HARRAHS OPERATING CO INC
Form 424B3
December 21, 2009
Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-162089

PROSPECTUS

Harrah s Operating Company, Inc.

OFFERS TO EXCHANGE

$214,800,000 aggregate principal amount of its 10.00% Second-Priority Senior Secured Notes due 2015, $847,621,000 aggregate principal amount of its 10.00% Second-Priority Senior Secured Notes due 2018, $3,705,498,000 aggregate principal amount of its 10.00% Second-Priority Senior Secured Notes due 2018 and $2,095,000,000 aggregate principal amount of its 11.25% Senior Secured Notes due 2017, the issuance of each of which has been registered under the Securities Act of 1933, as amended,

for

any and all of its outstanding 10.00% Second-Priority Senior Secured Notes due 2015, 10.00% Second-Priority Senior Secured Notes due 2018, 10.00% Second-Priority Senior Secured Notes due 2018 and 11.25% Senior Secured Notes due 2017, respectively.

Harrah s Operating Company, Inc. hereby offers, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal (which together constitute the exchange offers), to exchange up to $214,800,000 in aggregate principal amount of its registered 10.00% Second-Priority Senior Secured Notes due 2015 (the 2015 Second Lien Exchange Notes) and the guarantee thereof, $847,621,000 in the aggregate principal amount of its registered 10.00% Second-Priority Senior Secured Notes due 2018 (the 2018(1) Second Lien Exchange Notes), $3,705,498,000 in the aggregate principal amount of its registered 10.00% Second-Priority Senior Secured Notes due 2018 (the 2018(2) Second Lien Exchange Notes and, collectively with the 2015 Second Lien Exchange Notes and the 2018(1) Second Lien Exchange Notes, the Second Lien Exchange Notes) and the guarantee thereof, and $2,095,000,000 in aggregate principal amount of its registered 11.25% Senior Secured Notes due 2017 (the First Lien Exchange Notes and, collectively with the Second Lien Exchange Notes, the exchange notes) and any guarantees thereof, for a like principal amount of its unregistered 10.00% Second-Priority Senior Secured Notes due 2015 (the Original 2015 Second Lien Notes), 10.00% Second-Priority Senior Secured Notes due 2018 (the Original 2018(1) Second Lien Notes), 10.00% Second-Priority Senior Secured Notes due 2018 (the Original 2018(2) Second Lien Notes and, collectively with the Original 2015 Second Lien Notes and Original 2018(1) Second Lien Notes, the Original Second Lien Notes) and 11.25% Senior Secured Notes due 2017 (the Original First Lien Notes and, collectively with the Original Second Lien Notes, the original notes). We refer to the original First Lien Notes and the First Lien Exchange Notes collectively as the First Lien Notes, and we refer to the Original Second Lien Notes and the Second Lien Exchange Notes as the Second Lien Notes. We refer to the original notes and exchange notes collectively as the notes. The terms of the exchange notes and the guarantee thereof are identical to the terms of the related original notes and the guarantees thereof in all material respects, except for the elimination of some transfer restrictions, registration rights and additional interest provisions relating to the original notes. The notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment, Inc. The notes will be exchanged in denominations of $2,000 and in integral multiples of $1,000.

We will exchange any and all original notes that are validly tendered and not validly withdrawn prior to 5:00 p.m., New York City time, on January 21, 2010, unless extended.

We have not applied, and do not intend to apply, for listing of the notes on any national securities exchange or automated quotation system.

See Risk Factors beginning on page 28 of this prospectus for a discussion of certain risks that you should consider before participating in these exchange offers.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 21, 2009.

Table of Contents

TABLE OF CONTENTS

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. The delivery of this prospectus does not, under any circumstances, mean that there has not been a change in our affairs since the date of this prospectus. Subject to our obligation to amend or supplement this prospectus as required by law and the rules of the Securities and Exchange Commission (the SEC) the information contained in this prospectus is correct only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of these securities.

The notes may not be offered or sold in or into the United Kingdom by means of any document except in circumstances that do not constitute an offer to the public within the meaning of the Public Offers of Securities Regulations 1995. All applicable provisions of the Financial Services and Markets Act 2000 must be complied with in respect of anything done in relation to the notes in, from or otherwise involving or having an effect in the United Kingdom.

The notes have not been and will not be qualified under the securities laws of any province or territory of Canada. The notes are not being offered or sold, directly or indirectly, in Canada or to or for the account of any resident of Canada in contravention of the securities laws of any province or territory thereof.

Until March 21, 2010 (90 days after the date of this prospectus), all dealers effecting transactions in the exchange notes, whether or not participating in the exchange offers, may be required to deliver a prospectus.

Table of Contents

PROSPECTUS SUMMARY

The following summary contains information about Harrah s Entertainment, Inc., Harrah s Operating Company, Inc. and the notes. It does not contain all of the information that may be important to you in making a decision to participate in the offering. For a more complete understanding of Harrah s Entertainment, Inc., Harrah s Operating and the notes, we urge you to read this prospectus carefully, including the sections entitled Risk Factors, Forward Looking Statements and Where You Can Find More Information. Unless otherwise noted or indicated by the context, the terms Harrah s, HET and Harrah s Entertainment refer to Harrah s Entertainment, Inc., and we, us and our refer to Harrah s Entertainment, Inc. and its consolidated subsidiaries, and Harrah s Operating or HOC refers to Harrah s Operating Company, Inc.

As of September 30, 2009, Harrah s Entertainment owned or managed 52 casinos through its subsidiaries. In connection with the financing of the Acquisition described under The Acquisition Transactions, six casinos were spun or transferred out of HOC to entities that are side-by-side with HOC. See The Acquisition Transactions CMBS Transactions. In addition, in connection with the Acquisition Transactions, London Clubs and its subsidiaries became subsidiaries of HOC. See The Acquisition Transactions London Clubs Transfer. HOC has remained a direct, wholly owned subsidiary of Harrah s Entertainment and as of September 30, 2009 owned or managed 46 of our 52 casinos. Notwithstanding these spin-offs and transfers, management of Harrah s Entertainment continues to manage all of the properties of HOC and those held by its sister subsidiaries as one company, but HOC is not entitled to receive any direct contribution or proceeds from its sister subsidiaries operations. Harrah s Entertainment will guarantee the exchange notes; the CMBS Borrowers (as defined) will not. As a result, you should see the financial and pro forma financial information of Harrah s Entertainment as well as pro forma financial information of HOC to give a meaningful and complete presentation of the CMBS Transactions and the London Clubs Transfer, among others.

Our Company

Harrah s Entertainment, Inc., a Delaware corporation, is one of the largest casino entertainment providers in the world. As of September 30, 2009, we owned or managed, through various subsidiaries, 52 casinos in six countries, but primarily in the United States and the United Kingdom. HOC owned or managed 46 of these casinos. 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 greyhound racetrack and casino, one combination thoroughbred racetrack and casino and one harness racetrack and casino. Our 33 land-based casinos include one in Uruguay, eleven in the United Kingdom, two in Egypt and one in South Africa. As of September 30, 2009, our facilities have an aggregate of approximately three million square feet of gaming space and approximately 39,000 hotel rooms. We have a customer loyalty program, Total Rewards, which has over 40 million members, that we use for marketing promotions and to generate play by our customers when they travel among our markets in the United States and Canada. We also own and operate the World Series of Poker tournament and brand.

Our History

Harrah s Entertainment commenced its casino operations in 1937 and became a publicly listed company in 1971. Two years later, it became the first gaming company to be listed on the New York Stock Exchange (NYSE). In 1980, Harrah s Entertainment was acquired by Holiday Inns, Inc. and was delisted from the NYSE. In 1995, Harrah s Entertainment again became a stand-alone company and resumed trading on the NYSE.

Table of Contents

Harrah s Entertainment has grown through a series of strategic acquisitions that have strengthened its scale, geographic diversity and leading market positions. In 1998, it completed its acquisition of Showboat, Inc. and in 1999, it purchased Rio Hotel & Casino, Inc. In 2000, it completed the purchase of Players International. During the next five years, Harrah s Entertainment acquired Harveys Casino Resorts (2001), Horseshoe Gaming Holding Corp (2004), the rights to the World Series of Poker (2004) and the Imperial Palace Hotel & Casino in Las Vegas (2005). Harrah s Entertainment also acquired Caesars Entertainment, Inc. in 2005, which, at $9.3 billion, was the largest merger in the history of the gaming industry and secured Harrah s Entertainment s position as the world s largest casino company. Additionally, Harrah s Entertainment has expanded internationally, completing the acquisitions of London Clubs International plc (London Clubs) in 2006 and Macau Orient Golf in 2007.

In order to generate same store gaming revenue growth (defined as annual gaming revenue growth for properties held by us throughout the year) and cross-market play (defined as play by a guest in a property outside the home market of their primary gaming property) among its casinos, in 1997, Harrah s Entertainment launched the Total Rewards program, which allows customers to earn benefits by playing at most Harrah s Entertainment casinos, as well as WINet (Winner s Information Network), the industry s first sophisticated nationwide customer database. Total Rewards was the first technology-based customer relationship management strategy implemented in the gaming industry and has been an effective tool used by management to enhance overall operating results.

The Acquisition

On December 19, 2006, Harrah s Entertainment entered into a definitive merger agreement with Hamlet Holdings LLC, a Delaware limited liability company (Hamlet Holdings), and Hamlet Acquisition Inc., a Delaware corporation and a wholly owned subsidiary of Hamlet Holdings (Merger Sub). Hamlet Holdings and Merger Sub were formed and are controlled by affiliates of Apollo Global Management, LLC (Apollo) and TPG Capital, LP (TPG and, together with Apollo, the Sponsors). Pursuant to the merger agreement, on January 28, 2008, Merger Sub merged with and into Harrah s Entertainment, and each share of Harrah s Entertainment s common stock issued and outstanding immediately prior to the effective time of the merger, was converted into the right to receive $90.00 in cash, which, when taken together with the net settlement of outstanding options, stock appreciation rights, restricted stock and restricted stock units, represents merger consideration of $17,375 million in the aggregate. We refer to the merger and payment of merger consideration as the Acquisition.

Upon completion of the Acquisition, Hamlet Holdings, funds affiliated with and controlled by the Sponsors, certain co-investors and certain members of management became the owners of all of the outstanding equity interests of Harrah s Entertainment. Hamlet Holdings, the members of which are comprised of an equal number of individuals affiliated with each of the Sponsors, holds all of the voting common stock of Harrah s Entertainment. The voting common stock does not have any economic rights. Funds affiliated with and controlled by the Sponsors, their co-investors and members of management each hold non-voting common stock and non-voting preferred stock.

For more information regarding the Acquisition, including the financing thereof, see The Acquisition Transactions.

Table of Contents

Recent Events

Tender Offers and Incremental Loans

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 of its 5.500% senior notes due 2010, $17.2 million of its 7.875% senior subordinated notes due 2010, $19.6 million of its 8.000% senior notes due 2011 and $4.2 million of its 8.125% senior subordinated notes due 2011 for an aggregate consideration of approximately $44.5 million. In connection with the 2010/2011 Tender Offers, HOC borrowed $1 billion 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 was used to purchase the notes validly tendered and not validly withdrawn pursuant to the 2010/2011 Tender Offers.

CMBS Loan Purchases

On October 22, 2009, Harrah s Entertainment entered into purchase and sale agreements with certain lenders to acquire mezzanine loans under its commercial mortgage-backed securities financing. Harrah s Entertainment will purchase these loans using up to an aggregate amount of $250 million of cash, at a purchase price of between 25 and 30 cents per $1.00 principal amount of such loans, depending on certain circumstances. Any loan purchased by Harrah s Entertainment in such purchases will be cancelled.

The Sponsors

Apollo

Apollo is a leading global alternative asset manager with offices in New York, Los Angeles, London, Singapore, Frankfurt, Luxembourg and Mumbai. As of September 30, 2009, Apollo has assets under management in excess of $41 billion in private equity, hedge funds, distressed debt and mezzanine funds invested across a core group of industries where Apollo has considerable knowledge and resources.

TPG

TPG manages one of the world s leading private investment firms with approximately $45 billion of assets under management as of September 30, 2009. The firm was founded in 1992 and is led by David Bonderman and James G. Coulter. Through its global buyout platform, TPG Capital, the firm generally makes significant investments in companies through acquisitions and restructurings across a broad range of industries throughout North America, Europe, Asia and Australia.

Table of Contents

Organizational Structure

The chart below is a summary of the organizational structure of Harrah s Entertainment and HOC and illustrates the long-term debt that will be outstanding following the exchange offers.

Corporate Structure

(1) The members of Hamlet Holdings are Leon Black, Joshua Harris and Marc Rowan, each of whom is affiliated with Apollo, and David Bonderman, James Coulter and Jonathan Coslet, each of whom is affiliated with TPG. Each member holds approximately 17% of the limited liability company interests of Hamlet Holdings.

(2) HET currently guarantees all of the debt securities set forth above and the senior secured credit facilities. In addition, it has provided a payment guarantee of the operating leases under the CMBS Facilities (as defined in The Acquisition Transactions). The guarantee by HET of the obligations under all of the debt of HOC set forth above and the notes is structurally subordinated to the CMBS Facilities.

(3) Includes captive insurance subsidiaries and Harrah s BC, Inc. (HBC).

(4) Upon the closing of the Acquisition, we entered into the senior secured credit facilities, which include a $2,000 million revolving credit facility that was reduced to $1,630 million due to debt retirements subsequent to the closing of the Acquisition. At September 30, 2009, on an adjusted basis after giving effect to the Incremental Loans, $1,433 million of additional borrowing capacity is available under our revolving credit facility, with an additional $162 million committed to back letters of credit, all of which is secured on a first priority basis.

Table of Contents

(5) Excludes HOC s 5.625% Senior Notes due 2015, 6.50% Senior Notes due 2016 and 5.75% Senior Notes due 2017 currently held by HBC.
(6) The CMBS Borrowers and their respective subsidiaries do not guarantee, or pledge their assets as security for, the notes, the senior secured credit facilities or any other indebtedness of HOC and are not directly liable for any obligations thereunder.
(7) Each of the wholly owned domestic subsidiaries of HOC that pledged its assets to secure the senior secured credit facilities has also pledged its assets to secure the notes. The equity interests of HOC and of HOC s subsidiaries that have been pledged to secure HOC s obligations under its senior secured credit facilities and the First Lien Notes have not been pledged to secure HOC s obligations under the Second Lien Notes.
(8) Includes $230 million senior secured term loan entered into in August 2009 by Chester Downs and Marina, LLC, which is not a Subsidiary Pledgor.

Table of Contents

Summary of the Terms of the Exchange Offers

In connection with the issuance of the original notes, Harrah s Operating entered into registration rights agreements with the dealer managers for the offerings of the Original Second Lien Notes and the initial purchasers of the Original First Lien Notes. Under those agreements, Harrah s Operating agreed to deliver to you this prospectus and to consummate the exchange offers.

Original Notes

Original 2015 Second Lien Notes	$214,800,000 aggregate principal amount of 10.00% Second-Priority Senior Secured Notes due 2015 (the Original 2015 Second Lien Notes);
Original 2018(1) Second Lien Notes	$847,621,000 aggregate principal amount of 10.00% Second-Priority Senior Secured Notes due 2018 (the Original 2018(1) Second Lien Notes).
Original 2018(2) Second Lien Notes	$3,705,498,000 aggregate principal amount of 10.00% Second-Priority Senior Secured Notes due 2018 (the Original 2018(2) Second Lien Notes). We refer to the Original 2015 Second Lien Notes, the Original 2018(1) Second Lien Notes and the Original 2018(2) Second Lien Notes collectively as the Original Second Lien Notes.
Original First Lien Notes	$2,095,000,000 aggregate principal amount of 11.25% Senior Secured Notes due 2017 consisting of $1,375,000,000 11.25% Senior Secured Notes due 2017 issued on June 10, 2009 and $720,000,000 11.25% Senior Secured Notes due 2017 issued on September 11, 2009 (collectively, the Original First Lien Notes). We refer to the Original Second Lien Notes and the Original First Lien Notes collectively as the original notes.

Notes Offered

2015 Second Lien Exchange Notes	10.00% Second-Priority Senior Secured Notes due 2015 (the 2015 Second Lien Exchange Notes). The terms of the 2015 Second Lien Exchange Notes are substantially identical to those terms of the Original 2015 Second Lien Notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the Original 2015 Second Lien Notes do not apply to the 2015 Second Lien Exchange Notes.
2018(1) Second Lien Exchange Notes	10.00% Second-Priority Senior Secured Notes due 2018 (the 2018 Second Lien Exchange Notes). The terms of the 2018 Second Lien Exchange Notes are substantially identical to those terms of the Original 2018(1) Second Lien Notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the original notes do not apply to the exchange notes.
2018(2) Second Lien Exchange Notes	10.00% Second-Priority Senior Secured Notes due 2018 (the 2018 Second Lien Exchange Notes). The terms of the 2018 Second Lien Exchange Notes are substantially identical to those terms of the

6

Original 2018(2) Second Lien Notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the original notes do not apply to the exchange notes. We refer to the 2015 Second Lien Exchange Notes, the 2018(1) Second Lien Exchange Notes and the 2018(2) Second Lien Exchange Notes collectively as the Second Lien Exchange Notes. We refer to the Original Second Lien Notes and the Second Lien Exchange Notes collectively as the Second Lien Notes.

First Lien Exchange Notes

11.25% Senior Secured Notes due 2017 (the First Lien Exchange Notes). The terms of the First Lien Exchange Notes are substantially identical to those terms of the Original First Lien Notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the Original First Lien Notes do not apply to the First Lien Exchange Notes. We refer to the Original First Lien Notes and the First Lien Exchange Notes collectively as the First Lien Notes. We refer to the 2015 Second Lien Exchange Notes, the 2018 Second Lien Exchange Notes and the First Lien Exchange Notes as the exchange notes.

Exchange Offers

Harrah s Operating is offering to exchange:

- up to $214,800,000 aggregate principal amount of its 2015 Second Lien Exchange Notes, which have been registered under the Securities Act, for an equal amount of its Original 2015 Second Lien Notes;
- up to $847,621,000 aggregate principal amount of its 2018(1) Second Lien Exchange Notes, which have been registered under the Securities Act, for an equal amount of its Original 2018(1) Second Lien Notes;
- up to $3,705,498,000 aggregate principal amount of its 2018(2) Second Lien Exchange Notes, which have been registered under the Securities Act, for an equal amount of its Original 2018(2) Second Lien Notes; and
- up to $2,095,000,000 aggregate principal amount of its First Lien Exchange Notes, which have been registered under the Securities Act, for an equal amount of its Original First Lien Notes.

Harrah s Operating is also offering to satisfy certain of its obligations under the registration rights agreements that Harrah s Operating entered into when it issued the original notes in transactions exempt from registration under the Securities Act.

Expiration Date; Withdrawal of Tenders

The exchange offers will expire at 5:00 p.m., New York City time, on January 21, 2010, or such later date and time to which Harrah s Operating extends it. Harrah s Operating does not currently intend to extend the expiration date. A tender of original notes pursuant to the exchange offers may be withdrawn at any time prior to the expiration

Table of Contents

	date. Any original notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of the exchange offers.
Conditions to the Exchange Offers	The exchange offers are subject to customary conditions, some of which Harrah s Operating may waive. For more information, see The Exchange Offers Certain Conditions to the Exchange Offers.
Procedures for Tendering Original Notes	If you wish to accept the exchange offers, you must complete, sign and date the accompanying letter of transmittal, or a copy of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must also mail or otherwise deliver the letter of transmittal, or the copy, together with the original notes and any other required documents, to the exchange agent at the address set forth on the cover of the letter of transmittal. If you hold original notes through The Depository Trust Company (DTC) and wish to participate in the exchange offers, you must comply with the Automated Tender Offer Program procedures of DTC, by which you will agree to be bound by the letter of transmittal.

By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- any exchange notes that you receive will be acquired in the ordinary course of your business;
- you have no arrangement or understanding with any person or entity, including any of our affiliates, to participate in the distribution of the exchange notes;
- if you are a broker-dealer that will receive exchange notes for your own account in exchange for original notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in connection with any resale of the exchange notes; and
- you are not our affiliate as defined in Rule 405 under the Securities Act, or, if you are an affiliate, you will comply with any applicable registration and prospectus delivery requirements of the Securities Act.

Guaranteed Delivery Procedures	If you wish to tender your original notes and your original notes are not immediately available or you cannot deliver your original notes, the letter of transmittal or any other documents required by the letter of transmittal or comply with the applicable procedures under DTC s Automated Tender Offer Program prior to the expiration date, you must tender your original notes according to the guaranteed delivery procedures set forth in this prospectus under The Exchange Offers Guaranteed Delivery Procedures.
Effect on Holders of Original Notes	As a result of the making of, and upon acceptance for exchange of all validly tendered original notes pursuant to the terms of, the exchange offers, Harrah s Operating will have fulfilled a covenant contained in

Table of Contents

each of the registration rights agreements for the original notes and, accordingly, Harrah s Operating will not be obligated to pay additional interest as described in each of the registration rights agreements. If you are a holder of original notes and do not tender your original notes in the exchange offers, you will continue to hold such original notes and you will be entitled to all the rights and limitations applicable to the original notes in the indenture, except for any rights under the registration rights agreements that, by their terms, terminate upon the consummation of the exchange offers.

Consequences of Failure to Exchange	All untendered original notes will continue to be subject to the restrictions on transfer provided for in the original notes and in the indenture. In general, the original notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offers, Harrah s Operating does not currently anticipate that it will register the original notes under the Securities Act.
Resale of the Exchange Notes	Based on an interpretation by the staff of the SEC set forth in no-action letters issued to third parties, we believe that the exchange notes issued pursuant to the exchange offers in exchange for original notes may be offered for resale, resold and otherwise transferred by you (unless you are our affiliate within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that you:

- are acquiring the exchange notes in the ordinary course of business; and
- have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person or entity, including any of Harrah s Entertainment s affiliates, to participate in, a distribution of the exchange notes.

In addition, each participating broker-dealer that receives exchange notes for its own account pursuant to the exchange offers in exchange for original notes that were acquired as a result of market-making or other trading activity must also acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. For more information, see Plan of Distribution. Any holder of original notes, including any broker-dealer, who:

- is our affiliate,
- does not acquire the exchange notes in the ordinary course of its business, or
- tenders in the exchange offers with the intention to participate, or for the purpose of participating, in a distribution of exchange notes,

cannot rely on the position of the staff of the Commission expressed in Exxon Capital Holdings Corporation, Morgan Stanley & Co., Incorporated or similar no-action letters and, in the absence of an exemption, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the exchange notes.

Material Tax Consequences	The exchange of original notes for exchange notes in the exchange offers will not be a taxable event for U.S. federal income tax purposes. For more information, see Certain U.S. Federal Tax Considerations.
Use of Proceeds	We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offers.
Exchange Agent	U.S. Bank National Association is the exchange agent for the exchange offers. The address and telephone number of the exchange agent are set forth in the section captioned The Exchange Offers Exchange Agent.

Table of Contents

Summary of the Terms of the Exchange Notes

The following summary highlights the material information regarding the exchange notes contained elsewhere in this prospectus. We urge you to read this entire prospectus, including the Risk Factors section and the consolidated financial statements and related notes.

Issuer	Harrah s Operating Company, Inc.
2015 Second Lien Exchange Notes	$214,800,000 aggregate principal amount of our 10.00% Second-Priority Senior Secured Notes due 2015.
Maturity Date	The 2015 Second Lien Exchange Notes will mature on December 15, 2015.
Interest Rate	Interest on the 2015 Second Lien Exchange Notes will be payable in cash and will accrue from the issue date of the 2015 Second Lien Exchange Notes at a rate of 10.00% per annum.
Interest Payment Date	June 15 and December 15, commencing on June 15, 2009
Collateral	The 2015 Second Lien Exchange Notes will be secured by a second priority security interest in the collateral granted to the collateral agent for the benefit of the holders of the Second Lien Notes and other future parity lien debt that may be issued in compliance with the terms of the indenture governing the 2015 Second Lien Exchange Notes. These liens will be junior in priority to the liens on substantially the same collateral securing the senior secured credit facilities and the First Lien Notes and to all other permitted prior liens, including liens securing certain hedging obligations and cash management obligations. The liens securing first priority lien obligations will be held by the collateral agent under the senior secured credit facilities.

The collateral securing the 2015 Second Lien Exchange Notes will be substantially all of Harrah s Operating s and the Subsidiary Pledgor s property and assets that secure the senior secured credit facilities, which excludes: (i) any property or assets owned by any foreign subsidiaries, (ii) certain real property and vessels, (iii) any vehicles, (iv) cash, deposit accounts and securities accounts (to the extent that a lien thereon must be perfected by any action other than the filing of customary financing statements), (v) subject to limited exceptions, any assets or any right, title or interest in any license, contract or agreement to the extent that taking a security interest in any of them would violate any applicable law or regulation (including gaming regulations) or any enforceable contractual obligation binding on the assets or would violate the terms of any such license, contract or agreement, and (vi) certain other limited exclusions. While the collateral securing the senior secured credit facilities and the First Lien Notes includes the equity interests of Harrah s Operating and substantially all of Harrah s Operating s domestic subsidiaries and

Table of Contents

	first-tier foreign subsidiaries, the collateral securing the 2015 Second Lien Exchange Notes will not include securities and other equity interests of Harrah s Operating or its subsidiaries. For more information, see Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes.
Intercreditor Agreement	The trustee and the collateral agent under the indenture governing the 2015 Second Lien Exchange Notes and representatives of the first priority lien obligations are parties to an intercreditor agreement as to the relative priorities of their respective security interests in Harrah s Operating s and Subsidiary Pledgors assets securing the 2015 Second Lien Exchange Notes and first priority lien obligations and certain other matters relating to the administration of security interests. The terms of the intercreditor agreement are set forth under Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes.
Ranking	The 2015 Second Lien Exchange Notes: will be senior indebtedness of Harrah s Operating; will rank pari passu in right of payment with all existing and future senior indebtedness of Harrah s Operating; will be senior in right of payment to all existing and future subordinated indebtedness of Harrah s Operating; and will be effectively subordinated in right of payment to all existing and future indebtedness and liabilities of subsidiaries of Harrah s Operating that are not Subsidiary Pledgors.

The 2015 Second Lien Exchange Notes will have the benefit of a security interest in the collateral that will be second in priority behind the senior secured credit facilities and the First Lien Notes, subject to permitted prior liens and exceptions described under Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes. Although none of HOC s subsidiaries will guarantee the Second Lien Exchange Notes, all of HOC s domestic wholly owned subsidiaries that pledge their assets and property to secure the loans under the senior secured credit facilities, the First Lien Notes and other first priority lien obligations, if any, will become Subsidiary Pledgors with respect to the 2015 Second Lien Exchange Notes, and their assets and property will secure the 2015 Second Lien Exchange Notes to the extent described under Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes.

Guarantee	The 2015 Second Lien Exchange Notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment.
Optional Redemption	Harrah s Operating may redeem the 2015 Second Lien Exchange Notes, in whole or part, at any time prior to December 15, 2012 at a price equal to 100% of the principal amount of the 2015 Second Lien

Exchange Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium, as described in Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Optional Redemption.

Harrah s Operating may redeem the 2015 Second Lien Exchange Notes, in whole or in part, on or after December 15, 2012 at the redemption prices set forth under Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Optional Redemption.

Optional Redemption After Certain Equity Offerings	At any time (which may be more than once) before December 15, 2011, Harrah s Operating may choose to redeem up to 35% of the principal amount of the 2015 Second Lien Exchange Notes at a redemption price equal to 110.00% of the face amount thereof with the net proceeds of one or more equity offerings to the extent such net cash proceeds are received by or contributed to Harrah s Operating and so long as at least 50% of the aggregate principal amount of the 2015 Second Lien Exchange Notes issued remains outstanding afterwards. See Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Optional Redemption.
Mandatory Redemption	If the 2015 Second Lien Exchange Notes would otherwise constitute applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, as amended (the Code), at the end of each accrual period ending after the fifth anniversary of the 2015 Second Lien Exchange Notes issuance (each an AHYDO redemption date), we will be required to redeem for cash a portion of each applicable 2015 Second Lien Exchange Note then outstanding equal to the Mandatory Principal Redemption Amount (such redemption, a Mandatory Principal Redemption). The redemption price for the portion of each 2015 Exchange Second Lien Note redeemed pursuant to a Mandatory Principal Redemption will be 100% of the principal amount of such portion plus any accrued interest thereon on the date of redemption. The Mandatory Principal Redemption Amount means the portion of a 2015 Second Lien Exchange Note that must be required to be redeemed to prevent such 2015 Second Lien Exchange Note from being treated as an applicable high yield discount obligation within the meaning of Section 163(i)(1) of the Code. No partial redemption or repurchase of the 2015 Second Lien Exchange Notes prior to the AHYDO redemption date pursuant to any other provision of the indenture will alter our obligation to make the Mandatory Principal Redemption with respect to any 2015 Second Lien Exchange Notes that remain outstanding on an AHYDO redemption date.
Change of Control	If Harrah s Operating experiences a change of control (as defined in the indentures governing the exchange notes), Harrah s Operating will be required to make an offer to repurchase the exchange notes at

	a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Change of Control.
Certain Covenants	We issued the 2015 Second Lien Exchange Notes and the 2018(1) Second Lien Exchange Notes under a single indenture, which contains covenants limiting Harrah s Operating s ability and the ability of its subsidiaries to:

- incur additional debt or issue certain preferred shares;
- pay dividends on or make distributions in respect of its capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens on certain assets to secure debt;
- consolidate, merge, sell or otherwise dispose of all or substantially all of its assets;
- enter into certain transactions with its affiliates; and
- designate its subsidiaries as unrestricted subsidiaries.

The covenants are subject to a number of important limitations and exceptions. In addition, the restrictive covenants do not apply to Harrah s Entertainment. See Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes. Certain covenants will cease to apply to the 2015 Second Lien Exchange Notes for so long as such notes have investment grade ratings from both Moody s Investors Service, Inc. and Standard & Poor s.

2018(1) Second Lien Exchange Notes	$847,621,000 aggregate principal amount of 10.00% Second-Priority Senior Secured Notes due 2018.
Maturity Date	The 2018(1) Second Lien Exchange Notes will mature on December 15, 2018.
Interest Rate	Interest on the 2018(1) Second Lien Exchange Notes will be payable in cash and will accrue from the issue date of the 2018(1) Second Lien Exchange Notes at a rate of 10.00% per annum.

Interest Payment Date	June 15 and December 15, commencing on June 15, 2009.
Collateral	The 2018(1) Second Lien Exchange Notes will be secured by a second priority security interest in the collateral granted to the collateral agent for the benefit of the holders of the Second Lien Notes and other future parity lien debt that may be issued in compliance with the terms of the indenture governing the 2018(1)

Table of Contents

Second Lien Exchange Notes. These liens will be junior in priority to the liens on substantially the same collateral securing the senior secured credit facilities and the First Lien Notes and to all other permitted prior liens, including liens securing certain hedging obligations and cash management obligations. The liens securing first priority lien obligations will be held by the collateral agent under the senior secured credit facilities. The collateral securing the 2018(1) Second Lien Exchange Notes will be substantially all of Harrah s Operating s and the Subsidiary Pledgor s property and assets that secure the senior secured credit facilities, which excludes: (i) any property or assets owned by any foreign subsidiaries, (ii) certain real property and vessels, (iii) any vehicles, (iv) cash, deposit accounts and securities accounts (to the extent that a lien thereon must be perfected by any action other than the filing of customary financing statements), (v) subject to limited exceptions, any assets or any right, title or interest in any license, contract or agreement to the extent that taking a security interest in any of them would violate any applicable law or regulation (including gaming regulations) or any enforceable contractual obligation binding on the assets or would violate the terms of any such license, contract or agreement, and (vi) certain other limited exclusions. While the collateral securing the senior secured credit facilities and the First Lien Notes includes the equity interests of Harrah s Operating and substantially all of Harrah s Operating s domestic subsidiaries and first-tier foreign subsidiaries, the collateral securing the 2018(1) Second Lien Exchange Notes will not include securities and other equity interests of Harrah s Operating or its subsidiaries. For more information, see Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes.

Intercreditor Agreement	The trustee and the collateral agent under the indenture governing the 2015 Second Lien Exchange Notes and the representatives of the first priority lien obligations entered into an intercreditor agreement as to the relative priorities of their respective security interests in Harrah s Operating s and Subsidiary Pledgors assets securing the 2015 Second Lien Exchange Notes and the first priority lien obligations facilities and certain other matters relating to the administration of security interests. The terms of the intercreditor agreement are set forth under Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes.
Ranking	The 2018(1) Second Lien Exchange Notes:

- will be senior indebtedness of Harrah s Operating;
- will rank pari passu in right of payment with all existing and future senior indebtedness of Harrah s Operating;
- will be senior in right of payment to all existing and future subordinated indebtedness of Harrah s Operating; and

Table of Contents

will be effectively subordinated in right of payment to all existing and future indebtedness and liabilities of subsidiaries of Harrah s Operating that are not Subsidiary Pledgors.

The 2018(1) Second Lien Exchange Notes will have the benefit of a security interest in the collateral that will be second in priority behind the senior secured credit facilities and the First Lien Notes, subject to permitted prior liens and exceptions described under Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes. Although none of HOC s subsidiaries will guarantee the Second Lien Exchange Notes, all of HOC s domestic wholly owned subsidiaries that pledge their assets and property to secure the loans under the senior secured credit facilities, the First Lien Notes and other first priority lien obligations, if any, will become Subsidiary Pledgors with respect to the 2018(1) Second Lien Exchange Notes, and their assets and property will secure the 2018(1) Second Lien Exchange Notes to the extent described under Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes.

Guarantee	The 2018(1) Second Lien Exchange Notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment.
Optional Redemption	Harrah s Operating may redeem the 2018(1) Second Lien Exchange Notes, in whole or part, at any time prior to December 15, 2013 at a price equal to 100% of the principal amount of the 2018(1) Second Lien Exchange Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium, as described in Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Optional Redemption.

Harrah s Operating may redeem the 2018(1) Second Lien Exchange Notes, in whole or in part, on or after December 15, 2013 at the redemption prices set forth under Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Optional Redemption.

Optional Redemption After Certain Equity Offerings	At any time (which may be more than once) before December 15, 2011, Harrah s Operating may choose to redeem up to 35% of the principal amount of the 2018(1) Second Lien Exchange Notes at a redemption price equal to 110.00% of the face amount thereof with the net proceeds of one or more equity offerings to the extent such net cash proceeds are received by or contributed to Harrah s Operating and so long as at least 50% of the aggregate principal amount of the 2018(1) Second Lien Exchange Notes issued remains outstanding afterwards. See Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Optional Redemption.

16

Table of Contents

Mandatory Redemption	If the 2018(1) Second Lien Exchange Notes would otherwise constitute applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, as amended (the Code), at the end of each accrual period ending after the fifth anniversary of the 2018(1) Second Lien Exchange Notes issuance (each an AHYDO redemption date), we will be required to redeem for cash a portion of each applicable 2018(1) Second Lien Exchange Note then outstanding equal to the Mandatory Principal Redemption Amount (such redemption, a Mandatory Principal Redemption). The redemption price for the portion of each 2018(1) Exchange Second Lien Note redeemed pursuant to a Mandatory Principal Redemption will be 100% of the principal amount of such portion plus any accrued interest thereon on the date of redemption. The Mandatory Principal Redemption Amount means the portion of a 2018(1) Second Lien Exchange Note that must be required to be redeemed to prevent such 2018(1) Second Lien Exchange Note from being treated as an applicable high yield discount obligation within the meaning of Section 163(i)(1) of the Code. No partial redemption or repurchase of the 2018(1) Second Lien Exchange Notes prior to the AHYDO redemption date pursuant to any other provision of the indenture will alter our obligation to make the Mandatory Principal Redemption with respect to any 2018(1) Second Lien Exchange Notes that remain outstanding on an AHYDO redemption date.
Change of Control	If Harrah s Operating experiences a change of control (as defined in the indentures governing the exchange notes), Harrah s Operating will be required to make an offer to repurchase the exchange notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Change of Control.
Certain Covenants	We issued the 2015 Second Lien Exchange Notes and the 2018(1) Second Lien Exchange Notes under a single indenture, which contains covenants limiting Harrah s Operating ability and the ability of its subsidiaries to: incur additional debt or issue certain preferred shares; pay dividends on or make distributions in respect of its capital stock or make other restricted payments; make certain investments; sell certain assets; create liens on certain assets to secure debt; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into certain transactions with its affiliates; and

designate its subsidiaries as unrestricted subsidiaries.

Table of Contents

The covenants are subject to a number of important limitations and exceptions. In addition, the restrictive covenants do not apply to Harrah s Entertainment. See Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes. Certain covenants will cease to apply to the 2015 Second Lien Exchange Notes for so long as such notes have investment grade ratings from both Moody s Investors Service, Inc. and Standard & Poor s.

2018(2) Second Lien Exchange Notes	$3,705,498,000 aggregate principal amount of 10.00% Second-Priority Senior Secured Notes due 2018.
Maturity Date	The 2018(2) Second Lien Exchange Notes will mature on December 15, 2018.
Interest Rate	Interest on the 2018(2) Second Lien Exchange Notes will be payable in cash and will accrue from the issue date of the 2018(2) Second Lien Exchange Notes at a rate of 10.00% per annum.
Interest Payment Date	June 15 and December 15, commencing on June 15, 2009.
Collateral	The 2018(2) Second Lien Exchange Notes will be secured by a second priority security interest in the collateral granted to the collateral agent for the benefit of the holders of the Second Lien Notes and other future parity lien debt that may be issued in compliance with the terms of the indenture governing the 2018(2) Second Lien Exchange Notes. These liens will be junior in priority to the liens on substantially the same collateral securing the senior secured credit facilities and the First Lien Notes and to all other permitted prior liens, including liens securing certain hedging obligations and cash management obligations. The liens securing first priority lien obligations will be held by the collateral agent under the senior secured credit facilities.

The collateral securing the 2018(2) Second Lien Exchange Notes will be substantially all of Harrah s Operating s and the Subsidiary Pledgor s property and assets that secure the senior secured credit facilities, which excludes: (i) any property or assets owned by any foreign subsidiaries, (ii) certain real property and vessels, (iii) any vehicles, (iv) cash, deposit accounts and securities accounts (to the extent that a lien thereon must be perfected by any action other than the filing of customary financing statements), (v) subject to limited exceptions, any assets or any right, title or interest in any license, contract or agreement to the extent that taking a security interest in any of them would violate any applicable law or regulation (including gaming regulations) or any enforceable contractual obligation binding on the assets or would violate the terms of any such license, contract or agreement, and (vi) certain other limited exclusions. While the collateral securing the senior secured credit facilities and the First Lien Notes includes the equity interests of Harrah s Operating and

Table of Contents

substantially all of Harrah s Operating s domestic subsidiaries and first-tier foreign subsidiaries, the collateral securing the 2018(2) Second Lien Exchange Notes will not include securities and other equity interests of Harrah s Operating or its subsidiaries. For more information, see Description of 2018(2) Second Lien Exchange Notes Security for the Notes.

Intercreditor Agreement

The trustee and the collateral agent under the indenture governing the 2018(2) Second Lien Exchange Notes and representatives of the first priority lien obligations entered into a joinder to the intercreditor agreement, dated as of December 24, 2008, as to the relative priorities of their respective security interests in Harrah s Operating s and Subsidiary Pledgors assets securing the 2018(2) Second Lien Exchange Notes and the first priority lien obligations and certain other matters relating to the administration of security interests. The terms of the intercreditor agreement are set forth under Description of 2018(2) Second Lien Exchange Notes Security Documents and Intercreditor Agreement.

Ranking

The 2018(2) Second Lien Exchange Notes:

- will be senior indebtedness of Harrah s Operating;
- will rank pari passu in right of payment with all existing and future senior indebtedness of Harrah s Operating;
- will be senior in right of payment to all existing and future subordinated indebtedness of Harrah s Operating; and
- will be effectively subordinated in right of payment to all existing and future indebtedness and liabilities of subsidiaries of Harrah s Operating that are not Subsidiary Pledgors.

The 2018(2) Second Lien Exchange Notes will have the benefit of a security interest in the collateral that will be second in priority behind the senior secured credit facilities and the First Lien Notes, subject to permitted prior liens and exceptions described under Description of 2018(2) Second Lien Exchange Notes Security for the Notes. Although none of HOC s subsidiaries will guarantee the Second Lien Exchange Notes, all of HOC s domestic wholly owned subsidiaries that pledge their assets and property to secure the loans under the senior secured credit facilities, the First Lien Notes and other first priority lien obligations, if any, will become Subsidiary Pledgors with respect to the 2018(2) Second Lien Exchange Notes, and their assets and property will secure the 2018(2) Second Lien Exchange Notes to the extent described under Description of 2018(2) Second Lien Exchange Notes Security for the Notes.

Guarantee

The 2018(2) Second Lien Exchange Notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment, subject to certain limitations. See Description of 2018(2) Second Lien Exchange Notes Parent Guarantee.

Table of Contents

Optional Redemption	Harrah s Operating may redeem the 2018(2) Second Lien Exchange Notes, in whole or part, at any time prior to December 15, 2013 at a price equal to 100% of the principal amount of the Second Lien Exchange Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium, as described in Description of 2018(2) Second Lien Exchange Notes Optional Redemption. Harrah s Operating may redeem the 2018(2) Second Lien Exchange Notes, in whole or in part, on or after December 15, 2013 at the redemption prices set forth under Description of 2018(2) Second Lien Exchange Notes Optional Redemption.
Optional Redemption after Certain Equity Offerings and Mandatory Redemption	At any time (which may be more than once) before December 15, 2011, Harrah s Operating may choose to redeem up to 35% of the principal amount of 2018(2) Second Lien Exchange Notes at a redemption price equal to 110.00% of the face amount thereof with the net proceeds of one or more equity offerings to the extent such net cash proceeds are received by or contributed to Harrah s Operating and so long as at least 50% of the aggregate principal amount of the 2018(2) Second Lien Exchange Notes s outstanding afterwards. See Description of 2018(2) Second Lien Exchange Notes Optional Redemption.
Change of Control	If Harrah s Operating experiences a change of control (as defined in the indentures governing the exchange notes), Harrah s Operating will be required to make an offer to repurchase the exchange notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See Description of 2018(2) Second Lien Exchange Notes Change of Control.
Certain Covenants	We issued the 2018(2) Second Lien Exchange Notes under an indenture that contains covenants limiting Harrah s Operating s ability and the ability of its subsidiaries to:

- incur additional debt or issue certain preferred shares;
- pay dividends on or make distributions in respect of its capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens on certain assets to secure debt;
- consolidate, merge, sell or otherwise dispose of all or substantially all of its assets;
- enter into certain transactions with its affiliates; and

designate its subsidiaries as unrestricted subsidiaries.

Table of Contents

The covenants are subject to a number of important limitations and exceptions. In addition, the restrictive covenants do not apply to Harrah s Entertainment. See Description of 2018(2) Second Lien Exchange Notes. Certain covenants will cease to apply to 2018(2) Second Lien Exchange Notes for so long as such notes have investment grade ratings from both Moody s Investors Service, Inc. and Standard & Poor s.

First Lien Exchange Notes	$2,095,000,000 aggregate principal amount 11.25% notes due 2017.
Maturity Date	The First Lien Exchange Notes will mature on June 1, 2017.
Interest Rate	Interest on the First Lien Exchange Notes will be payable in cash and will accrue from the issue date of the First Lien Exchange Notes at a rate of 11.25% per annum.
Interest Payment Date	June 1 and December 1 of each year after the date of issuance of the First Lien Exchange Notes commencing December 1, 2009
Ranking	The First Lien Exchange Notes:

- will be senior indebtedness of Harrah s Operating;
- will rank pari passu in right of payment with all existing and future senior indebtedness of Harrah s Operating;
- will be senior in right of payment to all existing and future subordinated indebtedness of Harrah s Operating; and
- will be effectively subordinated in right of payment to all existing and future indebtedness and liabilities of subsidiaries of Harrah s Operating that are not Subsidiary Pledgors.

The First Lien Exchange Notes will have the benefit of a security interest in the collateral that will be first in priority and pari passu with the senior secured credit facilities, subject to permitted liens and exceptions described under Description of First Lien Exchange Notes Security for the Notes. While the First Lien Exchange Notes will initially be secured by the pledge of HOC s capital stock and the capital stock of the Subsidiary Pledgors, these pledges will be released to the extent that separate financial statements pursuant to Rule 3-16 of Regulation S-X would be required in connection with the filing of a registration statement related to the First Lien Exchange Notes. See Description of First Lien Exchange Notes Security for the Notes. All of HOC s domestic wholly owned subsidiaries that pledge their assets and property to secure the loans under the senior secured credit facilities and other first priority lien obligations, if any, will become Subsidiary Pledgors with respect to the First Lien Exchange Notes, and their assets and property will secure the notes to the extent described under Description of First Lien Exchange Notes Security for the Notes.

Table of Contents

Collateral	The First Lien Exchange Notes will be secured by a first priority security interest in the collateral granted to the collateral agent for the benefit of the holders of the notes and other future parity lien debt that may be issued in compliance with the terms of the indenture governing the First Lien Exchange Notes. The collateral securing the First Lien Exchange Notes is the same as the collateral securing the senior secured credit facilities. The liens securing the First Lien Exchange Notes are pari passu in priority to the liens on the collateral securing the senior secured credit facilities. The liens securing the First Lien Exchange Notes and other first priority lien obligations will be held by the collateral agent under the senior secured credit facilities.

While the First Lien Exchange Notes will initially be secured by the pledge of HOC s capital stock and the capital stock of the Subsidiary Pledgors, these pledges will be released to the extent that separate financial statements pursuant to Rule 3-16 of Regulation S-X would be required in connection with the filing of a registration statement related to the First Lien Exchange Notes. See Description of First Lien Exchange Notes Security for the Notes.

Except as set forth above, the collateral securing the First Lien Exchange Notes will be substantially all of HOC s and the Subsidiary Pledgor s property and assets that secure the senior secured credit facilities, which excludes: (i) any property or assets owned by any foreign subsidiaries, (ii) certain real property and vessels, (iii) any vehicles, (iv) cash, deposit accounts and securities accounts (to the extent that a lien thereon must be perfected by any action other than the filing of customary financing statements), (v) subject to limited exceptions, any assets or any right, title or interest in any license, contract or agreement to the extent that taking a security interest in any of them would violate any applicable law or regulation (including gaming regulations) or any enforceable contractual obligation binding on the assets or would violate the terms of any such license, contract or agreement, and (vi) certain other limited exclusions. For more information, see Description of First Lien Exchange Notes Security for the Notes.

Guarantee	The notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment, subject to certain limitations. See Description of First Lien Exchange Notes Parent Guarantee.
Optional Redemption	HOC may redeem the First Lien Exchange Notes, in whole or in part, at any time prior to June 1, 2013, at a price equal to 100% of the principal amount of the First Lien Exchange Notes plus accrued and unpaid interest and an applicable make-whole premium. Thereafter, the First Lien Exchange Notes may be redeemed at the option of HOC on the redemption dates and at the redemption prices specified under Description of First Lien Exchange Notes Optional Redemption.

Optional Redemption After Certain Equity Offerings	On or prior to June 1, 2012, HOC may redeem up to 35% of the aggregate principal amount of First Lien Exchange Notes with the net cash proceeds of one or more equity offerings at the redemption prices specified under Description of First Lien Exchange Notes Optional Redemption.
Change of Control	If Harrah s Operating experiences a change of control (as defined in the indenture governing the exchange notes), Harrah s Operating will be required to make an offer to repurchase the First Lien Exchange Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See Description of First Lien Exchange Notes Change of Control.
Certain Covenants	We issued the First Lien Exchange Notes under an indenture that contains covenants limiting Harrah s Operating s ability and the ability of its subsidiaries to:

- incur additional debt or issue certain preferred shares;
- pay dividends on or make distributions in respect of its capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens on certain assets to secure debt;
- consolidate, merge, sell or otherwise dispose of all or substantially all of its assets;
- enter into certain transactions with its affiliates; and
- designate its subsidiaries as unrestricted subsidiaries.

The covenants are subject to a number of important limitations and exceptions. In addition, the restrictive covenants do not apply to Harrah s Entertainment. See Description of First Lien Exchange Notes. Certain covenants will cease to apply to the First Lien Exchange Notes for so long as such notes have investment grade ratings from both Moody s Investors Service, Inc. and Standard & Poor s.

Risk Factors

See Risk Factors and the other information in this prospectus for a discussion of the factors you should carefully consider before deciding to invest in the notes.

Additional Information

Our principal executive offices are located at One Caesars Palace Drive, Las Vegas, Nevada 89109, and our telephone number is (702) 407-6000. The address of our internet site is http://www.harrahs.com. This internet address is provided for informational purposes only and is not intended to be a hyperlink. Accordingly, no information in this internet address is included or incorporated herein.

Table of Contents

Summary Historical Consolidated

and Unaudited Pro Forma Consolidated Financial Data

of Harrah s Entertainment, Inc.

The following table presents our summary historical and pro forma financial information as of and for the periods presented. The summary historical financial information as of December 31, 2006, 2007 and 2008 and for each of the years in the two-year period ended December 31, 2007, and the periods from January 1, 2008 through January 27, 2008 and from January 28, 2008 through December 31, 2008, have been derived from, and should be read in conjunction with, our audited consolidated financial statements included elsewhere in this prospectus. The summary historical financial information as of September 30, 2009 and for the nine months ended September 30, 2009 and the period from January 28, 2008 through September 30, 2008 are derived from, and should be read in conjunction with, our unaudited condensed consolidated financial statements included elsewhere in this prospectus, and, except as otherwise described herein, have been prepared on a basis consistent with our annual audited financial statements and, in the opinion of management, include all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of such data.

The summary unaudited pro forma consolidated financial data for the year ended December 31, 2008 is based on our audited financial statements appearing elsewhere in this prospectus and gives effect to the Transactions as if they had occurred on January 1, 2008. See The Acquisition Transactions. The pro forma adjustments are based upon available information and certain assumptions that are factually supportable and that we believe are reasonable. The summary unaudited pro forma consolidated financial data are for informational purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Harrah s Operating or Harrah s Entertainment actually would have been if the CMBS Transactions, the London Clubs Transfer or the other Transactions had occurred at any given date, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

Please refer to Unaudited Pro Forma Condensed Consolidated Financial Information of Harrah s Entertainment, Inc., Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included elsewhere in this prospectus. The audited consolidated financial statements as of December 31, 2008 and 2007 and for each of the years in the two-year period ended December 31, 2007, and the periods from January 1, 2008 through January 27, 2008, and from January 28, 2008 through December 31, 2008, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm.

Effective January 1, 2009, we adopted Accounting Standards Codification (ASC) 810-10-65-1 (formerly Statement of Financial Accounting Standards (SFAS) No. 160), Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51. The adoption of ASC 810-10-65-1 did not have a material impact on our financial condition, results of operations or cash flows. However, it did impact the presentation and disclosure of non-controlling (minority) interests in our consolidated financial statements. As a result of the presentation and disclosure requirements of ASC 810-10-65-1, we are required to reflect the change in presentation and disclosure for all periods presented within future filings.

Table of Contents

Harrah s Entertainment, Inc.

Summary Historical Consolidated Financial Information

							Pro Forma[1]
	Historical						
	Predecessor			Successor			
(Dollars in millions)	**2006**	**2007**	**Jan. 1, 2008 through Jan. 27, 2008**	**Jan. 28, 2008 through Sept. 30, 2008**	**Jan. 28, 2008 through Dec. 31, 2008**	**Nine Months Ended Sept. 30, 2009**	**Year Ended Dec. 31, 2008**
Revenues							
Casino	$ 7,868.6	$ 8,831.0	$ 614.6	$ 5,653.2	$ 7,476.9	$ 5,444.8	$ 8,091.5
Food and beverage	1,577.7	1,698.8	118.4	1,160.2	1,530.2	1,129.3	1,648.6
Rooms	1,240.7	1,353.6	96.4	894.2	1,174.5	817.8	1,270.9
Management fees	89.1	81.5	5.0	45.8	59.1	43.5	64.1
Other	611.0	695.9	42.7	462.4	624.8	447.9	667.5
Less: casino promotional allowances	(1,713.2)	(1,835.6)	(117.0)	(1,127.3)	(1,498.6)	(1,075.0)	(1,615.6)
Net revenues	9,673.9	10,825.2	760.1	7,088.5	9,366.9	6,808.3	10,127.0
Operating Expenses							
Direct							
Casino	3,902.6	4,595.2	340.6	3,037.1	4,102.8	2,968.0	4,443.4
Food and beverage	697.6	716.5	50.5	486.1	639.5	451.1	690.0
Rooms	256.6	266.3	19.6	179.4	236.7	160.4	256.3
Property general and administrative and other	2,206.8	2,421.7	178.2	1,619.0	2,143.0	1,518.3	2,321.2
Depreciation and amortization	667.9	817.2	63.5	452.4	626.9	516.8	679.5
Project opening costs	20.9	25.5	0.7	26.3	28.9	2.9	29.6
Write-downs, reserves and recoveries	62.6	(59.9)	4.7	(61.8)	16.2	78.6	20.9
Impairment of intangible assets	20.7	169.6			5,489.6	1,625.7	5,489.6
(Income)/loss in non-consolidated affiliates	(3.6)	(3.9)	(0.5)	1.3	2.1	1.3	1.6
Corporate expense	177.5	138.1	8.5	95.9	131.8	111.7	139.2
Merger and integration costs	37.0	13.4	125.6	23.1	24.0	0.3	149.6
Amortization of intangible assets	70.7	73.5	5.5	119.2	162.9	131.7	184.0
Total operating expenses	8,117.3	9,173.2	796.9	5,978.0	13,604.4	7,566.8	14,404.9
Income/(loss) from operations	1,556.6	1,652.0	(36.8)	1,110.5	(4,237.5)	(758.5)	(4,277.9)
Interest expense, net of interest capitalized	(670.5)	(800.8)	(89.7)	(1,469.4)	(2,074.9)	(1,404.7)	(2,277.5)
(Losses)/gains on early extinguishments of debt	(62.0)	(2.0)		(203.9)	742.1	4,279.2	742.1
Other income, including interest income	10.7	43.3	1.1	18.7	35.2	23.2	36.3
Income/(loss) from continuing operations before income taxes	834.8	892.5	(125.4)	(544.1)	(5,535.1)	2,139.2	(5,777.0)
(Provision)/benefit for income taxes	(295.6)	(350.1)	26.0	147.7	360.4	(1,590.8)	427.3
Income/(loss) from continuing operations, net of tax	$ 539.2	$ 542.4	$ (99.4)	$ (396.4)	$ (5,174.7)	$ 548.4	$ (5,349.7)
Other Financial Data							
Capital expenditures	$ 2,548.3	$ 1,462.2	$ 120.1	$ 1,001.2	$ 1,204.2	$ 411.9	$ 1,324.3
Ratio of earnings to fixed charges[2]	2.2x	2.1x				2.5x	
Balance Sheet Data							
Cash and cash equivalents	$ 799.6	$ 710.0		$ 1,005.9	$ 650.5	$ 948.2	$ 650.5
Working capital	(610.2)	(126.1)		(167.9)	(536.4)	(118.9)	(536.4)
Total assets	22,284.9	23,357.7		37,012.3	31,048.6	29,230.5	31,048.6
Total debt	12,089.9	12,440.4		24,214.2	23,208.9	19,342.4	23,208.9
Total stockholders equity/(deficit)	6,123.5	6,679.1		3,666.2	(1,360.8)	(1,080.7)	(1,360.8)

(1) Includes pro forma adjustments for (i) the Acquisition; and (ii) the Financing.

(2) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes plus fixed charges and non-controlling interests, excluding equity in undistributed earnings of less-than-50%-owned investments. Fixed charges include interest, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense we deem to be representative of interest. Our earnings were insufficient to cover our fixed charges by $122.5 million, $501.0 million and $5.5 billion for the Predecessor period from January 1, 2008 through January 27, 2008, the Successor period from January 28, 2008 through September 30, 2008 and the Successor period from January 28, 2008 through December 31, 2008, respectively. On a pro forma basis, after giving effect to the pro forma adjustments for (i) the Acquisition; and (ii) the Financing, our earnings were insufficient to cover our fixed charges by $5.7 billion for the year ended December 31, 2008.

Table of Contents

Summary Pro Forma Consolidated Financial Data

of Harrah s Operating Company, Inc.

The following unaudited pro forma condensed consolidated financial data has been developed by applying pro forma adjustments to the historical audited consolidated financial statements of Harrah s Entertainment and subsidiaries. Set forth below is summary unaudited pro forma consolidated financial data of Harrah s Operating and its consolidated subsidiaries for the fiscal years ended December 31, 2006 and 2007, for the periods from January 1, 2008 through January 27, 2008, January 28 through September 30, 2008 and January 28, 2008 through December 31, 2008, and for the nine months ended September 30, 2009.

Note that we have presented pro forma financial information for both Harrah s Entertainment, Inc., as parent guarantor, and Harrah s Operating, the issuer of the exchange notes. We believe that the additional unaudited pro forma financial information for Harrah s Operating (which has been derived from Harrah s Entertainment audited historical financial statements) as the issuer of the exchange notes provides a meaningful presentation for investors to consider given other operations and activities of Harrah s Entertainment that are not included in the credit of Harrah s Operating, including the separate real estate financing by other subsidiaries of Harrah s Entertainment. The CMBS Financing described herein is not a direct obligation of Harrah s Operating.

The summary unaudited pro forma condensed consolidated financial data for the fiscal years ended December 31, 2006 and 2007, the periods from January 1, 2008 through January 27, 2008, from January 28, 2008 through September 30, 2008, from January 28, 2008 through December 31, 2008, and for the nine months ended September 30, 2009, have been prepared to give effect to the CMBS Transactions as if they had occurred on January 1, 2006. The summary unaudited pro forma consolidated financial data for the fiscal year ended December 31, 2008 have been prepared to give effect to the London Clubs Transfer from December 2006 (when the acquisition of London Clubs by Harrah s Entertainment was completed) and the remaining Transactions (including the CMBS Transactions) as if they had occurred on January 1, 2007, in the case of the summary unaudited pro forma consolidated statement of operations data. The pro forma adjustments are based upon available information and certain assumptions that are factually supportable and that we believe are reasonable. The summary unaudited pro forma consolidated financial data are for informational purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Harrah s Operating or Harrah s Entertainment actually would have been if the CMBS Transactions, the London Clubs Transfer or the other Transactions had occurred at any given date, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

Harrah s Operating has not historically reported financial information on a stand-alone basis. Accordingly, the financial information presented herein for Harrah s Operating has been prepared on an unaudited pro forma basis. The pro forma financial information has been derived from Harrah s Entertainment financial statements for the relevant periods, as adjusted to remove the historical financial information of all subsidiaries of and account balances at Harrah s Entertainment that are not components of Harrah s Operating.

The summary unaudited pro forma consolidated financial data should be read in conjunction with The Acquisition Transactions, Unaudited Pro Forma Condensed Consolidated Financial Information of Harrah s Operating Company, Inc., Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included elsewhere in this prospectus.

Effective January 1, 2009, we adopted ASC 810-10-65-1. The adoption of ASC 810-10-65-1 did not have a material impact on our financial condition, results of operations or cash flows. However, it did impact the presentation and disclosure of non-controlling (minority) interests in our consolidated financial statements. As a result of the presentation and disclosure requirements of ASC 810-10-65-1, we are required to reflect the change in presentation and disclosure for all periods presented within future filings.

Table of Contents

Harrah s Operating Company, Inc.

Summary Pro Forma Consolidated Financial Information

Pro Forma for the CMBS Transactions and London Clubs Transfer[(1)]

	Predecessor			Successor			Pro Forma[(1)]
(Dollars in millions)	**2006**	**2007**	**Jan. 1, 2008 through Jan. 27, 2008**	**Jan. 28, 2008 through Sept. 30, 2008**	**Jan. 28, 2008 through Dec. 31, 2008**	**Nine Months Ended Sept. 30, 2009**	**Year Ended Dec. 31, 2008**
Revenues							
Casino	$ 6,194.7	$ 7,082.8	498.2	$ 4,501.1	$ 5,962.6	$ 4,397.1	$ 6,460.8
Food and beverage	978.6	1,076.9	77.3	733.4	971.6	716.8	1,048.9
Rooms	719.4	791.7	56.0	518.8	684.2	485.8	740.2
Management fees	89.1	81.5	5.0	45.8	59.1	43.5	64.1
Other	406.0	453.1	28.0	380.0	520.9	367.0	548.9
Less: casino promotional allowances	(1,249.9)	(1,342.2)	(87.0)	(814.2)	(1,080.7)	(768.5)	(1,167.7)
Net revenues	7,137.9	8,143.8	577.5	5,364.9	7,117.7	5,241.7	7,695.2
Operating Expenses							
Direct							
Casino	3,147.6	3,780.7	285.2	2,494.3	3,376.3	2,469.8	3,661.5
Food and beverage	394.2	415.4	30.3	282.2	371.4	259.5	401.7
Rooms	142.3	146.3	10.7	97.7	128.7	88.5	139.4
Property general and administrative and other	1,672.2	1,812.5	141.7	1,246.4	1,650.9	1,159.4	1,792.6
Depreciation and amortization	492.3	612.4	47.5	340.4	473.6	396.3	521.1
Project opening costs	20.7	23.6	0.7	25.0	27.6	2.7	28.3
Write-downs, reserves and recoveries	77.3	(82.4)	0.2	(108.9)	(60.1)	50.3	(59.9)
Impairment of intangible assets		169.6			3,745.2	1,166.6	3,745.2
(Income)/loss on interests in non-consolidated affiliates	(3.6)	(4.0)	(0.5)	1.2	2.0	(0.9)	1.5
Corporate expense	89.1	99.1	(26.2)	88.5	106.3	56.3	80.1
Merger and integration costs	37.0	13.4	125.6	23.1	24.0	0.3	149.6
Amortization of intangible assets	70.2	73.0	5.5	79.4	108.2	87.0	113.7
Total operating expenses	6,139.3	7,059.6	620.7	4,569.3	9,954.1	5,735.8	10,574.8
Income/(loss) from operations	998.6	1,084.2	(43.2)	795.6	(2,836.4)	(494.1)	(2,879.6)
Interest expense, net of interest capitalized	(670.5)	(800.8)	(89.7)	(1,208.2)	(1,704.3)	(1,245.0)	(1,794.0)
(Losses)/gains on early extinguishments of debt	(62.0)	(2.0)		(203.9)	742.1	3,931.4	742.1
Other income, including interest income	14.1	47.3	5.1	15.5	29.6	22.4	34.7
Income/(loss) from continuing operations before income taxes	280.2	328.7	(127.8)	(601.0)	(3,769.0)	2,214.7	(3,896.8)
(Provision)/benefit for income taxes	(99.9)	(152.6)	21.6	186.7	378.5	(1,480.8)	400.1
Income/(loss) from continuing operations, net of tax	$ 180.3	$ 176.1	$ (106.2)	$ (414.3)	$ (3,390.5)	$ 733.9	$ (3,496.7)
Other Financial Data							
Capital expenditures	$ 2,250.2	$ 1,072.6	$ 93.0	$ 864.2	$ 1,051.7	$ 389.6	$ 1,144.7
Ratio of earnings to fixed charges[(2)]	1.4x	1.4x				2.8x	
Balance Sheet Data							
Cash and cash equivalents				$ 782.9	$ 447.4	$ 599.8	$ 447.4
Working capital				(179.5)	(539.6)	(248.7)	(539.6)
Total assets				25,996.5	21,932.3	20,603.8	21,932.3

Total debt	17,713.8	16,708.5	13,417.8	16,708.5
Total stockholders equity/(deficit)	3,135.9	(95.4)	605.4	(95.4)

(1) Includes pro forma adjustments only for the CMBS Transactions and the London Clubs Transfer. Does not reflect any adjustments for the Acquisition, the Financing, or any of the other Acquisition Transactions, or the 2010/2011 Tender Offers or Incremental Loans.

(2) For the purpose of computing the pro forma ratio of earnings to fixed charges, earnings consist of income before income taxes plus fixed charges and non-controlling interests, excluding equity in undistributed earnings of less-than-50%-owned investments. Fixed charges include interest, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense we deem to be representative of interest. Our earnings were insufficient to cover our fixed charges by $125.0 million, $558.5 million and $3.7 billion for the Predecessor period from January 1, 2008 through January 27, 2008 and the Successor period from January 28, 2008 through September 30, 2008 and the Successor period from January 28, 2008 through December 31, 2008, respectively. On a pro forma basis, after giving effect to the Transactions, our earnings were insufficient to cover our fixed charges by $3.8 billion for the year ended December 31, 2008.

Table of Contents

RISK FACTORS

You should carefully consider the risk factors set forth below, as well as the other information contained in this prospectus. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, you may lose all or a part of your original investment.

Risks Relating to the Exchange Offer

You may have difficulty selling the original notes that you do not exchange.

If you do not exchange your original notes for exchange notes in the exchange offers, you will continue to be subject to the restrictions on transfer of your original notes described in the legend on your original notes. The restrictions on transfer of your original notes arise because we issued the original notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the original notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold under an exemption from these requirements. Except as required by the registration rights agreements, we do not intend to register the original notes under the Securities Act. The tender of original notes under the exchange offers will reduce the principal amount of the currently outstanding original notes. Due to the corresponding reduction in liquidity, this may have an adverse effect upon, and increase the volatility of, the market price of any currently outstanding original notes that you continue to hold following completion of the exchange offers. See The Exchange Offers Consequences of Failure to Exchange.

There is no public market for the exchange notes, and we do not know if a market will ever develop or, if a market does develop, whether it will be sustained.

The exchange notes are a new issue of securities for which there is no existing trading market. Accordingly, we cannot assure you that a liquid market will develop for the exchange notes, that you will be able to sell your exchange notes at a particular time or that the prices that you receive when you sell the exchange notes will be favorable.

We do not intend to apply for listing or quotation of the exchange notes on any securities exchange or automated quotation system. The liquidity of any market for the exchange notes is subject to a number of factors, including:

- the number of holders of exchange notes;
- our operating performance and financial condition;
- our ability to complete the offer to exchange the original notes for the exchange notes;
- the market for similar securities;
- the interest of securities dealers in making a market in the exchange notes; and
- prevailing interest rates.

We understand that one or more of the dealer managers and initial purchasers with respect to the original notes presently intend to make a market in the exchange notes. However, they are not obligated to do so, and any market-making activity with respect to the exchange notes may be discontinued at any time without notice. In addition, any market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act and may be limited during the exchange offers or the pendency of an applicable shelf registration statement. There can be no assurance that an active trading market will exist for the exchange notes or that any trading market that does develop will be liquid.

Table of Contents

You must comply with the exchange offers procedures in order to receive new, freely tradable exchange notes.

Delivery of exchange notes in exchange for original notes tendered and accepted for exchange pursuant to the exchange offers will be made only after timely receipt by the exchange agent of book-entry transfer of original notes into the exchange agent s account at DTC, as depositary, including an agent s message (as defined herein). We are not required to notify you of defects or irregularities in tenders of original notes for exchange. Original notes that are not tendered or that are tendered but we do not accept for exchange will, following consummation of the exchange offers, continue to be subject to the existing transfer restrictions under the Securities Act and, upon consummation of the exchange offers, certain registration and other rights under the registration rights agreements will terminate. See The Exchange Offers Procedures for Tendering and The Exchange Offers Consequences of Failure to Exchange.

Some holders who exchange their original notes may be deemed to be underwriters, and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.

If you exchange your original notes in the exchange offers for the purpose of participating in a distribution of the exchange notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Risks Relating to the Notes and Our Indebtedness

The notes are structurally subordinated to all liabilities of Harrah s Operating s and Harrah s Entertainment s subsidiaries that are not Subsidiary Pledgors.

The notes are structurally subordinated to indebtedness and other liabilities of Harrah s Operating s subsidiaries that are not Subsidiary Pledgors, and the claims of creditors of these subsidiaries, including trade creditors, will have priority as to the assets of these subsidiaries. As of September 30, 2009, subsidiaries of Harrah s Operating that are not Subsidiary Pledgors had $247 million of outstanding indebtedness. In the event of a bankruptcy, liquidation or reorganization of any subsidiaries that are not Subsidiary Pledgors, these subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to Harrah s Entertainment. In addition, the guarantee of the notes by Harrah s Entertainment is structurally subordinated to the CMBS Facilities of $6,500 million, less any amount purchased by Harrah s Entertainment pursuant to the purchase agreements described under Prospectus Summary Recent Events CMBS Loan Purchases, as well as any other indebtedness of subsidiaries of Harrah s Entertainment that are not also Subsidiary Pledgors. See Note 19 to the audited consolidated financial statements as of December 31, 2008, and Note 18 to the unaudited condensed consolidated financial statements as of September 30, 2009, included elsewhere in this prospectus for financial information regarding certain of Harrah s Operating s subsidiaries that are not subsidiary guarantors of certain other obligations of Harrah s Operating. As those subsidiary guarantors are identical to the Subsidiary Pledgors, information related to the assets and liabilities of the Subsidiary Pledgors and non-Subsidiary Pledgors can be found therein.

The notes will not be secured by the assets of any of Harrah s Operating s non-U.S. subsidiaries or any other subsidiaries that are not wholly owned by Harrah s Operating. These subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the notes, or to make any funds available therefore, whether by dividends, loans, distributions or other payments. Any right that Harrah s Entertainment, Harrah s Operating or the Subsidiary Pledgors have to receive any assets of any of these subsidiaries upon their liquidation or reorganization, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries assets, will be effectively subordinated to the claims of those subsidiaries creditors, including trade creditors and holders of preferred equity interests of those subsidiaries.

Table of Contents

The notes are secured only to the extent of the value of the assets that have been granted as security for the notes, which may not be sufficient to satisfy our obligations under the notes.

No appraisals of any of the collateral have been prepared by us or on our behalf in connection with this offering. The fair market value of the collateral is subject to fluctuations based on factors that include, among others, our ability to implement our business strategy, the ability to sell the collateral in an orderly sale, general economic conditions, the availability of buyers and similar factors. In addition, courts could limit recoverability if they apply non-New York law to a proceeding and deem a portion of the interest claim usurious in violation of public policy. The amount to be received upon a sale of any collateral would be dependent on numerous factors, including but not limited to the actual fair market value of the collateral at such time, general, market and economic conditions and the timing and the manner of the sale.

In addition, the collateral securing the notes is subject to liens permitted under the terms of the indentures governing the notes and the intercreditor agreement, whether arising on or after the date the notes were issued. The existence of any permitted liens could adversely affect the value of the collateral securing the notes, as well as the ability of the collateral agent to realize or foreclose on such collateral.

There also can be no assurance that the collateral will be saleable and, even if saleable, the timing of its liquidation is uncertain. To the extent that liens, rights or easements granted to third parties encumber assets located on property owned by us, such third parties have or may exercise rights and remedies with respect to the property subject to such liens that could adversely affect the value of the collateral and the ability of the collateral agent to realize or foreclose on the collateral. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. In the event that a bankruptcy case is commenced by or against us, if the value of the collateral is less than the amount of principal and accrued and unpaid interest on the notes and all other senior secured obligations, interest may cease to accrue on the notes from and after the date the bankruptcy petition is filed. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the collateral will be sufficient to pay the obligations due under the notes.

In addition, not all of Harrah s Operating s assets secure the notes. See Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes, Description 2018(2) Second Lien Exchange Notes Security for the Notes and Description of First Lien Exchange Notes Security for the Notes. For example, the collateral will not include, among other things:

- any property or assets owned by any foreign subsidiaries;
- certain real property and vessels;
- any vehicles;
- cash, deposit accounts and securities accounts (to the extent that a lien thereon must be perfected by any action other than the filing of customary financing statements);
- subject to certain limitations, any assets or any right, title or interest in any license, contract or agreement to the extent that taking a security interest in any of them would violate any applicable law or regulation or any enforceable contractual obligation binding on the assets or would violate the terms of any such license, contract or agreement; or
- in the case of the Second Lien Notes only, the capital stock or other equity interests of Harrah s Operating or its Subsidiaries.

In addition, while the First Lien Notes are secured by the pledge of our capital stock and the capital stock of the Subsidiary Pledgors, these pledges will be released to the extent that separate financial statements pursuant to Rule 3-16 of Regulation S-X would be required in connection with the filing of a registration statement related to the Notes. See Description of First Lien Exchange Notes Security for the Notes.

30

Table of Contents

To the extent that the claims of the holders of the notes exceed the value of the assets securing those notes and other liabilities, those claims will rank equally with the claims of the holders of our outstanding unsecured notes (except to the extent holders of the senior unsecured cash pay and PIK toggle notes hold senior claims against such subsidiaries pursuant to certain subsidiary guarantees executed in favor of such notes) and any other indebtedness ranking pari passu with those unsecured notes. As a result, if the value of the assets pledged as security for the notes and other liabilities is less than the value of the claims of the holders of the notes and other liabilities, those claims may not be satisfied in full before the claims of our unsecured creditors are paid.

In the event that the security is enforced against the collateral securing the Second Lien Notes, the holders of the Second Lien Notes will receive proceeds from the collateral only after the lenders under our senior secured credit facilities and the holders of the First Lien Notes.

Substantially all the assets owned by Harrah s Operating and the Subsidiary Pledgors on the date of the indenture or thereafter acquired, and all proceeds therefrom, are subject to first-priority liens in favor of the lenders under our senior secured credit facilities and the holders of the First Lien Notes. The failure of Harrah s Operating to comply with the terms of the senior secured credit facilities or the First Lien Notes could entitle those lenders and holders to declare all indebtedness thereunder to be immediately due and payable. If Harrah s Operating were unable to service the indebtedness under the senior secured credit facilities or the First Lien Notes, the lenders and holders could foreclose on its assets that serve as collateral. In addition, the collateral securing the Second Lien Exchange Notes may secure certain derivatives obligations and cash management obligations owing to with lenders or their affiliates as permitted by the terms of the senior secured credit facilities. The holders of the Second Lien Notes have second-priority liens on such assets, excluding pledges of stock of Harrah s Operating or its subsidiaries. As a result, upon any distribution to our creditors, liquidation, reorganization or similar proceedings, or following acceleration of any of our indebtedness or an event of default under our indebtedness and enforcement of the collateral, the lenders under our senior secured credit facilities and the holders of the First Lien Notes will be entitled to be repaid in full from the proceeds of all the pledged assets owned by Harrah s Operating or the Subsidiary Pledgors on the date of the related indenture or thereafter acquired securing the indebtedness to them before any payment is made to the holders of the Second Lien Notes from the proceeds of that collateral.

Furthermore, upon enforcement against any collateral or in insolvency, under the terms of the intercreditor agreement the claims of the holders of the Second Lien Notes to the proceeds of such enforcement will rank behind the claims of the holders of obligations under our senior secured credit facilities and First Lien Notes, which are first-priority obligations, and claims of holders of additional secured indebtedness (to the extent permitted to have priority by the indentures).

In addition, under the terms of the intercreditor agreement governing the senior unsecured cash pay and PIK toggle notes, in the event that HOC or a guarantor of the senior unsecured cash pay and PIK/toggle notes is declared bankrupt, becomes insolvent or is liquidated or reorganized, its obligations under the senior secured credit facilities and First Lien Notes are entitled to be paid in full from its assets or the assets of such guarantor, as the case may be, pledged as security for the obligations under the senior secured credit facilities and First Lien Notes before any payment may be made with respect to the senior unsecured cash pay and PIK toggle notes. The Second Lien notes do not benefit from the provisions of the intercreditor agreement governing the senior unsecured cash pay and PIK toggle notes and would not be entitled to be paid in full before any payment may be made with respect to the senior unsecured cash pay and PIK toggle notes. As a result, the senior secured credit facilities and First Lien Notes may be entitled to be paid from assets of HOC or of such guarantor that the Second Lien Notes are not entitled to be paid from prior to the repayment of the senior unsecured cash pay and PIK toggle notes.

Even though the holders of the First Lien Notes benefit from a first-priority lien on the collateral that secures our senior secured credit facilities, the representative of the lenders under the senior secured credit facilities initially controls actions with respect to that collateral.

The rights of the holders of the First Lien Notes with respect to the collateral that secure the First Lien Notes on a first-priority basis will be subject to a first lien intercreditor agreement among all holders of obligations secured by that collateral on a first-priority basis, including the obligations under our senior secured credit facilities. Under the first lien intercreditor agreement, any actions that may be taken with respect to such collateral, including the ability to cause the commencement of enforcement proceedings against such collateral, to control such proceedings and to approve amendments to releases of such collateral from the lien of, and waive past defaults under, such documents relating to such collateral, will be at the direction of the authorized representative of the lenders under our senior secured credit facilities until (1) our obligations under our senior secured credit facilities are discharged (which discharge does not include certain refinancings of our senior secured credit facilities) or (2) 180 days after the occurrence of an event of default under the indenture governing the First Lien Notes, if the authorized representative of the holders of the First Lien Notes represents the largest outstanding principal amount of indebtedness secured by a first-priority lien on the collateral (other than our senior secured credit facilities) and has complied with the applicable notice provisions. Bank of America, N.A., the administrative agent under our senior secured credit facilities, is also the collateral agent for such facilities and is the collateral agent for the noteholders as well.

However, even if the authorized representative of the First Lien Notes gains the right to direct the collateral agent in the circumstances described in clause (2) above, the authorized representative must stop doing so (and those powers with respect to the collateral would revert to the authorized representative of the lenders under our senior secured credit facilities) if the authorized representative of the lenders under the senior secured credit facility has commenced and is diligently pursuing enforcement action with respect to the collateral or the grantor of the security interest in that collateral (whether our company or the applicable subsidiary guarantor) is then a debtor under or with respect to (or otherwise subject to) an insolvency or liquidation proceeding.

In addition, the senior secured credit facilities and the indentures permit us to issue additional series of notes or other debt that also have a first-priority lien on the same collateral. At any time that the representative of the lenders under our senior secured credit facilities does not have the right to take actions with respect to the collateral pursuant to the first lien intercreditor agreement, that right passes to the authorized representative of the holders of the next largest outstanding principal amount of indebtedness secured by a first-priority lien on the collateral. If we issue additional first lien notes or other debt in the future in a greater principal amount than the First Lien Notes, then the authorized representative for those additional notes or other debt would be next in line to exercise rights under the first lien intercreditor agreement, rather than the authorized representative for the First Lien Notes.

Under the first lien intercreditor agreement, the authorized representative of the holders of the First Lien Notes may not object following the filing of a bankruptcy petition to any debtor-in-possession financing or to the use of the shared collateral to secure that financing, subject to conditions and limited exceptions. After such a filing, the value of this collateral could materially deteriorate, and holders of the First Lien Notes would be unable to raise an objection.

The collateral secures the First Lien Notes on a first-priority basis will also be subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the authorized representative of the lenders under our senior secured credit facilities during any period that such authorized representative controls actions with respect to the collateral pursuant to the first lien intercreditor agreement. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the First Lien Notes as well as the ability of the collateral agent to realize or foreclose on such collateral for the benefit of the holders of the First Lien Notes.

Table of Contents

The rights of holders of Second Lien Notes to the collateral are governed, and materially limited, by the intercreditor agreement.

The rights of holders of Second Lien Notes to the collateral will be governed, and materially limited, by the intercreditor agreement. Pursuant to the terms of the intercreditor agreement, the holders of indebtedness under our senior secured credit facilities and of our First Lien Notes, which are secured on a first-priority basis, control substantially all matters related to the collateral and the Second Lien Notes. Under the intercreditor agreement, at any time that the indebtedness secured on a first-priority basis remains outstanding, any actions that may be taken in respect of the collateral (including the ability to commence enforcement proceedings against the collateral and to control the conduct of such proceedings, and to approve amendments to, releases of collateral from the lien of, and waivers of past defaults under, the collateral documents) will be at the direction of the holders of such indebtedness. Under such circumstances, the trustee and the collateral agent on behalf of the holders of Second Lien Notes will not have the ability to control or direct such actions, even if the rights of the holders of Second Lien Notes are adversely affected. Any release of all first-priority liens upon any collateral approved by the holders of first-priority liens will also release the second-priority liens securing the Second Lien Notes on substantially the same collateral, and holders of Second Lien Notes will have no control over such release. See Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes Release of Collateral and Description of 2018(2) Second Lien Exchange Notes Security for the Notes Release of Collateral.

Furthermore, because the lenders under the senior secured credit facilities and holders of our First Lien Notes will control the disposition of the collateral securing the senior secured credit facilities, the First Lien Notes and the Second Lien Notes, if there were an event of default under the Second Lien Notes, the lenders under the senior secured credit facilities and holders of our First Lien Notes could decide not to proceed against the collateral, regardless of whether or not there is a default under the senior secured credit facilities or the First Lien Notes. In such event, the only remedy available to the holders of Second Lien Notes would be to sue for payment on the Second Lien Notes and the related guarantee of Harrah s Entertainment. By virtue of the direction of the administration of the pledges and security interests and the release of collateral, actions may be taken under the collateral documents that may be adverse to you.

We will in most cases have control over the collateral, and the sale of particular assets by us could reduce the pool of assets securing the notes.

The collateral documents allow us to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the collateral securing the notes, except, under certain circumstances, cash transferred to accounts controlled by the administrative agent under our asset-based revolving credit facility.

In addition, we will not be required to comply with all or any portion of Section 314(d) of the Trust Indenture Act of 1939 (the Trust Indenture Act) if we determine, in good faith based on advice of counsel, that, under the terms of that Section and/or any interpretation or guidance as to the meaning thereof of the SEC and its staff, including no action letters or exemptive orders, all or such portion of Section 314(d) of the Trust Indenture Act is inapplicable to the released collateral. For example, so long as no default or event of default under the indenture would result therefrom and such transaction would not violate the Trust Indenture Act, we may, among other things, without any release or consent by the indenture trustee, conduct ordinary course activities with respect to collateral, such as selling, factoring, abandoning or otherwise disposing of collateral and making ordinary course cash payments (including repayments of indebtedness). See Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes, Description of 2018(2) Second Lien Exchange Notes and Description of First Lien Notes.

Table of Contents

The First Lien Notes will not have the benefit of a first priority pledge on any equity interests until we receive approval from the Nevada Gaming Commission. In addition, we are not permitted to agree to restrictions on our ability to transfer or encumber the shares and other ownership interests until we receive approval from Nevada gaming authorities.

We have agreed to secure the First Lien Notes with a first priority pledge on the equity interest in the Subsidiary Pledgors. However, such pledge cannot be effective without the prior approval from the Nevada Gaming Commission, upon a recommendation of the Nevada State Gaming Control Board. This pledge will not be effective unless and until we receive such approvals. While we have agreed to seek such approval, we cannot give any assurance that such approvals will be granted within any particular time period or at all. Any delay between the issuance of the First Lien Notes and the granting of any regulatory approvals necessary to make effective the pledge of equity interests may result in rendering such pledge subject to avoidance by a bankruptcy trustee if (i) the obligations with respect to the First Lien Notes constitute an antecedent debt for purposes of the Bankruptcy Code, (ii) the pledge occurs at a time when HOC and its subsidiaries, on a consolidated basis, or the restricted subsidiaries granting such liens, are insolvent, (iii) the pledge is deemed to occur within 90 days of the commencement of a bankruptcy proceeding of HOC or the Subsidiary Pledgors granting such liens and (iv) as a result of such pledge the holders of the First Lien Notes (or any insider-creditor for whose benefit the transfer is made) receive more than they would have received in a liquidation under chapter 7 of the Bankruptcy Code. In the event that such pledge is avoided by the bankruptcy trustee, the First Lien Notes would rank equally in right of payment to existing or future senior indebtedness of such Subsidiary Pledgors, and would not be effectively senior to such other senior indebtedness to the extent of the value of the collateral, which could adversely affect any recovery on the First Lien Notes in a bankruptcy proceeding.

Furthermore, any agreements restricting our ability to transfer or encumber the shares and other ownership interest of our registered subsidiaries or any of our subsidiaries which hold gaming licenses cannot be effective without the prior approval of the Chairman of Nevada State Gaming Control Board, or the approval of the Nevada Gaming Commission, upon a recommendation of the Nevada State Gaming Control Board. While we have agreed to seek such approval, we cannot give any assurance that such approvals will be granted within any particular time period or at all.

Upon the filing of this registration statement, the pledge of the capital stock, other securities and similar items of our subsidiaries that secure the First Lien Notes will automatically be released from the lien on them and no longer constitute collateral to the extent and for so long as the pledge of such capital stock or such other securities would require the filing of separate financial statements with the SEC for the subsidiary.

The First Lien Notes and the guarantee are secured by a pledge of the stock of HOC and certain of its subsidiaries. Under the SEC regulations in effect as of the issue date of the First Lien Notes, if the par value, book value as carried by us or market value (whichever is greatest) of the capital stock, other securities or similar items of a subsidiary pledged as part of the collateral is greater than or equal to 20% of the aggregate principal amount of the notes then outstanding, such subsidiary would be required to provide separate financial statements to the SEC. Therefore, the First Lien Notes indenture and the collateral documents provide that any capital stock and other securities of any of our subsidiaries will be excluded from the collateral to the extent and for so long as the pledge of such capital stock or other securities to secure the First Lien Notes would cause such subsidiary to be required to file separate financial statements with the SEC pursuant to Rule 3-16 of Regulation S-X (as in effect from time to time).

In addition, the absence of a lien on a portion of the capital stock of a subsidiary pursuant to this provision in certain circumstances could result in less than a majority of the capital stock of a subsidiary being pledged to secure the First Lien Notes or the exchange notes, which could impair the ability of the collateral agent, acting on behalf of the holders of the First Lien Notes, to sell a controlling interest in such subsidiary or to otherwise realize value on its security interest in such subsidiary s stock or assets.

As a result, holders of the First Lien Notes could lose a portion or all of their security interest in the capital stock or other securities of those subsidiaries. It may be more difficult, costly and time-consuming for holders of the notes to foreclose on the assets of a subsidiary than to foreclose on its capital stock or other securities, so the proceeds realized upon any such foreclosure could be significantly less than those that would have been received upon any sale of the capital stock or other securities of such subsidiary. See Description of First Lien Notes Security for the Notes.

There are circumstances other than repayment or discharge of the notes under which the collateral securing the notes will be released automatically, without your consent or the consent of the trustee.

Under various circumstances, collateral securing the notes will be released automatically, including:

- a sale, transfer or other disposal of such collateral in a transaction not prohibited under the applicable indenture;

- to release excess proceeds and collateral excess proceeds that remain unexpended after the conclusion of an asset sale offer or a collateral asset sale offer conducted in accordance with the applicable indenture;

- in respect of the property and assets of a Subsidiary Pledgor, upon the designation of such Subsidiary Pledgor to be an unrestricted subsidiary in accordance with the terms of the applicable indenture;

- in respect of the property and assets of a Subsidiary Pledgor, upon the release or discharge of the pledge by such Subsidiary Pledgor of the senior secured credit facilities or other indebtedness or the guarantee of any other indebtedness which resulted in the obligation to become a Subsidiary Pledgor other than (x) in connection with a release or discharge by or as a result of payment in respect of the senior secured credit facilities or, in the case of the First Lien Notes such other indebtedness or guarantees or (y) at any time that the senior secured credit facilities or such other indebtedness or guarantees does not constitute a majority of the aggregate principal amount of first lien obligations outstanding at such time; and

- with respect to the collateral upon which the First Lien Notes have a first-priority lien, upon any release in connection with a foreclosure or exercise of remedies with respect to that collateral directed by the authorized representative of the lenders under our senior secured credit facilities during any period that such authorized representative controls actions with respect to the collateral pursuant to the first-lien intercreditor agreement. Even though the holders of the First Lien Notes share ratably with the lenders under our senior secured credit facilities, the authorized representative of the lenders under our senior secured credit facilities will initially control actions with respect to the collateral, whether or not the holders of the First Lien Notes agree or disagree with those actions. See Even though the holders of the First Lien Notes will benefit from a first-priority lien on the collateral that secures our senior secured credit facilities, the representative of the lenders under the senior secured credit facilities will initially control most actions with respect to that collateral.

The indentures will also permit us to designate one or more of our restricted subsidiaries that is a Subsidiary Pledgor of the First Lien Notes as an unrestricted subsidiary. If we designate a Subsidiary Pledgor as an unrestricted subsidiary for purposes of the indenture governing the First Lien Notes, all of the liens on any collateral owned by such subsidiary or any of its subsidiaries will be released under the indenture but not necessarily under our senior secured credit facilities. Designation of a Subsidiary Pledgor as an unrestricted subsidiary will reduce the aggregate value of the collateral securing the First Lien Notes to the extent that liens on the assets of the unrestricted subsidiary and its subsidiaries are released. In addition, the creditors of the unrestricted subsidiary and its subsidiaries will have a senior claim on the assets of such unrestricted subsidiary and its subsidiaries. See Description of First Lien Notes.

Table of Contents

The rights of holders of notes to the collateral securing the notes may be adversely affected by the failure to perfect security interests in the collateral and other issues generally associated with the realization of security interests in collateral.

Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The liens in the collateral securing the notes may not be perfected with respect to the claims of notes if the collateral agent is not able to take the actions necessary to perfect any of these liens on or prior to the date of the indenture governing the notes. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, can only be perfected at the time such property and rights are acquired and identified and additional steps to perfect in such property and rights are taken. Harrah s Operating and the Subsidiary Pledgors will have limited obligations to perfect the security interest of the holders of notes in specified collateral. There can be no assurance that the trustee or the collateral agent for the notes will monitor, or that HOC will inform such trustee or collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. The collateral agent for the notes has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in the collateral or the priority of the security interest in favor of notes against third parties.

In addition, the security interest of the collateral agent will be subject to practical challenges generally associated with the realization of security interests in collateral. For example, the collateral agent may need to obtain the consent of third parties and make additional filings. If we are unable to obtain these consents or make these filings, the security interests may be invalid and the holders will not be entitled to the collateral or any recovery with respect thereto. We cannot assure you that the collateral agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the collateral agent may not have the ability to foreclose upon those assets and the value of the collateral may significantly decrease.

In the event of our bankruptcy, the ability of the holders of notes to realize upon the collateral will be subject to certain bankruptcy law limitations and, with respect to the Second Lien Notes, limitations under the intercreditor agreement.

The ability of holders of the notes to realize upon the collateral will be subject to certain bankruptcy law limitations in the event of our bankruptcy. Under federal bankruptcy law, secured creditors are prohibited from repossessing their security from a debtor in a bankruptcy case, or from disposing of security repossessed from such a debtor, without bankruptcy court approval, which may not be given. Moreover, applicable federal bankruptcy laws generally permit the debtor to continue to use and expend collateral, including cash collateral, and to provide liens senior to the collateral agent for the notes liens to secure indebtedness incurred after the commencement of a bankruptcy case, provided that the secured creditor either consents or is given adequate protection. Adequate protection could include cash payments or the granting of additional security, if and at such times as the presiding court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition of the collateral during the pendency of the bankruptcy case, the use of collateral (including cash collateral) and the incurrence of such senior indebtedness. However, pursuant to the terms of the intercreditor agreement, the holders of Second Lien Notes will agree not to seek or accept adequate protection consisting of cash payments and will not object to the incurrence of additional indebtedness secured by liens senior to the collateral agent for the notes liens in an aggregate principal amount agreed to by the holders of first-priority lien obligations and second-priority lien obligations. In view of the lack of a precise definition of the term adequate protection and the broad discretionary powers of a bankruptcy court, it is impossible to predict whether or when the collateral agent could foreclose upon or sell the collateral, and as a result of the limitations under the intercreditor agreement, the holders of Second Lien Notes will not be compensated for any delay in payment or loss of value of the collateral through the provision of adequate protection, except to the extent of any grant of additional liens that are junior to the first-priority obligations and

Table of Contents

the second-priority obligations. Furthermore, in the event the bankruptcy court determines that the value of the collateral is not sufficient to repay all amounts due on the notes, the indebtedness under the notes would be undersecured and the holders of the notes would have unsecured claims as to the difference. Federal bankruptcy laws do not permit the payment or accrual of interest, costs and attorneys fees on undersecured indebtedness during the debtor s bankruptcy case.

In addition to the waiver with respect to adequate protection set forth above, under the terms of the intercreditor agreement, the holders of Second Lien Notes will also waive certain other important rights that secured creditors may be entitled to in a bankruptcy proceeding, as described in Description of 2015 Second Lien Exchange Notes and 2018(1) Second Lien Exchange Notes Security for the Notes Security Documents and Intercreditor Agreement and Description of 2018(2) Second Lien Exchange Notes Security for the Notes Security Documents and Intercreditor Agreement. These waivers could adversely impact the ability of the holders to recover amounts owed to them in a bankruptcy proceeding.

The collateral securing the notes may be diluted under certain circumstances.

The collateral that will secure the notes also secures our obligations under the senior secured credit facilities. This collateral may secure on a first priority basis additional senior indebtedness that HOC or certain of its subsidiaries incurs in the future, subject to restrictions on their ability to incur debt and liens under the senior secured credit facilities and the indentures governing the notes. Your rights to the collateral would be diluted by any increase in the indebtedness secured on a first priority basis by this collateral.

Federal and state statutes allow courts, under specific circumstances, to void notes and pledges securing such notes and require note holders to return payments received.

If HOC or any Subsidiary Pledgor becomes a debtor in a case under the U.S. Bankruptcy Code or encounters other financial difficulty, under federal or state fraudulent transfer law, a court may void, subordinate or otherwise decline to enforce the notes or such Subsidiary Pledgor s pledge of assets securing (or, if applicable, guarantee of) the notes. A court might do so if it found that when HOC issued the notes or the Subsidiary Pledgor made its pledge (or guarantee, if applicable), or in some states when payments became due under the notes, the Subsidiary Pledgor or HOC received less than reasonably equivalent value or fair consideration and either:

- was insolvent or rendered insolvent by reason of such incurrence; or
- was left with inadequate capital to conduct its business; or
- believed or reasonably should have believed that it would incur debts beyond its ability to pay.

The court might also void an issuance of notes or a related pledge (or guarantee, if applicable) by a Subsidiary Pledgor, without regard to the above factors, if the court found that HOC issued the notes or the applicable Subsidiary Pledgor made its pledge (or guarantee, if applicable) with actual intent to hinder, delay or defraud its creditors.

A court would likely find that HOC or a Subsidiary Pledgor did not receive reasonably equivalent value or fair consideration for the notes or its pledge securing the notes (or guarantee, if applicable), if HOC or a Subsidiary Pledgor did not substantially benefit directly or indirectly from the issuance of the notes. If a court were to void the issuance of the notes or any pledge (or guarantee, if applicable) you would no longer have any claim against HOC or the applicable Subsidiary Pledgor. Sufficient funds to repay the notes may not be available from other sources, including the remaining obligors, if any. In addition, the court might direct you to repay any amounts that you already received from HOC or a Subsidiary Pledgor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a Subsidiary Pledgor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets; or

- if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

- it could not pay its debts as they become due.

On the basis of historical financial information, recent operating history and other factors, we believe that each Subsidiary Pledgor, after giving effect to its pledge securing (or guarantee of, if applicable) the notes, will not be insolvent, will not have unreasonably small capital for the business in which it is engaged and will not have incurred debts beyond its ability to pay such debts as they mature. We cannot assure you, however, as to what standard a court would apply in making these determinations or that a court would agree with our conclusions in this regard.

Delivery of security interests in collateral after the issue dates of the original notes increases the risk that the other security interests could be avoidable in bankruptcy.

Certain collateral, including mortgages on real property, was, or will be, granted as security after the issue dates of the original notes. If the grantor of such security interest were to become subject to a bankruptcy proceeding after the issue dates of the original notes, any mortgage or security interest in collateral delivered after the issue date of the original notes would face a greater risk than security interests in place on the issue date of being avoided by the pledgor (as debtor in possession) or by its trustee in bankruptcy as a preference under bankruptcy law if certain events or circumstances exist or occur, including if the pledgor is insolvent at the time of the pledge, the pledge permits the holders of the notes to receive a greater recovery than if the pledge had not been given and a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or, in certain circumstances, a longer period. To the extent that the grant of any such security interest is avoided as a preference, you would lose the benefit of the security interest.

If a bankruptcy petition were filed by or against us, holders of notes may receive a lesser amount for their claim than they would have been entitled to receive under the indenture governing the notes.

If a bankruptcy petition were filed by or against us under the U.S. Bankruptcy Code after the issuance of the notes, the claim by any holder of the notes for the principal amount of the notes may be limited to an amount equal to the sum of:

- the original issue price for the notes (which, in the case of all First Lien Notes, is deemed to be the original issue price of the Original First Lien Notes issued on June 10, 2009; and

- that portion of the original issue discount that does not constitute unmatured interest for purposes of the U.S. Bankruptcy Code.

Any original issue discount that was not amortized as of the date of the bankruptcy filing would constitute unmatured interest. Accordingly, holders of the notes under these circumstances may receive a lesser amount than they would be entitled to receive under the terms of the indenture governing the notes, even if sufficient funds are available.

HOC may not be able to repurchase the notes upon a change of control.

Upon the occurrence of certain specific kinds of change of control events, HOC will be required to offer to repurchase all outstanding notes at 101% of the principal amount thereof plus, without duplication, accrued and unpaid interest and additional interest, if any, to the date of repurchase. However, it is possible that HOC will not have sufficient funds at the time of the change of control to make the required repurchase or that restrictions in our senior secured credit facilities will not allow such repurchases. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a Change of Control under the indenture. See Description of Notes Change of Control.

Table of Contents

The old notes were issued with original issue discount for U.S. federal income tax purposes and consequently the exchange notes will be treated as issued with original issue discount for U.S. federal income tax purposes.

The old notes were issued with original issue discount (OID) equal to the excess of the stated principal amount for the notes over the issue price. Consequently, the exchange notes will be treated as issued with OID for U.S. federal income maturity basis in advance of receipt of cash payment thereof.

Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from making debt service payments.

We are a highly leveraged company. As of September 30, 2009, after giving effect to the 2010/2011 Tender Offers and the Incremental Loans, we had $22,650.7 million face value of outstanding indebtedness and our current debt service obligation would be $1,282.8 million, which includes required interest payments of $1,233.8 million. As of September 30, 2009, after giving effect to the 2010/2011 Tender Offers and the Incremental Loans, HOC had $17,004.4 million face value of outstanding indebtedness, and HOC s debt service obligations would be $1,149.9 million, which includes required interest payments of $1,100.9 million.

Our substantial indebtedness could:

- limit our ability to borrow money for our working capital, capital expenditures, development projects, debt service requirements, strategic initiatives or other purposes;
- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to the repayment of our indebtedness thereby reducing funds available to us for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our operations or business;
- make us more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- make us more vulnerable to downturns in our business or the economy;
- restrict us from making strategic acquisitions, developing new gaming facilities, introducing new technologies or exploiting business opportunities;
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds or dispose of assets; and
- expose us to the risk of increased interest rates as certain of our borrowings are at a variable rate of interest.

Our debt agreements contain restrictions that will limit our flexibility in operating our business.

Our senior secured credit facilities, the real estate facility loans and the indentures governing most of Harrah s Operating s existing notes contain, and the indentures governing the exchange notes will contain, and any future indebtedness of ours would likely contain, a number of covenants that will impose significant operating and financial restrictions on us, including restrictions on our and our subsidiaries ability to, among other things:

- incur additional debt or issue certain preferred shares;

- pay dividends on or make distributions in respect of our capital stock or make other restricted payments;

39

Table of Contents

- make certain investments;
- sell certain assets;
- create liens on certain assets;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

As a result of these covenants, we will be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

We have pledged and will pledge a significant portion of our assets as collateral under our senior secured credit facilities, our real estate facility loans, our second lien notes and the notes. If any of these lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

Under our senior secured credit facilities, we will be required to satisfy and maintain specified financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and there can be no assurance that we will meet those ratios. A failure to comply with the covenants contained in our senior secured credit facilities or our other indebtedness could result in an event of default under the facilities or the existing agreements, which, if not cured or waived, could have a material adverse affect on our business, financial condition and results of operations. In the event of any default under our senior secured credit facilities or our other indebtedness, the lenders thereunder:

- will not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable and terminate all commitments to extend further credit; or
- require us to apply all of our available cash to repay these borrowings.

Such actions by the lenders could cause cross defaults under our other indebtedness. If we were unable to repay those amounts, the lenders under our new senior secured credit facilities, our real estate facilities, our second lien notes and the notes could proceed against the collateral granted to them to secure that indebtedness.

If the indebtedness under our notes, senior secured credit facilities, real estate facilities or our other indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.

Despite our substantial indebtedness, we may still be able to incur significantly more debt. This could intensify the risks described above.

We and our subsidiaries may be able to incur substantial indebtedness at any time from time to time, including in the near future. Although the terms of the agreements governing our indebtedness contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. For example, our senior secured credit facilities allow for one or more future issuances of additional secured notes or loans, which may include, in each case, indebtedness secured on a pari passu basis with the obligations under the senior secured credit facilities and the First Lien Notes. This indebtedness could be used for a variety of purposes, including financing capital expenditures, refinancing or repurchasing our outstanding indebtedness, including existing unsecured indebtedness, or for general corporate purposes. We have, and will continue to, raise debt (including secured debt) to directly or indirectly refinance our outstanding unsecured debt on an opportunistic basis.

Table of Contents

We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.

Our ability to satisfy our debt obligations will depend upon, among other things:

- our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control; and

- our future ability to borrow under our senior secured credit facilities, the availability of which depends on, among other things, our complying with the covenants in our senior secured credit facilities.

We cannot assure you that our business will generate sufficient cash flow from operations, or that we will be able to draw under our senior secured credit facilities or otherwise, in an amount sufficient to fund our liquidity needs.

If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due. Neither the Sponsors nor any of their respective affiliates has any continuing obligation to provide us with debt or equity financing.

Repayment of our debt, including required principal and interest payments on the notes, is dependent on cash flow generated by our subsidiaries.

Our subsidiaries own substantially all of our assets and conduct a significant portion of our operations. Accordingly, repayment of our indebtedness, including the exchange notes, is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries do not have any obligation to pay amounts due on the notes or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the exchange notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indentures governing the notes limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries we may be unable to make required principal and interest payments on our indebtedness, including the notes.

If Harrah s Operating defaults on its obligations to pay its other indebtedness, Harrah s Operating may not be able to make payments on the notes.

Any default under the agreements governing the indebtedness of Harrah s Operating, including a default under the senior secured credit facilities that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could leave Harrah s Operating unable to pay principal, premium, if any, or interest on the notes and could substantially decrease the market value of the notes. If Harrah s Operating is unable to generate sufficient cash flow and is otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, or interest on its indebtedness, or if Harrah s Operating otherwise fails to comply with the various covenants, including financial and operating covenants, in the instruments governing its indebtedness (including the senior secured credit facilities), Harrah s Operating could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the revolving credit facility could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against the assets of Harrah s Operating, and Harrah s Operating could be forced into bankruptcy or liquidation. If the operating performance of Harrah s Operating declines, Harrah s Operating may in the future need to seek waivers from the required lenders under the senior secured credit facilities to avoid being in default. If Harrah s Operating breaches its covenants under the senior secured credit facilities and seeks a waiver, HOC may not be able to obtain a waiver from the required lenders. If this occurs, Harrah s Operating would be in default under the senior secured credit facilities, the lenders could exercise their rights as described above, and Harrah s Operating could be forced into bankruptcy or liquidation.

Risks Related to Our Business

If we are unable to effectively compete against our competitors, our profits will decline.

The gaming industry is highly competitive and our competitors vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. We also compete with other non-gaming resorts and vacation areas, and with various other entertainment businesses. Our competitors in each market that we participate may have substantially greater financial, marketing and other resources than we do, and there can be no assurance that they will not in the future engage in aggressive pricing action to compete with us. Although we believe we are currently able to compete effectively in each of the various markets in which we participate, we cannot assure you that we will be able to continue to do so or that we will be capable of maintaining or further increasing our current market share. Our failure to compete successfully in our various markets could adversely affect our business, financial condition, results of operations and cash flow.

In recent years, with fewer new markets opening for development, many casino operators have been reinvesting in existing markets to attract new customers or to gain market share, thereby increasing competition in those markets. As companies have completed new expansion projects, supply has typically grown at a faster pace than demand in some markets, including Las Vegas, our largest market, and competition has increased significantly. The expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors have increased competition in many markets in which we operate, and this intense competition is expected to continue. These competitive pressures have and are expected to continue to adversely affect our financial performance in certain markets, including Atlantic City.

In particular, our business may be adversely impacted by the additional gaming and room capacity in Nevada, New Jersey, New York, Connecticut, Pennsylvania, Mississippi, Missouri, Michigan, Indiana, Iowa, Kansas, Kentucky, Illinois, Louisiana, Ontario, South Africa, Uruguay, United Kingdom, Egypt and/or other projects not yet announced which may be competitive in the other markets where we operate or intend to operate. Several states and Native American tribes are also considering enabling the development and operation of casinos or casino-like operations in their jurisdictions. In addition, our operations located in New Jersey and Nevada may be adversely impacted by the expansion of Native American gaming in New York and California, respectively.

We are subject to extensive governmental regulation and taxation policies, the enforcement of which could adversely impact our business, financial condition and results of operations.

We are subject to extensive gaming regulations and political and regulatory uncertainty. Regulatory authorities in the jurisdictions where we operate have broad powers with respect to the licensing of casino

Table of Contents

operations and may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines and take other actions, any one of which could adversely impact our business, financial condition and results of operations. For example, revenues and income from operations were negatively impacted during July 2006 in Atlantic City by a three-day government-imposed casino shutdown.

From time to time, individual jurisdictions have also considered legislation or referendums, such as bans on smoking in casinos and other entertainment and dining facilities, which could adversely impact our operations. For example, the City Council of Atlantic City passed an ordinance in 2007 requiring that we segregate at least 75% of the casino gaming floor as a nonsmoking area, leaving no more than 25% of the casino gaming floor as a smoking area. Illinois has also passed the Smoke Free Illinois Act which became effective January 1, 2008, and bans smoking in nearly all public places, including bars, restaurants, work places, schools and casinos. The Act also bans smoking within 15 feet of any entrance, window or air intake area of these public places. These smoking bans have adversely affected revenues and operating results at our properties. The likelihood or outcome of similar legislation in other jurisdictions and referendums in the future cannot be predicted, though any smoking ban would be expected to negatively impact our financial performance.

The casino entertainment industry represents a significant source of tax revenues to the various jurisdictions in which casinos operate. From time to time, various state and federal legislators and officials have proposed changes in tax laws, or in the administration of such laws, including increases in tax rates, which would affect the industry. If adopted, such changes could adversely impact our business, financial condition and results of operations.

The development and construction of new hotels, casinos and gaming venues and the expansion of existing ones are susceptible to delays, cost overruns and other uncertainties, which could have an adverse effect on our business, financial condition and results of operations.

We may decide to develop, construct and open new hotels, casinos and other gaming venues in response to opportunities that may arise. Future development projects and acquisitions may require significant capital commitments, the incurrence of additional debt, guarantees of third party-debt, the incurrence of contingent liabilities and an increase in amortization expense related to intangible assets, which could have an adverse effect upon our business, financial condition and results of operations. The development and construction of new hotels, casinos and gaming venues and the expansion of existing ones, such as our recent expansion at Caesars Palace in Las Vegas, are susceptible to various risks and uncertainties, such as:

- the existence of acceptable market conditions and demand for the completed project;
- general construction risks, including cost overruns, change orders and plan or specification modification, shortages of equipment, materials or skilled labor, labor disputes, unforeseen environmental, engineering or geological problems, work stoppages, fire and other natural disasters, construction scheduling problems and weather interferences;
- changes and concessions required by governmental or regulatory authorities;
- the ability to finance the projects, especially in light of the substantial indebtedness incurred by us related to the Acquisition;
- delays in obtaining, or inability to obtain, all licenses, permits and authorizations required to complete and/or operate the project; and
- disruption of our existing operations and facilities.

Our failure to complete any new development or expansion project as planned, on schedule, within budget or in a manner that generates anticipated profits, could have an adverse effect on our business, financial condition and results of operations.

The recent downturn in the national economy, the volatility and disruption of the capital and credit markets and adverse changes in the global economy could negatively impact our financial performance and our ability to access financing.

The recent severe economic downturn and adverse conditions in the local, regional, national and global markets have negatively affected our operations, and may continue to negatively affect our operations in the future. During periods of economic contraction such as the current period, our revenues may decrease while some of our costs remain fixed or even increase, resulting in decreased earnings. Gaming and other leisure activities we offer represent discretionary expenditures and participation in such activities may decline during economic downturns, during which consumers generally earn less disposable income. Even an uncertain economic outlook may adversely affect consumer spending in our gaming operations and related facilities, as consumers spend less in anticipation of a potential economic downturn. Furthermore, other uncertainties, including national and global economic conditions, terrorist attacks or other global events, could adversely affect consumer spending and adversely affect our operations.

Acts of terrorism and war and natural disasters may negatively impact our future profits.

Terrorist attacks and other acts of war or hostility have created many economic and political uncertainties. We cannot predict the extent to which terrorism, security alerts or war, or hostilities in Iraq and other countries throughout the world will continue to directly or indirectly impact our business and operating results. As a consequence of the threat of terrorist attacks and other acts of war or hostility in the future, premiums for a variety of insurance products have increased, and some types of insurance are no longer available. Given current conditions in the global insurance markets, we are substantially uninsured for losses and interruptions caused by terrorist acts and acts of war. If any such event were to affect our properties, we would likely be adversely impacted.

In addition, natural disasters such as major fires, floods, hurricanes and earthquakes could also adversely impact our business and operating results.

For example, four of our properties were closed for an extended period of time due to the damage sustained from Hurricanes Katrina and Rita in August and September 2005. Such events could lead to the loss of use of one or more of our properties for an extended period of time and disrupt our ability to attract customers to certain of our gaming facilities. If any such event were to affect our properties, we would likely be adversely impacted.

In most cases, we have insurance that covers portions of any losses from a natural disaster, but it is subject to deductibles and maximum payouts in many cases. Although we may be covered by insurance from a natural disaster, the timing of our receipt of insurance proceeds, if any, is out of our control.

Additionally, a natural disaster affecting one or more of our properties may affect the level and cost of insurance coverage we may be able to obtain in the future, which may adversely affect our financial position.

Work stoppages and other labor problems could negatively impact our future profits.

Some of our employees are represented by labor unions. A lengthy strike or other work stoppage at one of our casino properties or construction projects could have an adverse effect on our business and results of operations. From time to time, we have also experienced attempts to unionize certain of our non union employees. While these efforts have achieved only limited success to date, we cannot provide any assurance that we will not experience additional and more successful union activity in the future. There has been a trend towards unionization for employees in Atlantic City and Las Vegas. For example, certain dealers at certain of our Atlantic City properties have voted to be represented by the United Auto Workers; however, to date, there are no collective bargaining agreements in place. The impact of this union activity is undetermined and could negatively impact our profits.

Table of Contents

We may not realize all of the anticipated benefits of potential future acquisitions.

Our ability to realize the anticipated benefits of potential future acquisitions will depend, in part, on our ability to integrate the businesses of such acquired company with our businesses. The combination of two independent companies is a complex, costly and time consuming process. This process may disrupt the business of either or both of the companies, and may not result in the full benefits expected. The difficulties of combining the operations of the companies include, among others:

- coordinating marketing functions;
- unanticipated issues in integrating information, communications and other systems;
- unanticipated incompatibility of purchasing, logistics, marketing and administration methods;
- retaining key employees;
- consolidating corporate and administrative infrastructures;
- the diversion of management s attention from ongoing business concerns; and
- coordinating geographically separate organizations.

There is no assurance that we will realize the full benefits anticipated for any future acquisitions.

The risks associated with our international operations could reduce our profits.

Some of our properties are located in countries outside the United States, and our acquisition of London Clubs in 2006 has increased the percentage of our revenue derived from operations outside the United States. International operations are subject to inherent risks including:

- variation in local economies;
- currency fluctuation;
- greater difficulty in accounts receivable collection;
- trade barriers;
- burden of complying with a variety of international laws; and

political and economic instability.

The loss of the services of key personnel could have a material adverse effect on our business.

The leadership of our chief executive officer, Mr. Loveman, and other executive officers has been a critical element of our success. The death or disability of Mr. Loveman or other extended or permanent loss of his services, or any negative market or industry perception with respect to him or arising from his loss, could have a material adverse effect on our business. Our other executive officers and other members of senior management have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could also adversely affect us. We are not protected by key man or similar life insurance covering members of our senior management. We have employment agreements with our executive officers, but these agreements do not guarantee that any given executive will remain with the company.

If we are unable to attract, retain and motivate employees, we may not be able to compete effectively and will not be able to expand our business.

Our success and ability to grow are dependent, in part, on our ability to hire, retain and motivate sufficient numbers of talented people, with the increasingly diverse skills needed to serve clients and expand our business,

Table of Contents

in many locations around the world. Competition for highly qualified, specialized technical and managerial, and particularly consulting personnel, is intense. Recruiting, training, retention and benefits costs place significant demands on our resources. Additionally, the recent downturn in the gaming, travel and leisure sectors has made recruiting executives to our business more difficult. The inability to attract qualified employees in sufficient numbers to meet particular demands or the loss of a significant number of our employees could have an adverse effect on us.

We are controlled by the Sponsors, whose interests may not be aligned with ours.

All of the voting common stock of Harrah s is held by Hamlet Holdings LLC, the members of which are comprised of an equal number of individuals affiliated with each of the Sponsors. As such, the Sponsors have the power to control our affairs and policies. The Sponsors also control the election of our board of directors, the appointment of management, the entering into of mergers, sales of substantially all of our assets and other extraordinary transactions.

Eight of our eleven directors have been appointed by the Sponsors. In addition, two of the three members of our Executive Committee are affiliated with the Sponsors. The members affiliated with the Sponsors have the authority, subject to the terms of our debt, to issue additional shares, implement share repurchase programs, declare dividends, pay advisory fees and make other decisions, and they may have an interest in our doing so. Furthermore, the Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us, as well as businesses that represent major customers of our businesses. The Sponsors may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as the individuals affiliated with the Sponsors continue to control a significant amount of our outstanding voting common stock, the Sponsors will continue to be able to strongly influence or effectively control our decisions.

In addition, affiliates of the Sponsors currently hold certain debt (including other first lien debt and second lien debt) of HOC, and may continue acquiring additional debt of HOC from time to time in open market purchases, in possible future tender offers or repurchases or otherwise. In the event of our bankruptcy, the Sponsors will have claims against us and our subsidiaries as creditors with respect to the debt obligations of HOC that the Sponsors hold, and may be able to vote their claims in any matters which require the consent of our creditors in bankruptcy, and which could potentially conflict with the interests of other lenders or securityholders.

We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition.

From time to time, we are defendants in various lawsuits relating to matters incidental to our business. The nature of our business subjects us to the risk of lawsuits filed by customers, past and present employees, competitors, business partners, Native American tribes and others in the ordinary course of business. As with all litigation, no assurance can be provided as to the outcome of these matters and in general, litigation can be expensive and time consuming. We may not be successful in the defense or prosecution of lawsuits that we face, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations.

Table of Contents

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus contains forward looking statements within the meaning of the federal securities laws, which involve risks and uncertainties. You can identify forward looking statements because they contain words such as believes, project, might, expects, may, will, should, approximately, intends, plans, estimates, or anticipates or similar expressions that concern our strategy, plans or intentions. All statements w make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward looking statements. In addition, we, through our senior management, from time to time make forward looking public statements concerning our expected future operations and performance and other developments. These forward looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results.

Important factors that could cause actual results to differ materially from our expectations (cautionary statements) are disclosed under Risk Factors and elsewhere in this prospectus, including, without limitation, in conjunction with the forward looking statements included in this prospectus. All subsequent written and oral forward looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- the impact of our substantial indebtedness;
- the effect of local and national economic, credit and capital market conditions on the economy in general, and on the gaming and hotel industry in particular;
- construction factors, including delays, increased costs for labor and materials, availability of labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues;
- the effects of environmental and structural building conditions relating to our properties;
- our ability to timely and cost effectively integrate companies that we acquire into our operations;
- access to available and reasonable financing on a timely basis;
- changes in laws, including increased tax rates, regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies;
- litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;
- the ability of our customer-tracking, customer loyalty and yield-management programs to continue to increase customer loyalty and same-store or hotel sales;
- our ability to recoup costs of capital investments through higher revenues;

- acts of war or terrorist incidents or natural disasters;
- access to insurance on reasonable terms for our assets;
- abnormal gaming holds;
- the potential difficulties in employee retention and recruitment as a result of our substantial indebtedness and the recent downturn in the gaming and hotel industries;
- the effects of competition, including locations of competitors and operating and market competition; and
- the other factors set forth under Risk Factors.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward looking statements contained in this prospectus may not in fact occur. We undertake no obligation to publicly update or revise any forward looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Table of Contents

MARKET AND INDUSTRY DATA AND FORECASTS

Information regarding market share, market position and industry data pertaining to our business contained in this prospectus consists of our estimates based on data and reports compiled by industry sources and professional organizations, including National Indian Gaming Commission, Casino City s North American Gaming Almanac, 2008 AGA Survey of Casino Entertainment, Las Vegas Convention and Visitors Authority, Smith Travel Research, Nevada State Gaming Control Board Nevada Gaming Abstract, South Jersey Transportation Authority, New Jersey Casino Control Commission, Macau Gaming Inspection and Coordination Bureau and on our management s knowledge of our business and markets.

Although we believe that the third-party sources are reliable, neither we nor the initial purchasers have independently verified market industry data provided by third parties or by industry or general publications, and neither we nor the initial purchasers take any further responsibility for this data. Similarly, while we believe our internal estimates with respect to our industry are reliable, our estimates have not been verified by any independent sources, and we cannot assure you that they are accurate. While we are not aware of any misstatements regarding any industry data presented in this prospectus, our estimates, in particular as they relate to market share and our general expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the section entitled Risk Factors above.

Table of Contents

THE EXCHANGE OFFERS

Purpose and Effect of the Exchange Offers

We have entered into registration rights agreements with the dealer managers with respect to the Original Second Lien Notes and the initial purchasers of the Original First Lien Notes, in which we agreed to file a registration statement relating to an offer to exchange each series of the original notes for exchange notes. The registration statement of which this prospectus forms a part was filed in compliance with this obligation. We also agreed to use our commercially reasonable efforts to file such a registration statement with the SEC and to cause it to become effective under the Securities Act. The exchange notes will have terms substantially identical to the original notes except that the exchange notes will not contain terms with respect to transfer restrictions and registration rights and additional interest payable for the failure to consummate the exchange offers by the dates set forth in the registration rights agreements. Original 2015 Second Lien Notes in an aggregate principal amount of $214,800,000 and Original 2018(1) Second Lien Notes in an aggregate principal amount of $847,621,000 were issued on December 24, 2008 and remain outstanding. Original 2018(2) Second Lien Notes in an aggregate principal amount of $3,705,498,000 were issued on April 15, 2009 and remain outstanding. Original 2017 Notes in aggregate principal amounts of $1,375,000,000 and $720,000,000 were issued on June 10, 2009 and September 11, 2009, respectively, and remain outstanding.

Under the circumstances set forth below, we will use our commercially reasonable efforts to cause the SEC to declare effective a shelf registration statement with respect to the resale of the original notes and to keep the shelf registration statement effective for up to two years after the effective date of the shelf registration statement. These circumstances include:

- the exchange offers are not permitted by applicable law or SEC policy;
- prior to the consummation of the exchange offers, existing SEC interpretations are changed such that the debt securities received by the holders in the exchange offers would not be transferable without restriction under the Securities Act;
- if any initial purchaser so requests on or prior to the 60th day after consummation of these exchange offers with respect to original notes not eligible to be exchanged for the exchange notes and held by it following the consummation of these exchange offers; or
- if any holder that participates in these exchange offers does not receive freely transferable exchange notes in exchange for tendered original notes and so requests on or prior to the 60th day after the consummation of the exchange offers.

Each holder of original notes that wishes to exchange such original notes for transferable exchange notes in the exchange offers will be required to make the following representations:

- any exchange notes to be received by it will be acquired in the ordinary course of the holder s business;
- the holder has no arrangement or understanding with any person or entity, including any of our affiliates, to participate in the distribution (within the meaning of Securities Act) of the exchange notes in violation of the Securities Act;
- the holder is not our affiliate, as defined in Rule 405 under the Securities Act, or, if it is an affiliate, that it will comply with applicable registration and prospectus delivery requirements of the Securities Act; and
- if such holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, the distribution of the exchange notes and if such holder is a broker-dealer, that it will receive exchange notes for its own account in exchange for original notes that were acquired as a result of market-making activities or other trading activities and such holder will acknowledge that it will deliver a

prospectus in connection with any resale of such exchange notes.

Table of Contents

In addition, each broker-dealer that receives exchange notes for its own account in exchange for original notes, where such original notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. See Plan of Distribution.

Resale of Exchange Notes

Based on interpretations of the SEC staff set forth in no action letters issued to unrelated third parties, we believe that exchange notes issued in the exchange offers in exchange for original notes may be offered for resale, resold and otherwise transferred by any exchange note holder without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

- such holder is not an affiliate of ours within the meaning of Rule 405 under the Securities Act;
- such exchange notes are acquired in the ordinary course of the holder s business; and
- the holder does not intend to participate in the distribution of such exchange notes.

Any holder who tenders in the exchange offers with the intention of participating in any manner in a distribution of the exchange notes:

- cannot rely on the position of the staff of the SEC set forth in Exxon Capital Holdings Corporation or similar interpretive letters; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

If, as stated above, a holder cannot rely on the position of the staff of the SEC set forth in Exxon Capital Holdings Corporation or similar interpretive letters, any effective registration statement used in connection with a secondary resale transaction must contain the selling security holder information required by Item 507 of Regulation S-K under the Securities Act.

This prospectus may be used for an offer to resell, for the resale or for other retransfer of exchange notes only as specifically set forth in this prospectus. With regard to broker-dealers, only broker-dealers that acquired the original notes as a result of market-making activities or other trading activities may participate in the exchange offers. Each broker-dealer that receives exchange notes for its own account in exchange for original notes, where such original notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. Please read the section captioned Plan of Distribution for more details regarding these procedures for the transfer of exchange notes. We have agreed that, for a period of 180 days after the exchange offers are consummated, we will make this prospectus available to any broker-dealer for use in connection with any resale of the exchange notes.

Terms of the Exchange Offers

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange any original notes properly tendered and not withdrawn prior to the expiration date. We will issue $1,000 principal amount of exchange notes in exchange for each $1,000 principal amount of original notes surrendered under the exchange offers. Original notes may be tendered only in denominations of $2,000 and in integral multiples of $1,000.

The form and terms of the exchange notes will be substantially identical to the form and terms of the original notes except the exchange notes will be registered under the Securities Act, will not bear legends restricting their transfer and will not provide for any additional interest upon our failure to fulfill our obligations

50

Table of Contents

under the registration rights agreement to file, and cause to become effective, a registration statement. The exchange notes will evidence the same debt as the original notes. The exchange notes will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the outstanding original notes. Consequently, both series of notes will be treated as a single class of debt securities under the indenture.

The exchange offers are not conditioned upon any minimum aggregate principal amount of original notes being tendered for exchange.

As of the date of this prospectus: (a) $214,800,000 in aggregate principal amount of Original 2015 Second Lien Notes was outstanding, and there was one registered holder, CEDE & Co., a nominee of DTC,

(b) $847,621,000 in aggregate principal amount of Original 2018(1) Second Lien Notes was outstanding and there was one registered holder, CEDE & Co., a nominee of DTC, (c) $3,705,498,000 in aggregate principal amount of Original 2018(2) Second Lien Notes was outstanding and there was one registered holder, CEDE & Co., a nominee of DTC, and (d) $2,095,000,000 in aggregate principal amount of Original 2017 Notes was outstanding and there was one registered holder, CEDE & Co., a nominee of DTC. This prospectus and the letter of transmittal are being sent to all registered holders of original notes. There will be no fixed record date for determining registered holders of original notes entitled to participate in the exchange offers.

We will conduct the exchange offers in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations of the SEC. Original notes that are not tendered for exchange in the exchange offers will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits such holders have under the indenture relating to the original notes.

We will be deemed to have accepted for exchange properly tendered original notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the exchange notes from us and delivering exchange notes to such holders. Subject to the terms of the registration rights agreement, we expressly reserve the right to amend or terminate the exchange offers, and not to accept for exchange any original notes not previously accepted for exchange, upon the occurrence of any of the conditions specified below under the caption Certain Conditions to the Exchange Offers.

Holders who tender original notes in the exchange offers will not be required to pay brokerage commissions or fees, or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of original notes. We will pay all charges and expenses, other than those transfer taxes described below, in connection with the exchange offers. It is important that you read the section labeled Fees and Expenses below for more details regarding fees and expenses incurred in the exchange offers.

Expiration Date; Extensions; Amendments

The exchange offers will expire at 5:00 p.m., New York City time on January 21, 2010 unless we extend it in our sole discretion.

In order to extend the exchange offers, we will notify the exchange agent orally or in writing of any extension. We will notify in writing or by public announcement the registered holders of original notes of the extension no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion:

- to delay accepting for exchange any original notes in connection with the extension of the exchange offers;

- to extend the exchange offers or to terminate the exchange offers and to refuse to accept original notes not previously accepted if any of the conditions set forth below under Certain Conditions to the Exchange Offers have not been satisfied, by giving oral or written notice of such delay, extension or termination to the exchange agent; or

- subject to the terms of the registration rights agreement, to amend the terms of the exchange offers in any manner, provided that in the event of a material change in the exchange offers, including the waiver of a material condition, we will extend the exchange offer period, if necessary, so that at least five business days remain in the exchange offers following notice of the material change.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by written notice or public announcement thereof to the registered holders of original notes. If we amend the exchange offers in a manner that we determine to constitute a material change, we will promptly disclose such amendment in a manner reasonably calculated to inform the holders of original notes of such amendment, provided that in the event of a material change in the exchange offers, including the waiver of a material condition, we will extend the exchange offer period, if necessary, so that at least five business days remain in the exchange offers following notice of the material change. If we terminate these exchange offers as provided in this prospectus before accepting any original notes for exchange or if we amend the terms of these exchange offers in a manner that constitutes a fundamental change in the information set forth in the registration statement of which this prospectus forms a part, we will promptly file a post-effective amendment to the registration statement of which this prospectus forms a part. In addition, we will in all events comply with our obligation to make prompt payment for all original notes properly tendered and accepted for exchange in the exchange offers.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offers, we shall have no obligation to publish, advertise, or otherwise communicate any such public announcement, other than by issuing a timely press release to a financial news service.

Certain Conditions to the Exchange Offers

Despite any other term of the exchange offers, we will not be required to accept for exchange, or exchange any exchange notes for, any original notes, and we may terminate the exchange offers as provided in this prospectus before accepting any original notes for exchange if in our reasonable judgment:

- the exchange notes to be received will not be tradable by the holder without restriction under the Securities Act or the Exchange Act, and without material restrictions under the blue sky or securities laws of substantially all of the states of the United States;

- the exchange offers, or the making of any exchange by a holder of original notes, would violate applicable law or any applicable interpretation of the staff of the SEC; or

- any action or proceeding has been instituted or threatened in any court or by or before any governmental agency with respect to the exchange offers that, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offers.

In addition, we will not be obligated to accept for exchange the original notes of any holder that has not made:

- the representations described under Purpose and Effect of the Exchange Offers, Procedures for Tendering and Plan of Distribution, and

- such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to make available to us an appropriate form for registration of the exchange notes under the Securities Act.

Table of Contents

We expressly reserve the right, at any time or at various times on or prior to the scheduled expiration date of the exchange offers, to extend the period of time during which the exchange offer is open. Consequently, we may delay acceptance of any original notes by giving written notice of such extension to the registered holders of the original notes. During any such extensions, all original notes previously tendered will remain subject to the exchange offers, and we may accept them for exchange unless they have been previously withdrawn. We will return any original notes that we do not accept for exchange for any reason without expense to their tendering holder promptly after the expiration or termination of the exchange offers.

We expressly reserve the right to amend or terminate the exchange offers on or prior to the scheduled expiration date of the exchange offers, and to reject for exchange any original notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offers specified above. We will give written notice or public announcement of any extension, amendment, non-acceptance or termination to the registered holders of the original notes as promptly as practicable. In the case of any extension, such notice will be issued no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

These conditions are for our sole benefit and we may, in our sole discretion, assert them regardless of the circumstances that may give rise to them or waive them in whole or in part at any or at various times except that all conditions to the exchange offers must be satisfied or waived by us prior to the expiration of the exchange offers. If we fail at any time to exercise any of the foregoing rights, that failure will not constitute a waiver of such right. Each such right will be deemed an ongoing right that we may assert at any time or at various times prior to the expiration of the exchange offers. Any waiver by us will be made by written notice or public announcement to the registered holders of the notes.

In addition, we will not accept for exchange any original notes tendered, and will not issue exchange notes in exchange for any such original notes, if at such time any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939, as amended.

Procedures for Tendering

Only a holder of original notes may tender such original notes in the exchange offers. To tender in the exchange offers, a holder must:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal; have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and mail or deliver such letter of transmittal or facsimile to the exchange agent prior to the expiration date; or

- comply with DTC s Automated Tender Offer Program procedures described below.

In addition, either:

- the exchange agent must receive original notes along with the letter of transmittal; or

- the exchange agent must receive, prior to the expiration date, a timely confirmation of book-entry transfer of such original notes into the exchange agent s account at DTC according to the procedures for book-entry transfer described below or a properly transmitted agent s message; or

- the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at the address set forth below under Exchange Agent prior to the expiration date.

Table of Contents

The tender by a holder that is not withdrawn prior to the expiration date will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

The method of delivery of original notes, the letter of transmittal and all other required documents to the exchange agent is at the holder s election and risk. Rather than mail these items, we recommend that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure delivery to the exchange agent before the expiration date. Holders should not send us the letter of transmittal or original notes. Holders may request their respective brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for them.

Any beneficial owner whose original notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct it to tender on the owners behalf. If such beneficial owner wishes to tender on its own behalf, it must, prior to completing and executing the letter of transmittal and delivering its original notes, either:

- make appropriate arrangements to register ownership of the original notes in such owner s name; or
- obtain a properly completed bond power from the registered holder of original notes.

The transfer of registered ownership may take considerable time and may not be completed prior to the expiration date.

Signatures on a letter of transmittal or a notice of withdrawal described below must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or another eligible institution within the meaning of Rule 17Ad-15 under the Exchange Act, unless the original notes tendered pursuant thereto are tendered:

- by a registered holder who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal; or
- for the account of an eligible institution.

If the letter of transmittal is signed by a person other than the registered holder of any original notes listed on the original notes, such original notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder s name appears on the original notes and an eligible institution must guarantee the signature on the bond power.

If the letter of transmittal or any original notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by us, they should also submit evidence satisfactory to us of their authority to deliver the letter of transmittal.

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC s system may use DTC s Automated Tender Offer Program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent, transmit their acceptance of the exchange offers electronically. They may do so by causing DTC to transfer the original notes to the exchange agent in accordance with its procedures for transfer. DTC will then send an agent s message to the exchange agent. The term agent s message means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, to the effect that:

- DTC has received an express acknowledgment from a participant in its Automated Tender Offer Program that is tendering original notes that are the subject of such book-entry confirmation;

Table of Contents

- such participant has received and agrees to be bound by the terms of the letter of transmittal (or, in the case of an agent s message relating to guaranteed delivery, that such participant has received and agrees to be bound by the applicable notice of guaranteed delivery); and

- the agreement may be enforced against such participant.

We will determine in our sole discretion all questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered original notes and withdrawal of tendered original notes. Our determination will be final and binding. We reserve the absolute right to reject any original notes not properly tendered or any original notes the acceptance of which would, in the opinion of our counsel, be unlawful. Our interpretation of the terms and conditions of the exchange offers (including the instructions in the letter of transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of original notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of original notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of original notes will not be deemed made until such defects or irregularities have been cured or waived. Any original notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the exchange agent without cost to the tendering holder, unless otherwise provided in the letter of transmittal, promptly following the expiration date or termination of the exchange offers, as applicable.

In all cases, we will issue exchange notes for original notes that we have accepted for exchange under the exchange offers only after the exchange agent timely receives:

- original notes or a timely book-entry confirmation of such original notes into the exchange agent s account at DTC; and

- a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent s message.

By signing the letter of transmittal, each tendering holder of original notes will represent that, among other things:

- any exchange notes that the holder receives will be acquired in the ordinary course of its business;

- the holder has no arrangement or understanding with any person or entity, including any of our affiliates, to participate in the distribution of the exchange notes;

- if the holder is not a broker-dealer, that it is not engaged in and does not intend to engage in the distribution of the exchange notes;

- if the holder is a broker-dealer that will receive exchange notes for its own account in exchange for original notes that were acquired as a result of market-making activities, that it will deliver a prospectus, as required by law, in connection with any resale of such exchange notes; and

- the holder is not our affiliate, as defined in Rule 405 of the Securities Act, or, if it is an affiliate, that it will comply with applicable registration and prospectus delivery requirements of the Securities Act.

In addition, each broker-dealer that receives exchange notes for its own account in exchange for original notes, where such original notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. See Plan of Distribution.

Book-Entry Transfer

The exchange agent will make a request to establish an account with respect to the original notes at DTC for purposes of the exchange offers promptly after the date of this prospectus; and any financial institution participating in DTC s system may make book-entry delivery of original notes by causing DTC to transfer such

Table of Contents

original notes into the exchange agent s account at DTC in accordance with DTC s procedures for transfer. Holders of original notes who are unable to deliver confirmation of the book-entry tender of their original notes into the exchange agent s account at DTC or all other documents of transmittal to the exchange agent on or prior to the expiration date must tender their original notes according to the guaranteed delivery procedures described below.

Guaranteed Delivery Procedures

Holders wishing to tender their original notes but whose original notes are not immediately available or who cannot deliver their original notes, the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC s Automated Tender Offer Program prior to the expiration date may tender if:

- the tender is made through an eligible institution;
- prior to the expiration date, the exchange agent receives from such eligible institution either a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail or hand delivery or a properly transmitted agent s message and notice of guaranteed delivery:
  - setting forth the name and address of the holder, the registered number(s) of such original notes and the principal amount of original notes tendered;
  - stating that the tender is being made thereby; and
  - guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal or facsimile thereof together with the original notes or a book-entry confirmation, and any other documents required by the letter of transmittal will be deposited by the eligible institution with the exchange agent; and
- the exchange agent receives such properly completed and executed letter of transmittal or facsimile thereof, as well as all tendered original notes in proper form for transfer or a book-entry confirmation, and all other documents required by the letter of transmittal, within three New York Stock Exchange trading days after the expiration date.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their original notes according to the guaranteed delivery procedures set forth above.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, holders of original notes may withdraw their tenders at any time prior to the expiration date.

For a withdrawal to be effective:

- the exchange agent must receive a written notice of withdrawal, which notice may be by telegram, telex, facsimile transmission or letter, at one of the addresses set forth below under Exchange Agent ; or
- holders must comply with the appropriate procedures of DTC s Automated Tender Offer Program system.

Any such notice of withdrawal must:

specify the name of the person who tendered the original notes to be withdrawn;

identify the original notes to be withdrawn, including the principal amount of such original notes; and

where certificates for original notes have been transmitted, specify the name in which such original notes were registered, if different from that of the withdrawing holder.

Table of Contents

If certificates for original notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, the withdrawing holder must also submit:

- the serial numbers of the particular certificates to be withdrawn; and

- a signed notice of withdrawal with signatures guaranteed by an eligible institution unless such holder is an eligible institution.

If original notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn original notes and otherwise comply with the procedures of such facility. We will determine all questions as to the validity, form and eligibility, including time of receipt, of such notices, and our determination shall be final and binding on all parties. We will deem any original notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offers. Any original notes that have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of original notes tendered by book-entry transfer into the exchange agent s account at DTC according to the procedures described above, such original notes will be credited to an account maintained with DTC for original notes) promptly after withdrawal, rejection of tender or termination of the exchange offers. Properly withdrawn original notes may be retendered by following one of the procedures described under Procedures for Tendering above at any time prior to the expiration date.

Exchange Agent

U.S. Bank National Association has been appointed as exchange agent for the exchange offers. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows:

U.S. Bank National Association

(Exchange Agent/Depositary addresses)

By Registered & Certified Mail:

U.S. BANK NATIONAL ASSOCIATION
Corporate Trust Services
EP-MN-WS3C
60 Livingston Avenue
St. Paul, Minnesota 55107-1419

Regular Mail or Overnight Courier:

U.S. BANK NATIONAL ASSOCIATION
60 Livingston Avenue
St. Paul, Minnesota 55107
Attention: Specialized Finance

In Person by Hand Only:

U.S. BANK NATIONAL ASSOCIATION
60 Livingston Avenue
1st Floor Bond Drop Window
St. Paul, Minnesota 55107

By Facsimile (for Eligible Institutions only):

(651) 495-8158

For Information or Confirmation by Telephone:

1-800-934-6802

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF SUCH LETTER OF TRANSMITTAL.

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail, however, we may make additional solicitations by telegraph, telephone or in person by our officers and regular employees and those of our affiliates.

57

Table of Contents

We have not retained any dealer-manager in connection with the exchange offers and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offers. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

Our expenses in connection with the exchange offers include:

- SEC registration fees;
- fees and expenses of the exchange agent and trustee;
- accounting and legal fees and printing costs; and
- related fees and expenses.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of original notes under the exchange offers. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing original notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of original notes tendered;
- tendered original notes are registered in the name of any person other than the person signing the letter of transmittal; or
- a transfer tax is imposed for any reason other than the exchange of original notes under the exchange offers.

If satisfactory evidence of payment of such taxes is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed to that tendering holder.

Holders who tender their original notes for exchange will not be required to pay any transfer taxes. However, holders who instruct us to register exchange notes in the name of, or request that original notes not tendered or not accepted in the exchange offers be returned to, a person other than the registered tendering holder will be required to pay any applicable transfer tax.

Consequences of Failure to Exchange

Holders of original notes who do not exchange their original notes for exchange notes under the exchange offers, including as a result of failing to timely deliver original notes to the exchange agent, together with all required documentation, including a properly completed and signed letter of transmittal, will remain subject to the restrictions on transfer of such original notes:

- as set forth in the legend printed on the original notes as a consequence of the issuance of the original notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and otherwise as set forth in the prospectus distributed in connection with the private offering of the original notes.

In addition, you will no longer have any registration rights or be entitled to additional interest with respect to the original notes.

Table of Contents

In general, you may not offer or sell the original notes unless they are registered under the Securities Act, or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the original notes under the Securities Act. Based on interpretations of the SEC staff, exchange notes issued pursuant to the exchange offers may be offered for resale, resold or otherwise transferred by their holders, other than any such holder that is our affiliate within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the holders acquired the exchange notes in the ordinary course of the holders business and the holders have no arrangement or understanding with respect to the distribution of the exchange notes to be acquired in the exchange offers. Any holder who tenders in the exchange offers for the purpose of participating in a distribution of the exchange notes:

- could not rely on the applicable interpretations of the SEC; and

- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

After the exchange offers are consummated, if you continue to hold any original notes, you may have difficulty selling them because there will be fewer original notes outstanding.

Accounting Treatment

We will record the exchange notes in our accounting records at the same carrying value as the original notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offers.

Other

Participation in the exchange offers is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered original notes in the open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any original notes that are not tendered in the exchange offers or to file a registration statement to permit resales of any untendered original notes.

Table of Contents

THE ACQUISITION TRANSACTIONS

The Acquisition

On December 19, 2006, Harrah s Entertainment entered into a definitive merger agreement with Hamlet Holdings, and Hamlet Merger Inc., a Delaware corporation and a wholly owned subsidiary of Hamlet Holdings (Merger Sub). Hamlet Holdings and Merger Sub were formed and are controlled by affiliates of the Sponsors. Pursuant to the merger agreement, on January 28, 2008, Merger Sub merged with and into Harrah s Entertainment, and each share of Harrah s Entertainment s common stock issued and outstanding immediately prior to the effective time of the merger, was converted into the right to receive $90.00 in cash, which, when taken together with the net settlement of outstanding options, stock appreciation rights, restricted stock and restricted stock units, represents merger consideration of $17,375 million in the aggregate. We refer to the merger and payment of merger consideration as the Acquisition.

Upon completion of the Acquisition, Hamlet Holdings, funds affiliated with and controlled by the Sponsors, certain co-investors and certain members of management became the owners of all of the outstanding equity interests of Harrah s Entertainment. Hamlet Holdings, the members of which are comprised of an equal number of individuals affiliated with each of the Sponsors, holds all of the voting common stock of Harrah s Entertainment. The voting common stock does not have any economic rights. Funds affiliated with and controlled by the Sponsors, their co-investors and members of management each hold non-voting common stock and non-voting preferred stock.

CMBS Transactions

In connection with the CMBS portion of the financing for the Acquisition described in more detail below under The Financing, HOC spun off to Harrah s Entertainment the following casino properties and related operating assets of those casinos (collectively, the CMBS Closing Assets) at or prior to the closing of the Acquisition: Harrah s Las Vegas, Rio and Flamingo Las Vegas in Las Vegas, Nevada; Harrah s Atlantic City and Showboat Atlantic City in Atlantic City, New Jersey; and Harrah s Lake Tahoe, Harveys Lake Tahoe and Bill s Lake Tahoe in Lake Tahoe, Nevada. All of the CMBS Closing Assets were spun out of HOC and its subsidiaries through a series of distributions, liquidations, transfers and contributions. We refer to the spin-off of the CMBS Closing Assets by HOC, resulting in the ownership of those assets by Harrah s Entertainment through subsidiaries of Harrah s Entertainment that are not also subsidiaries of HOC, as the CMBS Spin-Off.

Subsequent to the closing of the Acquisition and the CMBS Spin-Off, Paris Las Vegas and Harrah s Laughlin and their related operating assets were spun out of HOC and its subsidiaries, and Harrah s Lake Tahoe, Harveys Lake Tahoe, Bill s Lake Tahoe and Showboat Atlantic City and their related operating assets were transferred to subsidiaries of HOC from Harrah s Entertainment. We refer to the spin-off of Paris Las Vegas and Harrah s Laughlin by HOC and the transfer to subsidiaries of HOC of Harrah s Lake Tahoe, Harveys Lake Tahoe, Bill s Lake Tahoe and Showboat Atlantic City as the Post-Closing CMBS Transaction, and we refer to the following casino properties and related operating assets of those casinos as the CMBS Assets : Harrah s Las Vegas, Rio, Paris Las Vegas and Flamingo Las Vegas in Las Vegas, Nevada; Harrah s Atlantic City in Atlantic City, New Jersey and Harrah s Laughlin in Laughlin, Nevada. The Post-Closing CMBS Transaction occurred in May 2008.

The holders of the CMBS Assets (the CMBS Borrowers), are side-by-side with HOC under Harrah s Entertainment. Pursuant to a shared services agreement, HOC provides the CMBS Borrowers with certain corporate management and administrative operations and costs are allocated by HOC for providing such services. These operations include, but are not limited to, payroll, marketing, accounting and legal. The agreement also memorializes certain short-term cash management arrangements and other operating efficiencies that reflect the way in which we have historically operated its business. We refer to the CMBS Spin-Off together with the subsequent Post-Closing CMBS Transaction as the CMBS Transactions.

London Clubs Transfer

In December 2006, we acquired London Clubs, which owns and/or manages casinos in the United Kingdom, Egypt and South Africa. When acquired, London Clubs and its subsidiaries became wholly owned subsidiaries of Harrah s Entertainment and not subsidiaries of HOC. In connection with the CMBS Transactions and the financing described below under The Financing, London Clubs and its subsidiaries, with the exception of those related to the London Clubs South African operations, became subsidiaries of HOC on or before the closing of the Acquisition. During the second quarter of 2008, Harrah s Entertainment transferred to HOC the London Clubs South African operations, as well. We refer to the transfer of the London Clubs operations to HOC as the London Clubs Transfer.

The Financing

On January 28, 2008, the Acquisition was financed with the following:

- a cash equity investment by the Sponsors, their co-investors and certain members of management in Harrah s Entertainment of approximately $6,079 million;

- the proceeds from the incurrence by HOC of $5,275 million of senior unsecured cash pay interim loans;

- the proceeds from the incurrence by HOC of $1,500 million of senior unsecured PIK toggle interim loans;

- borrowings of $7,250 million by HOC under the term loan portion of its senior secured credit facilities, which also includes a $2,000 million revolving credit facility none of which was drawn at closing, but was subject to $188 million in outstanding letters of credit; and

- $6,500 million of mortgage loans and related mezzanine financing under a real estate facility (the CMBS Financing) entered into by the CMBS Borrowers (with a payment guarantee by Harrah s Entertainment of the operating leases thereunder) and secured initially by the CMBS Closing Assets and, after the Post-Closing CMBS Transaction, the CMBS Assets.

HOC used the proceeds of the Old Cash Pay Notes and Old Toggle Notes, which were issued on February 1, 2008, to reduce its interim loan borrowings described above on a dollar-for-dollar basis.

HOC used a portion of the proceeds of the senior secured credit facilities described above to repay all outstanding borrowings under its existing credit facilities, which, as of January 28, 2008, amounted to approximately $5,796 million.

HOC also used a portion of the proceeds described above (including the senior secured credit facilities) to repurchase $131 million of its 7.5% Senior Notes due 2009, $394 million of its 8.875% Senior Subordinated Notes due 2008, $424 million of its 7.5% Senior Notes due 2009, $299 million of its 7% Senior Notes due 2013, all $250 million of its Senior Floating Rate Notes due 2008 and $375 million of its Floating Rate Contingent Convertible Senior Notes due 2024 pursuant to tender offers and consent solicitations (collectively, the Tender Offer) completed on the same day as the Acquisition, as well as a discharge of all Senior Floating Rate Notes that were not tendered in the Tender Offer. We refer to the Tender Offer, the discharge, the repayment of senior unsecured interim loans with the proceeds of the notes which were issued on February 1, 2008 and the other financing transactions described above as the Financing.

Hedging Arrangements

In conjunction with the Acquisition, HOC entered into three hedging arrangements with respect to LIBOR borrowings under the senior secured credit facilities, all of which fix the floating rate of interest thereunder to a fixed rate.

Throughout this prospectus, we collectively refer to the Acquisition, the CMBS Transactions, the London Clubs Transfer, the Financing and the hedging arrangements as the Acquisition Transactions.

Table of Contents

USE OF PROCEEDS

These exchange offers are intended to satisfy certain of our obligations under the registration rights agreements. We will not receive any proceeds from the issuance of the exchange notes in the exchange offers. In exchange for each of the exchange notes, Harrah s Operating will receive original notes in like principal amount. Harrah s Operating will retire or cancel all of the original notes tendered in the exchange offers. Accordingly, issuance of the exchange notes will not result in any change in our capitalization.

Table of Contents

CAPITALIZATION

The following table sets forth our consolidated cash, cash equivalents and investments and capitalization of Harrah s Entertainment as of September 30, 2009, on (i) an actual basis and (ii) on an as adjusted basis to give effect to the consummation of the 2010/2011 Tender Offers and the Incremental Loans.

You should read this table in conjunction with Selected Historical Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Description of Other Indebtedness and our financial statements and the related notes included elsewhere in this prospectus.

	As of September 30, 2009	
	Actual	As Adjusted
	($ in millions)	
	(unaudited)	
Cash and cash equivalents[1]	$ 948.2	$ 1,088.8
Term loan[2]	$ 5,840.1	$ 6,815.1
Revolving credit facility[3]	804.9	35.0
CMBS financing[4]	6,500.0	6,500.0
First lien notes[5]	2,044.3	2,044.3
2015 second lien notes[6]	149.3	149.3
2018(1) second lien notes[6]	550.5	550.5
2018(2) second lien notes[6]	1,393.1	1,393.1
Subsidiary guaranteed unsecured senior debt[7]	488.0	488.0
Unsecured senior notes[8]	1,055.6	1,033.3
Unsecured senior subordinated notes[9]	174.8	153.9
Other[10]	341.8	341.8
Total debt, including current portion	19,342.4	19,504.3
Preferred stock	2,547.1	2,547.1
Equity[11]	(1,137.7)	(1,137.7)
Total capitalization	$ 20,751.8	$ 20,913.7

(1) As Adjusted amount includes the $185.1 million net cash proceeds received in connection with the Incremental Loans and $44.5 million in cash paid in conjunction with the 2010/2011 Tender Offers. As Adjusted amount does not reflect the anticipated purchase of CMBS Loans by Harrah s Entertainment using up to an aggregate amount of $250 million of cash as described under Prospectus Summary Recent Events CMBS Loan Purchases.

(2) Upon the closing of the Acquisition, HOC entered into a seven-year $7,250 million term loan facility, all of which was drawn at the closing of the Acquisition. Harrah s Entertainment guarantees this facility, and all of the material wholly owned domestic subsidiaries of HOC have pledged their assets to secure this facility.

(3) Upon the closing of the Acquisition, we entered into the senior secured credit facilities, which include a $2,000 million revolving credit facility that was reduced to $1,630 million due to debt retirements subsequent to the closing of the Acquisition. At September 30, 2009, on an as adjusted basis after giving effect to the 2010/2011 Tender Offers and the Incremental Loans, $1,433 million of additional borrowing capacity is available under our revolving credit facility, with an additional $162 million committed to back letters of credit. Harrah s Entertainment guarantees this facility, and all of the material wholly owned domestic subsidiaries of HOC have pledged their assets to secure this facility.

(4) As Adjusted amount does not reflect the anticipated purchase of CMBS Loans by Harrah s Entertainment using up to an aggregate amount of $250 million of cash as described under Prospectus Summary Recent Events CMBS Loan Purchases.

(5) Includes $720 million aggregate principal amount of 11.25% Senior Secured Notes due 2017 that were issued at par and $1,375 million aggregate principal amount of Original First Lien Notes that were issued at a price of 96.225% of their face value, resulting in approximately $1,323 million of gross proceeds. The approximate $52 million discount will accrete and be included in interest expense until the Original First Lien Notes mature.

(6) Actual amounts include the book values of $215 million of Original 2015 Second Lien Notes and $848 million of Original 2018(1) Second Lien Notes issued in connection with the exchange offers that were consummated on December 24, 2008 and book values of $3,705 million of Original 2018(2) Second Lien Notes issued in connection with the 2009 Exchange Offers, and are inclusive of amounts paid in fees in connection with such exchange offers. The face value of such notes is $4,768 million.

(7) Actual amounts consist of $479 million of 10.75% Senior Notes due 2016 and $9 million of 10.75%/11.5% Senior Toggle Notes due 2018. All of this indebtedness is guaranteed on a joint and several basis by Harrah s Entertainment and each of the Subsidiary Pledgors.

(8) The Actual unsecured senior notes consists of the book values of the following notes: $33 million of 8% Senior Notes due 2011, $125 million of 5.375% Senior Notes due 2013, $229 million of 5.5% Senior Notes due 2010, $452 million of 5.625% Senior Notes due 2015, $238 million of 5.75% Senior Notes due 2017, $360 million of 6.5% Senior Notes due 2016, $0.6 million of 7% Senior Notes due 2013 and $0.2 million of Floating Rate Contingent Convertible Senior Notes due 2024, all of which are obligations of HOC and guaranteed by Harrah s Entertainment. The aggregate face value of such notes is $1,437 million.

(9) The Actual unsecured senior subordinated notes consist of the book values of the following notes: $16 million of 8.125% Senior Subordinated Notes due 2011 and $162 million of 7.875% Senior Subordinated Notes due 2010. The face value of such notes is $178 million.

(10) Consists of the book values of the following debt: $230 million of 12.375% senior secured term loan due 2016 incurred by Chester Downs in connection with the Chester Transaction, $25 million of 6% Secured Debt due 2010, $17 million of unsecured Uruguay bonds due 2010, $68 million of principal obligations to fund Clark County, Nevada, Special Improvement District bonds and approximately $15 million of miscellaneous other indebtedness.

(11) In calculating the capitalization amount for Harrah s Entertainment, total equity attributable to non-controlling interests has been excluded. We adopted Accounting Standards Codification 810-10-65-1 (formerly Statement of Financial Accounting Standards No. 160) effective January 1, 2009, which changes the presentation of non-controlling interests share of equity and income/(loss) within our unaudited consolidated financial statements.

Table of Contents

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

OF HARRAH S ENTERTAINMENT, INC.

The following unaudited pro forma condensed consolidated financial information for Harrah s Entertainment has been developed by applying pro forma adjustments to the historical audited consolidated financial statements of Harrah s Entertainment and its subsidiaries. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2008 gives effect to the Acquisition (as defined below) and Financing (as defined below) as if they had occurred on January 1, 2008. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with this unaudited pro forma condensed consolidated financial information.

Pro forma adjustments were made to reflect:

- changes in depreciation and amortization expenses resulting from fair value adjustments to tangible and intangible assets due to the Acquisition;
- changes in interest expense resulting from additional indebtedness incurred in connection with the Financing and the refinancing of existing debt, including amortization of estimated debt issuance costs; and
- the effect to deferred income taxes of the pro forma adjustments.

The unaudited pro forma adjustments are based upon available information and certain assumptions that are factually supportable and that we believe are reasonable under the circumstances. The unaudited pro forma condensed consolidated financial information is presented for informational purposes only. The unaudited pro forma condensed consolidated financial information does not purport to represent what our actual consolidated results of operations or the consolidated financial condition would have been had the Acquisition and Financing actually occurred on the date indicated, nor is it necessarily indicative of future consolidated results of operations or consolidated financial condition. The unaudited pro forma condensed consolidated financial information should be read in conjunction with the information contained in the audited financial statements of Harrah s Entertainment and the related notes contained herein. All pro forma adjustments and their underlying assumptions are described more fully herein in the notes to our unaudited pro forma condensed consolidated financial information.

The audited financial statements from which the pro forma condensed consolidated financial information were prepared in accordance with U.S. GAAP.

For purposes of this pro forma financial information, Acquisition means the merger of Hamlet Merger Inc (Merger Sub), a Delaware corporation and a wholly owned subsidiary of Hamlet Holdings, LLC (Hamlet Holdings), with and into Harrah s Entertainment on January 28, 2008 pursuant to a merger agreement dated December 19, 2006 among Harrah s Entertainment, Merger Sub and Hamlet Holdings. In connection with the merger, each share of common stock of Harrah s Entertainment issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive $90.00 in cash, which, when taken together with the net settlement of outstanding options, stock appreciation rights, restricted stock and restricted stock units, represents merger consideration of $17,375 million in the aggregate.

For purposes of this pro forma financial information, Financing means, collectively, the following financing transactions completed in connection with the Acquisition:

- the cash equity investment by affiliates of Apollo Global Management, LLC and TPG Capital, LP, their co-investors and certain members of management in Harrah s Entertainment of approximately $6,079 million;
- the incurrence by HOC of $5,275 million of senior unsecured cash pay interim loans;

the incurrence by HOC of $1,500 million of senior unsecured PIK toggle interim loans;

borrowings of $7,250 million by HOC under the term loan portion of its $9,250 million senior secured credit facilities;

Table of Contents

the incurrence of $6,500 million of mortgage loans and related mezzanine financing under a real estate facility entered into by the holders of the Harrah s Las Vegas, Rio, Paris Las Vegas, Flamingo Las Vegas, Harrah s Atlantic City and Harrah s Laughlin casinos and related operating assets of those casinos (the CMBS Borrowers);

the issuance by HOC of $4,932 million of 10.75% senior cash pay notes due 2016, the proceeds of which were used to repay a portion of the senior unsecured cash pay interim loans;

the issuance by HOC of $1,403 million of 10.75%/11.5% senior toggle notes due 2018, the proceeds of which were used to repay a portion of the senior unsecured PIK toggle interim loans;

the repurchase of $131 million of HOC s 7.5% senior notes due 2009, $394 million of HOC s 8.875% senior subordinated notes due 2008, $424 million of HOC s 7.5% senior notes due 2009, $299 million of HOC s 7% senior notes due 2013, $250 million of HOC s senior floating rate notes due 2008 and $375 million of its floating rate contingent convertible notes due 2024, pursuant to tender offers completed on the same day as the Acquisition, as well as a discharge of all senior floating rate notes that were not tendered in the tender offer; and

HOC s entry into three hedging arrangements with respect to LIBOR borrowings under the senior secured credit facilities, all of which fix the floating rate interest thereunder to a fixed rate.

For purposes of this pro forma financial information, we collectively refer to the Acquisition and the Financing as the Transactions.

The Acquisition was accounted for as a business combination using the purchase method of accounting. The purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determined the estimated fair values after review and consideration of relevant information including discounted cash flow analysis, 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 and liabilities assumed, such excess was allocated to goodwill. Goodwill and intangible assets that are determined to have an indefinite life are not amortized.

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.

	Predecessor		Successor
(In millions)	**January 27, 2008**	**Merger Adjustments**	**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 other than goodwill	2,030.2	4,385.7	6,415.9
Goodwill	3,549.7	5,888.2	9,437.9
	$ 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	499.3	0.6	499.9
Total liabilities	16,638.8	14,771.7	31,410.5

Total Harrah s Entertainment, Inc. stockholders equity	6,680.2	(822.4)	5,857.8
Non-controlling interests	52.3		52.3
Total equity	6,732.5	(822.4)	5,910.1
	$ 23,371.3	$ 13,949.3	$ 37,320.6

Of the estimated $6,415.9 million of intangible assets other than goodwill, $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 included customer relationships of $1,454.5 million (12-year weighted-average useful life), contract/management rights estimated at $134.3 million (5-year estimated useful life), gaming rights estimated at $42.8 million (16-year estimated useful life), trademarks subject to amortization estimated at $7.8 million (5-year estimated useful life) and internally developed information technology systems estimated at $93.5 million (8-year estimated useful life). The weighted-average useful life of all amortizing intangible assets related to the Acquisition is approximately 11 years. Certain of the goodwill and other non-amortizing intangible assets were determined to be impaired and charges of $5.5 billion were recorded in the fourth quarter of 2008.

We anticipate that the goodwill related to the Acquisition will not be deductible for tax purposes.

Table of Contents

HARRAH S ENTERTAINMENT, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

(In millions)	Harrah s Entertainment[1]	Acquisition and Financing	Pro Forma
Revenues			
Casino	$ 8,091.5		$ 8,091.5
Food and beverage	1,648.6		1,648.6
Rooms	1,270.9		1,270.9
Management fees	64.1		64.1
Other	667.5		667.5
Less: casino promotional allowances	(1,615.6)		(1,615.6)
Net revenues	10,127.0		10,127.0
Operating expense			
Direct			
Casino	4,443.4		4,443.4
Food and beverage	690.0		690.0
Rooms	256.3		256.3
Property general and administrative, corporate and other	2,461.5	(1.1)[2]	2,460.4
Depreciation and amortization	690.4	(10.9)[2]	679.5
Project opening costs	29.6		29.6
Write-downs, reserves and recoveries	20.9		20.9
Impairment of intangible assets	5,489.6		5,489.6
Equity in losses of nonconsolidated affiliates	1.6		1.6
Acquisition and integration costs	149.6		149.6
Amortization of intangible assets	168.4	15.6[2]	184.0
Total operating expenses	14,401.3	3.6	14,404.9
Loss from operations	(4,274.3)	(3.6)	(4,277.9)
Interest expense, net of interest capitalized	(2,164.6)	(112.9)[3]	(2,277.5)
Gain on early extinguishments of debt	742.1		742.1
Other income, including interest income	36.3		36.3
Loss from continuing operations before income taxes	(5,660.5)	(116.5)	(5,777.0)
Benefit for income taxes	386.4	40.9[4]	427.3
Loss from continuing operations, net of tax	$ (5,274.1)	$ (75.6)	$ (5,349.7)

(1) Represents the financial information of Harrah s Entertainment for the combination of the Predecessor period from January 1, 2008 through January 27, 2008, and the Successor period from January 28, 2008 through December 31, 2008.

(2) Reflects the adjustment to depreciation and amortization resulting from estimated fair value adjustments and estimated useful lives assigned to buildings, riverboats and equipment and amortizing intangible assets as a result of the Transactions.

(3) Reflects adjustments to pro forma interest expense, as follows:

(In millions)		**Year Ended December 31, 2008**
Reversal of historical interest expense[(i)]	$	(31.7)
Reversal of amortization of debt issuance costs[(ii)]		(0.6)
Interest expense on new indebtedness[(iii)]		100.9
Amortization of debt issuance costs on new indebtedness		7.8
Amortization of fair value adjustments[(iv)]		14.8
Interest rate swaps[(v)]		21.7
	$	112.9

Table of Contents

(i) Reversal of the historical interest expense related to indebtedness repaid as a result of the Transactions.
(ii) Reversal of the historical amortization of debt issuance costs related to indebtedness repaid as a result of the Transactions.
(iii) Increase in interest expense related to the new indebtedness in the aggregate principal amount of $20,525 million, consisting of the senior unsecured cash pay debt and senior unsecured PIK toggle debt, borrowings under our new senior credit facility and the CMBS Financing.
(iv) Effects on interest expense from the purchase accounting on the outstanding indebtedness.

The interest rates used for pro forma purposes are based on the rates effective as of December 31, 2008. The weighted-average interest rate of the new indebtedness for pro forma purposes is 6.5%.

A 0.125% change in the interest rates on our new indebtedness, consisting of the senior unsecured cash pay debt, the senior unsecured PIK toggle debt, borrowings under our new senior credit facility and the CMBS Financing, would change pro forma interest expense by $25.7 million for the year ended December 31, 2008.

(v) Represents estimated interest expense on forward interest rate swap agreements, which were entered into in connection with the Transactions.

(4) Reflects the income tax effect on the pro forma adjustments using an estimated combined statutory income tax rate of 35.0% for 2008. This rate is not necessarily indicative of our future effective tax rate.

Table of Contents

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

OF HARRAH S OPERATING COMPANY, INC.

The following unaudited pro forma condensed combined financial statements for Harrah s Operating have been developed by applying pro forma adjustments to the historical audited consolidated financial statements of Harrah s Entertainment and its subsidiaries to remove the historical financial information of all subsidiaries of and account balances at Harrah s Entertainment that are not components of Harrah s Operating. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2008 gives effect to all of the Acquisition Transactions (as defined below) as if they had occurred on January 1, 2008. The unaudited condensed combined balance sheet included in this section gives effect to all of the Acquisition Transactions. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information.

Pro forma adjustments were made to reflect:

- changes in depreciation and amortization expenses resulting from fair value adjustments to tangible and intangible assets due to the Acquisition Transactions;

- changes in interest expense resulting from additional indebtedness incurred in connection with the Financing and the refinancing of existing debt, including amortization of estimated debt issuance costs; and

- the effect to deferred income taxes of the pro forma adjustments.

The unaudited pro forma adjustments are based upon available information and certain assumptions that are factually supportable and that we believe are reasonable under the circumstances. The unaudited pro forma condensed combined financial information is presented for informational purposes only. The unaudited pro forma condensed combined information does not purport to represent what our actual combined results of operations or the combined financial condition would have been had the Acquisition Transactions actually occurred on the date indicated, nor are they necessarily indicative of future combined results of operations or combined financial condition. The unaudited pro forma condensed combined financial information should be read in conjunction with the information contained in the Unaudited Pro Forma Condensed Consolidated Financial Information of Harrah s Entertainment, Inc. appearing elsewhere in this Exhibit, as well as the audited financial statements of Harrah s Entertainment and the related notes contained herein. All pro forma adjustments and their underlying assumptions are described more fully herein in the notes to our unaudited pro forma condensed combined financial information.

The audited financial statements from which the pro forma condensed combined financial information have been derived have been prepared in accordance with U.S. GAAP.

For purposes of this pro forma financial information, Acquisition means the merger of Hamlet Merger Inc (Merger Sub), a Delaware corporation and a wholly owned subsidiary of Hamlet Holdings, LLC (Hamlet Holdings), with and into Harrah s Entertainment on January 28, 2008 pursuant to a merger agreement dated December 19, 2006 among Harrah s Entertainment, Merger Sub and Hamlet Holdings. In connection with the merger, each share of common stock of Harrah s Entertainment issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive $90.00 in cash, which, when taken together with the net settlement of outstanding options, stock appreciation rights, restricted stock and restricted stock units, represents merger consideration of $17,375 million in the aggregate.

For purposes of this pro forma financial information, Financing means, collectively, the following financing transactions completed in connection with the Acquisition:

- the cash equity investment by affiliates of Apollo Global Management, LLC and TPG Capital, LP, their co-investors and certain members of management in Harrah s Entertainment of approximately $6,079 million;

Table of Contents

- the incurrence by HOC of $5,275 million of senior unsecured cash pay interim loans;

- the incurrence by HOC of $1,500 million of senior unsecured PIK toggle interim loans;

- borrowings of $7,250 million by HOC under the term loan portion of its $9,250 million senior secured credit facilities;

- the issuance by HOC of $4,932 million of 10.75% senior cash pay notes due 2016, the proceeds of which were used to repay a portion of the senior unsecured cash pay interim loans;

- the issuance by HOC of $1,403 million of 10.75%/11.5% senior toggle notes due 2018, the proceeds of which were used to repay a portion of the senior unsecured PIK toggle interim loans;

- the repurchase of $131 million of HOC s 7.5% senior notes due 2009, $394 million of HOC s 8.875% senior subordinated notes due 2008, $424 million of HOC s 7.5% senior notes due 2009, $299 million of HOC s 7% senior notes due 2013, $250 million of HOC s senior floating rate notes due 2008 and $375 million of its floating rate contingent convertible notes due 2024, pursuant to tender offers completed on the same day as the Acquisition, as well as a discharge of all senior floating rate notes that were not tendered in the tender offer; and

- HOC s entry into three hedging arrangements with respect to LIBOR borrowings under the senior secured credit facilities, all of which fix the floating rate interest thereunder to a fixed rate.

For purposes of this pro forma financial information, CMBS Transactions means the spin-off of the following casino properties and their related operating assets by HOC to Harrah s Entertainment: Harrah s Las Vegas, Rio, Paris Las Vegas and Flamingo Las Vegas in Las Vegas, Nevada; Harrah s Atlantic City in Atlantic City, New Jersey and Harrah s Laughlin in Laughlin, Nevada.

For purposes of this pro forma financial information, London Clubs Transfer means the transfer of the London Clubs operations acquired by Harrah s Entertainment in December 2006 to HOC in connection with the Acquisition and the Financing.

For purposes of this pro forma financial information, we collectively refer to the Acquisition, the Financing, the CMBS Transactions and the London Clubs Transfer as the Acquisition Transactions.

Table of Contents

HARRAH S OPERATING COMPANY, INC.

UNAUDITED CONDENSED COMBINED BALANCE SHEET

AS OF DECEMBER 31, 2008

(In millions)	Harrah s Entertainment[1]	HET Parent and Other Harrah s Entertainment Subsidiaries and Accounts[2]	HOC[3]
ASSETS			
Current assets			
Cash and cash equivalents	$ 650.5	$ (203.1)	$ 447.4
Receivables, net of allowance for doubtful accounts	394.0	(90.1)	303.9
Deferred income taxes	157.6	(21.7)	135.9
Prepayments and other	199.4	(67.1)	132.3
Inventories	62.7	(14.2)	48.5
Total current assets	1,464.2	(396.2)	1,068.0
Land, buildings, riverboats and equipment, net of accumulated depreciation	18,267.1	(5,635.5)	12,631.6
Assets held for sale	49.3		49.3
Goodwill	4,902.2	(2,148.5)	2,753.7
Intangible assets other than goodwill	5,307.9	(677.3)	4,630.6
Deferred costs and other	1,057.9	(258.8)	799.1
	$ 31,048.6	$ (9,116.3)	$ 21,932.3
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities			
Accounts payable	$ 382.3	$ (106.7)	$ 275.6
Accrued expenses	1,532.7	(286.1)	1,246.6
Current portion of long-term debt	85.6	(0.2)	85.4
Total current liabilities	2,000.6	(393.0)	1,607.6
Long-term debt	23,123.3	(6,500.2)	16,623.1
Intercompany notes		160.6	160.6
Liabilities held for sale			
Deferred credits and other	669.1	(20.4)	648.7
Deferred income taxes	4,327.0	(1,339.3)	2,987.7
	30,120.0	(8,092.3)	22,027.7
Preferred stock	2,289.4	(2,289.4)	
Total stockholders equity/(deficit)	(1,410.4)	1,270.2	(140.2)
Non-controlling interests[4]	49.6	(4.8)	44.8
Total equity/(deficit)[4]	(1,360.8)	1,265.4	(95.4)
	$ 31,048.6	$ (9,116.3)	$ 21,932.3

(1) Represents the financial information of Harrah s Entertainment.
(2) Represents the removal of (i) the financial information of subsidiaries of Harrah s Entertainment that are not a component of HOC, namely, captive insurance companies and the CMBS properties; and (ii) account balances at Harrah s Entertainment parent company.
(3) Represents the financial information of HOC.
(4) Due to the January 1, 2009 adoption of a recent accounting pronouncement, certain prior period amounts have been recast to conform to the 2009 presentation.

Table of Contents

HARRAH S OPERATING COMPANY, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

(In millions)	Harrah s Entertainment[(1)]	HET Parent and Other Harrah s Entertainment Subsidiaries and Accounts[(2)(3)]	HOC[(4)]	Acquisition and Financing	Pro Forma
Revenues					
Casino	$ 8,091.5	$ (1,630.7)	$ 6,460.8		$ 6,460.8
Food and beverage	1,648.6	(599.7)	1,048.9		1,048.9
Rooms	1,270.9	(530.7)	740.2		740.2
Management fees	64.1		64.1		64.1
Other	667.5	(118.6)	548.9	39.9[(5)]	588.8
Less: casino promotional allowances	(1,615.6)	447.9	(1,167.7)		(1,167.7)
Net revenues	10,127.0	(2,431.8)	7,695.2	39.9	7,735.1
Operating expense					
Direct					
Casino	4,443.4	(781.9)	3,661.5		3,661.5
Food and beverage	690.0	(288.3)	401.7		401.7
Rooms	256.3	(116.9)	139.4		139.4
Property general and administrative, corporate and other	2,461.5	(588.8)	1,872.7	36.3[(5)(6)]	1,909.0
Depreciation and amortization	690.4	(169.3)	521.1	(4.6)[(6)]	516.5
Project opening costs	29.6	(1.3)	28.3		28.3
Write-downs, reserves and recoveries	20.9	(80.8)	(59.9)		(59.9)
Impairment of intangible assets	5,489.6	(1,744.4)	3,745.2		3,745.2
Equity in losses of nonconsolidated affiliates	1.6	(0.1)	1.5		1.5
Acquisition and integration costs	149.6		149.6		149.6
Amortization of intangible assets	168.4	(54.7)	113.7	4.1[(6)]	117.8
Total operating expenses	14,401.3	(3,826.5)	10,574.8	35.8	10,610.6
Loss from operations	(4,274.3)	1,394.7	(2,879.6)	4.1	(2,875.5)
Interest expense, net of interest capitalized	(2,164.6)	370.6	(1,794.0)	(88.7)[(7)]	(1,882.7)
Gain on early extinguishments of debt	742.1		742.1		742.1
Other income, including interest income	36.3	(1.6)	34.7		34.7
Loss from continuing operations before income taxes	(5,660.5)	1,763.7	(3,896.8)	(84.6)	(3,981.4)
Income tax benefit/(expense)	386.4	13.7	400.1	29.7[(8)]	429.8
Loss from continuing operations, net of tax	$ (5,274.1)	$ 1,777.4	$ (3,496.7)	$ (54.9)	$ (3,551.6)

(1)

Represents the financial information of Harrah s Entertainment for the combination of the Predecessor period from January 1, 2008 through January 27, 2008, and the Successor period from January 28, 2008 through December 31, 2008.

(2) Represents the removal of (i) financial information of all subsidiaries of Harrah s Entertainment that are not a component of HOC, namely, captive insurance companies and the CMBS properties; and (ii) accounts at Harrah s Entertainment parent company.

(3) The historical operating expenses of HOC include unallocated costs attributable to services that have been performed by HOC on behalf of the CMBS properties. These costs are primarily related to corporate functions such as accounting, tax, treasury, payroll and benefits administration, risk management, legal, and information management and technology. The CMBS Transactions reflect the push-down of corporate expense of $34.7 million that was unallocated at January 27, 2008. Following the Acquisition, many of these services continue to be provided by HOC pursuant to a shared services agreement with the CMBS properties.

Table of Contents

(4) Represents the financial information of HOC.
(5) Represents the estimated revenue on the shared services agreement with the CMBS Borrowers, which was entered into as a result of the Acquisition Transactions, and related costs.
(6) Reflects the adjustment to depreciation and amortization resulting from estimated fair value adjustments and estimated useful lives assigned to buildings, riverboats and equipment and amortizing intangible assets as a result of the Acquisition Transactions.
(7) Reflects adjustments to pro forma interest expense, as follows:

(In millions)	Year Ended December 31, 2008
Reversal of historical interest expense[i]	$ (31.7)
Reversal of amortization of debt issuance costs[ii]	(0.6)
Interest expense on new indebtedness[iii]	79.3
Amortization of debt issuance costs on new indebtedness	5.2
Amortization of fair value adjustments[iv]	14.8
Interest rate swaps[v]	21.7
	$ 88.7

(i) Reversal of the historical interest expense related to existing indebtedness, which was repaid as a result of the Acquisition Transactions.
(ii) Reversal of the historical amortization of debt issuance costs related to existing indebtedness, which was repaid as a result of the Acquisition Transactions.
(iii) Increase in interest expense related to the new indebtedness in the aggregate principal amount of $14,025 million, consisting of the senior unsecured cash pay debt and senior unsecured PIK toggle debt and borrowings under our new senior credit facility.
(iv) Effects on interest expense from the purchase accounting on the outstanding indebtedness.

The interest rates used for pro forma purposes are based on the rates effective as of December 31, 2008. The weighted-average interest rate of the new indebtedness for pro forma purposes is 7.4%.

A 0.125% change in the interest rates on our new indebtedness, consisting of the senior unsecured cash pay debt, the senior unsecured PIK toggle debt and borrowings under our new senior credit facility, would change pro forma interest expense by $17.5 million for the year ended December 31, 2008.

(v) Represents estimated interest expense on forward interest rate swap agreements, which were entered into in connection with the Acquisition Transactions.

(8) Reflects the income tax effect on the pro forma adjustments using an estimated combined statutory income tax rate of 35.0% for 2008. This rate is not necessarily indicative of our future effective tax rate.

74

Table of Contents

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data as of December 31, 2007 and 2008 and for each of the years in the two-year period ended December 31, 2007, and the periods from January 1, 2008 through January 27, 2008 and from January 28, 2008 through December 31, 2008, included in the table here have been derived from, and should be read in conjunction with, our audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial and other data for the years ended December 31, 2004 and 2005 and as of December 31, 2004 and 2005 have been derived from our audited consolidated financial statements not included in this prospectus. The summary historical financial information as of and for the nine months ended September 30, 2009 and the period from January 28, 2008 through September 30, 2008, are derived from, and should be read in conjunction with, our unaudited consolidated condensed financial statements included elsewhere in this prospectus, and, except as otherwise described herein, have been prepared on a basis consistent with our annual audited financial statements and, in the opinion of management, include all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of such data.

Please refer to Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included elsewhere in this prospectus.

Effective January 1, 2009, we adopted the provisions of Accounting Standards Codification (ASC) 810-10-65-1 (formerly Statement of Financial Accounting Standards (SFAS) No. 160), Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51. The adoption of ASC 810-10-65-1 did not have a material impact on our financial condition, results of operations or cash flows. However, it did impact the presentation and disclosure of non-controlling (minority) interests in our consolidated financial statements. As a result of the presentation and disclosure requirements of ASC 810-10-65-1 , we are required to reflect the change in presentation and disclosure for all periods presented within future filings.

Table of Contents

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

OF HARRAH S ENTERTAINMENT, INC.

	Predecessor					Successor		
	Year Ended December 31,				Jan. 1, 2008 through Jan. 27, 2008	Jan. 28, 2008 through Sept. 30, 2008	Jan. 28, 2008 through Dec. 31, 2008	Nine Months Ended Sept. 30, 2009
	2004	2005	2006	2007				
				(dollars in millions)				
Revenues								
Casino	$ 3,922.9	$ 5,966.5	$ 7,868.6	$ 8,831.0	$ 614.6	$ 5,653.2	$ 7,476.9	$ 5,444.8
Food and beverage	650.9	1,086.7	1,577.7	1,698.8	118.4	1,160.2	1,530.2	1,129.3
Rooms	382.2	786.2	1,240.7	1,353.6	96.4	894.2	1,174.5	817.8
Management fees	60.6	75.6	89.1	81.5	5.0	45.8	59.1	43.5
Other	215.9	424.7	611.0	695.9	42.7	462.4	624.8	447.9
Less: casino promotional allowances	(835.7)	(1,329.7)	(1,713.2)	(1,835.6)	(117.0)	(1,127.3)	(1,498.6)	(1,075.0)
Net revenues	4,396.8	7,010.0	9,673.9	10,825.2	760.1	7,088.5	9,366.9	6,808.3
Operating Expenses								
Direct								
Casino	1,972.5	2,984.6	3,902.6	4,595.2	340.6	3,037.1	4,102.8	2,968.0
Food and beverage	275.1	482.3	697.6	716.5	50.5	486.1	639.5	451.1
Rooms	66.7	151.5	256.6	266.3	19.6	179.4	236.7	160.4
Property general and administrative and other	898.1	1,464.4	2,206.8	2,421.7	178.2	1,619.0	2,143.0	1,518.3
Depreciation and amortization	313.1	485.7	667.9	817.2	63.5	452.4	626.9	516.8
Project opening costs	9.4	16.4	20.9	25.5	0.7	26.3	28.9	2.9
Write-downs, reserves and recoveries	9.6	56.1	62.6	(59.9)	4.7	(61.8)	16.2	78.6
Impairment of intangible assets		138.6	20.7	169.6			5,489.6	1,625.7
Loss/(income) in non-consolidated affiliates	0.9	(1.2)	(3.6)	(3.9)	(0.5)	1.3	2.1	1.3
Corporate expense	66.8	97.7	177.5	138.1	8.5	95.9	131.8	111.7
Acquisition and integration costs	2.3	55.0	37.0	13.4	125.6	23.1	24.0	0.3
Amortization of intangible assets	9.5	49.9	70.7	73.5	5.5	119.2	162.9	131.7
Total operating expenses	3,624.0	5,981.0	8,117.3	9,173.2	796.9	5,978.0	13,604.4	7,566.8
Income/(loss) from operations	772.8	1,029.0	1,556.6	1,652.0	(36.8)	1,110.5	(4,237.5)	(758.5)
Interest expense, net of interest capitalized	(269.3)	(479.6)	(670.5)	(800.8)	(89.7)	(1,469.4)	(2,074.9)	(1,404.7)
(Losses)/gains on early extinguishments of debt		(3.3)	(62.0)	(2.0)		(203.9)	742.1	4,279.2
Other income, including interest income	9.5	8.0	10.7	43.3	1.1	18.7	35.2	23.2
Income/(loss) from continuing operations before income taxes	513.0	554.1	834.8	892.5	(125.4)	(544.1)	(5,535.1)	2,139.2
(Provision) benefit for income taxes	(185.1)	(225.9)	(295.6)	(350.1)	26.0	147.7	360.4	(1,590.8)
Income/(loss) from continuing operations, net of tax	$ 327.9	$ 328.2	$ 539.2	$ 542.4	$ (99.4)	$ (396.4)	$ (5,174.7)	$ 548.4
Other Financial Data								
Capital expenditures	$ 702.9	$ 1,201.0	$ 2,548.3	$ 1,462.2	$ 120.1	$ 1,001.2	$ 1,204.2	$ 411.9
Ratio of earnings to fixed charges[(1)]	2.7x	2.1x	2.2x	2.1x				2.5x
Balance Sheet Data								
Cash and cash equivalents	$ 489.0	$ 724.4	$ 799.6	$ 710.0		$ 1,005.9	$ 650.5	$ 948.2
Working capital	33.2	30.7	(610.2)	(126.1)		(167.9)	(536.4)	(118.9)
Total assets	8,585.6	20,517.6	22,284.9	23,357.7		37,012.3	31,048.6	29,230.5
Total debt	5,152.9	11,045.8	12,089.9	12,440.4		24,214.2	23,208.9	19,342.4

Total stockholders equity/(deficit)	2,067.7	5,696.7	6,123.5	6,679.1		3,666.2	(1,360.8)	(1,080.7)

(1) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes plus fixed charges and non-controlling interests, excluding equity in undistributed earnings of less-than-50%-owned investments. Fixed charges include interest, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense that we deem to be representative of interest. For the Predecessor period from January 1, 2008 through January 27, 2008 and Successor period from January 28, 2008 through September 30, 2008 and the Successor period from January 28, 2008 through December 31, 2008, our earnings were insufficient to cover fixed charges by $122.5 million, $501.0 million and $5.5 billion, respectively.

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Harrah s Entertainment, Inc., a Delaware corporation, was incorporated on November 2, 1989, and prior to such date operated under predecessor companies. In this discussion, the words Harrah s Entertainment, Company, we, our, and us refer to Harrah s Entertainment, Inc., together subsidiaries where appropriate.

Overview

We are one of the largest casino entertainment providers in the world. As of September 30, 2009, we operated 52 casinos in six countries, but primarily in the United States and the United Kingdom. Our facilities operate primarily under the Harrah s, Caesars and Horseshoe brand names in the United States. Our properties include land-based casinos and casino hotels, dockside casinos, a combination greyhound racetrack and casino, a combination thoroughbred racetrack and casino, a combination harness racetrack and casino, casino clubs and managed casinos. We are focused on building customer loyalty through a unique combination of customer service, excellent products, unsurpassed distribution, operational excellence and technology leadership and on exploiting the value of our major hotel/casino brands Harrah s, Caesars and Horseshoe and our loyalty program, Total Rewards. We believe that the customer-relationship marketing and business-intelligence capabilities fueled by Total Rewards are constantly bringing us closer to our customers so we better understand their preferences, and from that understanding, we are able to improve entertainment experiences we offer accordingly.

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, valued at approximately $30.7 billion, including the assumption of $12.4 billion of debt and the incurrence of approximately $1.0 billion of acquisition costs. Holders of Harrah s Entertainment stock received $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 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.

Overall Operating Results

In accordance with Generally Accepted Accounting Principles (GAAP), we have separated our historical financial results for the Successor period and the Predecessor period; however, we have also combined results for the Successor and Predecessor periods for 2008 in the presentations below because we believe that it enables a meaningful presentation and comparison of results. As a result of the application of purchase accounting as of the Acquisition date, financial information for the Successor period and the Predecessor periods are presented on different bases and are, therefore, not comparable. We have reclassified certain amounts for prior periods to conform to our 2009 presentation.

Because both 2009 and 2008 (Loss)/income from operations include significant impairment charges, the following tables also present Income/(loss) from operations before impairment charges and the impairment charges to provide more meaningful comparisons of results. This presentation is not in accordance with GAAP.

Certain of our properties were sold during 2006, and their operating results prior to these sales were included in discontinued operations, if appropriate. Note 15 to our audited consolidated financial statements as of and for the year ended December 31, 2008 included elsewhere in this prospectus provides information regarding dispositions. The discussion that follows is related to our continuing operations.

Table of Contents

Overall Operating Results

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 5,444.8	$ 5,653.2	$ 614.6	$ 6,267.8	(13.1)%
Net revenues	$ 6,808.3	$ 7,088.5	$ 760.1	$ 7,848.6	(13.3)%
Income/(loss) from operations before impairment charges	$ 867.2	$ 1,110.5	$ (36.8)	$ 1,073.7	(19.2)%
Impairment of intangible assets	(1,625.7)				N/M
(Loss)/income from operations	$ (758.5)	$ 1,110.5	$ (36.8)	$ 1,073.7	N/M
Income/(loss) from continuing operations, net of tax	$ 548.4	$ (396.4)	$ (99.4)	$ (495.8)	N/M
Net income/(loss) attributable to Harrah s Entertainment, Inc.	$ 532.0	$ (314.2)	$ (100.9)	$ (415.1)	N/M

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Casino revenues	$ 7,476.9	$ 614.6	$ 8,091.5	$ 8,831.0	$ 7,868.6	(8.4)%	12.2%
Net revenues	$ 9,366.9	$ 760.1	$ 10,127.0	$ 10,825.2	$ 9,673.9	(6.4)%	11.9%
Income/(loss) from operations before impairment charges	$ 1,252.1	$ (36.8)	$ 1,215.3	$ 1,821.6	$ 1,577.3	(33.3)%	15.5%
Impairment of intangible assets	(5,489.6)		(5,489.6)	(169.6)	(20.7)	N/M	N/M
(Loss)/income from operations	$ (4,237.5)	$ (36.8)	$ (4,274.3)	$ 1,652.0	$ 1,556.6	N/M	6.1%
(Loss)/income from continuing operations, net of tax	$ (5,174.7)	$ (99.4)	$ (5,274.1)	$ 542.4	$ 539.2	N/M	0.6%
Net (loss)/income attributable to Harrah s Entertainment, Inc	$ (5,096.3)	$ (100.9)	$ (5,197.2)	$ 619.4	$ 535.8	N/M	15.6%

N/M = Not Meaningful

Revenues for the nine months ended September 30, 2009 were impacted by the current economic environment, which reduced customer spending, particularly in the Las Vegas and Atlantic City markets. The earnings impact of the declines in revenue in 2009 compared to the same periods in 2008 was partially offset by company- wide cost savings initiatives that began in the third quarter of 2008. Income from continuing operations, net of tax, for the nine months ended September 30, 2009, also reflects net gains on early extinguishments of debt of $4,279.2 million, and was partially offset by a charge of $1,625.7 million for impairment of goodwill and certain intangible assets. The nine months ended September 30, 2008, included expenses incurred in connection with the Acquisition, primarily related to the accelerated vesting of employee stock options, stock appreciation rights (SARs) and restricted stock, higher interest expense and losses on the early extinguishments of debt, partially offset by proceeds from the settlement of insurance claims related to hurricane damage in 2005.

During the nine months ended September 30, 2009, we exchanged approximately $3.6 billion principal amount of new 10% second-priority senior secured notes due in 2018 for approximately $5.4 billion aggregate principal amount of outstanding debt with maturity dates ranging from 2010 to 2018, purchased approximately $1.5 billion principal amount of outstanding debt through tender offers or open market purchases, retired a portion of and amended the terms of our credit agreement and issued approximately $1.4 billion principal amount of senior secured notes due 2017. These events are discussed more fully in the Debt and Liquidity section that follows herein.

The decrease in revenues in 2008 from 2007 was primarily attributable to turbulent economic conditions in the United States that have reduced, in some cases dramatically, customer visitation to our casinos. The impact of a smoking ban in Illinois, heavy rains and flooding affecting visitor volumes at our properties in the Midwest and the temporary closure of Gulf Coast properties due to a hurricane also contributed to the decline in 2008 revenues. Income from continuing operations was also impacted by charges for impairment of certain goodwill and other intangible assets; expense incurred in connection with the Acquisition, primarily related to the accelerated vesting of employee stock options, stock appreciation rights (SARs) and restricted stock; and higher interest expense, partially offset by net gains from early extinguishments of debt and proceeds from the settlement of insurance claims related to hurricane damage in 2005.

The increase in revenues in 2007 from 2006 was driven by strong results from our properties in Las Vegas, the opening of slot play at Harrah s Chester in January 2007, contributions from properties included in our acquisition of London Clubs International Limited (London Clubs) in late 2006 and a full year s results from Harrah s New Orleans and Grand Casino Biloxi, which were closed for a portion of 2006 due to hurricane damage in 2005. Income/(loss) from operations was impacted by insurance proceeds, impairment charges related to certain intangible assets and the effect on the Atlantic City market of slot operations at facilities in Pennsylvania and New York and the implementation of new smoking regulations in New Jersey, all of which are discussed in the following regional discussions.

Regional Results and Development Plans

The executive officers of our Company review operating results, assess performance and make decisions related to the allocation of resources on a property-by-property basis. We, therefore, believe that each property is an operating segment and that it is appropriate to aggregate and present the operations of our Company as one reportable segment. In order to provide more detail than would be possible on a consolidated basis, our properties have been grouped as follows to facilitate discussion of our operating results:

Las Vegas	**Atlantic City**	**Louisiana/Mississippi**	**Iowa/Missouri**
Caesars Palace	Harrah s Atlantic City	Harrah s New Orleans	Harrah s St. Louis
Bally s Las Vegas	Showboat Atlantic City	Harrah s Louisiana Downs	Harrah s North Kansas City
Flamingo Las Vegas	Bally s Atlantic City	Horseshoe Bossier City	Harrah s Council Bluffs
Harrah s Las Vegas	Caesars Atlantic City	Grand Biloxi	Horseshoe Council Bluffs/ Bluffs Run
Paris Las Vegas	Harrah s Chester[1]	Harrah s Tunica	
Rio		Horseshoe Tunica	
Imperial Palace		Sheraton Tunica	
Bill s Gamblin Hall & Saloon			

Illinois/Indiana	**Other Nevada**	**Managed/International/Other**
Horseshoe Southern Indiana	Harrah s Reno	Harrah s Ak-Chin[2]
Harrah s Joliet[1]	Harrah s Lake Tahoe	Harrah s Cherokee[2]
Harrah s Metropolis	Harvey s Lake Tahoe	Harrah s Rincon[2]
Horseshoe Hammond	Bill s Lake Tahoe	Conrad Punta del Este[1]
	Harrah s Laughlin	Caesars Windsor[3]
		London Clubs International[4]

(1) Not wholly owned by Harrah s Entertainment.
(2) Managed, not owned.

Table of Contents

(3) We have a 50 percent interest in Windsor Casino Limited, which manages this property. The province of Ontario owns the complex.
(4) As of September 30, 2009, we operate 11 casino clubs in the United Kingdom, 2 in Egypt and 1 in South Africa. One of the properties is managed and two others are not wholly owned.

Included in income from operations for each grouping are project opening costs and write-downs, reserves and recoveries. Project opening costs include costs incurred in connection with expansion and renovation projects at various properties. Write-downs, reserves and recoveries include various pretax charges to record asset impairments, contingent liability reserves, project write-offs, demolition costs, recoveries of previously recorded charges and other non-routine transactions.

We perform annual assessments for impairment of goodwill and other intangible assets that are not subject to amortization as of September 30 each year. We completed a preliminary assessment of goodwill and other non-amortizing intangible assets as of September 30, 2009, and as a result of this assessment, recorded a charge of approximately $1.3 billion within HET s Consolidated Statement of Operations in the third quarter which brings the charge recorded for the nine months ended September 30, 2009 to approximately $1.6 billion. This impairment charge is largely a result of adjustments to our long-term operating plan as a result of the current economic climate. We are not able to finalize our impairment charge until such time as we finalize our 2010 operating plan and certain other assumptions, which we expect to complete during fourth quarter 2009 in conjunction with our annual assessment for impairment as of September 30, 2009. Changes to the preliminary 2010 operating plan or other assumptions could require us to update our assessment of impairment, which could change the required impairment charge.

Based on projected performance, which reflects factors impacted by 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, our 2008 analysis indicated that certain of our goodwill and other intangible assets were impaired; therefore, a charge of $5.5 billion was recorded to our consolidated statement of operations in fourth quarter 2008. Our 2007 analysis determined that, based on historical and projected performance, intangible assets at London Clubs and Horseshoe Southern Indiana had been impaired, and we recorded impairment charges of $169.6 million in fourth quarter 2007. Our 2006 analysis indicated that, based on the historical performance and projected performance of Harrah s Louisiana Downs, intangible assets of that property had been impaired, and a charge of $20.7 million was recorded in fourth quarter 2006. Our 2008, 2007 and 2006 analyses of the tangible assets, applying the provisions of ASC 360 (formerly SFAS No. 144), indicated that the carrying values of the tangible assets were not impaired.

Table of Contents

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

	Successor			Predecessor		Predecessor	
(In millions)	Nine Months Ended Sept. 30, 2009	Jan. 28, 2008 through Sept. 30, 2008	Jan. 28, 2008 through Dec. 31, 2008	Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	2007	2006
Remediation costs	$ 28.2	$ 35.2	$ 60.5	$ 4.4	$ 64.9	$	$
Impairment of long-lived tangible assets	43.7		39.6		39.6		23.6
Write-off of abandoned assets	4.8	47.6	34.3		34.3	21.0	0.2
Efficiency projects	27.9	5.0	29.4	0.6	30.0	21.5	5.2
Termination of contracts		14.0	14.4		14.4		
Litigation awards and settlements	(29.2)	9.4	10.1		10.1	8.5	32.5
Demolition costs	2.2	8.8	9.2	0.2	9.4	7.3	11.4
Other	1.0	3.6	4.1	(0.5)	3.6	12.1	(0.1)
Insurance proceeds in excess of deferred costs		(185.4)	(185.4)		(185.4)	(130.3)	(10.2)
	$ 78.6	$ (61.8)	$ 16.2	$ 4.7	$ 20.9	$ (59.9)	$ 62.6

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

Impairment of long-lived tangible assets in 2009 was primarily related to the Company s office building in Memphis, Tennessee due to the relocation to Las Vegas, Nevada of those corporate functions formerly performed in 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. The impairment in 2006 resulted from an assessment of certain bonds classified as held-to-maturity and the determination that they were highly uncollectible.

Write-off of abandoned assets represents costs associated with various projects that are determined to no longer be viable.

Efficiency projects in 2006 and 2007 represents costs incurred to identify efficiencies and cost savings in our corporate organization. Expenses in 2008 and 2009 represent costs related to additional projects aimed at streamlining corporate and operations functions to achieve further cost savings and efficiencies.

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

Insurance proceeds in excess of deferred costs represents proceeds received from our insurance carriers for hurricane damages incurred in 2005. The proceeds included in Write-downs, reserves and recoveries are for those properties that we still own and operate. Proceeds related to properties that were subsequently sold are included in Discontinued operations in our consolidated statements of operations.

Table of Contents

Las Vegas Results

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 1,113.5	$ 1,186.2	$ 138.7	$ 1,324.9	(16.0)%
Net revenues	$ 2,048.8	$ 2,279.2	$ 253.6	$ 2,532.8	(19.1)%
Income from operations before impairment charges	$ 352.6	$ 497.3	$ 51.9	$ 549.2	(35.8)%
Impairment of intangible assets	(1,130.9)				N/M
(Loss)/income from operations	$ (778.3)	$ 497.3	$ 51.9	$ 549.2	N/M
Operating margin before impairment charges	17.2%	21.8%	20.5%	21.7%	(4.5)pts

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/ (Decrease) 08 vs. 07	Percentage Increase/ (Decrease) 07 vs. 06
Casino revenues	$ 1,579.9	$ 138.7	$ 1,718.6	$ 1,986.6	$ 1,726.5	(13.5)%	15.1%
Net revenues	$ 3,000.6	$ 253.6	$ 3,254.2	$ 3,626.7	$ 3,267.2	(10.3)%	11.0%
Income from operations before impairment charges	$ 591.4	$ 51.9	$ 643.3	$ 886.4	$ 828.2	(27.4)%	7.0%
Impairment of intangible assets	(2,579.4)		(2,579.4)			N/M	N/M
(Loss)/income from operations	$ (1,988.0)	$ 51.9	$ (1,936.1)	$ 886.4	$ 828.2	N/M	7.0%
Operating margin before impairment charges	19.7%	20.5%	19.8%	24.4%	25.3%	(4.6)pts	(0.9)pts

N/M = Not meaningful

For the nine months ended September 30, 2009, revenues and income from operations were lower than in the nine months ended September 30, 2008, driven by lower spend per visitor and declines in the group-travel business. While hotel occupancy was strong, average room rates declined. Loss from operations included a charge of $1,130.9 million recorded for the impairment of goodwill for certain Las Vegas properties.

An expansion and renovation of Caesars Palace Las Vegas was recently completed on the new Octavius Tower, a new hotel tower with approximately 110,000 square feet of additional meeting and convention space, three 10,000-square-foot villas and an expanded pool and garden area. We have deferred completion of the rooms in the hotel tower expansion as a result of current economic conditions impacting the Las Vegas tourism sector. The estimated total capital expenditures for the project, excluding the costs to complete the deferred rooms, are expected to be $685.4 million, $628.9 million of which had been spent as of September 30, 2009. The convention center is now open, and the remainder of the expansion project, other than the deferred rooms, was completed in the third quarter of 2009.

The declines in revenues and income from operations in 2008 from 2007 reflect lower visitation and spend per trip as our customers reacted to higher travel costs, volatility in the financial markets and other economic concerns. Fewer hotel rooms available at Caesars Palace due to re-modeling and at Harrah s Las Vegas and Rio due to room remediation projects also contributed to the 2008 decline. Income from operations for Las Vegas includes charges of $2.6 billion recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets.

Table of Contents

Increases in revenues and income from operations in 2007 from 2006 were generated by increased visitor volume, cross-market play (defined as gaming by customers at Harrah s Entertainment properties other than their home casinos) and the acquisition of Bill s Gamblin Hall & Saloon.

On February 27, 2007, we exchanged certain real estate that we owned on the Las Vegas Strip for property located at the northeast corner of Flamingo Road and Las Vegas Boulevard between Bally s Las Vegas and Flamingo Las Vegas. We began operating the acquired property on March 1, 2007, as Bill s Gamblin Hall & Saloon, and its results are included in our operating results from the date of its acquisition.

Atlantic City Results

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 1,455.3	$ 1,632.9	$ 163.4	$ 1,796.3	(19.0)%
Net revenues	$ 1,558.5	$ 1,663.2	$ 160.8	$ 1,824.0	(14.6)%
Income from operations before impairment charges	$ 184.6	$ 254.0	$ 18.7	$ 272.7	(32.3)%
Impairment of intangible assets	(178.6)				N/M
Income from operations	$ 6.0	$ 254.0	$ 18.7	$ 272.7	(97.8)%
Operating margin before impairment charges	11.8%	15.3%	11.6%	15.0%	(3.2)pts

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Casino revenues	$ 2,111.8	$ 163.4	$ 2,275.2	$ 2,429.9	$ 2,147.2	(6.4)%	13.2%
Net revenues	$ 2,156.0	$ 160.8	$ 2,316.8	$ 2,372.0	$ 2,071.4	(2.3)%	14.5%
Income from operations before impairment charges	$ 284.5	$ 18.7	$ 303.2	$ 351.4	$ 420.5	(13.7)%	(16.4)%
Impairment of intangible assets	(699.9)		(699.9)			N/M	N/M
(Loss)/income from operations	$ (415.4)	$ 18.7	$ (396.7)	$ 351.4	$ 420.5	N/M	(16.4)%
Operating margin before impairment charges	13.2%	11.6%	13.1%	14.8%	20.3%	(1.7)pts	(5.5)pts

N/M = Not meaningful

Revenues and income from operations for the nine months ended September 30, 2009, were lower than in the nine months ended September 30, 2008, due to reduced visitor volume and spend per trip. The Atlantic City market continues to be affected by competition from three slot facilities in eastern Pennsylvania and one in Yonkers, New York and the current economic environment. Income from operations was also impacted by a charge of $178.6 million for impairment of goodwill of certain of the Atlantic City properties.

Table of Contents

In August 2009, Chester Downs and Marina LLC (Chester Downs), a majority-owned subsidiary of HOC, entered into an agreement to borrow under a senior secured term loan in the amount of $230 million and borrowed such amount. 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. HOC currently owns 95% of Chester Downs.

Revenues and income from operations for the Atlantic City region in 2008 were down from 2007 due to reduced visitor volume, and spend per trip and higher operating costs, including utilities and employee benefits. Declines were partially offset by favorable results from Harrah s Chester and from Harrah s Atlantic City, which benefited from the recent expansion and upgrade at that property. The Atlantic City market continued to be affected by the opening of three slot facilities in eastern Pennsylvania and one in Yonkers, New York, and smoking restrictions in Atlantic City. Income from operations for the Atlantic City region included a charge of $699.9 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets.

Construction was completed in 2008 on a $498.6 million upgrade and expansion of Harrah s Atlantic City, which includes a new hotel tower with approximately 960 rooms, a casino expansion, a new buffet and a retail and entertainment complex. Portions of the new hotel tower opened in the first and second quarters of 2008, and the remaining phase opened in July 2008.

Atlantic City regional revenues were higher in 2007 as compared to 2006 due to the inclusion of Harrah s Chester, which opened for simulcasting and live harness racing on September 10, 2006, and for slot play on January 22, 2007. Additionally, promotional and marketing costs aimed at attracting and retaining customers and a shift of revenues from Atlantic City to Pennsylvania, where tax rates are higher, resulted in higher operating expenses as compared to 2006.

2006 revenues and income from operations were negatively impacted by a three-day government-imposed casino shutdown during the year. Casinos in Atlantic City were closed from July 5 until July 8, 2006, as non-essential state agencies, including the New Jersey Casino Control Commission, were shut down by the state due to lack of a budget agreement for the state. In New Jersey, Casino Control Commission Inspectors must be on site in order for casinos to operate.

Table of Contents

Louisiana/Mississippi Results

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 878.2	$ 946.3	$ 99.0	$ 1,045.3	(16.0)%
Net revenues	$ 959.8	$ 1,010.8	$ 106.1	$ 1,116.9	(14.1)%
Income from operations before impairment charges	$ 156.8	$ 327.9	$ 10.1	$ 338.0	(53.6)%
Impairment of intangible assets	(6.0)				N/M
Income from operations	$ 150.8	$ 327.9	$ 10.1	$ 338.0	(55.4)%
Operating margin before impairment charges	16.3%	32.4%	9.5%	30.3%	(14.0)pts

	Successor	Predecessor		Predecessor		Percentage Increase/(Decrease)	
(In millions)	Jan. 28, 2008 through Dec. 31, 2008	Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	2007	2006	08 vs. 07	07 vs. 06
Casino revenues	$ 1,252.7	$ 99.0	$ 1,351.7	$ 1,462.5	$ 1,351.4	(7.6)%	8.2%
Net revenues	$ 1,340.8	$ 106.1	$ 1,446.9	$ 1,538.7	$ 1,384.3	(6.0)%	11.2%
Income from operations before impairment charges	$ 357.2	$ 10.1	$ 367.3	$ 352.1	$ 254.1	4.3%	38.6%
Impairment of intangible assets	(328.9)		(328.9)		(20.7)	N/M	N/M
Income from operations	$ 28.3	$ 10.1	$ 38.4	$ 352.1	$ 233.4	(89.1)%	50.9%
Operating margin before impairment charges	26.6%	9.5%	25.4%	22.9%	18.4%	2.5pts	4.5pts

N/M = Not meaningful

Revenues for the nine months ended September 30, 2009, from our properties in Louisiana and Mississippi were lower compared to the same periods in 2008 driven by lower visitor volume due to the current economic environment. Included in income from operations for 2009 was a $6.0 million charge for impairment of goodwill of certain of the properties in the Louisiana/Mississippi region. Income from operations for the nine months ended September 30, 2008, included insurance proceeds of $185.4 million from the final settlement of claims related to the 2005 hurricanes. The proceeds are included in write-downs, reserves and recoveries in our 2008 consolidated condensed statement of operations. Excluding the insurance proceeds in 2008 from the comparison, operating margin for the Louisiana/Mississippi group of properties improved 2.6 percentage points as a result of cost savings initiatives.

Revenues for 2008 were lower than in 2007 due to declines in visitation, hurricane-related evacuations and temporary closures of our two Gulf Coast properties during third quarter and disruptions during the renovation at Harrah s Tunica (formerly Grand Casino Tunica). Income from operations included a charge of $328.9 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets, which was partially offset by insurance proceeds of $185.4 million that were in excess of the net book value of the impacted assets and costs and expenses that were reimbursed under our business interruption claims related to 2005 hurricane damage. All proceeds from claims related to the 2005 hurricanes have now been received. The insurance proceeds are included in write-downs, reserves and recoveries in our 2008 consolidated statement of operations.

Table of Contents

In May 2008, Grand Casino Resort in Tunica, Mississippi, was re-branded to Harrah s Tunica. In connection with the re-branding, renovations to the property costing approximately $30.3 million were completed.

Revenues from our operations in Louisiana and Mississippi in 2007 were higher than in 2006 due to contributions from Harrah s New Orleans and Grand Casino Biloxi, which were closed for a portion of 2006 due to damages caused by Hurricane Katrina. Income from operations for the years ended December 31, 2007 and 2006, included insurance proceeds of $130.3 million and $10.2 million, respectively, that were in excess of the net book value of the impacted assets and costs and expenses that were expected to be reimbursed under our business interruption claims. Income from operations was negatively impacted by increased promotional spending in the Tunica market and higher depreciation expense related to the 26-story, 450-room hotel at Harrah s New Orleans that opened in September 2006.

Construction began in third quarter 2007 on Margaritaville Casino & Resort in Biloxi. We have halted construction on this project, and will continue to review and refine the project in light of the current economic environment, market conditions on the Gulf Coast and the current financing environment. We license the Margaritaville name from an entity affiliated with the singer/songwriter Jimmy Buffett. As of September 30, 2009, $178.8 million had been spent on this project.

Grand Casino Gulfport was sold in March 2006, and Harrah s Lake Charles was sold in November 2006. Results of Grand Casino Gulfport and Harrah s Lake Charles, through their sales dates, are classified as discontinued operations and are, therefore, not included in our Louisiana/Mississippi grouping.

Iowa/Missouri Results

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 539.8	$ 503.9	$ 52.5	$ 556.4	(3.0)%
Net revenues	$ 577.1	$ 537.3	$ 55.8	$ 593.1	(2.7)%
Income from operations	$ 146.1	$ 112.8	$ 7.7	$ 120.5	21.2%
Operating margin	25.3%	21.0%	13.8%	20.3%	5.0pts

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/ (Decrease) 08 vs. 07	Percentage Increase/ (Decrease) 07 vs. 06
Casino revenues	$ 678.7	$ 52.5	$ 731.2	$ 764.1	$ 770.6	(4.3)%	(0.8)%
Net revenues	$ 727.0	$ 55.8	$ 782.8	$ 811.4	$ 809.7	(3.5)%	0.2%
Income from operations before impairment charges	$ 157.2	$ 7.7	$ 164.9	$ 143.6	$ 132.2	14.8%	8.6%
Impairment of intangible assets	(49.0)		(49.0)			N/M	N/M
Income from operations	$ 108.2	$ 7.7	$ 115.9	$ 143.6	$ 132.2	(19.3)%	8.6%
Operating margin before impairment charges	21.6%	13.8%	21.1%	17.7%	16.3%	3.4pts	1.4pts

N/M = Not meaningful

Table of Contents

Revenues for the first nine months of 2009 at our Iowa and Missouri properties were slightly lower compared to the same period in 2008, but income from operations was higher than in the prior year period due to cost savings initiatives.

Revenues at our Iowa and Missouri properties in 2008 were lower than in 2007, driven primarily by Harrah s St. Louis, where the opening of a new facility by a competitor impacted results. Income from operations for Iowa/Missouri included a charge of $49.0 million recorded in fourth quarter 2008 for the impairment of certain non-amortizing intangible assets. Partially offsetting the impairment were favorable results due to cost savings.

The increases in combined revenues and income from operations for 2007 were driven primarily by the capital improvements completed in March 2006 at Horseshoe Council Bluffs and higher operating margins at most properties in the group, driven by efficiencies and cost savings.

Illinois/Indiana Results

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 908.6	$ 810.1	$ 86.9	$ 897.0	1.3%
Net revenues	$ 901.1	$ 804.5	$ 85.5	$ 890.0	1.2%
Income from operations before impairment charges	$ 115.4	$ 91.3	$ 8.7	$ 100.0	15.4%
Impairment of intangible assets	(180.7)				N/M
(Loss)/income from operations	$ (65.3)	$ 91.3	$ 8.7	$ 100.0	N/M
Operating margin before impairment charges	12.8%	11.3%	10.2%	11.2%	1.6 pts

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/ (Decrease) 08 vs. 07	Percentage Increase/ (Decrease) 07 vs. 06
Casino revenues	$ 1,102.5	$ 86.9	$ 1,189.4	$ 1,330.8	$ 1,277.3	(10.6)%	4.2%
Net revenues	$ 1,098.7	$ 85.5	$ 1,184.2	$ 1,285.8	$ 1,239.5	(7.9)%	3.7%
Income from operations before impairment charges	$ 111.2	$ 8.7	$ 119.9	$ 195.7	$ 225.2	(38.7)%	(13.1)%
Impairment of intangible assets	(617.1)		(617.1)	(60.4)		N/M	N/M
(Loss)/income from operations	$ (505.9)	$ 8.7	$ (497.2)	$ 135.3	$ 225.2	N/M	(39.9)%
Operating margin before impairment charges	10.1%	10.2%	10.1%	15.2%	18.2%	(5.1)pts	(3.0)pts

N/M = Not meaningful

Higher revenues for the nine months ended September 30, 2009 compared to the 2008 period, were driven by the renovation and expansion at Horseshoe Hammond that opened in August 2008. Cost savings initiatives at properties in the region also contributed to the increase in income from operations before impairment charges in 2009. For the nine months ended September 30, 2009, the loss from operations included a $180.7 million charge

Table of Contents

for impairment of goodwill and non-amortizing intangible assets of certain of the Illinois/Indiana region properties and the write-down of the value of assets that were taken out of service at Horseshoe Hammond.

Revenues and income from operations in 2008 were lower than in 2007 due to reduced overall customer volumes and spend per trip, the imposition of a smoking ban in Illinois and heavy rains and flooding. Horseshoe Southern Indiana, formerly Caesars Indiana, was closed for four days in March 2008 due to flooding in the area. Combined revenues were boosted by the August opening of the $497.9 million renovation and expansion at Horseshoe Hammond, which included a two-level entertainment vessel including a 108,000-square-foot casino. Income from operations for Illinois/Indiana included a charge of $617.1 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets.

In July 2008, Caesars Indiana was re-branded to Horseshoe Southern Indiana. The re-branding and renovation project cost approximately $52.3 million.

Revenues from our properties in Illinois and Indiana in 2007 increased over 2006 revenues; however, income from operations was lower than the prior year due primarily to an impairment charge in 2007 related to certain intangible assets at Caesars Indiana. Our 2007 annual assessments for impairment of goodwill and other intangible assets that are not subject to amortization indicated that, based on the projected performance of Caesars Indiana, its intangible assets were impaired, and a charge of $60.4 million was taken in fourth quarter 2007. Also contributing to the decline in income from operations were increased real estate taxes in Indiana and a 3% tax assessed by Illinois against certain gaming operations in July 2006. Higher non-operating expenses in 2007 also impacted income from operations.

Other Nevada Results

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 289.1	$ 332.4	$ 30.2	$ 362.6	(20.3)%
Net revenues	$ 370.6	$ 419.0	$ 38.9	$ 457.9	(19.1)%
Income from operations	$ 48.5	$ 59.7	$ 0.5	$ 60.2	(19.4)%
Operating margin	13.1%	14.2%	1.3%	13.1%	pts

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Casino revenues	$ 425.4	$ 30.2	$ 455.6	$ 508.0	$ 511.0	(10.3)%	(0.6)%
Net revenues	$ 534.0	$ 38.9	$ 572.9	$ 632.4	$ 640.8	(9.4)%	(1.3)%
Income from operations before impairment charges	$ 62.6	$ 0.5	$ 63.1	$ 93.0	$ 107.7	(32.2)%	(13.6)%
Impairment of intangible assets	(318.5)		(318.5)			N/M	N/M
(Loss)/income from operations	$ (255.9)	$ 0.5	$ (255.4)	$ 93.0	$ 107.7	N/M	(13.6)%
Operating margin before impairment charges	11.7%	1.3%	11.0%	14.7%	16.8%	(3.7)pts	(2.1)pts

N/M = Not meaningful

Table of Contents

For the nine months ended September 30, 2009, revenues from our Nevada properties outside of Las Vegas were lower than in the first nine months of 2008 due to lower customer spend per trip. Despite lower revenues and income from operations in the first nine months of 2009 when compared to the same period of 2008, operating margin remained stable due to cost savings initiatives.

Revenues and income from operations from our Nevada properties outside of Las Vegas in 2008 were lower than in 2007 due to lower customer spend per trip, the opening of an expansion at a competing property in Reno and higher costs aimed at attracting and retaining customers. Income from operations was also impacted by a charge of $318.5 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets.

2007 revenues and income from operations from our Nevada properties outside of Las Vegas were lower than 2006 due to higher customer complimentary costs and lower unrated play and retail customer visitation. We define retail customers as Total Rewards customers who typically spend up to $50 per visit. Also contributing to the year-over-year declines were poor ski conditions in the Lake Tahoe market in the first quarter of 2007, a poor end to the spring ski season and fires in the Lake Tahoe area.

Managed, International and Other

(In millions)	Successor Period Nine Months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Revenues					
Managed	$ 29.9	$ 45.9	$ 5.0	$ 50.9	(41.3)%
International	308.5	275.9	51.2	327.1	(5.7)%
Other	54.0	52.7	3.2	55.9	(3.4)%
Total revenues	$ 392.4	$ 374.5	$ 59.4	$ 433.9	(9.6)%
Income/(loss) from operations					
Managed	$ 12.0	$ 18.3	$ 4.0	$ 22.3	(46.2)%
International	(36.7)	(65.2)	2.2	(63.0)	41.7%
Other	(129.6)	(66.6)	(6.5)	(73.1)	(77.3)%
Total loss from operations	$ (154.3)	$ (113.5)	$ (0.3)	$ (113.8)	(35.6)%

N/M = Not Meaningful

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Revenues							
Managed	$ 59.1	$ 5.0	$ 64.1	$ 81.5	$ 89.1	(21.3)%	(8.5)%
International	375.7	51.2	426.9	396.4	99.8	7.7%	N/M
Other	75.0	3.2	78.2	80.3	72.1	(2.6)%	11.4%
Total revenues	$ 509.8	$ 59.4	$ 569.2	$ 558.2	$ 261.0	2.0%	N/M

Income/(loss) from operations							
Managed	$ 22.1	$ 4.0	$ 26.1	$ 64.7	$ 72.1	(59.7)%	(10.3)%
International	(276.0)	2.2	(273.8)	(128.6)	12.8	N/M	N/M
Other	(799.1)	(6.5)	(805.6)	(94.4)	(261.0)	N/M	63.8%
Total loss from operations	$ (1,053.0)	$ (0.3)	$ (1,053.3)	$ (158.3)	$ (176.1)	N/M	10.1%

N/M = Not meaningful

Table of Contents

Managed, international and other results include income from our managed properties, results of our international properties, certain marketing and administrative expenses, including development costs, income from our non-consolidated affiliates, and our businesses related to the World Series of Poker® (WSOP) brand.

Managed

We manage three tribal casinos and have consulting arrangements with casino companies in Australia. The table below gives the location and expiration date of the current management contracts for our Indian properties as of September 30, 2009.

Casino	Location	Expiration of Management Agreement
Harrah s Ak-Chin	near Phoenix, Arizona	December 2009
Harrah s Rincon	near San Diego, California	November 2013
Harrah s Cherokee	Cherokee, North Carolina	November 2011

The decline in revenues for the nine months ended September 30, 2009 reflects the impact of the current economic environment on our managed properties.

Our 2008 results from managed properties were lower than in 2007 due to the termination of our contract with the Prairie Band Potawatomi Nation on June 30, 2007, the impact of the economy on our managed properties and a change in the fee structure at one of our managed properties.

Revenues from our managed casinos were lower in 2007 compared to 2006 due to the termination of our contract with the Prairie Band Potawatomi Nation on June 30, 2007.

International

The decline in revenues for the nine months ended September 30, 2009 reflects the impact of the current economic environment on our international properties; however, for the nine months ended September 30, 2009, loss from operations in our international businesses improved due to cost savings initiatives at our London Clubs properties.

International revenues were higher in 2008 than in 2007 due to the opening during 2008 of two new properties of London Clubs International Limited (London Clubs) and a full year of revenues from two properties that opened during 2007, partially offset by the impact of a new smoking ban enacted in mid-2007. Income from operations was unfavorably impacted by a charge of $210.8 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets, and London Clubs table game hold, higher gaming taxes imposed during 2007 and reserves for receivables due from a joint venture member that may not be collectible. The impairment charge and reserve for the receivable are included in write-downs, reserves and recoveries in our 2008 consolidated statement of operations. As of September 30, 2009, London Clubs owns or manages eleven casinos in the United Kingdom, two in Egypt and one in South Africa. As of December 31, 2008, London Clubs managed an additional property in Egypt. During 2009, the management contract expired.

In September 2007, we acquired Macau Orient Golf, located on 175 acres on Cotai adjacent to the Lotus Bridge, one of the two border crossings into Macau from China, and rights to a land concession contract for a total consideration of approximately $577.7 million. The government of Macau owns most of the land in Macau, and private interests are obtained through long-term leases and other grants of rights to use land from the government. The term of the land concession is 25 years from its inception in 2001, with rights to renew for additional periods until 2049. Annual rental payments are approximately $90,000 and are adjustable at five-year intervals. Macau Orient Golf is one of only two golf courses in Macau and is the only course that is semi-private. In December 2008, we announced plans for Caesars Macau Golf, a five-star golf lifestyle destination, the centerpieces of which will be a redesigned par-72 golf course and the establishment of Asia s first Butch Harmon School of Golf, the first of Harmon s flagship teaching facilities outside of the United States. The redevelopment

Table of Contents

includes expansion of the existing clubhouse into a 32,000 square-foot golf lifestyle boutique, meeting facilities and VIP entertainment suites. In addition, plans call for the clubhouse to feature a fine-dining restaurant operated by Macau s leading restaurateur, G&L Group.

In December 2006, we completed our acquisition of all of the ordinary shares of London Clubs, which, as of December 31, 2008, owned or managed eleven casinos in the United Kingdom, three in Egypt and one in South Africa. London Clubs results that were included in our consolidated financial statements were not material to our 2006 financial results.

In November 2005, we signed an agreement to develop a joint venture casino and hotel in the master-planned community of Ciudad Real, 118 miles south of Madrid, Spain, to develop and operate a Caesars branded casino and hotel within the project. The joint venture between a subsidiary of the Company and Nueva Compania de Casinos de El Reino de Don Quijote S.L.U. is owned 60% and 40%, respectively. Completion of this project is subject to a number of conditions.

In January 2007, we signed a joint venture agreement with a subsidiary of Baha Mar Resort Holdings Ltd. to create the Caribbean s largest single-phase destination in the Bahamas. The joint venture partners have also signed management agreements with subsidiaries of Starwood Hotels & Resorts Worldwide, Inc. The joint venture is 57% owned by a subsidiary of Baha Mar Resort Holdings Ltd. and 43% by a subsidiary of the Company. We have terminated our involvement with the Baha Mar development (See Litigation Related to Development.)

Other

Other results include certain marketing and administrative expenses, including development costs, results from our businesses related to the World Series of Poker brand, and income from nonconsolidated subsidiaries. Other losses from operations for the nine months ended September 30, 2009 were unfavorably impacted by a charge of $129.5 million for the impairment of certain non-amortizing intangible assets.

In 2008, income from operations was impacted by a charge of $686.0 million for the impairment of certain non-amortizing intangible assets and a charge of $14.4 million to recognize the remaining exposure under a lease agreement for office space no longer utilized by the Company.

The favorable results in 2007 versus the prior year were due to lower development costs in 2007.

Other Factors Affecting Net Income

(In millions)	**Successor Nine months Ended Sept. 30, 2009**	**Successor Period Jan. 28, 2008 through Sept. 30, 2008**	**Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008**	**Combined Nine Months Ended Sept. 30, 2008**	**Percentage Increase/ (Decrease)**
Expense/(income)					
Corporate expense	$ 111.7	$ 95.9	$ 8.5	$ 104.4	7.0%
Acquisition and integration costs	0.3	23.1	125.6	148.7	(99.8)%
Amortization of intangible assets	131.7	119.2	5.5	124.7	5.6%
Interest expense, net	1,404.7	1,469.4	89.7	1,559.1	(9.9)%
(Gains)/loss on early extinguishments of debt	(4,279.2)	203.9		203.9	N/M
Other income	(23.2)	(18.7)	(1.1)	(19.8)	17.2%
Provision/(benefit) for income taxes	1,590.8	(147.7)	(26.0)	(173.7)	N/M
Effective tax rate provision/(benefit)	74.4%	(27.1)%	(20.7)%	(25.9)%	N/M
Income attributable to non-controlling interests	16.1	6.2	1.6	7.8	N/M
Loss/(income) from discontinued operations, net of income taxes	0.3	(88.4)	(0.1)	(88.5)	N/M

N/M = Not Meaningful

Table of Contents

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Expense/income							
Corporate expense	$ 131.8	$ 8.5	$ 140.3	$ 138.1	$ 177.5	1.6%	(22.2)%
Acquisition and integration costs	24.0	125.6	149.6	13.4	37.0	N/M	(63.8)%
Amortization of intangible assets	162.9	5.5	168.4	73.5	70.7	N/M	4.0%
Interest expense, net	2,074.9	89.7	2,164.6	800.8	670.5	N/M	19.4%
(Gains)/losses on early extinguishments of debt	(742.1)		(742.1)	2.0	62.0	N/M	N/M
Other income	(35.2)	(1.1)	(36.3)	(43.3)	(10.7)	(16.2)%	N/M
Effective tax rate	(6.5)%	(20.7)%	(6.8)%	39.2%	35.4%	(46.0)pts	3.8pts
Income attributable to non-controlling interests	$ 12.0	$ 1.6	$ 13.6	$ 15.2	$ 15.3	(10.5)%	(0.7)%
Loss/(income) from discontinued operations, net of income taxes	(90.4)	(0.1)	(90.5)	(92.2)	(11.9)	(1.8)%	N/M

N/M = Not meaningful

Corporate expense increased in the first nine months of 2009 from the same periods in the prior year due to expenses related to the debt exchange offer and other advisory services, partially offset by the continued realization of cost savings initiatives that began in the third quarter of 2008.

Corporate expense was higher in 2008 than in 2007 due to a monitoring fee paid to affiliates of Apollo and TPG in periods subsequent to the Acquisition and is partially offset by the continued realization of cost savings and efficiencies identified in an on-going project that began in September 2006.

In 2007, Corporate expense decreased from the prior year due to allocation of stock-based compensation expense to the applicable reporting unit and implementation of cost savings and efficiencies, which were identified in a project that began in September 2006 and continued through 2007.

Corporate expense for each year presented includes the impact of the implementation of ASC 718 (formerly SFAS No. 123(R)), Share-Based Payment, in first quarter 2006. Our 2008, 2007 and 2006 financial results include $18.7 million, $53.0 million and $52.8 million, respectively, in expense due to the implementation of ASC 718. 2006 also includes incremental corporate expense arising from the 2005 acquisition of Caesars Entertainment and the cost of transforming our corporate centers to manage the combined company.

Acquisition and integration costs in 2008 include costs incurred in connection with the Acquisition, including the expense related to the accelerated vesting of employee stock options, SARs and restricted stock. 2007 costs also related to the Acquisition. 2006 Acquisition and integration costs includes costs in connection with the review of certain strategic matters by the special committee appointed by our Board of Directors and costs for consultants and dedicated internal resources executing the plans for the integration of Caesars into Harrah s Entertainment.

Amortization of intangible assets was slightly higher in the nine months ended September 30, 2009 than in the same nine-month period last year due to finalization of the purchase price allocation in connection with the Acquisition. Until the finalization of the purchase price allocation in the fourth quarter of 2008, amortization was estimated based on a preliminary purchase price allocation.

Amortization of intangible assets was higher in 2008 due to higher amortization of intangible assets identified in the purchase price allocation in connection with the Acquisition. Higher amortization of intangible assets in 2007 versus 2006 was due primarily to amortization of intangible assets related to London Clubs.

Interest expense declined in the first nine months of 2009 compared to the same period in 2008 primarily due to lower debt levels resulting from debt exchanges completed in April 2009 and December 2008 and debt purchases on the open market in 2009. Interest expense for the nine months ended September 30, 2008 included losses resulting from changes in the fair value of our interest rate swap agreements prior to their designation as hedging instruments.

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 $6.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, for the next twelve months, a hypothetical 1% increase in corresponding interest rates would change interest expense for the next twelve months at September 30, 2009 and at December 31, 2008, by approximately $67.0 million and $81.9 million, respectively. At September 30, 2009, the three-month USD LIBOR rate was 0.298%. A hypothetical reduction of this rate to 0% would decrease interest expense for the next twelve months by approximately $22.5 million. At September 30, 2009, our variable-rate debt, excluding $6.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, represents approximately 34.4% of our total debt, while our fixed-rate debt is approximately 65.6% of our total debt. In addition to the swap agreements, we have an interest rate cap agreement for a notional amount of $6.5 billion at a LIBOR cap rate of 4.5%.

Interest expense increased in 2008 from 2007 primarily due to increased borrowings in connection with the Acquisition. Also included in interest expense in 2008 is a charge of $104.3 million representing the changes in the fair values of our derivative instruments. Interest expense for 2007 included $45.4 million representing the losses from the change in the fair values of our interest rate swap agreements. At December 31, 2008, our variable-rate debt, excluding $6.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, represents approximately 35.3% of our total debt, while our fixed-rate debt is approximately 64.7% of our total debt.

Included in 2006 interest expense is $3.6 million to adjust the liability to market value of interest rate swap agreements that were terminated during the first quarter of 2006. (For discussion of our interest rate swap agreements, see Management s Discussion and Analysis of Financial Condition and Results of Operations Debt and Liquidity, Derivative Instruments.)

Gains on early extinguishments of debt in the nine months ended September 30, 2009 represent discounts related to the exchange of certain outstanding debt for new debt in the second quarter of 2009 and purchases of certain of our debt in the open market during the first nine months of 2009. Losses on early extinguishments of debt in the nine months ended September 30, 2008 represented premiums paid and the write-offs of unamortized deferred financing costs and market value premiums related to debt retired in connection with the Acquisition.

Gains on early extinguishments of debt in 2008 represent discounts related to the exchange of certain debt for new debt and purchases of certain of our debt in connection with the exchange offer and in the open market. The gains were partially offset by the write-off of market value premiums and unamortized deferred financing costs. Losses on early extinguishments of debt in 2007 and 2006 represent premiums paid and the write-offs of unamortized deferred financing costs. The charges in 2007 were incurred in connection with the retirement of a $120.1 million credit facility of London Clubs. 2006 losses were associated with the June 2006 retirement of portions of our 7.5% Senior Notes due in January 2009 and our 8.0% Senior Notes due in February 2011.

Other income for all periods presented included interest income on the cash surrender value of life insurance policies. Other income for the nine months ended September 30, 2009 and for the period from January 28, 2008 through December 31, 2008 and for the period from January 1, 2008 through January 27, 2008 included the receipt of insurance proceeds related to the Company s deferred compensation plan. Other income in 2007 and 2006 included gains on the sales of corporate assets.

Table of Contents

The effective tax rate for the nine months ended September 30, 2009 is higher than the federal statutory rate due primarily to permanent book/tax differences, state income taxes and the non-deductibility of the goodwill impairment charges. In 2008, tax benefits were generated by operating losses caused by higher interest expense, partially offset by non-deductible merger costs, international income taxes and state income taxes. In 2007 and 2006, the effective tax rates are higher than the federal statutory rate due primarily to state income taxes. Our 2007 effective tax rate was increased by the recording of a valuation allowance against certain foreign net operating losses. The effective tax rate in 2006 was impacted by provision-to-return adjustments and adjustments to income tax reserves resulting from settlement of outstanding tax issues.

Non-controlling interests reflect minority owners shares of income from our majority-owned subsidiaries.

Discontinued operations for 2008 reflects 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 and expenses that were reimbursed under our business interruption claims for Grand Casino Gulfport. 2007 Discontinued operations reflected 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 sale agreements, we retained all insurance proceeds related to those properties. Discontinued operations for 2006 also included Reno Hilton, Flamingo Laughlin, Harrah s Lake Charles and Grand Casino Gulfport, all of which were sold in 2006. 2006 Discontinued operations reflect the results of Harrah s Lake Charles, Grand Casino Gulfport, Reno Hilton and Flamingo Laughlin through their respective sales dates and include any gain/loss on the sales (See Notes 15 and 16 to our audited consolidated financial statements as of December 31, 2008 included elsewhere in this prospectus.)

Cost Savings Initiatives

In light of the severe economic downturn and adverse conditions in the travel and leisure industry generally, Harrah s Entertainment has undertaken a comprehensive cost reduction effort to right-size expenses with business levels. Beginning in August 2008, the program includes organizational restructurings at our corporate and property operations, reduction of travel and entertainment expenses, an examination of our corporate-wide marketing expenses, and headcount reductions at property operations and corporate offices. To date, Harrah s Entertainment has identified $555.0 million in estimated cost savings from these initiatives, of which approximately $368.3 million had been realized in the trailing twelve months ending September 30, 2009. Harrah s Entertainment expects to implement most of the program directives, and achieve approximately $517.0 million in annual savings on a run-rate basis, by the end of 2009.

Capital Spending and Development

In addition to the development and expansion projects discussed in the Operating Results section, we also perform on-going refurbishment and maintenance at our casino entertainment facilities to maintain our quality standards, and we continue to pursue development and acquisition opportunities for additional casino entertainment facilities that meet our strategic and return on investment criteria. Prior to the receipt of necessary regulatory approvals, the costs of pursuing development projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Project opening costs are expensed as incurred.

Our planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. We must also comply with covenants and restrictions set forth in our debt agreements. Cash needed to finance projects currently under development as well as additional projects being pursued is expected to be made available from operating cash flows, established debt programs (see Debt and Liquidity), joint venture partners, specific project financing, guarantees of third-party debt and additional debt offerings. Our capital spending for the first nine months of 2009 totaled approximately $411.9 million. Estimated total capital expenditures for 2009 are expected to be between $445 million and $520 million.

Our capital spending for 2008 totaled approximately $1.3 billion. Capital spending in 2007 totaled approximately $1.5 billion, excluding our acquisitions of a golf course in Macau and Bill s Gamblin Hall and Saloon. 2006 capital spending was approximately $2.5 billion, excluding the cost of our acquisition of London Clubs.

Debt and Liquidity

We generate substantial cash flows from operating activities, as reflected on the Consolidated Statements of Cash Flows in our audited consolidated financial statements as of December 31, 2008, and in our unaudited condensed consolidated financial statements as of September 30, 2009. We use the cash flows generated by our operations to fund debt service, to reinvest in existing properties for both refurbishment and expansion projects, to pursue additional growth opportunities via new development and, prior to the closing of the Acquisition, to return capital to our stockholders in the form of dividends. When necessary, we supplement the cash flows generated by our operations with funds provided by financing activities to balance our cash requirements. Our ability to fund our operations, pay our debt obligations and fund planned capital expenditures depends, in part, on economic and other factors that are beyond our control, and recent disruptions in capital markets and restrictive covenants related to our existing debt could impact our ability to secure additional funds through financing activities. We cannot assure you that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us to fund our liquidity needs and pay our indebtedness. If we are unable to meet our liquidity needs or pay our indebtedness when it is due, we may have to reduce or delay refurbishment and expansion projects, reduce expenses, sell assets or attempt to restructure our debt. In addition, we have pledged a significant portion of our assets as collateral under certain of our debt agreements, and if any of those lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

Our cash and cash equivalents totaled approximately $948.2 million at September 30, 2009. Our cash and cash equivalents totaled $650.5 million at December 31, 2008, compared to $710.0 million at December 31, 2007.

Table of Contents

Our consolidated condensed statements of cash flows included elsewhere in this prospectus reflect the impact on our consolidated operations of the success of our marketing programs and on-going cost containment focus and, in 2008 and 2009, the impact of current economic conditions. For the first nine months of 2009, we reported cash flows provided by operating activities of $397.6 million compared to $668.0 million in the first nine months of 2008. The following provides a summary of our cash flows for the years ended December 31, 2008, 2007 and 2006.

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006
Cash provided by operating activities	$ 522.1	$ 7.2	$ 529.3	$ 1,508.8	$ 1,539.6
Capital investments	(1,181.4)	(125.6)	(1,307.0)	(1,376.7)	(2,500.1)
Payments for business acquisitions		0.1	0.1	(584.3)	(562.5)
Proceeds from sales of discontinued operations					457.3
Insurance proceeds for hurricane losses for continuing operations	98.1		98.1	15.7	124.9
Insurance proceeds for hurricane losses for discontinued operations	83.3		83.3	13.4	174.7
Payment for Acquisition	(17,490.2)		(17,490.2)		
Other investing activities	(24.0)	1.4	(22.6)	8.3	62.0
Cash used in operating/investing activities	(17,992.1)	(116.9)	(18,109.0)	(414.8)	(704.1)
Cash provided by financing activities	18,027.0	17.3	18,044.3	236.5	764.8
Cash provided by discontinued operations	4.7	0.5	5.2	88.7	14.5
Net increase/(decrease) in cash and cash equivalents	$ 39.6	$ (99.1)	$ (59.5)	$ (89.6)	$ 75.2

We believe that our cash and cash equivalents balance, our cash flows from operations and the financing sources discussed herein will be sufficient to meet our normal operating requirements during the next twelve months and to fund capital expenditures. In addition, we may consider issuing additional debt in the future to refinance existing debt or to finance specific capital projects. In connection with the Acquisition, we incurred substantial additional debt, which has significantly changed our financial position.

The majority of our debt is due after 2010. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows and from borrowings under our established debt programs. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, joint venture partners or, if necessary, additional debt offerings.

A substantial portion of the financing of the Company is comprised of credit facility and notes financing obtained by Harrah s Operating Company, Inc (HOC), a wholly owned subsidiary of Harrah s Entertainment. This financing is neither secured nor guaranteed by Harrah s Entertainment s other direct, wholly owned subsidiaries, including certain subsidiaries that own properties that are security for $6.5 billion of commercial mortgage-backed securities (CMBS).

Table of Contents

Long-term debt consisted of the following as of September 30, 2009 and December 31, 2008 (in millions):

	September 30, 2009			December 31, 2008
	HOC and Subsidiaries	Other Subsidiaries of HET	Total HET	Total HET
Credit facilities				
Term loans, 3.5% 3.6% at September 30, 2009, maturities to 2015	$ 5,840.1	$	$ 5,840.1	$ 7,195.6
Revolving credit facility, 3.25% 3.5% at September 30, 2009, maturities to 2014	804.9		804.9	533.0
Subsidiary-guaranteed debt				
10.75% Senior Notes due 2016, including senior interim loans(1)	478.6		478.6	4,542.7
10.75%/11.5% Senior PIK Toggle Notes due 2018, including senior interim loans(1)	9.4		9.4	1,150.0
Secured Debt				
CMBS financing, 4.2% at December 31, 2008, maturity 2013		6,500.0	6,500.0	6,500.0
11.25% Senior Secured Notes, maturity 2017	2,044.3		2,044.3	
10.0% Second-Priority Senior Secured Notes, maturity 2018	1,943.6		1,943.6	542.7
10.0% Second-Priority Senior Secured Notes, maturity 2015	149.3		149.3	144.0
6.0%, maturity 2010	25.0		25.0	25.0
Senior Secured loan, 12.375% at September 30, 2009, maturity 2016	216.8		216.8	
4.375% 5.75%, maturities to 2035 at September 30, 2009	2.0		2.0	1.1
Unsecured Senior Notes				
7.5%, maturity 2009				6.0
5.5%, maturity 2010	219.7		219.7	321.5
8.0%, maturity 2011	30.9		30.9	47.4
5.375%, maturity 2013	94.1		94.1	200.6
7.0%, maturity 2013	0.7		0.7	0.7
5.625%, maturity 2015	550.2	(234.9)	315.3	578.1
6.5%, maturity 2016	396.2	(146.9)	249.3	436.7
5.75%, maturity 2017	339.2	(193.7)	145.5	372.7
Floating Rate Contingent Convertible Senior Notes, maturity 2024	0.2		0.2	0.2
Unsecured Senior Subordinated Notes				
7.875%, maturity 2010	159.6		159.6	287.0
8.125%, maturity 2011	15.2		15.2	216.8
Other Unsecured Borrowings				
5.3% special improvement district bonds, maturity 2037	68.4		68.4	69.7
Other, various maturities	18.2		18.2	24.9
Capitalized Lease Obligations				
6.42% 9.8%, maturities to 2011	11.2	0.1	11.3	12.5
Total debt, net of unamortized discounts of $3,123.9 and premiums of $0.1	13,417.8	5,924.6	19,342.4	23,208.9
Current portion of long-term debt	(48.8)	(0.2)	(49.0)	(85.6)
Total long-term debt	$ 13,369.0	$ 5,924.4	$ 19,293.4	$ 23,123.3

(1) In connection with the exchange offer discussed below, the senior interim loans are no longer outstanding.

At September 30, 2009, $162.0 million, face amount, of our 7.875% Senior Subordinated Notes due March 15, 2010, $228.6 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.

Table of Contents

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 as of September 30, 2009. The Company used the cash savings generated by this election for general corporate purposes, including the early retirement of other debt.

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[(a)]	5,275.0
10.75%/11.5% Senior PIK Toggle Notes due 2018[(b)]	1,500.0
CMBS financing	6,500.0

(a) includes senior unsecured cash pay interim loans of $342.6 million
(b) includes senior unsecured PIK toggle interim loans of $97.4 million

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

Subsequent to the Acquisition, the following debt was retired through purchase or exchange during 2008 and the first nine months of 2009:

Debt Extinguished	**Face Value (in millions)**
5.5% Senior Notes due 2010	$ 529.4
7.875% Senior Subordinated Notes due 2010	240.4
8.125% Senior Subordinated Notes due 2011	339.5
10.75% Senior PIK Toggle Notes due 2018	1,553.9
10.75% Senior Notes due 2016	4,796.4
8.0% Senior Notes due 2011	39.2
5.375% Senior Notes due 2013	374.8
5.75% Senior Notes due 2017	512.1
5.625% Senior Notes due 2015	548.2
6.5% Senior Notes due 2016	390.0

Included in the table above is approximately $2.2 billion, face amount, of HOC s debt that was retired in connection with private exchange offers in December 2008. Retired notes, maturing between 2010 and 2013, were exchanged for new 10.0% Second-Priority Senior Secured Notes due 2015 in the 2008 exchange offer, and retired notes maturing between 2015 and 2018 were exchanged for new 10.0% Second-Priority Senior Secured

Table of Contents

Notes due 2018 in the December 2008 exchange offer, as reflected in the table below. Approximately $448 million, face amount, of the retired notes maturing between 2010 and 2011 and participating in the December 2008 exchange offers elected to receive cash of approximately $289 million in lieu of new notes.

On April 15, 2009, HOC completed private exchange offers to exchange approximately $3.6 billion aggregate principal amount of new 10.0% Second-Priority Senior Secured Notes due 2018 for approximately $5.4 billion 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 $97 million to purchase for cash certain notes of HOC with an aggregate principal amount of approximately $523 million maturing between 2015 and 2017. The notes purchased pursuant to this tender offer will remain outstanding for HOC but will 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 million aggregate principal amount from retail holders that were not eligible to participate in the exchange offers.

As a result of the 2009 exchange and tender offers, we recorded a pretax gain in 2009 of approximately $4.0 billion arising from this early extinguishment of debt. 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.

On June 3, 2009, HOC entered into an amendment and waiver to its credit agreement to, among other things: (i) allow for one or more future issuances of additional secured notes or loans, including the $1.375 billion and $720 million of first lien notes both of which are discussed below, which may include, in each case, indebtedness secured on a pari passu basis with the obligations under its senior secured credit facilities, so long as, in each case, among other things, an agreed amount of the net cash proceeds from any such issuance are used to prepay term loans and revolving loans under such senior secured credit facilities at par; (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 billion of net proceeds (provided that the aggregate face amount of all such notes shall not collectively exceed $2.2 billion) and (b) up to $250 million aggregate principal amount of consolidated debt of subsidiaries that are not wholly owned subsidiaries; (iii) subject to specified procedures, allow HOC to buyback 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 billion 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 terms loan and revolving loans under its senior secured credit facilities, of which approximately $0.2 billion was used to permanently reduce commitments under the revolving credit facility and approximately $0.8 billion was used to reduce amounts due on the term loan.

On September 11, 2009, HOC completed the Additional First Lien Notes Offering in the aggregate amount of $720 million of the Additional First Lien Notes. Harrah s Entertainment used the net proceeds from the private offering to repay a portion of Harrah s Entertainment s existing term loan and revolving credit indebtedness under HOC s senior secured credit facilities, of which approximately $138 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.

The following debt was issued in connection with our debt exchanges in December 2008 and April 2009 and our First Lien Notes offerings in June and September 2009:

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
10.0% Second-Priority Senior Secured Notes due 2018	3,705.5
11.25% Senior Secured Notes due 2017	2,095.0

On October 22, 2009, HOC completed the 2010/2011 Tender Offers for certain of its outstanding debt securities with maturities in 2010 and 2011. HOC purchased $4.5 million of its 5.500% senior notes due 2010, $17.2 million of its 7.875% senior subordinated notes due 2010, $19.6 million of its 8.000% senior notes due 2011 and $4.2 million of its 8.125% senior subordinated notes due 2011 for an aggregate consideration of approximately $44.5 million. In connection with the 2010/2011 Tender Offers, HOC borrowed $1 billion 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.

Open Market Repurchases and Other Retirements

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.

The table below summarizes the open market purchase activity and exchange offers for the quarter and nine months ended September 30, 2009:

(In millions)	**Quarter ended September 30, 2009**	**Nine months ended September 30, 2009**
Face value of HOC Open Market Purchases:		
5.50% due 7/01/2010	$ 11.0	$ 31.0
7.875% due 3/15/2010	75.9	92.9
8.00% due 02/01/2011	0.1	18.1
8.125% due 05/15/2011	121.3	174.0
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	208.3	999.2
Cash paid for open market purchases	200.1	579.2
Net cash gain on purchases	$ 8.2	$ 420.0

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, 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.

Senior Secured Credit Facility

Overview. As of September 30, 2009, HOC s senior secured credit facilities (the Credit Facilities) provide for senior secured financing of up to $7.47 billion, consisting of (i) senior secured term loan facilities in an aggregate principal amount of up to $5.84 billion maturing on January 28, 2015 and (ii) a senior secured revolving credit facility in an aggregate principal amount of $1.63 billion, maturing January 28, 2014, including both a letter of credit sub-facility and a swingline loan sub-facility. During the second quarter of 2009, the term loans were reduced by approximately $0.8 billion and the revolving credit facility was reduced by approximately $0.2 billion as a result of debt retirements, and the mandatory quarterly payment obligation on the term loans decreased from $18.125 million to $5.0 million. During the third quarter of 2009, the term loans were permanently reduced by approximately $0.5 billion and the revolving credit facility was permanently reduced by approximately $0.1 billion as a result of debt retirements. In October 2009, we completed an incremental amendment to the Credit Facilities and funded $1 billion of the Incremental Loans maturing on October 31, 2016. A total of $6.6 billion in borrowings were outstanding under the Credit Facilities as of September 30, 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, $663 million of additional borrowing capacity was available to the Company under the Credit Facilities as of September 30, 2009. The Credit Facilities also allow us to request one or more incremental term loan facilities and/or increase commitments under our revolving facility in an aggregate amount of up to $750 million, subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders.

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.

Proceeds from the term loan drawn on the closing date were used to repay extinguished debt in the table above and pay expenses related to the Acquisition. Proceeds of the revolving loan draws, swingline and letters of credit are used for working capital and general corporate purposes. Proceeds from the Incremental Loans were used to refinance or retire existing debt and to provide additional liquidity.

Interest Rates and Fees. Borrowings under the Credit Facilities (other than 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. The Incremental Loans bear interest at a rate equal to the greater of the then current LIBOR rate subject to a 2.00% floor or at a rate equal to the alternate base rate, in each case plus an applicable margin. In addition, on a quarterly basis, we are required to pay each lender (i) a commitment fee in respect of any unused commitments 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 September 30, 2009, the Credit Facilities bore interest at LIBOR plus 300 basis points for the term loans and a portion of the revolver loan and at the alternate base rate plus 200 basis points for the remainder of the revolver loan and bore a commitment fee for unborrowed amounts of 50 basis points.

Table of Contents

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 Las Vegas Imperial Palace Bill s Gamblin Hall	Bally s Atlantic City Caesars Atlantic City Showboat Atlantic City	Harrah s New Orleans (Hotel only) Harrah s Louisiana Downs Horseshoe Bossier City Harrah s Tunica Horseshoe Tunica Sheraton Tunica	Harrah s St. Louis Harrah s Council Bluffs Horseshoe Council Bluffs/ Bluffs Run
Illinois/Indiana	**Other Nevada**		
Horseshoe Southern Indiana Harrah s Metropolis Horseshoe Hammond	Harrah s Reno Harrah s Lake Tahoe Harveys Lake Tahoe Bill s Lake Tahoe		

Additionally, certain undeveloped land in Las Vegas also is mortgaged.

Restrictive Covenants and Other Matters. The Credit Facilities require, after an initial grace period, 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.

Other Financing Transactions

In August 2009, Chester Downs and Marina LLC (Chester Downs), a majority-owned subsidiary of HOC, entered into an agreement to borrow under a senior secured term loan in the amount of $230 million and borrowed such amount. 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. HOC currently owns 95% of Chester Downs.

Certain covenants contained in HOC s credit agreement require the maintenance of a senior 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 amendment and waiver to our credit agreement excludes from the Senior Secured Leverage Ratio (a) notes secured with a first priority lien on the assets of HOC and its subsidiaries that secure the senior secured credit facilities (including the $1.375 billion senior secured notes issued June 15, 2009 and the $720 million first lien notes issued September 11, 2009) that collectively result in up to $2 billion in net proceeds (provided that the aggregate face amount of all notes shall not exceed $2.2 billion) 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 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.

We believe we are in compliance with HOC s credit agreement and indentures, including the Senior Secured Leverage Ratio, as of September 30, 2009. If our LTM Adjusted EBITDA were to decline significantly from the level achieved through September 30, 2009, it could cause us to exceed the Senior Secured Leverage Ratio and could be an Event of Default under HOC s credit agreement. However, we could implement certain actions in an effort to minimize the possibility of a breach of the Senior Secured Leverage Ratio, including reducing payroll and other operating costs, deferring or eliminating certain maintenance, delaying or deferring capital expenditures, or selling assets. In addition, under certain circumstances, our credit agreement allows us to apply the cash contributions received by HOC as a capital contribution to cure covenant breaches. However, there is no guarantee that such contributions will be able to be secured.

10.75% Senior Notes and 10.75%/11.5% Senior PIK Toggle Notes

On January 28, 2008, HOC entered into a Senior Interim Loan Agreement for $6.775 billion, consisting of $5.275 billion Senior Interim Cash Pay Loans and $1.5 billion Interim Toggle Loans. On February 1, 2008, $4,932.4 million of the Senior Interim Cash Pay Loans and $1,402.6 million of the Interim Toggle Loans were repaid, and $4,932.4 million of 10.75% Senior Notes due 2016 and $1,402.6 million of 10.75%/11.5% Senior Toggle Notes due 2018 were issued. In connection with the private exchange offers in April 2009, HOC exchanged second lien notes and paid cash for $3,456.6 million in aggregate principal amount at maturity of the 10.75% Senior Notes due 2016 and $1,104.2 million in aggregate principal amount at maturity of the 10.75%/11.5% Senior Toggle Notes due 2018, of which $478.5 million and $8.9 million currently remain outstanding, respectively.

10.0% Second-Priority Senior Secured Notes

On December 24, 2008, HOC issued Original 2015 Second Lien Notes in an aggregate principal amount of $214.8 million and Original 2018(1) Second Lien Notes in an aggregate principal amount of $847.6 million, which will mature on December 15, 2015 and December 15, 2018, respectively. On April 15, 2009, HOC issued Original 2018(2) Second Lien Notes in an aggregate principal amount of $3.705 billion, which will mature on December 15, 2018. The Original Second Lien Notes bear interest at a rate of 10.0% per annum, payable semiannually to holders of record at the close of business on June 1 or December 1 immediately preceding the interest payment date on June 15 and December 15 of each year. The Original Second Lien 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 facility.

11.25% Senior Secured Notes due 2017

On June 10, 2009, HOC assumed Original First Lien Notes in an aggregate principal amount of $1.375 billion from Harrah s Operating Escrow LLC and Harrah s Escrow Corporation, each a wholly owned, unrestricted subsidiary of HOC. On September 11, 2009, HOC completed an offering of an aggregate principal amount of $720 million of additional First Lien Notes. The First Lien Notes mature on June 1, 2017 and bear interest at a rate of 11 $^{1}/4$% per annum, payable semiannually to holders of record at the close of business on

Table of Contents

May 15 or November 15 immediately preceding the interest payment date on and of each year. The First Lien Notes are secured by a first priority security interest in substantially all of HOC s and its subsidiary s property and assets that secure the senior secured credit facility.

Commercial Mortgaged-Backed Securities (CMBS) Financing

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 $6.5 billion of mortgage loans and/or related mezzanine financing and/or real estate term 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.

On October 22, 2009, Harrah s Entertainment entered into purchase and sale agreements with certain lenders to acquire mezzanine loans under its commercial mortgage-backed securities financing. Harrah s Entertainment will purchase these loans using up to an aggregate amount of $250 million of cash, at a purchase price of between 25 and 30 cents per $1.00 principal amount of such loans, depending on certain circumstances. Any loan purchased by Harrah s Entertainment in such purchases will be cancelled.

Derivative Instruments

We account for derivative instruments in accordance with ASC 815 (formerly SFAS No. 133 Accounting for Derivatives and Hedging Instruments), which requires that all derivative instruments be recognized in the financial statements at fair value. Any changes in fair value are recorded in the income statement or in other comprehensive income, depending on whether 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 the Company, if the derivative is a liability.

Table of Contents

We use interest rate swap agreements to manage the mix of our debt between fixed and variable rate instruments. As of September 30, 2009, we have 10 interest rate swap agreements for notional amounts totaling $6.5 billion. 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 agreement will have a corresponding effect on future cash flows. The major terms of the interest rate swap agreements are as follows:

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received as of September 30, 2009	Next Reset Date	Maturity Date
April 25, 2007	$ 200	4.898%	0.504%	October 26, 2009	April 25, 2011
April 25, 2007	200	4.896%	0.504%	October 26, 2009	April 25, 2011
April 25, 2007	200	4.925%	0.504%	October 26, 2009	April 25, 2011
April 25, 2007	200	4.917%	0.504%	October 26, 2009	April 25, 2011
April 25, 2007	200	4.907%	0.504%	October 26, 2009	April 25, 2011
September 26, 2007	250	4.809%	0.504%	October 26, 2009	April 25, 2011
September 26, 2007	250	4.775%	0.504%	October 26, 2009	April 25, 2011
April 25, 2008	2,000	4.276%	0.504%	October 26, 2009	April 25, 2013
April 25, 2008	2,000	4.263%	0.504%	October 26, 2009	April 25, 2013
April 25, 2008	1,000	4.172%	0.504%	October 26, 2009	April 25, 2012

Until February 15, 2008, none of our interest rate swap agreements were designated as hedging instruments; therefore, gains or losses resulting from changes in the fair value of the swaps were recognized in earnings in the period of the change. On February 15, 2008, eight of our interest rate swap agreements for notional amounts totaling $3.5 billion were designated as hedging instruments, and on April 1, 2008, the remaining swap agreements were designated as hedging instruments. At September 30, 2009, we removed the cash flow hedge designation for the $1.0 billion swap thus reducing the total notional amount on interest rate swaps designated as cash flow hedging instruments to $5.5 billion. Upon designation as cash flow hedging instruments, only any measured ineffectiveness is recognized in earnings in the period of change. Interest rate swap agreements increased our 2008 and 2007 interest expense by $161.9 million and $44.0 million, respectively. There was no measured ineffectiveness recognized in earnings for the nine months ended September 30, 2009, compared with a net charge of $54.6 million for the nine months ended September 30, 2008, due to changes in the fair values of swap agreements. Due to current interest rate levels, interest rates swap agreements increased interest expense $147.6 million for the nine months ended September 30, 2009, compared to $50.4 million for the nine months ended September 30, 2008. The variable rate did not materially change as a result of the October 26, 2009, reset.

Additionally, 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 $6.5 billion at a LIBOR cap rate of 4.5%. The interest rate cap was designated as a hedging instrument on May 1, 2008. For the year ended December 31, 2008, a net charge of $19.9 million, is included in Interest expense in our Consolidated Condensed Statement of Operations. The change in the fair value of the interest rate cap did not impact interest expense for the nine months ended September 30, 2009, whereas, for the nine months ended September 30, 2008, a net charge of $12.2 million, representing the change in the fair value, is included in interest expense in our unaudited consolidated condensed statement of operations for the nine months ended September 30, 2008 included elsewhere in this prospectus.

Subsequent to the end of the third quarter 2009, on October 15, 2009, we borrowed $1 billion under the Incremental Facility Amendment 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 have a sufficient amount of outstanding debt under the same terms as our interest rate swap agreements to support hedge accounting treatment for the full $6.5

Table of Contents

billion in interest rate swaps. As previously discussed, we have removed the cash flow hedge designation and discontinued hedge accounting for the last hedge we executed, specifically the $1 billion hedge entered into on April 25, 2008. At September 30, 2009, $22.8 million of existing deferred losses related to this interest rate swap agreement is included in accumulated other comprehensive income on our consolidated condensed balance sheet. Beginning October 1, 2009, these deferred losses will be amortized into income over the original remaining term of the hedged forecasted transactions that are still considered to be probable of occurring. Therefore, we will record $8.7 million as an increase to interest expense and other comprehensive income over the next 12 months. Any future changes in fair value of the interest rate swap will be recognized in earnings during the period in which the changes in value occur.

Guarantees of Third-Party Debt and Other Obligations and Commitments

The following tables summarize our contractual obligations and other commitments as of September 30, 2009.

		Payments due by Period			
Contractual Obligations[a]	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
			(In millions)		
Debt, face value	$ 22,452.8	$ 11.8	$ 532.5	$ 6,666.4	$ 15,242.1
Capital lease obligations	11.4		11.4		
Estimated interest payments[b]	9,886.9	388.9	4,482.9	2,196.7	2,818.4
Operating lease obligations	2,066.0	23.5	196.5	112.4	1,733.6
Purchase orders obligations	30.9	30.9			
Guaranteed payments to State of Louisiana	89.8	15.0	74.8		
Community reinvestment	119.9	1.6	18.6	12.1	87.6
Construction commitments	405.1	405.1			
Entertainment obligations	111.0	15.3	93.2	2.5	
Other contractual obligations	556.6	32.1	156.1	82.4	286.0
	$ 35,730.4	$ 924.2	$ 5,566.0	$ 9,072.5	$ 20,167.7

(a) In addition to the contractual obligations disclosed in this table, we have unrecognized tax benefits that, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities (See Note 10 to our unaudited consolidated condensed financial statements as of September 30, 2009 included elsewhere in this prospectus.)

(b) Estimated interest for variable rate debt included in this table is based on rates at September 30, 2009. Estimated interest includes the estimated impact of our interest rate swap and interest rate cap agreements.

		Amounts of Commitment Per Year			
Contractual Obligations[a]	**Total amounts committed**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
			(In millions)		
Letters of credit	$ 161.9	$ 18.7	$ 143.2	$	$
Minimum payments to tribes	31.1	3.4	26.6	1.1	

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 50 months from September 30, 2009, is $1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

Competitive Pressures

The gaming industry is highly competitive and our competitors vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. We also compete with other non-gaming resorts and vacation areas, and with various other entertainment businesses. Our competitors in each market may have substantially greater financial, marketing and other resources than we do and there can be no assurance that they will not in the future engage in aggressive pricing action to compete with us. Although we believe we are currently able to compete effectively in each of the various markets in which we participate, we cannot make assurances that we will be able to continue to do so or that we will be capable of maintaining or further increasing our current market share. Our failure to compete successfully in our various markets could adversely affect our business, financial condition, results of operations and cash flows.

In recent years, with fewer new markets opening for development, many casino operators have been reinvesting in existing markets to attract new customers or to gain market share, thereby increasing competition in those markets. As companies have completed expansion projects, supply has typically grown at a faster pace than demand in some markets and competition has increased significantly. The expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors have increased competition in many markets in which we operate, and this intense competition is expected to continue. These competitive pressures have and are expected to continue to adversely affect our financial performance in certain markets.

Several states and Indian tribes are also considering enabling the development and operation of casinos or casino-like operations in their jurisdictions. Due to harsh economic times affect states budgets, many are looking to add gambling within their states. The State of Ohio recently approved the use of Video Lottery Terminals (VLT) and in June 2009, Illinois state officials approved slot machines in bars and taverns.

Although, historically, the short-term effect of such competitive developments on our Company generally has been negative, we are not able to determine the long-term impact, whether favorable or unfavorable, that development and expansion trends and events will have on current or future markets. We also cannot determine the long-term impact of the current financial crisis on the economy, and casinos specifically. In the short-term, the current financial crisis has stalled or delayed some of our capital projects, as well as those of many of our competitors. In addition, our substantial indebtedness could limit our flexibility in planning for, or reacting to, changes in our operations or business and restrict us from developing new gaming facilities, introducing new technologies or exploiting business opportunities, all of which could place us at a competitive disadvantage. We believe that the geographic diversity of our operations; our focus on multi-market customer relationships; our service training, our rewards and customer loyalty programs; and our continuing efforts to establish our brands as premier brands upon which we have built strong customer loyalty have well-positioned us to face the challenges present within our industry. We utilize the unique capabilities of WINet, a sophisticated nationwide customer database, and Total Rewards, a nationwide loyalty program that allows our customers to earn cash, comps and other benefits for playing at our casinos. We believe these sophisticated marketing tools provide us with competitive advantages, particularly with players who visit more than one market.

Table of Contents

Significant Accounting Policies and Estimates

We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies, including the estimated lives assigned to our assets, the determination of bad debt, asset impairment, fair value of self-insurance reserves and the calculation of our income tax liabilities, require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Our judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. There can be no assurance that actual results will not differ from our estimates. The policies and estimates discussed below are considered by management to be those in which our policies, estimates and judgments have a significant impact on issues that are inherently uncertain.

Property and Equipment

We have significant capital invested in our property and equipment, which represents approximately 62% of our total assets at September 30, 2009. Judgments are made in determining the estimated useful lives of assets, salvage values to be assigned to assets and if or when an asset has been impaired. The accuracy of these estimates affects the amount of depreciation expense recognized in our financial results and whether we have a gain or loss on the disposal of the asset. We assign lives to our assets based on our standard policy, which is established by management as representative of the useful life of each category of asset. We review the carrying value of our property and equipment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as 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 casino.

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 allocated to goodwill.

We perform annual assessments for impairment of goodwill and other intangible assets that are not subject to amortization as of September 30 each year. We completed a preliminary assessment of goodwill and other non-amortizing intangible assets as of September 30, 2009, and as a result of this assessment, recorded a charge of approximately $1.3 billion within HET s Consolidated Statement of Operations in the third quarter which brings the charge recorded for the nine months ended September 30, 2009 to approximately $1.6 billion. This impairment charge is largely a result of adjustments to our long-term operating plan as a result of the current economic climate. We are not able to finalize our impairment charge until such time as we finalize our 2010 operating plan and certain other assumptions, which we expect to complete during fourth quarter 2009 in conjunction with our annual assessment for impairment as of September 30, 2009. Changes to the preliminary 2010 operating plan or other assumptions could require us to update our assessment of impairment, which could change the required impairment charge.

Our 2008 analysis reflected factors impacted by 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, and indicated that our goodwill and other nonamortizing intangible assets were impaired; therefore, a charge of $5.5 billion was recorded to our consolidated statement of operations in fourth quarter 2008.

We determine estimated fair value of a reporting unit as a function, or multiple, of earnings before interest, taxes, depreciation and amortization (EBITDA) or by using the discounted cash flows, common measures used to value and buy or sell cash-intensive businesses such as casinos. We determine the estimated fair values of our intangible assets by using the Relief From Royalty Method under the income approach. After consideration of the impairment charges recorded in 2009 and 2008, we have approximately $8.5 billion in goodwill and other intangible assets in our Consolidated Balance Sheet at September 30, 2009 as compared to $10.2 billion at December 31, 2008.

The annual evaluation of goodwill and other nonamortizing 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.

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 breakage, as they are earned. The value of the cost to provide Reward Credits is expensed as the Reward Credits are earned and is included in Casino expense on our Consolidated Statements of 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 September 30, 2009 and December 31, 2008, $54.0 million and $64.7 million, respectively, were accrued for the cost of anticipated 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 allowances on our Consolidated Statements of Operations. At September 30, 2009 and December 31, 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.

Bad Debt Reserves

We reserve an estimated amount for receivables that may not be collected. Methodologies for estimating bad debt reserves range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. At September 30, 2009 and December 31, 2008, we had $220.2 million and $201.4 million, respectively, in our bad debt reserve. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating our reserves for bad debts.

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. At September 30, 2009 and December 31, 2008, we had total self-insurance accruals reflected in our Consolidated Balance Sheets

Table of Contents

of $216.5 million and $213.0 million, respectively. In estimating these reserves, we consider historical loss experience and make judgments about the expected levels of costs per claim. We also rely on consultants to assist in the determination of estimated accruals. These claims are accounted for based on actuarial estimates of the 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. We continually monitor the potential for changes in estimates, evaluate our insurance accruals and adjust our recorded provisions.

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, (formerly SFAS No. 109, 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 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. As indicated in Note 11 to the audited consolidated financial statements as of December 31, 2008, we have 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.

We file income tax returns, including returns for our subsidiaries, with federal, state, and foreign jurisdictions. As a large taxpayer, we are under continual 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. Our 2004 federal income tax year was closed and the IRS audit of our 2006 federal income tax year concluded during the quarter ended September 30, 2009. Our 2005 and 2007 federal income tax years have reached the IRS appeals stage of the audit process. Our 2008 federal income tax year is currently under audit by the IRS.

We also are subject to exam by various state and foreign tax authorities, although tax years prior to 2004 are generally closed as the statutes of limitations have lapsed. However, various subsidiaries are still being examined by the New Jersey Division of Taxation for tax years beginning with 1999.

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, reserve amounts relate to any uncertain tax position, as well as potential interest or penalties associated with those items. For the nine months ended September 30, 2009, we recorded an increase in gross unrecognized tax benefit (UTB) of $140 million. The increase in gross UTB related to the cancellation of indebtedness and other uncertain tax positions identified during 2009. The total amount of the increase in gross UTB that, if recognized, would affect the effect tax rate, is $112 million.

Table of Contents

Recently Issued and Proposed Accounting Standards

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), 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 in the first nine months of 2009 that could have an impact on our Company.

We adopted the provisions of ASC 805, (formerly SFAS No. 141(R) (Revised 2007)) 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. ASC 805 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. 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 Merger.

We adopted the provision of ASC 810-10-65-1, (formerly SFAS No. 160 Non-controlling Interests in Consolidated Financial Statements An Amendment of Accounting Research Bulletin No. 51,) 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 financial statements to conform to the 2009 presentation.

On January 1, 2009, we adopted the provisions of ASC 815, (formerly SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133,) 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, (formerly FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments,) 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 is effective for interim and annual reporting periods ending after June 15, 2009, but did not affect our consolidated condensed financial statements upon adoption.

In April 2009, the FASB issued ASC 825, (formerly FSP No. FAS 107-1 and Accounting Principles Board (APB) 28-1, Interim Disclosures about Fair Value of 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. This statement is effective for interim reporting periods ending after June 15, 2009, we have included the required disclosure in our interim financial statements for the period ended September 30, 2009.

In second quarter 2009, we adopted the provisions of ASC 855 (formerly FASB Statement No. 165, 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 November 12, 2009, which represents the date these financial statements are issued. The results of our evaluation are described further in Note 17 Subsequent Events.

In June 2009, the FASB issued ASC 810, (formerly SFAS No. 167, Amendments to FASB Interpretation (FIN) No. 46(R),) which is effective as of January 1, 2010. The new standard, which amends existing consolidation guidance for variable interest entities, 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. We are currently evaluating the impact of this statement on our consolidated condensed financial statements.

In August 2009, the FASB issued ASU 2009-05 (previously exposed for comments as proposed FSP FAS 157-f) to provide guidance on measuring the fair value of liabilities under ASC 820. 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. We are currently evaluating the impact of this update on our financial statements.

Supplemental Discussion of Pro forma Harrah s Operating Company Results

On January 28, 2008, Harrah s Entertainment was acquired by affiliates of the Sponsors in the Acquisition, an all cash transaction. A substantial portion of the financing of the Acquisition is comprised of bank and bond financing obtained by Harrah s Operating, a wholly owned subsidiary of Harrah s Entertainment. This financing is neither secured nor guaranteed by Harrah s Entertainment s other wholly owned subsidiaries, including the CMBS Borrowers, which own the CMBS Assets, which are properties that are secured under $6.5 billion of CMBS financing. Therefore, we believe it is meaningful to provide pro forma information pertaining solely to the consolidated financial position and results of operations of HOC and its subsidiaries.

Operating Results and Development Plans for HOC

The results of operations and other financial information included in this section are adjusted to reflect the pro forma effect of the CMBS Transactions as if they had occurred on January 1, 2007. Pro forma adjustments relate primarily to the removal of the historical results of the CMBS Assets after giving effect to the Post-Closing CMBS Transaction and other direct subsidiaries of Harrah s Entertainment and allocations of certain unallocated corporate costs that are being allocated to each group subsequent to the Acquisition. We believe that this is the most meaningful way to comment on HOC s results of operations.

In accordance with Generally Accepted Accounting Principles (GAAP), we have separated our historical financial results for the Successor period and the Predecessor period; however, we have also combined the Successor and Predecessor periods results for the year ended December 31, 2008, in the presentations below because we believe that it enables a meaningful presentation and comparison of results. As a result of the application of purchase accounting as of the Acquisition date, financial information for the Successor period and the Predecessor periods are presented on different bases and are, therefore, not comparable.

Because 2009 and 2008 (Loss)/income from operations includes significant impairment charges, the following tables also present Income/(loss) from operations before impairment charges to provide a more meaningful comparisons of results. This presentation is not in accordance with GAAP.

Table of Contents

Overall Summary Statement of Operations Information for HOC

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 Through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 4,397.1	$ 4,501.1	$ 498.2	$ 4,999.3	(12.0)%
Net revenues	$ 5,241.7	$ 5,364.9	$ 577.5	$ 5,942.4	(11.8)%
Income/(loss) from operations before impairment charges	$ 672.5	$ 795.6	$ (43.2)	$ 752.4	(10.6)%
Impairment of intangible assets	(1,166.6)				N/M
(Loss)/income from operations	$ (494.1)	$ 795.6	$ (43.2)	$ 752.4	N/M
Income/(loss) from continuing operations, net of tax(1)	$ 733.9	$ (414.3)	$ (106.2)	$ (520.5)	N/M
Net income/(loss) attributable to Harrah s Operating Company	$ 721.9	$ (327.5)	$ (107.5)	$ (435.0)	N/M

N/M = Not Meaningful

Overall (In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Casino revenues	$ 5,962.6	$ 498.2	$ 6,460.8	$ 7,082.8	$ 6,194.7	(8.8)%	14.3%
Total revenues	$ 7,117.7	$ 577.5	$ 7,695.2	$ 8,143.8	$ 7,137.9	(5.5)%	14.1%
Income/(loss) operations before impairment charges	$ 908.8	$ (43.2)	$ 865.6	$ 1,253.8	$ 1,019.3	(31.0)%	23.0%
Impairment of intangible assets	(3,745.2)		(3,745.2)	(169.6)	(20.7)	N/M	N/M
(Loss)/income from operations	$ (2,836.4)	$ (43.2)	$ (2,879.6)	$ 1,084.2	$ 998.6	N/M	8.6%
(Loss)/income from continuing operations, net of tax(1)	$ (3,390.5)	$ (106.2)	$ (3,496.7)	$ 176.1	$ 180.3	N/M	(2.3)%
Net (loss)/income attributable to Harrah s Operating Company	$ (3,306.5)	$ (107.5)	$ (3,414.0)	$ 259.0	$ 182.9	N/M	41.6%

(1) Due to the January 1, 2009 adoption of a recent accounting pronouncement, certain prior period amounts have been recast to conform to the 2009 presentation.

Revenues for the nine months ended September 30, 2009 were impacted by the current economic environment, which reduced customer spending, particularly in the Las Vegas and Atlantic City markets. The earnings impact of the declines in revenue in 2009 compared to the same period in 2008 was partially offset by company-wide cost savings initiatives implemented in the third quarter of 2008. Income from continuing operations, net of tax, for the nine months ended September 30, 2009, also reflected net gains on early extinguishments of debt of $3,931.4 million, and were partially offset by a charge of $1,166.6 million for impairment of certain intangible assets. The nine months ended September 30, 2008 included expenses incurred in connection with the Acquisition, primarily related to the accelerated vesting of employee stock options, SARs

Table of Contents

and restricted stock, higher interest expense and losses on the early extinguishments of debt, partially offset by proceeds from the settlement of insurance claims related to hurricane damage in 2005.

During the nine months ended September 30, 2009, we exchanged approximately $3.6 billion principal amount of new 10% second-priority senior secured notes due in 2018 for approximately $5.4 billion aggregate principal amount of outstanding debt with maturity dates ranging from 2010 to 2018, purchased approximately $0.7 billion principal amount of outstanding debt through open market purchases, retired a portion of and amended the terms of our credit agreement and issued approximately $1.4 billion principal amount of senior secured notes due 2017. These events are discussed more fully in Debt and Liquidity.

The decrease in 2008 revenues from 2007 was primarily attributable to turbulent economic conditions in the United States that have reduced, in some cases dramatically, customer visitation to HOC s casinos. The impact of a smoking ban in Illinois, heavy rains and flooding affecting visitor volumes at HOC s properties in the Midwest and the temporary closure of Gulf Coast properties due to a hurricane also contributed to the decline in 2008 revenues. Income from continuing operations was also impacted by charges for impairment of certain goodwill and other intangible assets; expense incurred in connection with the Acquisition, primarily related to the accelerated vesting of employee stock options, stock appreciation rights (SARs) and restricted stock; and higher interest expense, partially offset by net gains from early extinguishments of debt and proceeds from the settlement of insurance claims related to hurricane damage in 2005.

The increase in 2007 revenues from 2006 was driven by strong results from HOC s properties in Las Vegas, the opening of slot play at Harrah s Chester in January 2007, contributions from properties included in HOC s acquisition of London Clubs International Limited (London Clubs) in late 2006 and a full year s results from Harrah s New Orleans and Grand Casino Biloxi, which were closed for a portion of 2006 due to hurricane damage in 2005. Income from operations was impacted by insurance proceeds, impairment charges related to certain intangible assets and the effect on the Atlantic City market of slot operations at facilities in Pennsylvania and New York and the implementation of new smoking regulations in New Jersey, all of which are discussed in the following regional discussions.

Regional Results and Development Plans of HOC

The executive officers of HOC review operating results, assess performance and make decisions related to the allocation of resources on a property-by-property basis. We, therefore, believe that each property is an operating segment and that it is appropriate to aggregate and present HOC s operations as one reportable segment. In order to provide more detail than would be possible on a consolidated basis, HOC s properties have been grouped as follows to facilitate discussion of HOC s operating results:

Las Vegas	**Atlantic City**	**Louisiana/Mississippi**	**Iowa/Missouri**
Caesars Palace	Bally s Atlantic City	Harrah s New Orleans	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	Harrah s Chester[1]	Grand Biloxi	Horseshoe Council Bluffs/
		Harrah s Tunica[2]	Bluffs Run
		Horseshoe Tunica	
		Sheraton Tunica	

Illinois/Indiana	**Other Nevada**	**Managed/International/Other**
Horseshoe Southern Indiana[3]	Harrah s Reno	Harrah s Ak-Chin[4]
Harrah s Joliet[1]	Harrah s Lake Tahoe	Harrah s Cherokee[4]
Harrah s Metropolis	Harveys Lake Tahoe	Harrah s Prairie Band (through 6/30/07)[4]
Horseshoe Hammond	Bill s Lake Tahoe	Harrah s Rincon[4]
		Conrad Punta del Este[1]
		Caesars Windsor[5]
		London Clubs International[6]

(1) Not wholly owned by HOC.
(2) Re-branded from Grand Casino Tunica in May 2008.
(3) Re-branded from Caesars Indiana in July 2008.
(4) Managed, not owned.
(5) HOC has a 50 percent interest in Windsor Casino Limited, which manages this property. The province of Ontario owns the complex. The property was re-branded from Casino Windsor in June 2008.
(6) As of September 30, 2009, we operate 11 casino clubs in the United Kingdom, 2 in Egypt and 1 in South Africa. One of the properties is managed and two others are not wholly owned.

Included in income from operations for each grouping are project opening costs, impairment of goodwill and other intangible assets and write-downs, reserves and recoveries. Project opening costs include costs incurred in connection with the integration of acquired properties into Harrah s Entertainment s systems and technology and costs incurred in connection with expansion and renovation projects at various properties.

We completed a preliminary assessment of goodwill and other non-amortizing intangible assets as of September 30, 2009 and as a result of this assessment, recorded a charge of approximately $1.1 billion in the third quarter which brings the charge recorded for the nine months ended September 30, 2009 to approximately $1.3 billion.

As previously discussed, analysis conducted in 2008 indicated that certain of HOC s goodwill and other non-amortizing intangible assets were impaired; therefore, a charge of $3.7 billion was recorded in fourth quarter 2008. Our 2007 analysis determined that, based on historical and projected performance, intangible assets at London Clubs and Caesars Indiana had been impaired, and HOC recorded impairment charges of $169.6 million in fourth quarter 2007. Our 2006 analysis indicated that, based on the historical performance and projected performance of Harrah s Louisiana Downs, intangible assets of that property had been impaired, and a charge of $20.7 million was recorded in fourth quarter 2006. Our 2008, 2007 and 2006 analyses of the tangible assets, applying the provisions of ASC 360 (formerly SFAS No. 144), indicated that the carrying value of the tangible assets was not impaired.

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

	Successor			**Predecessor**		**Predecessor**	
(In millions)	**Nine Months Ended Sept. 30, 2009**	**Jan. 28, 2008 through Dec. 31, 2008**	**Jan. 28, 2008 through Sept. 30, 2008**	**Jan. 1, 2008 through Jan. 27, 2008**	**Combined 2008**	**2007**	**2006**
Remediation costs	$ 3.4	$ 2.5	$	$	$ 2.5	$	$
Impairment of long-lived tangible assets	43.7	38.3			38.3		20.0
Write-off of abandoned assets	4.8	30.6	45.6	0.6	31.2	10.2	
Efficiency projects	26.3	28.6	5.6		28.6	21.5	5.2
Termination of contracts		14.4			14.4		
Litigation awards and settlements	(29.2)	1.1	0.4		1.1	8.5	32.1
Demolition costs	0.7	8.0	7.9	0.1	8.1	5.7	7.2
Other	0.6	1.8	17.0	(0.5)	1.3	2.0	2.3
Insurance proceeds in excess of deferred costs		(185.4)	(185.4)		(185.4)	(130.3)	(10.2)
	$ 50.3	$ (60.1)	$ (108.9)	$ 0.2	$ (59.9)	$ (82.4)	$ 56.6

Table of Contents

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

Impairment of long-lived tangible assets in 2009 was primarily related to the Company s office building in Memphis, Tennessee, due to the relocation to Las Vegas, Nevada of those corporate functions formerly performed in 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. The impairment in 2006 resulted from an assessment of certain bonds classified as held-to-maturity and the determination that they were highly uncollectible.

Write-off of abandoned assets represents costs associated with various projects that are determined to no longer be viable.

Efficiency projects in 2006 and 2007 represents costs incurred to identify efficiencies and cost savings in HOC s corporate organization. Expenses in 2008 and 2009 represent costs related to additional projects aimed at streamlining corporate and operations functions to achieve further cost savings and efficiencies.

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

Insurance proceeds in excess of deferred costs represents proceeds received from HOC s insurance carriers for hurricane damages incurred in 2005. The proceeds included in Write-downs, reserves and recoveries are for those properties that HOC still owns and operates. Proceeds related to properties that were subsequently sold are included in Discontinued operations in our consolidated statements of operations included elsewhere in this prospectus.

Las Vegas Results of HOC

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 500.3	$ 504.0	$ 67.7	$ 571.7	(12.5)%
Net revenues	$ 907.6	$ 996.5	$ 118.5	$ 1,115.0	(18.6)%
Income from operations before impairment charges	$ 141.6	$ 207.1	$ 29.7	$ 236.8	(40.2)%
Impairment of intangible assets	(671.8)				N/M
(Loss)/income from operations	$ (530.2)	$ 207.1	$ 29.7	$ 236.8	N/M
Operating margin before impairment charges	15.6%	20.8%	25.1%	21.2%	(5.6)pts

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Casino revenues	$ 677.5	$ 67.7	$ 745.2	$ 903.6	$ 700.0	(17.5)%	29.1%
Net revenues	$ 1,318.9	$ 118.5	$ 1,437.4	$ 1,626.7	$ 1,381.1	(11.6)%	17.8%

Income from operations before impairment charges	$ 252.1	$ 29.7	$ 281.8	$ 417.2	$ 341.9	(32.5)%	22.0%
Impairment of intangible assets	(1,121.4)		(1,121.4)			N/M	N/M
(Loss)/income from operations	$ (869.3)	$ 29.7	$ (839.6)	$ 417.2	$ 341.9	N/M	22.0%
Operating margin before impairment charges	19.1%	25.1%	19.6%	25.6%	24.8%	(6.0)pts	0.8pts

For the nine months ended September 30, 2009, revenues and income from operations were lower than in the nine months ended September 30, 2008, driven by lower spend per visitor and declines in the group-travel business. While hotel occupancy was strong, average room rates declined. Loss from operations for the nine months ended September 30, 2009 included a charge of $671.8 million for the impairment of goodwill for certain Las Vegas properties.

An expansion and renovation of Caesars Palace Las Vegas was recently completed on the new Octavius Tower, a new hotel tower with approximately 110,000 square feet of additional meeting and convention space, three 10,000-square-foot villas and an expanded pool and garden area. We have deferred completion of approximately 660 rooms, including 75 luxury suites, within the hotel tower expansion as a result of current economic conditions impacting the Las Vegas tourism sector. The estimated total capital expenditures for the project, excluding the costs to complete the deferred rooms, are expected to be $685.4 million, $628.9 million of which had been spent as of September 30, 2009. The convention center is now open, and the remainder of the expansion project, other than the deferred rooms, was completed in the third quarter of 2009.

The declines in revenues and income from operations in 2008 from 2007 reflect lower visitation and spend per trip as HOC s customers reacted to higher travel costs, volatility in the financial markets and other economic concerns. Fewer hotel rooms available at Caesars Palace due to re-modeling also contributed to the 2008 decline. Income from operations for Las Vegas includes charges of $1.1 billion recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets.

Increases in revenues and income from operations in 2007 from 2006 were generated by increased visitor volume, cross-market play (defined as gaming by customers at Harrah s Entertainment properties other than their home casinos) and the acquisition of Bill s Gamblin Hall & Saloon.

On February 27, 2007, HOC exchanged certain real estate that HOC owned on the Las Vegas Strip for property located at the northeast corner of Flamingo Road and Las Vegas Boulevard between Bally s Las Vegas and Flamingo Las Vegas. HOC began operating the acquired property on March 1, 2007, as Bill s Gamblin Hall & Saloon, and its results are included in HOC s operating results from the date of its acquisition.

Table of Contents

Atlantic City Results of HOC

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 1,111.7	$ 1,262.7	$ 128.7	$ 1,391.4	(20.1)%
Net revenues	$ 1,176.0	$ 1,276.0	$ 125.8	$ 1,401.8	(16.1)%
Income from operations before impairment charges	$ 127.3	$ 184.5	$ 8.0	$ 192.5	(33.9)%
Impairment of intangible assets	(178.6)				N/M
(Loss)/income from operations	$ (51.3)	$ 184.5	$ 8.0	$ 192.5	N/M
Operating margin before impairment charges	10.8%	14.5%	6.4%	13.7%	(2.9)pts

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Casino revenues	$ 1,630.5	$ 128.7	$ 1,759.2	$ 1,916.7	$ 1,643.8	(8.2)%	16.6%
Net revenues	$ 1,650.8	$ 125.8	$ 1,776.6	$ 1,872.6	$ 1,596.6	(5.1)%	17.3%
Income from operations before impairment charges	$ 205.8	$ 8.0	$ 213.8	$ 263.2	$ 308.0	(18.8)%	(14.5)%
Impairment of intangible assets	(514.5)		(514.5)			N/M	N/M
(Loss)/income from operations	$ (308.7)	$ 8.0	$ (300.7)	$ 263.2	$ 308.0	N/M	(14.5)%
Operating margin before impairment charges	12.5%	6.4%	12.0%	14.1%	19.3%	(2.1)pts	(5.2)pts

Revenues and income from operations for the nine months ended September 30, 2009, were lower than in the nine months ended September 30, 2008, due to reduced visitor volume and spend per trip. The Atlantic City market continues to be affected by competition from three slot facilities in eastern Pennsylvania and one in Yonkers, New York and the current economic environment. Included in loss from operations for the nine months ended September 30, 2009 was a $178.6 million charge recorded for impairment of goodwill of certain of the Atlantic City properties.

In August 2009, Chester Downs and Marina LLC (Chester Downs), a majority-owned subsidiary of HOC, entered into an agreement to borrow under a senior secured term loan in the amount of $230 million and borrowed such amount. 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. HOC currently owns 95% of Chester Downs.

Combined 2008 revenues and income from operations for the Atlantic City region were down from 2007 due to reduced visitor volume and spend per trip, and higher operating costs, including utilities and employee benefits. Declines were partially offset by favorable results from Harrah s Chester. The Atlantic City market continued to be affected by the opening of three slot parlors in eastern Pennsylvania and one in Yonkers, New York, and smoking restrictions in Atlantic City. Income from operations for the Atlantic City region included a charge of $514.5 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets.

Table of Contents

Atlantic City regional revenues were higher in 2007 as compared to 2006 due to the inclusion of Harrah s Chester, which opened for simulcasting and live harness racing on September 10, 2006, and for slot play on January 22, 2007. The Atlantic City market was affected by the opening of slot operations at the three facilities in eastern Pennsylvania and one in New York, and the implementation of new smoking regulations in New Jersey, resulting in lower revenues for the market. Additionally, promotional and marketing costs aimed at attracting and retaining customers and a shift of revenues from Atlantic City to Pennsylvania, where tax rates are higher, resulted in higher operating expenses as compared to 2006.

2006 revenues and income from operations were negatively impacted by a three-day government-imposed casino shutdown during the year. Casinos in Atlantic City were closed from July 5 until July 8, 2006, as non-essential state agencies, including the New Jersey Casino Control Commission, were shut down by the state due to lack of a budget agreement for the state. In New Jersey, Casino Control Commission Inspectors must be on site in order for casinos to operate.

Louisiana/Mississippi Results of HOC

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 878.2	$ 946.3	$ 99.0	$ 1,045.3	(16.0)%
Net revenues	$ 959.8	$ 1,010.8	$ 106.1	$ 1,116.9	(14.1)%
Income from operations before impairment charges	$ 156.8	$ 327.9	$ 10.1	$ 338.0	(53.6)%
Impairment of intangible assets	(6.0)				N/M
Income from operations	$ 150.8	$ 327.9	$ 10.1	$ 338.0	(55.4)%
Operating margin before impairment charges	16.3%	32.4%	9.5%	30.3%	(14.0)pts

	Successor	Predecessor		Predecessor		Percentage Increase/(Decrease)	
(In millions)	Jan. 28, 2008 through Dec. 31, 2008	Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	2007	2006	08 vs. 07	07 vs. 06
Casino revenues	$ 1,252.7	$ 99.0	$ 1,351.7	$ 1,462.5	$ 1,351.4	(7.6)%	8.2%
Net revenues	$ 1,340.8	$ 106.1	$ 1,446.9	$ 1,538.7	$ 1,384.3	(6.0)%	11.2%
Income from operations before impairment charges	$ 357.2	$ 10.1	$ 367.3	$ 352.1	$ 254.1	4.3%	38.6%
Impairment of intangible assets	(328.9)		(328.9)		(20.7)	N/M	N/M
Income from operations	$ 28.3	$ 10.1	$ 38.4	$ 352.1	$ 233.4	(89.1)%	50.9%
Operating margin before impairment charges	26.6%	9.5%	25.4%	22.9%	18.4%	2.5pts	4.5pts

Revenues for the nine months ended September 30, 2009, from HOC s properties in Louisiana and Mississippi were lower compared to the same periods in 2008 driven by lower visitor volume due to the current economic environment. Included in income from operations for the nine months ended September 30, 2009 was a $6.0 million charge for impairment of goodwill of certain of the properties in the Louisiana/Mississippi region. Income from operations for the nine months ended September 30, 2008, included insurance proceeds of $185.4

million from the final settlement of claims related to the 2005 hurricanes. The proceeds are included in Write-downs, reserves and recoveries in HOC s Summary Historical Consolidated Financial Information schedule included herein. Excluding the insurance proceeds in 2008 from the comparison, operating margin for the Louisiana/Mississippi group of properties improved 3.4 percentage points as a result of cost savings initiatives.

Construction began in third quarter 2007 on Margaritaville Casino & Resort in Biloxi. HOC has halted construction on this project, and will continue to review and refine the project in light of the current economic environment, market conditions on the Gulf Coast and the current financing environment. HOC licenses the Margaritaville name from an entity affiliated with the singer/songwriter Jimmy Buffett. As of September 30, 2009, $178.8 million had been spent on this project.

Grand Casino Gulfport was sold in March 2006, and Harrah s Lake Charles was sold in November 2006. Results of Grand Casino Gulfport and Harrah s Lake Charles, through their sales dates, are classified as discontinued operations and are, therefore, not included in HOC s Louisiana/Mississippi grouping.

Revenues for 2008 were lower than in 2007 due to declines in visitation, hurricane-related evacuations and temporary closures of HOC s two Gulf Coast properties during third quarter and disruptions during the renovation at Harrah s Tunica (formerly Grand Casino Tunica). Income from operations includes a charge of $328.9 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets, which was partially offset by insurance proceeds of $185.4 million that were in excess of the net book value of the impacted assets and costs and expenses that were reimbursed under HOC s business interruption claims related to 2005 hurricane damage. All proceeds from claims related to the 2005 hurricanes have now been received. The insurance proceeds are included in Write-downs, reserves and recoveries in our condensed pro forma combined statement of operations for the period from January 28, 2008, through December 31, 2008.

In May 2008, Grand Casino Resort in Tunica, Mississippi, was re-branded to Harrah s Tunica. In connection with the re-branding, renovations to the property costing approximately $30.3 million were completed.

Revenues from HOC s operations in Louisiana and Mississippi in 2007 were higher than in 2006 due to contributions from Harrah s New Orleans and Grand Casino Biloxi, which were closed for a portion of 2006 due to damages caused by Hurricane Katrina. Income from operations for the years ended December 31, 2007 and 2006, includes insurance proceeds of $130.3 million and $10.2 million, respectively, that are in excess of the net book value of the impacted assets and costs and expenses that are expected to be reimbursed under HOC s business interruption claims. Income from operations was negatively impacted by increased promotional spending in the Tunica market and higher depreciation expense related to the 26-story, 450-room hotel at Harrah s New Orleans that opened in September 2006.

Table of Contents

Iowa/Missouri Results of HOC

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 539.8	$ 503.9	$ 52.5	$ 556.4	(3.0)%
Net revenues	$ 577.1	$ 537.3	$ 55.8	$ 593.1	(2.7)%
Income from operations	$ 146.1	$ 112.8	$ 7.7	$ 120.5	21.2%
Operating margin	25.3%	21.0%	13.8%	20.3%	5.0pts

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Casino revenues	$ 678.7	$ 52.5	$ 731.2	$ 764.1	$ 770.6	(4.3)%	(0.8)%
Net revenues	$ 727.0	$ 55.8	$ 782.8	$ 811.4	$ 809.7	(3.5)%	0.2%
Income from operations before impairment charges	$ 157.2	$ 7.7	$ 164.9	$ 143.6	$ 132.2	14.8%	8.6%
Impairment of intangible assets	(49.0)		(49.0)			N/M	N/M
Income from operations	$ 108.2	$ 7.7	$ 115.9	$ 143.6	$ 132.2	(19.3)%	8.6%
Operating margin before impairment charges	21.6%	13.8%	21.1%	17.7%	16.3%	3.4pts	1.4pts

Revenues for the first nine months of 2009 at HOC s Iowa and Missouri properties were slightly lower compared to the same period last year, but income from operations was higher than in the prior year periods due to cost savings initiatives.

Revenues at HOC s Iowa and Missouri properties in 2008 were lower than in 2007, driven primarily by Harrah s St. Louis, where the opening of a new facility by a competitor impacted results. Income from operations for Iowa/Missouri includes a charge of $49.0 million recorded in fourth quarter 2008 for the impairment of certain non-amortizing intangible assets. Partially offsetting the impairment were favorable results due to cost savings and lower depreciation and amortization.

The increases in revenues and income from operations for 2007 compared to 2006 were driven primarily by the capital improvements completed in March 2006 at Horseshoe Council Bluffs and higher operating margins at most properties in the group, driven by efficiencies and cost savings.

Table of Contents

Illinois/Indiana Results of HOC

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 908.6	$ 810.1	$ 86.9	$ 897.0	1.3%
Net revenues	$ 901.1	$ 804.5	$ 85.5	$ 890.0	1.2%
Income from operations before impairment charges	$ 115.4	$ 91.3	$ 8.7	$ 100.0	15.4%
Impairment of intangible assets	(180.7)				N/M
(Loss)/income from operations	$ (65.3)	$ 91.3	$ 8.7	$ 100.0	N/M
Operating margin before impairment charges	12.8%	11.3%	10.2%	11.2%	1.6pts

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Casino revenues	$ 1,102.5	$ 86.9	$ 1,189.4	$ 1,330.8	$ 1,277.3	(10.6)%	4.2%
Net revenues	$ 1,098.7	$ 85.5	$ 1,184.2	$ 1,285.8	$ 1,239.5	(7.9)%	3.7%
Income from operations before impairment charges	$ 111.2	$ 8.7	$ 119.9	$ 195.7	$ 225.2	(38.7)%	(13.1)%
Impairment of Intangible assets	(617.1)		(617.1)	(60.4)		N/M	N/M
(Loss)/income from operations	$ (505.9)	$ 8.7	$ (497.2)	$ 135.3	$ 225.2	N/M	(39.9)%
Operating margin before impairment charges	10.1%	10.2%	10.1%	15.2%	18.2%	(5.1)pts	(3.0)pts

Higher revenues for the nine months ended September 30, 2009, were driven by the renovation and expansion at Horseshoe Hammond that opened in August 2008. Cost savings initiatives at properties in the region also contributed to the increase in income from operations before impairment charges for 2009. For the nine months ended September 30, 2009, the loss from operations included a $180.7 million charge for impairment of goodwill and non-amortizing assets of certain of the Illinois/Indiana region properties and the write-down of the value of assets that were taken out of service at Horseshoe Hammond. The impairment charge is included in write-downs, reserves and recoveries in HOC s Summary Historical Consolidated Information schedule included herein.

Revenues and income from operations in 2008 were lower than in 2007 due to reduced overall customer volumes and spend per trip, the imposition of a smoking ban in Illinois and heavy rains and flooding. Horseshoe Southern Indiana, formerly Caesars Indiana, was closed for four days in March 2008 due to flooding in the area. Revenues were boosted by the August 2008 opening of the $497.9 million renovation and expansion at Horseshoe Hammond, which includes a two-level entertainment vessel including a 108,000-square-foot casino. Income from operations for Illinois/Indiana includes a charge of $617.1 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets.

In July 2008, Caesars Indiana was re-branded to Horseshoe Southern Indiana. The re-branding and renovation project cost approximately $52.3 million.

Revenues from HOC s properties in Illinois and Indiana in 2007 increased over 2006 revenues; however, income from operations was lower than the prior year due primarily to an impairment charge in 2007 related to

Table of Contents

certain intangible assets at Caesars Indiana. Our 2007 annual assessments for impairment of goodwill and other intangible assets that are not subject to amortization indicated that, based on the projected performance of Caesars Indiana, its intangible assets were impaired, and a charge of $60.4 million was taken in fourth quarter 2007. Also contributing to the decline in income from operations were increased real estate taxes in Indiana and a 3% tax assessed by Illinois against certain gaming operations in July 2006. Higher non-operating expenses in 2007 also impacted income from operations.

Other Nevada Results of HOC

(In millions)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Casino revenues	$ 198.2	$ 232.6	$ 19.5	$ 252.1	(21.4)%
Net revenues	$ 261.6	$ 299.8	$ 26.8	$ 326.6	(19.9)%
Income/(loss) from operations	$ 29.8	$ 40.5	$ (1.9)	$ 38.6	(22.8)%
Operating margin	11.4%	13.5%	(7.1)%	11.8%	(0.4)pts

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Casino revenues	$ 294.8	$ 19.5	$ 314.3	$ 356.1	$ 366.9	(11.7)%	(2.9)%
Net revenues	$ 379.5	$ 26.8	$ 406.3	$ 454.2	$ 468.8	(10.5)%	(3.1)%
Income/(loss) from operations before impairment charges	$ 39.0	$ (1.9)	$ 37.1	$ 48.1	$ 64.4	(22.9)%	(25.3)%
Impairment of intangible assets	(217.5)		(217.5)			N/M	N/M
(Loss)/income from operations	$ (178.5)	$ (1.9)	$ (180.4)	$ 48.1	$ 64.4	N/M	(25.3)%
Operating margin before impairment charges	10.3%	(7.1)%	9.1%	10.6%	13.7%	(1.5)pts	(3.1)pts

For the nine months ended September 30, 2009, revenues from HOC s Nevada properties outside of Las Vegas were lower than in the first nine months of 2008 due to lower customer spend per trip. Despite lower revenues and income from operations in the first nine months when compared to the same period of 2008, operating margin remained stable due to cost savings initiatives.

Revenues and income from operations from HOC s Nevada properties, in 2008, outside of Las Vegas were lower than in 2007 due to lower customer spend per trip, the opening of an expansion at a competing property in Reno and higher costs aimed at attracting and retaining customers. Income from operations was also impacted by a charge of $217.5 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets.

2007 revenues and income from operations from HOC s Nevada properties outside of Las Vegas were lower than 2006 due to higher customer complimentary costs and lower unrated play and retail customer visitation. We define retail customers as Total Rewards customers who typically spend up to $50 per visit. Also contributing to the year-over-year declines were poor ski conditions in the Lake Tahoe market in the first quarter of 2007, a poor end to the spring ski season and fires in the Lake Tahoe area.

Table of Contents

Managed/International/Other of HOC

(In millions)	Successor Period Nine Months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 through Jan. 28, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Revenues					
Managed	$ 43.2	$ 45.8	$ 5.0	$ 50.8	(15.0)%
International	295.1	281.2	45.9	327.1	(9.8)%
Other	120.2	113.0	8.1	121.1	(0.7)%
Total revenues	$ 458.5	$ 440.0	$ 59.0	$ 499.0	(8.1)%
Income/(loss) from operations					
Managed	$ 14.6	$ 18.3	$ 4.0	$ 22.3	(34.5)%
International	(39.3)	(63.5)	0.5	(63.0)	37.6%
Other	(92.7)	(8.7)	(10.6)	(19.3)	N/M
Total loss from operations	$ (117.4)	$ (53.9)	$ (6.1)	$ (60.0)	(95.7)%

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	2006	Percentage Increase/(Decrease) 08 vs. 07	07 vs. 06
Revenues							
Managed	$ 59.2	$ 5.0	$ 64.2	$ 81.5	$ 89.1	(21.2)%	(8.5)%
International	381.0	45.9	426.9	396.4	99.8	7.7%	N/M
Other	161.8	8.1	169.9	76.5	69.0	N/M	10.9%
Total revenues	$ 602.0	$ 59.0	$ 661.0	$ 554.4	$ 257.9	19.2%	N/M
Income/(loss) from operations							
Managed	$ 22.1	$ 4.0	26.1	$ 64.7	$ 72.1	(59.7)%	(10.3)%
International	(274.3)	0.5	(273.8)	(128.6)	12.8	N/M	N/M
Other	(728.0)	(10.6)	(738.6)	(98.9)	(265.3)	N/M	62.7%
Total loss from operations	$ (980.2)	$ (6.1)	$ (986.3)	$ (162.8)	$ (180.4)	N/M	9.8%

N/M = Not Meaningful

Managed, international and other results include income from our managed properties, results of our international properties, certain marketing and administrative expenses, including development costs and income from our non-consolidated affiliates.

Managed. HOC manages three tribal casinos and have consulting arrangements with casino companies in Australia. The table below gives the location and expiration date of the current management contracts for HOC s Native American properties as of September 30, 2009.

Casino	Location	Expiration of Management Agreement
Harrah s Ak-Chin	near Phoenix, Arizona	December 2009
Harrah s Rincon	near San Diego, California	November 2013
Harrah s Cherokee	Cherokee, North Carolina	November 2011

The decline in revenues and income from operations for the nine months ended September 30, 2009 reflects the impact of the current economic environment on our managed properties.

HOC s 2008 revenues and income from operations from managed properties were lower than in the 2007 due to the termination of HOC s contract with the Prairie Band Potawatomi Nation on June 30, 2007, the impact of the economy on HOC s managed properties and a change in the fee structure at one of HOC s managed properties.

Revenues and income from operations from HOC s managed casinos were lower in 2007 due to the termination of HOC s contract with the Prairie Band Potawatomi Nation on June 30, 2007.

International. The decline in revenues for the nine months ended September 30, 2009 reflects the impact of the current economic environment on our international properties. For the nine months ended September 30, 2009, loss from operations in our international businesses improved due to cost savings initiatives at our London Clubs properties.

International revenues were higher in 2008 than in 2007 due to the opening during 2008 of two new properties of London Clubs International Limited (London Clubs) and a full year of revenues from two properties that opened during 2007, partially offset by the impact of a new smoking ban enacted in mid-2007. Loss from operations was further impacted by a charge of $210.8 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets, and London Club s table game hold, higher gaming taxes imposed during 2007 and reserves for receivables due from a joint venture member that may not be collectible. The impairment charge and reserve for the receivable are included in write-downs, reserves and recoveries in HOC s 2008 condensed pro forma combined statement of operations for the period from January 28, 2008, through December 31, 2008. As of September 30, 2009, London Clubs owns or manages eleven casinos in the United Kingdom, two in Egypt and one in South Africa. As of December 31, 2008, London Clubs managed an additional property in Egypt. During 2009, the management contract expired.

Revenues from HOC s international properties increased in 2007 from 2006 due to the inclusion of London Clubs, which was acquired in fourth quarter 2006.

In September 2007, HOC acquired Macau Orient Golf, located on 175 acres on Cotai adjacent to the Lotus Bridge, one of the two border crossings into Macau from China, and rights to a land concession contract for a total consideration of approximately $577.7 million. The government of Macau owns most of the land in Macau, and private interests are obtained through long-term leases and other grants of rights to use land from the government. The term of the land concession is 25 years from its inception in 2001, with rights to renew for additional periods until 2049. Annual rental payments are approximately $90,000 and are adjustable at five-year intervals. Macau Orient Golf is one of only two golf courses in Macau and is the only course that is semi-private. In December 2008, HOC announced plans for Caesars Macau Golf, a five-star golf lifestyle destination, the centerpieces of which will be a redesigned par-72 golf course and the establishment of Asia s first Butch Harmon School of Golf, the first of Harmon s flagship teaching facilities outside of the United States. The redevelopment includes expansion of the existing clubhouse into a 32,000 square-foot golf lifestyle boutique, meeting facilities and VIP entertainment suites. In addition, plans call for the clubhouse to feature a fine-dining restaurant operated by Macau s leading restaurateur, G&L Group.

In December 2006, HOC completed its acquisition of all of the ordinary shares of London Clubs, which, as of December 31, 2008, owned or managed eleven casinos in the United Kingdom, three in Egypt and one in South Africa. London Clubs results that were included in our consolidated financial statements were not material to HOC s 2006 financial results.

In November 2005, we signed an agreement to develop a joint venture casino and hotel in the master-planned community of Ciudad Real, 118 miles south of Madrid, Spain, to develop and operate a Caesars branded casino and hotel within the project. The joint venture between a subsidiary of the Company and Nueva Compania de Casinos de El Reino de Don Quijote S.L.U. is owned 60% and 40%, respectively. Completion of this project is subject to a number of conditions.

In January 2007, HOC signed a joint venture agreement with a subsidiary of Baha Mar Resort Holdings Ltd. to create the Caribbean s largest single-phase destination in the Bahamas. The joint venture partners have also signed management agreements with subsidiaries of Starwood Hotels & Resorts Worldwide, Inc. The joint venture is 57% owned by a subsidiary of Baha Mar Resort Holdings Ltd. and 43% by a subsidiary of the Company. We have terminated HOC s involvement with the Baha Mar development.

Table of Contents

Other. Other results include certain marketing and administrative expenses, including development costs, certain marketing, and income from nonconsolidated subsidiaries. Other losses from operations for the nine months ended September 30, 2009, were unfavorably impacted by a charge of $129.5 million for the impairment of certain non-amortizing intangible assets. In 2008, income from operations was impacted by a charge of $686.0 million for the impairment of certain non-amortizing intangible assets and a charge of $12.6 million to recognize the remaining exposure under a lease agreement for office space no longer utilized by the Company.

The improved loss from operations in 2007 versus the prior year was due to lower development costs in 2007.

Other Factors Affecting Net Income of HOC

(In millions) Expense/(income)	Successor Nine months Ended Sept. 30, 2009	Successor Period Jan. 28, 2008 through Sept. 30, 2008	Predecessor Period Jan. 1, 2008 Through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Percentage Increase/ (Decrease)
Corporate expense	$ 56.3	$ 88.5	$ (26.2)	$ 62.3	(9.6)%
Acquisition and integration costs	0.3	23.1	125.6	148.7	(99.8)%
Amortization of intangible assets	87.0	79.4	5.5	84.9	2.5%
Interest expense, net	1,245.0	1,208.2	89.7	1,297.9	(4.1)%
(Gains)/loss on early extinguishments of debt	(3,931.4)	203.9		203.9	N/M
Other income	(22.4)	(15.5)	(5.1)	(20.6)	(8.7)%
Provision/(benefit) for income taxes	1,480.8	(186.7)	(21.6)	(208.3)	N/M
Income attributable to non-controlling interests	11.7	1.6	1.4	3.0	N/M
Loss/(income) from discontinued operations, net of income taxes	0.3	(88.4)	(0.1)	(88.5)	N/M

N/M = Not Meaningful

(In millions) Expense/(income)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs. 07	Percentage Increase/(Decrease) 07 vs. 06
Corporate expense	$ 106.3	$ (26.2)	$ 80.1	$ 99.1	$ 89.1	(19.2)%	11.2%
Merger and integration costs	24.0	125.6	149.6	13.4	37.0	N/M	(63.8)%
Amortization of intangible assets	108.2	5.5	113.7	73.0	70.2	55.8%	4.0%
Interest expense, net	1,704.3	89.7	1,794.0	800.8	670.5	N/M	19.4%
(Gain)/loss on early extinguishments of debt	(742.1)		(742.1)	2.0	62.0	N/M	(96.8)%
Other income	(29.6)	(5.1)	(34.7)	(47.3)	(14.1)	(26.6)%	N/M
Effective tax rate (benefit)/provision	(10.0)%	(16.9)%	(10.3)%	46.4%	35.7%	(56.7)pts	10.7pts
Income attributable to non-controlling interests	6.4	1.4	7.8	9.3	9.3	(16.1)%	
Loss from discontinued operations, net of income taxes	90.4	0.1	90.5	92.2	11.9	(1.8)%	N/M

Corporate expense decreased in the first nine months of 2009 from the prior year due to the continued realization of cost savings initiatives that began in the third quarter of 2008.

Corporate expense was lower in 2008 from 2007 due to continued realization of cost savings and efficiencies identified in an on-going project that began in September 2006.

Corporate expense for each year presented includes the impact of the implementation of ASC 718 (formerly SFAS No. 123(R)), Share-Based Payment, in first quarter 2006. Our 2008, 2007 and 2006 financial results include $18.7 million, $53.0 million and $52.8 million, respectively, in expense due to the implementation of ASC 718 (formerly SFAS No. 123(R)).

Acquisition and integration costs in 2008 include costs in connection with the Acquisition, including the expense related to the accelerated vesting of employee stock options, SARs and restricted stock. 2007 costs also related to the Acquisition. Acquisition and integration costs in 2006 includes costs in connection with the review of certain strategic matters by the special committee appointed by HOC s Board of Directors and costs for consultants and dedicated internal resources executing the plans for the integration of Caesars into Harrah s Entertainment.

Amortization of intangible assets was slightly lower in the nine months ended September 30, 2009, than in the same period last year due to finalization of the purchase price allocation in connection with the Acquisition. Until the finalization of the purchase price allocation in the fourth quarter of 2008, amortization was estimated based on a preliminary purchase price allocation.

Amortization of intangible assets was higher in 2008 compared to 2007 due to higher amortization of intangible assets identified in the purchase price allocation in connection with the Acquisition. Higher amortization of intangible assets in 2007 versus 2006 was due primarily to amortization of intangible assets related to London Clubs.

Interest expense declined in the first nine months of 2009 compared to the same period in 2008 primarily due to lower debt levels resulting from debt exchanges completed in April 2009 and December 2008 and debt purchases in the open market in 2009. Interest expense for the nine months ended September 30, 2008, included losses resulting from changes in the fair value of our interest rate swap agreements prior to their designation as hedging instruments. 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 $6.5 billion of variable- rate debt for which we have entered into interest rate swap agreements, for the next twelve months, a hypothetical 1% increase in corresponding interest rates would change interest expense for the next twelve months at September 30, 2009 and at December 31, 2008, by approximately $0.8 million and $16.9 million, respectively. A hypothetical reduction of this rate to 0% would reduce interest expense for the next twelve months by approximately $3.1 million. At September 30, 2009, our variable-rate debt, excluding $6.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, represents approximately 1.2% of our total debt, while our fixed-rate debt is approximately 98.8% of our total debt.

Interest expense increased in 2008 from 2007 primarily due to increased borrowings in connection with the Acquisition. Also included in interest expense in 2008 is a charge of $84.4 million representing the changes in the fair values of HOC s derivative instruments. Interest expense for 2007 included $45.4 million representing the losses from the change in the fair values of HOC s interest rate swaps. At December 31, 2008, HOC s variable-rate debt, excluding $6.5 billion of variable-rate debt for which HOC has entered into interest rate swap agreements, represents approximately 10% of HOC s total debt, while HOC s fixed-rate debt is approximately 90% of HOC s total debt.

Included in 2006 interest expense is $3.6 million to adjust the liability to market value of interest rate swaps that were terminated during the first quarter of 2006. (For discussion of HOC s interest rate swap agreements, see Debt and Liquidity Derivative Instruments.)

Gains on early extinguishments of debt in the nine months ended September 30, 2009, represent discounts related to the exchange of certain outstanding debt for new debt and purchases of certain of our debt in the open market during the first nine months of 2009. Losses on early extinguishments of debt in the nine months ended September 30, 2008 represented premiums paid and the write-offs of unamortized deferred financing costs and market value premiums related to debt retired in connection with the Acquisition.

Gains on early extinguishments of debt in 2008 represent discounts related to the exchange of certain debt for new debt and purchases of certain of HOC s debt in connection with the exchange offer and in the open market. The gains were partially offset by the write-off of market value premiums and unamortized deferred financing costs. Losses on early extinguishments of debt in 2007 and 2006 represent premiums paid and the write-offs of unamortized deferred financing costs. The charges in 2007 were incurred in connection with the retirement of a $120.1 million credit facility of London Clubs. 2006 losses were associated with the June 2006 retirement of portions of HOC s 7.5% Senior Notes due in January 2009 and HOC s 8.0% Senior Notes due in February 2011.

Other income includes interest income on the cash surrender value of life insurance policies in the nine months ended September 30, 2009. Other income in the nine months ended September 30, 2008, included receipt of insurance proceeds related to the Company s deferred compensation plan.

Other income for all periods presented included interest income on the cash surrender value of life insurance policies. As stated above, 2008 also included the receipt of insurance proceeds related to the Company s deferred compensation plan. Other income in 2007 and 2006 included gains on the sales of corporate assets.

The effective tax provision rate for nine months ended September 30, 2009, is higher than the federal statutory rate due primarily to permanent book/tax differences, state income tax and the non-deductibility of the goodwill impairment charges. The effective tax benefit rate for nine months ended September 30, 2008, was lower than the federal statutory rate due primarily to non-deductible merger costs, permanent book/tax differences, international income taxes and state income taxes.

In 2008, tax benefits were generated by operating losses caused by higher interest expense, partially offset by non-deductible merger costs, international income taxes and state income taxes. In 2007 and 2006, the effective tax rates are higher than the federal statutory rate due primarily to state income taxes. HOC s 2007 effective tax rate was increased by the recording of a valuation allowance against certain foreign net operating losses. The effective tax rate in 2006 was impacted by provision-to-return adjustments and adjustments to income tax reserves resulting from settlement of outstanding tax issues.

Income attributable to non-controlling interests reflects minority owners shares of income from our majority-owned subsidiaries.

Discontinued operations for 2008 reflects 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 and expenses that were reimbursed under HOC s business interruption claims for Grand Casino Gulfport. 2007 Discontinued operations reflected insurance proceeds of $89.6 million, after taxes, for reimbursements under HOC s 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, HOC retained all insurance proceeds related to those properties. Discontinued operations for 2006 also included Reno Hilton, Flamingo Laughlin, Harrah s Lake Charles and Grand Casino Gulfport, all of which were sold in 2006. 2006 Discontinued operations reflect the results of Harrah s Lake Charles, Grand Casino Gulfport, Reno Hilton and Flamingo Laughlin through their respective sales dates and include any gain/loss on the sales (See Notes 15 and 16 to our consolidated financial statements included elsewhere in this prospectus.)

Table of Contents

Cost Savings Initiatives of HOC

In light of the severe economic downturn and adverse conditions in the travel and leisure industry generally, Harrah s Entertainment has undertaken a comprehensive cost reduction effort to right-size expenses with business levels. Beginning in August 2008, the program includes organizational restructurings at our corporate and property operations, reduction of travel and entertainment expenses, rationalization of our corporate wide marketing expenses, and headcount reductions at property operations and corporate offices. To date, Harrah s Entertainment has identified $555.0 million in estimated cost savings from these initiatives, of which approximately $368.3 million had been realized in the trailing twelve months (TTM) ending September 30, 2009. In accordance with our shared services agreement with Harrah s Entertainment, $399.6 million of these estimated cost savings and $265.2 million of the realized cost savings have been allocated to Harrah s Operating Company, Inc. Harrah s Entertainment expects to implement most of the program directives and achieve approximately $517.0 million in annual savings (of which approximately $372.0 million is Harrah s Operating Company, Inc. s proportionate share), on a run-rate basis, by the end of 2009.

Capital Spending and Development of HOC

In addition to the development and expansion projects discussed above, HOC also performs on-going refurbishment and maintenance at its casino entertainment facilities to maintain its quality standards, and HOC continues to pursue development and acquisition opportunities for additional casino entertainment facilities that meet its strategic and return on investment criteria. Prior to the receipt of necessary regulatory approvals, the costs of pursuing development projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Project opening costs are expensed as incurred.

HOC s planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. HOC must also comply with covenants and restrictions set forth in its debt agreements. Cash needed to finance projects currently under development as well as additional projects being pursued is expected to be made available from operating cash flows, established debt programs (see Debt and Liquidity of HOC), joint venture partners, specific project financing, guarantees of third-party debt and additional debt offerings. Our capital spending for the first nine months of 2009 totaled approximately $389.6 million. Estimated total capital expenditures for 2009 are expected to be between $425 million and $490 million.

Debt and Liquidity of HOC

HOC generates substantial cash flows from operating activities, as reflected on the consolidated statements of cash flows included elsewhere in this prospectus in our audited consolidated financial statements as of December 31, 2008, and our unaudited condensed consolidated financial statements as of September 30, 2009. For the first nine months of 2009, HOC reported cash flows provided by operating activities of $48.9 million compared to $502.4 million for the period from January 28, 2008 through September 30, 2008, and cash flows used in operating activities of $49.8 million for the period from January 1, 2008 through January 27, 2008. For the years ended December 31, 2008 and 2007, HOC reported cash flows from operating activities of $317.6 million and $925.4 million.

HOC uses the cash flows generated by the Company to fund debt service, to reinvest in existing properties for both refurbishment and expansion projects and to pursue additional growth via new development opportunities. When necessary, HOC supplements the cash flows generated by our operations with funds provided by financing activities to balance our cash requirements. HOC s ability to fund its operations, pay its debt obligations and fund planned capital expenditures depends, in part, on economic and other factors that are beyond its control, and recent disruptions in capital markets and restrictive covenants related to its existing debt could impact HOC s ability to secure additional funds through financing activities. We cannot assure you that HOC s business will generate sufficient cash flows from operations, or that future borrowings will be available to HOC to fund its liquidity needs and pay its indebtedness. If HOC is unable to meet its liquidity needs or pay its indebtedness when it is due, HOC may have to reduce or delay refurbishment and expansion projects, reduce expenses, sell assets or attempt to restructure its debt. In addition, HOC has pledged a significant portion of its assets as collateral under certain of its debt agreements, and if any of those lenders accelerate the repayment of borrowings, there can be no assurance that HOC will have sufficient assets to repay its indebtedness.

HOC s cash and cash equivalents totaled approximately $599.8 million at September 30, 2009. HOC s cash and cash equivalents totaled $447.4 million at December 31, 2008, compared to $493.9 million at December 31, 2007.

The following provides a summary of HOC s cash flows for the periods indicated.

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007
Cash provided by/(used in) operating activities	$ 367.4	$ (49.8)	$ 317.6	$ 925.4
Capital investments	(1,031.4)	(80.9)	(1,112.3)	(1,003.8)
Payments for business acquisitions		0.1	0.1	(584.3)
Insurance proceeds for hurricane losses for continuing operations	98.1		98.1	15.7
Insurance proceeds for hurricane losses for discontinued operations	83.3		83.3	13.4
Other investing activities	(18.4)	(1.1)	(19.5)	10.6
Cash (used in)/provided by operating/investing activities	(501.0)	(131.7)	(632.7)	(623.0)
Cash (used in)/provided by financing activities	510.1	70.9	581.0	452.8
Cash provided by discontinued operations	4.7	0.5	5.2	88.7
Net increase/(decrease) in cash and cash equivalents	$ 13.8	$ (60.3)	$ (46.5)	$ (81.5)

We believe that HOC s cash and cash equivalents balance, HOC s cash flows from operations and the financing sources discussed herein will be sufficient to meet HOC s normal operating requirements during the next twelve months and to fund capital expenditures. In addition, HOC may consider issuing additional debt in the future to refinance existing debt or to finance specific capital projects. In connection with the Acquisition, HOC incurred substantial additional debt, which has significantly changed HOC s financial position.

At September 30, 2009, $162.0 million, face amount, of HOC s 7.875% Senior Subordinated Notes due March 15, 2010, $228.6 million, face amount, of HOC s 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 its consolidated condensed balance sheet because the Company has both the intent and the ability to refinance these notes under our revolving credit facility.

For more information regarding the long-term debt of HOC and the terms of HOC s debt instruments, as well as HOC s derivative instruments, see Debt and Liquidity for Harrah s Entertainment discussed earlier in this prospectus.

The majority of our debt is due after 2010. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows and from borrowings under our established debt programs. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, joint venture partners or, if necessary, additional debt offerings.

Table of Contents

Guarantees of Third-Party Debt and Other Obligations and Commitments of HOC

The following tables summarize our contractual obligations and other commitments as of September 30, 2009.

		Payments due by Period			
Contractual Obligations[a]	**Total**	**Less than 1 year**	**1-3 years (In millions)**	**4-5 years**	**After 5 years**
Debt, face value	$ 16,806.6	$ 11.8	$ 532.5	$ 166.4	$ 16,095.9
Capital lease obligations	11.2		11.2		
Estimated interest payments[b]	9,480.0	338.6	3,987.2	2,260.6	2,893.6
Operating lease obligations	2,058.7	21.8	190.8	112.4	1,733.7
Purchase orders obligations	23.5	23.5			
Guaranteed payments to State of Louisiana	89.8	15.0	74.8		
Community reinvestment	119.9	1.6	18.6	12.1	87.6
Construction commitments	383.9	383.9			
Entertainment obligations	76.5	11.5	64.8	0.2	
Other contractual obligations	294.1	22.0	91.2	22.4	158.5
	$ 29,344.2	$ 829.7	$ 4,971.1	$ 2,574.1	$ 20,969.3

(a) In addition to the contractual obligations disclosed in this table, we have unrecognized tax benefits that, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities.

(b) Estimated interest for variable rate debt included in this table is based on rates at September 30, 2009. Estimated interest includes the estimated impact of our interest rate swap agreements.

	Amounts of Commitment Per Year				
Contractual Obligations[a]	**Total amounts committed**	**Less than 1 year**	**1-3 years (In millions)**	**4-5 years**	**After 5 years**
Letters of credit	$ 161.9	$ 18.6	$ 143.3	$	$
Minimum payments to tribes	31.1	3.4	26.6	1.1	

The agreements pursuant to which HOC manages 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, HOC must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to HOC 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. HOC s 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 50 months from September 30, 2009, is $1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

Debt Covenant Compliance of HOC

Certain covenants contained in HOC s credit agreement require the maintenance of a senior 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 amendment and waiver to our credit agreement excludes from the Senior Secured Leverage Ratio (a) notes secured with a first

priority lien on the assets of HOC and its subsidiaries that secure the senior secured credit facilities (including the $1.375 billion senior secured notes issued June 15, 2009 and the $720 million senior secured notes issued September 11, 2009) that collectively result in up to $2 billion in net proceeds (provided that the aggregate face amount of all notes shall not exceed $2.2 billion) 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 the senior secured credit facilities, the indentures and other agreements governing HOC s Second Lien Notes and First Lien Notes restrict HOC s ability to take certain actions such as incurring additional debt or making acquisitions if HOC is 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 HOC s long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions**.**

We believe HOC is in compliance with our credit agreement and indentures, including the Senior Secured Leverage Ratio, as of September 30, 2009. If HOC s LTM Adjusted EBITDA were to decline significantly from the level achieved at September 30, 2009, it could cause HOC to exceed the Senior Secured Leverage Ratio and could be an Event of Default under our credit agreement. However, HOC could implement certain actions in an effort to minimize the possibility of a breach of the Senior Secured Leverage Ratio, including reducing payroll and other operating costs, deferring or eliminating certain maintenance, delaying or deferring capital expenditures, or selling assets. In addition, under certain circumstances, HOC s credit agreement allows HOC to apply the cash contributions received by HOC as a capital contribution to cure covenant breaches. However, there is no guarantee that such contributions will be able to be secured.

EBITDA is defined as income from continuing operations plus interest, income taxes, depreciation and amortization. EBITDA is not a recognized term under U.S. GAAP and does not purport to be an alternative to income from continuing operations as a measure of operating performance or to cash flows from operations as a measure of liquidity. Additionally, EBITDA is not intended to be a measure of free cash flow available for management s discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Our presentation of EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of results as reported under U.S. GAAP. Management believes EBITDA is helpful in highlighting trends because EBITDA excludes the results of decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement U.S. GAAP results to provide a more complete understanding of the factors and trends affecting the business than U.S. GAAP results alone. Because not all companies use identical calculations, these presentations of EBITDA may not be comparable to other similarly titled measures of other companies. LTM Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other adjustments required or permitted in calculating covenant compliance under the indenture and other agreements governing the Second Lien Notes, the First Lien Notes and/or HOC s senior secured credit facilities. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting LTM Adjusted EBITDA are appropriate to provide additional information to investors about certain material non-cash items and about unusual items that HOC does not expect to continue at the same level in the future. Because not all companies use identical calculations, our presentation of LTM Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Table of Contents

The following table reconciles income/(loss) from continuing operations and LTM Adjusted EBITDA of HOC for the twelve months ended September 30, 2009, and takes into consideration the CMBS Transactions and the London Clubs Transfer as if they had occurred at the beginning of the period.

(In millions)	(1) Successor Nine months Ended Sept. 30, 2009[b]	Predecessor Jan. 1, 2008 Through Jan. 27, 2008	Successor Jan. 28, 2008 Through Sept. 30, 2008	(2) Combined Jan. 1, 2008 Through Sept. 30, 2008	Predecessor Jan. 1, 2008 Through Jan. 27, 2008[a]	Successor Jan. 28, 2008 Through Dec. 31, 2008[a][b]	(3) Combined Jan. 1, 2008 Through Dec, 31, 2008[b]	(1)-(2)+(3) LTM
Income/(loss) from continuing operations, net of tax	$ 733.9	$ (106.2)	$ (414.3)	$ (520.5)	$ (106.2)	$ (3,390.5)	$ (3,496.7)	$ (2,242.3)
Net income attributable to non-controlling interests	(11.7)	(1.4)	(1.6)	(3.0)	(1.4)	(6.4)	(7.8)	(16.5)
Interest expense, net of interest income	1,222.6	85.7	1,193.2	1,278.9	85.7	1,675.4	1,761.1	1,704.8
Provision/(benefit) for income taxes	1,480.8	(21.6)	(186.7)	(208.3)	(21.6)	(378.5)	(400.1)	1,289.0
Depreciation and amortization	493.6	56.7	431.7	488.4	56.7	597.2	653.9	659.1
EBITDA	3,919.2	13.2	1,022.3	1,035.5	13.2	(1,502.8)	(1,489.6)	1,394.1
Project opening costs, abandoned projects and development costs[c]	2.7	0.9	27.1	28.0	0.9	30.0	30.9	5.6
Acquisition and integration costs	0.3	125.6	23.1	148.7	125.6	24.0	149.6	1.2
(Gain)/losses on early extinguishment of debt[d]	(3,931.4)		203.9	203.9		(742.1)	(742.1)	(4,877.4)
Net (loss)/income attributable to non-controlling interests, net of distributions[e]	(0.2)	0.8	(3.9)	(3.1)	0.8	(7.2)	(6.4)	(3.5)
Impairment of goodwill, intangible assets and investment securities	1,166.6					3,745.2	3,745.2	4,911.8
Non-cash expense for stock compensation benefits[f]	9.3	1.7	9.2	10.9	1.7	12.1	13.8	12.2
Income from insurance claims for hurricane losses[g]			(185.5)	(185.5)		(185.4)	(185.4)	0.1
Other non-recurring or non-cash items[h]	66.9	0.8	83.7	84.5	0.8	130.1	130.9	113.3
Pro forma adjustment for yet-to-be realized cost savings[i]								134.4
LTM Adjusted EBITDA								$ 1,691.8

(a) Includes operating results of South Africa.
(b) Includes the impairment of goodwill, intangible assets and investment securities.
(c) Represents (i) project opening costs incurred in connection with expansion and renovation projects at various properties; (ii) write-off of abandoned development projects; and (iii) non-recurring strategic planning and restructuring costs.
(d) Represents (i) the difference between the net book value and cash paid for notes exchanged and retired for cash; (ii) the difference between the net book value of the old notes and the fair market value of new notes issued; and (iii) the write-off of historical unamortized deferred financing costs and unamortized market value premiums/discounts.
(e) Represents minority owners share of income from our majority-owned subsidiaries, net of cash distributions to minority owners.
(f) Represents non-cash compensation expense related to stock options.
(g) Represents non-recurring insurance recoveries related to Hurricane Katrina.
(h) Represents the elimination of other non-recurring and/or non-cash items such as litigation awards and settlements, severance and relocation costs, excess gaming taxes, gains and losses from disposal of assets, income on interests in non-consolidated affiliates (net of distributions) and one-time costs relating to new state gaming legislation.
(i) Represents the yet-to-be realized cost savings from our previously announced profitability improvement program.

Table of Contents

INDUSTRY

Introduction

Casino gambling was first legalized in the U.S. by the State of Nevada in 1931. Since then, the industry has grown to 467 commercial casinos in 12 states with over $34.1 billion of gross gaming revenue, according to the American Gaming Association. Additionally, according to the National Indian Gaming Commission, the relatively recent development of Tribal gaming establishments has created another 382 gaming operations across 29 states. According to Casino City s North American Gaming Almanac, there are over 663,000 slots and 25,000 table games (including poker) in the U.S., including Tribal casinos.

Historically, the U.S. gaming industry was predominately located in two cities, Las Vegas, NV and Atlantic City, NJ. In 2006, the Las Vegas Boulevard (the Las Vegas Strip or the Strip) and Atlantic City generated approximately $12 billion of revenue and accounted for approximately 37% of the total commercial casino revenues in the U.S. However, as casinos have gained more recognition as a key source of entertainment, jobs, and income, and as the demand for gaming has increased, there has been an increased proliferation of gaming in other regional markets. The following chart shows total revenues in the top 10 casino markets in the U.S. for 2008:

Source: 2008 AGA Survey of Casino Entertainment

Las Vegas

Las Vegas is the largest and most prominent gaming market in the U.S. with 160 licensed casinos, 131,900 nonrestricted slot machines, 4,800 licensed tables and $10.9 billion of gaming revenue in 2007 for Clark County. Las Vegas 140,000 hotel rooms consistently exhibit occupancy rates in the 80% 90% range and are home to 22 of 25 of the largest hotels in the U.S. During the past 10-15 years, Las Vegas has successfully focused on attracting more than just gamblers as operators have invested in non-gaming amenities. As a result, Las Vegas has become one of the nation s most popular convention center destinations and draws travelers attracted to the city s fine dining, shopping, and entertainment, as well as the gaming facilities. The city drew 37.5 million visitors in 2008.

Las Vegas effectively illustrates a supply-generated market dynamic. Each new wave of mega-resort openings has expanded the Las Vegas market in terms of visitation and total revenues. Since 1970, visitor volumes have grown at a faster pace than the Las Vegas room supply. This in turn has generated room demand and led to consistently strong occupancy rates. In addition, the average length of stay and amount spent per trip has increased as Las Vegas has evolved from a one-dimensional casino town into a diversified destination-resort market.

Table of Contents

As a result, the Las Vegas market has shown consistent growth over the long term, both in terms of visitation and expenditures, and has exhibited one of the highest hotel occupancy rates of any major market in the U.S. According to the Las Vegas Convention and Visitors Authority, the number of visitors traveling to Las Vegas increased significantly over the last 17 years, from 21.0 million visitors in 1990 to 39.2 million visitors in 2007. Over this period, Las Vegas hotel room inventory has been highly correlated with visitation. Below is a chart showing Las Vegas hotel room inventory and visitation over that period and a chart comparing Las Vegas occupancy with that of other major U.S. markets.

Source: Las Vegas Convention and Visitors Authority

Source: Las Vegas Convention and Visitors Authority and Smith Travel Research.

Table of Contents

The development and expansion of mega-resorts along the Strip has been a primary generator of the recent visitation growth in the market. As the Strip has continued to evolve there has been a substantial shift in revenue mix, with an increased focus on non-gaming amenities. Industry analysts believe that there are three primary influences for this shift in recent years:

(1) newer, larger and more diverse resorts

(2) greater focus on the convention market and

(3) new marketing campaigns targeting a broader customer base

As the total room inventory in Las Vegas has grown via the increasing presence of mega-resorts, there has been a corresponding impact in non-gaming revenues. According to Nevada State Gaming Control Board Nevada Gaming Abstract, while gaming revenues have continued to grow in terms of absolute dollars, from $2.6 billion in 1990 to $6.8 billion in 2007 (5.9% compound annual growth rate (CAGR)), the percentage of total Strip casino-hotel resort revenues represented by gaming (casino) has declined substantially over the past 17 years, from 61% of total revenues in 1990, to just 42% in 2007.

Much of this shift occurred after the second stage of mega-resorts began to come on-line in the late 1990s (Bellagio, Mandalay Bay, Venetian and Paris), offering more non-gaming amenities and targeting a more affluent customer. From 1990 to 2007 the percentage of revenues derived from hotel rooms increased by 9% to 25%, while food & beverage increased 3% to 19%.

Las Vegas continues to be an intensely competitive market with continued increases in new development and expansions. In April 2005, Wynn Resorts opened the first new resort on the Strip since 1999. Along with Wynn s opening, several other competitors have recently opened new resorts or made announcements of their planned capital expenditures in the area. In early 2008, the Las Vegas Sands opened an adjacent property to the Venetian Resort and Casino, named the Palazzo. Wynn Resorts also completed a new property adjacent to Wynn Las Vegas, called Encore, which opened in late 2008. In November 2004, MGM Mirage announced plans to build the CityCenter, a multi-use property on 67 acres of land on the Strip between Bellagio and Monte Carlo, scheduled to open in late 2009. Consistent with these trends, we are investing capital in the Las Vegas market to further bolster our leading market position. This expansion will dramatically improve our food and beverage and retail offerings as well as further solidifying our leading position on the premier corner of the Strip.

The current state of the national economy has affected the bottom line of Nevada casinos. For the first nine months of 2009, gaming revenues decreased as customers cut their discretionary spending, in some cases, dramatically. A company s vulnerability will be determined by the duration and depth of the economic downturn.

Table of Contents

Atlantic City

Atlantic City first legalized gaming in 1976 and is now the second largest gaming market in the U.S. Home to 11 casinos and over 34,000 slots, the Atlantic City market benefits from attractive demographics with 42 million adults within a 300 mile radius. 2006 brought 34.5 million visitors, according to South Jersey Transportation Authority, and the average customer visits seven times per year. Below is a chart depicting historical Atlantic City gaming revenues.

Source: New Jersey Casino Control Commission

Over the past five years, growth in the Atlantic City market can be attributed primarily to the expansion of select properties (Tropicana, Bally s) and the opening of the Borgata Hotel, Casino and Spa. The Borgata, a joint venture between Boyd Gaming Corporation and MGM Mirage, opened in July 2003, in Atlantic City s Marina District. The Borgata was the first casino to open in Atlantic City since April 1990.

Several recent trends have negatively impacted Atlantic City properties. In 2004, Pennsylvania passed legislation to legalize slot machines at seven horse racing tracks, five independent slot parlors and two resort slot parlors. At least four of these facilities are expected to be in the greater Philadelphia area. Currently, seven facilities have opened in Pennsylvania with the balance expected to open after 2008. Movements are underway, though in varying stages of development, to legalize slot machines in Delaware, West Virginia, New York and at the New Jersey Meadowlands. Additionally, Atlantic City enacted a partial smoking ban on April 15, 2007 designating 75% of the gaming floor as smoke free. Revenues have been impacted in the periods following the enactment, in some cases, dramatically. Competition from Pennsylvania and New York, and the national economy, have severely affected the Atlantic City market in 2008 and 2009.

Regional Markets

Regional markets have become increasingly popular with both casino operators and customers. Casinos are choosing to invest more capital in these regions as capital expenditure requirements are low relative to other major markets and several major markets have already been largely penetrated. Customers are traveling to these destinations more often due to both their close proximity and as an alternative form of entertainment. Additionally, an increasing number of states have been taking a more liberal approach to legalizing casinos as gaming has become a mainstream form of leisure entertainment with the potential to generate significant tax revenues. States with regional commercial gaming properties include Colorado, Illinois, Indiana, Iowa, Louisiana, Michigan, Mississippi, Missouri, Pennsylvania and South Dakota.

Many regional casinos directly compete with Tribal gaming properties. Tribal gaming began with the Indian Gaming Regulatory Act of 1988, which permitted states to authorize tribes to operate casinos on Native

Table of Contents

American reservations. Recently many tribes have built Las Vegas style casinos, with high-class accommodations and different forms of entertainment, such as concerts, as a way to entice younger people to their casinos.

International Markets

International gaming growth is expected to continue. Macau is located on the Southeast coast of China to the western bank of the Pearl River Delta. Macau gaming revenue has grown from $2.0 billion in 2000 to $10.3 billion in 2007. The rapid pace of new casino growth in Macau should benefit casino operators who hold concessions, as well as gaming equipment suppliers. Other major international gaming markets include Australia, New Zealand, Malaysia, Great Britain and South Africa.

Table of Contents

BUSINESS

Overview

Harrah s Entertainment, Inc., a Delaware corporation, is one of the largest casino entertainment providers in the world. Our business is primarily conducted through a wholly owned subsidiary, Harrah s Operating Company, Inc., although certain material properties are not owned by Harrah s Operating Company, Inc. As of September 30, 2009, we owned or managed, through various subsidiaries, 52 casinos in six countries, but primarily in the United States and the United Kingdom. Our casino entertainment facilities operate primarily under the Harrah s, Caesars and Horseshoe brand names in the United States, and include land-based casinos, casino clubs, riverboat or dockside casinos, casinos on Indian reservations, a combination greyhound racing facility and casino and combination thoroughbred racetrack and a harness racetrack and slot facility. As of September 30, 2009, our facilities have an aggregate of approximately 3 million square feet of gaming space and approximately 39,000 hotel rooms. We have a customer loyalty program, Total Rewards, which has over 40 million members and which we use for marketing promotions and to generate play by our customers when they travel among our markets in the United States and Canada. We also own and operate the World Series of Poker tournament and brand. Unless otherwise noted or indicated by the context, the terms Harrah s, Harrah s Entertainment, Company, we, us, and our refer to Harrah s Entertainment, Inc.

We were incorporated on November 2, 1989 in Delaware, and prior to such date operated under predecessor companies. Our principal executive offices are located at One Caesars Palace Drive, Las Vegas, Nevada 89109, telephone (702) 407-6000. Until January 28, 2008, our common stock was traded on the New York Stock Exchange under the symbol HET.

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, valued at approximately $30.7 billion, including the assumption of $12.4 billion of debt and approximately $1.0 billion of acquisition costs. Holders of Harrah s Entertainment stock received $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 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.

Description of Business

Our casino business commenced operations in 1937. We own or manage casino entertainment facilities in more areas throughout the United States than any other participant in the casino industry. In addition to casinos, our facilities typically include hotel and convention space, restaurants and non-gaming entertainment facilities. Three of our properties are racetracks at which we have installed slot machines. The descriptions below are as of December 31, 2008, except where otherwise noted.

In southern Nevada, Harrah s Las Vegas, Rio All-Suite Hotel & Casino, Caesars Palace, Bally s Las Vegas, Flamingo Las Vegas, Paris Las Vegas, Imperial Palace Hotel & Casino and Bill s Gamblin Hall & Saloon are located in Las Vegas, and draw customers from throughout the United States. Harrah s Laughlin is located near both the Arizona and California borders and draws customers primarily from the southern California and Phoenix metropolitan areas and, to a lesser extent, from throughout the U.S. via charter aircraft.

In northern Nevada, Harrah s Lake Tahoe, Harveys Resort & Casino and Bill s Casino are located near Lake Tahoe and Harrah s Reno is located in downtown Reno. These facilities draw customers primarily from northern California, the Pacific Northwest and Canada.

Table of Contents

Our Atlantic City casinos, Harrah s Resort Atlantic City, Showboat Atlantic City, Caesars Atlantic City and Bally s Atlantic City, draw customers primarily from the Philadelphia metropolitan area, New York and New Jersey.

Harrah s Chester is a combination harness racetrack and slot facility located approximately six miles south of Philadelphia International Airport which draws customers primarily from the Philadelphia metropolitan area and Delaware.

Our Chicagoland dockside casinos, Harrah s Joliet in Joliet, Illinois, and Horseshoe Hammond in Hammond, Indiana, draw customers primarily from the greater Chicago metropolitan area. In southern Indiana, we own Horseshoe Southern Indiana (formerly Caesars Indiana), a dockside casino complex located in Elizabeth, Indiana, which draws customers primarily from northern Kentucky, including the Louisville metropolitan area, and southern Indiana, including Indianapolis.

In Louisiana, we own Harrah s New Orleans, a land-based casino located in downtown New Orleans, which attracts customers primarily from the New Orleans metropolitan area. In northwest Louisiana, Horseshoe Bossier City, a dockside casino, and Harrah s Louisiana Downs, a thoroughbred racetrack with slot machines, located in Bossier City, cater to customers in northwestern Louisiana and east Texas, including the Dallas/Fort Worth metropolitan area.

On the Mississippi gulf coast, we own the Grand Casino Biloxi, located in Biloxi, Mississippi, which caters to customers in southern Mississippi, southern Alabama and northern Florida.

Harrah s North Kansas City and Harrah s St. Louis, both dockside casinos, draw customers from the Kansas City and St. Louis metropolitan areas, respectively. Harrah s Metropolis is a dockside casino located in Metropolis, Illinois, on the Ohio River, drawing customers from southern Illinois, western Kentucky and central Tennessee.

Horseshoe Tunica, Harrah s Tunica (formerly Grand Casino Tunica) and Sheraton Casino & Hotel Tunica, dockside casino complexes located in Tunica, Mississippi, are approximately 30 miles from Memphis, Tennessee and draw customers primarily from the Memphis area.

Horseshoe Council Bluffs, a land-based casino, and Harrah s Council Bluffs, a dockside casino facility, are located in Council Bluffs, Iowa, across the Missouri River from Omaha, Nebraska. The Bluffs Run Greyhound Racetrack is in operation at Horseshoe Council Bluffs as well. At Bluffs Run, we own the assets other than gaming equipment, and lease these assets to the Iowa West Racing Association, or IWRA, a nonprofit corporation, and we manage the facility for the IWRA under a management agreement expiring in October 2024. Iowa law requires that a qualified nonprofit corporation hold Bluffs Run s gaming and pari-mutuel licenses and its gaming equipment.

Caesars Windsor (formerly Casino Windsor), located in Windsor, Ontario, draws customers primarily from the Detroit metropolitan area and the Conrad Resort & Casino located in Punta Del Este, Uruguay, draws customers primarily from Argentina and Uruguay.

As part of the acquisition of London Clubs in December 2006, we own or manage five casinos in London: the Sportsman, the Golden Nugget, the Rendezvous, Fifty and The Casino at the Empire. Our casinos in London draw customers primarily from the London metropolitan area as well as international visitors. We also own Alea Nottingham, Alea Glasgow, Alea Leeds, Manchester235, Rendezvous Brighton and Rendezvous Southend-on-Sea in the provinces of the United Kingdom, which primarily draw customers from their local areas. We also manage two casinos in Cairo, Rendezvous Cairo-Ramses and Caesars Cairo (which opened on December 22, 2008), which draw customers primarily from other countries in the Middle East. Emerald Safari, located in the province of Gauteng in South Africa, draws customers primarily from South Africa.

Table of Contents

We also earn fees through our management of three casinos for Indian tribes:

Harrah s Phoenix Ak-Chin, located near Phoenix, Arizona, which we manage for the Ak-Chin Indian Community under a management agreement that expires in December 2009. Harrah s Phoenix Ak-Chin draws customers from the Phoenix metropolitan area;

Harrah s Cherokee Casino and Hotel, which we manage for the Eastern Band of Cherokee Indians on their reservation in Cherokee, North Carolina under a management contract that expires November 2011. Harrah s Cherokee draws customers from eastern Tennessee, western North Carolina, northern Georgia and South Carolina.

Harrah s Rincon Casino and Resort, located near San Diego, California, which we manage for the Rincon San Luiseno Band of Mission Indians under a management agreement that expires in November 2013. Harrah s Rincon draws customers from the San Diego metropolitan area and Orange County, California; and

We own and operate Bluegrass Downs, a harness racetrack located in Paducah, Kentucky, and own a one-half interest in Turfway Park LLC, which is the owner of the Turfway Park thoroughbred racetrack in Boone County, Kentucky. Turfway Park LLC owns a minority interest in Kentucky Downs LLC, which is the owner of the Kentucky Downs racetrack located in Simpson County, Kentucky.

We also operate the World Series of Poker tournament circuit and license trademarks for merchandise related to this brand.

We also own Macau Orient Golf located on Cotai in Macau.

Additional information about our casino entertainment properties is set forth below:

Summary of Property Information*

Property	Type of Casino	Casino Space Sq. Ft[(a)]	Slot Machines[(a)]	Table Games[(a)]	Hotel Rooms & Suites[(a)]
Atlantic City, New Jersey					
Harrah s Atlantic City	Land-based	173,200	3,150	150	2,590
Showboat Atlantic City	Land-based	120,100	2,850	120	1,330
Bally s Atlantic City[(b)]	Land-based	147,400	3,660	200	1,760
Caesars Atlantic City	Land-based	141,800	2,840	170	1,140
Las Vegas, Nevada					
Harrah s Las Vegas	Land-based	90,600	1,440	100	2,530
Rio	Land-based	107,000	1,090	100	2,520
Caesars Palace	Land-based	131,000	1,420	160	3,290
Paris Las Vegas	Land-based	85,000	1,160	100	2,920
Bally s Las Vegas	Land-based	66,400	1,050	60	2,810
Flamingo Las Vegas[(c)]	Land-based	76,800	1,400	120	3,460
Imperial Palace	Land-based	75,000	770	60	2,640
Bill s Gamblin Hall & Saloon	Land-based	42,500	390	40	200
Laughlin, Nevada					
Harrah s Laughlin	Land-based	56,000	850	30	1,510
Reno, Nevada					
Harrah s Reno	Land-based	41,600	820	40	930

141

Table of Contents

Property	Type of Casino	Casino Space Sq. Ft[(a)]	Slot Machines[(a)]	Table Games[(a)]	Hotel Rooms & Suites[(a)]
Lake Tahoe, Nevada					
Harrah s Lake Tahoe	Land-based	57,600	830	70	510
Harveys Lake Tahoe	Land-based	63,300	780	80	740
Bill s Lake Tahoe	Land-based	18,000	310		
Chicago, Illinois area					
Harrah s Joliet (Illinois)[(d)]	Dockside	38,900	1,170	30	200
Horseshoe Hammond (Indiana)	Dockside	108,200	3,230	150	
Metropolis, Illinois					
Harrah s Metropolis[(e)]	Dockside	31,000	1,140	30	260
Southern Indiana					
Horseshoe Southern Indiana	Dockside	86,600	1,940	110	500
Council Bluffs, Iowa					
Harrah s Council Bluffs	Dockside	28,000	1,040	30	250
Horseshoe Council Bluffs[(f)]	Greyhound racing facility and land-based casino	78,800	1,840	70	
Tunica, Mississippi					
Horseshoe Tunica	Dockside	63,000	1,760	80	510
Harrah s Tunica	Dockside	136,000	1,740	70	1,360
Sheraton Casino & Hotel	Dockside	31,000	910	20	130
Mississippi Gulf Coast					
Grand Casino Biloxi	Dockside	28,800	830	30	490
St. Louis, Missouri					
Harrah s St. Louis	Dockside	111,500	2,720	90	500
North Kansas City, Missouri					
Harrah s North Kansas City	Dockside	60,100	1,760	60	390
New Orleans, Louisiana					
Harrah s New Orleans	Land-based	125,100	2,040	120	450
Bossier City, Louisiana					
Louisiana Downs	Thoroughbred racing facility and land-based casino	14,900	1,160		
Horseshoe Bossier City	Dockside	29,900	1,510	70	610
Chester, Pennsylvania					