the Company to repurchase each outstanding share of non-voting preferred stock before any payment or distribution shall be made to the holders of non-voting common stock, voting common stock or any other junior stock. After the payment to the holders of non-voting preferred stock of the full preferential amounts, the holders of non-voting preferred stock shall have no right or claim to any of the remaining assets of the Company. Non-voting preferred stock may be converted into non-voting common stock on a pro rata basis with the consent of the holders of a majority of the non-voting preferred stock. Neither the non-voting preferred stock nor the non-voting common stock has any voting rights.

Upon written notice from the holders of the majority of the outstanding non-voting preferred stock, the Company shall convert each share of non-voting preferred stock into the number of shares of non-voting common stock equal to the stated value plus accumulated dividends, divided by the fair market value of the non-voting common stock as determined by the Board. At December 31, 2009, the conversion rate was equal to 3.99 non-voting common shares per non-voting preferred share.

The amount that the Company could be required to pay or the number of shares that the Company could be required to issue is not limited by any contract.

In February 2010, the Board of Directors approved revisions to the Certificate of Designation for the non-voting preferred stock to eliminate dividends (including all existing accrued but unpaid dividends) and to specify that the conversion right of the non-voting preferred stock be at the original value of the Company s non-voting common stock. In March 2010, Hamlet Holdings LLC (the holder of all of the Company s voting common stock) and holders of a majority of our non-voting preferred stock approved the revisions to the Certificate of Designation. Also in March 2010, the holders of a majority of our non-voting preferred stock voted to convert all of the non-voting preferred stock to non-voting common stock.

During 2009, we paid approximately $1.7 million to purchase 18,932 shares of our outstanding preferred stock. Such shares are recorded as treasury shares as of December 31, 2009.

Common Stock

As of December 31, 2009, the authorized common stock of the Company totaled 80,000,020 shares, consisting of 20 shares of voting common stock, par value $0.01 per share and 80,000,000 shares of non-voting common stock, par value $0.01 per share.

The voting common stock has no economic rights or privileges, including rights in liquidation. The holders of voting common stock shall be entitled to one vote per share on all matters to be voted on by the stockholders of the Company.

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Subject to the rights of holders of preferred stock, when, if, and as dividends are declared on the common stock, the holders of non-voting common stock shall be entitled to share in dividends equally, share for share.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of non-voting common stock will receive a pro rata distribution of any remaining assets after payment of or provision for liabilities and the liquidation preference on preferred stock, including the non-voting preferred stock, if any.

During 2009, we paid approximately $1.3 million to purchase 38,706 shares of our outstanding common stock. Such shares are recorded as treasury shares as of December 31, 2009.

Note 8 Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss consists of the following:

(In millions)	As of December 31, 2009	2008
Net unrealized losses on derivative instruments, net of tax	$ (100.8)	$ (101.5)
Foreign currency translation, net of tax	(12.2)	(31.2)
Minimum pension liability adjustment, net of tax	(21.0)	(6.9)
	$ (134.0)	$ (139.6)

Note 9 Acquisition of Non-Controlling Interest

During 2009, Chester Downs entered into an agreement to borrow under a senior secured term loan in the principal amount of approximately $230.0 million. The proceeds, net of original issue discount, were used to pay off intercompany debt due to HOC and to purchase interests from other owners of Chester Downs. As a result of this acquisition, HOC increased its ownership interest to approximately 95.0% of Chester Downs. The purchase was accounted for as an equity transaction and, as a result, is included in the financing section within our Statement of Cash Flows.

Note 10 Write-downs, Reserves and Recoveries

Write-downs, reserves and recoveries include various pretax charges to record long-lived tangible asset impairments, contingent liability reserves, project write-offs, demolition costs, recoveries of previously recorded reserves and other non-routine transactions. The components of write-downs, reserves and recoveries for continuing operations were as follows:

	Successor		Predecessor	
(In millions)	2009	Jan. 28, 2008 through Dec. 31, 2008	Jan. 1, 2008 through Jan. 27, 2008	2007
Impairment of long-lived tangible assets	$ 59.3	$ 39.6	$	$
Remediation costs	39.3	60.5	4.4	
Efficiency projects	34.8	29.4	0.6	21.5
Demolition costs	2.5	9.2	0.2	7.3
(Gain)/loss on divested or abandoned assets	(4.0)	34.3		21.0
Litigation reserves, awards and settlements	(23.5)	10.1		8.5
Termination of contracts		14.4		
Insurance proceeds in excess of deferred costs		(185.4)		(130.3)
Other	(0.5)	4.1	(0.5)	12.1
	$ 107.9	$ 16.2	$ 4.7	$ (59.9)

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For the year ended December 31, 2009, we recorded impairment charges related to long-lived tangible assets of $59.3 million. The majority of the charge was related to the Company s office building in Memphis, Tennessee due to the relocation to Las Vegas, Nevada of those corporate functions formerly performed at that location. The impairment recorded in 2008 represents declines in the market value of certain assets that were held for sale and reserves for amounts that were not expected to be recovered for other non-operating assets.

Remediation costs relate to room remediation projects at certain of our Las Vegas properties.

Efficiency program expenses in 2009 and 2008 represent costs incurred to identify and implement efficiency projects aimed at stream-lining corporate and operating functions to achieve cost savings and efficiencies. In 2009, the majority of the costs incurred related to the closing of the office in Memphis, Tennessee, which previously housed certain corporate functions.

(Gain)/loss on divested or abandoned assets represents credits or costs associated with various projects that are determined to no longer be viable. During the year ended December 31, 2009, associated with its closure and pending liquidation, we wrote off the assets and liabilities on one of our London Club properties. Because the assets and liabilities were in a net liability position, a pre-tax gain of $9.0 million was recognized in the fourth quarter of 2009. The recognized gain was partially offset by charges related to other projects.

Litigation reserves, awards and settlements include costs incurred or reversed as a result of the Company s involvement in various litigation matters. During 2009, an approximate $30 million legal judgment against the Company was vacated by court action. This amount was previously charged to write-downs, reserves and recoveries in 2006 and was reversed accordingly upon the vacated judgment. The reversal was partially offset by expenses incurred during 2009 related to other ongoing litigation matters.

Termination of contracts in 2008 represents amounts recognized in connection with concluding long-term lease arrangements.

In first quarter 2008, we entered into a settlement agreement with our insurance carriers related to the remaining unsettled claims associated with damages incurred in Mississippi from Hurricane Katrina in 2005, and the final payment of $338.1 million was received. Insurance proceeds exceeded the net book value of the impacted assets and costs and expenses that were reimbursable under our business interruption policy, and the excess is recorded as income. The income portion included in write-downs, reserves and recoveries are for those properties that we still own and operate. Income related to properties that were subsequently sold is included in Discontinued operations in our consolidated statements of operations.

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Note 11 Income Taxes

The components of income/(loss) from continuing operations before income taxes and the related (provision)/benefit for U.S. and other income taxes were as follows:

Income/(Loss) from Continuing Operations, before Income Taxes	**Successor**		**Predecessor**	
(In millions)	**2009**	**Jan. 28, 2008 through Dec. 31, 2008**	**Jan. 1, 2008 through Jan. 27, 2008**	**2007**
United States	$ 2,533.0	$ (5,254.5)	$ (102.1)	$ 1,081.0
Outside of the U.S.	(34.8)	(280.6)	(23.3)	(188.5)
	$ 2,498.2	$ (5,535.1)	$ (125.4)	$ 892.5

Income Tax (Provision)/Benefit	**Successor**		**Predecessor**	
(In millions)	**2009**	**Jan. 28, 2008 through Dec. 31, 2008**	**Jan. 1, 2008 through Jan. 27, 2008**	**2007**
United States				
Current				
Federal	$	$ (113.3)	$ 11.1	$ (341.2)
State	(24.4)	(9.5)	1.2	(24.9)
Deferred				
Federal	(1,461.4)	476.4	16.3	(18.9)
State	(257.7)	(4.7)	(0.4)	(0.2)
Valuation Allowance	109.9			
Outside of the U.S.				
Current	(11.6)	(10.0)	(2.2)	(11.0)
Deferred	(6.6)	21.5		46.1
	$ (1,651.8)	$ 360.4	$ 26.0	$ (350.1)

The differences between the statutory federal income tax rate and the effective tax rate expressed as a percentage of income/(loss) from continuing operations before taxes were as follows:

	Successor		**Predecessor**	
	2009	**Jan. 28, 2008 through Dec. 31, 2008**	**Jan. 1, 2008 through Jan. 27, 2008**	**2007**
Statutory tax rate	35.0%	35.0%	35.0%	35.0%
Increases/(decreases) in tax resulting from:				
State taxes, net of federal tax benefit (excludes state taxes recorded in Reserves for uncertain tax positions)	7.2	(0.4)	0.6	(2.5)
Valuation Allowance	(3.9)	0.4		3.8

Foreign income taxes, net of credit	0.9	(1.1)	(1.4)	3.1
Goodwill	19.8	(27.2)	0.1	
Officers life insurance/insurance proceeds	(0.3)	0.1	(1.7)	(0.5)
Acquisition and integration costs	2.6	(0.1)	(12.0)	0.5
Reserves for uncertain tax positions	4.5	(0.3)	(0.2)	0.4
Other	0.3	0.1	0.4	(0.6)
Effective tax rate	66.1%	6.5%	20.8%	39.2%

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Our 2009 effective tax rate varied from the U.S. statutory rate of 35.0 percent primarily as a result of non-deductible impairments of goodwill (described in Note 4, Goodwill and Other Intangible Assets), acquisition costs, state income tax expense and other adjustments.

The major components of the deferred tax assets and liabilities in our Consolidated Balance Sheets as of December 31 were as follows:

(In millions)	Successor 2009	Successor 2008
Deferred tax assets		
State net operating losses	$ 92.5	$ 122.3
Foreign net operating losses	30.0	29.1
Valuation allowance on net operating losses and other deferred foreign and state tax assets	(54.5)	(151.4)
Federal net operating loss	169.9	
Compensation programs	91.3	73.6
Allowance for doubtful accounts	82.9	72.1
Self-insurance reserves	25.2	29.7
Investments in non-consolidated affiliates		7.6
Project opening costs and prepaid expenses	5.3	15.3
Foreign tax credit	24.1	18.9
Valuation allowance on foreign tax credit	(24.1)	(18.9)
Other	139.5	141.8
	582.1	340.1
Deferred tax liabilities		
Depreciation and other property-related items	2,360.8	2,440.6
Deferred cancellation of debt income and other debt-related items	2,200.1	267.7
Management and other contracts	20.7	31.2
Intangibles	1,701.6	1,770.0
Investments in non-consolidated affiliates	7.6	
	6,290.8	4,509.5
Net deferred tax liability	$ 5,708.7	$ 4,169.4

Deferred tax assets and liabilities are presented in our Consolidated Balance Sheets as follows:

(In millions)	Successor 2009	Successor 2008
Assets:		
Deferred income taxes (current)	$ 148.2	$ 157.6
Liabilities:		
Deferred income taxes (non-current)	$ 5,856.9	$ 4,327.0
Net deferred tax liability	$ 5,708.7	$ 4,169.4

Net operating loss (NOL) carryforwards of the Company s foreign subsidiaries were $107.1 million and $104.3 million for the years ended December 31, 2009 and 2008, respectively. The foreign NOLs have an indefinite carryforward period but are subject to a full valuation allowance as the Company believes these assets do not meet the more likely than not criteria for recognition under ASC 740.

NOL carryforwards for the Company s subsidiaries for state income taxes were $2,238.3 million and $2,828.8 million for the years ended December 31, 2009 and 2008, respectively. As of December 31, 2008, the

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state NOLs of $2,828.8 were subject to a full valuation allowance as the Company expected the state NOLs to expire unused. As a result of operations and debt activity during the year, we expect to utilize a portion of the state NOLs. Accordingly the amount of state NOLs subject to a valuation allowance was reduced to $394.0 million at December 31, 2009. We anticipate that state NOLs in the amount of $9.4 million will expire in 2010. The remainder of the state NOLs will expire between 2011 and 2029.

As of December 31, 2009, the Company had federal NOL carryforward of $485.4 million. This NOL will expire in 2029. As of December 31, 2009, no valuation allowance has been established for the Company s federal NOL deferred tax assets because the Company has sufficient future tax liabilities arising within the federal NOL carryforward period. However, the Company will continue to assess the need for an allowance in future periods.

As a result of debt exchange and debt repurchase activity, the Company recognized cancellation of indebtedness income of $4,965.5 million in 2009. The Company expects to defer the income from cancellation of indebtedness for federal tax purposes in accordance with the American Recovery and Reinvestment Act of 2009 (the Act), which was signed into law in February 2009. The deferral provisions permit the Company to defer recognition of the cancellation of indebtedness income for federal income tax purposes until 2014, when the deferred gain will begin to be recognized pro rata over a five-year period. For state income tax purposes, certain states have conformed to the Act and others have not. In December 2008, the Company recognized cancellation of indebtedness income of $983 million which was not subject to the deferral.

We entered into an agreement with the IRS to defer settlement of our 2008 income tax liability until the end of the month in which we file our 2009 income tax return, as we will be able to settle the liability at that time through application of our expected net operating loss for 2009. We will be subject to payment of interest to the IRS during the deferral period.

Unremitted earnings of our foreign subsidiaries amounted to $116.1 million in 2009 and $71.9 million in 2008. We have not recognized deferred taxes for U.S. federal income tax purposes on the unremitted earnings of our foreign subsidiaries that are deemed to be permanently reinvested. Upon distribution, in the form of dividends or otherwise, these unremitted earnings would be subject to U.S. federal income tax. Unrecognized foreign tax credits would be available to reduce a portion of the U.S. tax liability. Determination of the amount of unrecognized deferred U.S. income tax liability related to our foreign operations is not practicable.

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As discussed in Note 1, Summary of Significant Accounting Policies, we adopted the provisions of ASC 740 regarding uncertain income tax positions, on January 1, 2007. As a result of the implementation of ASC 740, we recognized an approximate $12 million reduction to the January 1, 2007 balance of retained earnings. A reconciliation of the beginning and ending amounts of unrecognized tax benefits are as follows:

	(in millions)
Balance at January 1, 2007	$ 183.0
Additions based on tax positions related to the current year	11.0
Additions for tax positions of prior years	12.0
Reductions for tax positions for prior years	(27.0)
Settlements	(37.0)
Expiration of statutes	
Balance at December 31, 2007	142.0
Additions based on tax positions related to the current year	2.0
Additions for tax positions of prior years	16.0
Reductions for tax positions for prior years	(12.0)
Settlements	(12.0)
Expiration of statutes	
Balance at December 31, 2008	$ 136.0
Additions based on tax positions related to the current year	123.0
Additions for tax positions of prior years	139.0
Reductions for tax positions for prior years	(3.0)
Settlements	(13.0)
Expiration of statutes	(20.0)
Balance at December 31, 2009	$ 362.0

We classify reserves for tax uncertainties within Accrued expenses and Deferred credits and other in our Consolidated Balance Sheets, separate from any related income tax payable or deferred income taxes. In accordance with ASC 740, reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions as well as potential interest or penalties associated with those liabilities. The increases in the year ended December 31, 2009 related to costs associated with the acquisition, cancellation of indebtedness income, and other identified uncertain tax positions.

We recognize interest and penalties accrued related to unrecognized tax benefits in income tax expense. We accrued approximately $9 million, $7 million, and $9 million during 2009, 2008 and 2007, respectively; additionally, we had accrued, in total, approximately $54 million, $45 million, and $38 million for the payment of interest and penalties at December 31, 2009, 2008, and 2007, respectively. Included in the balance of unrecognized tax benefits at December 31, 2009, 2008, and 2007 are $255 million, $108 million, and $49 million, respectively, of unrecognized tax benefits that, if recognized, would impact the effective tax rate.

We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. We are under regular and recurring audit by the Internal Revenue Service (IRS) on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months. As a result of the expiration of the statute of limitations and closure of IRS audits, our 2004 and 2005 federal income tax years were closed during the year ended December 31, 2009. The IRS audit of our 2006 federal income tax year also concluded during the year ended December 31, 2009. We participated in the IRS s Compliance Assurance Program (CAP) for the 2007 and 2008 tax years. Our 2007 federal income tax year has reached the IRS appeals stage of the audit process and we expect this appeal to close before March 31, 2010. Our 2008 federal income tax year is currently under post-CAP review by the IRS. We did not participate in the IRS s CAP program for our 2009 income tax year and we will not participate in the CAP program for the 2010 income tax year.

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We are also subject to exam by various state and foreign tax authorities. Tax years prior to 2005 are generally closed for foreign and state income tax purposes as the statutes of limitations have lapsed. However, various subsidiaries are still capable of being examined by the New Jersey Division of Taxation for tax years beginning with 1999 due to our execution of New Jersey statute of limitation extensions.

It is reasonably possible that our unrecognized tax benefits will increase or decrease within the next twelve months. These changes may be the result of ongoing audits or settlements. Audit adjustments and settlements could range from $0 to $27 million based on current estimates. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. Although the Company believes that adequate provision has been made for such issues, there is the possibility that the ultimate resolution of such issues could have an adverse effect on our earnings. Conversely, if these issues are resolved favorably in the future, the related provision would be reduced, thus having a favorable impact on earnings.

Note 12 Fair Value Measurements

We adopted the required provisions of ASC 820, Fair Value Measurements and Disclosures, on January 1, 2008. ASC 820 outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The FASB deferred the effective date of ASC 820 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at estimated fair value in an entity s financial statements on a recurring basis (at least annually). We adopted the provisions of ASC 820 for non-recurring measurements made for non-financial assets and non-financial liabilities on January 1, 2009. Our assessment of goodwill and other intangible assets for impairment includes an assessment using various Level 2 (EBITDA multiples and discount rate) and Level 3 (forecast cash flows) inputs. See Note 4, Goodwill and Other Intangible Assets, for more information on the application of ASC 820 to goodwill and other intangible assets.

Under ASC 825, Financial Instruments, entities are permitted to choose to measure many financial instruments and certain other items at fair value. We did not elect the fair value measurement option under ASC 825 for any of our financial assets or financial liabilities.

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Items Measured at Fair Value on a Recurring Basis

The following table shows the fair value of our financial assets and financial liabilities:

(In millions)	Balance	Level 1	Level 2	Level 3
December 31, 2009				
Assets:				
Cash equivalents	$ 132.7	$ 132.7	$	$
Investments	88.9	73.4	15.5	
Derivative instruments	56.8		56.8	
Liabilities:				
Derivative instruments	(375.2)		(375.2)	
December 31, 2008				
Assets:				
Cash equivalents	$ 77.6	$ 77.6	$	$
Investments	45.6	29.0	16.6	
Derivative instruments	32.4		32.4	
Liabilities:				
Derivative instruments	(335.3)		(335.3)	

The following section describes the valuation methodologies used to measure fair value, key inputs, and significant assumptions:

Cash equivalents Cash equivalents are investments in money market accounts and utilize level 1 inputs to determine fair value.

Investments Investments are primarily debt and equity securities, the majority of which are traded in active markets, have readily determined market values and use level 1 inputs. Those debt and equity securities for which there are not active markets or the market values are not readily determinable are valued using Level 2 inputs. All of these investments are included in Prepayments and other and Deferred charges and other in our Consolidated Balance Sheets.

Derivative instruments The estimated fair values of our derivative instruments are derived from market prices obtained from dealer quotes for similar, but not identical, assets or liabilities. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts. Derivative instruments are included in Deferred charges and other and Deferred credits and other in our Consolidated Condensed Balance Sheets. Our derivatives are recorded at their fair values, adjusted for the credit rating of the counterparty if the derivative is an asset, or adjusted for the credit rating of the Company if the derivative is a liability. See Note 6, Debt, for more information on our derivative instruments.

Items Disclosed at Fair Value

Long-Term Debt The fair value of the Company s debt has been calculated based on the borrowing rates available as of December 31, 2009, for debt with similar terms and maturities and market quotes of our publicly traded debt. As of December 31, 2009, the Company s outstanding debt had a fair value of $19,735.5 million and a carrying value of $18,943.1 million. The Company s interest rate swaps used for hedging purposes had fair values equal to their carrying values, in the aggregate a liability of $375.2 million, and our interest rate cap agreement had a fair value equal to its carrying value as an asset of $56.8 million at December 31, 2009. See additional discussion about derivatives in Note 6, Debt.

Note 13 Commitments and Contingencies

CONTRACTUAL COMMITMENTS. We continue to pursue additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties and development completion guarantees.

The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment for the minimum guaranteed payments, pursuant to these contracts for the three managed Indian-owned facilities now open, which extend for periods of up to 60 months from December 31, 2009, is $1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

In February 2008, we entered into an agreement with the State of Louisiana whereby we extended our guarantee of an annual payment obligation of Jazz Casino Company, LLC, our wholly-owned subsidiary and owner of Harrah s New Orleans, of $60 million owed to the State of Louisiana. The guarantee was extended for one year to end March 31, 2011.

In addition to the guarantees discussed above, we had total aggregate non-cancelable purchase obligations of $1,012.1 million as of December 31, 2009, including construction-related commitments.

The Supreme Court of Nevada decided in early 2008 that food purchased for subsequent use in the provision of complimentary and / or employee meals is exempt from use tax. Previously, such purchases were subject to use tax and the Company has claimed, but not recognized into earnings, a use tax refund totaling $32.2 million, plus interest, as a result of the 2008 decision. In early 2009, the Nevada Department of Taxation audited our refund claim, but has taken the position that those same purchases are now subject to sales tax; therefore, they subsequently issued a sales tax assessment totaling $27.4 million plus interest after application of our refund on use tax. While we have established certain reserves against possible loss on this matter, we believe that the Nevada Department of Taxation s position has no merit and intend to litigate the issue.

SEVERANCE AND EMPLOYMENT AGREEMENTS.

Severance Agreements. As of December 31, 2009, we have severance agreements with 13 of our executives, which provide for payments to the executives in the event of their termination after a change in control, as defined. These agreements provide, among other things, for a compensation payment of 1.5 to 3.0 times the executive s average annual compensation, as defined. The estimated amount, computed as of December 31, 2009, that would be payable under the agreements to these executives aggregated approximately $39.0 million. The estimated amount that would be payable to these executives does not include an estimate for the tax gross-up payment, provided for in the agreements, that would be payable to the executive if the executive becomes entitled to severance payments which are subject to federal excise tax imposed on the executive. These severance agreements expired on February 1, 2010.

Employment Agreement. We entered into an employment agreement with one executive that replaced his severance agreement as of January 28, 2008. The employment agreement provides for payments to the executive in the event of his termination after a change in control, as defined, and provides for, among other things, a compensation payment of 3.0 times the executive s average annual compensation, as defined. The estimated amount, computed as of December 31, 2009, that would be payable under the agreement to the executive based on the compensation payment aggregated approximately $18.0 million. The estimated amount that would be payable to the executive does not include an estimate for the tax gross-up payment, provided for in the agreement, that would be payable to the executive if the executive becomes entitled to severance payments which are subject to federal excise tax.

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SELF-INSURANCE. We are self-insured for various levels of general liability, workers compensation, employee medical coverage and other coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. At December 31, 2009 and 2008, we had total self-insurance accruals reflected in our Consolidated Balance Sheets of $209.6 million and $213.0 million, respectively.

Note 14 Leases

We lease both real estate and equipment used in our operations and classify those leases as either operating or capital leases following the provisions of ASC 840, Leases. At December 31, 2009, the remaining lives of our operating leases ranged from one to 83 years, with various automatic extensions totaling up to 84 years.

Rental expense, net of income from subleases, is associated with operating leases for continuing operations and is charged to expense in the year incurred. Net rental expense is included within each line of the Statements of Operations dependant upon the nature or use of the assets under lease. Total net rental expense is as follows:

	Successor		Predecessor	
(In millions)	**For the Year Ended Dec. 31, 2009**	**Jan. 28, 2008 through Dec. 31, 2008**	**Jan. 1, 2008 through Jan. 27, 2008**	**For the Year Ended Dec. 31, 2007**
Noncancelable				
Minimum	$ 78.7	$ 81.8	$ 7.3	$ 88.9
Contingent	4.1	5.5	0.4	5.2
Sublease	(0.9)	(1.0)		(1.2)
Other	55.5	32.9	2.9	33.9
	$ 137.4	$ 119.2	$ 10.6	$ 126.8

Our future minimum rental commitments as of December 31, 2009 were as follows:

(In millions)	**Noncancelable Operating Leases**
2010	$ 81.1
2011	64.4
2012	57.9
2013	54.4
2014	52.6
Thereafter	1,524.0
Total minimum rental commitments	$ 1,834.4

In addition to these minimum rental commitments, certain of our operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts.

Note 15 Litigation

Litigation Related to Employee Benefit Obligations

In December 1998, Hilton Hotels Corporation (Hilton) spun-off its gaming operations as Park Place Entertainment Corporation (Park Place). In connection with the spin-off, Hilton and Park Place entered an Employee Benefits and Other Employment Allocation Agreement dated

December 31, 1998 (the Allocation Agreement) whereby Park Place assumed or retained, as applicable, liabilities and excess assets, if any, related to the Hilton Hotels Retirement Plan (the Hilton Plan) based on the accrued benefits of Hilton employees and

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Park Place employees. Park Place changed its name to Caesars Entertainment, Inc. (Caesars) and the Company acquired Caesars in June 2005. In 1999 and 2005, the United States District Court for the District of Columbia certified two nationwide class action lawsuits against Hilton alleging that the Hilton Plan s benefit formula was back loaded in violation of ERISA, and that Hilton failed to properly calculate Hilton Plan participants service for vesting purposes. In May 2009, the Court issued a decision granting summary judgment to the plaintiffs. The plaintiffs and Hilton are undertaking Court-mandated efforts to determine an appropriate remedy.

The Company received a letter from Hilton in October 2009 alleging potential liability under the above described claims and under the terms of the Allocation Agreement. The Company may be responsible for a portion of the liability resulting from the claims noted above. We are monitoring the status of the lawsuit, remedy determination, and our potential liability, if any.

Litigation Related to Our Operations

In April 2000, the Saint Regis Mohawk Tribe (the Tribe) granted Caesars the exclusive rights to develop a casino project in the State of New York. On April 26, 2000, certain individual members of the Tribe purported to commence a class action proceeding in a Tribal Court in Hogansburg, New York, against Caesars seeking to nullify Caesars agreement with the Tribe. On March 20, 2001, the Tribal Court purported to render a default judgment against Caesars in the amount of $1,787 million. Prior to our acquisition of Caesars in June 2005, it was believed that this matter was settled pending execution of final documents and mutual releases. Although fully executed settlement documents were never provided, on March 31, 2003, the United States District Court for the Northern District of New York dismissed litigation concerning the validity of the judgment, without prejudice, while retaining jurisdiction to reopen that litigation, if, within three months thereof, the settlement had not been completed. On June 22, 2007, a lawsuit was filed in the United States District Court for the Northern District of New York against us by certain trustees of the Catskill Litigation Trust alleging the Catskill Litigation Trust had been assigned the Tribal Court judgment and seeks to enforce it, with interest. According to a Tribal Court order, accrued interest through July 9, 2007, was approximately $1,014 million. On September 28, 2009, the Court entered summary judgment against the Tribe and dismissed the action, ruling that although alternative grounds were presented in the motion, the subject matter of the action was asserted in a prior action and settled by an oral agreement to end that matter with prejudice. On October 27, 2009, the Tribe filed a Notice of Appeal to the United States Court of Appeals for the Second Circuit. We have a settlement in principle with the Tribe that is subject to definitive documentation.

Litigation Related to Development

On March 6, 2008, Caesars Bahamas Investment Corporation (CBIC), an indirect subsidiary of HOC, terminated its previously announced agreement to enter into a joint venture in the Bahamas with Baha Mar Joint Venture Holdings Ltd. and Baha Mar JV Holding Ltd. (collectively, Baha Mar). To enforce its rights, on March 13, 2008, CBIC filed a complaint against Baha Mar, and the Baha Mar Development Company Ltd., in the Supreme Court of the State of New York, seeking a declaratory judgment with respect to CBIC s rights under the Subscription and Contribution Agreement (the Subscription Agreement), between CBIC and Baha Mar dated January 12, 2007. Pursuant to the Subscription Agreement, CBIC agreed, subject to certain conditions, to subscribe for shares in Baha Mar Joint Venture Holdings Ltd., which was formed to develop and construct a casino, golf course and resort project in the Bahamas. The complaint alleges that (i) the Subscription Agreement grants CBIC the right to terminate the agreement at any time prior to the closing of the transactions contemplated therein, if the closing does not occur on time; (ii) the closing did not occur on time; and, (iii) CBIC exercised its right to terminate the Subscription Agreement, and to abandon the transactions contemplated therein. The complaint seeks a declaratory judgment that the Subscription Agreement has been terminated in accordance with its terms and the transactions contemplated therein have been abandoned.

Baha Mar and Baha Mar Development Company Ltd. (Baha Mar Development) filed an Amended Answer and Counterclaims against CBIC and a Third Party Complaint dated June 18, 2008 against HOC in the

Supreme Court of the State of New York. Baha Mar and Baha Mar Development allege that CBIC wrongfully terminated the Subscription Agreement and that CBIC wrongfully failed to make capital contributions under the Joint Venture Investors Agreement, by and between CBIC and Baha Mar, dated January 12, 2007. In addition, Baha Mar and Baha Mar Development allege that HOC wrongfully failed to perform its purported obligations under the Harrah s Baha Mar Joint Venture Guaranty, dated January 12, 2007. Baha Mar and Baha Mar Development assert claims for breach of contract, breach of fiduciary duty, promissory estoppel, equitable estoppel and negligent misrepresentation. Baha Mar and Baha Mar Development seek (i) declaratory relief; (ii) specific performance; (iii) the recovery of alleged monetary damages; (iv) the recovery of attorneys fees, costs, and expenses and (v) the dismissal with prejudice of CBIC s Complaint. CBIC and HOC have each answered, denying all allegations of wrongdoing. During the quarter ended June 30, 2009, both sides filed motions for summary judgment.

At the conclusion of oral argument on October 6, 2009, on cross motions for summary judgment, the Court stated that it was going to grant summary judgment to CBIC and HOC and that Baha Mar Development s claims are dismissed. The Court entered its written decision on February 1, 2010.

Litigation Related to the December 2008 Exchange Offer

On January 9, 2009, S. Blake Murchison and Willis Shaw filed a purported class action lawsuit in the United Stated District Court for the District of Delaware, Civil Action No. 09-00020-SLR, against Harrah s Entertainment, Inc. and its board of directors, and Harrah s Operating Company, Inc. The lawsuit was amended on March 4, 2009, alleging that the bond exchange offer which closed on December 24, 2008 wrongfully impaired the rights of bondholders. The amended complaint alleges, among others, breach of the bond indentures, violation of the Trust Indenture Act of 1939, equitable rescission, and liability claims against the members of the board. The amended complaint seeks, among other relief, class certification of the lawsuit, declaratory relief that the alleged violations occurred, unspecified damages to the class, and attorneys fees. On April 30, 2009 the defendants stipulated to the plaintiff s request to dismiss the lawsuit, without prejudice, which the court entered on June 18, 2009. Plaintiff has requested the court to award it attorneys fees. The request has been opposed and is pending with the court.

Other

In addition, the Company is party to ordinary and routine litigation incidental to our business. We do not expect the outcome of any pending litigation to have a material adverse effect on our consolidated financial position or results of operations.

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Note 16 Supplemental Cash Flow Information

The increase/(decrease) in Cash and cash equivalents due to the changes in long-term and working capital accounts were as follows:

	Successor		Predecessor	
(In millions)	**2009**	**Jan. 28, 2008 through Dec. 31, 2008**	**Jan. 1, 2008 through Jan. 27, 2008**	**2007**
Long-term accounts				
Deferred charges and other	$ (128.7)	$ 19.3	$ 14.0	$ (30.4)
Deferred credits and other	203.4	(99.4)	54.3	(14.7)
Net change in long-term accounts	$ 74.7	$ (80.1)	$ 68.3	$ (45.1)
Working capital accounts				
Receivables	$ 52.1	$ (55.6)	$ 33.0	$ (145.7)
Inventories	9.7	8.9	(1.4)	(6.8)
Prepayments and other	40.0	48.5	(26.5)	1.6
Accounts payable	(47.8)	(95.8)	56.9	(25.0)
Accrued expenses	(171.4)	497.4	(229.6)	4.6
Net change in working capital accounts	$ (117.4)	$ 403.4	$ (167.6)	$ (171.3)

SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR INTEREST AND TAXES. The following table reconciles our Interest expense, net of capitalized interest, per the Consolidated Statements of Operations, to cash paid for interest, net of amount capitalized.

	Successor		Predecessor	
(In millions)	**2009**	**Jan. 28, 2008 through Dec. 31, 2008**	**Jan. 1, 2008 through Jan. 27, 2008**	**2007**
Interest expense, net of capitalized interest	$ 1,892.5	$ 2,074.9	$ 89.7	$ 800.8
Adjustments to reconcile to cash paid for interest:				
Net change in accruals	248.4	(196.4)	8.7	43.3
Amortization of deferred finance charges	(126.8)	(91.8)	(0.8)	(10.1)
Net amortization of discounts and premiums	(128.2)	(129.2)	2.9	40.2
Amortization of other comprehensive income	(18.2)	(0.9)	(0.1)	(0.9)
Rollover of Paid in Kind (PIK) interest to principal	(62.8)			
Change in accrual (related to PIK interest)	(40.1)	(68.4)		
Change in fair value of derivative instruments	7.6	(65.0)	(39.2)	(45.9)
Cash paid for interest, net of amount capitalized	$ 1,772.4	$ 1,523.2	$ 61.2	$ 827.4
Cash payments for income taxes, net	$ 31.0	$ 11.0	$ 1.0	$ 372.6

The company had accrued but not paid dividends on its preferred shares of $354.8 million and $297.8 million for the year ended December 31, 2009 and for the period from January 28, 2008 through December 31, 2008, respectively. Other significant non-cash transactions include the impairment of goodwill and other non-amortizing intangible assets discussed in Note 4, Goodwill and other Intangible Assets, the April 2009 debt exchange transaction discussed in Note 6, Debt, and the impairment of long-lived tangible assets and the litigation reserve adjustment, both of which are discussed in Note 10, Write-downs, Reserves and Recoveries.

Note 17 Employee Benefit Plans

We have established a number of employee benefit programs for purposes of attracting, retaining and motivating our employees. The following is a description of the basic components of these programs as of December 31, 2009.

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EQUITY INCENTIVE AWARDS. Prior to the completion of the Acquisition, the Company granted stock options, SARs and restricted stock for a fixed number of shares to employees and directors under share-based compensation plans. The exercise prices of the stock options and SARs were equal to the fair market value of the underlying shares at the dates of grant. Compensation expense for restricted stock awards was measured at fair value on the dates of grant based on the number of shares granted and the quoted market price of the Company s common stock. Such value was recognized as expense over the vesting period of the award adjusted for actual forfeitures.

In connection with the Acquisition, on January 28, 2008, outstanding and unexercised stock options and SARs, whether vested or unvested, were cancelled and converted into the right to receive a cash payment equal to the product of (a) the number of shares of common stock underlying the options and (b) the excess, if any, of the Acquisition consideration over the exercise price per share of common stock previously subject to such options, less any required withholding taxes. In addition, outstanding restricted shares vested and became free of restrictions, and each holder received $90 in cash for each outstanding share.

The following is a summary of activity under the equity incentive plans that were in effect through the effective date of the Acquisition, when all of the stock options and SARs were cancelled and restricted shares were vested:

	Predecessor		
Plan	**Outstanding at Jan. 1, 2008**	**Cancelled**	**Outstanding at Jan. 27, 2008**
Stock options			
2004 Equity Incentive Award Plan	7,303,293	7,303,293	
2001 Broad-Based Stock Incentive Plan	50,097	50,097	
2004 Long Term Incentive Plan	537,387	537,387	
1998 Caesars Plans	102,251	102,251	
Total options outstanding	7,993,028	7,993,028	
Weighted average exercise price per option	$ 57.51	$ 57.51	
Weighted average remaining contractual term per option	3.5 years		
Options exercisable at January 27, 2008:			
Number of options			
Weighted average exercise price			
Weighted average remaining contractual term			
SARs			
2004 Equity Incentive Award Plan	3,229,487	3,229,487	
2004 Long Term Incentive Plan	27,695	27,695	
Total SARs outstanding	3,257,182	3,257,182	
Weighted average exercise price per SAR	$ 69.26	$ 69.26	
Weighted average remaining contractual term per SAR	5.7 years		
SARs exercisable at January 27, 2008:			
Number of SARs			
Weighted average exercise price			
Weighted average remaining contractual term			
		Vested	
Restricted shares			
2004 Equity Incentive Award Plan	687,624	687,624	
2004 Long Term Incentive Plan	36,691	36,691	
Total restricted shares outstanding	724,315	724,315	
Weighted Average Grant date fair value per restricted share	$ 70.71	$ 70.71	

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Prior to the Acquisition, our employees were also granted restricted stock or options to purchase shares of common stock under the Harrah s Entertainment, Inc. 2001 Broad-based Stock Incentive Plan (the 2001 Plan). Two hundred thousand shares were authorized for issuance under the 2001 Plan, which was an equity compensation plan not approved by stockholders.

There were no share-based grants during the period January 1, 2008 through January 27, 2008.

The total intrinsic value of stock options cancelled, SARs cancelled and restricted shares vested at the date of the Acquisition was approximately $456.9 million, $225.3 million and $46.9 million, respectively.

The following is a summary of the activity for nonvested stock option and SAR grants and restricted share awards as of January 27, 2008 and the changes for the period January 1, 2008 to January 27, 2008:

	Stock Options		Predecessor SARs		Restricted Shares	
	Options	Fair Value [1]	SARs	Fair Value [1]	Shares	Fair Value [1]
Nonvested at January 1, 2008	2,157,766	$ 19.87	2,492,883	$ 19.51	724,315	$ 70.71
Grants						
Vested	(1,505,939)	19.82	(16,484)	23.71	(724,315)	70.71
Cancelled	(651,827)	20.00	(2,476,399)	19.48		
Nonvested at January 27, 2008		$		$		$

[1] Represents the weighted-average grant date fair value per share-based unit, using the Black-Scholes option-pricing model for stock options and SARs and the average high/low market price of the Company s common stock for restricted shares.

The total fair value of stock options and SARs cancelled and restricted shares vested during the period from January 1, 2008, through January 27, 2008, was approximately $42.9 million, $48.6 million and $51.2 million, respectively.

As of December 31, 2007, there was approximately $12.7 million, $38.2 million and $36.6 million of total unrecognized compensation cost related to stock option grants, SARs and restricted share awards, respectively, under the stock-based compensation plans. The consummation of the Acquisition accelerated the recognition of compensation cost of $82.8 million, which was included in Acquisition and integration costs in the Consolidated Statements of Operations in the period from January 1, 2008 through January 27, 2008.

Share-based Compensation Plans Successor Entity

In February 2008, the Board of Directors approved and adopted the Harrah s Entertainment, Inc. Management Equity Incentive Plan (the Equity Plan). The Board of Directors approved the grant of options to purchase up to 3,733,835 shares of our non-voting common stock in February 2008. The Equity Plan authorizes equity award options to be granted to management and other personnel and key service providers. Grants may be either shares of time-based options or shares of performance-based options, or a combination thereof. Time-based options generally vest in equal increments of 20% on each of the first five anniversaries of the grant date. The performance-based options vest based on the investment returns of our stockholders. One-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to two times their amount vested, and one-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to three times their amount vested subject to certain conditions and limitations. In addition, the performance-based options may vest earlier at lower thresholds upon liquidity events prior to December 31, 2011, as well as pro rata, in certain circumstances. The Equity Plan was amended in December 2008 to allow grants at a price above fair market value, as defined in the Equity Plan.

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On February 23, 2010, the Human Resources Committee of the Board of Directors of the Company adopted an amendment to the Harrah s Entertainment, Inc. Management Equity Incentive Plan (the Plan). The amendment provides for an increase in the available number shares of the Registrant s non-voting common stock for which options may be granted to 4,566,919 shares.

The amendment also revised the vesting hurdles for performance-based options under the Plan. The performance options vest if the return on investment in the Company of TPG, Apollo, and their respective affiliates (the Majority Stockholders) achieve a specified return. Previously, 50% of the performance-based options vested upon a 2x return and 50% vested upon a 3x return. The triggers have been revised to 1.5x and 2.5x, respectively. In addition, a pro-rata portion of the 2.5x options will vest if the Majority Stockholders achieve a return on their investment that is greater than 2.0x, but less than 2.5x. The pro rata portion will increase on a straight line basis from zero to a participant s total number of 2.5x options depending upon the level of returns that the Majority Stockholders realize between 2.0x and 2.5x.

The following is a summary of share-based option activity for the period from January 28, 2008 through December 31, 2008 and for the year ended December 31, 2009:

	Successor Entity			
Options	**Shares**	**Weighted Average Exercise Price**	**Fair Value[(1)]**	**Weighted Average Remaining Contractual Term (years)**
Outstanding at January 28, 2008	133,133	$ 25.00	$ 20.82	
Options granted	3,417,770	99.13	35.81	
Exercised				
Cancelled	(379,303)	100.00	36.68	
Outstanding at December 31, 2008	3,171,600	$ 95.91	$ 35.07	8.9
Exercisable at December 31, 2008[(2)]	133,133	$ 25.00	$ 20.82	3.5
Outstanding at December 31, 2008	3,171,600	$ 95.91	$ 35.07	
Options granted	302,496	51.79	17.89	
Exercised				
Cancelled	(279,921)	97.99	33.98	
Outstanding at December 31, 2009	3,194,175	$ 91.53	$ 33.45	8.0
Exercisable at December 31, 2009	482,528	$ 78.49	$ 31.70	6.4

(1) Represents the weighted-average grant date fair value per option, using the Monte Carlo simulation option-pricing model for performance-based options, and the Black-Scholes option-pricing model for time-based options.

(2) On January 27, 2008, an executive and the Company entered into a stock option rollover agreement that provides for the conversion of options to purchase shares of the Company prior to the Acquisition into options to purchase shares of the Company following the Acquisition with such conversion preserving the intrinsic spread value of the converted option. The rollover option is immediately exercisable with respect to 133,133 shares of non-voting common stock of the Company at an exercise price of $25.00 per share. The rollover options expire on June 17, 2012.

There are no provisions in the Equity Plan for the issuance of SARs or restricted shares.

The weighted-average grant date fair value of options granted during 2009 was $17.89. There were no stock option exercises during the year ended December 31, 2009.

The Company utilized historical optionee behavioral data to estimate the option exercise and termination rates used in the option-pricing models. The expected term of the options represents the period of time the

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options were expected to be outstanding based on historical trends. Expected volatility was based on the historical volatility of the common stock of Harrah s Entertainment and its competitor peer group for a period approximating the expected life. The Company does not expect to pay dividends on common stock. The risk-free interest rate within the expected term was based on the U.S. Treasury yield curve in effect at the time of grant.

As of December 31, 2009, there was approximately $49.0 million of total unrecognized compensation cost related to stock option grants. This cost is expected to be recognized over a remaining weighted-average period of 3.2 years. For the year ended December 31, 2009 and for the Successor period from January 28, 2008 through December 31, 2008, the compensation cost that has been charged against income for stock option grants was approximately $16.4 million and $15.8 million, respectively of which, for the year ended through December 31, 2009, $7.6 million was included in Corporate expense and $8.8 million was included in Property general, administrative and other in the Consolidated Statements of Operations.

Presented below is a comparative summary of valuation assumptions for the indicated periods:

	2009 Successor	**2008 Successor**	**2007 Predecessor**
Expected volatility	65.9%	35.4%	25.1%
Expected dividend yield			1.9%
Expected term (in years)	6.8	6.0	4.8
Risk-free interest rate	2.5%	3.3%	4.6%
Weighted average fair value per share of options granted	$ 17.89	$ 35.81	$ 21.06

SAVINGS AND RETIREMENT PLAN. We maintain a defined contribution savings and retirement plan, which, among other things, allows pretax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings. Prior to February 2009, the Company matched 50% of the first six percent of employees contributions. In February 2009, Harrah s Entertainment announced the suspension of the employer match for all participating employees, where allowed by law or not in violation of an existing agreement. The Acquisition was a change in control under the savings and retirement plan, and therefore, all unvested Company match as of the Acquisition became vested. Amounts contributed to the plan are invested, at the participant s direction, in up to 19 separate funds. Participants become vested in the matching contribution over five years of credited service. Our contribution expense for this plan was $3.2 million for the year ended December 31, 2009, $28.5 million for the period from January 28, 2008 to December 31, 2008, $2.4 million for the period from January 1, 2008 to January 27, 2008 and $33.1 million for the year ended December 31, 2007.

DEFERRED COMPENSATION PLANS. The Company has one currently active deferred compensation plan, the Executive Supplemental Savings Plan II (ESSP II), although there are five other plans that contain deferred compensation assets: Harrah s Executive Deferred Compensation Plan (EDCP), the Harrah s Executive Supplemental Savings Plan (ESSP), Harrah s Deferred Compensation Plan (HDCP), the Restated Park Place Entertainment Corporation Executive Deferred Compensation Plan, and the Caesars World, Inc. Executive Security Plan. The deferred compensation plans are collectively referred to as DCP.

Amounts deposited into DCP are unsecured liabilities of the Company, the EDCP and HDCP earn interest at rates approved by the Human Resources Committee of the Board of Directors. The other plans, including the ESSP II are variable investment plans, which allow employees to direct their investments by choosing from several investment alternatives. In connection with the acquisition of Caesars, we assumed the outstanding liability for Caesars deferred compensation plan; however, the balance was frozen and former Caesars employees may no longer contribute to that plan. The total liability included in Deferred credits and other for DCP at December 31, 2009 and 2008 was $98.6 million and $100.3 million, respectively. In connection with the administration of one of these plans, we have purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

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Beginning in 2005, we implemented the ESSP II for certain executive officers, directors and other key employees of the Company to replace the ESSP. Eligible employees may elect to defer a percentage of their salary and/or bonus under ESSP II. Prior to February 2009, the Company had the option to make matching contributions with respect to deferrals of salary to those participants who are eligible to receive matching contributions under the Company s 40l(k) plan. In February 2009, the Company eliminated matching contributions with respect to deferrals of salary. Employees immediately vest in their own deferrals of salary and bonus, and vest in Company funded matching and discretionary contributions over five years.

The Acquisition was a change in control under our deferred compensation plans, and therefore, all unvested Company match as of the Acquisition became vested. The change in control also required that the pre-existing trust and escrow funds related to our deferred compensation plans be fully funded.

Subsequent to the Acquisition, contributions by the Company have been segregated in order to differentiate between the fully-funded trusts and escrows prior to the Acquisition and the post-acquisition contributions. In January 2010, the Company funded $5.6 million into the trust in order to increase the security of the participants deferred compensation plan benefits because the Company is prevented from withdrawing or accessing trust assets for corporate needs.

MULTI-EMPLOYER PENSION PLAN. We have approximately 25,000 employees covered under collective bargaining agreements, and the majority of those employees are covered by union sponsored, collectively bargained multi-employer pension plans. We contributed and charged to expense $35.9 million for the year ended December 31, 2009, $34.7 million for the period from January 28, 2008 to December 31, 2008, $3.0 million for the period from January 1, 2008 to January 27, 2008 and $35.9 million for the year ended December 31, 2007, for such plans. The plans administrators do not provide sufficient information to enable us to determine our share, if any, of unfunded vested benefits.

PENSION COMMITMENTS. With the acquisition of London Clubs in December 2006, we assumed a defined benefit plan, which provides benefits based on final pensionable salary. The assets of the plan are held in a separate trustee-administered fund, and death-in-service benefits, professional fees and other expenses are paid by the pension plan. The most recent actuarial valuation of the plan showed a deficit of approximately $38.2 million, which is recognized as a liability in our Consolidated Balance Sheet at December 31, 2009. The London Clubs pension plan is not material to our Company.

As discussed within Note 15, Litigation , with our acquisition of Caesars, we assumed certain obligations related to the Employee Benefits and Other Employment Matters Allocation Agreement by and between Hilton Worldwide, Inc. (formerly Hilton Hotels Corporation) and Caesars dated December 31, 1998, pursuant to which we shall retain or assume, as applicable, liabilities and excess, if any, related to the Hilton Hotels Retirement Plan based on the ratio of accrued benefits of Hilton employees and the Company s employees covered under the plan. Based on this ratio, our share of any benefit or obligation would be approximately 30 percent of the total. The Hilton Hotels Retirement Plan is a defined benefit plan that provides benefits based on years of service and compensation, as defined. Since December 31, 1996, employees have not accrued additional benefits under this plan. The plan is administered by Hilton Worldwide, Inc. Hilton Worldwide, Inc. has informed the Company that as of December 31, 2009, the plan benefit obligations exceeded the fair value of the plan assets by $74.2 million, of which $23.6 million is our share; however, no contributions to the plan were required during 2009. Hilton is unable to determine the contribution requirements for 2010.

Note 18 Discontinued Operations

During 2006, we sold four properties Harrah s Lake Charles, Reno Hilton, Flamingo Laughlin and Grand Casino Gulfport and classified these operations as discontinued operations. Discontinued operations for the period from January 1, 2008 through January 27, 2008 included insurance proceeds of $87.3 million, after taxes, representing the final funds received that were in excess of the net book value of the impacted assets and costs

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and expenses reimbursed under our business interruption claims for Grand Casino Gulfport. Discontinued operations for 2007 included insurance proceeds of $89.6 million, after taxes, for reimbursements under our business interruption claims related to Harrah s Lake Charles and Grand Casino Gulfport, both of which were sold in 2006. Pursuant to the terms of the sales agreements, we retained all insurance proceeds related to those properties.

Summary operating results for discontinued operations is as follows:

	Successor		Predecessor	
(In millions)	2009	Jan. 28, 2008 through Dec. 31, 2008	Jan. 1, 2008 through Jan. 27, 2008	2007
Net revenues	$	$	$	$ 0.2
Pretax income from discontinued operations	$	$ 0.1	$ 141.5	$ 145.4
Discontinued operations, net of tax	$	$ 0.1	$ 90.4	$ 92.2

Note 19 Non-consolidated Affiliates

During late 2009, we invested approximately $66.9 million to purchase outstanding debt of the Planet Hollywood Resort and Casino (Planet Hollywood), located on the Las Vegas strip. This investment was accounted for as a long-term investment recorded at historical cost as of December 31, 2009. The Company converted this investment into equity ownership interests of Planet Hollywood in February 2010 as more fully discussed in Note 21, Subsequent Events.

As of December 31, 2009, our investments in and advances to non-consolidated affiliates consisted of interests in a company that provides management services to a casino in Windsor, Canada, a casino club in South Africa, a horse-racing facility in Florence, Kentucky, a hotel in Metropolis, Illinois, a joint venture to construct a hotel at our combination thoroughbred racetrack and casino in Bossier City, Louisiana, and our investment in debt securities of Planet Hollywood.

	As of December 31,	
(In millions)	2009	2008
Investments in and advances to non-consolidated affiliates		
Accounted for under the equity method	$ 20.8	$ 25.3
Accounted for at historical cost	73.2	5.1
	$ 94.0	$ 30.4

Note 20 Related Party Transactions

In connection with the Acquisition, Apollo, TPG and their affiliates entered into a services agreement with Harrah s Entertainment relating to the provision of financial and strategic advisory services and consulting services. We paid Apollo and TPG a one-time transaction fee of $200 million for structuring the Acquisition and for assisting with debt financing negotiations. This amount was included in the overall purchase price of the Acquisition. In addition, we pay a monitoring fee for management services and advice. Fees for the year ended December 31, 2009 and for the period from January 28, 2008 through December 31, 2008 were $28.7 million and $27.9 million, respectively. Such fees are included in Corporate expense in our Consolidated Statements of Operations for the applicable Successor periods. We also reimburse Apollo and TPG for expenses that they incur related to their management services.

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In connection with our debt exchange in April 2009, certain debt held by Apollo and TPG was exchanged for new debt and the related party gain on that exchange totaling $80.1 million, net of deferred tax of $52.3 million, has been recorded to stockholders equity.

During the quarter ended June 30, 2009, Apollo and TPG completed their own tender offer and purchased some of our Second Lien Notes.

Note 21 Subsequent Events

Amendment to Stock Compensation Plan

On February 23, 2010, the Human Resources Committee of the Board of Directors of the Company adopted an amendment to the Harrah s Entertainment, Inc. Management Equity Incentive Plan (the Plan). The amendment provides for an increase in the available number shares of the Registrant s non-voting common stock for which options may be granted to 4,566,919 shares.

The amendment also revised the vesting hurdles for performance-based options under the Plan. The performance options vest if the return on investment in the Company of TPG, Apollo, and their respective affiliates (the Majority Stockholders) achieve a specified return. Previously, 50% of the performance-based options vested upon a 2x return and 50% vested upon a 3x return. The triggers have been revised to 1.5x and 2.5x, respectively. In addition, a pro-rata portion of the 2.5x options will vest if the Majority Stockholders achieve a return on their investment that is greater than 2.0x, but less than 2.5x. The pro rata portion will increase on a straight line basis from zero to a participant s total number of 2.5x options depending upon the level of returns that the Majority Stockholders realize between 2.0x and 2.5x.

Acquisition of Planet Hollywood

On February 19, 2010, Harrah s Operating Company, Inc. (Harrah s Operating), a wholly owned subsidiary of Harrah s Entertainment, Inc. (the Registrant), acquired 100% of the equity interests of PHW Las Vegas, LLC (PHW Las Vegas), which owns and operates the Planet Hollywood Resort and Casino located in Las Vegas, Nevada. In connection with this transaction, PHW Las Vegas assumed a $554.3 million senior secured term loan, and a subsidiary of Harrah s Operating cancelled certain debt issued by PHW Las Vegas predecessor entities. In connection with the transaction and the assumption of debt, PHW Las Vegas entered into an amended and restated loan agreement (the Amended and Restated Loan Agreement) with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007-TFL2 (Lender). The $554.3 million outstanding under the Amended and Restated Loan Agreement bears interest at a rate per annum equal to LIBOR plus 2.859% (the Applicable Interest Rate) and is secured by the assets of PHW Las Vegas, and non-recourse to other subsidiaries of the Company. PHW Las Vegas is an unrestricted subsidiary of HOC and therefore not a borrower under HOC s credit facilities. A subsidiary of HOC manages the property for PHW Las Vegas for a fee. The maturity date for this loan is December 2011, with two extension options, which, if exercised, would delay maturity until April 2015.

Guaranty

In connection with the Amended and Restated Loan Agreement referred to above, the Registrant entered into a Guaranty Agreement (the Guaranty) for the benefit of Lender pursuant to which the Registrant guaranteed to Lender certain recourse liabilities of PHW Las Vegas pursuant to the Amended and Restated Loan Agreement. The Registrant s maximum aggregate liability for such recourse liabilities of PHW Las Vegas is limited to an amount not to exceed $30.0 million provided that such recourse liabilities of PHW Las Vegas do not arise from (i) events, acts, or circumstances that are actually committed by, or voluntarily or willfully brought about by the Registrant or (ii) event, acts, or circumstances (regardless of the cause of the same) that provide actual benefit (in cash, cash equivalent, or other quantifiable amount) to the Registrant, to the full extent of the actual benefit received by the Registrant. Pursuant to the Guaranty, the Registrant is required to maintain a net worth or liquid assets of at least $100.0 million.

Prepayments

PHW Las Vegas may, at its option, voluntarily prepay the loan in whole or in part upon twenty (20) days prior written notice to Lender.

PHW Las Vegas is required to prepay the loan in (i) the amount of any insurance proceeds received by Lender for which Lender is not obligated to make available to PHW Las Vegas for restoration in accordance with the terms of the Amended and Restated Loan Agreement, (ii) the amount of any proceeds received from the operator of the timeshare property adjacent to the Planet Hollywood Resort and Casino, subject to the limitations set forth in the Amended and Restated Loan Agreement and (iii) the amount of any excess cash remaining after application of the cash management provisions of the Amended and Restated Loan Agreement.

Amortization

On each scheduled monthly payment date prior to the maturity date, PHW Las Vegas pays to Lender interest only accruing at the Applicable Interest Rate.

Amendment to CMBS Financing

On March 5, 2010, we received the consent of our lenders under our CMBS financing to amend the terms of the CMBS financing to, among other things, (i) provide our subsidiaries that are borrowers under the CMBS mortgage loan and/or related mezzanine loans (CMBS Loans) the right to extend the maturity of the CMBS Loans, subject to certain conditions, by up to 2 years until February 2015, (ii) amend certain terms of the CMBS Loans with respect to reserve requirements, collateral rights, property release prices and the payment of management fees, (iii) provide for ongoing mandatory offers to repurchase CMBS Loans using excess cash flow from the CMBS entities at discounted prices, (iv) provide for the amortization of the mortgage loan in certain minimum amounts upon the occurrence of certain conditions and (v) provide for certain limitations with respect to the amount of excess cash flow from the CMBS entities that may be distributed to us. Any CMBS Loan purchased pursuant to the amendments will be cancelled. The amendment to the terms of the CMBS Loans will become effective upon execution of definitive documentation.

In addition, we have agreed to purchase approximately $124 million of face value of CMBS Loans for $37 million, subject to the execution of definitive documentation for the amendments. In the fourth quarter of 2009, we purchased approximately $950 million of face value of CMBS Loans for approximately $237 million. Pursuant to the terms of the amendments, the borrowers have agreed to pay lenders selling CMBS Loans an additional $48 million for loans previously sold, subject to the execution of definitive documentation for the amendments.

Note 22 Consolidating Financial Information of Guarantors and Issuers

As of December 31, 2009, HOC is the issuer of certain debt securities that have been guaranteed by Harrah s Entertainment and certain subsidiaries of HOC. The following consolidating schedules present condensed financial information for Harrah s Entertainment, the parent and guarantor; HOC, the subsidiary issuer; guarantor subsidiaries of HOC; and non-guarantor subsidiaries of Harrah s Entertainment and HOC, which includes the CMBS properties, as of December 31, 2009, and December 31, 2008, and for the Successor companies for the year ended December 31, 2009 and the period from January 28, 2008, through December 31, 2008, and for the Predecessor companies for the period from January 1, 2008, through January 27, 2008.

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In connection with the CMBS financing for the Acquisition, HOC spun off to Harrah s Entertainment the following casino properties and related operating assets: Harrah s Las Vegas, Rio, Flamingo Las Vegas, Harrah s Atlantic City, Showboat Atlantic City, Harrah s Lake Tahoe, Harvey s Lake Tahoe and Bill s Lake Tahoe. Upon receipt of regulatory approvals that were requested prior to the closing of the Acquisition, in May 2008, Paris Las Vegas and Harrah s Laughlin and their related operating assets were spun out of HOC to Harrah s Entertainment and Harrah s Lake Tahoe, Harvey s Lake Tahoe, Bill s Lake Tahoe and Showboat Atlantic City and their related operating assets were transferred to HOC from Harrah s Entertainment. We refer to the May spin-off and transfer as the Post-Closing CMBS Transaction. The financial information included in this section reflects ownership of the CMBS properties pursuant to the spin-off and transfer of the Post-Closing CMBS Transaction.

In lieu of providing separate unaudited financial statements for the guarantor subsidiaries, we have included the accompanying consolidating condensed financial statements based on the Securities and Exchange Commission s interpretation and application of ASC 470-10-S99, (Rule 3-10 of the Securities and Exchange Commission s Regulation S-X). Management does not believe that separate financial statements of the guarantor subsidiaries are material to our investors. Therefore, separate financial statements and other disclosures concerning the guarantor subsidiaries are not presented.

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HARRAH S ENTERTAINMENT, INC.

(SUCCESSOR ENTITY)

CONDENSED CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2009

(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Assets						
Current assets						
Cash and cash equivalents	$ 122.7	$ (15.6)	$ 445.2	$ 365.8	$	$ 918.1
Receivables, net of allowance for doubtful accounts		10.2	237.5	75.8		323.5
Deferred income taxes		60.0	68.4	19.8		148.2
Prepayments and other		12.5	79.8	64.1		156.4
Inventories		0.6	33.5	18.6		52.7
Intercompany receivables	0.2	478.4	261.3	232.5	(972.4)	
Total current assets	122.9	546.1	1,125.7	776.6	(972.4)	1,598.9
Land, buildings, riverboats and equipment, net of accumulated depreciation		240.3	10,500.2	7,184.3		17,924.8
Assets held for sale			16.7			16.7
Goodwill			1,753.0	1,703.9		3,456.9
Intangible assets other than goodwill		6.3	4,230.2	714.8		4,951.3
Investments in and advances to nonconsolidated affiliates	1,846.1	15,056.8	70.2	627.3	(17,506.4)	94.0
Deferred charges and other		399.0	246.4	291.2		936.6
Intercompany receivables		1,348.7	1,687.8	706.9	(3,743.4)	
	$ 1,969.0	$ 17,597.2	$ 19,630.2	$ 12,005.0	$ (22,222.2)	$ 28,979.2
Liabilities and Stockholders (Deficit)/Equity						
Current liabilities						
Accounts payable	$	$ 97.7	$ 104.6	$ 58.5	$	$ 260.8
Interest payable		184.8	1.9	8.9		195.6
Accrued expenses	8.6	205.2	449.7	411.3		1,074.8
Current portion of long-term debt		30.0	6.3	38.0		74.3
Intercompany payables	1.8	34.1	412.0	524.5	(972.4)	
Total current liabilities	10.4	551.8	974.5	1,041.2	(972.4)	1,605.5
Long-term debt		13,601.0	98.1	5,747.8	(578.1)	18,868.8
Deferred credits and other		642.9	147.8	81.8		872.5
Deferred income taxes		1,520.1	2,446.5	1,890.3		5,856.9
Intercompany notes	239.0	98.1	1,973.5	1,432.8	(3,743.4)	
	249.4	16,413.9	5,640.4	10,193.9	(5,293.9)	27,203.7
Preferred stock	2,642.5					2,642.5

Harrah s Entertainment, Inc. stockholders (deficit)/equity	(922.9)	1,183.3	13,989.8	1,755.2	(16,928.3)	(922.9)
Non-controlling interests				55.9		55.9
Total Stockholders (deficit)/equity	(922.9)	1,183.3	13,989.8	1,811.1	(16,928.3)	(867.0)
	$ 1,969.0	$ 17,597.2	$ 19,630.2	$ 12,005.0	$ (22,222.2)	$ 28,979.2

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HARRAH S ENTERTAINMENT, INC.

(SUCCESSOR ENTITY)

CONDENSED CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2008

(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Assets						
Current assets						
Cash and cash equivalents	$ 0.1	$ 7.1	$ 318.3	$ 325.0	$	$ 650.5
Receivables, net of allowance for doubtful accounts	0.1	8.1	271.5	114.3		394.0
Deferred income taxes		56.5	79.4	21.7		157.6
Prepayments and other		12.9	101.6	84.9		199.4
Inventories		1.2	42.0	19.5		62.7
Intercompany receivables	0.2	261.6	161.5	168.0	(591.3)	
Total current assets	0.4	347.4	974.3	733.4	(591.3)	1,464.2
Land, buildings, riverboats and equipment, net of accumulated depreciation		252.0	10,992.0	6,996.4	26.7	18,267.1
Assets held for sale		35.0	14.3			49.3
Goodwill			2,737.2	2,165.0		4,902.2
Intangible assets other than goodwill		7.0	4,506.2	794.7		5,307.9
Investments in and advances to nonconsolidated affiliates	728.2	15,879.1	4.1	26.3	(16,607.3)	30.4
Deferred charges and other		524.1	249.4	254.0		1,027.5
Intercompany receivables	160.6	1,256.9	1,687.7	1,202.4	(4,307.6)	
	$ 889.2	$ 18,301.5	$ 21,165.2	$ 12,172.2	$ (21,479.5)	$ 31,048.6
Liabilities and Stockholders (Deficit)/Equity						
Current liabilities						
Accounts payable	$ 0.5	$ 156.8	$ 153.6	$ 71.4	$	$ 382.3
Interest payable		400.0	1.9	15.8		417.7
Accrued expenses	7.7	224.4	508.7	374.2		1,115.0
Current portion of long-term debt		72.5	6.3	6.8		85.6
Intercompany payables		18.9	298.2	274.2	(591.3)	
Total current liabilities	8.2	872.6	968.7	742.4	(591.3)	2,000.6
Long-term debt		16,503.2	102.6	6,517.5		23,123.3
Deferred credits and other		480.6	131.5	57.0		669.1
Deferred income taxes		358.5	2,551.8	1,416.7		4,327.0
Intercompany notes	2.0	258.7	1,973.4	2,073.5	(4,307.6)	
	10.2	18,473.6	5,728.0	10,807.1	(4,898.9)	30,120.0
Preferred stock	2,289.4					2,289.4

Harrah s Entertainment, Inc. Stockholders (deficit)/equity	(1,410.4)	(172.1)	15,437.2	1,315.5	(16,580.6)	(1,410.4)
Non-controlling interests				49.6		49.6
Total Stockholders (deficit)/equity	(1,410.4)	(172.1)	15,437.2	1,365.1	(16,580.6)	(1,360.8)
	$ 889.2	$ 18,301.5	$ 21,165.2	$ 12,172.2	$ (21,479.5)	$ 31,048.6

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HARRAH S ENTERTAINMENT, INC.

(SUCCESSOR ENTITY)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	$	$ 76.1	$ 4,724.9	$ 2,323.3	$	$ 7,124.3
Food and beverage		17.3	842.3	619.7		1,479.3
Rooms		17.2	601.5	450.2		1,068.9
Management fees		8.5	60.2	1.2	(13.3)	56.6
Other		42.6	373.2	317.8	(141.2)	592.4
Less: casino promotional allowances		(22.6)	(891.6)	(499.9)		(1,414.1)
Net revenues		139.1	5,710.5	3,212.3	(154.5)	8,907.4
Operating expenses						
Direct						
Casino		45.9	2,575.6	1,304.0		3,925.5
Food and beverage		9.5	314.8	271.7		596.0
Rooms		1.8	111.6	100.1		213.5
Property general, administrative and other		40.3	1,326.8	770.0	(118.3)	2,018.8
Depreciation and amortization		8.3	449.5	226.1		683.9
Project opening costs			2.4	1.2		3.6
Write-downs, reserves and recoveries		(18.8)	96.7	30.0		107.9
Impairment of intangible assets			1,147.9	490.1		1,638.0
(Income)/losses on interests in non-consolidated affiliates	(854.4)	598.1	(49.0)	3.9	303.6	2.2
Corporate expense	40.1	91.5	19.1	36.2	(36.2)	150.7
Acquisition and integration costs		0.3				0.3
Amortization of intangible assets		0.7	112.4	61.7		174.8
Total operating expenses	(814.3)	777.6	6,107.8	3,295.0	149.1	9,515.2
Income/(loss) from operations	814.3	(638.5)	(397.3)	(82.7)	(303.6)	(607.8)
Interest expense, net of interest capitalized	(1.8)	(1,660.4)	(152.3)	(363.2)	285.2	(1,892.5)
Gain on early extinguishment of debt		3,929.6		1,035.9		4,965.5
Other income, including interest income	0.5	96.5	109.8	111.4	(285.2)	33.0
Income/(loss) from continuing operations before income taxes	813.0	1,727.2	(439.8)	701.4	(303.6)	2,498.2
Benefit/(provision) for income taxes	14.6	(1,052.5)	(203.7)	(410.2)		(1,651.8)
Net income/(loss)	827.6	674.7	(643.5)	291.2	(303.6)	846.4
Less: net income attributable to non-controlling interest				(18.8)		(18.8)

Net income/(loss) attributable to Harrah s Entertainment, Inc.	$	827.6	$	674.7	$	(643.5)	$	272.4	$	(303.6)	$	827.6

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HARRAH S ENTERTAINMENT, INC.

(SUCCESSOR ENTITY)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE PERIOD

JANUARY 28, 2008 THROUGH DECEMBER 31, 2008

(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	$	$ 87.7	$ 4,963.3	$ 2,425.9	$	$ 7,476.9
Food and beverage		20.2	868.8	641.2		1,530.2
Rooms		18.4	648.6	507.5		1,174.5
Management fees		8.0	62.1	(0.1)	(10.9)	59.1
Other		41.1	415.7	288.5	(120.5)	624.8
Less: casino promotional allowances		(24.9)	(973.6)	(500.1)		(1,498.6)
Net revenues		150.5	5,984.9	3,362.9	(131.4)	9,366.9
Operating expenses						
Direct						
Casino		54.1	2,696.7	1,352.0		4,102.8
Food and beverage		10.7	334.4	294.4		639.5
Rooms		1.9	122.3	112.5		236.7
Property general, administrative and other		57.0	1,410.3	775.1	(99.4)	2,143.0
Depreciation and amortization		7.2	432.4	187.3		626.9
Project opening costs			22.5	6.4		28.9
Write-downs, reserves and recoveries	9.0	42.4	3,399.0	2,055.3	0.1	5,505.8
Losses/(income) on interests in non-consolidated affiliates	5,072.1	3,006.3	(107.5)	1.2	(7,970.0)	2.1
Corporate expense	31.0	80.6	23.1	29.2	(32.1)	131.8
Acquisition and integration costs		24.0				24.0
Amortization of intangible assets		0.6	105.2	57.1		162.9
Total operating expenses	5,112.1	3,284.8	8,438.4	4,870.5	(8,101.4)	13,604.4
(Loss)/income from operations	(5,112.1)	(3,134.3)	(2,453.5)	(1,507.6)	7,970.0	(4,237.5)
Interest expense, net of interest capitalized		(1,673.7)	(187.5)	(520.7)	307.0	(2,074.9)
Gain on early extinguishment of debt		742.1				742.1
Other income, including interest income	4.9	117.5	119.0	100.8	(307.0)	35.2
(Loss)/income from continuing operations before income taxes	(5,107.2)	(3,948.4)	(2,522.0)	(1,927.5)	7,970.0	(5,535.1)
Benefit/(provision) for income taxes	10.9	315.0	40.1	(5.6)		360.4
(Loss)/income from continuing operations, net of tax	(5,096.3)	(3,633.4)	(2,481.9)	(1,933.1)	7,970.0	(5,174.7)

Discontinued operations						
Income from discontinued operations			141.5			141.5
Provision for income taxes			(51.1)			(51.1)
Income from discontinued operations, net			90.4			90.4
Net (loss)/income	(5,096.3)	(3,633.4)	(2,391.5)	(1,933.1)	7,970.0	(5,084.3)
Less: net income attributable to non-controlling interest				(12.0)		(12.0)
Net (loss)/income attributable to Harrah s Entertainment, Inc.	$ (5,096.3)	$ (3,633.4)	$ (2,391.5)	$ (1,945.1)	$ 7,970.0	$ (5,096.3)

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HARRAH S ENTERTAINMENT, INC.

(PREDECESSOR ENTITY)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE PERIOD

JANUARY 1, 2008 THROUGH JANUARY 27, 2008

(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	$	$ 5.7	$ 400.5	$ 208.4	$	$ 614.6
Food and beverage		1.5	65.7	51.2		118.4
Rooms		1.3	52.7	42.4		96.4
Management fees		0.7	6.0	0.1	(1.8)	5.0
Other		0.7	26.3	22.0	(6.3)	42.7
Less: casino promotional allowances		(1.5)	(76.9)	(38.6)		(117.0)
Net revenues		8.4	474.3	285.5	(8.1)	760.1
Operating expenses						
Direct						
Casino		4.1	217.8	118.7		340.6
Food and beverage		1.0	26.0	23.5		50.5
Rooms		0.2	10.0	9.4		19.6
Property general, administrative and other		5.6	112.7	68.0	(8.1)	178.2
Depreciation and amortization		1.1	41.9	20.5		63.5
Project opening costs			(0.2)	0.9		0.7
Write-downs, reserves and recoveries		0.6	(0.4)	4.5		4.7
Losses/(income) on interests in non-consolidated affiliates	102.3	(1.3)	1.6	(0.2)	(102.9)	(0.5)
Corporate expense		7.9	0.6			8.5
Acquisition and integration costs		125.6				125.6
Amortization of intangible assets			5.2	0.3		5.5
Total operating expenses	102.3	144.8	415.2	245.6	(111.0)	796.9
(Loss)/income from operations	(102.3)	(136.4)	59.1	39.9	102.9	(36.8)
Interest expense, net of interest capitalized		(89.3)	(7.1)	(27.3)	34.0	(89.7)
Other income, including interest income		12.6	9.8	12.7	(34.0)	1.1
(Loss)/income from continuing operations before income taxes	(102.3)	(213.1)	61.8	25.3	102.9	(125.4)
Benefit/(provision) for income taxes	1.4	56.3	(18.9)	(12.8)		26.0
(Loss)/income from continuing operations, net of tax	(100.9)	(156.8)	42.9	12.5	102.9	(99.4)

Discontinued operations						
Income from discontinued operations			0.1			0.1
Provision for income taxes						
Income from discontinued operations, net			0.1			0.1
Net (loss)/income	(100.9)	(156.8)	43.0	12.5	102.9	(99.3)
Less: net income attributable to non-controlling interests				(1.6)		(1.6)
Net (loss)/income attributable to Harrah s Entertainment, Inc.	$ (100.9)	$ (156.8)	$ 43.0	$ 10.9	$ 102.9	$ (100.9)

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HARRAH S ENTERTAINMENT, INC.

(PREDECESSOR ENTITY)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

(In millions)

	HET (Parent)	Subsidiary Issuer	Other Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	$	$ 109.1	$ 5,953.1	$ 2,768.8	$	$ 8,831.0
Food and beverage		24.0	963.0	711.8		1,698.8
Rooms		22.2	752.2	579.2		1,353.6
Management fees		8.1	87.2		(13.8)	81.5
Other		5.1	398.1	364.1	(71.4)	695.9
Less: casino promotional allowances		(26.8)	(1,217.0)	(591.8)		(1,835.6)
Net revenues		141.7	6,936.6	3,832.1	(85.2)	10,825.2
Operating expenses						
Direct						
Casino		59.2	3,015.5	1,520.5		4,595.2
Food and beverage		12.8	374.1	329.6		716.5
Rooms		3.3	138.1	124.9		266.3
Property general, administrative and other		104.8	1,569.6	832.3	(85.0)	2,421.7
Depreciation and amortization		14.3	545.0	258.1	(0.2)	817.2
Project opening costs			3.1	22.4		25.5
Write-downs, reserves and recoveries		25.5	16.1	68.1		109.7
Income on interests in non-consolidated affiliates	(621.1)	(1,306.9)	40.9	(113.1)	1,996.3	(3.9)
Corporate expense	0.2	122.0	15.8	0.1		138.1
Acquisition and integration costs		13.4				13.4
Amortization of intangible assets			69.8	3.7		73.5
Total operating expenses	(620.9)	(951.6)	5,788.0	3,046.6	1,911.1	9,173.2
Income from operations	620.9	1,093.3	1,148.6	785.5	(1,996.3)	1,652.0
Interest expense, net of interest capitalized		(818.3)	(245.1)	(328.3)	590.9	(800.8)
Losses on early extinguishments of debt				(2.0)		(2.0)
Other income, including interest income	(0.1)	136.0	284.2	214.1	(590.9)	43.3
Income from continuing operations before income taxes	620.8	411.0	1,187.7	669.3	(1,996.3)	892.5
(Provision)/benefit for income taxes	(1.4)	308.3	(471.0)	(186.0)		(350.1)
Income from continuing operations, net of tax	619.4	719.3	716.7	483.3	(1,996.3)	542.4
Discontinued operations						
Income from discontinued operations			145.4			145.4

Provision for income taxes			(53.2)			(53.2)
Income/(loss) from discontinued operations, net			92.2			92.2
Net income	619.4	719.3	808.9	483.3	(1,996.3)	634.6
Less: net income attributable to non-controlling interests				(15.2)		(15.2)
Net income attributable to Harrah s Entertainment, Inc.	$ 619.4	$ 719.3	$ 808.9	$ 468.1	$ (1,996.3)	$ 619.4

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HARRAH S ENTERTAINMENT, INC.

(SUCCESSOR ENTITY)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ (36.8)	$ (1,015.0)	$ 303.5	$ 465.4	$ 503.1	$ 220.2
Cash flows provided by/(used in) investing activities						
Land, buildings, riverboats and equipment additions, net of change in construction payables		8.6	(431.0)	(42.1)		(464.5)
Investments in and advances to non-consolidated affiliates		(66.9)		(213.7)	213.7	(66.9)
Proceeds from other asset sales		20.0				20.0
Other				(11.9)		(11.9)
Cash flows used in investing activities		(38.3)	(431.0)	(267.7)	213.7	(523.3)
Cash flows provided by/(used in) financing activities						
Proceeds from issuance of long-term debt		2,043.5		216.1		2,259.6
Debt issuance costs		(70.5)		(5.9)		(76.4)
Borrowings under lending agreements		3,076.6				3,076.6
Repayments under lending agreements		(3,535.1)				(3,535.1)
Cash paid in connection with early extinguishments of debt		(544.9)		(244.9)	(213.7)	(1,003.5)
Scheduled debt retirement		(39.0)		(6.5)		(45.5)
Purchase of additional interest in subsidiary			(83.7)			(83.7)
Non-controlling interests distributions, net of contributions				(17.2)		(17.2)
Repurchase of treasury shares	(3.0)					(3.0)
Other			(1.1)			(1.1)
Transfers from/(to) affiliates	162.4	100.0	339.2	(98.5)	(503.1)	
Cash flows provided by/(used in) financing activities	159.4	1,030.6	254.4	(156.9)	(716.8)	570.7
Net (decrease)/increase in cash and cash equivalents	122.6	(22.7)	126.9	40.8		267.6
Cash and cash equivalents, beginning of period	0.1	7.1	318.3	325.0		650.5
Cash and cash equivalents, end of period	$ 122.7	$ (15.6)	$ 445.2	$ 365.8	$	$ 918.1

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HARRAH S ENTERTAINMENT, INC.

(SUCCESSOR ENTITY)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE PERIOD

JANUARY 28, 2008 THROUGH DECEMBER 31, 2008

(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 106.6	$ (911.5)	$ 1,757.7	$ (430.7)	$	$ 522.1
Cash flows provided by/(used in) investing activities						
Land, buildings, riverboats and equipment additions, net of change in construction payables		(27.8)	(945.5)	(208.1)		(1,181.4)
Insurance proceeds for hurricane losses from asset recovery			181.4			181.4
Payment for Acquisition	(17,490.2)					(17,490.2)
Investments in and advances to non-consolidated affiliates				(5.9)		(5.9)
Proceeds from other asset sales		0.1	4.7	0.3		5.1
Other			(17.4)	(5.8)		(23.2)
Cash flows used in investing activities	(17,490.2)	(27.7)	(776.8)	(219.5)		(18,514.2)
Cash flows provided by/(used in) financing activities						
Proceeds from issuance of long-term debt		15,024.9		6,500.0		21,524.9
Debt issuance costs		(474.4)		(170.1)		(644.5)
Borrowings under lending agreements		433.0				433.0
Repayments under lending agreements		(6,750.2)		(10.3)		(6,760.5)
Cash paid in connection with early extinguishments of debt		(2,167.4)				(2,167.4)
Scheduled debt retirement				(6.5)		(6.5)
Equity contribution from buyout	6,007.0					6,007.0
Payment to bondholders for debt exchange		(289.0)				(289.0)
Non-controlling interests distributions, net of contributions				(14.6)		(14.6)
Excess tax provision from stock equity plans	(50.5)					(50.5)
Repurchase of treasury shares	(3.6)					(3.6)
Other	3.6	(3.4)	(1.3)	(0.2)		(1.3)
Transfers from/(to) affiliates	11,424.9	(4,837.7)	(929.0)	(5,658.2)		
Cash flows provided by/(used in) financing activities	17,381.4	935.8	(930.3)	640.1		18,027.0
Cash flows provided by discontinued operations						
Cash flows provided by operating activities			4.7			4.7

Cash flows provided by discontinued operations			4.7			4.7
Net (decrease)/increase in cash and cash equivalents	(2.2)	(3.4)	55.3	(10.1)		39.6
Cash and cash equivalents, beginning of period	2.3	10.5	263.0	335.1		610.9
Cash and cash equivalents, end of period	$ 0.1	$ 7.1	$ 318.3	$ 325.0	$	$ 650.5

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HARRAH S ENTERTAINMENT, INC.

(PREDECESSOR ENTITY)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE PERIOD

JANUARY 1, 2008 THROUGH JANUARY 27, 2008

(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 43.9	$ (106.4)	$ (25.3)	$ 95.0	$	$ 7.2
Cash flows provided by/(used in) investing activities						
Land, buildings, riverboats and equipment additions, net of change in construction payables		(1.4)	(66.3)	(57.9)		(125.6)
Payments for businesses acquired, net of cash acquired				0.1		0.1
Proceeds from other asset sales			0.1	3.0		3.1
Other			(1.2)	(0.5)		(1.7)
Cash flows used in investing activities		(1.4)	(67.4)	(55.3)		(124.1)
Cash flows provided by/(used in) financing activities						
Proceeds from issuance of long-term debt						
Debt issuance costs						
Borrowings under lender agreements		11,316.3				11,316.3
Repayments under lending agreements		(11,288.6)		(0.2)		(11,288.8)
Cash paid in connection with early extinguishments of debt			(87.7)			(87.7)
Non-controlling interests distributions, net of contributions				(1.6)		(1.6)
Proceeds from exercises of stock options	2.4					2.4
Excess tax benefit from stock equity plans	77.5					77.5
Other			(0.7)	(0.1)		(0.8)
Transfers (to)/from affiliates	(121.5)	75.4	90.5	(44.4)		
Cash flows (used in)/provided by financing activities	(41.6)	103.1	2.1	(46.3)		17.3
Cash flows provided by discontinued operations						
Cash flows provided by operating activities			0.5			0.5

Cash flows provided by discontinued operations			0.5			0.5
Net increase/(decrease) in cash and cash equivalents	2.3	(4.7)	(90.1)	(6.6)		(99.1)
Cash and cash equivalents, beginning of period		15.2	353.1	341.7		710.0
Cash and cash equivalents, end of period	$ 2.3	$ 10.5	$ 263.0	$ 335.1	$	$ 610.9

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HARRAH S ENTERTAINMENT, INC.

(PREDECESSOR ENTITY)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 65.4	$ (450.9)	$ 639.4	$ 1,254.9	$	$ 1,508.8
Cash flows provided by/(used in) investing activities						
Land, buildings, riverboats and equipment additions, net of change in construction payables		(61.5)	(777.3)	(537.9)		(1,376.7)
Insurance proceeds for hurricane losses from asset recovery			29.1			29.1
Payments for businesses acquired, net of cash acquired				(584.3)		(584.3)
Purchase of non-controlling interest in subsidiary				(8.5)		(8.5)
Investments in and advances to non-consolidated affiliates			(1.8)			(1.8)
Proceeds from other asset sales		88.2	7.7	3.7		99.6
Other			(21.3)	(59.7)		(81.0)
Cash flows provided by/(used in) investing activities		26.7	(763.6)	(1,186.7)		(1,923.6)
Cash flows provided by/(used in) financing activities						
Proceeds from issuance of long-term debt						
Debt issuance costs		(6.4)				(6.4)
Borrowings under lending agreements		39,078.7		52.1		39,130.8
Repayments under lending agreements		(37,617.6)		(1.9)		(37,619.5)
Cash paid on early extinguishments of debt				(120.1)		(120.1)
Scheduled debt retirements		(996.7)		(5.0)		(1,001.7)
Dividends paid	(299.2)					(299.2)
Non-controlling interests distributions, net of contributions				(20.0)		(20.0)
Proceeds from exercises of stock options	126.2					126.2
Excess tax benefit from stock equity plans	51.7					51.7
Other		(2.7)	(2.4)	(0.2)		(5.3)
Transfers from/(to) affiliates	55.9	(28.5)	(80.4)	53.0		
Cash flows (used in)/provided by financing activities	(65.4)	426.8	(82.8)	(42.1)		236.5

Cash flows provided by/(used in) discontinued operations						
Cash flows provided by operating activities			88.9			88.9
Cash flows used in investing activities			(0.2)			(0.2)
Cash flows provided by discontinued operations			88.7			88.7
Net increase/(decrease) in cash and cash equivalents		2.6	(118.3)	26.1		(89.6)
Cash and cash equivalents, beginning of period		12.6	471.4	315.6		799.6
Cash and cash equivalents, end of period	$	$ 15.2	$ 353.1	$ 341.7	$	$ 710.0

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Note 23 Quarterly Results of Operations (Unaudited)

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2009					
Revenues	$ 2,254.7	$ 2,271.4	$ 2,282.2	$ 2,099.1	$ 8,907.4
Income/(loss) from operations[(a)]	285.4	6.3	(1,050.2)	150.7	(607.8)
(Loss)/income from continuing operations, net of taxes[(c)]	(127.4)	2,296.8	(1,621.0)	298.3	846.4
Net (loss)/income attributable to Harrah s Entertainment, Inc.	(132.7)	2,289.0	(1,624.3)	295.6	827.6

(In millions)	Predecessor January 1 through January 27	Successor January 28 through March 31	Second Quarter	Third Quarter	Fourth Quarter	January 28 through December 31[(c)]
2008						
Revenues	$ 760.1	$ 1,840.5	$ 2,602.1	$ 2,645.9	$ 2,278.4	$ 9,366.9
(Loss)/income from operations[(b)]	(36.8)	437.8	323.1	349.6	(5,348.0)	(4,237.5)
Loss from continuing operations, net of taxes[(c)]	(99.4)	(175.6)	(97.6)	(123.2)	(4,778.2)	(5,174.7)
Net loss attributable to Harrah s Entertainment, Inc.	(100.9)	(86.9)	(97.6)	(129.7)	(4,782.1)	(5,096.3)

(a) 2009 includes the following:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Expense					
Pretax charges for					
Project opening costs	$ 2.0	$ 0.6	$ 0.3	$ 0.7	$ 3.6
Impairment of intangible assets		297.1	1,328.6	12.3	1,638.0
Write-downs, reserves and recoveries	27.4	26.9	24.3	29.3	107.9
Acquisition and integration costs	0.2	0.1			0.3

(b) 2008 includes the following:

	Predecessor January 1 through January 27	Successor January 28 through March 31	Second Quarter	Third Quarter	Fourth Quarter	January 28 through December 31
Expense/(income)						
Pretax charges for						
Project opening costs	$ 0.7	$ 2.8	$ 7.2	$ 16.3	$ 2.6	$ 28.9
Impairment of goodwill and other intangible assets					5,489.6	5,489.6
Write-downs, reserves and recoveries	4.7	(158.8)	50.1	46.8	78.0	16.2
Acquisition and integration costs	125.6	17.0	5.1	1.0	1.0	24.0

(c)

The sum of the quarterly amounts may not equal the annual amount reported, as quarterly amounts are computed independently for each quarter and for the full year.

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HARRAH S ENTERTAINMENT, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

(in millions, except share amounts)	March 31, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	$ 946.7	$ 918.1
Receivables, less allowance for doubtful accounts of $200.3 and $207.1	327.1	323.5
Deferred income taxes	147.3	148.2
Prepayments and other	202.2	156.4
Inventories	50.1	52.7
Total current assets	1,673.4	1,598.9
Land, buildings, riverboats and equipment	19,676.2	19,206.0
Less: accumulated depreciation	(1,445.4)	(1,281.2)
	18,230.8	17,924.8
Assets held for sale	4.7	16.7
Goodwill	3,477.7	3,456.9
Intangible assets other than goodwill	4,912.2	4,951.3
Investments in and advances to non-consolidated affiliates	35.9	94.0
Deferred charges and other	929.2	936.6
	$ 29,263.9	$ 28,979.2
Liabilities and Stockholders Equity/(Deficit)		
Current liabilities		
Accounts payable	$ 247.2	$ 260.8
Interest payable	385.3	195.6
Accrued expenses	1,107.8	1,074.8
Current portion of long-term debt	76.9	74.3
Total current liabilities	1,817.2	1,605.5
Long-term debt	19,252.7	18,868.8
Deferred credits and other	943.0	872.5
Deferred income taxes	5,717.7	5,856.9
	27,730.6	27,203.7
Commitments and contingencies		
Preferred stock; $0.01 par value; 40,000,000 shares authorized, zero and 19,893,515 shares issued and outstanding (net of zero and 42,020 shares held in treasury) as of March 31, 2010 and December 31, 2009, respectively		2,642.5
Stockholders equity/(deficit)		
Common stock, non-voting and voting; $0.01 par value; 80,000,020 shares authorized; 60,560,817 and 40,672,302 shares issued and outstanding (net of 132,927 and 85,907 shares held in treasury) as of March 31, 2010 and December 31, 2009, respectively	0.6	0.4

Additional paid-in capital	6,128.7	3,480.0
Accumulated deficit	(4,464.9)	(4,269.3)
Accumulated other comprehensive loss	(176.4)	(134.0)
Total Harrah s Entertainment, Inc. Stockholders equity/(deficit)	1,488.0	(922.9)
Non-controlling interests	45.3	55.9
Total stockholders equity/(deficit)	1,533.3	(867.0)
	$ 29,263.9	$ 28,979.2

See accompanying Notes to Consolidated Condensed Financial Statements.

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HARRAH S ENTERTAINMENT, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

(in millions)	Quarter Ended March 31, 2010	2009
Revenues		
Casino	$ 1,750.0	$ 1,812.2
Food and beverage	374.0	370.9
Rooms	268.4	274.7
Management fees	13.1	13.4
Other	131.0	139.5
Less: casino promotional allowances	(348.1)	(356.0)
Net revenues	2,188.4	2,254.7
Operating expenses		
Direct		
Casino	987.6	993.3
Food and beverage	144.6	143.8
Rooms	59.2	52.0
Property, general, administrative and other	503.3	504.3
Depreciation and amortization	169.7	172.4
Project opening costs	0.7	2.0
Write-downs, reserves and recoveries	12.5	27.4
Loss/(income) on interests in non-consolidated affiliates	0.6	(0.2)
Corporate expense	34.5	30.3
Acquisition and integration costs	7.2	0.2
Amortization of intangible assets	42.7	43.8
Total operating expenses	1,962.6	1,969.3
Income from operations	225.8	285.4
Interest expense, net of capitalized interest	(491.5)	(496.8)
(Losses)/gains on early extinguishments of debt	(47.4)	1.2
Other income, including interest income	14.6	8.5
Loss from continuing operations before income taxes	(298.5)	(201.7)
Income tax benefit	104.9	74.3
Loss from continuing operations, net of tax	(193.6)	(127.4)
Discontinued operations		
Loss from discontinued operations		(0.1)
Provision for income taxes		
Loss from discontinued operations, net of tax		(0.1)
Net loss	(193.6)	(127.5)
Less: net income attributable to non-controlling interests	(2.0)	(5.2)

Net loss attributable to Harrah s Entertainment, Inc	$ (195.6)	$ (132.7)

See accompanying Notes to Consolidated Condensed Financial Statements.

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HARRAH S ENTERTAINMENT, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in millions)	Quarter Ended March 31, 2010	2009
Cash flows provided by/(used in) operating activities		
Net loss	$ (193.6)	$ (127.5)
Adjustments to reconcile net income/(loss) to cash flows provided by operating activities:		
Loss from discontinued operations, before income taxes		0.1
Losses/(gains) on early extinguishments of debt	47.4	(1.2)
Depreciation and amortization	275.4	276.8
Non-cash write-downs, reserves and recoveries, net	(3.9)	7.8
Share-based compensation expense	6.7	4.1
Deferred income taxes	(127.9)	(28.2)
Gain on adjustment of investment	(7.1)	
Net change in long-term accounts	86.3	11.2
Net change in working capital accounts	113.3	(180.9)
Other	(34.3)	15.8
Cash flows provided by/(used in) operating activities	162.3	(22.0)
Cash flows provided by/(used in) investing activities		
Land, buildings, riverboats and equipment additions, net of change in construction payables	(35.7)	(144.0)
Additional investment in subsidiaries	(18.8)	
Payment made for partnership interest	(19.5)	
Cash acquired in business acquisition	31.8	
Proceeds from asset sales	12.5	34.2
Other	(3.9)	(3.9)
Cash flows used in investing activities	(33.6)	(113.7)
Cash flows provided by/(used in) financing activities		
Borrowings under lending agreements	545.0	1,355.1
Debt issuance costs	(2.3)	(0.8)
Repayments under lending agreements	(472.0)	(85.0)
Cash paid in connection with early extinguishments of debt		(1.5)
Scheduled debt retirements	(159.5)	(23.2)
Non-controlling interests distributions, net of contributions	(1.4)	(2.0)
Other	(2.0)	2.1
Cash flows (used in)/provided by financing activities	(92.2)	1,244.7
Cash flows from discontinued operations		
Cash flows from operating activities		(0.1)
Effect of deconsolidation of variable interest entities	(7.9)	
Net increase in cash and cash equivalents	28.6	1,108.9
Cash and cash equivalents, beginning of period	918.1	650.5
Cash and cash equivalents, end of period	$ 946.7	$ 1,759.4

See accompanying Notes to Consolidated Condensed Financial Statements.

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HARRAH S ENTERTAINMENT, INC.

CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS EQUITY/(DEFICIT) AND COMPREHENSIVE INCOME

UNAUDITED

(in millions)	Common Stock Shares Outstanding	Common Stock Amount	Additional Paid-in-Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interests	Total	Comprehensive Income/(Loss)
Balance at December 31, 2009	40.7	$ 0.4	$ 3,480.0	$ (4,269.3)	$ (134.0)	$ 55.9	$ (867.0)	
Net (loss)/income				(195.6)		2.0	(193.6)	(193.6)
Share-based compensation			6.7				6.7	
Repurchase of treasury shares	*	*	(0.2)				(0.2)	
Conversion of non-voting perpetual preferred stock to non-voting common stock	19.9	0.2	1,989.6				1,989.8	
Cumulative preferred stock dividends			(64.6)				(64.6)	
Cancellation of cumulative preferred stock dividends in connection with conversion of preferred stock to common stock			717.2				717.2	
Pension adjustment, net of tax benefit of $0.0					0.2		0.2	0.2
Foreign currency translation adjustments, net of tax benefit of $0.3					(8.7)	(1.4)	(10.1)	(10.1)
Fair market value of swap agreements, net of tax benefit of $0.6					(18.6)		(18.6)	(18.6)
Fair market value of interest rate cap agreements on commercial mortgage backed securities, net of tax benefit of $9.9					(15.5)		(15.5)	(15.5)
Reclassification of loss on interest rate locks from other comprehensive loss to interest expense, net of tax provision of $0.1					0.2		0.2	0.2
Non-controlling distributions, net of contributions						(1.4)	(1.4)	
Effect of deconsolidation of variable interest entities						(9.8)	(9.8)	
March 31, 2010 Comprehensive Loss								$ (237.4)
Balance at March 31, 2010	60.6	$ 0.6	$ 6,128.7	$ (4,464.9)	$ (176.4)	$ 45.3	$ 1,533.3	

* Amounts round to zero and do not change rounded totals.

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH S ENTERTAINMENT, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

MARCH 31, 2010

(UNAUDITED)

Note 1 Basis of Presentation and Organization

Harrah s Entertainment, Inc. (Harrah s Entertainment, the Company, we, our or us, and including our subsidiaries where the context requir Delaware corporation. As of March 31, 2010, we owned, operated or managed 52 casinos, in seven countries, but primarily in the United States and England. Our casino entertainment facilities operate primarily under the Harrah s, Caesars and Horseshoe brand names in the United States. Our casino entertainment facilities include 33 land-based casinos, 12 riverboat or dockside casinos, three managed casinos on Indian lands in the United States, one managed casino in Canada, one combination thoroughbred racetrack and casino, one combination greyhound racetrack and casino, and one combination harness racetrack and casino. Our 33 land-based casinos include one in Uruguay, nine in England, one in Scotland, two in Egypt and one in South Africa. We view each property as an operating segment and aggregate all operating segments into one reporting segment.

On January 28, 2008, Harrah s Entertainment was acquired by affiliates of Apollo Global Management, LLC (Apollo) and TPG Capital, LP (TPG) in an all cash transaction, hereinafter referred to as the Acquisition. Harrah s Entertainment continued as the same legal entity after the Acquisition. As a result of the Acquisition, the issued and outstanding shares of non-voting common stock and non-voting preferred stock of Harrah s Entertainment are owned by entities affiliated with Apollo, TPG, certain co-investors and members of management, and the issued and outstanding shares of voting common stock of Harrah s Entertainment are owned by Hamlet Holdings LLC, which is owned by certain individuals affiliated with Apollo and TPG. As a result of the Acquisition, our stock is no longer publicly traded.

We have recast certain amounts for prior periods to conform to our 2010 presentation.

Note 2 Acquisition of Planet Hollywood

On February 19, 2010, Harrah s Operating Company, Inc. (HOC), a wholly-owned subsidiary of Harrah s Entertainment, Inc., acquired 100% of the equity interests of PHW Las Vegas, LLC (PHW Las Vegas), which owns and operates the Planet Hollywood Resort and Casino (Planet Hollywood) located in Las Vegas, Nevada. PHW Las Vegas is an unrestricted subsidiary of HOC and therefore not a borrower under HOC s credit facilities.

In connection with this transaction, PHW Las Vegas assumed a $554.3 million, face value, senior secured loan, and a subsidiary of Harrah s Operating cancelled certain debt issued by PHW Las Vegas predecessor entities. In connection with the transaction and the assumption of debt, PHW Las Vegas entered into an amended and restated loan agreement (the Amended and Restated Loan Agreement) as discussed in Note 5, Debt, below.

The Company purchased and paid approximately $67 million for its initial debt investment in certain predecessor entities of PHW Las Vegas during the second half of 2009. As a result of the cancellation of our debt investment in such predecessor entities of PHW Las Vegas in exchange for the equity of PHW Las Vegas, the Company recognized a gain of $7.1 million to adjust our investment to reflect the estimated fair value of consideration paid for the acquisition. This gain is reflected in Other income, including interest income, in our Statement of Operations for the quarter ended March 31, 2010. Also, as a result of the acquisition, the Company acquired the net cash balance of PHW Las Vegas, resulting in a positive cash flow of $13.0 million during the quarter ended March 31, 2010.

Net revenues and income from continuing operations before income taxes (excluding transaction costs associated with the acquisition) of Planet Hollywood subsequent to the date of acquisition through March 31, 2010 of $26.3 million and $3.1 million, respectively, are included in consolidated results from operations for the

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quarter ended March 31, 2010. PHW Las Vegas does not meet the definition of significant subsidiary under regulations issued by the Securities and Exchange Commission and, as a result, pro forma information for periods prior to the acquisition of PHW Las Vegas is not provided.

Purchase Accounting

The Company accounted for the acquisition of PHW Las Vegas in accordance with ASC 805, Business Combinations, under which the purchase price of the acquisition has been allocated based upon preliminary estimated fair values of the assets acquired and liabilities assumed, with the excess of estimated fair value over net tangible and intangible assets acquired recorded as goodwill. The preliminary purchase price allocation includes assets and liabilities of PHW Las Vegas as follows:

(In millions)		**February 19, 2010**
Assets		
Current assets		
Cash and cash equivalents	$	31.8
Accounts receivable		14.6
Prepayments and other		5.8
Inventories		1.9
Total current assets		54.1
Land, buildings, riverboats and equipment		485.3
Goodwill		1.3
Intangible assets other than goodwill		5.8
Deferred charges and other		13.1
		559.6
Liabilities		
Current liabilities		
Accounts payable		(1.9)
Interest payable		(1.1)
Accrued expenses		(26.2)
Current portion of long-term debt		(6.8)
Total current liabilities		(36.0)
Long-term debt, net of discount		(433.6)
Deferred credits and other		(15.7)
Net assets acquired	$	74.3

The Company has not finalized its purchase price allocation. The most significant of the items not finalized is the determination of deferred tax balances associated with differences between the estimated fair values and the tax bases of assets acquired and liabilities assumed.

Note 3 Recently Issued Accounting Pronouncements

On July 1, 2009 the Financial Accounting Standards Board (FASB) launched the accounting standards codification (ASC); a structural overhaul to U.S. GAAP that changes from a standards-based model (with thousands of individual standards) to a topical based model. For final consensuses that have been ratified by the FASB, the ASC will be updated with an Accounting Standards Update (ASU) reference, which is assigned a number that corresponds to the year and that individual ASU s place within the progression (e.g., 2010 1 will be the first ASU issued in 2010). ASUs will replace accounting changes that historically were issued as Statement of Financial Accounting Standards (SFAS), FASB Interpretations (FIN,) FASB Staff Positions (FSPs,) or other types of FASB Standards.

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The following are accounting standards adopted or issued during 2010 that could have an impact on our Company.

We adopted the provision of ASU No. 2010-09, Subsequent Events , on March 1, 2010. This update adds a definition of the term SEC filer to the ASC Master Glossary and removes the definition of public

entity from the ASC 855 Glossary. Also, the update requires (1) SEC filers and (2) conduit debt obligors for conduit debt securities that are traded in a public market to evaluate subsequent events through the date the financial statements are issued. All other entities are required to evaluate subsequent events through the date the financial statements are available to be issued. In addition; the update exempts SEC filers from disclosing the date through which subsequent events have been evaluated. Because ASU No. 2010-09 applies only to financial statement disclosures, it did not have a material impact on our consolidated financial position, results of operations and cash flows.

We adopted the provision of ASU No. 2010-06, Improving Disclosures About Fair Value Measurements , on February 1, 2010. This update adds new requirements for disclosure about transfers into and out of Level 1 and 2 measurements, and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. The ASU also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Further, the ASU amends guidance on employers disclosures about postretirement benefit plan assets under ASC 715, Compensation Retirement Benefits, to require that disclosures be provided by classes of assets instead of by major categories of assets. Because ASU No. 2010-06 applies only to financial statement disclosures, it did not have a material impact on our consolidated financial position, results of operations and cash flows.

In June 2009, the FASB issued ASU 2009-17 (ASC Topic 810), Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, which is effective as of January 1, 2010. The new standard amends existing consolidation guidance for variable interest entities and requires a company to perform a qualitative analysis when determining whether it must consolidate a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the company that has both the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and either the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. As a result of the adoption of ASU 2009-17, we have two joint ventures which were consolidated within our financial statements for all periods prior to December 31, 2009, and are no longer consolidated beginning in January 2010. The deconsolidation of these two joint ventures resulted in a reduction of our cash balances of $7.9 million, shown as an operating outflow of cash in our statement of cash flows for the quarter ended March 31, 2010. Net revenues and operating income for the quarter ended March 31, 2009 for these two joint ventures were approximately $8.8 million and $0.5 million, respectively. As a result, we believe the adoption of ASU 2009-17 was not material to our financial statements.

Note 4 Goodwill and Other Intangible Assets

We account for our goodwill and other intangible assets in accordance with ASC 350, Intangible Assets Goodwill and Other, which provides guidance regarding the recognition and measurement of intangible assets, eliminates the amortization of indefinite-lived intangible assets and requires assessments for impairment of intangible assets that are not subject to amortization at least annually.

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The following table sets forth changes in our goodwill and other intangible assets for the three months ended March 31, 2010:

(In millions)	Amortizing Intangible Assets	Non-Amortizing Intangible Assets Goodwill	Non-Amortizing Intangible Assets Other
Balance at December 31, 2009	$ 1,391.0	$ 3,456.9	$ 3,560.3
Acquisition of PHW Las Vegas	5.8	1.3	
Amortization Expense	(42.7)		
Other	(1.0)	19.5	(1.2)
Balance at March 31, 2010	$ 1,353.1	$ 3,477.7	$ 3,559.1

During March 2010, the Company paid $19.5 million to a former owner of Chester Downs for resolution of the final contingency associated with the Company s purchase of additional interest in this property. This payment was recorded as goodwill.

The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets other than goodwill:

		March 31, 2010			December 31, 2009		
(In millions)	Weighted Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets							
Customer relationships	11.7	$ 1,456.8	$ (272.4)	$ 1,184.4	$ 1,454.5	$ (240.8)	$ 1,213.7
Contract rights	5.5	132.6	(73.7)	58.9	130.1	(66.5)	63.6
Patented technology	8.0	93.5	(25.3)	68.2	93.5	(22.4)	71.1
Gaming rights	16.4	42.8	(5.6)	37.2	42.8	(5.0)	37.8
Trademarks	5.0	7.8	(3.4)	4.4	7.8	(3.0)	4.8
		$ 1,733.5	$ (380.4)	1,353.1	$ 1,728.7	$ (337.7)	1,391.0
Non-amortizing intangible assets							
Trademarks				1,936.6			1,937.0
Gaming rights				1,622.5			1,623.3
				3,559.1			3,560.3
Total intangible assets other than goodwill				$ 4,912.2			$ 4,951.3

The aggregate amortization of intangible assets for the quarter ended March 31, 2010 was $42.7 million. Estimated annual amortization expense for the years ending December 31, 2010, 2011, 2012, 2013 and 2014 is, $160.3 million, $155.8 million, $154.4 million, $152.1 million and $141.9 million, respectively. These amounts do not include amortization expense on the preliminary balances of amortizable intangible assets for PHW Las Vegas, pending finalization of the purchase price allocation. Such amounts are not expected to be material.

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Note 5 Debt

The following table presents our debt as of March 31, 2010 and December 31, 2009:

Detail of Debt (dollars in millions)	Maturity	Rate(s) at Mar. 31, 2010	Face Value at Mar. 31, 2010	Book Value at Mar. 31, 2010	Book Value at Dec. 31, 2009
Credit Facilities and Secured Debt					
Term Loans					
Term Loans B1-B3	2015	3.25%-3.29%	$ 5,830.1	$ 5,830.1	$ 5,835.3
Term Loans B4	2016	9.5%	997.5	973.7	975.3
Revolving Credit Facility	2014	3.23%-3.25%	500.0	500.0	427.0
Senior Secured Notes	2017	11.25%	2,095.0	2,046.2	2,045.2
CMBS financing	2013	3.23%	5,551.2	5,551.2	5,551.2
Second-Priority Senior Secured Notes	2018	10.0%	4,553.1	1,975.7	1,959.1
Second-Priority Senior Secured Notes	2015	10.0%	214.8	152.3	150.7
Secured debt	2010	6.0%	25.0	25.0	25.0
Chester Downs term loan	2016	12.375%	221.4	209.1	217.2
PHW Las Vegas senior secured loan	2011	3.09%	554.3	410.6	
Other, various maturities	Various	4.25%-6.0%	0.4	0.4	
Subsidiary-guaranteed debt					
Senior Notes	2016	10.75%	478.6	478.6	478.6
Senior PIK Toggle Notes	2018	10.75%/11.5%	10.0	10.0	9.4
Unsecured Senior Debt					
5.5%	2010	5.5%	191.6	189.0	186.9
8.0%	2011	8.0%	13.2	12.7	12.5
5.375%	2013	5.375%	125.2	97.0	95.5
7.0%	2013	7.0%	0.6	0.7	0.7
5.625%	2015	5.625%	451.8	323.8	319.5
6.5%	2016	6.5%	360.1	254.6	251.9
5.75%	2017	5.75%	237.9	152.9	151.3
Floating Rate Contingent Convertible Senior Notes	2024	0.5%	0.2	0.2	0.2
Unsecured Senior Subordinated Notes					
7.875%	2010	7.875%			142.5
8.125%	2011	8.125%	12.0	11.5	11.4
Other Unsecured Borrowings					
5.3% special improvement district bonds	2035	5.3%	68.4	68.4	68.4
Other	Various	Various	18.1	18.1	18.1
Capitalized Lease Obligations					
6.42%-9.8%	to 2020	6.42%-9.8%	37.8	37.8	10.2
Total debt			22,548.3	19,329.6	18,943.1
Current portion of long-term debt			(76.9)	(76.9)	(74.3)
Long-term debt			$ 22,471.4	$ 19,252.7	$ 18,868.8

Book values of debt as of March 31, 2010 are presented net of unamortized discounts of $3,218.8 million and unamortized premiums of $0.1 million. As of December 31, 2009, book values are presented net of unamortized discounts of $3,108.9 million and unamortized premiums of $0.1 million.

At March 31, 2010, $191.6 million, face amount, of our 5.5% Senior Notes due July 1, 2010, and $25.0 million, face amount, of our 6.0% Secured Note due July 15, 2010, are classified as long-term in our Consolidated Condensed Balance Sheet because the Company currently has both the intent and the ability to

refinance these notes with proceeds from $750 million principal amount of 12.75% Senior Secured notes issued April 16, 2010, discussed further below. Our current maturities of debt include required interim principal payments on each of our Term Loans, our Chester Downs term loan, and the special improvement district bonds.

On April 16, 2010, Harrah s Operating Escrow LLC and Harrah s Escrow Corporation (the Escrow Issuers), wholly-owned subsidiaries of HOC, completed the offering of $750.0 million aggregate principal amount of 12.75% second-priority senior secured notes due 2018. In connection with the issuance of the notes, on April 16, 2010, HOC delivered notices of redemption (each, a Redemption Notice , and collectively, the Redemption Notices) to the holders of HOC s currently outstanding 5.50% Senior Notes due 2010 (the 5.50% Notes), 8.0% Senior Notes due 2011 (the 8.0% Notes) and 8.125% Senior Subordinated Notes due 2011 (the 8.125% Notes and, collectively with the 5.50% Notes and the 8.0% Notes, the 2010/2011 Notes). The Redemption Notices provide for HOC s redemption on May 20, 2010 (the Redemption Date), pursuant to the terms of the indentures relating to the 2010/2011 Notes, of all $17.6 million of 8.125% Notes, $191.6 million of 5.50% Notes and $13.2 million of 8.0% Notes at a redemption price of (a) in the case of the 8.125% Notes, 100% of the principal amount of the 8.125% Notes to be redeemed plus the Make-Whole Premium (as defined in the indenture relating to the 8.125% Notes), and (b) in the case of each of the 5.50% Notes and the 8.0% Notes, an amount equal to the greater of (x) 100% of the principal amount of such notes to be redeemed and (y) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of such Redemption Date) discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined in the applicable indenture), plus 25 basis points, as calculated by an Independent Investment Banker (as defined in the applicable indenture), plus, in the case of both (a) and (b), accrued and unpaid interest on the principal amount being redeemed to the Redemption Date.

Credit Agreement and Incremental Facility Amendment

In connection with the Acquisition, HOC entered into the senior secured credit facilities (the Credit Facilities). This financing is neither secured nor guaranteed by Harrah s Entertainment s other direct, wholly-owned subsidiaries, including the subsidiaries that own properties that are security for certain real estate loans (the CMBS Financing) and certain of HOC s subsidiaries that are unrestricted subsidiaries. In late 2009, HOC completed cash tender offers for certain of its outstanding debt, and in connection with these tender offers, HOC borrowed $1,000 million of new term loans under its Credit Facilities pursuant to an incremental amendment (the Incremental Loans).

As of March 31, 2010, our Credit Facilities provide for senior secured financing of up to $8,457.6 million, consisting of (i) senior secured term loan facilities in an aggregate principal amount of up to $6,827.6 million with $5,830.1 million maturing on January 20, 2015 and $997.5 million maturing on October 31, 2016, and (ii) a senior secured revolving credit facility in an aggregate principal amount of $1,630.0 million, maturing January 28, 2014, including both a letter of credit sub-facility and a swingline loan sub-facility. The term loans under the Credit Facilities require scheduled quarterly payments of $7.5 million, with the balance due at maturity. A total of $7,327.6 million face amount of borrowings were outstanding under the Credit Facilities as of March 31, 2010, with an additional $133.5 million committed to letters of credit. After consideration of these borrowings and letters of credit, $996.5 million of additional borrowing capacity was available to the Company under its revolving credit facility as of March 31, 2010.

Interest and Fees

Borrowings under the Credit Facilities, other than borrowings under the Incremental Loans, bear interest at a rate equal to the then-current LIBOR rate or at a rate equal to the alternate base rate, in each case plus an applicable margin. As of March 31, 2010, the Credit Facilities, other than borrowings under the Incremental Loans, bore interest at LIBOR plus 300 basis points for the term loans and a portion of the revolver loan, 150 basis points over the alternate base rate for the swingline loan and at the alternate base rate plus 200 basis points for the remainder of the revolver loan.

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Borrowings under the Incremental Loans bear interest at a rate equal to either the alternate base rate or the greater of i) the then-current LIBOR rate or ii) 2.0%; in each case plus an applicable margin. At March 31, 2010, borrowings under the Incremental Loans bore interest at the minimum base rate of 2.0%, plus 750 basis points.

In addition, on a quarterly basis, we are required to pay each lender (i) a commitment fee in respect of any unborrowed amounts under the revolving credit facility and (ii) a letter of credit fee in respect of the aggregate face amount of outstanding letters of credit under the revolving credit facility. As of March 31, 2010, the Credit Facilities bore a commitment fee for unborrowed amounts of 50 basis points.

We make monthly interest payments on our CMBS Financing. Our outstanding notes (secured and unsecured) have semi-annual interest payments, with the majority of those payments on June 15 and December 15.

A change in interest rates on variable-rate debt will impact our financial results. For example, assuming a constant outstanding balance for our variable-rate debt, excluding the $5,810 million of variable-rate debt for which our interest rate swap agreements are designated as hedging instruments for accounting purposes, for the next twelve months, a hypothetical 1% increase in corresponding interest rates would change interest expense for the twelve months following March 31, 2010 by approximately $66.4 million. At March 31, 2010, the three-month USD LIBOR rate was 0.268%. A hypothetical reduction of this rate to 0% would decrease interest expense for the next twelve months by approximately $17.8 million. At March 31, 2010, our variable-rate debt, excluding the aforementioned $5,810 million of variable-rate debt hedged against interest rate swap agreements, represents approximately 39.5% of our total debt, while our fixed-rate debt is approximately 60.5% of our total debt.

Collateral and Guarantors

HOC s Credit Facilities are guaranteed by Harrah s Entertainment, and are secured by a pledge of HOC s capital stock and by substantially all of the existing and future property and assets of HOC and its material, wholly-owned domestic subsidiaries other than certain unrestricted subsidiaries, including a pledge of the capital stock of HOC s material, wholly-owned domestic subsidiaries and 65% of the capital stock of the first-tier foreign subsidiaries, in each case subject to exceptions. The following casino properties have mortgages under the Credit Facilities:

Las Vegas
Caesars Palace
Bally s Las Vegas
Imperial Palace
Bill s Gamblin Hall & Saloon

Atlantic City
Bally s Atlantic City
Caesars Atlantic City
Showboat Atlantic City

Louisiana/Mississippi
Harrah s New Orleans (Hotel only)
Harrah s Louisiana Downs
Horseshoe Bossier City
Harrah s Tunica
Horseshoe Tunica
Tunica Roadhouse

Iowa/Missouri
Harrah s St. Louis
Harrah s North Kansas City
Harrah s Council Bluffs
Horseshoe Council Bluffs/ Bluffs Run

Illinois/Indiana
Horseshoe Southern Indiana
Harrah s Metropolis
Horseshoe Hammond

Other Nevada
Harrah s Reno
Harrah s Lake Tahoe
Harveys Lake Tahoe

Additionally, certain undeveloped land in Las Vegas also is mortgaged.

Restrictive Covenants and Other Matters

The Credit Facilities require compliance on a quarterly basis with a maximum net senior secured first lien debt leverage test. In addition, the Credit Facilities include negative covenants, subject to certain exceptions, restricting or limiting HOC s ability and the ability of its restricted subsidiaries to, among other things: (i) incur additional debt; (ii) create liens on certain assets; (iii) enter into sale and lease-back transactions (iv) make certain investments, loans and advances; (v) consolidate, merge, sell or otherwise dispose of all or any part of its assets or to purchase, lease or otherwise acquire all or any substantial part of assets of any other person; (vi) pay dividends or make distributions or make other restricted payments; (vii) enter into certain transactions with its affiliates; (viii) engage in any business other than the business activity conducted at the closing date of the loan or business activities incidental or related thereto; (ix) amend or modify the articles or certificate of incorporation, by-laws and certain agreements or make certain payments or modifications of indebtedness; and (x) designate or permit the designation of any indebtedness as Designated Senior Debt .

Harrah s Entertainment is not bound by any financial or negative covenants contained in HOC s credit agreement, other than with respect to the incurrence of liens on and the pledge of its stock of HOC.

All borrowings under the senior secured revolving credit facility are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties, and the requirement that such borrowing does not reduce the amount of obligations otherwise permitted to be secured under our new senior secured credit facilities without ratably securing the retained notes.

Certain covenants contained in HOC s credit agreement require the maintenance of a senior first priority secured debt to last twelve months (LTM) Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), as defined in the agreements, ratio (Senior Secured Leverage Ratio). The June 3, 2009 amendment and waiver to our credit agreement excludes from the Senior Secured Leverage Ratio (a) the $1,375.0 million first lien notes issued June 15, 2009 and the $720.0 million first lien notes issued on September 11, 2009 and (b) up to $250 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly-owned subsidiaries. Certain covenants contained in HOC s credit agreement governing its senior secured credit facilities, the indenture and other agreements governing HOC s 10.0% Second-Priority Senior Secured Notes due 2015 and 2018, and our first lien notes restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet defined Adjusted EBITDA to Fixed Charges, senior secured debt to LTM Adjusted EBITDA and consolidated debt to LTM Adjusted EBITDA ratios. The covenants that restrict additional indebtedness and the ability to make future acquisitions require an LTM Adjusted EBITDA to Fixed Charges ratio (measured on a trailing four-quarter basis) of 2.0:1.0. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions.

The indenture governing the 10.75% Senior Notes, 10.75%/11.5% Senior Toggle Notes and the agreements governing the other cash pay debt and PIK toggle debt limit HOC s (and most of its subsidiaries) ability to among other things: (i) incur additional debt or issue certain preferred shares; (ii) pay dividends or make distributions in respect of our capital stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) with respect to HOC only, engage in any business or own any material asset other than all of the equity interest of HOC so long as certain investors hold a majority of the notes; (vi) create or permit to exist dividend and/or payment restrictions affecting its restricted subsidiaries; (vii) create liens on certain assets to secure debt; (viii) consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; (ix) enter into certain transactions with its affiliates; and (x) designate its subsidiaries as unrestricted subsidiaries. Subject to certain exceptions, the indenture governing the notes and the agreements governing the other cash pay debt and PIK toggle debt will permit us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

Other Financing Transactions

Acquisition of Planet Hollywood

On February 19, 2010, HOC acquired 100% of the equity interests of PHW Las Vegas, which owns and operates the Planet Hollywood Resort and Casino located in Las Vegas, Nevada. In connection with this transaction, PHW Las Vegas assumed a $554.3 million, face value, senior secured loan, and a subsidiary of HOC cancelled certain debt issued by PHW Las Vegas predecessor entities. In connection with the transaction and the assumption of debt, PHW Las Vegas entered into the Amended and Restated Loan Agreement with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007-TFL2 (Lender). The $554.3 million outstanding under the Amended and Restated Loan Agreement bears interest at a rate per annum equal to LIBOR plus 2.859% (the Applicable Interest Rate), is secured by the assets of PHW Las Vegas, and is non-recourse to other subsidiaries of the Company. PHW Las Vegas is an unrestricted subsidiary of HOC and therefore not a borrower under HOC s credit facilities. A subsidiary of HOC manages the property for PHW Las Vegas for a fee. The maturity date for this loan is December 2011, with two extension options, which, if exercised, would extend maturity until April 2015.

Guaranty

In connection with PHW Las Vegas Amended and Restated Loan Agreement, Harrah s Entertainment entered into a Guaranty Agreement (the Guaranty) for the benefit of Lender pursuant to which Harrah s Entertainment guaranteed to Lender certain recourse liabilities of PHW Las Vegas. Harrah s Entertainment s maximum aggregate liability for such recourse liabilities is limited to $30.0 million provided that such recourse liabilities of PHW Las Vegas do not arise from (i) events, acts, or circumstances that are actually committed by, or voluntarily or willfully brought about by Harrah s Entertainment or (ii) event, acts, or circumstances (regardless of the cause of the same) that provide actual benefit (in cash, cash equivalent, or other quantifiable amount) to the Registrant, to the full extent of the actual benefit received by the Registrant. Pursuant to the Guaranty, Harrah s Entertainment is required to maintain a net worth or liquid assets of at least $100.0 million.

Prepayments

PHW Las Vegas may, at its option, voluntarily prepay the loan in whole or in part upon twenty (20) days prior written notice to Lender.

PHW Las Vegas is required to prepay the loan in (i) the amount of any insurance proceeds received by Lender for which Lender is not obligated to make available to PHW Las Vegas for restoration in accordance with the terms of the Amended and Restated Loan Agreement, (ii) the amount of any proceeds received from the operator of the timeshare property adjacent to the Planet Hollywood Resort and Casino, subject to the limitations set forth in the Amended and Restated Loan Agreement and (iii) the amount of any excess cash remaining after application of the cash management provisions of the Amended and Restated Loan Agreement.

Interest Payments

On each scheduled monthly payment date prior to the maturity date, PHW Las Vegas pays to Lender interest accruing at the Applicable Interest Rate.

Amendment to CMBS Financing

On March 5, 2010, we received the consent of the lenders under our CMBS financing to amend the terms of the CMBS Financing to, among other things, (i) provide our subsidiaries that are borrowers under the CMBS mortgage loan and/or related mezzanine loans (CMBS Loans) the right to extend the maturity of the CMBS Loans, subject to certain conditions, by up to 2 years until February 2015, (ii) amend certain terms of the CMBS Loans with respect to reserve requirements, collateral rights, property release prices and the payment of management fees, (iii) provide for ongoing mandatory offers to repurchase CMBS Loans using excess cash flow from the CMBS entities at discounted prices, (iv) provide for the amortization of the mortgage loan in certain minimum amounts upon the occurrence of certain conditions and (v) provide for certain limitations with respect to the amount of excess cash flow from the CMBS entities that may be distributed to us. Any CMBS Loan purchased pursuant to the amendments will be cancelled. The amendment to the terms of the CMBS Loans will become effective upon execution of definitive documentation.

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In the fourth quarter of 2009, we purchased approximately $950 million of face value of CMBS Loans for approximately $237 million. Pursuant to the terms of the amendment, we have agreed to pay lenders selling CMBS Loans during the fourth quarter 2009 an additional $48 million for their loans previously sold, subject to the execution of definitive documentation for the amendment. This additional liability was recorded as a loss on early extinguishment of debt during the quarter ended March 31, 2010. In addition, we have agreed to purchase approximately $124 million of face value of CMBS Loans for $37 million, subject to the execution of definitive documentation for the amendment.

Derivative Instruments Interest Rate Swap Agreements

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of March 31, 2010 we have entered into 10 interest rate swap agreements for notional amounts totaling $6,500 million. The difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreements will have a corresponding effect on future cash flows. The major terms of the interest rate swap agreements as of March 31, 2010 are as follows:

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received as of March 31, 2010	Next Reset Date	Maturity Date
April 25, 2007	$ 200	4.898%	0.249%	April 26, 2010	April 25, 2011
April 25, 2007	200	4.896%	0.249%	April 26, 2010	April 25, 2011
April 25, 2007	200	4.925%	0.249%	April 26, 2010	April 25, 2011
April 25, 2007	200	4.917%	0.249%	April 26, 2010	April 25, 2011
April 25, 2007	200	4.907%	0.249%	April 26, 2010	April 25, 2011
September 26, 2007	250	4.809%	0.249%	April 26, 2010	April 25, 2011
September 26, 2007	250	4.775%	0.249%	April 26, 2010	April 25, 2011
April 25, 2008	2,000	4.276%	0.249%	April 26, 2010	April 25, 2013
April 25, 2008	2,000	4.263%	0.249%	April 26, 2010	April 25, 2013
April 25, 2008	1,000	4.172%	0.249%	April 26, 2010	April 25, 2012

The variable rate on our interest rate swap agreements did not materially change as a result of the April 26, 2010 reset.

Until October 2009, our interest rate swap agreements were designated as cash flow hedging instruments for accounting purposes. During October 2009, we borrowed $1,000 million under the Incremental Loans and used a majority of the net proceeds to temporarily repay most of our revolving debt under the Credit Facility. As a result, we no longer had a sufficient amount of outstanding debt under the same terms as our interest rate swap agreements to support hedge accounting treatment for the full $6,500 million in interest rate swaps. Thus, as of September 30, 2009, we removed the cash flow hedge designation for the $1,000 million swap agreement, freezing the amount of deferred losses recorded in Other Comprehensive Income associated with this swap agreement, and reducing the total notional amount on interest rate swaps designated as cash flow hedging instruments to $5,500 million. Beginning October 1, 2009, we began amortizing deferred losses frozen in Other Comprehensive Income into income over the original remaining term of the hedged forecasted transactions that are still considered to be probable of occurring. We will record $8.7 million as an increase to interest expense and other comprehensive income over the next 12 months related to deferred losses on the $1,000 million interest rate swap.

During the fourth quarter of 2009, we re-designated approximately $310 million of the $1,000 million swap as a cash flow hedging instrument. As a result, at March 31, 2010, $5,810 million of our total interest rate swap notional amount of $6,500 million remained designated as hedging instruments for accounting purposes. Any

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future changes in fair value of the portion of the interest rate swap not designated as a hedging instrument will be recognized in Interest expense during the period in which the changes in value occur.

Derivative Instruments Interest Rate Cap Agreements

On January 28, 2008, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the CMBS Financing. The interest rate cap agreement, which was effective January 28, 2008 and terminates February 13, 2013, is for a notional amount of $6,500 million at a LIBOR cap rate of 4.5%. The interest rate cap was designated as a cash flow hedging instrument for accounting purposes on May 1, 2008.

On November 30, 2009, we purchased and extinguished approximately $948.8 million of the CMBS Financing. The hedging relationship between the CMBS Financing and the interest rate cap has remained effective subsequent to the debt extinguishment. As a result of the extinguishment, in the fourth quarter 2009, we reclassified approximately $12.1 million of deferred losses out of accumulated other comprehensive income and into interest expense associated with hedges for which the forecasted future transactions are no longer probable of occurring.

On January 31, 2010, we removed the cash flow hedge designation for the $6,500 million interest rate cap, freezing the amount of deferred losses recorded in Other Comprehensive Income associated with the interest rate cap. Beginning February 1, 2010, we began amortizing deferred losses frozen in Other Comprehensive Income into income over the original remaining term of the hedge forecasted transactions that are still probable of occurring. We will record $20.9 million as an increase to interest expense and other comprehensive income over the next 12 months related to deferred losses on the interest rate cap.

On January 31, 2010, we re-designated $4,650 million of the interest rate cap as a cash flow hedging instrument for accounting purposes. Any future changes in fair value of the portion of the interest rate cap not designated as a hedging instrument will be recognized in Interest expense during the period in which the changes in value occur.

On April 5, 2010, as required under the amended and restated loan agreement, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the PHW Las Vegas senior secured loan. The interest rate cap agreement is for a notional amount of $554.3 million at a LIBOR cap rate of 5%, and matures on December 9, 2011. To give proper consideration to the prepayment requirements of the PHW Las Vegas term loan, we have designated only $525 million of the $554.3 million notional amount of the interest rate cap as a cash flow hedging instrument for accounting purposes.

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Derivative Instruments Impact on Financial Statements

The following table represents the fair values of derivative instruments in the Consolidated Balance Sheets as of March 31, 2010 and December 31, 2009:

	Asset Derivatives				Liability Derivatives			
	March 31, 2010		December 31, 2009		March 31, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Interest Rate Swaps		$		$	Deferred Credits and Other	$ (360.3)	Deferred Credits and Other	$ (337.6)
Interest Rate Cap	Deferred Charges and Other	14.4	Deferred Charges and Other	56.8				
Subtotal		14.4		56.8		(360.3)		(337.6)
Derivatives not designated as hedging instruments								
Interest Rate Swaps					Deferred Credits and Other	(39.8)		(37.6)
Interest Rate Cap	Deferred Charges and Other	5.8	Deferred Charges and Other					
Subtotal		5.8				(39.8)		(37.6)
Total Derivatives		$ 20.2		$ 56.8		$ (400.1)		$ (375.2)

The following table represents the effect of derivative instruments in the Consolidated Statements of Operations for the quarters ended March 31, 2010 and 2009 for amounts transferred into or out of other comprehensive income:

	Amount of (Gain) or Loss on Derivatives Recognized in OCI (Effective Portion)		Location of (Gain) or Loss Reclassified From Accumulated OCI Into Income (Effective Portion)	Amount of (Gain) or Loss Reclassified from Accumulated OCI into Income (Effective Portion)		Location of (Gain) or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of (Gain) or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
Cash Flow Hedging Relationships	**Quarter Ended Mar. 31, 2010**	**Quarter Ended Mar. 31, 2009**		**Quarter Ended Mar. 31, 2010**	**Quarter Ended Mar. 31, 2009**		**Quarter Ended Mar. 31, 2010**	**Quarter Ended Mar. 31, 2009**
Interest rate contracts	$ 45.2	$ (72.4)	Interest Expense	$ 5.9	$ 0.2	Interest Expense	$ 10.6	$

		Amount of (Gain) or Loss Recognized in Income on Derivatives	
Derivatives Not Designated as Hedging	**Location of (Gain) or Loss**	**Quarter Ended**	**Quarter Ended**

Instruments	Recognized in Income on Derivative	Mar. 31, 2010	Mar. 31, 2009
Interest Rate Contracts	Interest Expense	$ 4.9	

In addition to the impact on interest expense from amounts reclassified from other comprehensive income, the difference to be paid or received under the terms of the interest rate swap agreements is recognized as interest expense and is paid quarterly. This cash settlement portion of the interest rate swap agreements increased interest expense for the quarters ended March 31, 2010 and 2009 by approximately $66.4 million and $43.2 million, respectively.

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Note 6 Stock-Based Employee Compensation

As of March 31, 2010, there was approximately $68.2 million of total unrecognized compensation cost related to stock option grants. In 2010, our share-based compensation expense consists primarily of time-based options and performance-based options that have been granted to management, other personnel and key service providers. The Company has recognized compensation expense associated with its stock-based employee compensation programs as follows:

(In millions)	Quarter Ended March 31, 2010	2009
Amounts included in:		
Corporate expense	$ 4.2	$ 2.6
Property G&A	2.5	1.5
Total Compensation Expense	6.7	$ 4.1

On February 23, 2010, the Human Resources Committee of the Board of Directors of the Company adopted an amendment to the Harrah s Entertainment, Inc. Management Equity Incentive Plan (the Plan). The amendment provides for an increase in the available number shares of the Registrant s non-voting common stock for which options may be granted to 4,566,919 shares.

The amendment also revised the vesting hurdles for performance-based options under the Plan. The performance options vest if the return on investment in the Company of TPG, Apollo, and their respective affiliates and co-investors (the Majority Stockholders) achieve a specified return. Previously, 50% of the performance-based options vested upon a 2x return and 50% vested upon a 3x return. The triggers have been revised to 1.5x and 2.5x, respectively. In addition, a pro-rata portion of the 2.5x options will vest if the Majority Stockholders achieve a return on their investment that is greater than 2.0x, but less than 2.5x. The pro rata portion will increase on a straight line basis from zero to a participant s total number of 2.5x options depending upon the level of returns that the Majority Stockholders realize between 2.0x and 2.5x.

The following is a summary of share-based option activity for the quarter ended March 31, 2010:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)
Outstanding at December 31, 2009	3,194,175	$ 91.53	8.0
Options granted	1,260,117	56.08	
Canceled	(10,477)		
Outstanding at March 31, 2010	4,443,815	81.49	8.4
Exercisable at March 31, 2010	798,590	$ 86.52	6.8

The assumptions used to estimate fair value and the resulting estimated fair value of options granted during the quarter ended March 31, 2010 are as follows:

	Quarter Ended March 31, 2010
Expected volatility	71.5%
Expected dividend yield	
Expected term (in years)	6.62
Risk-free interest rate	2.35%

Weighted average fair value per share of options granted	$	27.07

Note 7 Preferred and Common Stock

Preferred Stock

At March 31, 2010 and December 31, 2009, the authorized shares of preferred stock were 40,000,000, par value $0.01 per share, stated value $100.00 per share.

On January 28, 2008, our Board of Directors adopted a resolution authorizing the creation and issuance of a series of preferred stock known as the Non-Voting Perpetual Preferred Stock. The number of shares constituting such series was 20,000,000. Each share of non-voting preferred stock accrued dividends at a rate of 15.0% per annum, compounded quarterly, and such dividends were cumulative. As of December 31, 2009, dividends in arrears were $652.6 million.

In February 2010, the Board of Directors approved revisions to the Certificate of Designation for the non-voting perpetual preferred stock to eliminate dividends (including all existing accrued but unpaid dividends totaling $717.2 million at the revision approval date) and to specify that the conversion right of the non-voting perpetual preferred stock be at the original value of the Company s non-voting common stock. In March 2010, Hamlet Holdings LLC (the holder of all of the Company s voting common stock) and holders of a majority of our non-voting perpetual preferred stock approved the revisions to the Certificate of Designation. Also in March 2010, the holders of a majority of our non-voting perpetual preferred stock voted to convert all of the non-voting perpetual preferred stock to non-voting common stock.

As a result of the conversion of preferred stock into common stock, the Company has no shares of preferred stock outstanding as of March 31, 2010.

Common Stock

As of December 31, 2009, the authorized common stock of the Company totaled 80,000,020 shares, consisting of 20 shares of voting common stock, par value $0.01 per share and 80,000,000 shares of non-voting common stock, par value $0.01 per share.

As disclosed above, in March 2010, the holders of our voting common stock and of a majority of our non-voting preferred stock voted to convert all of the non-voting perpetual preferred stock to non-voting common stock. As a result of this conversion, the Company issued 19,935,534 additional shares of non-voting common stock.

The voting common stock has no economic rights or privileges, including rights in liquidation. The holders of voting common stock shall be entitled to one vote per share on all matters to be voted on by the stockholders of the Company.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of non-voting common stock will receive a pro rata distribution of any remaining assets after payment of or provision for liabilities and the liquidation preference on preferred stock, if any.

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Note 8 Write-downs, Reserves and Recoveries

Write-downs, reserves and recoveries include various pretax charges to record long-lived tangible asset impairments, contingent liability reserves, project write-offs, demolition costs, recoveries of previously recorded non-routine reserves and other non-routine transactions. The components of write-downs, reserves and recoveries were as follows:

(In millions)	Quarter Ended March 31, 2010	2009
Remediation costs	$ 16.1	$ 7.6
Efficiency projects	0.4	8.7
Impairment of long-lived tangible assets		8.1
Loss on divested or abandoned assets		0.7
Litigation reserves, awards and settlements	0.5	0.6
Other	(4.5)	1.7
Total Write-downs, reserves and recoveries	$ 12.5	$ 27.4

Remediation costs relate to room remediation projects at certain of our Las Vegas properties.

Efficiency program expenses in 2010 and 2009 represent costs incurred to identify and implement efficiency projects aimed at stream-lining corporate and operating functions to achieve cost savings and efficiencies. In 2009, the majority of the costs incurred related to the closing of the office in Memphis, Tennessee, which previously housed certain corporate functions.

We account for long-lived tangible assets to be held and used by evaluating their carrying value in relation to the operating performance and estimated future undiscounted cash flows generated by such assets, when indications of impairment are present. For the quarter ended March 31, 2009, we recorded impairment charges of $8.1 million, of which $6.9 million related to long-lived tangible assets at our Horseshoe Hammond property.

Other write-downs, reserves and recoveries for the quarter ended March 31, 2010 includes the release of a $4.8 million reserve for excise tax for which the statute of limitations has recently expired.

Note 9 Income Taxes

We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. We account for income taxes under ASC 740 Accounting for Income Taxes, whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or income tax returns. Deferred tax assets and liabilities are determined based on differences between financial statement carrying amounts of existing assets and their respective tax bases using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company s income tax provision/(benefit) and effective tax rate were as follows:

(In millions, except effective tax rate)	Quarter ended March 31, 2010	2009
Loss from continuing operations before income tax	$ (298.5)	$ (201.7)
Benefit for income taxes	$ (104.9)	$ (74.3)
Effective tax rate	(35.1)%	(36.8)%
Benefit for income taxes at 35%	$ (104.5)	$ (70.6)
Difference between tax at effective vs. statutory rate	$ (0.4)	$ (3.7)

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For the quarters ended March 31, 2010 and 2009, the differences between the Company s recorded tax benefit and the benefit that would result from applying the U.S. statutory rate of 35.0% were primarily attributable to: (1) state income taxes; (2) foreign income taxes; (3) losses generated within the U.S. and certain jurisdictions outside the U.S. that were not benefited due to management s conclusion that it was less than more likely than not that the tax benefits would be realized; (4) adjustments for uncertain tax positions; and (5) other permanent book/tax differences.

We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. We are under regular and recurring audit by the Internal Revenue Service (IRS) on open tax positions, and it is possible that the amount of the liability for unrecognized tax benefits could change during the next twelve months. As a result of the expiration of the statute of limitations and closure of IRS audits, our 2004 and 2005 federal income tax years were closed during the year ended December 31, 2009. The IRS audit of our 2006 federal income tax year also concluded during the year ended December 31, 2009. We participated in the IRS s Compliance Assurance Program (CAP) for the 2007 and 2008 tax years. The IRS audit of our 2007 federal income tax year concluded during the quarter ended March 31, 2010. Our 2008 federal income tax year is currently under post-CAP review by the IRS. We did not participate in the IRS s CAP program for our 2009 income tax year and we are not participating in the CAP program for the 2010 income tax year.

We are also subject to exam by various state and foreign tax authorities. Tax years prior to 2005 are generally closed for foreign and state income tax purposes as the statutes of limitations have lapsed. However, various subsidiaries are still capable of being examined by the New Jersey Division of Taxation for tax years beginning with 1999 due to our execution of New Jersey statute of limitation extensions.

We classify reserves for tax uncertainties within Accrued expenses and Deferred credits and other in our Consolidated Balance Sheets, separate from any related income tax payable or deferred income taxes. In accordance with ASC 740, reserve amounts relate to any potential income tax liabilities resulting from uncertain tax positions as well as potential interest or penalties associated with those liabilities. For the quarter ended March 31, 2010, we recorded an increase in gross unrecognized tax benefit (UTB) of $74.2 million as a result of tax positions taken during a prior year. The increase in gross UTB was related to cancellation of indebtedness income. None of the total amount of the increase in gross UTB during the quarter ended March 31, 2010, if recognized, would benefit the effective tax rate. There was no decrease in gross UTB during the quarter ended March 31, 2010, which, upon recognition, benefited the effective tax rate.

Note 10 Fair Value Measurements

ASC 820 Fair Value Measurements and Disclosures, outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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Under ASC 825, Financial Instruments, entities are permitted to choose to measure many financial instruments and certain other items at fair value. We did not elect the fair value measurement option under ASC 825 for any of our financial assets or financial liabilities.

Items Measured at Fair Value on a Recurring Basis

The following table shows the fair value of our financial assets and financial liabilities that are required to be measured at fair value as of March 31, 2010 and December 31, 2009.

(In millions)	Balance at March 31, 2010	Level 1	Level 2	Level 3
March 31, 2010:				
Assets:				
Cash equivalents	$ 281.1	$ 281.1	$	$
Investments	90.2	74.6	15.6	
Derivative instruments	20.2		20.2	
Liabilities:				
Derivative instruments	(400.1)		(400.1)	

(In millions)	Balance at December 31, 2009	Level 1	Level 2	Level 3
December 31, 2009:				
Assets:				
Cash equivalents	$ 132.7	$ 132.7	$	$
Investments	88.9	73.4	15.5	
Derivative instruments	56.8		56.8	
Liabilities:				
Derivative instruments	(375.2)		(375.2)	

The following section describes the valuation methodologies used to estimate or measure fair value, key inputs, and significant assumptions:

Cash equivalents Cash equivalents are investments in money market accounts and utilize Level 1 inputs to determine fair value.

Derivative instruments The estimated fair values of our derivative instruments are derived from market prices obtained from dealer quotes for similar, but not identical, assets or liabilities. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts. Derivative instruments are included in either Deferred charges and other, or Deferred credits and other, in our Consolidated Condensed Balance Sheets. Our derivatives are recorded at their fair values, adjusted for the credit rating of the counterparty if the derivative is an asset, or adjusted for the credit rating of the Company if the derivative is a liability. See Note 5, Debt, for more information on our derivative instruments.

Investments Investments are primarily debt and equity securities, the majority of which are traded in active markets, have readily determined market values and use level 1 inputs. Those debt and equity securities for which there are not active markets or the market values are not readily determinable are valued using Level 2 inputs. All of these investments are included in either Prepayments and other, or Deferred charges and other, in our Consolidated Balance Sheets.

Items to be Disclosed at Fair Value

Long-Term Debt The fair value of the Company s debt has been calculated based on the borrowing rates available as of March 31, 2010, for debt with similar terms and maturities and market quotes of our publicly traded debt. As of March 31, 2010, the Company s outstanding debt had a fair value of $19,382.5 million and a carrying value of $19,329.6 million. The Company s interest rate swaps used for hedging purposes had fair values equal to their carrying values, in the aggregate a liability of $400.1 million, and our interest rate cap agreement had a fair value equal to its carrying value as an asset of $20.2 million at March 31, 2010. See additional discussion about derivatives in Note 5, Debt.

Note 11 Commitments and Contingent Liabilities

Contractual Commitments

We continue to pursue additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties and development completion guarantees.

The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment for the minimum guaranteed payments, pursuant to these contracts for the three managed Indian-owned facilities now open, which extend for periods of up to 57 months from March 31, 2010, is $1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

In February 2008, we entered into an agreement with the State of Louisiana whereby we extended our guarantee of an annual payment obligation of Jazz Casino Company, LLC, our wholly-owned subsidiary and owner of Harrah s New Orleans, of $60 million owed to the State of Louisiana. The guarantee currently expires on March 31, 2011.

In addition to the guarantees discussed above, we had total aggregate non-cancelable purchase obligations of $945.7 million as of March 31, 2010, including construction-related commitments.

The Supreme Court of Nevada decided in early 2008 that food purchased for subsequent use in the provision of complimentary and/or employee meals is exempt from use tax. Previously, such purchases were subject to use tax and the Company has claimed, but not recognized into earnings, a use tax refund totaling $32.2 million, plus interest, as a result of the 2008 decision. In early 2009, the Nevada Department of Taxation audited our refund claim, but has taken the position that those same purchases are now subject to sales tax; therefore, they subsequently issued a sales tax assessment totaling $27.4 million plus interest after application of our refund on use tax. While we have established certain reserves against possible loss on this matter, we believe that the Nevada Department of Taxation s position has no merit and intend to litigate the issue.

Employment Agreements

We have an employment agreement with one executive that provides for payments to the executive in the event of his termination after a change in control, as defined, and provides for, among other things, a compensation payment of 3.0 times the executive s average annual compensation, as defined. The estimated amount, computed as of March 31, 2010, that would be payable under the agreement to the executive based on the compensation payment aggregated approximately $15.8 million. The estimated amount that would be payable to the executive does not include the tax gross-up payment, provided for in the agreement, that would be payable to the executive if the executive becomes entitled to severance payments which are subject to federal excise tax.

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Self-Insurance

We are self-insured for various levels of general liability, workers compensation, employee medical coverage and other coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims.

Note 12 Litigation

Litigation Related to Employee Benefit Obligations

In December 1998, Hilton Hotels Corporation (Hilton) spun-off its gaming operations as Park Place Entertainment Corporation (Park Place). In connection with the spin-off, Hilton and Park Place entered an Employee Benefits and Other Employment Allocation Agreement dated December 31, 1998 (the Allocation Agreement) whereby Park Place assumed or retained, as applicable, liabilities and excess assets, if any, related to the Hilton Hotels Retirement Plan (the Hilton Plan) based on the accrued benefits of Hilton employees and Park Place employees. Park Place changed its name to Caesars Entertainment, Inc. (Caesars) and the Company acquired Caesars in June 2005. In 1999 and 2005, the United States District Court for the District of Columbia certified two nationwide class action lawsuits against Hilton alleging that the Hilton Plan s benefit formula was back loaded in violation of ERISA, and that Hilton failed to properly calculate Hilton Plan participants service for vesting purposes. In May 2009, the Court issued a decision granting summary judgment to the plaintiffs. The plaintiffs and Hilton are undertaking Court-mandated efforts to determine an appropriate remedy.

The Company received a letter from Hilton in October 2009 alleging potential liability under the above described claims and under the terms of the Allocation Agreement. The Company may be responsible for a portion of the liability resulting from the claims noted above. We are monitoring the status of the lawsuit, remedy determination, and our potential liability, if any.

Litigation Related to Our Operations

In April 2000, the Saint Regis Mohawk Tribe (the Tribe) granted Caesars the exclusive rights to develop a casino project in the State of New York. On April 26, 2000, certain individual members of the Tribe purported to commence a class action proceeding in a Tribal Court in Hogansburg, New York, against Caesars seeking to nullify Caesars agreement with the Tribe. On March 20, 2001, the Tribal Court purported to render a default judgment against Caesars in the amount of $1,787 million. Prior to our acquisition of Caesars in June 2005, it was believed that this matter was settled pending execution of final documents and mutual releases. Although fully executed settlement documents were never provided, on March 31, 2003, the United States District Court for the Northern District of New York dismissed litigation concerning the validity of the judgment, without prejudice, while retaining jurisdiction to reopen that litigation, if, within three months thereof, the settlement had not been completed. On June 22, 2007, a lawsuit was filed in the United States District Court for the Northern District of New York against us by certain trustees of the Catskill Litigation Trust alleging the Catskill Litigation Trust had been assigned the Tribal Court judgment and seeks to enforce it, with interest. According to a Tribal Court order, accrued interest through July 9, 2007, was approximately $1,014 million. On September 28, 2009, the Court entered summary judgment against the Tribe and dismissed the action, ruling that although alternative grounds were presented in the motion, the subject matter of the action was asserted in a prior action and settled by an oral agreement to end that matter with prejudice. On October 27, 2009, the Tribe filed a Notice of Appeal to the United States Court of Appeals for the Second Circuit. We have a settlement in principle with the Tribe that is subject to definitive documentation.

Litigation Related to Development

On March 6, 2008, Caesars Bahamas Investment Corporation (CBIC), an indirect subsidiary of HOC, terminated its previously announced agreement to enter into a joint venture in the Bahamas with Baha Mar Joint Venture Holdings Ltd. and Baha Mar JV Holding Ltd. (collectively, Baha Mar). To enforce its rights, on

March 13, 2008, CBIC filed a complaint against Baha Mar, and the Baha Mar Development Company Ltd., in the Supreme Court of the State of New York, seeking a declaratory judgment with respect to CBIC s rights under the Subscription and Contribution Agreement (the Subscription Agreement), between CBIC and Baha Mar dated January 12, 2007. Pursuant to the Subscription Agreement, CBIC agreed, subject to certain conditions, to subscribe for shares in Baha Mar Joint Venture Holdings Ltd., which was formed to develop and construct a casino, golf course and resort project in the Bahamas. The complaint alleges that (i) the Subscription Agreement grants CBIC the right to terminate the agreement at any time prior to the closing of the transactions contemplated therein, if the closing does not occur on time; (ii) the closing did not occur on time; and, (iii) CBIC exercised its right to terminate the Subscription Agreement, and to abandon the transactions contemplated therein. The

complaint seeks a declaratory judgment that the Subscription Agreement has been terminated in accordance with its terms and the transactions contemplated therein have been abandoned.

Baha Mar and Baha Mar Development Company Ltd. (Baha Mar Development) filed an Amended Answer and Counterclaims against CBIC and a Third Party Complaint dated June 18, 2008 against HOC in the Supreme Court of the State of New York. Baha Mar and Baha Mar Development allege that CBIC wrongfully terminated the Subscription Agreement and that CBIC wrongfully failed to make capital contributions under the Joint Venture Investors Agreement, by and between CBIC and Baha Mar, dated January 12, 2007. In addition, Baha Mar and Baha Mar Development allege that HOC wrongfully failed to perform its purported obligations under the Harrah s Baha Mar Joint Venture Guaranty, dated January 12, 2007. Baha Mar and Baha Mar Development assert claims for breach of contract, breach of fiduciary duty, promissory estoppel, equitable estoppel and negligent misrepresentation. Baha Mar and Baha Mar Development seek (i) declaratory relief; (ii) specific performance; (iii) the recovery of alleged monetary damages; (iv) the recovery of attorneys fees, costs, and expenses and (v) the dismissal with prejudice of CBIC s Complaint. CBIC and HOC each answered, denying all allegations of wrongdoing. During the quarter ended June 30, 2009, both sides filed motions for summary judgment.

At the conclusion of oral argument on October 6, 2009, on cross motions for summary judgment, the Court stated that it was going to grant summary judgment to CBIC and HOC and that Baha Mar Development s claims are dismissed. The Court entered its written decision on February 1, 2010. On February 18, 2010, Baha Mar Development filed an appeal. CBIC and HOC filed an appellate brief on April 21, 2010. Additionally, in January 2010 CBIC and HOC filed a motion to recover attorney s fees and in March 2010 Baha Mar Development filed a motion for a stay of fee hearing pending appeal. On April 1, 2010, the state appeals court refused to grant Baha Mar Development s motion for a stay of the fee hearing. The fee hearing was set for May 6, 2010.

Litigation Related to the December 2008 Exchange Offer

On January 9, 2009, S. Blake Murchison and Willis Shaw filed a purported class action lawsuit in the United Stated District Court for the District of Delaware, Civil Action No. 09-00020-SLR, against Harrah s Entertainment, Inc. and its board of directors, and Harrah s Operating Company, Inc. The lawsuit was amended on March 4, 2009, alleging that the bond exchange offer which closed on December 24, 2008 wrongfully impaired the rights of bondholders. The amended complaint alleges, among others, breach of the bond indentures, violation of the Trust Indenture Act of 1939, equitable rescission, and liability claims against the members of the board. The amended complaint seeks, among other relief, class certification of the lawsuit, declaratory relief that the alleged violations occurred, unspecified damages to the class, and attorneys fees. On April 30, 2009 the defendants stipulated to the plaintiff s request to dismiss the lawsuit, without prejudice, which the court entered on June 18, 2009. Plaintiff requested the court to award it attorneys fees. On March 31, 2010, the court denied plaintiff s request for fees and plaintiff has filed a notice of appeal with the Third Circuit United States Courts of Appeals.

Other

In addition, the Company is party to ordinary and routine litigation incidental to our business. We do not expect the outcome of any pending litigation to have a material adverse effect on our consolidated financial position or results of operations.

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Note 13 Comprehensive Loss

The following activity affected Comprehensive Loss:

(In millions)	For the quarter ended March 31, 2010	2009
Net loss	$ (193.6)	$ (127.5)
Pension adjustments	0.2	0.2
Reclassification of loss on derivative instruments from other comprehensive loss to net loss, net of tax	0.2	0.2
Foreign current translation adjustment, net of tax	(10.1)	(1.5)
Fair market value of swap agreements, net of tax	(18.6)	54.0
Fair market value of interest rate cap agreements on commercial mortgage-backed securities, net of tax	(15.5)	(6.9)
	$ (237.4)	$ (81.5)

Note 14 Supplemental Cash Flow Disclosures

Cash Paid for Interest and Taxes

The following table reconciles our Interest expense, net of capitalized interest, per the Consolidated Statements of Operations, to cash paid for interest, net of amount capitalized:

(In millions)	Quarter Ended March 31, 2010	Quarter Ended March 31, 2009
Interest expense, net of interest capitalized	$ 491.5	$ 496.8
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	(181.8)	148.2
Amortization of deferred finance charges	(19.7)	(25.9)
Net amortization of discounts and premiums	(33.9)	(30.9)
Amortization of other comprehensive income	(6.5)	(0.4)
Rollover of Paid-in-Kind (PIK) interest into principal	(0.5)	(79.1)
Change in accrual (related to PIK interest)		(34.2)
Change in fair value of derivative instruments	(10.6)	
Cash paid for interest, net of amount capitalized	$ 238.5	$ 474.5
Cash payments of income taxes, net	$ 7.4	$ 1.8

Note 15 Related Party Transactions

In connection with the Acquisition, Apollo, TPG and their affiliates entered into a services agreement with Harrah s Entertainment relating to the provision of financial and strategic advisory services and consulting services. In addition, we pay a monitoring fee for management services and advice. Fees for each of the quarters ended March 31, 2010 and 2009 were $7.3 million, which are included in Corporate expense in our Consolidated Statements of Operations. We also reimburse Apollo and TPG for expenses that they incur related to their management services.

Note 16 Subsequent Events

On April 5, 2010, as required under the amended and restated loan agreement, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the PHW Las Vegas

senior secured loan. The interest rate cap agreement is for a notional amount of $554.3 million at LIBOR cap rate of 5%, and matures on December 9, 2011. Due to the prepayment requirements of the loan disclosed in Note 5, Debt , we have designated $525 million of the $554.3 million notional amount of the interest rate cap as a cash flow hedging instrument for accounting purposes.

On April 16, 2010, Harrah s Operating Escrow LLC and Harrah s Escrow Corporation (the Escrow Issuers), wholly-owned subsidiaries of HOC, completed the offering of $750.0 million aggregate principal amount of 12.75% second-priority senior secured notes due 2018.

In connection with the issuance of the notes, on April 16, 2010, HOC delivered notices of redemption (each, a Redemption Notice , and collectively, the Redemption Notices) to the holders of HOC s currently outstanding 5.50% Senior Notes due 2010 (the 5.50% Notes), 8.0% Senior Notes due 2011 (the 8.0% Notes) and 8.125% Senior Subordinated Notes due 2011 (the 8.125% Notes and, collectively with the 5.50% Notes and the 8.0% Notes, the 2010/2011 Notes). The Redemption Notices provide for HOC s redemption on May 20, 2010 (the Redemption Date), pursuant to the terms of the indentures relating to the 2010/2011 Notes, of all $17.6 million of 8.125% Notes, $191.6 million of 5.50% Notes and $13.2 million of 8.0% Notes at a redemption price of (a) in the case of the 8.125% Notes, 100% of the principal amount of the 8.125% Notes to be redeemed plus the Make-Whole Premium (as defined in the indenture relating to the 8.125% Notes), and (b) in the case of each of the 5.50% Notes and the 8.0% Notes, an amount equal to the greater of (x) 100% of the principal amount of such notes to be redeemed and (y) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of such Redemption Date) discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined in the applicable indenture), plus 25 basis points, as calculated by an Independent Investment Banker (as defined in the applicable indenture), plus, in the case of both (a) and (b), accrued and unpaid interest on the principal amount being redeemed to the Redemption Date.

Note 17 Consolidating Financial Information of Guarantors and Issuers

As of March 31, 2010, HOC is the issuer of certain debt securities that have been guaranteed by Harrah s Entertainment and certain subsidiaries of HOC. The following consolidating schedules present condensed financial information for Harrah s Entertainment, the parent and guarantor; HOC, the subsidiary issuer; guarantor subsidiaries of HOC; and non-guarantor subsidiaries of Harrah s Entertainment and HOC, which includes PHW Las Vegas and the CMBS properties, as of March 31, 2010, and December 31, 2009, and for the quarters ended March 31, 2010 and 2009. In lieu of providing separate unaudited financial statements for the guarantor subsidiaries, we have included the accompanying consolidating condensed financial statements based on the Securities and Exchange Commission s interpretation and application of ASC 470-10-S99, (Rule 3-10 of the Securities and Exchange Commission s Regulation S-X). Management does not believe that separate financial statements of the guarantor subsidiaries are material to our investors. Therefore, separate financial statements and other disclosures concerning the guarantor subsidiaries are not presented.

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HARRAH S ENTERTAINMENT, INC.

CONDENSED CONSOLIDATING BALANCE SHEET

MARCH 31, 2010

UNAUDITED

(in millions)	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Assets						
Current assets						
Cash and cash equivalents	$ 203.0	$ 77.7	$ 285.3	$ 380.7	$	$ 946.7
Receivables, net of allowance for doubtful accounts		7.8	228.7	90.6		327.1
Deferred income taxes		60.0	68.3	19.0		147.3
Prepayments and other		12.7	113.6	75.9		202.2
Inventories		0.4	32.0	17.7		50.1
Intercompany receivables	0.2	505.3	259.1	252.5	(1,017.1)	
Total current assets	203.2	663.9	987.0	836.4	(1,017.1)	1,673.4
Land, buildings, riverboats and equipment, net of accumulated depreciation		236.7	10,772.3	7,221.8		18,230.8
Assets held for sale			4.7			4.7
Goodwill			1,738.1	1,739.6		3,477.7
Intangible assets other than goodwill		6.1	4,218.0	688.1		4,912.2
Investments in and advances to nonconsolidated affiliates	1,534.5	14,862.9	8.8	637.8	(17,008.1)	35.9
Deferred charges and other		399.5	255.0	274.7		929.2
Intercompany receivables		1,335.7	1,687.7	706.7	(3,730.1)	
	$ 1,737.7	$ 17,504.8	$ 19,671.6	$ 12,105.1	$ (21,755.3)	$ 29,263.9
Liabilities and Stockholders (Deficit)/Equity						
Current liabilities						
Accounts payable	$ 0.1	$ 82.4	$ 98.8	$ 65.9	$	$ 247.2
Interest payable		360.0	2.8	22.5		385.3
Accrued expenses	7.4	161.7	429.2	509.5		1,107.8
Current portion of long-term debt		30.0	6.2	40.7		76.9
Intercompany payables	3.2	48.6	426.4	538.9	(1,017.1)	
Total current liabilities	10.7	682.7	963.4	1,177.5	(1,017.1)	1,817.2
Long-term debt		13,563.9	97.2	6,176.6	(585.0)	19,252.7
Deferred credits and other		716.0	131.9	95.1		943.0
Deferred income taxes		1,427.8	2,440.4	1,849.5		5,717.7
Intercompany notes	239.0	98.1	1,973.5	1,419.5	(3,730.1)	
	249.7	16,488.5	5,606.4	10,718.2	(5,332.2)	27,730.6
Preferred stock						
Harrah s Entertainment, Inc. stockholders equity	1,488.0	1,016.3	14,065.2	1,341.6	(16,423.1)	1,488.0
Non-controlling interests				45.3		45.3

Total Stockholders equity	1,488.0	1,016.3	14,065.2	1,386.9	(16,423.1)	1,533.3
	$ 1,737.7	$ 17,504.8	$ 19,671.6	$ 12,105.1	$ (21,755.3)	$ 29,263.9

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HARRAH S ENTERTAINMENT, INC.

CONDENSED CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2009

(in millions)	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Assets						
Current assets						
Cash and cash equivalents	$ 122.7	$ (15.6)	$ 445.2	$ 365.8	$	$ 918.1
Receivables, net of allowance for doubtful accounts		10.2	237.5	75.8		323.5
Deferred income taxes		60.0	68.4	19.8		148.2
Prepayments and other		12.5	79.8	64.1		156.4
Inventories		0.6	33.5	18.6		52.7
Intercompany receivables	0.2	478.4	261.3	232.5	(972.4)	
Total current assets	122.9	546.1	1,125.7	776.6	(972.4)	1,598.9
Land, buildings, riverboats and equipment, net of accumulated depreciation		240.3	10,500.2	7,184.3		17,924.8
Assets held for sale			16.7			16.7
Goodwill			1,753.0	1,703.9		3,456.9
Intangible assets other than goodwill		6.3	4,230.2	714.8		4,951.3
Investments in and advances to nonconsolidated affiliates	1,846.1	15,056.8	70.2	627.3	(17,506.4)	94.0
Deferred charges and other		399.0	246.4	291.2		936.6
Intercompany receivables		1,348.7	1,687.8	706.9	(3,743.4)	
	$ 1,969.0	$ 17,597.2	$ 19,630.2	$ 12,005.0	$ (22,222.2)	$ 28,979.2
Liabilities and Stockholders Equity						
Current liabilities						
Accounts payable	$	$ 97.7	$ 104.6	$ 58.5	$	$ 260.8
Interest payable		184.8	1.9	8.9		195.6
Accrued expenses	8.6	205.2	449.7	411.3		1,074.8
Current portion of long-term debt		30.0	6.3	38.0		74.3
Intercompany payables	1.8	34.1	412.0	524.5	(972.4)	
Total current liabilities	10.4	551.8	974.5	1,041.2	(972.4)	1,605.5
Long-term debt		13,601.0	98.1	5,747.8	(578.1)	18,868.8
Deferred credits and other		642.9	147.8	81.8		872.5
Deferred income taxes		1,520.1	2,446.5	1,890.3		5,856.9
Intercompany notes	239.0	98.1	1,973.5	1,432.8	(3,743.4)	
	249.4	16,413.9	5,640.4	10,193.9	(5,293.9)	27,203.7
Preferred stock	2,642.5					2,642.5
Harrah s Entertainment, Inc. stockholders equity	(922.9)	1,183.3	13,989.8	1,755.2	(16,928.3)	(922.9)
Non-controlling interests				55.9		55.9
Total Stockholders equity	(922.9)	1,183.3	13,989.8	1,811.1	(16,928.3)	(867.0)

	$ 1,969.0	$ 17,597.2	$ 19,630.2	$ 12,005.0	$ (22,222.2)	$ 28,979.2

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HARRAH S ENTERTAINMENT, INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE QUARTER ENDED MARCH 31, 2010

UNAUDITED

(In millions)	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	$	$ 14.9	$ 1,153.9	$ 581.2	$	$ 1,750.0
Food and beverage		4.1	217.1	152.8		374.0
Rooms		3.7	144.5	120.2		268.4
Management fees		2.3	17.0	0.2	(6.4)	13.1
Other		13.9	83.3	71.5	(37.7)	131.0
Less: casino promotional allowances		(5.0)	(218.9)	(124.2)		(348.1)
Net revenues		33.9	1,396.9	801.7	(44.1)	2,188.4
Operating expenses						
Direct						
Casino		10.5	648.2	328.9		987.6
Food and beverage		2.1	77.0	65.5		144.6
Rooms		0.5	28.9	29.8		59.2
Property general, administrative and other		9.2	322.9	203.2	(32.0)	503.3
Depreciation and amortization		1.9	108.4	59.4		169.7
Project opening costs			0.7			0.7
Write-downs, reserves and recoveries		(4.1)	9.5	7.1		12.5
Losses/(income) on interests in non-consolidated affiliates	189.3	(119.4)	(8.3)	0.5	(61.5)	0.6
Corporate expense	7.5	21.4	5.6	12.1	(12.1)	34.5
Acquisition and integration costs		0.1	0.8	6.3		7.2
Amortization of intangible assets		0.2	27.0	15.5		42.7
Total operating expenses	196.8	(77.6)	1,220.7	728.3	(105.6)	1,962.6
(Loss)/income from operations	(196.8)	111.5	176.2	73.4	61.5	225.8
Interest expense, net of interest capitalized	(1.4)	(435.5)	(21.3)	(92.6)	59.3	(491.5)
Loss on early extinguishment of debt				(47.4)		(47.4)
Other income, including interest income		23.2	12.9	37.8	(59.3)	14.6
(Loss)/income from continuing operations before income taxes	(198.2)	(300.8)	167.8	(28.8)	61.5	(298.5)
Benefit/(provision) for income taxes	2.6	142.5	(61.1)	20.9		104.9
Net (loss)/income	(195.6)	(158.3)	106.7	(7.9)	61.5	(193.6)
Less: net income attributable to non-controlling interest				(2.0)		(2.0)
Net (loss)/income attributable to Harrah s Entertainment, Inc.	$ (195.6)	$ (158.3)	$ 106.7	$ (9.9)	$ 61.5	$ (195.6)

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HARRAH S ENTERTAINMENT, INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE QUARTER ENDED MARCH 31, 2009

(UNAUDITED)

(In millions)	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	$	$ 16.2	$ 1,202.4	$ 593.6	$	$ 1,812.2
Food and beverage		4.0	210.5	156.4		370.9
Rooms		3.6	152.6	118.5		274.7
Management fees		1.6	25.0		(13.2)	13.4
Other		6.6	84.3	71.6	(23.0)	139.5
Less: casino promotional allowances		(4.9)	(224.7)	(126.4)		(356.0)
Net revenues		27.1	1,450.1	813.7	(36.2)	2,254.7
Operating expenses						
Direct						
Casino		11.3	653.6	328.4		993.3
Food and beverage		2.4	75.2	66.2		143.8
Rooms		0.4	26.0	25.6		52.0
Property general, administrative and other		7.1	341.4	187.4	(31.6)	504.3
Depreciation and amortization		2.7	120.3	49.4		172.4
Project opening costs			0.9	1.1		2.0
Write-downs, reserves and recoveries		0.6	16.5	10.1	0.2	27.4
Losses/(income) on interests in non-consolidated affiliates	128.3	(183.7)	(12.8)	1.1	66.9	(0.2)
Corporate expense	7.2	19.3	3.8	4.8	(4.8)	30.3
Acquisition and integration costs		0.2				0.2
Amortization of intangible assets		0.2	28.4	15.2		43.8
Total operating expenses	135.5	(139.5)	1,253.3	689.3	30.7	1,969.3
(Loss)/income from operations	(135.5)	166.6	196.8	124.4	(66.9)	285.4
Interest expense, net of interest capitalized		(431.3)	(38.2)	(99.1)	71.8	(496.8)
Gains on early extinguishments of debt		1.2				1.2
Other income, including interest income	0.2	26.1	28.2	25.8	(71.8)	8.5
(Loss)/income from continuing operations before income taxes	(135.3)	(237.4)	186.8	51.1	(66.9)	(201.7)
Benefit/(provision) for income taxes	2.5	144.5	(62.4)	(10.3)		74.3
(Loss)/income from continuing operations	(132.8)	(92.9)	124.4	40.8	(66.9)	(127.4)
Discontinued operations						
Loss from discontinued operations			(0.1)			(0.1)
Benefit for income taxes						
Loss from discontinued operations, net			(0.1)			(0.1)

Net (loss)/income	(132.8)	(92.9)	124.3	40.8	(66.9)	(127.5)
Net income attributable to non-controlling interests				(5.2)		(5.2)
Net (loss)/income attributable to Harrah s Entertainment, Inc.	$ (132.8)	$ (92.9)	$ 124.3	$ 35.6	$ (66.9)	$ (132.7)

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HARRAH S ENTERTAINMENT, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE QUARTER ENDED MARCH 31, 2010

UNAUDITED

(in millions)	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 79.1	$ 203.4	$ (181.6)	$ 61.4	$	$ 162.3
Cash flows provided by/(used in) investing activities						
Land, buildings, riverboats and equipment additions, net of change in construction payables		(0.9)	(22.5)	(12.3)		(35.7)
Additional investment in subsidiaries		(18.8)				(18.8)
Payment for partnership interest				(19.5)		(19.5)
Cash acquired in business acquisitions				31.8		31.8
Proceeds from other asset sales			12.5			12.5
Other			(2.8)	(1.1)		(3.9)
Cash flows used in investing activities		(19.7)	(12.8)	(1.1)		(33.6)
Cash flows provided by/(used in) financing activities						
Borrowings under lending agreements		545.0				545.0
Debt issuance costs		(0.1)		(2.2)		(2.3)
Repayments under lending agreements		(472.0)				(472.0)
Scheduled debt retirement		(150.9)		(8.6)		(159.5)
Non-controlling interests distributions, net of contributions				(1.4)		(1.4)
Other	(0.2)		(1.0)	(0.8)		(2.0)
Transfers from/(to) affiliates	1.4	(12.4)	35.5	(24.5)		
Cash flows provided by/(used in) financing activities	1.2	(90.4)	34.5	(37.5)		(92.2)
Effect of deconsolidation of variable interest entities				(7.9)		(7.9)
Net increase/(decrease) in cash and cash equivalents	80.3	93.3	(159.9)	14.9		28.6
Cash and cash equivalents, beginning of period	122.7	(15.6)	445.2	365.8		918.1
Cash and cash equivalents, end of period	$ 203.0	$ 77.7	$ 285.3	$ 380.7	$	$ 946.7

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HARRAH S ENTERTAINMENT, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE QUARTER ENDED MARCH 31, 2009

(UNAUDITED)

(In millions)	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 38.0	$ (538.3)	$ 294.9	$ 183.4	$	$ (22.0)
Cash flows from investing activities						
Land, buildings, riverboats and equipment additions, net of change in construction payables		(1.4)	(126.0)	(16.6)		(144.0)
Proceeds from other asset sales		33.6	0.6			34.2
Other			(2.9)	(1.0)		(3.9)
Cash flows provided by/(used in) investing activities		32.2	(128.3)	(17.6)		(113.7)
Cash flows from financing activities						
Proceeds from issuance of long-term debt		1,355.1				1,355.1
Debt issuance costs		(0.8)				(0.8)
Repayments under lending agreements		(85.0)				(85.0)
Cash paid in connection with early extinguishments of debt		(1.5)				(1.5)
Scheduled debt retirements		(23.2)				(23.2)
Non-controlling interests distributions, net of contributions				(2.0)		(2.0)
Other		3.3	(1.1)	(0.1)		2.1
Transfers from/(to) affiliates	209.6	167.4	(213.6)	(163.4)		
Cash flows provided by/(used in) financing activities	209.6	1,415.3	(214.7)	(165.5)		1,244.7
Cash flows from discontinued operations						
Cash flows from operating activities			(0.1)			(0.1)
Cash flows used in discontinued operations			(0.1)			(0.1)
Net increase/(decrease) in cash and cash equivalents	247.6	909.2	(48.2)	0.3		1,108.9
Cash and cash equivalents, beginning of period	0.1	7.1	318.3	325.0		650.5
Cash and cash equivalents, end of period	$ 247.7	$ 916.3	$ 270.1	$ 325.3	$	$ 1,759.4

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Schedule II

HARRAH S ENTERTAINMENT, INC.

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(In millions)

Column A	Column B	Column C (Additions)		Column D	Column E
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
YEAR ENDED DECEMBER 31, 2009					
Allowance for doubtful accounts					
Current	$ 201.4	$ 72.1	$ 13.1	$ (79.5)[a]	$ 207.1
Long-term	$ 0.3	$	$	$	$ 0.3
Liability to sellers under acquisition [b]	$ 1.6	$	$	$ (0.2)	$ 1.4
YEAR ENDED DECEMBER 31, 2008					
Allowance for doubtful accounts					
Current	$ 126.2	$ 85.9	$ 45.3	$ (56.0)[a]	$ 201.4
Long-term	$ 0.3	$	$	$	$ 0.3
Liability to sellers under acquisition [b]	$ 1.8	$	$	$ (0.2)	$ 1.6
YEAR ENDED DECEMBER 31, 2007					
Allowance for doubtful accounts					
Current	$ 94.7	$ 135.3	$	$ (103.8)[a]	$ 126.2
Long-term	$ 0.3	$	$	$	$ 0.3
Liability to sellers under acquisition [b]	$ 2.0	$	$	$ (0.2)	$ 1.8

(a) Uncollectible accounts written off, net of amounts recovered.

(b) We acquired Players International, Inc., (Players) in March 2000. In 1995, Players acquired a hotel and land adjacent to its riverboat gaming facility in Lake Charles, Louisiana, for cash plus future payments to the seller based on the number of passengers boarding the riverboat casinos during a defined term. In accordance with the guidance provided by ASC 805 regarding the recognition of liabilities assumed in a business combination accounted for as a purchase, Players estimated the net present value of the future payments to be made to the sellers and recorded that amount as a component of the total consideration paid to acquire these assets. Our recording of this liability in connection with the purchase price allocation process following the Players acquisition was originally reported in 2000. Our casino operations in Lake Charles sustained significant damage in late third quarter 2005 as a result of Hurricane Rita. As a result of hurricane damage, and upon the Company s subsequent decision to scale back operations in Lake Charles and ultimately sell the property, the current and long-term portions of this obligation were written down in fourth quarter 2005; the credit was included in Discontinued operations on our Consolidated Statements of Operations. We sold Harrah s Lake Charles in fourth quarter 2006. Prior to the sale, the current and long-term portions of this obligation were included in Liabilities held for sale on our Consolidated Balance Sheets. The remaining long-term portion of this liability is included in Deferred credits and other on our Consolidated Balance Sheets; the current portion of this obligation is included in Accrued expenses on our Consolidated Balance Sheets.

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Harrah s Operating Company, Inc.

$22,206,000 10.00% Second-Priority Senior Secured Notes due 2015

$31,765,000 10.00% Second-Priority Senior Secured Notes due 2018

$291,146,000 10.00% Second-Priority Senior Secured Notes due 2018

$398,894,000 5.625% Senior Notes due 2015

$224,520,000 6.50% Senior Notes due 2016

$335,561,000 5.75% Senior Notes due 2017

PROSPECTUS

Dated May 24, 2010