

PLAYERS BLUEGRASS DOWNS INC  
Form 424B3  
January 08, 2009  
Table of Contents

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Registration No. 333-154800

PROSPECTUS

## Harrah s Operating Company, Inc.

### OFFERS TO EXCHANGE

**\$4,200,153,000 aggregate principal amount of its 10.75% Senior Notes due 2016 and**

**\$1,052,583,000 aggregate principal amount of its 10.75%/11.5% Senior Toggle Notes due 2018, the issuance of each of which has been registered under the Securities Act of 1993, as amended (collectively, the exchange notes ),**

for

**any and all of its outstanding 10.75% Senior Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018, respectively (collectively, the original notes, and together with the exchange notes, the notes ).**

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 \$4,200,153,000 in aggregate principal amount of our registered 10.75% Senior Notes due 2016 and the guarantees thereof and \$1,052,583,000 in the aggregate principal amount of our registered 10.75%/11.5% Senior Toggle Notes due 2018 and any guarantees thereof (the exchange notes ), for a like principal amount of our unregistered 10.75% Senior Notes due 2016 and 10.75%/11.5% Senior Toggle Notes due 2018 (the original notes ). We refer to the original notes and exchange notes collectively as the notes. The terms of the exchange notes and the guarantees thereof are identical to the terms of the 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. and the wholly-owned domestic subsidiaries of Harrah s Operating Company, Inc. that guarantee obligations under the senior secured credit facilities (the guarantors ). 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**We will exchange any and all original notes that are validly tendered and not validly withdrawn prior to 5:00 p.m., New York City time, on February 6, 2009, unless extended.**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 23 of this prospectus for a discussion of certain risks that you should consider before participating in this 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 January 8, 2009.

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	23
<u>Cautionary Statements Concerning Forward-Looking Statements</u>	36
<u>Market and Industry Data and Forecast</u>	37
<u>The Exchange Offers</u>	38
<u>Use of Proceeds</u>	49
<u>Capitalization</u>	50
<u>Unaudited Pro Forma Condensed Consolidated Financial Information of Harrah's Entertainment, Inc.</u>	52
<u>Unaudited Pro Forma Condensed Consolidated Financial Information of Harrah's Operating Company, Inc.</u>	57
<u>Selected Historical Financial Data</u>	63
<u>Management's Discussion and Analysis of Financial Condition And Results of Operations</u>	65
<u>Industry</u>	115
<u>Business</u>	120
<u>Gaming Regulatory Overview</u>	129
<u>Management</u>	138
<u>Security Ownership of Certain Beneficial Owners and Management</u>	177
<u>Certain Relationships and Related Party Transactions</u>	178
<u>Description of Other Indebtedness</u>	181
<u>Description of Exchange Notes</u>	186
<u>Certain U.S. Federal Income Tax Considerations</u>	252
<u>Plan of Distribution</u>	253
<u>Legal Matters</u>	254
<u>Experts</u>	254
<u>Where You Can Find More Information</u>	254
<u>Index To Consolidated Financial Statements</u>	F-1

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, or 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 April 8, 2009 (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**

*This summary highlights information appearing elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in the notes. You should carefully read the entire prospectus, including the information presented under the heading "Risk Factors" and the more detailed information in the unaudited pro forma condensed consolidated financial information and the historical financial statements and related notes presented elsewhere in this prospectus.*

*The exchange notes will be issued by Harrah's Operating Company, Inc. (the "Issuer"), a Delaware corporation and a wholly-owned subsidiary of Harrah's Entertainment, Inc., a Delaware corporation ("Harrah's Entertainment"). Unless otherwise indicated or the context otherwise requires, references in this prospectus to we, our, us, and the company refer to Harrah's Entertainment and its consolidated subsidiaries, and references in this prospectus to Harrah's Operating or HOC refer to the Issuer and its consolidated subsidiaries, in each case after giving effect to the consummation of the Transactions described below under "The Transactions."*

*As of September 30, 2008, Harrah's Entertainment owned or managed 52 casinos through its subsidiaries. In connection with the financing of the Acquisition described below under "The Transactions," six casinos were spun or transferred out of Harrah's Operating to entities that are side-by-side with Harrah's Operating. See "The Transactions" CMBS Transactions. In addition, in connection with the Transactions, London Clubs and its subsidiaries became subsidiaries of Harrah's Operating. See "The Transactions" London Clubs Transfer. Harrah's Operating has remained a direct, wholly-owned subsidiary of Harrah's Entertainment and as of September 30, 2008 owned or managed 46 of the 52 Harrah's Entertainment casinos. Notwithstanding these spin-offs and transfers, management of Harrah's Entertainment continues to manage all of the properties of Harrah's Operating and those held by its sister subsidiaries as one company, but Harrah's Operating is not entitled to receive any direct contribution or proceeds from its sister subsidiaries' operations. Harrah's Entertainment guarantees the notes; the CMBS subsidiaries do not. As a result, we have provided the historical financial and pro forma financial information of Harrah's Entertainment as well as pro forma financial information of Harrah's Operating to give a meaningful and complete presentation of the CMBS Transactions and the London Clubs Transfer, among others.*

*Unless otherwise specified, all pro forma financial information for periods ended after December 31, 2006 provided in this prospectus gives pro forma effect to the closing of the Transactions. Harrah's Operating has not historically reported financial information on a stand-alone basis and has not prepared audited historical financial statements for this offering. 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 the 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 were not components of Harrah's Operating.*

## Table of Contents

### **Our Company**

Harrah's Entertainment is the world's largest and most geographically diversified gaming company with the #1 or #2 market share, based on revenue, in almost every major gaming market in the U.S., including Las Vegas and Atlantic City, the largest gaming markets in the U.S. As of September 30, 2008, we owned or managed 52 casinos across 12 U.S. states and six countries under the Harrah's®, Caesars®, and Horseshoe® brand names, among others. Harrah's Operating owned or managed 46 of these casinos. Harrah's Entertainment operates the industry's largest and most widely recognized customer recognition and loyalty program, called Total Rewards®, which has over 40 million members worldwide. In addition, we own and operate the World Series of Poker®.

### **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 became a stand-alone company and resumed trading on the NYSE.

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 Harrah's Entertainment 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 WIN@ (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.

### **Our Competitive Strengths**

**Industry's largest and most geographically diversified gaming operator with leading market positions.** Harrah's Entertainment is the world's largest and most geographically diversified gaming company, owning or managing 52 Harrah's Entertainment properties in 12 U.S. states and six countries as of September 30, 2008. In addition, Harrah's Entertainment's properties operate as market leaders, having the #1 or #2 market share, based on revenue, in almost every major U.S. gaming market, including Las Vegas and Atlantic City, the largest gaming markets in the U.S. We use our scale and market leading position, in combination with our proprietary marketing technology and customer loyalty programs, to foster revenue growth and encourage repeat business. In addition, our scale and geographic diversity reduces our exposure to any single region, thereby providing income diversification and improving our risk profile.

## **Table of Contents**

***Superior business model based on nationwide customer database and loyalty program.*** Our strategy is to generate same store gaming revenue growth and growth in cross-market play through our superior marketing and technological capabilities in combination with our nationwide casino network. These capabilities have allowed us to generate financial results that have consistently outperformed our competitors in the markets in which we operate. The systems that we use to generate our same store gaming revenue growth and cross-market play are Total Rewards, which allows our customers to earn benefits by playing at most Harrah's Entertainment casinos, and WINet, the industry's first sophisticated nationwide customer database. We believe these marketing tools, coupled with the industry's deepest geographic reach, provide us with a significant competitive advantage that enables us to efficiently market our products to a large and recurring customer base, and generate profitable revenue growth.

***Our asset value has benefited from substantial historical investments.*** From January 1, 2005 through September 30, 2008, we have invested \$6.3 billion in our asset base, \$4.6 billion of which was invested in Harrah's Operating assets. In addition, we are currently in the midst of several investments that have recently opened or are scheduled to open over the coming years, including the Horseshoe Hammond expansion in Indiana (opened in August 2008) and the renovation and expansion of Caesars Palace Las Vegas (scheduled to open in 2009). We believe these investments, in conjunction with our substantial historical investments, will enhance our credit profile and bolster future growth in EBITDA that we will recognize over time. Further underpinning our asset value, the majority of our properties operate on owned real estate, and many have excess land available for expansion.

***Portfolio of the most highly recognized brand names in the gaming industry.*** Subsidiaries of Harrah's Entertainment own or manage many of the most highly recognized brand names in the gaming industry, including Harrah's®, Caesars®, Horseshoe®, Total Rewards®, the World Series of Poker®, Rio®, Paris®, Bally®, Flamingo®, Harveys®, Showboat® and Grand Casino<sup>SM</sup>. Each of these brands has a strong identity and enjoys widespread customer recognition. This diverse collection of brands allows us to appeal to a wide range of customer preferences and capture multiple visits through our ability to offer differentiated gaming experiences. In casino brand awareness studies, several of our brands consistently achieve higher rates of recognition overall, as compared to our competitors.

***Experienced management team with proven track record.*** Our management team, led by CEO Gary Loveman, has built Harrah's Entertainment into an industry leader by geographically diversifying our operations and introducing technology-based decision science tools to loyalty programs. A former associate professor at the Harvard University Graduate School of Business Administration, Mr. Loveman joined us as Chief Operating Officer in 1998 and drew on his extensive background in retail marketing and service-management to develop Total Rewards. Mr. Loveman was promoted to CEO in January 2003 and was named Best CEO in the gaming & lodging industry by Institutional Investor magazine for 2003, 2004, 2005 and 2006. In addition, the other members of our senior management team possess significant gaming industry experience.

### **Our Business Strategy**

***Leverage our unique scale and proprietary loyalty programs to generate same store gaming revenue growth and cross-market play growth.*** We plan to continue to aggressively leverage our nationwide distribution platform and superior marketing and technological capabilities to generate same store gaming revenue growth and growth in cross-market play. Through the Total Rewards and WINet systems, we are able to effectively monitor the play of over 40 million program participants and target our efforts and marketing expenditures on their highest return uses as well as promote cross-market play. We believe that given the scale and geographic reach of Harrah's Entertainment, we are uniquely positioned amongst our competitors to execute this strategy.

**Table of Contents**

***Capitalize on strong growth trends in our industry.*** We have been successful in making investments that have generated incremental growth in our business and enabled us to post results that are superior to those of our competitors in the markets where we operate. These investments have historically been designed to improve the customer experience at existing properties, expand our capacity, or build new properties. We are currently pursuing select capital projects in proven markets that we believe will be accretive to our growth strategy and will generate attractive cash flow and returns on investment. For example, we are currently developing a new hotel tower at our iconic Caesars Palace in Las Vegas and recently unveiled a new vessel in Hammond, Indiana, which is expected to significantly increase our revenue-generating capacity in each of those markets. Additionally, we believe that we have opportunities to expand revenues and cash flow while further geographically diversifying our assets by pursuing selected international growth opportunities.

***Enhance operational efficiency.*** We have identified significant opportunities to streamline our operations, improve our cost structure and optimize working capital. Our management team implemented a comprehensive profitability improvement program in September 2006 that identified three primary initiatives: organizational restructuring, a transformation of our teleservices (i.e., call centers) strategy, and procurement savings. In accordance with the shared services agreement, which is described under Certain Relationships and Related Party Transactions Shared Services Agreement, 70% of these savings have been allocated to Harrah's Operating.

***Maximize free cash flow.*** Our combination of stable and predictable revenues, high operating margins, and well managed maintenance capital expenditures allow us to generate significant cash flow. We intend to maintain rigorous control over capital investment projects, and future growth capital will be spent only upon the expectation of attractive returns. We believe that our predictable maintenance capital expenditures, improved working capital management and cost savings initiatives should enhance our ability to generate free cash flow.

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**Table of Contents**

**The Transactions**

**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 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 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 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 \$17,241 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 equity ownership of Harrah's Entertainment upon the closing of the Acquisition, see Corporate Structure and Security Ownership of Certain Beneficial Owners and Management.

**CMBS Transactions**

In connection with the CMBS portion of the financing for the Acquisition described in more detail below under The Financing, Harrah's Operating 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 Harrah's Operating and its subsidiaries through a series of distributions, liquidations, transfers and contributions. We refer to the spin-off of the CMBS Closing Assets by Harrah's Operating, resulting in the ownership of those assets by Harrah's Entertainment through subsidiaries of Harrah's Entertainment that are not also subsidiaries of Harrah's Operating, 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 Harrah's Operating 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 Harrah's Operating from Harrah's Entertainment. We refer to the spin-off of Paris Las Vegas and Harrah's Laughlin by Harrah's Operating and the transfer to subsidiaries of Harrah's Operating 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.



## **Table of Contents**

As illustrated below under Corporate Structure, the holders of the CMBS Assets (the CMBS Borrowers), are side-by-side with Harrah's Operating under Harrah's Entertainment. Pursuant to a shared services agreement, Harrah's Operating provides the CMBS Borrowers with certain corporate management and administrative operations and costs are allocated by Harrah's Operating 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 Harrah's Entertainment has historically operated its business. See Certain Relationships and Related Party Transactions Shared Services Agreement. 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 Harrah's Operating. 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 Harrah's Operating on or before the closing of the Acquisition. During the second quarter of 2008, Harrah's Entertainment transferred to Harrah's Operating the London Clubs South African operations, as well. We refer to the transfer of the London Clubs operations to Harrah's Operating 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 Harrah's Operating of \$5,275 million of senior unsecured cash pay interim loans;

the proceeds from the incurrence by Harrah's Operating of \$1,500 million of senior unsecured PIK toggle interim loans;

borrowings of \$7,250 million by Harrah's Operating under the term loan portion of our new \$9,250 million 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.

Harrah's Operating used the proceeds of the notes which were issued on February 1, 2008 to reduce its interim loan borrowings described above on a dollar-for-dollar basis. Harrah's Operating currently has \$343 million of unsecured cash pay loans outstanding and \$97 million of senior unsecured PIK toggle loans outstanding.

Harrah's Operating 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.

Harrah's Operating 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



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## **Table of Contents**

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 (collectively, the Retired Notes ) 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.

### **New Hedging Arrangements**

Harrah s Operating entered into three new 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 new hedging arrangements as the Transactions.

### **Recent Events**

In August 2008, construction was completed on the renovation and expansion of Horseshoe Hammond, property in the Illinois/Indiana region, which includes a two-level entertainment vessel including a 108,000-square-foot casino.

Construction has been completed on an upgrade and expansion of Harrah s Atlantic City, which includes a new hotel tower with approximately 960 rooms, a casino expansion and a retail and entertainment complex. Portions of the new hotel tower opened in the first six months of 2008, and the remaining phase opened in July 2008.

On July 2, 2008, Harrah s Operating made the permitted election under the (i) Indenture governing its 10.75%/11.5% Senior Toggle Notes due 2018 and (ii) Senior Unsecured Interim Loan Agreement dated January 28, 2008, to pay all interest due on February 1, 2009 for the notes and February 2, 2009 for the loan in kind. Harrah s Operating intends to use the cash savings generated by this election for general corporate purposes. Harrah s Operating is evaluating opportunities to retire other of its debt instruments in order to take advantage of current debt market conditions and thereby extend the weighted average maturity of its capital structure.

On December 24, 2008, Harrah s Operating completed private exchange offers (the Private Exchange Offers ) to exchange for its outstanding (i) 5.50% Senior Notes due 2010, (ii) 7.875% Senior Subordinated Notes due 2010, (iii) 8.0% Senior Notes due 2011, (iv) 8.125% Senior Subordinated Notes due 2011, (v) 5.375% Senior Notes due 2013, (vi) 5.625% Senior Notes due 2015, (vii) 6.50% Senior Notes due 2016, (viii) 5.75% Senior Notes due 2017; (ix) 10.75%/11.5% Senior Toggle Notes due 2018 and (x) 10.75% Senior Notes due 2016 (collectively, the Old Notes ) up to \$2.1 billion aggregate principal amount of (i) new 10.00% Second-Priority Senior Secured Notes due 2015 (the 2015 Second Lien Notes ), for Old Notes maturing between 2010 and 2013, and (ii) new 10.00% Second-Priority Senior Secured Notes due 2018 (the 2018 Second Lien Notes ), for Old Notes maturing between 2015 and 2018. Under the terms of the Private Exchange Offers, holders of Old Notes maturing in 2010 and 2011 could elect to receive cash in lieu of the 2015 Second Lien Notes for the Old Notes they tendered. Harrah s Operating paid approximately \$289 million to the holders that elected to receive cash in lieu of the 2015 Second Lien Notes that they would have otherwise received in exchange for their Old Notes maturing in 2010 and 2011.

The 2015 Second Lien Notes and 2018 Second Lien Notes are guaranteed by Harrah s Entertainment and are secured on a second-priority basis by substantially all of the assets of Harrah s Operating and the assets of its

**Table of Contents**

subsidiary pledgors that have pledged their assets to secure Harrah's Operating's obligations under the senior secured credit facilities. The purpose of the Private Exchange Offers was to reduce the outstanding principal amount of indebtedness of Harrah's Operating and to extend the weighted average maturity of Harrah's Operating's outstanding indebtedness.

On December 24, 2008 Harrah's Operating exchanged approximately \$203 million of 2015 Second Lien Notes, \$848 million of 2018 Second Lien Notes and \$289 million in cash for the following Old Notes: (i) \$371 million in aggregate principal amount at maturity of the 5.50% Senior Notes due 2010; (ii) \$64 million in aggregate principal amount at maturity of the 7.875% Senior Subordinated Notes due 2010; (iii) \$20 million in aggregate principal amount at maturity of the 8.0% Senior Notes due 2011; (iv) \$91 million in aggregate principal amount at maturity of the 8.125% Senior Subordinated Notes due 2011; (v) \$221 million in aggregate principal amount at maturity of the 5.375% Senior Notes due 2013; (vi) \$136 million in aggregate principal amount at maturity of the 5.625% Senior Notes due 2015; (vii) \$99 million in aggregate principal amount at maturity of the 6.50% Senior Notes due 2016; (viii) \$140 million in aggregate principal amount at maturity of the 5.75% Senior Notes due 2017; (ix) \$350 million in aggregate principal amount at maturity of the 10.75%/11.5% Senior Toggle Notes due 2018; (x) \$732 million in aggregate principal amount at maturity of the 10.75% Senior Notes due 2016. In addition, Harrah's Operating issued an aggregate of \$12 million principal amount of 2015 Second Lien Notes to the dealer managers and to its financial advisor as compensation for their services in connection with the Private Exchange Offers.

**Table of Contents**

**The Sponsors**

**Apollo**

Apollo was founded in 1990 and is among the most active and successful private investment firms in the United States in terms of both number of investment transactions completed and aggregate dollars invested. With current assets under management of \$45 billion as of June 30, 2008, Apollo's private equity business has invested approximately \$23 billion of equity capital, from inception through June 30, 2008, in a wide variety of industries, both domestically and internationally. Companies owned or controlled by Apollo and affiliates or in which Apollo and affiliates have a significant equity investment include, among others, NCL Corporation, Oceania Cruises, AMC Entertainment, Inc., Hexion Specialty Chemicals, Inc., Rexnord Industries LLC and Berry Plastics Group, Inc.

**TPG**

TPG is a private investment partnership that was founded in 1992 and currently has more than \$55 billion of assets under management. Headquartered in Fort Worth, with offices in San Francisco, London, Hong Kong, New York, Melbourne, Menlo Park, Moscow, Mumbai, Shanghai, Singapore and Tokyo, TPG has extensive experience with global public and private investments executed through leveraged buyouts, recapitalizations, spinouts, joint ventures and restructurings. TPG seeks to invest in world-class franchises across a range of industries. Prior investments include Alltel, Avaya, Burger King, Continental, Hotwire, J Crew, MGM, Neiman Marcus, Petco, Sabre, Seagate, Texas Genco, TXU and Univision.

**Table of Contents**

**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) Harrah's Entertainment currently guarantees all of the Retained Notes of Harrah's Operating and the senior secured credit facilities and the senior unsecured interim loans, each of which are described under Description of Other Indebtedness. It also guarantees the notes. In addition, it has provided a payment guarantee of any operating leases under the CMBS Facilities. The guarantee of Harrah's Entertainment of the obligations under the notes is structurally subordinated to any guarantee of the operating leases under the CMBS Facilities.
- (3) Includes captive insurance subsidiaries.
- (4) Concurrently with the Acquisition, we entered into the senior secured credit facilities, which includes a \$2,000 million revolving credit facility, of which \$250 million was drawn at September 30, 2008. There were approximately \$196 million in letters of credit outstanding under this facility at September 30, 2008. See Description of Other Indebtedness Senior Secured Credit Facilities.
- (5) The CMBS Borrowers and their respective subsidiaries do not guarantee the notes, the senior unsecured cash pay interim loans, the senior unsecured PIK toggle interim loans, the senior secured credit facilities or any other indebtedness of Harrah's Operating and are not directly liable for any obligations thereunder.
- (6) Includes the notes, as well as \$343 million of senior unsecured cash pay interim loans and \$97 million of senior unsecured PIK toggle interim loans that remain outstanding.
- (7) Each of the wholly owned domestic subsidiaries of Harrah's Operating that pledged its assets to secure the senior secured credit facilities guarantees the notes, the senior unsecured cash pay interim loans and the senior unsecured PIK toggle interim loans. Non-U.S. subsidiaries of Harrah's Operating do not guarantee the notes. In addition, subsidiaries that are not directly or indirectly wholly owned by Harrah's Operating that do not, or that are not otherwise required to, secure the senior secured credit facilities do not guarantee the notes. See note 17 to our audited consolidated financial statements and note 15 to our unaudited consolidated financial statements for financial information regarding our non-guarantor subsidiaries.

**Table of Contents**

**Summary of the Terms of the Exchange Offers**

*In connection with the closing of the Acquisition, Harrah's Operating entered into a registration rights agreement with the initial purchasers of the original notes. Under that agreement, Harrah's Operating agreed to deliver to you this prospectus and to consummate the exchange offers.*

**Original Notes**

Original Cash Pay Notes \$4,200,153,000 aggregate principal amount of 10.75% Senior Notes due 2016 and the guarantees thereof; and

Original Toggle Notes \$1,052,583,000 aggregate principal amount of 10.75%/11.5% Senior Toggle Notes due 2018 and the guarantees thereof.

**Notes Offered**

Exchange Cash Pay Notes 10.75% Senior Notes due 2016. The terms of the exchange cash pay notes are substantially identical to those terms of the original cash pay 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 exchange cash pay notes and the original cash pay notes collectively as the cash pay notes.

Exchange Toggle Notes 10.75%/11.5% Senior Toggle Notes due 2018. The terms of the exchange toggle notes are substantially identical to those terms of the original toggle 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 exchange toggle notes and the original toggle notes collectively as the senior toggle notes. We refer to the exchange cash pay notes and the exchange toggle notes as the exchange notes.

Exchange Offers The Issuer is offering to exchange:  
  
up to \$4,200,153,000 aggregate principal amount of its exchange cash pay notes that have been registered under the Securities Act, for an equal amount of its original cash pay notes; and

up to \$1,052,583,000 aggregate principal amount of its exchange toggle notes that have been registered under the Securities Act, for an equal amount of its original toggle notes.

The Issuer is also offering to satisfy certain of its obligations under the registration rights agreement that the Issuer 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 February 6, 2009, or such later date and time to which the Issuer extends it. The Issuer does not currently intend to extend the expiration date. A tender of original notes pursuant to the exchange





**Table of Contents**

offers may be withdrawn at any time prior to the expiration 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 the Issuer may waive. For more information, see [The Exchange Offers](#) [Certain Conditions to the Exchange Offers](#).

Procedures for Tendering Old 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



**Table of Contents**

offers, the Issuer will have fulfilled a covenant contained in the registration rights agreement for the original notes and, accordingly, the Issuer will not be obligated to pay additional interest as described in the registration rights agreement. 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 agreement 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, the Issuer 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 the 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 the Issuer'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,

**Table of Contents**

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.

**Notes Offered**

Exchange Cash Pay Notes \$4,200,153,000 aggregate principal amount of 10.75% Senior Notes due 2016. The exchange cash pay notes and the original cash pay notes will be considered to be a single class for all purposes under the indenture, including waivers, amendments, redemptions and offers to purchase.

Exchange Toggle Notes \$1,052,583,000 aggregate principal amount of 10.75%/11.5% senior toggle notes due 2018. The exchange toggle notes and the original toggle notes will be considered to be a single class for all purposes under the indenture, including waivers, amendments, redemptions and offers to purchase.

Maturity Date The exchange cash pay notes will mature on February 1, 2016. The exchange toggle notes will mature on February 1, 2018.

Interest Rate Interest on the exchange cash pay notes will be payable in cash and will accrue at a rate of 10.75% per annum.

Cash interest on the exchange toggle notes will accrue at a rate of 10.75% per annum, and PIK interest will accrue at a rate of 11.5% per annum. The initial interest payment on the exchange toggle notes will be payable in cash. For any interest period thereafter through February 1, 2013, the Issuer may elect to pay interest on the exchange toggle notes (i) in cash, (ii) by increasing the principal amount of the toggle notes or by issuing new toggle notes ( PIK interest ) or (iii) by paying interest on half of the principal amount of the exchange toggle notes in cash interest and half by increasing the principal amount of the exchange toggle notes or by issuing new toggle notes ( *partial PIK interest* ). After February 1, 2013, all interest on the exchange toggle notes will be payable in cash. If the Issuer elects to pay PIK interest or partial PIK interest, the Issuer will increase the principal amount of the exchange toggle notes or issue new exchange toggle notes or in an amount equal to the amount of PIK interest or partial PIK interest for the applicable interest period (rounded up to the nearest \$1) to holders of the exchange toggle notes on the relevant record date.

On July 2, 2008, the Issuer made the permitted election under the Indenture governing its 10.75%/11.5% Senior Toggle Notes due 2018 to pay all interest due on February 1, 2009 for the notes and February 2, 2009 in kind.

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**Table of Contents**

Interest Payment Dates

February 1 and August 1, commencing on August 1, 2008.

Ranking

The exchange notes will be the Issuer's senior unsecured obligations and will:

rank senior in right of payment to all existing and future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the exchange notes;

rank equally in right of payment to all of the Issuer's existing and future senior debt; and

be effectively subordinated to all of the Issuer's existing and future secured debt (including obligations under the Issuer's senior secured credit facilities), to the extent of the value of the assets securing such debt, and are structurally subordinated to all obligations of each of the Issuer's subsidiaries that is not a guarantor of the notes.

As of September 30, 2008, after giving pro forma effect to the Private Exchange Offers, the notes and the senior unsecured cash pay interim loans and senior unsecured PIK toggle interim loans ranked (1) effectively junior to \$7,464 million of senior secured indebtedness under the senior secured credit facilities, the 2015 Second Lien Notes, the 2018 Second Lien Notes and other senior secured indebtedness, (2) effectively senior to approximately \$2,809 million face value of senior unsecured indebtedness to the extent of the guarantees provided by the guarantor subsidiaries, (3) contractually senior to approximately \$536 million face value of retained notes constituting senior subordinated indebtedness and (4) effectively junior to \$6,500 million of indebtedness of its non-guarantor subsidiaries. Further, the Issuer had \$1,554 million available for additional borrowing under its new revolving credit facility (after giving effect to approximately \$196 million in outstanding letters of credit), all of which would be secured.

Guarantees

The exchange notes will be jointly and severally irrevocably and unconditionally guaranteed by Harrah's Entertainment and each of the material wholly-owned domestic subsidiaries of Harrah's Operating, in each case to the extent such entity pledged its assets to secure the senior secured credit facilities of Harrah's Operating. Similarly, the guarantees will be the senior unsecured obligations of the guarantors and will:

rank senior in right of payment to all of the applicable guarantor's future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the exchange notes;

rank equally in right of payment to all other applicable guarantor's existing and future senior debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the exchange notes; and

are effectively subordinated to all of the applicable guarantor's existing and future secured debt (including indebtedness secured

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**Table of Contents**

by such guarantor's assets, such as the Issuer's senior secured credit facilities), to the extent of the value of the assets securing such debt, and are structurally subordinated to all obligations of each of the Issuer's or Harrah's Entertainment's subsidiaries that is not a guarantor of the exchange notes.

Any guarantee of the exchange notes will be released in the event such assets pledged to secure the senior secured credit facilities are released under the senior secured credit facilities.

**Optional Redemption**

The Issuer may redeem the exchange notes, in whole or part, at any time prior to February 1, 2012 with respect to the exchange cash pay notes, and February 1, 2013, with respect to the exchange toggle notes at a price equal to 100% of the principal amount of the exchange notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium, as described in Description of Exchange Notes Optional Redemption.

The Issuer may redeem the notes, in whole or in part, on or after February 1, 2012 with respect to the exchange cash pay notes, and February 1, 2013, with respect to the exchange toggle notes at the redemption prices set forth under Description of Exchange Notes Optional Redemption.

**Optional Redemption After Certain Equity Offerings**

At any time (which may be more than once) before February 1, 2011, the Issuer may choose to redeem up to 35% of the principal amount of each of the exchange cash pay notes and the exchange toggle notes at a redemption price equal to 110.75% of the face amount thereof with respect to the exchange cash pay notes and 110.75% of the face amount thereof, with respect to the exchange toggle notes, in each case, with the net proceeds of one or more equity offerings to the extent such net cash proceeds are received by or contributed to us and so long as at least 50% of the aggregate principal amount of the exchange notes at maturity issued of the applicable series remains outstanding afterwards. See Description of Exchange Notes Optional Redemption.

**Mandatory Redemption**

If the exchange toggle 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 exchange toggle notes issuance (each an AHYDO redemption date), the Issuer will be required to redeem for cash a portion of each exchange toggle note then outstanding equal to the Mandatory Principal Redemption Amount (such redemption, a Mandatory Principal Redemption). The redemption price for the portion of exchange each exchange toggle 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

**Table of Contents**

means the portion of a exchange toggle note that must be required to be redeemed to prevent such exchange toggle 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 exchange toggle notes prior to the AHYDO redemption date pursuant to any other provision of the indenture will alter the Issuer's obligation to make the Mandatory Principal Redemption with respect to any exchange toggle notes that remain outstanding on an AHYDO redemption date.

Change of Control

If the Issuer experiences a change of control (as defined in the indenture governing the exchange notes), the Issuer will be required to make an offer to repurchase the 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 Exchange Notes Change of Control.

Certain Covenants

The indenture governing the exchange notes contains covenants limiting the Issuer'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 Exchange Notes. Certain covenants will cease to apply to a series of exchange notes for so long as the applicable series of notes have investment grade ratings from both Moody's Investors Service, Inc. and Standard & Poor's.

Risk Factors

See Risk Factors and other information in this prospectus for a discussion of factors you should carefully consider prior to participating in the exchange offers.

**Additional Information**



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Our principal executive offices are located at One Caesars Palace Drive, Las Vegas, Nevada 89109. Its 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, 2005, 2006 and 2007 and for each of the years in the three-year period ended December 31, 2007 have been derived from, and should be read in conjunction with, our audited financial statements included elsewhere in this prospectus. The summary historical financial information as of September 30, 2008 and for the nine months ended September 30, 2007 and September 30, 2008 and for the period from January 1, 2008 through January 27, 2008 and for the period from January 28, 2008 through September 30, 2008 are derived from, and should be read in conjunction with, our 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, 2007 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, 2007. The summary unaudited pro forma consolidated financial data for the nine months ended September 30, 2008 is based on our unaudited condensed consolidated financial statements included elsewhere in this prospectus and gives effect to the Transactions as if they had occurred on January 1, 2007. See The 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, 2007 and 2006 and for each of the years in the three-year period ended December 31, 2007 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm.

**Table of Contents**

	Historical					Pro Forma <sup>(1)</sup>		
	Predecessor			Nine Months Ended Sept. 30, 2007	Jan. 1, 2008 through Jan. 27, 2008	Successor Jan. 28, 2008 through Sept. 30, 2008	Year Ended Dec. 31, 2007	Nine Months Ended Sept. 30, 2008
Year Ended December 31,								
	2005	2006	2007					
(dollars in millions)								
<b>Revenues</b>								
Casino						\$		
	\$ 5,966.5	\$ 7,868.6	\$ 8,831.0	\$ 6,686.7	\$ 614.6	5,653.2	\$ 8,831.0	\$ 6,267.8
Food and beverage	1,086.7	1,577.7	1,698.8	1,299.1	118.4	1,160.2	1,698.8	1,278.6
Rooms	786.2	1,240.7	1,353.6	1,035.9	96.4	894.2	1,353.6	990.6
Management fees	75.6	89.1	81.5	64.2	5.0	45.8	81.5	50.8
Other	424.7	611.0	695.9	525.1	42.7	462.4	695.9	505.1
Less: casino promotional allowances	(1,329.7)	(1,713.2)	(1,835.6)	(1,413.3)	(117.0)	(1,127.3)	(1,835.6)	(1,244.3)
Net revenues	7,010.0	9,673.9	10,825.2	8,197.7	760.1	7,088.5	10,825.2	7,848.6
<b>Operating Expenses</b>								
<b>Direct</b>								
Casino	2,984.6	3,902.6	4,595.2	3,444.8	340.6	3,037.1	4,595.2	3,377.7
Food and beverage	482.3	697.6	716.5	553.7	50.5	486.1	716.5	536.6
Rooms	151.5	256.6	266.3	201.1	19.6	179.4	266.3	199.0
Property general and administrative, corporate and other	1,562.1	2,384.3	2,559.8	1,893.1	186.7	1,714.9	2,576.8	1,900.5
Depreciation and amortization	485.7	667.9	817.2	601.4	63.5	452.4	629.7	505.0
Write-downs, reserves and recoveries	194.7	83.3	109.7	(83.0)	4.7	(61.8)	109.7	(57.1)
Project opening costs	16.4	20.9	25.5	22.1	0.7	26.3	25.5	27.0
Acquisition and integration costs	55.0	37.0	13.4	8.3	125.6	23.1	13.4	148.7
Equity in income in nonconsolidated affiliates	(1.2)	(3.6)	(3.9)	(3.6)	(0.5)	1.3	(3.9)	0.8
Amortization of intangible assets	49.9	70.7	73.5	53.5	5.5	119.2	184.0	138.0
Total operating expenses	5,981.0	8,117.3	9,173.2	6,691.4	796.9	5,978.0	9,113.2	6,776.2
Income from operations	1,029.0	1,556.6	1,652.0	1,506.3	(36.8)	1,110.5	1,712.0	1,072.4
Interest expense, net of interest capitalized	(479.6)	(670.5)	(800.8)	(578.4)	(89.7)	(1,469.4)	(2,443.8)	(1,699.1)
Losses on early extinguishments of debt	(3.3)	(62.0)	(2.0)	(2.0)		(203.9)	(2.0)	(203.9)
Other income, including interest income	8.0	10.7	43.3	28.7	1.1	18.7	43.3	19.8
Income (loss) from continuing operations before income taxes and minority interests	554.1	834.8	892.5	954.6	(125.4)	(544.1)	(690.5)	(810.8)
(Provision) benefit for income taxes	(225.9)	(295.6)	(350.1)	(354.1)	26.0	147.7	259.4	209.9
Minority interests	(11.9)	(15.3)	(15.2)	(17.2)	(1.6)	(6.2)	(15.2)	(7.8)
Income (loss) from continuing operations	\$ 316.3	\$ 523.9	\$ 527.2	\$ 583.3	\$ (101.0)	\$ (402.6)	\$ (446.3)	\$ (608.7)
<b>Other Financial Data</b>								
Capital expenditures	\$ 1,201.0	\$ 2,548.3	\$ 1,462.2	\$ 1,113.8	\$ 120.1	\$ 1,001.2	\$ 1,462.2	\$ 1,121.3
Ratio of earnings to fixed charges <sup>(2)</sup>	2.1x	2.2x	2.1x	2.6x				
<b>Balance Sheet Data</b>								
Cash and cash equivalents								\$ 1,005.9
Working capital								(167.9)
Total assets								37,012.3
Total debt								24,214.2
Total stockholders' equity								3,608.9

- (1) Includes pro forma adjustments for (1) the Acquisition; and (2) 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 minority 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 and \$500.8 million for the Predecessor period ended January 27, 2008 and the Successor period ended September 30, 2008. On a pro forma basis, after giving effect to the Transactions, our earnings were insufficient to cover our fixed charges by \$667.7 million and \$764.6 million for the year ended December 31, 2007 and nine months ended September 30, 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, 2005, 2006 and 2007, and for the nine month periods ended September 30, 2007 and 2008.

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 the 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 consolidated financial data for the fiscal years ended December 31, 2005, 2006 and 2007 and the nine months ended September 30, 2007 and 2008, have been prepared to give effect to the CMBS Transactions as if they had occurred on January 1, 2005. The summary unaudited pro forma consolidated financial data for the fiscal years ended December 31, 2007, and for the nine months ended September 30, 2007 and 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 and other financial data, and to all of the Transactions on September 30, 2008, in the case of the summary unaudited pro forma consolidated balance sheet 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 the 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 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.

**Table of Contents**

<b>Harrah's Operating Company, Inc.</b>								
<b>Pro Forma for the CMBS Transactions<sup>(1)</sup></b>								
	<b>Predecessor</b>			<b>Successor</b>			<b>Pro Forma for the Transactions<sup>(2)</sup></b>	
	<b>Year Ended December 31,</b>			<b>Nine Months Ended Sept. 30, 2007</b>	<b>Jan. 1, 2008 through Jan. 27, 2008</b>	<b>Jan. 28, 2008 through Sept. 30, 2008</b>	<b>Year Ended Dec. 31, 2007</b>	<b>Nine Months Ended Sept. 30, 2008</b>
	<b>2005</b>	<b>2006</b>	<b>2007</b>					
<b>(dollars in millions)</b>								
<b>Revenues</b>								
Casino	\$ 4,586.6	\$ 6,194.7	\$ 7,082.8	\$ 5,370.9	\$ 498.2	\$ 4,501.1	\$ 7,082.8	\$ 4,999.3
Food and beverage	643.4	978.6	1,076.9	822.7	77.3	733.4	1,076.9	810.7
Rooms	409.3	719.4	791.7	604.6	56.0	518.8	791.7	574.8
Management fees	75.6	89.1	81.5	64.2	5.0	45.8	81.5	50.8
Other	258.0	406.0	453.1	340.0	28.0	380.0	530.1	447.9
Less: casino promotional allowances	(954.4)	(1,249.9)	(1,342.2)	(1,038.1)	(87.0)	(814.2)	(1,342.2)	(901.2)
Net revenues	5,018.5	7,137.9	8,143.8	6,164.3	577.5	5,364.9	8,220.8	5,982.3
<b>Operating Expenses</b>								
<b>Direct</b>								
Casino	2,388.0	3,147.6	3,780.7	2,836.6	285.2	2,494.3	3,780.7	2,779.5
Food and beverage	255.1	394.2	415.4	322.6	30.3	282.2	415.4	312.5
Rooms	70.1	142.3	146.3	110.9	10.7	97.7	146.3	108.4
Property general and administrative, corporate and other	1,057.2	1,761.3	1,911.6	1,365.8	115.5	1,334.9	1,975.6	1,486.7
Depreciation and amortization	348.7	492.3	612.4	450.0	47.5	340.4	477.5	383.3
Write-downs, reserves and recoveries	186.3	77.3	87.2	(87.5)	0.2	(108.9)	87.2	(108.7)
Project opening costs	16.0	20.7	23.6	20.0	0.7	25.0	23.6	25.7
Acquisition and integration costs	55.0	37.0	13.4	8.3	125.6	23.1	13.4	148.7
Equity in income in nonconsolidated affiliates	(1.2)	(3.6)	(4.0)	(3.6)	(0.5)	1.2	(4.0)	0.7
Amortization of intangible assets	49.6	70.2	73.0	53.1	5.5	79.4	117.8	88.3
Total operating expenses	4,424.8	6,139.3	7,059.6	5,076.2	620.7	4,569.3	7,033.5	5,225.1
Income from operations	593.7	998.6	1,084.2	1,088.1	(43.2)	795.6	1,187.3	757.2
Interest expense, net of interest capitalized	(479.6)	(670.5)	(800.8)	(578.4)	(89.7)	(1,208.2)	(1,951.4)	(1,400.9)
Losses on early extinguishments of debt	(3.3)	(62.0)	(2.0)	(2.0)		(203.9)	(2.0)	(203.9)
Other income, including interest income	12.6	14.1	47.3	30.6	5.1	15.5	47.3	20.6
Income (loss) before income taxes and minority interests	123.4	280.2	328.7	538.3	(127.8)	(601.0)	(718.8)	(827.0)
(Provision) benefit for income taxes	(74.4)	(99.9)	(152.6)	(195.3)	21.6	186.7	250.9	233.4
Minority interests	(9.0)	(9.3)	(9.3)	(12.4)	(1.4)	(1.6)	(9.3)	(3.0)
Income (loss) from continuing operations	\$ 40.0	\$ 171.0	\$ 166.8	\$ 330.6	\$ (107.6)	\$ (415.9)	\$ (477.2)	\$ (596.6)
<b>Other Financial Data</b>								
Capital expenditures	\$ 1,049.4	\$ 2,250.2	\$ 1,072.6	\$ 798.1	\$ 93.0	\$ 864.2	\$ 1,072.6	\$ 957.2
Ratio of earnings to fixed charges <sup>(3)</sup>	1.3x	1.4x	1.4x	1.8x				
<b>Balance Sheet Data</b>								
Cash and cash equivalents								\$ 782.9
Working capital								(179.5)
Total assets								25,996.5
Total debt								17,713.8
Total stockholders' equity								3,083.9

(1) Includes pro forma adjustments only for the CMBS Transactions. Does not reflect any adjustments for the Acquisition, the Financing, the London Clubs Transfer or any of the other Transactions.

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- (2) Includes pro forma adjustments for (1) the CMBS Transactions; (2) the results of London Clubs as of September 30, 2008 and for the year ended December 31, 2007 and the nine months ended September 30, 2008; (3) the Acquisition; and (4) the Financing.
- (3) For purposes of computing the pro forma ratio of earnings to fixed charges, earnings consist of income before income taxes plus fixed charges and minority 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. On a pro forma basis, after giving effect to the Transactions, our earnings were insufficient to cover our fixed charges by \$119.2 million, \$635.8 million, \$455.9 million and \$551.5 million for the Predecessor period ended January 27, 2008, the Successor period ended September 30, 2008, the year ended December 31, 2007 and the nine months ended September 30, 2008.

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**Table of Contents**

**RISK FACTORS**

*You should carefully consider the risk factors set forth below, as well as the other information contained in this offering memorandum, before purchasing any notes. 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 Related to the Exchange Offers**

*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 notes on any securities exchange or automated quotation system, although our original notes trade on the PORTAL Market. The liquidity of any market for the

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 initial purchasers of 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.

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**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 Related to Our Indebtedness and the Notes**

*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 on the notes.*

We are a highly leveraged company. As of September 30, 2008, after giving pro forma effect to the Private Exchange Offers, Harrah's Operating had \$17,700 million face value of outstanding indebtedness, and for the nine months ended September 30, 2008, pro forma debt service payment obligations of \$1,254 million (including approximately \$792 million of debt service on fixed rate obligations). In addition, as of September 30, 2008, after giving pro forma effect to the Private Exchange Offers, we had \$24,200 million face value of outstanding indebtedness, including Harrah's Operating indebtedness and the indebtedness of the CMBS Borrowers, and for the nine months ended September 30, 2008, pro forma debt service payment obligations of \$1,542 million (including approximately \$792 million of debt service on fixed rate obligations), including amounts under the CMBS Facilities.

Our substantial indebtedness could have other important consequences for you as a holder of the notes. For example, it could:

limit our ability to borrow money for our working capital, capital expenditures, debt service requirements, strategic initiatives or other purposes;

make it more difficult for us to satisfy our obligations with respect to our indebtedness, including the notes, 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 indentures governing the notes and the agreements governing other 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 the economy or 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;



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**Table of Contents**

restrict us from making strategic acquisitions, developing new gaming facilities, introducing new technologies or exploiting business opportunities; and

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.

Furthermore, our interest expense could increase if interest rates increase because all of the debt under our senior secured credit facilities is variable-rate debt. See Description of Other Indebtedness.

***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 in the future. Although the terms of the agreements governing our indebtedness and our senior secured credit facilities contain restrictions on our and our subsidiaries' ability to incur additional indebtedness, including secured indebtedness that will be effectively senior to the senior notes, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. As of September 30, 2008, we had \$1,554 million available for additional borrowing under our revolving credit facility after giving effect to approximately \$196 million in outstanding letters of credit, all of which would be secured. In addition to the notes, the senior unsecured interim loans, the borrowings under our senior secured credit facilities and the terms of the CMBS financing, the covenants under any other existing or future debt instruments could allow us and/or Harrah's Operating to incur a significant amount of additional indebtedness. The more leveraged we become, the more we, and in turn our securityholders, will be exposed to certain risks described above under 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 on the notes.

In addition, while the Retained Notes (as defined under Description of Exchange Notes Certain Definitions ) are not currently guaranteed by any of our subsidiaries, nor secured by any of their assets, the terms of the senior secured credit facilities and the indenture governing the notes offered hereby will permit Harrah's Operating, subject to certain restrictions, to refinance the Retained Notes with debt that is guaranteed by, or secured by the assets of, its subsidiaries.

***Harrah's Operating may elect to pay interest on the toggle notes in additional notes rather than cash.***

For any interest period through February 1, 2013, Harrah's Operating may elect to pay all or half of the interest due on the toggle notes for such period by increasing the principal amount of the toggle notes or by issuing PIK interest, thereby increasing the aggregate principal amount of the toggle notes. As such, were Harrah's Operating to elect to do so for each interest period through February 1, 2013, holders of the toggle notes could potentially receive no cash interest on the notes until August 2013. The Issuer has made such an election for the current interest period.

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

Our ability to pay principal and interest on the notes and to satisfy our other debt obligations will depend upon, among other things:

our future financial and operating performance (including the realization of any cost savings described herein), 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.

## **Table of Contents**

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, including the payment of principal and interest on the notes.

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, including our senior secured credit facilities and the indenture governing the notes, 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. The Sponsors have no continuing obligation to provide us with debt or equity financing.

***Repayment of our debt, including 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 notes, is dependent, to a significant extent, on the generation of cash flow by our subsidiaries and (if they are not guarantors of the notes) their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of the notes, 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 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 indenture governing the notes limits 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 non-guarantor subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the notes.

***The terms of the Intercreditor Agreement will provide that your right to receive payments on the notes is effectively junior to those lenders who have a security interest in our assets.***

The Issuer's obligations under the notes and the guarantors' obligations under their guarantees of the notes will be unsecured. As a result, the notes and the related guarantees will be effectively subordinated to all of Harrah's Operating's and the guarantors' secured indebtedness to the extent of the value of the assets securing such indebtedness. Harrah's Operating's obligations under the senior secured credit facilities are secured by a pledge of substantially all of Harrah's Operating's and its guarantors' domestic tangible and intangible assets. Under the Intercreditor Agreement, in the event that Harrah's Operating or a guarantor are declared bankrupt, become insolvent or are liquidated or reorganized, its obligations under the senior secured credit facilities and any other secured obligations will be entitled to be paid in full from its assets or the assets of such guarantor, as the case may be, pledged as security for such obligation before any payment may be made with respect to the notes. Holders of the notes would participate ratably in our remaining assets or the remaining assets of the guarantor, as the case may be, with all holders of unsecured indebtedness that are deemed to rank equally with the notes based upon the respective amount owed to each creditor. In addition, if Harrah's Operating defaults under the senior secured credit facilities, the lenders could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If Harrah's Operating were unable to repay such indebtedness, the lenders could foreclose on the pledged assets to the exclusion of holders of the notes, even if an

**Table of Contents**

event of default exists under the indenture under which the notes will be issued at such time. Furthermore, if the lenders foreclose and sell the pledged equity interests in any subsidiary guarantor under the notes, then that guarantor will be released from its guarantee of the notes automatically and immediately upon such sale. In any such event, because the notes will not be secured by any of Harrah's Operating's assets or the equity interests in subsidiary guarantors, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims fully. See Description of Other Indebtedness.

As of September 30, 2008, after giving pro forma effect to the Private Exchange Offers, Harrah's Operating had \$8,527 million of senior secured indebtedness (\$7,464 million of which was indebtedness under the senior secured credit facilities and which does not include additional borrowing availability of \$1,554 million under the revolving credit facility after giving effect to approximately \$196 million in outstanding letters of credit, and \$1,063 million of which would have been 2015 Second Lien Notes and 2018 Second Lien Notes). The indenture governing the notes will permit the incurrence of substantial additional indebtedness by Harrah's Operating and its restricted subsidiaries in the future, including secured indebtedness. Any secured indebtedness incurred would rank senior to the notes to the extent of the value of the assets securing such indebtedness.

***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 are 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, Harrah's Operating 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. See Description of Other Indebtedness and Description of Exchange Notes.

***The notes will be structurally subordinated to all liabilities of our and Harrah's Entertainment's non-guarantor subsidiaries.***

The notes are structurally subordinated to indebtedness and other liabilities of our subsidiaries that are not guaranteeing the notes, and the claims of creditors of these subsidiaries, including trade creditors, will have priority as to the assets of these subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, these non-guarantor 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 us. In addition, the guarantee of the notes by Harrah's Entertainment is structurally subordinated to the CMBS Facilities of \$6,500 million, as well as any other indebtedness of subsidiaries of Harrah's Entertainment that are not also our subsidiaries that guarantee the notes offered hereby. See note 17 to our audited consolidated financial statements and note 15 to our unaudited consolidated financial statements for financial information regarding our non-guarantor subsidiaries.

## **Table of Contents**

The notes will not be guaranteed by any of non-U.S. subsidiaries or any other subsidiaries that are not wholly owned by Harrah's Operating. These non-guarantor 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 we, Harrah's Operating or the subsidiary guarantors have to receive any assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, 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.

*You will be required to pay U.S. federal income tax on the toggle notes even if Harrah's Operating does not pay cash interest.*

None of the interest payments on the toggle notes will be qualified stated interest for U.S. federal income tax purposes, even if Harrah's Operating never exercises the option to pay PIK interest, because the toggle notes provide Harrah's Operating with the option to PIK interest for any interest payment period after the initial interest payment and prior to February 1, 2013. Consequently, the toggle notes will be treated as issued with original issue discount for U.S. federal income tax purposes, and U.S. holders will be required to include the original issue discount in gross income on a constant yield to maturity basis, regardless of whether interest is paid currently in cash. See Certain U.S. Federal Income Tax Considerations.

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

Our debt agreements 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 Harrah's Operating capital stock or make other restricted payments;

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 or the Harrah's Operating 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.*

A failure to comply with the covenants contained in the senior secured credit facilities or our other existing indebtedness could result in an event of default under the facilities or the other 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;



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**Table of Contents**

require us to apply all of our available cash to repay these borrowings; or

prevent us from making debt service payments on the notes, any of which could result in an event of default under the notes. 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 senior secured credit facilities could proceed against the collateral granted to them to secure that indebtedness. We will pledge a significant portion of our assets as collateral under our senior secured credit facilities.

If the indebtedness under our senior secured credit facilities or our other indebtedness, including the notes, were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full. See [Description of Other Indebtedness](#) and [Description of Exchange Notes](#).

***Because each subsidiary guarantor's liability under its guarantees may be reduced to zero, avoided or released under certain circumstances, you may not receive any payments from some or all of the subsidiary guarantors.***

You have the benefit of the guarantees of the guarantors. However, the guarantees by the subsidiary guarantors are limited to the maximum amount that the guarantors are permitted to guarantee under applicable law. As a result, any such guarantor's liability under its guarantee could be reduced to zero, depending on the amount of other obligations of such guarantor. Further, under the circumstances discussed more fully below, a court under Federal or state fraudulent conveyance and transfer statutes could void the obligations under a guarantee or further subordinate it to all other obligations of the guarantor. In addition, you will lose the benefit of a particular guarantee if it is released under certain circumstances described under [Description of Exchange Notes](#) [Subsidiary Note Guarantees](#).

***Harrah's Operating 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, Harrah's Operating 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 Harrah's Operating will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that restrictions in our new credit facility 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 Exchange Notes](#) [Change of Control](#).

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

If Harrah's Operating or any guarantor 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 or otherwise decline to enforce the notes or the guarantees. A court might do so if it found that when Harrah's Operating issued the notes or the subsidiary guarantor entered into its guarantee, or in some states when payments became due under the notes or the guarantees, Harrah's Operating could be subordinated to all other debts of that guarantor if, among other things, the subsidiary guarantor or we 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.

## **Table of Contents**

The court might also void an issuance of notes or a guarantee, without regard to the above factors, if the court found that Harrah's Operating issued the notes or the applicable guarantor entered into its guarantee with actual intent to hinder, delay or defraud its creditors.

A court would likely find that we or a subsidiary guarantor did not receive reasonably equivalent value or fair consideration for the notes or its guarantee, if an issuer or a guarantor 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 guarantee you would no longer have any claim against an issuer or the applicable guarantor. 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 an issuer or a guarantor.

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 guarantor 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 guarantor, after giving effect to its guarantee of these 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.

### **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 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 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.

## **Table of Contents**

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, Kentucky, Illinois, Louisiana, Ontario, Spain, 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 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 earlier this year 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. The ordinance imposed timelines during which we had to construct physical separation for such space on the casino gaming floor and provide a ventilation system that separately exhausted the air from the nonsmoking areas and has impacted our financial results for the Atlantic City facilities since its enactment. 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. The likelihood or outcome of similar legislation in other jurisdictions and referendums in the future cannot be predicted.

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 recent downturn in the national economy, high energy, and gasoline prices, 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, increase gasoline prices and adversely affect our operations.

## **Table of Contents**

We use significant amounts of electricity, natural gas and other forms of energy. While we have generally not experienced any major shortages of energy, any substantial increases in the cost of electricity and natural gas in the United States, could negatively impact our operating results. The extent of any impact is subject to the magnitude and duration of the energy price increases and could be material.

Also, a majority of our patrons fly or drive to our properties. High gasoline prices may reduce automobile travel and decrease the number of patrons at our properties as rising gasoline prices and oil prices have affected Las Vegas and the economy in the past and may do so again in the future. Additionally, general economic conditions have caused a reduction in air travel capacity, including Las Vegas. As a result, our business, assets, financial condition and results of operations could be adversely affected by a weakening of national economic conditions, potentially high gasoline prices and/or adverse winter weather conditions.

We are a highly leveraged company. While we intend to finance expansion and renovation projects with existing cash, cash flow from operations and borrowings under our existing senior secured credit facilities, we may require additional financing to support our continued growth. However, due to the existing uncertainty in the capital and credit markets, our access to capital may not be available on terms acceptable to us or at all. Further, if adverse regional and national economic conditions persist or worsen, we could experience decreased revenues from our operations attributable to decreases in consumer spending levels and could fail to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness.

***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 including developments in Mississippi and Las Vegas previously disclosed. 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 developments in Mississippi and 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;

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.

***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



## **Table of Contents**

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 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, slot technicians and security guards at certain of our Atlantic City properties have voted to be represented by the United Auto Workers and the International Union, Security, Police and Fire Professionals of America, respectively. However, to date, there are no collective bargaining agreements in place. In addition, in 2007 Caesars Palace dealers in Las Vegas signed union authorization cards to be represented by the Transport Workers Union (the TWU). The TWU held elections supervised by the National Labor Relations Board on December 22, 2007 and won representation of the dealers. The impact of this union activity is undetermined and could negatively impact our profits.

### ***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.

## **Table of Contents**

### ***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 protected by key man or similar life insurance covering Mr. Loveman, but such insurance may not be sufficient to offset the negative effects of any loss of his services. We are not protected by key man or similar life insurance covering other members of our senior management. We have employment agreements with Mr. Loveman and our other 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, 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. 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 or yours.***

All of the voting common stock of Harrah's Entertainment is held by Hamlet Holdings, the members of which are comprised of an equal number of individuals affiliated with each of the Sponsors. As such, the Sponsors will 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 twelve 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 chosen by 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. The interests of the Sponsors could conflict with your interests in material respects. Furthermore, the Sponsors are in the business of



making investments in companies and may from time to time acquire and hold interests in

**Table of Contents**

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.

*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. For example, we have an ongoing dispute with the St. Regis Mohawk Tribe in which a motion to dismiss was not granted, on procedural grounds, in December 2007. In addition, an indirect subsidiary of Harrah's Operating filed a complaint against two entities seeking declaratory judgment with respect to right to terminate an agreement to enter into a joint venture related to a project in the Bahamas. The entities filed a countersuit against the indirect subsidiary of Harrah's Operating alleging wrongful termination, failure to make capital contributions and failure to perform its purported obligations. We may not be successful in the defense or prosecution of these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations. See Business Litigation Related to Our Operations and Business Litigation Related to Development .

**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 we 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 the substantial indebtedness incurred to finance the consummation of the Acquisition;

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;

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 gaming revenue or hotel sales;

our ability to recoup costs of capital investments through higher revenues;

acts of war or terrorist incidents or natural disasters;

abnormal gaming holds;

the effects of competition, including locations of competitors and operating and market competition;

the potential difficulties in employee retention as a result of the Acquisition; 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, 2007 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, we and the initial purchasers have not independently verified market industry data provided by third parties or by industry or general publications, and we and the initial purchasers take no 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 and the initial purchasers 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.

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**Table of Contents**

**THE EXCHANGE OFFERS**

**Purpose and Effect of the Exchange Offers**

We have entered into a registration rights agreement with the initial purchasers of the original notes, in which we agreed to file a registration statement relating to an offer to exchange 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 the 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 agreement. Original cash pay notes in an aggregate principal amount of \$4,932,417,000 and original toggle notes in aggregate principal amount of \$1,402,583,000 were issued on February 1, 2008. After completion of the Private Exchange Offers, \$4,200,153,000 aggregate principal amount of original cash pay notes and \$1,052,583,000 aggregate principal amount of original toggle notes are 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 this exchange offers with respect to original notes not eligible to be exchanged for the exchange notes and held by it following the consummation of this 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 its business;

it 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;

it 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.

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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.

## **Table of Contents**

### **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 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.





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## **Table of Contents**

As of the date of this prospectus: (a) \$4,200,153,000 in aggregate principal amount of original cash pay notes were outstanding, and there was one registered holder, CDED & Co., a nominee of DTC, and (b) \$1,052,583,000 in aggregate principal amount of original toggle notes were outstanding and there was one registered holder, CDED & 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 February 6, 2009 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

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**Table of Contents**

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.

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

## **Table of Contents**

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.

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.

## Table of Contents

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;

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

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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

## **Table of Contents**

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 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**

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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;



## **Table of Contents**

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 (3) 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 (3) 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.

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:

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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

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**Table of Contents**

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/Depository 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.

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.

## **Table of Contents**

### **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.

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.



**Table of Contents**

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**

**USE OF PROCEEDS**

These exchange offers are intended to satisfy certain of our obligations under the registration rights agreement. 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, 2008 (i) on an actual basis and (ii) on an as adjusted basis to give effect to the Private Exchange Offers. The as adjusted basis assumes that the Private Exchange Offers are accounted for as substantial modifications of debt. You should read this table in conjunction with Unaudited Pro forma Condensed Consolidated Financial Information of Harrah's Entertainment, Inc., Unaudited Pro Forma Condensed Consolidated Financial Information of Harrah's Operating Company, Inc., 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, 2008	
	Actual	As Adjusted
	(\$ in millions)	
Cash and cash equivalents	\$ 1,006	\$ 717
Debt:		
Term loan <sup>(1)</sup>	\$ 7,214	\$ 7,214
Revolving credit facility <sup>(2)</sup>	250	250
CMBS financing	6,500	6,500
2015 second lien notes <sup>(3)</sup>		118
2018 second lien notes <sup>(3)</sup>		424
Senior notes due 2016	4,932	4,200
Senior toggle notes due 2018	1,403	1,053
Senior unsecured cash pay interim loan <sup>(4)</sup>	343	343
Senior unsecured toggle interim loan <sup>(4)</sup>	97	97
Retained notes <sup>(5)</sup>	3,340	2,441
Other <sup>(6)</sup>	135	135
Total debt, including current portion	24,214	22,775
Preferred stock	2,206	2,206
Equity	3,609	3,609
Total capitalization	\$ 30,029	\$ 28,590

- (1) Upon the closing of the Acquisition, Harrah's Operating 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 Harrah's Operating have pledged their assets to secure this facility.
- (2) Upon the closing of the Acquisition, Harrah's Operating entered into a six-year \$2,000 million revolving credit facility, of which \$250 was drawn at September 30, 2008. There were approximately \$196 million in letters of credit outstanding under this facility at September 30, 2008. Harrah's Entertainment guarantees this facility, and all of the material wholly-owned domestic subsidiaries of Harrah's Operating have pledged their assets to secure this facility.
- (3) We are currently evaluating the accounting treatment of the second lien notes. Under the substantial modifications of debt treatment presented in the table above, the Company would recognize a gain on the extinguishment and record the second lien notes at fair value. The difference between the fair value and the principal amount of the loans will be amortized over the term of the loans as a component of interest expense.
- (4) Of the \$5,275 million of senior unsecured cash pay interim loans borrowed at the closing of the Acquisition, \$4,932 million were repaid with proceeds from the cash pay notes. These loans are scheduled to mature in



**Table of Contents**

2016. Of the \$1,500 million of senior unsecured PIK toggle interim loans borrowed at the closing of the Acquisition, \$1,403 million were repaid with proceeds from the toggle notes. These loans are scheduled to mature in 2018.
- (5) Consists of the book values of the following notes: \$328 million (\$237 million post-Private Exchange Offers) of 8.125% Senior Subordinated Notes due 2011, \$363 million (\$299 million post-Private Exchange Offers) of 7.875% Senior Subordinated Notes due 2010, \$72 million (\$52 million post-Private Exchange Offers) of 8% Senior Notes due 2011, \$500 million (\$279 million post-Private Exchange Offers) of 5.375% Senior Notes due 2013, \$718 million (\$346 million post-Private Exchange Offers) of 5.5% Senior Notes due 2010, \$1,000 million (\$864 million post-Private Exchange Offers) of 5.625% Senior Notes due 2015, \$750 million (\$610 million post-Private Exchange Offers) of 5.75% Senior Notes due 2017, \$750 million (\$651 million post-Private Exchange Offers) of 6.5% Senior Notes due 2016, \$5.1 million 7.5% Senior Notes due 2009, \$0.9 million 7.5% Senior Notes due 2009, \$0.6 million 7% Senior Notes due 2013 and \$0.2 million Floating Rate Contingent Convertible Senior Notes due 2024, all of which are obligations of Harrah's Operating and guaranteed by Harrah's Entertainment.
- (6) Consists of the book values of the following debt: \$25 million of 6% Secured Debt due 2010, \$24 million of unsecured Uruguay bonds due 2010, \$70 million of principal obligations to fund Clark County, Nevada, Special Improvement District bonds and approximately \$17 million of miscellaneous other indebtedness.

**Table of Contents**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**OF HARRAH S ENTERTAINMENT, INC.**

The following unaudited pro forma condensed consolidated financial information has been developed by applying pro forma adjustments to the historical audited consolidated financial statements and unaudited condensed consolidated financial statements of Harrah s Entertainment and subsidiaries. The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2008, and the year ended December 31, 2007 give effect to the Acquisition and Financing as if they had occurred on January 1, of the year presented. An unaudited condensed consolidated balance sheet giving effect to all of the Transactions appears elsewhere in this prospectus. 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 dates indicated, nor are they 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 Prospectus Summary The Transactions, Selected Historical Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this offering memorandum, as well as the audited and unaudited financial statements of Harrah s Entertainment and the related notes in this prospectus. All pro forma adjustments and their underlying assumptions are described more fully in the notes to our unaudited pro forma condensed consolidated financial information.

The audited and unaudited financial statements from which the pro forma condensed consolidated financial information have been derived were prepared in accordance with U.S. GAAP. In making your investment decision, you should rely solely on the financial information contained in this prospectus.

The Acquisition was accounted for as business combination using the purchase method of accounting. The purchase price allocation is in process and will be completed within one year of the Acquisition; thus, for purposes of this pro forma consolidated condensed financial information, the preliminary allocation is based on preliminary valuation data. The purchase price is 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 analyses, quoted market prices and our own estimates. To the extent that the purchase price exceeded the fair value of the net identifiable tangible and intangible assets, such excess was allocated to goodwill. Goodwill and intangible assets that are determined to have an indefinite life are not amortized.

**Table of Contents**

The following table reconciles the preliminary 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. The purchase price allocation is in process and will be completed within one year of the Acquisition; thus, the allocation of the purchase price is subject to refinement. The preliminary allocation of the purchase price for property and equipment, intangible assets and deferred income taxes was based on preliminary valuation data.

(In millions)	Predecessor January 27, 2008	Merger Adjustments	Successor January 28, 2008
<b>Assets</b>			
Current assets	\$ 1,658.6	\$ 696.8	\$ 2,355.4
Land, buildings, riverboats and equipment	15,621.3	2,167.2	17,788.5
Long-term assets	511.5	811.7	1,323.2
Intangible assets	2,030.2	4,385.7	6,415.9
Goodwill	3,549.7	5,765.3	9,315.0
<b>Total assets</b>	<b>\$ 23,371.3</b>	<b>\$ 13,826.7</b>	<b>\$ 37,198.0</b>
<b>Liabilities and Stockholders' Equity</b>			
Current liabilities, including current portion of long-term debt	\$ 1,797.9	\$ 321.3	\$ 2,119.2
Deferred income taxes	1,974.1	2,784.8	4,758.9
Long-term debt	12,367.5	11,535.0	23,902.5
Other long-term liabilities	499.3	1.0	500.3
<b>Total liabilities</b>	<b>16,638.8</b>	<b>14,642.1</b>	<b>31,280.9</b>
Minority interests	52.3	2.0	54.3
Stockholders' equity	6,680.2	(817.4)	5,862.8
<b>Total liabilities and stockholders' equity</b>	<b>\$ 23,371.3</b>	<b>\$ 13,826.7</b>	<b>\$ 37,198.0</b>

Of the estimated \$6,415.9 million of intangible assets, \$2,729.4 million has been assigned to trademarks that are not subject to amortization, and \$1,951.0 million has been assigned to gaming rights that are not subject to amortization. The remaining intangible assets include customer relationships of \$1,454.5 million (12-year weighted-average useful life), contract/management rights estimated at \$134.3 million (5-year weighted-average useful life), gaming rights estimated at \$42.8 million (16-year estimated useful life), trademarks subject to amortization estimated at \$10.4 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.

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 NINE MONTHS ENDED SEPTEMBER 30, 2008**

(In millions)	Harrah s Entertainment <sup>(1)</sup>	Acquisition and Financing	Pro Forma
Revenues			
Casino	\$ 6,267.8	\$	\$ 6,267.8
Food and beverage	1,278.6		1,278.6
Rooms	990.6		990.6
Management fees	50.8		50.8
Other	505.1		505.1
Less: casino promotional allowances	(1,244.3)		(1,244.3)
Net revenues	7,848.6		7,848.6
Operating expenses			
Direct			
Casino	3,377.7		3,377.7
Food and beverage	536.6		536.6
Rooms	199.0		199.0
Property general and administrative, corporate and other	1,901.6	(1.1) <sup>(2)</sup>	1,900.5
Depreciation and amortization	515.9	(10.9) <sup>(2)</sup>	505.0
Write-downs, reserves and recoveries	(57.1)		(57.1)
Project opening costs	27.0		27.0
Merger and integration costs	148.7		148.7
Equity in losses of nonconsolidated affiliates	0.8		0.8
Amortization of intangible assets	124.7	13.3 <sup>(2)</sup>	138.0
Total operating expenses	6,774.9	1.3	6,776.2
Income from operations	1,073.7	(1.3)	1,072.4
Interest expense, net of interest capitalized	(1,559.1)	(140.0) <sup>(3)</sup>	(1,699.1)
Loss on early extinguishments of debt	(203.9)		(203.9)
Other income, including interest income	19.8		19.8
Loss from continuing operations before income taxes and minority interests	(669.5)	(141.3)	(810.8)
Benefit for income taxes	173.7	36.2 <sup>(4)</sup>	209.9
Minority interests	(7.8)		(7.8)
Loss from continuing operations	\$ (503.6)	\$ (105.1)	\$ (608.7)

**Table of Contents****HARRAH S ENTERTAINMENT, INC.****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****FOR THE YEAR ENDED DECEMBER 31, 2007**

(In millions)	Harrah s Entertainment <sup>(1)</sup>	Acquisition and Financing	Pro Forma
Revenues			
Casino	\$ 8,831.0	\$	\$ 8,831.0
Food and beverage	1,698.8		1,698.8
Rooms	1,353.6		1,353.6
Management fees	81.5		81.5
Other	695.9		695.9
Less: casino promotional allowances	(1,835.6)		(1,835.6)
Net revenues	10,825.2		10,825.2
Operating expenses			
Direct			
Casino	4,595.2		4,595.2
Food and beverage	716.5		716.5
Rooms	266.3		266.3
Property general and administrative, corporate and other	2,559.8	17.0 <sup>(2)</sup>	2,576.8
Depreciation and amortization	817.2	(187.5) <sup>(2)</sup>	629.7
Write-downs, reserves and recoveries	109.7		109.7
Project opening costs	25.5		25.5
Merger and integration costs	13.4		13.4
Equity in losses of nonconsolidated affiliates	(3.9)		(3.9)
Amortization of intangible assets	73.5	110.5 <sup>(2)</sup>	184.0
Total operating expenses	9,173.2	(60.0)	9,113.2
Income from operations	1,652.0	60.0	1,712.0
Interest expense, net of interest capitalized	(800.8)	(1,643.0) <sup>(3)</sup>	(2,443.8)
Loss of early extinguishments of debt	(2.0)		(2.0)
Other income, including interest income	43.3		43.3
Income/(loss) from continuing operations before income taxes and minority interests	892.5	(1,583.0)	(690.5)
(Provision)/benefit for income taxes	(350.1)	609.5 <sup>(4)</sup>	259.4
Minority interests	(15.2)		(15.2)
Income/(loss) from continuing operations	\$ 527.2	\$ (973.5)	\$ (446.3)

**Table of Contents****HARRAH S ENTERTAINMENT, INC.****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

- (1) Represents the historical financial information of Harrah s Entertainment.
- (2) Reflects the adjustment to depreciation and amortization resulting from estimated fair value adjustment 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, 2007	Nine Months Ended September 30, 2008
Reversal of historical interest expense <sup>(i)</sup>	\$ (421.6)	\$ (31.7)
Reversal of amortization of debt issuance costs <sup>(ii)</sup>	(7.1)	(0.6)
Interest expense on new indebtedness <sup>(iii)</sup>	1,706.1	128.0
Amortization expenses of debt issuance costs on the new indebtedness	100.1	7.8
Amortization expense from fair value adjustments <sup>(iv)</sup>	197.0	14.8
Interest rate swaps <sup>(v)</sup>	68.5	21.7
	\$ 1,643.0	\$ 140.0

- 
- (i) Reversal of the historical interest expense related to existing indebtedness, which was repaid as a result of the Transactions;
- (ii) Reversal of the historical amortization of debt issuance costs related to existing indebtedness, which was repaid as a result of the Transactions;
- (iii) Increase in interest expense related to the new indebtedness, 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, in the aggregate principal amount of \$20,525;

- (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 upon closing of the Transactions. The weighted-average interest rate of the new indebtedness for pro forma purposes is 8.2%.

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 (i) \$25.6 million for the year ended December 31, 2007; and (ii) \$19.0 million for the nine months ended September 30, 2008.

- (v)



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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 38.5% for 2007. 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 consolidated financial information has been developed by applying pro forma adjustments to the historical audited consolidated financial statements and unaudited condensed consolidated financial statements of Harrah s Entertainment and subsidiaries. The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2008, and the year ended December 31, 2007 give effect to all of the Transactions as if they had occurred on January 1 of the year presented. The unaudited condensed combined balance sheet included in this section gives effect to all of the 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 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 Transactions actually occurred on the dates indicated, nor are they 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 Prospectus Summary The Transactions, Selected Historical Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Unaudited Pro Forma Condensed Consolidated Financial Information of Harrah s Entertainment, Inc. appearing elsewhere in this prospectus, as well as the pro forma financial information of Harrah s Entertainment appearing elsewhere in this prospectus and the audited and unaudited financial statements of Harrah s Entertainment and the related notes in this prospectus. All pro forma adjustments and their underlying assumptions are described more fully in the notes to our unaudited pro forma condensed consolidated financial information.

The audited and unaudited financial statements from which the pro forma condensed consolidated financial information have been derived have been prepared in accordance with U.S. GAAP. In making your investment decision, you should rely solely on the financial information contained or incorporated in this offering memorandum.

The Acquisition will be accounted for as a business combination using the purchase method of accounting. The pro forma information presented, including the allocation of the purchase price, is based on preliminary estimates of the fair values of assets acquired and liabilities assumed, available information as of the date of this offering memorandum and management assumptions and will be revised as additional information becomes available. The actual adjustments to our consolidated financial statements upon the closing of the Acquisition will depend on a number of factors, including additional information available and the actual balance sheet of our net assets on the closing date. Therefore, the actual adjustments will differ from the pro forma adjustments, and the differences may be material.

**Table of Contents**

The final purchase price allocation is dependant on, among other things, the finalization of asset and liability valuations. As of the date of this offering memorandum, we have not completed the valuation studies necessary to estimate the fair values of our assets and liabilities and the related allocation of purchase price. A final determination of these fair values will reflect our consideration of a final valuation, based on relevant information including discounted cash flow analyses, quoted market prices and our own estimates. This final valuation will be based on the actual net tangible and intangible assets that exist as of the closing date of the Acquisition. Any final adjustment will change the allocation price, which could affect the fair value assigned to the assets and liabilities and could result in a change to the unaudited pro forma condensed consolidated financial information, including a change to goodwill.

**Table of Contents****HARRAH S OPERATING COMPANY, INC. (SUCCESSOR)****UNAUDITED CONDENSED COMBINED BALANCE SHEET****AS OF SEPTEMBER 30, 2008**

<u>(In millions)</u>	Harrah s Entertainment <sup>(1)</sup>	HET Parent and Other Harrah s Entertainment Subsidiaries and Accounts <sup>(2)</sup>	HOC <sup>(3)</sup>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,005.9	\$ (223.0)	\$ 782.9
Receivables, net of allowance for doubtful accounts	405.3	(92.9)	312.4
Deferred income taxes	145.4	(22.2)	123.2
Prepayments and other	239.7	(90.6)	149.1
Inventories	70.3	(16.9)	53.4
Total current assets	1,866.6	(445.6)	1,421.0
Land, buildings, riverboats and equipment, net of accumulated depreciation	18,272.6	(5,662.6)	12,610.0
Assets held for sale	50.6		50.6
Goodwill and intangible assets	15,587.1	(4,550.6)	11,036.5
Deferred costs and other	1,235.4	(357.0)	878.4
	\$ 37,012.3	\$ (11,015.8)	\$ 25,996.5
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
Current liabilities			
Accounts payable	\$ 403.1	\$ (93.9)	\$ 309.2
Accrued expenses	1,547.4	(339.9)	1,207.5
Current portion of long-term debt	84.0	(0.2)	83.8
Total current liabilities	2,034.5	(434.0)	1,600.5
Long-term debt	24,130.2	(6,500.2)	17,630.0
Liabilities held for sale	0.7		0.7
Deferred credits and other	461.5	20.5	482.0
Deferred income taxes	4,513.0	(1,365.6)	3,147.4
	31,139.9	(8,279.3)	22,860.6
Minority interests	57.3	(5.3)	52.0
Preferred stock	2,206.2	(2,206.2)	
Stockholders equity	3,608.9	(525.0)	3,083.9
	\$ 37,012.3	\$ (11,015.8)	\$ 25,996.5

(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.

(3) Represents the financial information of HOC.



**Table of Contents****HARRAH S OPERATING COMPANY, INC.****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008**

(In millions)	Harrah s Entertainment <sup>(1)</sup>	HET Parent and Other Harrah s Entertainment Subsidiaries and Accounts <sup>(2)(3)</sup>	Harrah s Operating Restructured <sup>(4)</sup>	Acquisition and Financing	Pro Forma
<b>Revenues</b>					
Casino	\$ 6,267.8	\$ (1,268.5)	\$ 4,999.3	\$	\$ 4,999.3
Food and beverage	1,278.6	(467.9)	810.7		810.7
Rooms	990.6	(415.8)	574.8		574.8
Management fees	50.8		50.8		50.8
Other	505.1	(97.1)	408.0	39.9 <sup>(5)</sup>	447.9
Less: casino promotional allowances	(1,244.3)	343.1	(901.2)		(901.2)
<b>Net revenues</b>	<b>7,848.6</b>	<b>(1,906.2)</b>	<b>5,942.4</b>	<b>39.9</b>	<b>5,982.3</b>
<b>Operating expenses</b>					
<b>Direct</b>					
Casino	3,377.7	(598.2)	2,779.5		2,779.5
Food and beverage	536.6	(224.1)	312.5		312.5
Rooms	199.0	(90.6)	108.4		108.4
Property general and administrative, corporate and other	1,901.6	(451.2)	1,450.4	36.3 <sup>(5)(6)</sup>	1,486.7
Depreciation and amortization	515.9	(128.0)	387.9	(4.6) <sup>(6)</sup>	383.3
Write-downs, reserves and recoveries	(57.1)	(51.6)	(108.7)		(108.7)
Project opening costs	27.0	(1.3)	25.7		25.7
Merger and integration costs	148.7		148.7		148.7
Equity in income of nonconsolidated affiliates	0.8	(0.1)	0.7		0.7
Amortization of intangible assets	124.7	(39.8)	84.9	3.4 <sup>(6)</sup>	88.3
<b>Total operating expenses</b>	<b>6,774.9</b>	<b>(1,584.9)</b>	<b>5,190.0</b>	<b>35.1</b>	<b>5,225.1</b>
Income from operations	1,073.7	(321.3)	752.4	4.8	757.2
Interest expense, net of interest capitalized	(1,559.1)	261.2	(1,297.9)	(103.0) <sup>(7)</sup>	(1,400.9)
Loss on early extinguishments of debt	(203.9)		(203.9)		(203.9)
Other income, including interest income	19.8	0.8	20.6		20.6
Loss from continuing operations before income taxes and minority interests	(669.5)	(59.3)	(728.8)	(98.2)	(827.0)
Benefit for income taxes	173.7	34.6	208.3	25.1 <sup>(8)</sup>	233.4
Minority interests	(7.8)	4.8	(3.0)		(3.0)
<b>(Loss)/income from continuing operations</b>	<b>\$ (503.6)</b>	<b>\$ (19.9)</b>	<b>\$ (523.5)</b>	<b>\$ (73.1)</b>	<b>\$ (596.6)</b>

**Table of Contents****HARRAH S OPERATING COMPANY, INC.****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****FOR THE YEAR ENDED DECEMBER 31, 2007**

(In millions)	Historical Harrah s Entertainment <sup>(1)</sup>	Other Harrah s Entertainment Subsidiaries and Accounts <sup>(2)</sup>	Historical Harrah s Operating <sup>(4)</sup>	CMBS Spin-off <sup>(3)</sup>	London Clubs Transfer <sup>(9)</sup>	Subtotal	Acquisition and Financing	Pro Forma
<b>Revenues</b>								
Casino	\$ 8,831.0	\$ (262.6)	\$ 8,568.4	\$ (1,748.2)	\$ 262.6	\$ 7,082.8	\$	\$ 7,082.8
Food and beverage	1,698.8	(35.5)	1,663.3	(621.9)	35.5	1,076.9		1,076.9
Rooms	1,353.6	(2.8)	1,350.8	(561.9)	2.8	791.7		791.7
Management fees	81.5	(0.5)	81.0		0.5	81.5		81.5
Other	695.9	(10.3)	685.6	(239.1)	6.6	453.1	77.0 <sup>(5)</sup>	530.1
Less: casino promotional allowances	(1,835.6)	14.1	(1,821.5)	493.4	(14.1)	(1,342.2)		(1,342.2)
Net revenues	10,825.2	(297.6)	10,527.6	(2,677.7)	293.9	8,143.8	77.0	8,220.8
<b>Operating expenses</b>								
<b>Direct</b>								
Casino	4,595.2	(218.0)	4,377.2	(814.5)	218.0	3,780.7		3,780.7
Food and beverage	716.5	(13.5)	703.0	(301.1)	13.5	415.4		415.4
Rooms	266.3	(1.2)	265.1	(120.0)	1.2	146.3		146.3
Property general and administrative, corporate and other	2,559.8	(62.0)	2,497.8	(647.2)	61.0	1,911.6	64.0 <sup>(5)(6)</sup>	1,975.6
Depreciation and amortization	817.2	(14.2)	803.0	(204.8)	14.2	612.4	(134.9) <sup>(6)</sup>	477.5
Write-downs, reserves and recoveries	109.7	(109.2)	0.5	(22.5)	109.2	87.2		87.2
Project opening costs	25.5	(15.6)	9.9	(1.9)	15.6	23.6		23.6
Merger and integration costs	13.4		13.4			13.4		13.4
Equity in (income)/losses of nonconsolidated affiliates	(3.9)	(0.5)	(4.4)	(0.1)	0.5	(4.0)		(4.0)
Amortization of intangible assets	73.5	(2.2)	71.3	(0.5)	2.2	73.0	44.8 <sup>(6)</sup>	117.8
Total operating expenses	9,173.2	(436.4)	8,736.8	(2,112.6)	435.4	7,059.6	(26.1)	7,033.5
Income/(loss) from operations	1,652.0	138.8	1,790.8	(565.1)	(141.5)	1,084.2	103.1	1,187.3
Interest expense, net of interest capitalized	(800.8)	15.5	(785.3)		(15.5)	(800.8)	(1,150.6) <sup>(7)</sup>	(1,951.4)
Loss on early extinguishment of debt	(2.0)	2.0			(2.0)	(2.0)		(2.0)
Other income, including interest income	43.3	(12.4)	30.9	3.9	12.5	47.3		47.3
Income/(loss) from continuing operations before income taxes and minority interests	892.5	143.9	1,036.4	(561.2)	(146.5)	328.7	(1,047.5)	(718.8)
(Provision)/benefit for income taxes	(350.1)	(44.6)	(394.7)	195.7	46.4	(152.6)	403.5 <sup>(8)</sup>	250.9
Minority interests	(15.2)	(3.7)	(18.9)	5.9	3.7	(9.3)		(9.3)
Income/(loss) from continuing operations	\$ 527.2	\$ 95.6	\$ 622.8	\$ (359.6)	\$ (96.4)	\$ 166.8	\$ (644.0)	\$ (477.2)





**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS OF HARRAH S OPERATING COMPANY INC.**

- (1) Represents the financial information of Harrah s Entertainment.
- (2) Represents the historical financial information of (i) all subsidiaries of Harrah s Entertainment that have historically not been a component of HOC, namely, captive insurance companies and London Clubs and its subsidiaries; and (ii) accounts at Harrah s Entertainment.
- (3) Reflects the removal of the historical operating results of the CMBS properties, pursuant to the CMBS spin-off in which certain properties and operations of HOC were spun-off into a separate borrowing structure and held side-by-side with HOC under Harrah s Entertainment. 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 will continue to be provided by HOC pursuant to a shared services agreement with the CMBS properties.
- (4) Represents the historical 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 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 Transactions.
- (7) Reflects adjustments to pro forma interest expense, as follows:

(In millions)	Year Ended December 31, 2007	Nine Months Ended September 30, 2008
Reversal of historical interest expense <sup>(i)</sup>	\$ (421.6)	\$ (31.7)
Reversal of amortization of debt issuance costs <sup>(ii)</sup>	(7.1)	(0.6)
Interest expense on new indebtedness <sup>(iii)</sup>	1,247.7	93.6
Amortization expenses of debt issuance costs on the new indebtedness	66.1	5.2
Amortization expense from fair value adjustments <sup>(iv)</sup>	197.0	14.8
Interest rate swaps <sup>(v)</sup>	68.5	21.7
	\$ 1,150.6	\$ 103.0

- (i) Reversal of the historical interest expense related to existing indebtedness, which was repaid as a result of the Transactions.
- (ii) Reversal of the historical amortization of debt issuance costs related to existing indebtedness, which was repaid as a result of the Transactions.
- (iii) Increase in interest expense related to the new indebtedness, consisting of the senior unsecured cash pay debt and senior unsecured PIK toggle debt and borrowings under our new senior credit facility, in the aggregate principal amount of \$14,025.
- (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 upon closing of the Transactions. The weighted-average interest rate of the new indebtedness for pro forma purposes is 8.8%.

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 (i) \$17.5 million for the year ended December 31, 2007; and (ii) \$13.0 million for the nine months ended September 30, 2008.

- (v) Represents estimated interest expense on forward interest rate swap agreements, which were entered into in connection with the Transactions.
- (8) Reflects the income tax effect on the pro forma adjustments using an estimated combined statutory income tax rate of 38.5% for 2007. This rate is not necessarily indicative of our future effective tax rate.

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- (9) Reflects the inclusion of the London Clubs operating results pursuant to the London Clubs Transfer, in which London Clubs and its subsidiaries became subsidiaries of HOC.

**Table of Contents**

**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The selected historical consolidated financial data as of December 31, 2006 and 2007 and for each of the years in the three-year period ended December 31, 2007 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, 2003 and 2004 and as of December 31, 2003, 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, 2007 and as of September 30, 2008 and for the period from January 1, 2008 through January 27, 2008 and for the period from January 28, 2008 to September 30, 2008 are derived from, and should be read in conjunction with, our 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.

Please refer to Unaudited Pro Forma Consolidated Financial Data of Harrah's Entertainment, 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. The audited consolidated financial statements as of December 31, 2007 and 2006 and for each of the years in the five-year period ended December 31, 2007 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm.

**Table of Contents**

	Predecessor Year Ended December 31,					Nine Months Ended Sept. 30, 2007	Jan. 1, 2008 through Jan. 27, 2008	Successor Jan. 28, 2008 through Sept. 30, 2008
	2003	2004	2005	2006	2007			
	(dollars in millions)							
<b>Revenues</b>								
Casino	\$ 3,316.6	\$ 3,922.9	\$ 5,966.5	\$ 7,868.6	\$ 8,831.0	\$ 6,686.7	\$ 614.6	\$ 5,653.2
Food and beverage	582.6	650.9	1,086.7	1,577.7	1,698.8	1,299.1	118.4	1,160.2
Rooms	331.7	382.2	786.2	1,240.7	1,353.6	1,035.9	96.4	894.2
Management fees	72.1	60.6	75.6	89.1	81.5	64.2	5.0	45.8
Other	188.5	215.9	424.7	611.0	695.9	525.1	42.7	462.4
Less: casino promotional allowances	(683.1)	(835.7)	(1,329.7)	(1,713.2)	(1,835.6)	(1,413.3)	(117.0)	(1,127.3)
Net revenues	3,808.4	4,396.8	7,010.0	9,673.9	10,825.2	8,197.7	760.1	7,088.5
<b>Operating Expenses</b>								
<b>Direct</b>								
Casino	1,664.5	1,972.5	2,984.6	3,902.6	4,595.2	3,444.8	340.6	3,037.1
Food and beverage	252.2	275.1	482.3	697.6	716.5	553.7	50.5	486.1
Rooms	65.1	66.7	151.5	256.6	266.3	201.1	19.6	179.4
<b>Property general and administrative, corporate and other</b>								
Depreciation and amortization	858.7	964.9	1,562.1	2,384.3	2,559.8	1,893.1	186.7	1,714.9
Write-downs, reserves and recoveries	280.6	313.1	485.7	667.9	817.2	601.4	63.5	452.4
Project opening costs	10.5	9.6	194.7	83.3	109.7	(83.0)	4.7	(61.8)
Acquisition and integration costs	7.4	9.4	16.4	20.9	25.5	22.1	0.7	26.3
Equity in income in nonconsolidated affiliates		2.3	55.0	37.0	13.4	8.3	125.6	23.1
Amortization of intangible assets	0.9	0.9	(1.2)	(3.6)	(3.9)	(3.6)	(0.5)	1.3
	4.8	9.5	49.9	70.7	73.5	53.5	5.5	119.2
Total operating expenses	3,144.7	3,624.0	5,981.0	8,117.3	9,173.2	6,691.4	796.9	5,978.0
Income from operations	663.7	772.8	1,029.0	1,556.6	1,652.0	1,506.3	(36.8)	1,110.5
Interest expense, net of interest capitalized	(232.1)	(269.3)	(479.6)	(670.5)	(800.8)	(578.4)	(89.7)	(1,469.4)
Losses on early extinguishments of debt	(19.1)		(3.3)	(62.0)	(2.0)	(2.0)		(203.9)
Other income, including interest income	2.9	9.5	8.0	10.7	43.3	28.7	1.1	18.7
Income (loss) from continuing operations before income taxes and minority interests	415.4	513.0	554.1	834.8	892.5	954.6	(125.4)	(544.1)
(Provision) benefit for income taxes	(151.1)	(185.1)	(225.9)	(295.6)	(350.1)	(354.1)	26.0	147.7
Minority interests	(11.6)	(8.6)	(11.9)	(15.3)	(15.2)	(17.2)	(1.6)	(6.2)
Income (loss) from continuing operations	\$ 252.7	\$ 319.3	\$ 316.3	\$ 523.9	\$ 527.2	\$ 583.3	\$ (101.0)	\$ (402.6)
<b>Other Financial Data</b>								
Capital expenditures	\$ 426.9	\$ 702.9	\$ 1,201.0	\$ 2,548.3	\$ 1,462.2	\$ 1,113.8	\$ 120.1	\$ 1,001.2
Ratio of earnings to fixed charges <sup>(1)</sup>	2.6x	2.7x	2.1x	2.2x	2.1x	2.6x		
<b>Balance Sheet Data</b>								
Cash and cash equivalents	\$ 397.9	\$ 489.0	\$ 724.4	\$ 799.6	\$ 710.0	\$ 654.7		\$ 1,005.9
Working capital	88.9	33.2	30.7	(610.2)	(126.1)	(183.4)		(167.9)
Total assets	6,578.8	8,585.6	20,517.6	22,284.9	23,357.7	23,186.3		37,012.3
Total debt	3,673.5	5,152.9	11,045.8	12,089.9	12,440.4	12,292.7		24,214.2
Total stockholders' equity	1,738.4	2,035.2	5,665.1	6,071.1	6,626.9	6,649.0		3,608.9

- (1) For purposes of computing this ratio, earnings consist of income before income taxes plus fixed charges and minority 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. Our earnings were insufficient to cover our fixed charges by \$122.5 million and \$500.8 million for the Predecessor period ended January 27, 2008 and the Successor period ended September 30, 2008.



**Table of Contents**

**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 with subsidiaries where appropriate.

**Overview**

We are one of the largest casino entertainment providers in the world. As of September 30, 2008, 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 five major brands Harrah's, Caesars, Horseshoe, Total Rewards and the World Series of Poker. We believe that the customer-relationship marketing and business-intelligence capabilities fueled by Total Rewards, our customer loyalty program, 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 and TPG in the Acquisition, an all cash transaction 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 the non-voting preferred stock of Harrah's Entertainment are owned by entities affiliated with the Sponsors 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, which is owned by certain individuals affiliated with the Sponsors. As a result of the Acquisition, our stock is no longer publicly traded.

**Overall Operating Results**

Certain of our properties were sold during each of the periods presented, and prior to their sales, their operating results were included in discontinued operations, if appropriate. Note 4 to our audited consolidated financial statements included elsewhere in this prospectus provides information regarding dispositions. The discussion that follows is related to our continuing operations.

In accordance with Generally Accepted Accounting Principles, 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 nine months ended September 30, 2008, in the presentations below because we believe that it enables a meaningful presentation and comparison of results.

**Table of Contents**

	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	Predecessor Nine Months Ended Sept. 30, 2007	Percentage Increase/ (Decrease)
(dollars in millions)					
Casino revenues	\$ 5,653.2	\$ 614.6	\$ 6,267.8	\$ 6,686.7	(6.3)%
Net revenues	7,088.5	760.1	7,848.6	8,197.7	(4.3)%
Income/(loss) from operations	1,110.5	(36.8)	1,073.7	1,506.3	(28.7)%
(Loss)/income from continuing operations	(402.6)	(101.0)	(503.6)	583.3	N/M
Net (loss)/income	(314.2)	(100.9)	(415.1)	667.2	N/M
Operating margin	15.7%	(4.8)%	13.7%	18.4%	(4.7)pts

	2007	Predecessor December 31, 2006	2005	Percentage Increase/(Decrease)	
				07 vs. 06	06 vs. 05
(dollars in millions)					
Casino revenues	\$ 8,831.0	\$ 7,868.6	\$ 5,966.5	12.2%	31.9%
Total revenues	10,825.2	9,673.9	7,010.0	11.9%	38.0%
Income from operations	1,652.0	1,556.6	1,029.0	6.1%	51.3%
Income from continuing operations	527.2	523.9	316.3	0.6%	65.6%
Net income	619.4	535.8	236.4	15.6%	N/M
Earnings per share diluted					
From continuing operations	2.77	2.79	2.10	(0.7)%	32.9%
Net income	3.25	2.85	1.57	14.0%	81.5%
Operating margin	15.3%	16.1%	14.7%	(0.8)pt	1.4pts

N/M = Not Meaningful

For the nine months ended September 30, 2008, revenues were 4.3% lower than in the prior year period, driven by declines in the Las Vegas market due to lower customer spend per trip and fewer hotel rooms available at three of our properties in Las Vegas, 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. Income from continuing operations was also impacted by expense 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.

The increase in 2007 revenues 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 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.

Increases in 2006 were the result of a full year s results from properties acquired in the Caesars acquisition compared to six and a half months in 2005 and from results from Imperial Palace, which was acquired in December 2005. 2006 results were also impacted by higher development costs, expensing of stock-based

**Table of Contents**

compensation in compliance with Statement of Financial Accounting Standards ( SFAS ) No. 123(R), Share-Based Payment, and charges for impairment of certain assets.

2005 included results from 15 properties acquired in the Caesars acquisition subsequent to June 13, 2005. Caesars properties contributed \$2.1 billion in revenues and \$321.4 million in income from operations in the approximate six months that we owned them in 2005.

***Regional Results and Development Plans***

The executive decision makers 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, consider each property to be 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 in a more understandable manner than would be possible on a consolidated basis, our properties have been grouped as follows to facilitate discussion of our operating results:

**Las Vegas**

Caesars Palace  
Bally s Las Vegas  
Flamingo Las Vegas\*  
Harrah s Las Vegas\*  
Paris Las Vegas\*  
Rio\*  
Imperial Palace  
Bill s Gamblin Hall

**Atlantic City**

Harrah s Atlantic City\*  
Showboat Atlantic City  
Bally s Atlantic City  
Caesars Atlantic City  
Harrah s Chestel<sup>(1)</sup>

**Louisiana/Mississippi**

Harrah s New Orleans  
Harrah s Louisiana Downs  
Horseshoe Bossier City  
Grand Biloxi  
Harrah s Tunica<sup>(2)</sup>  
Horseshoe Tunica  
Sheraton Tunica

**Iowa/Missouri**

Harrah s St. Louis  
Harrah s North Kansas City  
Harrah s Council Bluffs  
Horseshoe Council Bluffs /  
Bluffs Run

**Illinois/Indiana**

Horseshoe Southern  
Indiana<sup>(3)</sup>  
Harrah s Joliet<sup>(4)</sup>  
Harrah s Metropolis  
Horseshoe Hammond

**Other Nevada**

Harrah s Reno  
Harrah s Lake Tahoe  
Harveys Lake Tahoe  
Bill s Lake Tahoe  
Harrah s Laughlin\*

**Managed/International/Other**

Harrah s Ak-Chin<sup>(4)</sup>  
Harrah s Cherokee<sup>(4)</sup>  
Harrah s Prairie Band (through 6/30/07<sup>(4)</sup>)  
Harrah s Rincoff<sup>(4)</sup>  
Conrad Punta del Este<sup>(1)</sup>  
Caesars Windsor<sup>(5)</sup>  
London Clubs International<sup>(6)</sup>

\* CMBS Assets

- (1) Not wholly owned by Harrah s Entertainment.
- (2) Re-branded from Grand Casino Tunica in May 2008.
- (3) Re-branded from Caesars Indiana in July 2008.
- (4) Managed, not owned.
- (5) We have 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) Operates 11 casino clubs in the United Kingdom, 2 in Egypt and 1 in South Africa.

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 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.



**Table of Contents**

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. The components of write-downs, reserves and recoveries were as follows:

	Successor	Predecessor		Predecessor			
		Jan. 28, 2008 through September 30, 2008	Jan. 1, 2008, through Jan. 27, 2008	Nine Months Ended September 30, 2007	Year Ended December 31,		
					2007	2006	2005
(dollars in millions)							
Impairment of goodwill and other intangible assets	\$	\$	\$	\$ 169.6	\$ 20.7	\$ 138.6	
Litigation awards and settlements	9.4		4.9	8.5	32.5	2.6	
Corporate efficiencies project	5.0	0.6	19.1	21.5	5.2		
Write-off of abandoned assets	47.6		1.8	21.0	0.2	0.8	
Demolition costs	8.8	0.2	5.8	7.3	11.4	6.0	
Permit remediation costs	35.3	4.4		8.1			
Other	17.6	(0.5)	2.2	4.0	(0.1)	12.2	
Insurance proceeds in excess of deferred costs	(185.5)		(116.8)	(130.3)	(10.2)		
Impairment of investment securities					23.6		
Hurricane expense							24.5
Contribution to The Harrah's Foundation							10.0
	\$ (61.8)	\$ 4.7	\$ (83.0)	\$ 109.7	\$ 83.3	\$ 194.7	

Discussion of the charges for impairment of goodwill and other intangible assets are included in the discussion of our Illinois/Indiana, Louisiana/Mississippi and Managed/International/Other results.

Impairment to investment securities resulted from an assessment of certain bonds classified as held-to-maturity and the determination that they were highly uncollectible.

See Hurricane Damaged Properties for a discussion of insurance proceeds in excess of deferred costs.

Hurricane expense in 2005 includes insurance deductibles on policies for Harrah's New Orleans, as well as expenses not reimbursable under our insurance plans.

The Harrah's Foundation is a 501(c)(3) non-profit corporation that provides charitable contributions to qualifying organizations in the communities where employees of Harrah's Entertainment and its subsidiaries work. The Harrah's Foundation was formed in order to centralize certain of the various charitable contributions made by the Company and its subsidiaries. The Harrah's Foundation is governed by a Board of Trustees that is comprised of officers of the Company and its subsidiaries. Larger discretionary donations to The Harrah's Foundation, which are approved by our Board of Directors, are based on the financial performance of Harrah's Entertainment.

**Las Vegas Results**

Successor Period	Predecessor Period	Combined	Predecessor	Percentage
Jan. 28, 2008 through Sept. 30, 2008	Jan. 1, 2008 through Jan. 27, 2008	Nine Months Ended Sept. 30, 2008	Nine Months Ended	Increase/ (Decrease)

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	(dollars in millions)				Sept. 30, 2007
Casino revenues	\$ 1,186.2	\$ 138.7	\$ 1,324.9	\$ 1,462.7	(9.4)%
Net revenues	2,279.2	253.6	2,532.8	2,721.5	(6.9)%
Income/(loss) from operation	497.3	51.9	549.2	687.3	(20.1)%
Operating margin	21.8%	20.5%	21.7%	25.3%	(3.6)pts

**Table of Contents**

	2007	Predecessor December 31, 2006	2005 (dollars in millions)	Percentage Increase/(Decrease) 07 vs. 06	06 vs. 05
Casino revenues	\$ 1,986.6	\$ 1,726.5	\$ 1,054.8	15.1%	63.7%
Total revenues	3,626.7	3,267.2	1,950.0	11.0%	67.5%
Income from operations	886.4	828.2	441.1	7.0%	87.8%
Operating margin	24.4%	25.3%	22.6%	(0.9)pt	2.7pts

N/M= Not meaningful

For the first nine months of 2008, lower revenues and income from operations were driven by lower spend per trip in the market and declines in the number of hotel rooms available at Caesars Palace due to re-modeling and at Harrah's Las Vegas and Rio due to room remediation projects.

An expansion and renovation of Caesars Palace Las Vegas is underway, which is expected to cost approximately \$866 million and will include a 650-room hotel tower, including 75 luxury suites, additional meeting space, a remodeled and expanded pool area and other renovations and improvements. As of September 30, 2008, \$239.0 million had been spent on this project. This expansion is scheduled for completion in phases in 2009. This expansion is scheduled for completion in phases in 2009. In addition, other renovation projects are underway at Caesars Palace that will update and enhance that property.

Increases in revenues and income from operations in 2007 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 formerly known as the Barbary Coast, 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.

The increases in 2006 revenues and income from operations from 2005 were driven by the results from the Caesars properties for the full year in 2006 versus approximately six and a half months in 2005 and results from Imperial Palace, which was acquired in December 2005. Increased visitation and cross-market and cross-property play also contributed to the strong performance. The Caesars properties contributed \$2.1 billion in revenues and \$525.5 million in income from operations in 2006 vs. \$975.5 million in revenues and \$192.7 million in income from operations for the six and a half months of 2005.

Construction was completed in August 2005 on a 949-room, 26-story hotel tower and convention center at Caesars Palace. This project also included a fourth swimming pool, the upgrade and expansion of existing hotel registration areas, a VIP lounge, wedding chapels, new retail space and new dining and restaurant facilities.

**Table of Contents****Atlantic City Results**

	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	Predecessor Nine Months Ended Sept. 30, 2007	Percentage Increase/ (Decrease)
	(dollars in millions)				
Casino revenues	\$ 1,632.9	\$ 163.4	\$ 1,796.3	\$ 1,867.6	(3.8)%
Net revenues	1,663.2	160.8	1,824.0	1,810.2	0.8%
Income from operation	254.0	18.7	272.7	290.3	(6.1)%
Operating margin	15.3%	11.6%	15.0%	16.0%	(1.0)pt

	2007	Predecessor December 31, 2006	2005	Percentage Increase/(Decrease) 07 vs. 06	Percentage Increase/(Decrease) 06 vs. 05
	(dollars in millions)				
Casino revenues	\$ 2,429.9	\$ 2,147.2	\$ 1,540.4	13.2%	39.4%
Total revenues	2,372.0	2,071.4	1,485.7	14.5%	39.4%
Income from operations	351.4	420.5	353.6	(16.4)%	18.9%
Operating margin	14.8%	20.3%	23.8%	(5.5)pts	(3.5)pts

N/M= Not meaningful

For the nine months ended September 30, 2008, Atlantic City regional revenues increased over the first nine months of 2007 due to the inclusion of Harrah's Chester, which opened for simulcasting and live harness racing on September 10, 2006 and for slots play on January 22, 2007 and strong results from the partial opening of the new hotel tower at Harrah's Atlantic City, but income from operations was flat compared to the prior year nine month period. The Atlantic City market continues to be affected by the opening of three slot competitor parlors in eastern Pennsylvania and one in Yonkers, New York, and smoking restrictions in Atlantic City.

Construction has been completed on a \$528 million upgrade and expansion of Harrah's Atlantic City, which includes a new hotel tower with approximately 960 rooms, a casino expansion, a retail and entertainment complex and a new buffet. 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 due to the inclusion of Harrah's Chester. The Atlantic City market was affected by the opening of slot operations at three racing facilities in eastern Pennsylvania and one in Yonkers, 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.

Increases in revenues and income from operations in 2006 were due to the contributions from the Caesars properties for the full year versus approximately six and a half months of 2005. The two properties acquired from Caesars contributed \$1.2 billion in total revenues and \$235.7 million in income from operations in 2006 vs. \$651.2 million in total revenues and \$140.1 million in income from operations for the six and a half months of 2005.

2006 revenues and income from operations were negatively impacted by a three-day government-imposed casino shutdown during the year and increased competitive activity. 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**

	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	Predecessor Nine Months Ended Sept. 30, 2007	Percentage Increase/ (Decrease)
(dollars in millions)					
Casino revenues	\$ 946.3	\$ 99.0	\$ 1,045.3	\$ 1,115.4	(6.3)%
Net revenues	1,010.8	106.1	1,116.9	1,171.1	(4.6)%
Income from operation	327.9	10.1	338.0	292.9	15.4%
Operating margin	32.4%	9.5%	30.3%	25.0%	5.3 pts

	2007	Predecessor December 31, 2006	2005	Percentage Increase/(Decrease) 07 vs. 06	Percentage Increase/(Decrease) 06 vs. 05
(dollars in millions)					
Casino revenues	\$ 1,462.5	\$ 1,351.4	\$ 1,069.1	8.2%	26.4%
Total revenues	1,538.7	1,384.3	1,067.3	11.2%	29.7%
Income from operations	352.1	233.4	21.1	50.9%	N/M
Operating margin	22.9%	16.9%	2.0%	6.0pts	14.9pts

N/M= Not meaningful

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.

Combined revenues for the nine months ended September 30, 2008, were 4.6% lower than in the nine month period of 2007 due to declines in visitation to the Tunica market and disruptions during the renovation at the former Grand Tunica. For the nine months ended September 30, 2008 and 2007, income from operations includes insurance proceeds of \$185.4 million and \$116.9 million, respectively, that are in excess of the net book value of the impacted assets and costs and expenses that were reimbursed under our business interruption claims. All proceeds from claims related to the 2005 hurricanes have now been received. Insurance proceeds are included in write-downs, reserves and recoveries in our consolidated condensed statements of operations included elsewhere in this prospectus.

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 \$45 million were completed. In conjunction with the renovation and re-branding project, a strategic alliance with Food Network star, Paula Deen, was formed, and a new Paula Deen Buffet also opened in May 2008.

We have decided to slow down construction of Margaritaville Casino & Resort in Biloxi, Mississippi, as we refine the design of that project and explore all of our alternatives related to the project and its financing. We are adjusting our plan for development to better align with the 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, 2008, \$159.8 million had been spent on this project.

Combined 2007 revenues from our operations in Louisiana and Mississippi 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 damage 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 our business

**Table of Contents**

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.

For 2006, combined revenues and income from operations from our properties in Louisiana and Mississippi were higher than in 2005 due to contributions of the Caesars properties that were acquired in June 2005 and strong performances by other properties in the grouping. Harrah's New Orleans re-opened February 17, 2006, after being closed for almost six months as a result of Hurricane Katrina. The Caesars properties contributed \$399.6 million in total revenues and \$68.1 million in income from operations in 2006. 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.

After being closed for a year due to Hurricane Katrina, Grand Casino Biloxi opened in August 2006 with approximately 650 slot machines and 20 table games, a 500-room hotel, restaurants and other amenities. In November 2006, we acquired the remaining assets of Casino Magic Biloxi, which is adjacent to the site of Grand Casino Biloxi.

In 2005, Caesars Mississippi properties contributed \$221.7 million in revenues and losses from operations of \$48.0 million. A charge of \$88.7 million was recorded to our Consolidated Statement of Income in fourth quarter 2005 as a result of impairment of intangible assets at Grand Casino Biloxi, which was damaged by Hurricane Katrina.

We perform annual assessments for impairment of goodwill and other intangible assets that are not subject to amortization as of September 30 each year. Based on the historical performance and projected performance of Harrah's Louisiana Downs, a thoroughbred racetrack that was expanded to include slot machines in 2003, our 2006 analysis indicated that intangible assets of that property had been impaired. A charge of \$20.7 million was recorded to our Consolidated Statement of Income in fourth quarter 2006. Our 2007 analysis indicated that the remaining intangible assets at Harrah's Louisiana Downs were not impaired. In 2005, the entire \$49.9 million of goodwill associated with this property was impaired, and a charge was recorded to our Consolidated Statement of Income in fourth quarter 2005. Harrah's Louisiana Downs tangible assets were assessed for impairment applying the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, and our analysis indicated that the carrying value of the tangible assets was not impaired.

**Iowa/Missouri Results**

	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	Predecessor Nine Months Ended Sept. 30, 2007	Percentage Increase/ (Decrease)
	(dollars in millions)				
Casino revenues	\$ 503.9	\$ 52.5	\$ 556.4	\$ 578.1	(3.8)%
Net revenues	537.3	55.8	593.1	613.8	(3.4)%
Income from operation	112.8	7.7	120.5	110.0	9.5%
Operating margin	21.0%	13.8%	20.3%	17.9%	2.4pts

	2007	Predecessor December 31, 2006	2005	Percentage Increase/(Decrease) 07 vs. 06	Percentage Increase/(Decrease) 06 vs. 05
	(dollars in millions)				
Casino revenues	\$ 764.1	\$ 770.6	\$ 729.3	(0.8)%	5.7%
Total revenues	811.4	809.7	734.9	0.2%	10.2%
Income from operations	143.6	132.2	119.1	8.6%	11.0%
Operating margin	17.7%	16.3%	16.2%	1.4pts	0.1pt

N/M= Not meaningful





**Table of Contents**

For the nine months ended September 30, 2008, combined revenues at our Iowa and Missouri properties were 3.4% lower than in the same period of 2007. Strong results in Iowa and North Kansas City helped offset the impact of the revenue decline in St. Louis due to increased competition.

The increases in combined 2007 revenues and income from operations over 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.

Combined 2006 revenues and income from operations at our Iowa and Missouri properties increased over 2005, driven by increased visitation and capital investments in those markets, including improved performance at our re-branded Horseshoe Council Bluffs. In March 2006, following an \$87 million renovation and expansion, the former Bluffs Run Casino became Horseshoe Council Bluffs. The Bluffs Run Greyhound Racetrack remains in operation at the property.

**Illinois/Indiana Results**

	<b>Successor Period</b> <b>Jan. 28, 2008 through</b> <b>Sept. 30,</b> <b>2008</b>	<b>Predecessor Period</b> <b>Jan. 1, 2008 through</b> <b>Jan. 27, 2008</b>	<b>Combined</b> <b>Nine Months</b> <b>Ended</b> <b>Sept. 30, 2008</b> <b>(dollars in millions)</b>	<b>Predecessor</b> <b>Nine</b> <b>Months</b> <b>Ended</b> <b>Sept. 30, 2007</b>	<b>Percentage</b> <b>Increase/</b> <b>(Decrease)</b>
Casino revenues	\$ 810.1	\$ 86.9	\$ 897.0	\$ 1,012.6	(11.4)%
Net revenues	804.5	85.5	890.0	974.7	(8.7)%
Income from operation	91.3	8.7	100.0	158.9	(37.1)%
Operating margin	11.3%	10.2%	11.2%	16.3%	(5.1)pts

	<b>2007</b>	<b>Predecessor</b> <b>December 31,</b> <b>2006</b>	<b>2005</b>	<b>Percentage</b> <b>Increase/(Decrease)</b> <b>07 vs. 06</b>	<b>06 vs. 05</b>
	<b>(dollars in millions)</b>				
Casino revenues	\$ 1,330.8	\$ 1,277.3	\$ 1,045.4	4.2%	22.2%
Total revenues	1,285.8	1,239.5	999.5	3.7%	24.0%
Income from operations	135.3	225.2	177.1	(39.9)%	27.2%
Operating margin	10.5%	18.2%	17.7%	(7.7)pts	0.5pt

N/M= Not meaningful

Combined revenues and income from operations for the nine months ended September 30, 2008, were lower than in the same period of 2007 due to heavy rains and flooding and the imposition of a smoking ban in Illinois. Horseshoe Southern Indiana, formerly Caesars Indiana, was closed for four days in March 2008 due to flooding in the area.

In June 2008, the Illinois Supreme Court overturned an earlier ruling by a State court that had declared a 3% tax that was assessed on Harrah's Joliet and three unrelated riverboats unconstitutional. Due to the uncertainty of the situation, we had continued to accrue and pay this tax while the matter was decided in the courts; therefore, this decision had no impact on the results of the operations of Harrah's Joliet.

In July 2008, Caesars Indiana was re-branded to Horseshoe Southern Indiana. The re-branding and renovation project cost approximately \$53.0 million.

In August 2008, construction was completed on the renovation and expansion of Horseshoe Hammond, which includes a two-level entertainment vessel including a 108,000-square-foot casino. The project cost approximately \$485 million, \$396.5 million of which had been spent as of September 30, 2008.



**Table of Contents**

Combined 2007 revenues from our properties in Illinois and Indiana increased over 2006 revenues; however, income from operations was lower than 2006 due primarily to an impairment charge in 2007 related to certain intangible assets at Horseshoe Southern Indiana (formerly 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 Horseshoe Southern Indiana (formerly 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 are increased real estate taxes in Indiana and a 3% tax assessed by Illinois against certain gaming operations in July 2006. As of December 31, 2007, Harrah's Joliet has paid approximately \$17.7 million for this tax since it was first assessed in July 2006. Higher non-operating expenses in 2007 also impacted income from operations.

Combined 2006 revenues and income from operations increased over 2005 revenues and income from operations due to results from Horseshoe Southern Indiana (formerly Caesars Indiana) for the full year versus six and a half months in 2005 and strong performance at Harrah's Joliet. Horseshoe Southern Indiana (formerly Caesars Indiana) contributed \$347.1 million in total revenues and \$57.7 million in income from operations in 2006. Also contributing to the improved results was the new 258-room hotel and event center at Harrah's Metropolis that opened in late June 2006.

Horseshoe Southern Indiana (formerly Caesars Indiana) contributed \$174.1 million in revenues and \$28.6 million in income from operations to 2005 Illinois/Indiana results.

**Other Nevada Results**

	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 (dollars in millions)	Predecessor Nine Months Ended Sept. 30, 2007	Percentage Increase/ (Decrease)
Casino revenues	\$ 332.4	\$ 30.2	\$ 362.6	\$ 385.0	(5.8)%
Net revenues	419.0	38.9	457.9	484.2	(5.4)%
Income from operation	59.7	0.5	60.2	79.4	(24.2)%
Operating margin	14.2%	1.3%	13.1%	16.4%	(3.3)pts

	2007	Predecessor December 31, 2006	2005	Percentage Increase/(Decrease) 07 vs. 06	Percentage Increase/(Decrease) 06 vs. 05
	(dollars in millions)				
Casino revenues	\$ 508.0	\$ 511.0	\$ 489.4	(0.6)%	4.4%
Total revenues	632.4	640.8	615.7	(1.3)%	4.1%
Income from operations	93.0	107.7	103.3	(13.6)%	4.3%
Operating margin	14.7%	16.8%	16.8%	(2.1)pts	pt

N/M= Not meaningful

Nine months ended September 30, 2008 revenues and income from operations from our Nevada properties outside of Las Vegas were lower than in nine months ended September 30, 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.

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. 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 in late June.



**Table of Contents**

Combined 2006 revenues and income from operations from our Nevada properties outside of Las Vegas were higher than in 2005 driven by strong visitation to the markets and favorable weather conditions in northern Nevada during first quarter of 2006.

**Managed, International and Other**

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

	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	Predecessor Nine Months Ended Sept. 30, 2007	Percentage Increase/ (Decrease)
(dollars in millions)					
Revenues					
Managed	\$ 45.9	\$ 5.0	\$ 50.9	\$ 64.6	(21.2)%
International	275.9	51.2	327.1	298.5	9.6%
Other	52.7	3.2	55.9	59.1	(5.4)%
<b>Total revenues</b>	<b>\$ 374.5</b>	<b>\$ 59.4</b>	<b>\$ 433.9</b>	<b>\$ 422.2</b>	<b>2.8%</b>
Income/(loss) from operations					
Managed	\$ 18.3	\$ 4.0	\$ 22.3	\$ 53.1	(58.0)%
International	(65.2)	2.2	(63.0)	10.0	N/M
Other	(66.6)	(6.5)	(73.1)	(69.6)	(5.0)%
<b>Total loss from operations</b>	<b>\$ (113.5)</b>	<b>\$ (0.3)</b>	<b>\$ (113.8)</b>	<b>\$ (6.5)</b>	<b>N/M</b>

N/M= Not meaningful

	2007	Predecessor December 31, 2006	2005	Percentage Increase/(Decrease) 07 vs. 06	Percentage Increase/(Decrease) 06 vs. 05
(dollars in millions)					
Revenues					
Managed	\$ 81.5	\$ 89.1	\$ 75.6	(8.5)%	17.9%
International	396.4	99.8	44.8	N/M	N/M
Other	80.3	72.1	36.5	11.4	97.5%
<b>Total revenues</b>	<b>\$ 558.2</b>	<b>\$ 261.0</b>	<b>\$ 156.9</b>	<b>N/M</b>	<b>66.3%</b>
Income/(loss) from operations					
Managed	\$ 64.7	\$ 72.1	\$ 60.9	(10.3)%	18.4%
International	(128.6)	12.8	1.5	N/M	N/M
Other	(94.4)	(261.0)	(96.0)	63.8%	N/M
<b>Total loss from operations</b>	<b>\$ (158.3)</b>	<b>\$ (176.1)</b>	<b>\$ (33.6)</b>	<b>10.1</b>	<b>N/M</b>

N/M= Not meaningful

**Table of Contents**

**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, 2008.

		<b>Expiration of Management</b>
<b>Casino</b>	<b>Location</b>	<b>Agreement</b>
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

Our nine month ended September 30, 2008 results from managed properties were lower than in the nine month ended September 30, 2007 period 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 due to the termination of our contract with the Prairie Band Potawatomi Nation on June 30, 2007.

2006 management revenues were higher than in 2005 primarily due to a full year of management consultant fees from an Australian gaming company pursuant to an agreement assumed in the Caesars acquisition and to improved performance at two casinos on Indian lands.

A \$60 million expansion of Harrah's Cherokee Smoky Mountains Casino in Cherokee, North Carolina, that included a 15-story hotel tower with approximately 320 rooms opened in July 2005. The Eastern Band of Cherokees have announced a \$650 million plan to add another hotel tower, retail stores and more gaming space at its casino. The five-year project also calls for a new spa, a 3,000-seat showroom and new restaurants near the casino.

**International.** Favorable International revenues for the nine months ended September 30, 2008, are due to inclusion of three new properties of London Clubs that opened during 2007, partially offset by the impact of a new smoking ban enacted in mid-2007. Income from operations for London Clubs was further impacted by a lower table game hold percentage, higher gaming taxes imposed during 2007 and reserves for receivables due from a joint venture member that may not be collectible. As of September 30, 2008, London Clubs owned or managed eleven casinos in the United Kingdom, two in Egypt and one in South Africa. London Clubs also has one casino under development in the United Kingdom.

Revenues from our international properties increased in 2007 due to the inclusion of London Clubs, which was acquired fourth quarter 2006. Fourth quarter 2007 income from operations was impacted by project opening costs for two new casino clubs in the United Kingdom and a charge of \$109.2 million in fourth quarter 2007 for the impairment of certain intangible assets. In performing our annual assessments for impairment of goodwill and other intangible assets that are not subject to amortization as of September 30, 2007, we determined that, based on projected performance, intangible assets of London Clubs were impaired. Our 2007 analysis indicated that the remaining intangible assets of London Clubs were not impaired.

The increase in 2006 international results was primarily due to the inclusion of results from Punta del Este for a full year versus approximately six and a half months in 2005.

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. The acquisition was funded through our existing credit facilities.

**Table of Contents**

In December 2006, we completed our acquisition of all of the ordinary shares of London Clubs, which (as of September 30, 2008) owned or managed eleven casinos in the United Kingdom, two in Egypt and one in South Africa. London Clubs also has one casino under development in the United Kingdom. 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. The joint venture between a subsidiary of the Company and El Reino de Don Quijote de La Mancha, S.A. is owned 60% and 40%, respectively. We expect to develop and operate a Caesars branded casino and hotel within the project. 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 an indirect subsidiary of Harrah's Operating. We have terminated our involvement in the Baha Mar development. See "Business - Litigation Related to Development."

**Other.** Other results include certain marketing and administrative expenses, including development costs, results from domestic World Series of Poker marketing, and income from nonconsolidated subsidiaries. The favorable results in 2007 are due to lower development costs in 2007.

The unfavorable results in 2006 were driven by significantly higher development costs, charges for the impairment of certain assets and the accrual of anticipated litigation costs. Costs for pursuit of projects and concept development were \$71.2 million in 2006 compared to \$32.5 million in 2005.

**Other Factors Affecting Net Income**

(In millions) (Income)/Expense	Successor Period	Predecessor Period	Combined	Predecessor	Percentage Increase/ (Decrease)
	Jan. 28, 2008 through Sept. 30, 2008	Jan. 1, 2008 through Jan. 27, 2008	Nine Months Ended Sept. 30, 2008	Nine Months Ended Sept. 30, 2007	
Corporate expense	\$ 95.9	\$ 8.5	\$ 104.4	\$ 97.7	6.9%
Acquisition and integration costs	23.1	125.6	148.7	8.3	N/M
Amortization of intangible assets	119.2	5.5	124.7	53.5	N/M
Interest expense, net	1,469.4	89.7	1,559.1	578.4	N/M
Losses on early extinguishments of debt	203.9		203.9	2.0	N/M
Other income	(18.7)	(1.1)	(19.8)	(28.7)	(31.0)%
Effective tax rate	(27.1)%	(20.7)%	(25.9)%	37.1%	N/M
Minority interests	\$ 6.2	\$ 1.6	\$ 7.8	\$ 17.2	(54.7)%
Discounted operations, net of income taxes	(88.4)	(0.1)	(88.5)	(83.9)	5.5%



**Table of Contents**

(In millions) (Income)/Expense	2007	Predecessor 2006	2005	Percentage Increase/(Decrease)	
				07 vs. 06	06 vs. 05
Corporate expense	\$ 138.1	\$ 177.5	\$ 97.7	(22.2)%	81.7%
Acquisition and integration costs	13.4	37.0	55.0	(63.8)%	(32.7)%
Amortization of intangible assets	73.5	70.7	49.9	4.0%	41.7%
Interest expense, net	800.8	670.5	479.6	19.4%	39.8%
Losses on early extinguishments of debt	2.0	62.0	3.3	(96.8)%	N/M
Other income	(43.3)	(10.7)	(8.0)	N/M	33.8%
Effective tax rate	39.2%	35.4%	40.8%	3.8 pts	(5.4)pts
Minority interests	\$ 15.2	\$ 15.3	\$ 11.9	(0.7)%	28.6%
Discontinued operations, net of income taxes	(92.2)	(11.9)	79.9	N/M	N/M

N/M= Not meaningful

*Corporate Expense.* Corporate expense was higher in the first nine months of 2008 due to a monitoring fee paid to affiliates of the Sponsors in periods subsequent to the Acquisition, partially offset by the continued realization of cost savings and efficiencies identified in an on-going project that began in September 2006.

Corporate expense decreased in 2007 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 increased in 2006 from the prior year due primarily to the implementation of SFAS No. 123(R), Share-Based Payment, in first quarter 2006, incremental corporate expense arising from the Caesars transaction and the cost of transforming our corporate centers to manage the combined company. Our 2006 financial results include \$52.8 million in expense due to the implementation of SFAS No. 123(R).

*Acquisition and Integration Costs.* For the first nine months of 2008, merger and integration costs 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 acquisition and integration costs include costs in connection with the Acquisition. 2006 acquisition and integration costs include 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. 2005 acquisition and integration costs represented costs related to the acquisition and integration of Caesars.

*Amortization of Intangible Assets.* Amortization of intangible assets was higher in the first nine months of 2008 due to higher estimated amortization of intangible assets identified in the preliminary purchase price allocation in connection with the Acquisition. We perform an annual assessment of intangible assets for impairment during the fourth quarter of each year. Our annual budget and forecasting process is also completed in the fourth quarter and provides key inputs into the impairment analysis. Interim testing is performed if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. An example of an event is a significant adverse change in the business climate, which we believe has occurred during the third quarter. However, the purchase price allocation related to the Acquisition has not yet been completed. Given that the asset values are not yet finalized and that other key inputs that support the impairment analysis are not yet available, it was not reasonably possible to develop an estimate of any potential impairment in the third quarter. The allocation of the purchase price related to the Acquisition and the annual impairment analysis will be completed during fourth quarter. We believe there is a reasonable possibility that the completion of these activities will result in a non-cash, impairment charge in the fourth quarter. The amount of the charge, however, cannot be reasonably estimated until the analysis is completed.

Higher amortization of intangible assets in 2007 was due primarily to amortization of intangible assets related to London Clubs.

2006 amortization of intangible assets was higher than in 2005 due to a full year of amortization of intangible assets acquired from Caesars vs. approximately six months of amortization in 2005.

**Table of Contents**

*Interest Expense, Net.* Interest expense increased in first nine months of 2008 from the same period in 2007 primarily due to increased borrowings in connection with the Acquisition. Also included in interest expense in the nine months ended September 30, 2008, is a charge of \$66.9 million representing the change in the fair values of our derivative instruments. In the nine months ended September 30, 2007, a loss of \$10.8 million was recorded for the change in the fair value of the swap agreements. 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% change in corresponding interest rates would change interest expense for the next twelve months by approximately \$79.4 million, or \$19.9 million per quarter. At September 30, 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 32.8% of our total debt, while our fixed-rate debt is approximately 67.2% of our total debt.

Interest expense increased in 2007 due to increased borrowings. Included in interest expense for 2007 is \$45.4 million representing the losses from the change in the fair values of our interest rate swaps. The average interest rate on our variable-rate debt, including the impact of our swap agreements, was 5.7% at December 31, 2007, compared to 5.9% at December 31, 2006. At December 31, 2007, our variable-rate debt, excluding \$1.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, represented approximately 39.6% of our total debt, while our fixed-rate debt was approximately 60.4% of our 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 our interest rate swap agreements, see Debt and Liquidity Derivative Instruments.

*Losses on Early Extinguishment of Debt.* Losses on early extinguishments of debt represent premiums paid and the write-offs of unamortized deferred financing costs and market value premiums. These changes for the first nine months of 2008 related to debt retired in connection with the Acquisition, offset by discounts related to the purchase of certain of our debt in the open market. The charges in 2007 were incurred in connection with the retirement of a \$120.1 million credit facility of London Clubs. 2006 losses on early extinguishments of debt represented premiums paid and the write-off of unamortized deferred financing costs 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 and with the February 2005 retirement of a portion of our 7.875% Senior Subordinated Notes due in December 2005.

*Other Income.* Other income includes lower interest income on the cash surrender value of life insurance policies in 2008. Other income in 2007 and 2006 included gains on the sales of corporate assets. 2005 other income also included the receipt of a death benefit and collection of a previously reserved investment. Also included in other income for all years presented is interest income on the cash surrender value of life insurance policies.

*Effective Tax Rate.* For the nine months ended September 30, 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. For the nine months ended September 30, 2007 and each of the three years ended December 31, 2007, the effective tax provision rate is higher than the federal statutory rate due primarily to state income taxes. The effective tax rates for all periods 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. Our effective tax rate for 2005 was affected by non-deductible goodwill impairment charges, the change in the mix of taxable income among various states and the addition of foreign income subsequent to our acquisition of Caesars.

*Minority Interests.* Minority interests reflect minority owners' shares of income from our majority owned subsidiaries.

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**Table of Contents**

*Discontinued Operations, Net of Income Taxes.* Discontinued operations for the nine months ended September 30, 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. See Hurricane Damaged Properties below. For the nine months ended September 30, 2007, discontinued operations reflected \$82.6 million, after taxes, respectively, that were reimbursed under our business interruption claims for Grand Casino Gulfport and Harrah's Lake Charles, both of which were sold in 2006. Pursuant to the terms of the sales agreements, we retained all insurance proceeds related to these properties.

2007 Discontinued operations reflected insurance proceeds of \$89.6 million, after taxes, that were in excess of the net book value of the impacted assets and costs and expenses that are expected to be reimbursed under our business interruption claims for Harrah's Lake Charles and Grand Casino Gulfport, both of which were sold in 2006. 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. 2005 discontinued operations reflect the results of Harrah's East Chicago and Harrah's Tunica through the date of their sale in April 2005, including the gain on the sale, Harrah's Lake Charles and subsequent to their acquisition on June 13, 2005, the operating results of Reno Hilton, Flamingo Laughlin, Grand Casino Gulfport and a hotel in Halifax, Nova Scotia through its sale in November 2005. 2005 results for Grand Casino Gulfport and Harrah's Lake Charles include write-offs of \$115.5 million, after taxes, for the impairment of goodwill and other intangible assets. (See Notes 3 and 4 to our Consolidated Financial Statements.)

**Hurricane Damaged Properties**

Hurricanes Katrina and Rita hit the Gulf Coast in third quarter 2005 and caused significant damage to our assets in Biloxi and Gulfport, Mississippi, and New Orleans and Lake Charles, Louisiana. The current status of the impacted operations is as follows:

Our New Orleans property re-opened on February 17, 2006.

We sold the Gulfport assets in their as is condition during first quarter 2006. No gain or loss was recognized as a result of this disposition. We are retaining all insurance proceeds related to the Gulfport property.

Grand Casino Biloxi re-opened in August 2006 in a smaller facility.

We sold the two subsidiaries that owned our Lake Charles operations to another casino company in fourth quarter 2006. We retained all insurance proceeds related to the Lake Charles operations.

Insurance proceeds exceeded the net book value of the impacted assets and costs and expenses that were reimbursed under our business interruption claims, and the excess is recorded as income in the line item, Write-downs, reserves and recoveries, for properties included in continuing operations and in the line item, Income/(loss) from discontinued operations, for properties included in discontinued operations. As of December 31, 2007, we have received approximately \$849.5 million in advances and settlements from our insurance carriers related to the hurricane damaged properties, including those properties that were subsequently sold, and we have recorded \$130.3 million and \$10.2 million as of December 31, 2007 and 2006, respectively, for insurance proceeds included in write-downs, reserves and recoveries and \$141.6 million and \$3.2 million, as of December 31, 2007 and 2006, respectively, for insurance proceeds included in Discontinued operations in our Consolidated Condensed Statements of Income. In February 2008, we entered into a settlement agreement with our insurance carriers related to claims associated with damages incurred from Hurricane Katrina in Mississippi. Pursuant to the settlement agreement, the insurance carriers agreed to pay us approximately \$950.2 million to settle all outstanding claims associated with damages incurred from the hurricane, including all property damage and business interruptions claims. Of the total settled amount, we had received approximately \$612.0 million as of December 31, 2007. We received the remaining \$338.2 million during the first quarter of 2008.

**Table of Contents****Strategic Acquisitions**

In the three-year period ended December 31, 2007, we acquired two casino companies and two casinos in Las Vegas, Nevada. For each of these acquisitions, 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 determine the estimated fair values after review and consideration of relevant information including discounted cash flow analyses, quoted market prices and our own estimates. For each transaction, the allocation of the purchase price was completed within one year from the date of the acquisition. To the extent that the purchase price exceeded the fair value of the net identifiable tangible and intangible assets acquired, such excess is allocated to goodwill. Goodwill and intangible assets that are determined to have an indefinite life are not amortized. Goodwill related to previous acquisitions was not recognized in the preliminary purchase price allocation for the Acquisition.

The table below summarizes our acquisition transactions completed in the three-year period ending December 31, 2007. Following the table is a brief review of our acquisitions. All of our acquisition transactions were accounted for as purchases. The number notation in the Geographic Location refers to the number of casino properties in that location.

Company	Date Acquired	Total Purchase Price <sup>(a)</sup>	Number of Casinos	Geographic Location
Bill's Gambling Hall & Saloon	February 2007	\$ 371 million	1	Las Vegas, Nevada
London Clubs	December 2006	\$ 591 million	10	United Kingdom <sup>(7)(b)</sup> Egypt <sup>(2)</sup> South Africa <sup>(1)(c)</sup>
Imperial Palace	December 2005	\$ 373 million	1	Las Vegas, Nevada
Caesars	June 2005	\$ 9.3 billion	15	Atlantic City, New Jersey <sup>(2)</sup> Las Vegas, Nevada <sup>(4)</sup> Reno, Nevada <sup>(d)</sup> Laughlin, Nevada <sup>(d)</sup> Biloxi, Mississippi Gulfport, Mississippi <sup>(e)</sup> Tunica, Mississippi <sup>(2)</sup> Elizabeth, Indiana Punta del Este, Uruguay <sup>(f)</sup> Ontario, Canada <sup>(g)</sup>

(a) Total purchase price includes the market value of debt assumed determined as of the acquisition date.

(b) We have a 50% ownership interest in the company that owns 50 St. James Limited in London, and we manage the facility. Other properties in the United Kingdom are 100% owned. In addition to the ten properties acquired, four properties were under development in the United Kingdom at the time of the acquisition. Three of those properties are now open.

(c) We have a 70% ownership interest in the company that owns Emerald Safari Resort, and we manage the facility.

(d) Subsequently sold.

(e) Closed due to hurricane damage in August 2005. Remaining assets sold.

(f) We have an approximate 95% ownership interest in the company that owns Conrad Punta del Este and we manage the property.

(g) We have a 50% interest in the company that manages Casino Windsor. The province of Ontario owns the complex.

**Bill's Gambling Hall & Saloon.** In February 2007, we exchanged certain real estate, acquired for \$371.4 million, that we owned on the Las Vegas Strip for property formerly known as the Barbary Coast, 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 Gambling Hall & Saloon, and its results are included in our operating results from the date of its acquisition.

## **Table of Contents**

**London Clubs.** In December 2006, we completed our acquisition of 100% of the ordinary shares of London Clubs for approximately \$590.5 million, including acquisition costs, and assumed the entity's debt of approximately \$78.5 million. At the time of the acquisition, London Clubs owned or managed seven casinos in the United Kingdom, two in Egypt and one in South Africa. London Clubs currently owns or manages eleven casinos in the United Kingdom and has one casino under development in the United Kingdom.

The results for London Clubs are included in our operating results subsequent to its acquisition. With the initial acquisition of 29.6% of the shares of London Clubs in November 2006, we accounted for our ownership interest on the equity basis, and for the period subsequent to the acquisition of the remaining shares in December 2006, we consolidate their results. Results of London Clubs are consolidated into our financial results one month in arrears. London Clubs' results were not material to our 2006 financial results.

**Imperial Palace Hotel & Casino.** On December 23, 2005, we acquired the assets of the Imperial Palace Hotel & Casino (Imperial Palace) in Las Vegas, Nevada, for approximately \$373.3 million, including acquisition costs. No debt was assumed in the transaction. The Imperial Palace occupies an 18.5 acre site on the Las Vegas Strip that is situated between Harrah's Las Vegas and the Flamingo and is across the Strip from Caesars Palace. The results for Imperial Palace are included in our operating results subsequent to its acquisition on December 23, 2005.

**Caesars Entertainment.** On June 13, 2005, we completed our acquisition of 100% of the outstanding shares of Caesars. The aggregate purchase price was approximately \$9.3 billion, which consisted of \$1.9 billion of cash, \$3.3 billion of Harrah's Entertainment's common stock, assumption of Caesars debt with a fair value of approximately \$4.0 billion (including value assigned to conversion rights of contingent convertible notes), assumption of employee stock grants valued at \$98 million and acquisition costs of approximately \$59 million. We issued approximately 67.9 million shares of our common stock, the fair value of which was based on a five-day average of the closing price two days before and two days after the terms of the acquisition were agreed to and announced.

The results of the Caesars properties are included with our operating results subsequent to their acquisition on June 13, 2005.

In connection with the Caesars acquisition, we engaged consultants and dedicated internal resources to plan for and execute the merger and integration of Caesars into Harrah's Entertainment. These costs are included in Acquisition and integration costs in our Consolidated Condensed Statements of Income.

## **Competitive Pressures**

Many casino operators are reinvesting in existing markets in an effort to attract new customers, thereby increasing competition in those markets. As companies have completed expansion projects, supply has sometimes grown at a faster pace than demand in certain markets and competition has increased significantly. Furthermore, several operators, including Harrah's Entertainment, have announced plans for additional developments or expansions in some markets.

Several states and Indian tribes are considering legislation enabling the development and operation of casinos or casino-like businesses in their jurisdictions.

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 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

**Table of Contents**

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.

**Debt and Liquidity**

We generate substantial cash flows from operating activities, as reflected on the Consolidated Statements of Cash Flows. These cash flows reflect the impact on our consolidated operations of the success of our strategic acquisitions, our marketing programs and on-going cost containment focus. For the first nine months of 2008 and 2007, we reported cash flows from operating activities of \$668.0 million and \$1.2 million, respectively. For each of the years ended December 31, 2007 and 2006, we reported cash flows from operating activities of \$1.5 billion, and 2005 cash flows from operating activities were \$595.2 million. 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 strategic acquisitions of existing companies and new development opportunities 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 cash and cash equivalents totaled approximately \$1.0 billion at September 30, 2008, compared to \$654.7 million at September 30, 2007. Our cash and cash equivalents totaled \$710.0 million at December 31, 2007, compared to \$799.6 million at December 31, 2006. The following provides a summary of our cash flows for the years ended December 31, 2007, 2006 and 2005, respectively.

	Year Ended December 31,		
	2007	2006 (in millions)	2005
Cash provided by operating activities	\$ 1,508.8	\$ 1,539.6	\$ 595.2
Capital investments	(1,376.7)	(2,500.1)	(1,108.5)
Payments for business acquisitions, net of cash acquired	(584.3)	(562.5)	(1,942.5)
Proceeds from sales of discontinued operations		457.3	649.5
Insurance proceeds for hurricane losses for continuing operations	15.7	124.9	69.0
Insurance proceeds for hurricane losses for discontinued operations	13.4	174.7	32.1
Other investing activities	8.3	62.0	11.3
Cash used in operating/investing activities	(414.8)	(704.1)	(1,693.9)
Cash provided by financing activities	236.5	764.8	1,956.1
Cash provided by/(used in) discontinued operations	88.7	14.5	(26.8)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>\$ (89.6)</b>	<b>\$ 75.2</b>	<b>\$ 235.4</b>

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 additional investments. In addition, we may consider issuing additional debt in the future to fund potential acquisitions or growth, to refinance existing debt or to finance specific capital projects. We continue to review additional opportunities to acquire or invest in companies, properties and other investments that meet our strategic and return on investment criteria. If a material acquisition or investment is completed, our operating results and financial condition could change significantly in future periods. In connection with the Acquisition, we have incurred substantial additional debt, which has significantly changed our financial position.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

**Table of Contents**

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 direct, wholly-owned subsidiaries, including the CMBS Borrowers. Pro forma information pertaining solely to the consolidated financial position and results of Harrah's Operating and its subsidiaries can be found in Supplemental Discussion of Pro forma Harrah's Operating Company Results.

Long-term debt consisted of the following at September 30, 2008 and December 31, 2007:

	Successor at September 30, 2008			Predecessor at December 31, 2007
	HOC and Subsidiaries	Other Subsidiaries of Harrah's Entertainment (in millions)	Total Harrah's Entertainment, Inc.	Total Harrah's Entertainment, Inc.
<b>Credit facilities</b>				
Term loans, 5.919% at September 30, 2008, maturities to 2015	\$ 7,213.8	\$	\$ 7,213.8	\$
6.5%-7.0%, maturities to 2014	250.0		250.0	
4.05%-6.25%, maturities to 2011				5,768.1
<b>Subsidiary guaranteed debt</b>				
10.75% Senior Notes due 2016, including senior interim loans of \$342.6, 9.25% at September 30, 2008	5,275.0		5,275.0	
10.75%/11.5% Senior PIK Toggle Notes due 2018, including senior interim loans of \$97.4, 9.25% at September 30, 2008	1,500.0		1,500.0	
<b>Unsecured Senior Notes</b>				
7.5%, maturity 2009	5.1		5.1	136.2
7.5%, maturity 2009	0.9		0.9	442.4
5.5%, maturity 2010	658.3		658.3	747.1
8.0%, maturity 2011	64.5		64.5	71.7
5.375%, maturity 2013	354.9		354.9	497.7
7.0%, maturity 2013	0.7		0.7	324.4
5.625%, maturity 2015	661.1		661.1	996.3
6.5%, maturity 2016	498.1		498.1	744.3
5.75%, maturity 2017	454.0		454.0	745.8
Floating Rate Contingent Convertible Senior Notes, maturity 2024	0.2		0.2	370.6
Floating Rate Notes, maturity 2008				250.0
<b>Unsecured Senior Subordinated Notes</b>				
8.875%, maturity 2008				409.6
7.875%, maturity 2010	345.4		345.4	394.9
8.125%, maturity 2011	297.2		297.2	380.3
<b>Other Secured Borrowings</b>				
CMBS financing, 5.470% at September 30, 2008, maturity 2013		6,500.0	6,500.0	
S. Africa, prime less 1.5%, maturity 2009	7.6		7.6	10.5
6.0%, maturity 2010	25.0		25.0	25.0
4.25% - 8.5%, maturities to 2037 at September 30, 2008	2.4		2.4	4.4
7.1%, maturity 2028				87.7
<b>Other Unsecured Borrowings</b>				
LIBOR plus 4.5%, maturity 2010	23.5		23.5	29.1
5.3% special improvement district bonds, maturity 2037	69.7		69.7	
Other, various maturities	1.3	0.1	1.4	1.6
Capitalized Lease Obligations				
5.76% - 10.0%, maturities to 2011	5.1	0.3	5.4	2.7
	17,713.8	6,500.4	24,214.2	12,440.4

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Current portion of long-term debt	(83.8)	(0.2)	(84.0)	(10.8)
	\$ 17,630.0	\$ 6,500.2	\$ 24,130.2	\$ 12,429.6



**Table of Contents**

In connection with the Acquisition, \$7.7 billion, face amount, of our debt was retired, \$4.6 billion, face amount, of our debt was retained and \$20.5 billion, face amount, of new debt was issued, resulting in a very different debt structure from the one in place at September 30, 2007. The remainder of our discussion related to debt will refer to the debt structure after the Acquisition.

As of September 30, 2008, aggregate annual principal maturities for the four years subsequent to 2008 were: 2009, \$95.0 million; 2010, \$1,191.0 million; 2011, \$474.9 million; and 2012, \$74.1 million.

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

<b>Debt Extinguished</b>	<b>Face Value (in millions)</b>
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

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

<b>Debt Issued</b>	<b>Face Value (in millions)</b>
Term loan facility, maturity 2015	\$ 7,250.0
10.75% Senior Notes due 2016 <sup>(1)</sup>	5,275.0
10.75%/11.5% Senior PIK Toggle Notes due 2018 <sup>(2)</sup>	1,500.0
CMBS Financing	6,500.0

(1) Includes senior unsecured cash pay interim loans of \$342.6 million.

(2) Includes senior unsecured PIK toggle interim loans of \$97.4 million.

At September 30, 2008, \$5.1 million, face amount, of our 7.5% Senior Notes due January 15, 2009, and \$0.8 million face amount, of our 7.5% Senior Notes due September 1, 2009, 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. 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.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. In August 2008, the Board of Directors authorized the Company to spend, from time to time through cash purchases, up to \$80 million to retire our outstanding debt in open market purchases, privately negotiated transactions or otherwise. These repurchases will be funded through available cash from operations and borrowings from our established debt programs. Such repurchases are dependent on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. As of September 30, 2008, \$32.3 million, face amount, of our 5.5% Senior Notes due 2010, \$12.1 million, face amount, of our 7.875% Senior Subordinated Notes due 2010 and \$21.7 million, face amount, of our 8.125% Senior Subordinated Notes due 2011 were retired for a total of \$53.3 million. Gains totaling \$7.4 million, representing discounts associated with the early retirement of debt, were recorded and are included in Income from continuing operations in our Consolidated Condensed Statements of Operations for the period ended September 30, 2008.

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## **Table of Contents**

In July 2008, Harrah's Operating made the permitted election under the Indenture governing its 10.75%/11.5% Senior Toggle Notes due 2018 and the Senior Unsecured Interim Loan Agreement dated January 28, 2008, to pay all interest due on January 28, 2009, for the notes, and February 1, 2009, for the loan, in kind. The Company intends to use the cash savings generated by this election for general corporate purposes.

### ***Senior Secured Credit Facility***

**Overview.** Harrah's Operating's senior secured credit facilities provide for senior secured financing of up to \$9.214 billion, consisting of senior secured term loan facilities in an aggregate principal amount of up to \$7.214 billion maturing on January 28, 2015, and a senior secured revolving credit facility in an aggregate principal amount of \$2.0 billion, maturing on January 28, 2014, including both a letter of credit sub-facility and a swingline loan sub-facility. As of September 30, 2008, \$7.46 billion in borrowings was outstanding under the senior secured credit facilities with an additional \$0.2 billion committed to back letters of credit. After consideration of these borrowings and letters of credit, \$1.6 billion of additional borrowing capacity was available to us under the senior secured credit facilities as of September 30, 2008.

In addition, Harrah's Operating may request one or more incremental term loan facilities and/or increase commitments under our revolving facility in an aggregate amount of up to \$1.75 billion, 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 the 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, pay expenses related to the Acquisition and contribute equity to the Company. Proceeds of the revolving loan draws, swingline and letters of credit will be used for working capital and general corporate purposes.

**Interest Rates and Fees.** Borrowings under the senior secured facilities will bear interest at a rate equal to the then-current LIBOR rate or at a rate equal to the alternate base, in each case, plus an applicable margin. As of September 30, 2008, the senior secured credit facilities bore interest based upon 300 basis points over LIBOR for the term loans, 200 basis points over the alternate base rate for the revolver loan and 150 basis points over LIBOR for the swingline loan and bore a commitment fee for unborrowed amounts of 50 basis points.

In addition, on a quarterly basis, Harrah's Operating is required to pay each lender a commitment fee in respect of any unused commitments under the revolving credit facility and a letter of credit fee in respect of the aggregate face amount of outstanding letters of credit under the revolving credit facility.

**Amortization.** Harrah's Operating's senior secured credit facilities require scheduled quarterly payments on the term loans of \$18.125 million each for six years and three quarters, with the balance paid at maturity.

**Collateral and Guarantors.** Harrah's Operating's senior secured credit facilities are guaranteed by Harrah's Entertainment, and are secured by a pledge of Harrah's Operating's capital stock, and by substantially all of the existing and future property and assets of Harrah's Operating and its material, wholly-owned domestic subsidiaries, including a pledge of the capital stock of Harrah's Operating's material, wholly-owned domestic subsidiaries and 65% of the capital stock of the first-tier foreign subsidiaries in each case subject to exceptions.

**Restrictive Covenants and Other Matters.** Harrah's Operating's senior 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 senior secured credit facilities include negative covenants, subject to certain exceptions, restricting or limiting Harrah's Operating'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

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**Table of Contents**

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

Harrah s Operating s senior secured credit facilities also contain certain customary affirmative covenants and events of default.

On August 1, 2008, Harrah s Operating entered into an agreement with Harrah s Entertainment whereby Harrah s Entertainment has agreed to extend to Harrah s Operating an intercompany unsecured revolving credit facility in an aggregate principal amount not to exceed \$200.0 million. The credit facility expires January 29, 2014, and bears interest at a rate per annum equal to BBA LIBOR (as defined in the Harrah s Operating Credit Agreement) plus 3%. Interest payments are due annually; however, Harrah s Operating may choose to add such interest to the loan balance instead of paying the interest. All or any portion of the outstanding principal balance may be prepaid at any time, from time to time, without premium or penalty.

***10.75% Senior Notes, 10.75%/11.5% Senior PIK Toggle Notes and Senior Interim Loans***

On January 28, 2008, Harrah s Operating 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 billion of the Senior Interim Cash Pay Loans and \$1,402.6 billion of the Interim Toggle Loans were repaid, and \$4,932.4 billion of 10.75% Senior Notes due 2016 and \$1,402.6 billion of 10.75%/11.5% Senior Toggle Notes due 2018 were issued.

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

***CMBS Financing***

In connection with the Acquisition, eight of our properties ( the CMBS properties ) and their related operating assets were spun off from Harrah s Operating to Harrah s Entertainment through a series of distributions, liquidations, transfers and contributions ( the CMBS Spin-Off ). The CMBS properties are 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 ), which are secured by the assets of the CMBS properties and certain aspects of the financing is guaranteed by Harrah s Entertainment. On May 22, 2008, Paris Las Vegas and Harrah s Laughlin and their related operating assets were

**Table of Contents**

spun off from Harrah's Operating and its subsidiaries to Harrah's Entertainment, 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 Harrah's Operating from Harrah's Entertainment (the Post-Close CMBS exchange).

***2015 Second Lien Notes and 2018 Second Lien Notes***

On December 24, 2008, Harrah's Operating completed the Private Exchange Offers to exchange for its outstanding (i) 5.50% Senior Notes due 2010, (ii) 7.875% Senior Subordinated Notes due 2010, (iii) 8.0% Senior Notes due 2011, (iv) 8.125% Senior Subordinated Notes due 2011, (v) 5.375% Senior Notes due 2013, (vi) 5.625% Senior Notes due 2015, (vii) 6.50% Senior Notes due 2016, (viii) 5.75% Senior Notes due 2017; (ix) 10.75%/11.5% Senior Toggle Notes due 2018 and (x) 10.75% Senior Notes due 2016 (collectively, the Old Notes) for 10.00% Second-Priority Senior Secured Notes due 2015, for Old Notes maturing between 2010 and 2013, and (ii) 10.00% Second-Priority Senior Secured Notes due 2018, for Old Notes maturing between 2015 and 2018. Under the terms of the Private Exchange Offers, holders of Old Notes maturing in 2010 and 2011 could elect to receive cash in lieu of 2015 Second Lien Notes. Harrah's Operating paid approximately \$289 million to the holders that elected to receive cash in lieu of 2015 Second Lien Notes that they would have otherwise received in exchange for their Old Notes maturing in 2010 and 2011.

On December 24, 2008, Harrah's Operating exchanged approximately \$203 million of 2015 Second Lien Notes, \$848 million of 2018 Second Lien Notes and \$289 million in cash for the following Old Notes: (i) \$371 million in aggregate principal amount at maturity of the 5.50% Senior Notes due 2010; (ii) \$64 million in aggregate principal amount at maturity of the 7.875% Senior Subordinated Notes due 2010; (iii) \$20 million in aggregate principal amount at maturity of the 8.0% Senior Notes due 2011; (iv) \$91 million in aggregate principal amount at maturity of the 8.125% Senior Subordinated Notes due 2011; (v) \$221 million in aggregate principal amount at maturity of the 5.375% Senior Notes due 2013; (vi) \$136 million in aggregate principal amount at maturity of the 5.625% Senior Notes due 2015; (vii) \$99 million in aggregate principal amount at maturity of the 6.50% Senior Notes due 2016; (viii) \$140 million in aggregate principal amount at maturity of the 5.75% Senior Notes due 2017; (ix) \$350 million in aggregate principal amount at maturity of the 10.75%/11.5% Senior Toggle Notes due 2018; (x) \$732 million in aggregate principal amount at maturity of the 10.75% Senior Notes due 2016. In addition, Harrah's Operating issued an aggregate of \$12 million principal amount of 2015 Second Lien Notes to the dealer managers and to its financial advisor as compensation for their services in connection with the Private Exchange Offers.

The 2015 Second Lien Notes and 2018 Second Lien Notes are guaranteed by Harrah's Entertainment and are secured on a second-priority basis by substantially all of the assets of Harrah's Operating and the assets of its subsidiary pledgors that have pledged their assets to secure Harrah's Operating's obligations under the senior secured credit facilities. The purpose of the Private Exchange Offers was to reduce the outstanding principal amount of indebtedness of Harrah's Operating and to extend the weighted average maturity of Harrah's Operating's outstanding indebtedness. The indenture governing the 2015 Second Lien Notes and 2018 Second Lien Notes limits Harrah's Operating's (and most of its subsidiaries') ability to, among other things: (i) incur additional debt or issue certain preferred shares, (ii) pay dividends or make distributions in respect of our capital stock or make other restricted payments; (iii) make certain investments, (iv) sell certain assets; (v) create or permit to exist dividend and/or payment restrictions affecting its restricted subsidiaries; (vi) create liens on certain assets to secure debt; (vii) consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; (viii) enter into certain transactions with its affiliates; and (ix) designate its subsidiaries as unrestricted subsidiaries. Subject to certain exceptions, the indenture governing the 2015 Second Lien Notes and 2018 Second Lien Notes will permit us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

**Table of Contents****Derivative Instruments**

We account for derivative instruments in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and all amendments thereto. SFAS No. 133 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, and we do not anticipate nonperformance by the counterparties.

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of September 30, 2008, we had ten 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 swaps are as follows:

Effective Date	Notional Amount (in millions)	Fixed Rate Paid	Variable Rate Received as of September 30, 2008	Next Reset Date	Maturity Date
April 25, 2007	\$ 200	4.898%	2.800%	January 27, 2009	April 25, 2011
April 25, 2007	200	4.896%	2.800%	January 27, 2009	April 25, 2011
April 25, 2007	200	4.925%	2.800%	January 27, 2009	April 25, 2011
April 25, 2007	200	4.917%	2.800%	January 27, 2009	April 25, 2011
April 25, 2007	200	4.907%	2.800%	January 27, 2009	April 25, 2011
September 26, 2007	250	4.809%	2.800%	January 27, 2009	April 25, 2011
September 26, 2007	250	4.775%	2.800%	January 27, 2009	April 25, 2011
April 25, 2008	1,000	4.172%	2.800%	January 27, 2009	April 25, 2013
April 25, 2008	2,000	4.276%	2.800%	January 27, 2009	April 25, 2013
April 25, 2008	2,000	4.263%	2.800%	January 27, 2009	April 25, 2013

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 are 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. Upon designation as hedging instruments, only any measured ineffectiveness is recognized in earnings in the period of change. In the nine months ended September 30, 2008, a net charge of \$54.6 million, respectively, representing the changes in the fair values of our swap agreements is included in interest expense in our consolidated condensed statement of operations compared with \$10.8 million for the nine months ended September 30, 2007.

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 debt. 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. In the nine months ended September 30, 2008, a net charge of \$12.2 million is included in interest expense in our consolidated condensed statement of operations for the nine months ended September 30, 2008.

**Table of Contents****Guarantees of Third-Party Debt and Other Obligations and Commitments**

The following tables summarize our contractual obligations and other commitments as of September 30, 2008.

Contractual Obligations <sup>(a)</sup> (in millions)	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Debt (including capitalized lease obligations)	\$ 25,361.4	\$ 90.1	\$ 1,680.3	\$ 6,649.1	\$ 16,941.9
Estimated interest payments <sup>(b)</sup>	12,201.2	1,881.8	3,803.3	3,345.4	3,170.7
Operating lease obligations	1,957.8	24.0	144.2	119.4	1,670.2
Purchase orders obligations	56.6	56.6			
Guaranteed payments to State of Louisiana	149.9	15.1	120.0	14.8	
Community reinvestment	124.9	1.0	12.5	12.2	99.2
Construction commitments	832.6	832.6			
Entertainment obligations	150.7	20.4	88.5	38.9	2.9
Other contractual obligations	300.8	32.6	33.1	24.1	211.0
	\$ 41,135.9	\$ 2,954.2	\$ 5,881.9	\$ 10,203.9	\$ 22,095.9

- (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 is based on rates in effect at September 30, 2008.

Other Commitments (in millions)	Total	Amount of Commitment Expiration Per Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Guarantees of loans	\$	\$	\$	\$	\$
Letters of credit	196.2	56.1	140.1		
Minimum payments to tribes	45.0	3.5	27.0	13.4	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 the contracts for the three managed Indian-owned facilities now open, which extend for periods of up to 62 months from September 30, 2008, is \$1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

**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



**Table of Contents**

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 49% of our total assets at September 30, 2008. 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.** We have approximately \$15.6 billion in goodwill and other intangible assets in our Consolidated Condensed Balance Sheet at September 30, 2008 resulting from the Acquisition. 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 based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. To the extent that the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired, such excess is allocated to goodwill.

An accounting standard adopted in 2002 requires a review at least annually of goodwill and other nonamortizing intangible assets for impairment. We complete our annual assessment for impairment in fourth quarter each year. Based on the projected performance of Horseshoe Southern Indiana (formerly Caesars Indiana), which we acquired in June 2005, and London Clubs, which we acquired in late 2006, our 2007 analysis indicated that intangible assets of those reporting units had been impaired. A charge of \$169.6 million was recorded to our Consolidated Statement of Income in fourth quarter 2007.

Based on the historical performance and projected performance of Harrah's Louisiana Downs, a thoroughbred racetrack that was expanded to include slot machines in 2003, our 2006 analysis indicated that intangible assets of that property had been impaired. A charge of \$20.7 million was recorded in fourth quarter 2006.

With our 2005 annual assessment, we determined that certain goodwill had been impaired, and we recorded impairment charges of \$106.0 million in fourth quarter 2005. These charges related to goodwill acquired in our 2000 acquisition of a property in Lake Charles, Louisiana, and in our 2002 acquisition of Louisiana Downs. Since our acquisition of the Lake Charles property, competition had intensified in the market and the operating performance was declining. As a result of the operating trends, compounded by the impact of hurricane damage in September 2005, calculations indicated that the entire \$56.1 million of goodwill was impaired. Based on the historical performance and projected performance of Louisiana Downs, our analysis indicated that the entire \$49.9 million of goodwill associated with this property was impaired. Due to hurricane damage to our businesses in Biloxi and Gulfport, Mississippi, in the fourth quarter of 2005, we also wrote off \$181.9 million, before taxes, of goodwill and intangible assets that were assigned to those properties in our preliminary purchase price allocation of the Caesars acquisition. Since Grand Casino Gulfport and Harrah's Lake Charles were reported in our Discontinued operations, the write-off of goodwill and intangible assets for those properties of \$115.5 million, after taxes, was included in Discontinued operations.



**Table of Contents**

The annual evaluation of goodwill and other nonamortizing intangible assets requires the use of estimates about future operating results of each reporting unit to determine their estimated fair value. Changes in forecasted operations 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 Income. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. We use historical data to assist in the determination of estimated accruals. At September 30, 2008, and December 31, 2007, \$71.0 million and \$72.8 million, respectively, was 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 Income. At September 30, 2008, and December 31, 2007, the liability related to outstanding cash-back points, which is based on historical redemption activity, was \$13.1 million and \$16.9 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, 2008, and December 31, 2007, we had \$172.8 million and \$126.2 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, 2008, and December 31, 2007, we had total self-insurance accruals reflected in our Consolidated Balance Sheets of \$219.1 million and \$210.5 million, respectively. In estimating these costs, 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 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

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**Table of Contents**

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, 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 consistently generate 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 adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 ( FIN 48 ), on January 1, 2007. As a result of the implementation of FIN 48, we recognized approximately a \$12 million reduction to the January 1, 2007, balance of retained earnings.

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. We are participating in the IRS 's Compliance Assurance Program for the 2007 tax year. This program accelerates the examination of key transactions with the goal of resolving any issues before the tax return is filed. Our 2004, 2005, and 2006 federal income tax returns are currently being examined by the IRS in a traditional audit process.

We also are subject to examination 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 as far back as 1999.

We classify reserves for tax uncertainties within Accrued expenses and Deferred credits and other in our Consolidated Balance Sheets, separate from any related income tax payable or deferred income taxes. In accordance with FIN 48, reserve amounts relate to any uncertain tax position, as well as potential interest or penalties associated with those items.

**Recently Issued and Proposed Accounting Standards**

The following are accounting standards adopted or issued in 2007 and the second quarter of 2008 that could have an impact to our Company.

In September 2006, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, but it does not require any new fair value measurements. The provisions of SFAS No. 157 were to be effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position ( FSP ) No. 157-2, Effective Date of FASB Statement No. 157. FSP No. 157-2 defers the effective date of Statement No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in an entity 's financial statements on a recurring basis (at least annually). Also in February 2008, the FASB issued FSP No. 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting

## Table of Contents

Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13. FSP No. 157-1 excludes FASB Statement No. 13, Accounting for Leases, and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under Statement 13. We adopted the required provisions of SFAS 157 on January 1, 2008. The required provisions did not have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of SFAS No. 115, which permits an entity to measure certain financial assets and financial liabilities at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. SFAS No. 159 was effective as of January 1, 2008. At this time, we do not expect to adopt the fair value option for assets and liabilities; however, future events and circumstances may impact that decision.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations. SFAS No. 141(R) will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment for certain specific items, including:

Acquisition costs will be generally expensed as incurred;

Assets that an acquirer does not intend to use will be recorded at fair value reflecting the assets' highest and best use;

Noncontrolling interests (formerly known as minority interests - see Statement 160 discussion below) will be valued at fair value at the acquisition date;

Acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;

In-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date;

Restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and

Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

SFAS No. 141(R) also includes a substantial number of new disclosure requirements. SFAS No. 141(R) 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. Earlier adoption is prohibited. We are currently evaluating the impact of this statement on our financial statements.

In December 2007, the FASB also issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements - An Amendment of Accounting Research Bulletin No. 51, the provisions of which are effective for periods beginning after December 15, 2008. This statement requires an entity to classify noncontrolling interests in subsidiaries as a separate component of equity. Additionally, transactions between an entity and noncontrolling interests are required to be treated as equity transactions. We are currently evaluating the impact of this statement on our financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133. SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities. It requires disclosures that allow financial statement users to understand (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related



## **Table of Contents**

hedged items are accounted for under Statement No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Because SFAS No. 161 applies only to financial statement disclosures, it will not have a material impact on our consolidated financial position, results of operations and cash flows.

On April 25, 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets*. This Staff Position amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under Statement 142. The FSP requires entities to disclose information for recognized intangible assets that enables financial statement users to understand the extent to which expected future cash flows associated with intangible assets are affected by the entity's intent or ability to renew or extend the arrangement associated with the intangible asset. The FSP also requires the following disclosures in addition to those required by Statement 142:

The entity's accounting policy on the treatment of costs incurred to renew or extend the term of a recognized intangible asset.

In the period of acquisition or renewal, the weighted-average period prior to the next renewal or extension (both explicit and implicit), by major intangible asset class.

For an entity that capitalizes renewal or extension costs, the total amount of costs incurred in the period to renew or extend the term of a recognized intangible asset for each period for which a statement of financial position is presented by major intangible asset class. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods with in those fiscal years. While the guidance on determining the useful life of a recognized intangible asset must be applied prospectively only to intangible assets acquired after the FSP's effective date, the disclosure requirements of the FSP must be applied prospectively to all intangible assets recognized as of, and after, the FSP's effective date. Early adoption is prohibited. This FSP will affect intangible assets acquired by Harrah's after the effective date as well as require additional disclosures for existing intangible assets.

## **Supplemental Discussion of Pro Forma Harrah's Operating Company Results**

On January 28, 2008, Harrah's Entertainment was acquired by affiliates of Apollo and TPG 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 HOC, 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, properties that secure the \$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 properties after giving effect to the Post-Closing CMBS Transaction and other direct subsidiaries of Harrah's Entertainment and do not include acquisition and financing adjustments 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, we have separated historical financial results for the HOC's Successor period and the Predecessor period; however, we have also combined the Successor a