

PLAYERS BLUEGRASS DOWNS INC
Form 424B3
January 08, 2009
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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We will exchange any and all original notes that are validly tendered and not validly withdrawn prior to 5:00 p.m., New York City time, on February 6, 2009, unless extended.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.

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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.

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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.

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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®, 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.

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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 CasinoSM. 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.

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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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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.

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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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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

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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.

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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.

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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.

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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

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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

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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,

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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.

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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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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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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

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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.

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**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.

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	Historical					Pro Forma ⁽¹⁾		
	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	Year Ended Dec. 31, 2007	Nine Months Ended Sept. 30, 2008
2005	2006	2007	(dollars in millions)					
Revenues								
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
Operating Expenses								
Direct								
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)
Other Financial Data								
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 ⁽²⁾	2.1x	2.2x	2.1x	2.6x				
Balance Sheet Data								
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.

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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.

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Harrah's Operating Company, Inc.								
Pro Forma for the CMBS Transactions⁽¹⁾								
Predecessor			Successor			Pro Forma for the Transactions⁽²⁾		
Year Ended December 31,			Nine Months Ended Jan. 1, 2008 through Jan. 27, 2008			Jan. 28, 2008 through Sept. 30, 2008		
2005	2006	2007	Sept. 30, 2007	2008	2008	Year Ended Dec. 31, 2007	Nine Months Ended Sept. 30, 2008	2008
(dollars in millions)								
Revenues								
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
Operating Expenses								
Direct								
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)
Other Financial Data								
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 ⁽³⁾	1.3x	1.4x	1.4x	1.8x				
Balance Sheet Data								
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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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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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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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.

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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

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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.

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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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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.

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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.

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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.

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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

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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.

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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

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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 .

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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.

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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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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.

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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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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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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

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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.

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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

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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;

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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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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.

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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.

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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.

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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.

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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 ⁽¹⁾	\$ 7,214	\$ 7,214
Revolving credit facility ⁽²⁾	250	250
CMBS financing	6,500	6,500
2015 second lien notes ⁽³⁾		118
2018 second lien notes ⁽³⁾		424
Senior notes due 2016	4,932	4,200
Senior toggle notes due 2018	1,403	1,053
Senior unsecured cash pay interim loan ⁽⁴⁾	343	343
Senior unsecured toggle interim loan ⁽⁴⁾	97	97
Retained notes ⁽⁵⁾	3,340	2,441
Other ⁽⁶⁾	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

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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.

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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.

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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
Assets			
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
Total assets	\$ 23,371.3	\$ 13,826.7	\$ 37,198.0
Liabilities and Stockholders' Equity			
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
Total liabilities	16,638.8	14,642.1	31,280.9
Minority interests	52.3	2.0	54.3
Stockholders' equity	6,680.2	(817.4)	5,862.8
Total liabilities and stockholders' equity	\$ 23,371.3	\$ 13,826.7	\$ 37,198.0

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 ⁽¹⁾	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) ⁽²⁾	1,900.5
Depreciation and amortization	515.9	(10.9) ⁽²⁾	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 ⁽²⁾	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) ⁽³⁾	(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 ⁽⁴⁾	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 ⁽¹⁾	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 ⁽²⁾	2,576.8
Depreciation and amortization	817.2	(187.5) ⁽²⁾	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 ⁽²⁾	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) ⁽³⁾	(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 ⁽⁴⁾	259.4
Minority interests	(15.2)		(15.2)
Income/(loss) from continuing operations	\$ 527.2	\$ (973.5)	\$ (446.3)

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- (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 ⁽ⁱ⁾	\$ (421.6)	\$ (31.7)
Reversal of amortization of debt issuance costs ⁽ⁱⁱ⁾	(7.1)	(0.6)
Interest expense on new indebtedness ⁽ⁱⁱⁱ⁾	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 ^(iv)	197.0	14.8
Interest rate swaps ^(v)	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.

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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.

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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**

(In millions)	Harrah s Entertainment⁽¹⁾	HET Parent and Other Harrah s Entertainment Subsidiaries and Accounts⁽²⁾	HOC⁽³⁾
ASSETS			
Current assets			
Cash and cash equivalents	\$ 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
LIABILITIES AND STOCKHOLDERS EQUITY			
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 ⁽¹⁾	HET Parent and Other Harrah s Entertainment Subsidiaries and Accounts ⁽²⁾⁽³⁾	Harrah s Operating Restructured ⁽⁴⁾	Acquisition and Financing	Pro Forma
Revenues					
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 ⁽⁵⁾	447.9
Less: casino promotional allowances	(1,244.3)	343.1	(901.2)		(901.2)
Net revenues	7,848.6	(1,906.2)	5,942.4	39.9	5,982.3
Operating expenses					
Direct					
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 ⁽⁵⁾⁽⁶⁾	1,486.7
Depreciation and amortization	515.9	(128.0)	387.9	(4.6) ⁽⁶⁾	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 ⁽⁶⁾	88.3
Total operating expenses	6,774.9	(1,584.9)	5,190.0	35.1	5,225.1
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) ⁽⁷⁾	(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 ⁽⁸⁾	233.4
Minority interests	(7.8)	4.8	(3.0)		(3.0)
(Loss)/income from continuing operations	\$ (503.6)	\$ (19.9)	\$ (523.5)	\$ (73.1)	\$ (596.6)

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 ⁽¹⁾	Other Harrah s Entertainment Subsidiaries and Accounts ⁽²⁾	Historical Harrah s Operating ⁽⁴⁾	CMBS Spin-off ⁽³⁾	London Clubs Transfer ⁽⁹⁾	Subtotal	Acquisition and Financing	Pro Forma
Revenues								
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 ⁽⁵⁾	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
Operating expenses								
Direct								
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 ⁽⁵⁾⁽⁶⁾	1,975.6
Depreciation and amortization	817.2	(14.2)	803.0	(204.8)	14.2	612.4	(134.9) ⁽⁶⁾	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 ⁽⁶⁾	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) ⁽⁷⁾	(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 ⁽⁸⁾	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 ⁽ⁱ⁾	\$ (421.6)	\$ (31.7)
Reversal of amortization of debt issuance costs ⁽ⁱⁱ⁾	(7.1)	(0.6)
Interest expense on new indebtedness ⁽ⁱⁱⁱ⁾	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 ^(iv)	197.0	14.8
Interest rate swaps ^(v)	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.

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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.

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	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)								
Revenues								
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
Operating Expenses								
Direct								
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
Property general and administrative, corporate and other								
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)
Other Financial Data								
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 ⁽¹⁾	2.6x	2.7x	2.1x	2.2x	2.1x	2.6x		
Balance Sheet Data								
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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

Overview

We are one of the largest casino entertainment providers in the world. As of September 30, 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.

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	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)	
	(dollars in millions)				
				07 vs. 06	06 vs. 05
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

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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⁽¹⁾

Louisiana/Mississippi

Harrah s New Orleans
Harrah s Louisiana Downs
Horseshoe Bossier City
Grand Biloxi
Harrah s Tunica⁽²⁾
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⁽³⁾
Harrah s Joliet⁽⁴⁾
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⁽⁴⁾
Harrah s Cherokee⁽⁴⁾
Harrah s Prairie Band (through 6/30/07⁽⁴⁾)
Harrah s Rincoff⁽⁴⁾
Conrad Punta del Este⁽¹⁾
Caesars Windsor⁽⁵⁾
London Clubs International⁽⁶⁾

* 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.

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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,	Jan. 1,	Nine	Year Ended December 31,		
	2008	2008,	Months	2007	2006	2005
	through	through	Ended			
	September 30,	Jan 27,	September 30,			
	2008	2008	2007			
			(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	Jan. 1, 2008 through	Nine Months	Nine Months	Increase/
Sept. 30,	Jan. 27, 2008	Ended	Ended	(Decrease)
2008		Sept. 30, 2008		

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					Sept. 30, 2007	
	(dollars in millions)					
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

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	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.

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	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

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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

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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

	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 <small>(dollars in millions)</small>	Predecessor Nine Months Ended Sept. 30, 2007	Percentage Increase/ (Decrease)
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

	2007	Predecessor December 31, 2006	2005	Percentage Increase/(Decrease)	
	<small>(dollars in millions)</small>			07 vs. 06	06 vs. 05
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.

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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.

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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)%
Total revenues	\$ 374.5	\$ 59.4	\$ 433.9	\$ 422.2	2.8%
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)%
Total loss from operations	\$ (113.5)	\$ (0.3)	\$ (113.8)	\$ (6.5)	N/M

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%
Total revenues	\$ 558.2	\$ 261.0	\$ 156.9	N/M	66.3%
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
Total loss from operations	\$ (158.3)	\$ (176.1)	\$ (33.6)	10.1	N/M

N/M= Not meaningful

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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.

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

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.

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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%

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(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.

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

(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 Gamblin 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 Gamblin Hall & Saloon, and its results are included in our operating results from the date of its acquisition.

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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

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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)
Net (decrease)/increase in cash and cash equivalents	\$ (89.6)	\$ 75.2	\$ 235.4

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.

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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.
Credit facilities				
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
Subsidiary guaranteed debt				
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	
Unsecured Senior Notes				
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
Unsecured Senior Subordinated Notes				
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
Other Secured Borrowings				
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
Other Unsecured Borrowings				
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

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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:

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

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

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

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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.

	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual Obligations^(a) (in millions)					
Debt (including capitalized lease obligations)	\$ 25,361.4	\$ 90.1	\$ 1,680.3	\$ 6,649.1	\$ 16,941.9
Estimated interest payments ^(b)	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.

	Total	Amount of Commitment Expiration Per Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Other Commitments (in millions)					
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

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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.

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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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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

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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

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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 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**Overall Summary Statement of Operations Information for HOC**

	Successor		Pro Forma Predecessor		Percentage Increase/(Decrease)
	Period Jan. 28, 2008 through Sept. 30, 2008	Period Jan. 1, 2008 through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Nine Months Ended Sept. 30, 2007	
	(dollars in millions)				
Casino revenues	\$ 4,501.1	\$ 498.2	\$ 4,999.3	\$ 5,370.9	(6.9)%
Net revenues	5,364.9	577.5	5,942.4	6,164.3	(3.6)%
Income/(loss) from operations	795.6	(43.2)	752.4	1,088.1	(30.9)%
(Loss)/income from continuing operations	(415.9)	(107.6)	(523.5)	330.6	N/M
Operating margin	14.8%	(7.5)%	12.7%	17.7%	(5.0)pts

	Pro Forma Predecessor			Percentage Increase/(Decrease)	
	2007	December 31, 2006	2005	07 vs. 06	06 vs. 05
	(dollars in millions)				
Casino revenues	\$ 7,082.8	\$ 6,194.7	\$ 4,586.6	14.3%	35.1%
Net revenues	8,143.8	7,137.9	5,018.5	14.1%	42.2%
Income from operations	1,084.2	998.6	593.7	8.6%	68.2%

For the nine months ended September 30, 2008, revenues were 3.6% lower than in the same period last year, driven by declines in the Las Vegas market due to lower customer spend per trip and fewer hotel rooms available at Caesars Palace, the impact of a smoking ban in Illinois, heavy rains and flooding affecting visitor volumes at our properties in the Midwest and, the closures of our Gulf Coast casinos in advance of 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 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 compensation in compliance with SFAS No. 123(R), Share-Based Payment, and charges for impairment of certain assets.

2005 included results from properties acquired in the Caesars acquisition subsequent to June 13, 2005. Caesars properties contributed \$2.1 billion in revenues and \$321 million in income from operations in the approximate six months that we owned them in 2005.

Table of Contents**Regional Results and Development Plans of HOC**

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

Las Vegas	Atlantic City	Louisiana/Mississippi	Iowa/Missouri
Caesars Palace	Bally's Atlantic City	Harrah's New Orleans	Harrah's St. Louis
Bally's Las Vegas	Caesars Atlantic City	Harrah's Louisiana Downs	Harrah's North Kansas City
Imperial Palace	Showboat Atlantic City	Horseshoe Bossier City	Harrah's Council Bluffs
Bill's Gamblin' Hall	Harrah's Chestel ⁽¹⁾	Grand Biloxi	Horseshoe Council Bluffs / Bluffs Run
		Harrah's Tunica ⁽²⁾	
		Horseshoe Tunica	
		Sheraton Tunica	
Illinois/Indiana	Other Nevada	Managed/International/Other	
Horseshoe Southern Indiana ⁽³⁾	Harrah's Reno	Harrah's Ak-Chin ⁽⁴⁾	
	Harrah's Lake Tahoe	Harrah's Cherokee ⁽⁴⁾	
Harrah's Joli ⁽¹⁾	Harveys Lake Tahoe	Harrah's Prairie Band (through 6/30/07 ⁽⁴⁾)	
Harrah's Metropolis	Bill's Lake Tahoe	Harrah's Rincón ⁽¹⁾	
Horseshoe Hammond		Conrad Punta del Este ⁽¹⁾	
		Caesars Windsor ⁽⁵⁾	
		London Clubs International ⁽⁶⁾	

- (1) Not wholly owned by Harrah's Operating.
- (2) Re-branded from Grand Casino Tunica in May 2008.
- (3) Re-branded from Caesars Indiana in July 2008.
- (4) Managed, not owned.
- (5) Harrah's Operating has a 50 percent interest in Windsor Casino Limited, which manages this property. The province of Ontario owns the complex. The property was re-branded from Casino Windsor in June 2008.
- (6) Operates 11 casino clubs in the United Kingdom, 2 in Egypt and 1 in South Africa.

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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. 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.

	Successor Jan. 28, 2008 through Sept. 30, 2008	Predecessor		Pro Forma December 31,		
		Jan. 1, 2008, through Jan. 27, 2008	Nine months Ended Sept. 30, 2007	2007	2006	2005
					(in millions)	
Impairment of goodwill and other intangible assets	\$	\$	\$	\$ 169.6	\$ 20.7	\$ 138.6
Corporate efficiencies project	5.6		19.1	21.5	5.2	
Write-off of abandoned assets	45.6	0.6	0.9	10.2		
Litigation awards and settlements	0.4		5.2	8.5	32.1	2.6
Demolition costs	7.9	0.1	4.4	5.7	7.2	3.4
Other	17.0	(0.5)	(0.2)	2.0	2.3	7.2
Insurance proceeds in excess of deferred costs	(185.4)		(116.9)	(130.3)	(10.2)	
Impairment of investment securities					20.0	
Hurricane expense						24.5
Contribution to the Harrah's Foundation						10.0
	\$ (108.9)	\$ 0.2	\$ (87.5)	\$ 87.2	\$ 77.3	\$ 186.3

A discussion of the charges for impairment of goodwill and other intangible assets is included in the discussion of our Significant Accounting Policies and Estimates Goodwill and Other Intangible Assets found below.

Litigation awards and settlements for 2006 represents an accrual for damages awarded.

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

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	Successor		Pro Forma Predecessor		Percentage Increase/ (Decrease)
	Period	Period	Combined	Predecessor	
	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	
			(dollars in millions)		
Casino revenues	\$ 504.0	\$ 67.7	\$ 571.7	\$ 657.5	(13.0)%
Net revenues	996.5	118.5	1,115.0	1,207.9	(7.7)%
Income from operations	207.1	29.7	236.8	306.8	(22.8)%
Operating margin	20.8%	25.1%	21.2%	25.4%	(4.2)pts

	Pro Forma Predecessor			Percentage Increase/(Decrease)	
	2007	December 31, 2006	2005	07 vs. 06	06 vs. 05
	(dollars in millions)				
Casino revenues	\$ 903.6	\$ 700.0	\$ 275.6	29.1%	N/M
Net revenues	1,626.7	1,381.1	560.5	17.8%	N/M
Income from operations	414.5	341.9	96.3	21.2%	N/M

N/M = Not meaningful

The declines in revenues and income from operations in the first nine months of 2008 reflect lower visitation and spend per trip as our customers reacted to high travel costs and other economic concerns and declines in the number of hotel rooms available at Caesars Palace due to re-modeling.

An expansion and renovation of Caesars Palace Las Vegas is underway, which is expected to cost approximately \$886 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. 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 the increased visitor volume, cross-market play (defined as gaming by customers at Harrah's Entertainment properties other than their home casino) and the acquisition of Bill's Gamblin Hall & Saloon, which contributed \$49 million to revenues in 2007.

On February 27, 2007, we exchanged certain real estate that it owned on Las Vegas Boulevard (the Las Vegas Strip) for property formerly known as the Barbary Coast, which is located 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.

The increases in 2006 revenues and income from operations were partially influenced by including results from the Caesars properties for the full year in 2006 versus approximately six and one half months in 2005 and the 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 \$1,201 million in revenues and \$294 million in income from operations in 2006 versus \$544 million in revenues and \$98 million in income from operations for the six and one half months of 2005.

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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.

On June 13, 2005, we completed our acquisition of Caesars, adding 15 properties to our portfolio. The purchase price allocation process began in June 2005 and was completed within one year of the date of the acquisition. The results of the Caesars properties were included with our operating results from the date of the acquisition.

None of these results include Flamingo Las Vegas, Rio, Paris Las Vegas, Harrah's Las Vegas, each of which is a CMBS Asset and was owned by Harrah's Entertainment for the periods discussed above.

Atlantic City Results of HOC

	Successor	Period	Pro Forma		Percentage Increase/ (Decrease)
			Predecessor	Combined	
	Period	Jan. 1, 2008	Period	Predecessor	
	Jan. 28, 2008 through Sept. 30, 2008	2008 through Jan. 27, 2008	Combined	Nine Months Ended	
			Nine Months Ended	Nine Months Ended	
			Sept. 30, 2008	Sept. 30, 2007	
(dollars in millions)					
Casino revenues	\$ 1,262.7	\$ 128.7	\$ 1,391.4	\$ 1,472.6	(5.5)%
Net revenues	1,276.0	125.8	1,401.8	1,430.0	(2.0)%
Income from operations	184.5	8.0	192.5	222.1	(13.3)%
Operating margin	14.5%	6.4%	13.7%	15.5%	(1.8)pts

	Pro Forma Predecessor			Percentage Increase/(Decrease)	
	2007	December 31, 2006	2005	07 vs. 06	06 vs. 05
(dollars in millions)					
Casino revenues	\$ 1,916.7	\$ 1,643.8	\$ 1,069.3	16.6%	53.7%
Net revenues	1,872.6	1,596.6	1,035.9	17.3%	54.1%
Income from operations	263.1	308.0	232.2	(14.6)%	32.6%

N/M = Not meaningful

For the nine months ended September 30, 2008, Atlantic City regional revenues were partially offset by the inclusion of Harrah's Chester results, which opened for simulcasting and live harness racing on September 10, 2006 and for slots play on January 22, 2007. Income from operations was 13.3% lower than in the prior year nine-month period due to higher operating costs, including utilities and employee benefits. The Atlantic City market continues to be affected by the opening of three competitor slot parlors in eastern Pennsylvania and one in Yonkers, New York, and smoking restrictions in Atlantic City.

Atlantic City regional revenues were higher in 2007, due to the inclusion of Harrah's Chester, a 5/8-mile harness racetrack and slots facility located approximately six miles south of Philadelphia International Airport. We own a 50 percent interest in Chester Downs & Marina, LLC (CD&M), an entity that owns Harrah's Chester. Harrah's Chester was developed for \$429 million and commenced casino operations on January 22, 2007. We provided financing for the project and manage the property's operations. We consolidate the results of CD&M in our financial statements.

In 2007, the Atlantic City market was adversely affected by new local competition, including the opening of slot operations at two racing facilities in eastern Pennsylvania and one in Yonkers, New York, as well as the

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implementation of new smoking regulations in New Jersey. Additionally, promotional and marketing costs aimed at attracting and retaining customers and a shift of revenues from Atlantic City to Pennsylvania, where taxes are higher, resulted in higher operating expenses as compared to 2006.

Our results in 2006 were positively impacted by the full-year inclusion of results from our Bally's Atlantic City and Caesars Atlantic City properties, both of which were acquired in the Caesars acquisition. Offsetting this positive impact, 2006 revenues and income from operations were negatively impacted by a three-day government-imposed casino shutdown during the year, as well as increased competitive activity. During this government-imposed casino shutdown, casinos in Atlantic City were closed from July 5 until July 8, 2006, as certain nonessential state agencies, including the New Jersey Casino Control Commission, were shut down by the state in the absence of an agreed upon state budget. In New Jersey, Casino Control Commission Inspectors must be on site in order for casinos to operate.

None of these results include Harrah's Atlantic City, which is a CMBS Asset and was owned by Harrah's Entertainment for the periods discussed herein.

Louisiana/Mississippi Results of HOC

	Successor		Pro Forma Predecessor		Percentage Increase/ (Decrease)
	Period Jan. 28, 2008 through Sept. 30, 2008	Period Jan. 1, 2008 through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Predecessor Nine Months Ended Sept. 30, 2007	
	(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 operations	327.9	10.1	338.0	292.9	15.4%
Operating margin	32.4%	9.5%	30.3%	25.0%	5.3pts

	Pro Forma Predecessor			Percentage Increase/(Decrease)	
	2007	December 31, 2006	2005	07 vs. 06	06 vs. 05
	(dollars in millions)				
Casino revenues	\$ 1,462.5	\$ 1,351.4	\$ 1,069.1	8.2%	26.4%
Net 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

N/M = Not meaningful

Grand Casino Gulfport was sold in March 2006, and Harrah's Lake Charles was sold in November 2006. Both properties ceased operations in the third quarter of 2005 due to hurricane damage. 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 results.

Combined revenues for the nine months ended September 30, 2008, were 4.6% lower than in the nine month period last year due to declines in visitation to the Tunica market and disruptions during the renovation at the former Grand Casino 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.

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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 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.

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 properties in this region, Harrah's Grand Biloxi and Sheraton Tunica contributed \$222 million in revenues and losses from operations of \$48 million. A charge of \$89 million was recorded 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 \$21 million was recorded in fourth quarter 2006. In 2005, the entire \$50 million of goodwill associated with this property was impaired, and a charge was recorded 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.

Table of Contents*Iowa/Missouri Results of HOC*

	Successor		Pro Forma Predecessor		Percentage Increase/ (Decrease)
	Period Jan. 28, 2008 through Sept. 30, 2008	Period Jan. 1, 2008 through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Predecessor Nine Months Ended Sept. 30, 2007	
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 operations	112.8	7.7	120.5	110.0	9.5%
Operating margin	21.0%	13.8%	20.3%	17.9%	2.4pts

	Pro Forma Predecessor			Percentage Increase/(Decrease)	
	2007	December 31,		07 vs. 06	06 vs. 05
		2006	2005		
	(dollars in millions)				
Casino revenues	\$ 764.1	\$ 770.6	\$ 729.3	(0.8)%	5.7%
Net revenues	811.4	809.7	734.9	0.2%	10.2%
Income from operations	143.6	132.2	119.1	8.6%	11.0%

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 last year. 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 pro forma revenues and income from operations for the year ended December 31, 2007, were influenced 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, due to 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 of HOC

	Successor		Pro Forma Predecessor		Percentage Increase/ (Decrease)
	Period Jan. 28, 2008 through Sept. 30, 2008	Period Jan. 1, 2008 through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Predecessor Nine Months Ended Sept. 30, 2007	
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 operations	91.3	8.7	100.0	158.9	(37.1)%
Operating margin	11.3%	10.2%	11.2%	16.3%	(5.1)pts

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	Pro Forma Predecessor			Percentage	
	2007	December 31, 2006	2005	Increase/(Decrease) 07 vs. 06	06 vs. 05
	(dollars in millions)				
Casino revenues	\$ 1,330.8	\$ 1,277.3	\$ 1,045.4	4.2%	22.2%
Net 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%

Combined revenues and income from operations for the nine months ended September 30, 2008, were lower than in the same period last year due to heavy rains and flooding and the 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 will include 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.

In 2007, combined revenues increased over 2006, while income from operations was lower than in 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 projected performance of Horseshoe Southern Indiana (formerly Caesars Indiana), its intangible assets were impaired, and a charge of \$60 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. In second quarter 2007, a state court declared that the 3% tax that was assessed on Harrah's Joliet and three unrelated riverboats was unconstitutional. As of December 31, 2007, Harrah's Joliet has paid approximately \$18 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 one half months in 2005 and strong performance at Harrah's Joliet. Horseshoe Southern Indiana (Caesars Indiana) contributed \$347 million in total revenues and \$58 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 of 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.

Table of Contents*Other Nevada Results of HOC*

	Successor		Pro Forma Predecessor		Percentage Increase/ (Decrease)
	Period	Period	Combined	Predecessor	
	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	
			(dollars in millions)		
Casino revenues	\$ 232.6	\$ 19.5	\$ 252.1	\$ 269.5	(6.5)%
Net revenues	299.8	26.8	326.6	347.2	(5.9)%
Income/(loss) from operations	40.5	(1.9)	38.6	43.8	(11.9)%
Operating margin	13.5%	(7.1)%	11.8%	12.6%	(0.8)pt

	Pro Forma Predecessor			Percentage Increase/(Decrease)	
	2007	December 31, 2006	2005	07 vs. 06	06 vs. 05
	(dollars in millions)				
Casino revenues	\$ 356.1	\$ 366.9	\$ 359.9	(2.9)%	1.9%
Net revenues	454.2	468.8	456.6	(3.1)%	2.7%
Income/loss from operations	48.6	64.4	67.2	(24.5)%	(4.2)%

The first nine months of 2008 revenues and income from operations from our Nevada properties outside of Las Vegas were lower than in third quarter 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.

Revenues and income from operations from our Nevada properties outside of Las Vegas during the year ended December 31, 2007, were lower than in 2006 due to higher customer complimentary costs, lower unrated play and retail customer visitation, 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. We define retail customers as Total Rewards customers who typically spend up to \$50 per visit.

Combined 2006 revenues 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 compared to the prior year. Income from operations was down slightly from 2005. None of these results includes Harrah's Laughlin which is a CMBS Asset and was owned by Harrah's Entertainment for the periods discussed herein.

Managed/International/Other of HOC

	Successor	Predecessor	Combined	Predecessor	Percentage
	Period	Period	Nine Months	Nine Months	Increase/
	Jan. 28, 2008 through Sept. 30, 2008	Jan. 1, 2008 through Jan. 27, 2008	Ended Sept. 30, 2008	Ended Sept. 30, 2007	(Decrease)
			(In millions)		
Net revenues					
Managed	\$ 45.8	\$ 5.0	\$ 50.8	\$ 64.6	(21.4)%
International	281.2	45.9	327.1	298.5	9.6%
Other	113.0	8.1	121.1	56.5	N/M
Total net revenues	\$ 440.0	\$ 59.0	\$ 499.0	\$ 419.6	18.9%

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Income/(loss) from operations					
Managed	\$ 18.3	\$ 4.0	\$ 22.3	\$ 53.0	(57.9)%
International	(63.5)	0.5	(63.0)	10.0	N/M
Other	(8.7)	(10.6)	(19.3)	(32.2)	40.1%
Total (Loss)/income from operations	\$ (53.9)	\$ (6.1)	\$ (60.0)	\$ 30.8	N/M

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	Pro Forma Predecessor			Percentage	
	2007	December 31, 2006	2005	Increase/(Decrease) 07 vs 06	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	76.5	69.0	43.4	10.9%	59.0%
Total net revenues	\$ 554.4	\$ 257.9	\$ 163.8	N/M	57.4%
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	(96.6)	(265.3)	(102.0)	63.6%	N/M
Total (loss)/income from operations	\$ (160.5)	\$ (180.4)	\$ (39.6)	11.0%	N/M

N/M = Not Meaningful

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. Favorable results are due to lower costs for pursuit of projects and concept development in 2007 and inclusion of results of London Clubs, which was acquired in fourth quarter 2006. As of September 30, 2008, London Clubs owned and/or managed eleven casinos in the United Kingdom, two in Egypt and one in South Africa.

Managed. Our nine month 2008 results from managed properties were lower than in the 2007 periods 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. 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 Native American properties as of September 30, 2008.

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

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.

Management revenues were higher in 2006 as compared to 2005, due to a full year of management consultant fees from an Australian gaming company pursuant to an agreement assumed in the Caesars acquisition, as well as improved performance at two casinos we manage for the tribes.

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. The tribe has financed this project.

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International. Favorable International revenues 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.

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 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.

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 \$578 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.

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. 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, corporate expense, results from World Series of Poker marketing and licensing, and income from nonconsolidated subsidiaries. The favorable results in 2007 were due to lower development costs. The unfavorable results in 2006 were generated 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 million in 2006 compared to \$33 million in 2005. 2005 development costs related to increased development activities in many jurisdictions, including international jurisdictions, considering allowing development and operation of casinos or casino-like operations.

Table of Contents*Other Factors Affecting Net Income of HOC*

(Income)/expense	Successor		Pro Forma Predecessor			Percentage Increase/(Decrease)
	Period Jan. 28, 2008 through Sept. 30, 2008	Period Jan. 1, 2008 through Jan. 27, 2008	Combined Nine Months Ended Sept. 30, 2008	Predecessor Nine Months Ended Sept. 30, 2007		
			(dollars in millions)			
Corporate expense	\$ 88.5	\$ (26.2)	\$ 62.3	\$ 68.9	(9.6)%	
Acquisition and integration costs	23.1	125.6	148.7	8.3	N/M	
Amortization of intangible assets	79.4	5.5	84.9	53.1	59.9%	
Interest expense, net	1,208.2	89.7	1,297.9	578.4	N/M	
Losses on early extinguishments of debt	203.9		203.9	2.0	N/M	
Other income	(15.5)	(5.1)	(20.6)	(30.6)	(32.7)%	
Effective tax rate (benefit)/provision	(31.1)%	(16.9)%	(28.6)%	36.3%	N/M	
Minority interests	\$ 1.6	\$ 1.4	\$ 3.0	\$ 12.4	(75.8)%	

(Income)/Expense	Pro Forma Predecessor			Percentage Increase/(Decrease)	
	2007	December 31, 2006	2005	07 vs 06	06 vs 05
	(dollars in millions)				
Acquisition and integration costs	\$ 13.4	\$ 37.0	\$ 55.0	(63.8)%	(32.7)%
Amortization of intangible assets	73.0	70.2	49.6	4.0%	41.5%
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, including interest income	(47.3)	(14.1)	(12.6)	N/M	11.9%
Minority interests	9.3	9.3	9.0		3.3%

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.

Acquisition and Integration Costs. For the nine months ended 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. 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. Acquisition and integration costs in 2007 include costs in connection with the Transaction that we incurred prior to closing. Acquisition and integration costs in 2006 includes costs for consultants and dedicated internal resources executing the plans for the integration of Caesars into Harrah's Entertainment. Acquisition and integration costs in 2005 represented costs related to the acquisition and integration of Caesars.

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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. Pro forma amortization of intangible assets includes estimated amortization of intangible assets identified in the preliminary purchase price allocation for the Transactions. Amortization of intangible assets was higher in 2006 than in 2005 due to a full year of amortization of intangible assets acquired from Caesars versus approximately six months of amortization in 2005.

Interest expense, Net. Interest expense increased in the 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 \$54.6 million representing the changes in the fair values of our interest rate swap agreements. 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 \$14.4 million, or \$3.6 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 8.1% of our total debt, while our fixed-rate debt is approximately 91.9% of our total debt.

Interest expense for 2007 and 2006 reflects interest on new indebtedness from the Financing. Included in interest expense for 2007 is \$45 million, representing the losses from the change in the fair values of our interest rate swaps. Interest expense increased in 2006 from 2005 primarily due to new indebtedness from the Financing, debt assumed in the Caesars acquisition, increased borrowings related to our acquisition of Caesars and higher interest rates on our variable rate debt.

Losses on Early Extinguishments of Debt. Losses on early extinguishments of debt in 2008 represent premiums paid and the write-offs of unamortized deferred financing costs and market value premiums related to debt retired in connection with the Acquisition. Losses on early extinguishments of debt in 2007 and 2006 represent premiums paid and the write-offs of unamortized deferred financing costs. The charges in 2007 were incurred in connection with the retirement of a \$120 million credit facility of London Clubs, our subsidiary in the United Kingdom. 2006 charges were associated with the retirements of portions of our 7.5% Senior Notes due in January 2009, our 8.0% Senior Notes due in February 2011 and our 7.875% Senior Subordinated Notes due in December 2006.

Other Income. Other income includes lower interest income on the cash surrender value of life insurance policies in 2008. Other income in the nine months ended September 30, 2007, included a gain on the sale of corporate assets. Other income was higher in 2007 than 2006 due primarily to gains on the sales of corporate assets. Included in other income for all periods is interest income on the cash surrender value of life insurance policies. Other income in 2005 also included the receipt of a death benefit and collection of a previously reserved investment.

Effective Tax Rate (Benefit)/Provisions. 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, 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 effective tax rate was lower in 2006 than in 2005 due to provision-to-return adjustments and adjustments to income tax reserves resulting from settlement of outstanding issues in 2006. 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.

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

Strategic Acquisitions of HOC

For information regarding HOC's Strategic Acquisitions, see Strategic Acquisitions above.

Debt and Liquidity of HOC

HOC generates substantial cash flows from operating activities, as reflected on the Consolidated Condensed Statements of Cash flows. These cash flows reflect the impact on our consolidated operations of the success of our marketing programs, HOC's strategic acquisitions and on-going cost containment focus. For the first nine months of 2008 and 2007, HOC reported cash flows from operating activities of \$502.4 million and \$737.9 million, respectively.

HOC uses the cash flows generated by the Company to fund reinvestment in existing properties for both refurbishment and expansion projects, pursue additional growth opportunities via strategic acquisitions of existing companies or properties and new development opportunities and to fund debt services. When necessary, HOC supplements the cash flows generated by the operations of HOC with funds provided by financing activities.

The cash and cash equivalents of HOC totaled approximately \$782.9 million at September 30, 2008, compared to \$459.2 million at September 30, 2007.

HOC believes that its cash and cash equivalents balance, its cash flows from operations and the financing sources discussed herein, will be sufficient to meet its normal operating requirements during the next twelve months and to fund additional investments. In addition, HOC may consider issuing additional debt in the future to fund potential acquisitions or growth or to refinance existing debt. HOC continues to review additional opportunities to acquire or invest in companies, properties and other investments that meet its strategic and return on investment criteria. If a material acquisition or investment is completed, the operating results and financial condition of HOC could change significantly in future periods. In connection with the Acquisition, HOC incurred substantial additional debt, which significantly changed its financial position.

HOC may from time to time seek to retire or purchase its 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, HOC's liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

For more information regarding the long-term debt of HOC, see Debt and Liquidity above.

In connection with the Acquisition, \$7.7 billion, face amount, of HOC's debt was retired, \$4.6 billion, face amount, of HOC's debt was retained and \$20.5 billion, face amount, of new debt was issued, resulting in a very different debt structure for the Successor Company. Please see Debt and Liquidity for further information.

At September 30, 2008, \$5.1 million, face amount, of HOC's 7.5% Senior Notes due January 15, 2009 and \$0.8 million, face amount, of HOC's 7.5% Senior notes due September 15, 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 HOC's 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.

On August 1, 2008, HOC entered into an agreement with Harrah's Entertainment whereby Harrah's Entertainment has agreed to extend to HOC an intercompany unsecured revolving credit facility in an aggregate

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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 senior secured credit facilities) plus 3%. Interest payments are due annually; however, HOC 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. At September 30, 2008, the entire \$200 million was outstanding under this agreement.

HOC may from time to time seek to retire or purchase its 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 HOC 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.

In July 2008, HOC 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, 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.

For more information regarding the long-term debt of HOC's debt instruments and their terms, as well as HOC's derivative instruments, see Debt and Liquidity above.

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

The tables below summarize HOC's contractual obligations and other commitments as of September 30, 2008.

Contractual Obligations ^(a) (in millions)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Debt, including capital lease obligations	\$ 18,861.0	\$ 89.8	\$ 1,680.2	\$ 149.2	\$ 16,941.8
Estimated interest payments ^(b)	10,507.0	1,440.4	3,094.5	2,801.4	3,170.7
Operating lease obligations	1,954.2	22.2	142.6	119.2	1,670.2
Purchase orders obligations	34.3	34.3			
Guaranteed payments to State of Louisiana	149.9	15.1	120.0	14.8	
Community reinvestment	783.9	783.9			
Construction commitments	124.9	1.0	12.5	12.2	99.2
Entertainment obligations	133.3	17.2	80.6	35.5	
Other contractual obligations	297.9	29.7	33.1	24.1	211.0
	\$ 32,846.4	\$ 2,433.6	\$ 5,163.5	\$ 3,156.4	\$ 22,092.9

(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.

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Other Commitments (in millions)	Amount of Commitment Expiration Per Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Guarantees of loans	\$	\$	\$	\$	\$
Letters of credit	179.4	39.3	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 these contracts for the four 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.

Debt Covenant Compliance of HOC

Certain covenants contained in the credit agreement governing our senior secured credit facilities, the indenture and other agreements governing our new 10.75% Senior Notes due 2016, 10.75% Senior Toggle Notes due 2018, senior interim loans and the 2015 Second Lien Notes and 2018 Second Lien Notes (i) require the maintenance of a senior secured debt to Adjusted EBITDA ratio and (ii) restrict our ability to take certain actions such as incurring certain kinds of additional debt such as new debt security issuances or making acquisitions if we are unable to meet defined Adjusted EBITDA to Fixed Charges, senior secured debt to Adjusted EBITDA and consolidated debt to Adjusted EBITDA ratios. The most restrictive of these covenants, the covenants that restrict certain kinds of additional indebtedness and the ability to make future acquisitions, require an Adjusted EBITDA to Fixed Charges ratio (measured on a trailing four-quarter basis and calculated differently than the ratio of earnings to fixed charges required by Item 503(d) of Regulation S-K appearing on pages 20 and 22 of this prospectus) of 2.0: 1.0. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur certain kinds of future indebtedness or grow through acquisitions. As of September 30, 2008, the ratio of Adjusted EBITDA to Fixed Charges was less than 2.0:1.0. Although these covenants do restrict our ability to incur certain kinds of indebtedness, and although currently our ratio of Adjusted EBITDA to Fixed Charges is less than 2.0:1.0, our indentures and senior secured credit facilities contain carve-outs for the incurrence of indebtedness such as revolving credit borrowings under our senior secured credit facilities, refinancing indebtedness and other debt required to maintain our day-to-day operations. HOC is currently in compliance with all of its debt covenants.

EBITDA is defined as income from continuing operations plus interest, income taxes, depreciation and amortization. EBITDA is not a recognized term under U.S. GAAP and does not purport to be an alternative to income from continuing operations as a measure of operating performance or to cash flows from operations as a measure of liquidity. Additionally, EBITDA is not intended to be a measure of free cash flow available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other adjustments required or permitted in calculating covenant compliance under the indenture and other agreements governing the senior notes, senior toggle notes and senior interim loans, the 2015 Second Lien Notes and 2018 Second Lien Notes and/or our new senior credit facilities. Fixed charges are defined as (a) the sum of consolidated interest expense, plus consolidated capitalized interest, plus commissions, discounts, yield and other charges incurred in connection with certain receivables financings, plus any cash interest payments (excluding items eliminated in consolidation) made on preferred stock minus (b) consolidated interest income.

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Capital Spending and Development

Part of our plan for growth and stability includes disciplined capital improvement projects, and the nine months ended September 30, 2008 and 2007, respectively, and the years ended December 31, 2007, 2006 and 2005 were all periods of significant capital reinvestment.

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

Our capital spending for the nine months ended September 30, 2008 totaled approximately \$1.12 billion. Our capital spending for 2007 totaled approximately \$1.5 billion, excluding our acquisitions of a golf course in Macau and Bill's Gamblin' Hall and Saloon. Capital spending in 2006 was approximately \$2.5 billion, excluding the cost of our acquisition of London Clubs. 2005 capital spending was approximately \$1.2 billion, excluding the cost of our acquisitions of Caesars and Imperial Palace Hotel & Casino (Imperial Palace). Estimated total capital expenditures for 2008 are expected to be between \$1.35 billion and \$1.50 billion. HOC's capital spending for the first nine months of 2008 totaled approximately \$957.2 million. HOC's estimated total capital expenditures for 2008 are expected to be between \$1.15 billion and \$1.30 billion.

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

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risk, primarily changes in interest rates. We attempt to limit our exposure to interest rate risk by managing the mix of our debt between fixed rate and variable rate obligations. Of our approximate \$17.9 billion total debt at September 30, 2008, \$7.9 billion, excluding \$6.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, is subject to variable interest rates. The average interest rate on our variable-rate debt, including the impact of our swap agreements, was 7.1% at September 30, 2008. A change in interest rates will impact our financial results. We have hedging arrangements with respect to London Inter-Bank Offered Rate, or LIBOR, borrowings for a notional amount of \$6.5 billion, all of which fix the floating rates of interest to fixed rates. Assuming a constant outstanding balance for our variable rate debt for the next twelve months, a hypothetical 1% change in interest rates would change interest expense for the next twelve months by approximately \$14.4 million. We utilize interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. We do not purchase or hold any derivative financial instruments for trading purposes.

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The table below provides information as of September 30, 2008, about our financial instruments that are sensitive to changes in interest rates, including debt obligations and interest rate swaps. For debt obligations, the table presents principal cash flows and related weighted average interest rates by contractual maturity dates. Principal amounts are used to calculate the contractual payments to be exchanged under the contract and weighted average variable rates are based on implied forward rates in the yield curve as of September 30, 2008.

(in millions)	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value
Liabilities								
Long-term debt								
Fixed rate	\$ 71.3	\$ 74.6	\$ 1,173.2	\$467.6	\$66.8	\$ 15,572.5	\$ 17,426.0	\$ 11,558.6
Average interest rate	4.6%	4.9%	6.2%	7.6%	4.4%	7.3%	7.4%	
Variable rate	\$ 14.9	\$ 20.3	\$17.7	\$7.3	\$7.3	\$ 1,367.5	\$ 1,435.0	\$ 1,388.3 ⁽¹⁾
Average interest rate	7.2%	8.9%	6.8%	5.8%	5.8%	7.1%	7.1%	
Interest rate swaps								
Fixed to variable	\$	\$	\$	\$ 1,500.0	\$ 1,000.0	\$ 4,000.0	\$ 6,500.0	\$ (121.8)
Average pay rate	4.4%	4.4%	4.4%	4.4%	4.2%	4.3%	4.4%	
Average receive rate	3.0%	3.2%	3.2%	3.4%	4.5%	4.6%	3.6%	

(1) The fair values are based on the borrowing rates currently available for debt instruments with similar terms and maturities and market quotes of the Company's publicly traded debt.

As of September 30, 2008, our long-term variable rate debt reflects borrowings under term loans and letter of credit facilities provided to us under a credit agreement by a consortium of banks with a total capacity of \$9.25 billion. The interest rates charged on borrowings under these facilities are a function of the LIBOR rates. As such, the interest rates charged to us for borrowings under the facilities are subject to change as LIBOR changes.

Foreign currency translation gains and losses were not material to our results of operations for the nine months ended September 30, 2008. Our only material ownership interests in businesses in foreign countries are London Clubs and an approximate 95% ownership of a casino in Uruguay. Therefore, we have not been subject to material foreign currency exchange rate risk from the effects of exchange rate movements of foreign currencies in the past; however, with our currently planned international developments, foreign currency exchange rate risk may become material in the future.

From time to time, we hold investments in various available-for-sale equity securities; however, our exposure to price risk arising from the ownership of these investments is not material to our consolidated financial position, results of operations or cash flows.

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INDUSTRY

Introduction

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

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

Source: 2007 AGA Survey of Casino Entertainment

Las Vegas

Las Vegas is the largest and most prominent gaming market in the U.S. with 160 licensed casinos, 131,900 nonrestricted slot machines, 4,800 licensed tables and \$10.9 billion of gaming revenue in 2007 for Clark County. Las Vegas' 130,000 hotel rooms consistently exhibit occupancy rates in the 80% - 90% range and are home to 22 of 25 of the largest hotels in the U.S. During the past 10-15 years, Las Vegas has successfully focused on attracting more than just gamblers as operators have invested in non-gaming amenities. As a result, Las Vegas has become one of the nation's most popular convention center destinations and draws travelers attracted to the city's fine dining, shopping, and entertainment, as well as the gaming facilities. The city drew 39.2 million visitors in 2007.

Las Vegas effectively illustrates a supply-generated market dynamic. Each new wave of mega-resort openings has expanded the Las Vegas market in terms of visitation and total revenues. Since 1970, visitor volumes have grown at a faster pace than the Las Vegas room supply. This in turn has generated room demand and led to consistently strong occupancy rates. In addition, the average length of stay and amount spent per trip has increased as Las Vegas has evolved from a one-dimensional casino town into a diversified destination-resort market.

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As a result, the Las Vegas market has shown consistent growth over the long term, both in terms of visitation and expenditures, and has exhibited one of the highest hotel occupancy rates of any major market in the U.S. According to the Las Vegas Convention and Visitors Authority, the number of visitors traveling to Las Vegas increased significantly over the last 17 years, from 21.0 million visitors in 1990 to 39.2 million visitors in 2007. Over this period, Las Vegas hotel room inventory has been highly correlated with visitation. Below is a chart showing Las Vegas hotel room inventory and visitation over that period and a chart comparing Las Vegas occupancy with that of other major U.S. markets.

Source: Las Vegas Convention and Visitors Authority

Source: Las Vegas Convention and Visitors Authority and Smith Travel Research.

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The development and expansion of mega-resorts along the Strip has been a primary generator of the recent visitation growth in the market. As the Strip has continued to evolve there has been a substantial shift in revenue mix, with an increased focus on non-gaming amenities. Industry analysts believe that there are three primary influences for this shift in recent years:

- (1) newer, larger and more diverse resorts
- (2) greater focus on the convention market and
- (3) new marketing campaigns targeting a broader customer base

As the total room inventory in Las Vegas has grown via the increasing presence of mega-resorts, there has been a corresponding impact in non-gaming revenues. According to Nevada State Gaming Control Board Nevada Gaming Abstract, while gaming revenues have continued to grow in terms of absolute dollars, from \$2.6 billion in 1990 to \$6.8 billion in 2007 (5.9% compound annual growth rate (CAGR)), the percentage of total Strip casino-hotel resort revenues represented by gaming (casino) has declined substantially over the past 17 years, from 61% of total revenues in 1990, to just 42% in 2007.

Much of this shift occurred after the second stage of mega-resorts began to come on-line in the late 1990s (Bellagio, Mandalay Bay, Venetian and Paris), offering more non-gaming amenities and targeting a more affluent customer. From 1990 to 2007 the percentage of revenues derived from hotel rooms increased by 9% to 25%, while food & beverage increased 3% to 19%.

Las Vegas continues to be an intensely competitive market with continued increases in new development and expansions. In April 2005, Wynn Resorts opened the first new resort on the Strip since 1999. Along with Wynn's opening, several other competitors have recently opened new resorts or made announcements of their planned capital expenditures in the area. In early 2008, the Las Vegas Sands opened an adjacent property to the Venetian Resort and Casino, named the Palazzo. Wynn Resorts has announced plans to complete a new property adjacent to Wynn Las Vegas, called Encore, expected to open in late 2008. In November 2004, MGM Mirage announced plans to build the CityCenter, a multi-use property on 67 acres of land on the Strip between Bellagio and Monte Carlo, scheduled to open in late 2009. The Fontainebleau Resort & Hotel, expected to open in 2009, is currently being developed and is expected to include 2,607 rooms. Consistent with these trends, we are investing capital in the Las Vegas market to further bolster our leading market position. Our largest project, the renovation and expansion of Caesars Palace, is expected to open in 2009. This expansion will dramatically improve our food and beverage and retail offerings as well as further solidifying our leading position on the premier corner of the Strip.

The current state of the national economy has affected the bottom line of Nevada casinos much like what happened in the wake of the terrorist attacks of Sept. 11, 2001. For the first nine months of 2008, gaming revenues decreased as customers cut their discretionary spending, in some cases, dramatically. A company's vulnerability will be determined by the duration and depth of the economic downturn.

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Atlantic City

Atlantic City first legalized gaming in 1976 and is now the second largest gaming market in the U.S. Home to 11 casinos and over 34,000 slots, the Atlantic City market benefits from attractive demographics with 42 million adults within a 300 mile radius. 2006 brought 34.5 million visitors, according to South Jersey Transportation Authority, and the average customer visits seven times per year. Below is a chart depicting historical Atlantic City gaming revenues.

Source: New Jersey Casino Control Commission

Over the past five years, growth in the Atlantic City market can be attributed primarily to the expansion of select properties (Tropicana, Bally's) and the opening of the Borgata Hotel, Casino and Spa. The Borgata, a joint venture between Boyd Gaming Corporation and MGM Mirage, opened in July 2003, in Atlantic City's Marina District. The Borgata was the first casino to open in Atlantic City since April 1990 and currently accounts for 15.3% market share based on 2007 gaming revenue.

Several recent trends have negatively impacted Atlantic City properties. In 2004, Pennsylvania passed legislation to legalize slot machines at seven horse racing tracks, five independent slot parlors and two resort slot parlors. At least four of these facilities are expected to be in the greater Philadelphia area. Currently, seven facilities have opened in Pennsylvania with the balance expected to open after 2008. Movements are underway, though in varying stages of development, to legalize slot machines in Delaware, West Virginia, New York and at the New Jersey Meadowlands. Additionally, Atlantic City enacted a partial smoking ban on April 15, 2007 designating 75% of the gaming floor as smoke free. Revenues have been impacted in the periods following the enactment.

Several casino operators are continuing to invest in new Atlantic City projects aimed at improving the quality of gaming products to compete more effectively with neighboring jurisdictions which offer a more limited product offering. Recent and planned expansions and developments for the Borgata, MGM Grand Atlantic City and Harrah's Atlantic City as well as renovations at Trump properties should continue to fuel growth in the near future. Specifically, in October 2007, MGM announced plans to develop a resort on 60-acres of land adjacent to the Borgata. It will feature three hotel towers with over 3,000 rooms and the city's largest casino with 5,000 slots and 200 table games. Also, Phase II of the Borgata expansion, branded The Water Club at Borgata, includes an 800-room hotel tower and 18,000 square feet of meeting space. The expansion was completed in early 2008. In addition, Revel Entertainment, in partnership with Morgan Stanley, is planning to build a new facility located north of the Showboat Casino in Atlantic City. The project is expected to be completed in 2010 and will include two hotel towers with approximately, 1,900 rooms each and 150,000 square feet of casino space.

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Consistent with these trends, Harrah's Entertainment is pursuing projects to build on its leading position in the Atlantic City market. Construction recently concluded on an upgrade and expansion of Harrah's Atlantic City, which includes the Waterfront Tower with approximately 960 rooms, a casino expansion, a retail and entertainment complex and a buffet. Other projects include the extensive room renovations at both Caesars and Bally's, the introduction of the House of Blues along with additional room renovations at the Showboat and the completion of the Caesars Pier with its world-class retail offering.

Regional Markets

Regional markets have become increasingly popular with both casino operators and customers. Casinos are choosing to invest more capital in these regions as capital expenditure requirements are low relative to other major markets and several major markets have already been largely penetrated. Customers are traveling to these destinations more often due to both their close proximity and as an alternative form of entertainment. Additionally, an increasing number of states have been taking a more liberal approach to legalizing casinos as gaming has become a mainstream form of leisure entertainment with the potential to generate significant tax revenues. States with regional commercial gaming properties include Colorado, Illinois, Indiana, Iowa, Louisiana, Michigan, Mississippi, Missouri, Pennsylvania and South Dakota.

Many regional casinos directly compete with Tribal gaming properties. Tribal gaming began with the Indian Gaming Regulatory Act of 1988, which permitted states to authorize tribes to operate casinos on Native American reservations. Recently many tribes have built Las Vegas style casinos, with high-class accommodations and different forms of entertainment, such as concerts, as a way to entice younger people to their casinos. As a result of new properties and expansions, Tribal casinos have generated double-digit revenue growth over the past five years, including 11% growth in 2006 according to the National Indian Gaming Commission. Some of the largest tribal gaming markets include California, Connecticut, Arizona, Florida, and Oklahoma.

International Markets

International gaming growth is expected to continue. Macau is located on the Southeast coast of China to the western bank of the Pearl River Delta. Macau gaming revenue has grown from \$2.0 billion in 2000 to \$10.3 billion in 2007, an annual increase of 26%. The rapid pace of new casino growth in Macau should benefit casino operators who hold concessions, as well as gaming equipment suppliers. Other major international gaming markets include Australia, New Zealand, Malaysia, Great Britain and South Africa.

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BUSINESS

Overview

Harrah's Entertainment, Inc., a Delaware corporation, is one of the largest casino entertainment providers in the world. Our business is primarily conducted through a wholly-owned subsidiary, Harrah's Operating Company, Inc., although certain material properties are not owned by Harrah's Operating Company, Inc. As of September 30, 2008, we owned or managed through various subsidiaries 52 casinos in six countries, but primarily in the United States and the United Kingdom. Of these, Harrah's Operating owned or managed 46. Our casino entertainment facilities operate primarily under the Harrah's, Caesars and Horseshoe brand names in the United States, and include land-based casinos, casino clubs, riverboat or dockside casinos, casinos on Indian reservations, a combination greyhound racing facility and casino and combination thoroughbred racetrack and a harness racetrack and slot facility. We have a customer loyalty program, Total Rewards, which has over 40 million members that we use for marketing promotions and to generate play by our customers when they travel among our markets in the United States. We also own and operate the World Series of Poker tournament and brand.

We were incorporated on November 2, 1989 in Delaware, and prior to such date operated under predecessor companies. Our principal executive offices are located at One Caesars Palace Drive, Las Vegas, Nevada 89109, telephone (702) 407-6000. Until January 28, 2008, our common stock was traded on the New York Stock Exchange under the symbol HET.

Description of Business

Our casino business commenced operations in 1937. We own or manage casino entertainment facilities in more areas throughout the United States than any other participant in the casino industry. In addition to casinos, our facilities typically include hotel and convention space, restaurants and non-gaming entertainment facilities. Three of our properties are racetracks at which we have installed slot machines. The descriptions below are as of September 30, 2008, except where otherwise noted.

In southern Nevada, Harrah's Las Vegas, Rio All-Suite Hotel & Casino, Caesars Palace, Bally's Las Vegas, Flamingo Las Vegas, Paris Las Vegas, Imperial Palace Hotel & Casino and Bill's Gamblin' Hall & Saloon are located in Las Vegas, and draw customers from throughout the United States. Harrah's Las Vegas, Rio, Flamingo Las Vegas and Paris Las Vegas are CMBS Assets. Harrah's Laughlin is located near both the Arizona and California borders and draws customers primarily from the southern California and Phoenix metropolitan areas and, to a lesser extent, from throughout the U.S. via charter aircraft.

In northern Nevada, Harrah's Lake Tahoe, Harveys Resort & Casino and Bill's Casino are located near Lake Tahoe and Harrah's Reno is located in downtown Reno, and these facilities draw customers primarily from Northern California, the Pacific Northwest and Canada.

Our Atlantic City casinos, Harrah's Atlantic City, Showboat Atlantic City, Caesars Atlantic City and Bally's Atlantic City, draw customers primarily from the Philadelphia metropolitan area, New York and New Jersey. Harrah's Atlantic City is a CMBS Asset.

Harrah's Chester is a combination harness racetrack and slot facility located approximately six miles south of Philadelphia International Airport which draws customers primarily from the Philadelphia metropolitan area and Delaware.

Our Chicagoland dockside casinos, Harrah's Joliet in Joliet, Illinois, and Horseshoe Hammond in Hammond, Indiana, draw customers primarily from the greater Chicago metropolitan area. In southern Indiana, we own Horseshoe Southern Indiana (formerly Caesars Indiana), a dockside casino complex located in Elizabeth, Indiana, which draws customers primarily from Northern Kentucky, including the Louisville metropolitan area, and Southern Indiana, including Indianapolis.

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In Louisiana, we own Harrah's New Orleans, a land-based casino located in downtown New Orleans, which attracts customers primarily from the New Orleans metropolitan area. In northwest Louisiana, Horseshoe Bossier City, a dockside casino, and Harrah's Louisiana Downs, a thoroughbred racetrack with slot machines, located in Bossier City, cater to customers in northwestern Louisiana and east Texas, including the Dallas/Fort Worth metropolitan area.

On the Mississippi gulf coast, we own the Grand Casino Biloxi, located in Biloxi, Mississippi, which caters to customers in Southern Mississippi, Southern Alabama and Northern Florida.

Harrah's North Kansas City and Harrah's St. Louis, both dockside casinos, draw customers from the Kansas City and St. Louis metropolitan areas, respectively. Harrah's Metropolis is a dockside casino located in Metropolis, Illinois, on the Ohio River, drawing customers from Southern Illinois, Western Kentucky and Central Tennessee.

Horseshoe Tunica, Harrah's Tunica (formerly Grand Casino Tunica) and Sheraton Casino & Hotel Tunica, dockside casino complexes located in Tunica, Mississippi, are approximately 30 miles from Memphis, Tennessee and draw customers primarily from the Memphis area.

Horseshoe Council Bluffs, a land-based casino, and Harrah's Council Bluffs, a dockside casino facility, are located in Council Bluffs, Iowa, across the Missouri River from Omaha, Nebraska. The Bluffs Run Greyhound Racetrack is in operation at Horseshoe Council Bluffs as well. These facilities are located in Council Bluffs, Iowa, across the Missouri River from Omaha, Nebraska. At Bluffs Run, we own the assets other than gaming equipment, and lease these assets to the Iowa West Racing Association, or IWRA, a nonprofit corporation, and we manage the facility for the IWRA under a management agreement expiring in October 2024. Iowa law requires that a qualified nonprofit corporation hold Bluffs Run's gaming and pari-mutuel licenses and its gaming equipment.

Casino Windsor, located in Windsor, Ontario, draws customers primarily from the Detroit metropolitan area and the Conrad Resort & Casino located in Punta Del Este, Uruguay, draws customers primarily from Argentina and Uruguay.

As part of the acquisition of London Clubs in December 2006, we own or manage five casinos in London: the Sportsman, the Golden Nugget, the Rendezvous, Fifty and The Casino at the Empire. Our casinos in London draw customers primarily from the London metropolitan area as well as international visitors. We also own Alea Nottingham, Alea Glasgow, Alea Leeds, Manchester235, Rendezvous Brighton and Rendezvous Southend-on-Sea in the provinces of the United Kingdom, which primarily draw customers from their local areas. We also manage two casinos in Cairo, Egypt at the Nile Hilton and Ramses Hilton, which draw customers primarily from other countries in the Middle East. Emerald Safari, located in the province of Gauteng in South Africa, draws customers primarily from South Africa.

We also earn fees through our management of three casinos for Indian tribes:

Harrah's Phoenix Ak-Chin, located near Phoenix, Arizona, which we manage for the Ak-Chin Indian Community under a management agreement that expires in December 2009. Harrah's Phoenix Ak-Chin draws customers from the Phoenix metropolitan area;

Harrah's Rincon Casino and Resort, located near San Diego, California, which we manage for the Rincon San Luiseno Band of Mission Indians under a management agreement that expires in November 2011. Harrah's Rincon draws customers from the San Diego metropolitan area and Orange County, California; and

Harrah's Cherokee Casino and Hotel, which we manage for the Eastern Band of Cherokee Indians on their reservation in Cherokee, North Carolina under a management contract that expires November 2011. Harrah's Cherokee draws customers from eastern Tennessee, western North Carolina, northern Georgia and South Carolina.

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Until June 30, 2007, we managed Harrah's Prairie Band Casino-Topeka, located near Topeka, Kansas, for the Prairie Band Potawatomi Nation.

We own and operate Bluegrass Downs, a harness racetrack located in Paducah, Kentucky, and own a one-half interest in Turfway Park LLC, which is the owner of the Turfway Park thoroughbred racetrack in Boone County, Kentucky. Turfway Park LLC owns a minority interest in Kentucky Downs LLC, which is the owner of the Kentucky Downs racetrack located in Simpson County, Kentucky.

We also operate the World Series of Poker tournament circuit and license trademarks for merchandise related to this brand.

Properties

The following table sets forth information about our owned or managed casino entertainment facilities as of September 30, 2008.

Property	Type of Casino	Casino Space Sq. Ft. ^(a)	Slot Machines ^(a)	Table Games ^(a)	Hotel Rooms & Suites ^(a)
<i>Atlantic City, New Jersey</i>					
Harrah's Atlantic City ^(d)	Land-based	163,200	3,430	150	2,590
Showboat Atlantic City	Land-based	120,100	3,310	120	1,330
Bally's Atlantic City	Land-based	173,900	4,790	210	1,760
Caesars Atlantic City	Land-based	145,000	3,070	170	1,140
<i>Las Vegas, Nevada</i>					
Harrah's Las Vegas ^(b)	Land-based	90,600	1,610	110	2,530
Rio ^(l)	Land-based	107,000	1,180	100	2,520
Caesars Palace	Land-based	129,900	1,450	160	3,290
Paris Las Vegas ^(l)	Land-based	85,000	1,170	100	2,920
Bally's Las Vegas	Land-based	66,400	1,090	60	2,810
Flamingo Las Vegas ^{(b)(l)}	Land-based	76,800	1,420	130	3,460
Imperial Palace	Land-based	75,000	810	60	2,640
Bill's Gamblin Hall & Saloon	Land-based	42,500	420	40	210
<i>Laughlin, Nevada</i>					
Harrah's Laughlin ^(d)	Land-based	47,000	900	40	1,510
<i>Reno, Nevada</i>					
Harrah's Reno	Land-based	41,600	880	50	930
<i>Lake Tahoe, Nevada</i>					
Harrah's Lake Tahoe	Land-based	57,600	870	70	510
Harveys Lake Tahoe	Land-based	63,300	870	80	740
Bill's Lake Tahoe	Land-based	18,000	300		
<i>Chicago, Illinois area</i>					
Harrah's Joliet (Illinois) ^(s)	Dockside	38,900	1,190	20	200
Horseshoe Hammond (Indiana)	Dockside	108,000	3,190	130	
<i>Metropolis, Illinois</i>					
Harrah's Metropolis ^(d)	Dockside	31,000	1,160	30	260
<i>Southern Indiana</i>					
Horseshoe Southern Indiana	Dockside	86,600	1,910	100	500

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Property	Type of Casino	Casino Space Sq. Ft.^(a)	Slot Machines^(a)	Table Games^(a)	Hotel Rooms & Suites^(a)
<i>Council Bluffs, Iowa</i>					
Harrah's Council Bluffs	Dockside	28,000	1,020	30	250
Horseshoe Council Bluffs ^(e)	Greyhound racing facility and land-based casino	78,800	1,840	70	
<i>Tunica, Mississippi</i>					
Horseshoe Tunica	Dockside	63,000	1,760	90	510
Harrah's Tunica	Dockside	136,000	1,760	80	1,360
Sheraton Casino & Hotel	Dockside	31,000	1,100	30	130
<i>Mississippi Gulf Coast</i>					
Grand Casino Biloxi	Dockside	28,800	830	40	490
<i>St. Louis, Missouri</i>					
Harrah's St. Louis	Dockside	111,500	2,820	90	500
<i>North Kansas City, Missouri</i>					
Harrah's North Kansas City	Dockside	60,100	1,760	60	390
<i>New Orleans, Louisiana</i>					
Harrah's New Orleans	Land-based	125,100	2,040	130	450
<i>Bossier City, Louisiana</i>					
Louisiana Downs	Thoroughbred racing facility and land-based casino	14,900	1,270		
Horseshoe Bossier City	Dockside	29,900	1,510	70	610
<i>Chester, Pennsylvania</i>					
Harrah's Chester ^(f)	Harness racing facility and land-based casino	92,900	2,870		
<i>Phoenix, Arizona</i>					
Harrah's Ak-Chin ^(g)	Indian Reservation	50,300	1,090	30	150
<i>Cherokee, North Carolina</i>					
Harrah's Cherokee ^(g)	Indian Reservation	88,000	3,320	40	580
<i>San Diego, California</i>					
Harrah's Rincon ^(g)	Indian Reservation	69,900	1,600	80	660
<i>Punta del Este, Uruguay</i>					
Conrad Punta del Este Resort and Casino ^(h)	Land-based	44,500	500	60	300
<i>Ontario, Canada</i>					
Casino Windsor ⁽ⁱ⁾	Land-based	100,000	2,620	80	760
<i>United Kingdom</i>					
Golden Nugget	Land-based	5,100	20	40	
Rendezvous Casino	Land-based	6,200	20	40	
The Sportsman	Land-based	5,200	10	40	
Fifty ⁽ⁱ⁾	Land-based	3,200		20	
Rendezvous Brighton	Land-based	7,800	20	70	

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Property	Type of Casino	Casino Space Sq. Ft.^(a)	Slot Machines^(a)	Table Games^(a)	Hotel Rooms & Suites^(a)
Rendezvous Southend-on-Sea	Land-based	8,700	20	60	
Manchester235	Land-based	11,500	20	100	
The Casino at the Empire	Land-based	20,900	20	100	
Alea Nottingham	Land-based	10,000	20	60	
Alea Glasgow	Land-based	15,000	20	60	
Alea Leeds	Land-based	10,300	20	60	
<i>Egypt</i>					
London Club Cairo-Nile ^(g)	Land-based	2,300	40	10	
Rendezvous Cairo-Ramses ^(g)	Land-based	2,700	30	20	
<i>South Africa</i>					
Emerald Safari ^(k)	Land-based	37,700	660	20	190

(a) Approximate.

(b) Information includes O Shea s Casino, which is adjacent to this property.

(c) We have an 80 percent ownership interest in and manage this property.

(d) A hotel, in which we own a 12.5% special limited partnership interest, is adjacent to the Metropolis facility. A second 260-room hotel owned by us opened in 2006.

(e) The property is owned by the Company, leased to the operator, and managed by the Company for the operator for a fee pursuant to an agreement that expires in October 2024. This information includes the Bluffs Run greyhound racetrack that operates at the property.

(f) We have a 50 percent ownership interest in and manage this property. The slot facility at Harrah s Chester opened on January 22, 2007.

(g) Managed.

(h) We have an approximate 95 percent ownership interest in and manage this property.

(i) We have a 50 percent interest in Windsor Casino Limited, which manages this property. The province of Ontario owns the complex.

(j) We have a 50 percent ownership interest in and manage this property.

(k) We have a 70 percent interest in and manage this property.

(l) Properties not owned by Harrah s Operating Company, Inc. or its subsidiaries. See also Management s Discussion and Analysis of Financial Condition and Results of Operations Debt and Liquidity CMBS Financing.

Sales and Marketing

We believe that our distribution system of casino entertainment facilities provides us the ability to generate play by our customers when they travel among markets, which we refer to as cross-market play. In addition, with the Caesars acquisition in June 2005, we have several critical multi-property markets like Las Vegas, Atlantic City and Tunica, and we have seen increased revenue from customers visiting multiple properties in the same market. We believe our customer loyalty program, Total Rewards, in conjunction with this distribution system, allows us to capture a growing share of our customers gaming budget and generate increasing same-store revenue.

Our Total Rewards customers are able to earn Reward Credits and redeem those Reward Credits at substantially all of our casino entertainment facilities located in the U.S. and Canada. Total Rewards is structured in tiers, providing customers an incentive to consolidate their play at our casinos. Depending on their level of play with us in a calendar year, customers may be designated as either Gold, Platinum, Diamond, or Seven Stars customers. Customers who do not participate in Total Rewards are encouraged to join, and those with a Total Rewards card are encouraged to consolidate their play through targeted promotional offers and rewards.

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We have developed a database containing information for our customers and aspects of their casino gaming play. We use this information for marketing promotions, including through direct mail campaigns and the use of electronic mail and our website.

Patents and Trademarks

We own the following trademarks used in this document: Harrah[®], Caesars[®], Grand CasinoSM, Bally[®], Flamingo[®], Paris[®], Caesars Palace[®], Rio[®], Showboat[®], Bill[®], Harveys[®], Total Rewards[®], Bluffs Run[®], Louisiana Downs[®], Reward Credits[®], Horseshoe[®], Seven Stars[®], Winners Circle[®], and World Series of Poker[®]. Trademark rights are perpetual provided that the mark remains in use by us. We consider all of these marks, and the associated name recognition, to be valuable to our business.

We have been issued five U.S. patents covering some of the technology associated with our Total Rewards program-U.S. Patent No. 5,613,912 issued March 25, 1997, expiring April 5, 2015 (which is the subject of a license agreement with Mikohn Gaming Corporation); U.S. Patent No. 5,761,647 issued June 2, 1998, expiring May 24, 2016; U.S. Patent No. 5,809,482 issued September 15, 1998, expiring September 15, 2015; U.S. Patent No. 6,003,013 issued December 14, 1999, expiring May 24, 2016; and U.S. Patent No. 6,183,362, issued February 6, 2001, expiring May 24, 2016. In 2001, we sued a competitor casino company in Federal Court seeking to enforce three of these patents. In June 2004, the trial court ruled against us on the competitor's motion for summary judgment, holding that the claims of Patent Nos. 5,761,647 and 6,183,362 and portions of the claims of Patent No. 6,003,013 were invalid. The appeals court affirmed the trial court's motion for summary judgment and we elected to not appeal this decision. We do not believe that the ruling will adversely affect our business or operations.

Competition

We own or manage land-based, dockside, riverboat and Indian casino facilities in most U.S. casino entertainment jurisdictions. We also own or manage properties in Canada, the United Kingdom, South Africa, Egypt and Uruguay. We compete with numerous casinos and casino hotels of varying quality and size in the market areas where our properties are located. We also compete with other non-gaming resorts and vacation areas, and with various other entertainment businesses. The casino entertainment business is characterized by competitors that vary considerably by their 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.

In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas. In some markets, we face competition from nearby markets in addition to direct competition within our market areas.

In recent years, with fewer new markets opening for development, competition in existing markets has intensified. Many casino operators, including us, have invested in expanding existing facilities, developing new facilities, and acquiring established facilities in existing markets, such as our acquisition of the casinos owned by Rio, Showboat, Players, Harveys, Horseshoe, Caesars and Imperial Palace. This expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors has increased competition in many markets in which we compete, and this intense competition can be expected to continue.

We believe we are well-positioned to take advantage of any further legalization of casino gaming in the U.S. and abroad, the continued positive consumer acceptance of casino gaming as an entertainment activity, and increased visitation to casino facilities. However, the expansion of casino entertainment into new markets, such as the recent expansion of tribal casino opportunities in New York and California and the approval of gaming facilities in Pennsylvania and Florida, could also present competitive issues for us. At this time, the ultimate impact that these events may have on the industry and on us is uncertain.

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The casino entertainment industry is also subject to political and regulatory uncertainty. See Management's Discussion and Analysis of Financial Condition and Results of Operations Overall Operating Results and Regional Results and Development Plans.

Acquisitions and Development

Macau. 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.

Las Vegas. On February 27, 2007, we exchanged certain real estate that we owned on Las Vegas Boulevard for property formerly known as the Barbary Coast, which is located 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.

In July 2007, we announced plans for an expansion and renovation of Caesars Palace Las Vegas, which is expected to cost approximately \$1.3 billion 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 to the property. This expansion is slated for completion in phases in 2009 and 2010.

Biloxi. We have decided to slow down construction, which began in the third quarter of 2007, 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.

Spain. We continue to work on a joint venture casino and hotel development in the master-planned community of Ciudad Real, 118 miles south of Madrid. 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. The project contemplates the development of a Caesars branded casino and hotel. Completion of this project is subject to a number of conditions.

Litigation Related to Our Operations

In April 2000, the Saint Regis Mohawk Tribe (the Tribe) granted Caesars the exclusive rights to develop a casino project in the State of New York. On April 26, 2000, certain individual members of the Tribe purported to commence a class action proceeding in a Tribal Court in Hogsburg, New York, against Caesars seeking to nullify Caesars' agreement with the Tribe. On March 20, 2001, the Tribal Court purported to render a default judgment against Caesars in the amount of \$1,787 million. Prior to our acquisition of Caesars in June 2005, it was believed that this matter was settled pending execution of final documents and mutual releases. Although fully executed settlement documents were never provided, on March 31, 2003, the United States District Court for the Northern District of New York dismissed litigation concerning the validity of the judgment, without prejudice, while retaining jurisdiction to reopen that litigation, if, within three months thereof, the settlement had not been completed. On June 22, 2007, a lawsuit was filed in the United States District Court for the Northern District of New York against us by certain trustees of the Catskill Litigation Trust alleging the Catskill Litigation Trust had been assigned the Tribal Court judgment and seeks to enforce it, with interest. According to a Tribal Court order, accrued interest through July 9, 2007, was approximately \$1,014 million. We filed a motion to dismiss the case which was denied the first week of December 2007 on procedural grounds. In the Court's ruling,

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we were granted leave to renew our request for relief as a summary judgment motion, seeking the same relief (dismissal of the case), but employing a different procedural rule following limited discovery on the issues raised in the motion. Such limited discovery is now proceeding. We believe this matter to be without merit and will vigorously contest any attempt to enforce the judgment.

Litigation Related to the Acquisition

On October 5, 2006, Henoach Kaiman and Joseph Weiss filed a purported class action complaint in the Delaware Court of Chancery, Civil Action No. 2453-N, against Harrah's Entertainment, its board of directors and the Sponsors, challenging the proposed transaction as inadequate and unfair to Harrah's Entertainment's public stockholders. Two similar putative class actions were subsequently filed in the Delaware Court of Chancery: Phillips v. Loveman, et al., Civil Action No. 2456-N; and Momentum Partners v. Atwood, et al., Civil Action No. 2455-N. On October 19, 2006, the Delaware Court of Chancery consolidated the three Delaware cases under the heading In Re Harrah's Entertainment, Inc. Shareholder Litigation.

On December 22, 2006, Delaware plaintiffs' counsel filed an amended and consolidated class action complaint against Harrah's, its directors, the Sponsors, and added as defendants Apollo Management V, L.P., Hamlet Holdings and Merger Sub. The consolidated complaint (the Complaint) alleges that Harrah's board of directors breached their fiduciary duties and that the Sponsors aided and abetted the alleged breaches of fiduciary duty in entering into the merger agreement. The consolidated complaint seeks, among other relief, class certification of the lawsuit, an injunction against the proposed transaction, compensatory and/or rescissory damages to the class, and an award of attorneys' fees and expenses to plaintiffs. On February 14, 2007, defendants began to produce documents in response to plaintiff's initial discovery request.

Subsequent to the entering of a memorandum of understanding and a stipulation of settlement by the parties, a Stipulation and Order of Dismissal was submitted to the Delaware Court of Chancery on April 29, 2008. On June 12, 2008, the court entered an Order and Final Judgment approving the settlement and dismissing the action.

Litigation Related to Development

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

Baha Mar and Baha Mar Development Company Ltd. (Baha Mar Development) filed an Amended Answer and Counterclaims against CBIC and a Third Party Complaint dated June 18, 2008 against HOC in the Supreme Court of the State of New York. Baha Mar and the Baha Mar Development Company Ltd. allege that CBIC wrongfully terminated the Subscription Agreement and that CBIC wrongfully failed to make capital contributions under the Joint Venture Investors Agreement (Investors Agreement), by and between CBIC and Baha Mar, dated January 12, 2007. In addition, Baha Mar and Baha Mar Development allege that HOC wrongfully failed to perform its purported obligations under the Harrah's Baha Mar Joint Venture Guaranty,

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dated January 12, 2007 (Guaranty). Baha Mar and Baha Mar Development assert claims for breach of contract, breach of fiduciary duty, promissory estoppel, equitable estoppel and negligent misrepresentation. Baha Mar and Baha Mar Development seek (i) declaratory relief; (ii) specific performance; (iii) the recovery of alleged monetary damages; (iv) the recovery of attorneys fees, costs, and expenses and (v) the dismissal with prejudice of CBIC s Complaint. CBIC and HOC have each answered, denying all allegations of wrongdoing.

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

Governmental Regulation

The gaming industry is highly regulated, and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our casinos is subject to extensive regulation under the laws, rules and regulations of the jurisdiction where it is located. These laws, rules and regulations generally concern the responsibility, financial stability and character of the owners, managers, and persons with financial interests in the gaming operations. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. See Gaming Regulatory Overview.

Our businesses are subject to various foreign, federal, state and local laws and regulations in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results.

Employee Relations

As of June 30, 2008, we had approximately 86,000 employees through our various subsidiaries. Despite a strike in Atlantic City in 2004 that was settled, we consider our labor relations with employees to be good. As of June 30, 2008, approximately 27,000 employees were covered by collective bargaining agreements with certain of our subsidiaries, relating to certain casino, hotel and restaurant employees at certain of our properties. Most of our employees covered by collective bargaining agreements are located at our properties in Las Vegas and Atlantic City. Our collective bargaining agreements with employees located at our Las Vegas properties expires in May 2012 and at our Atlantic City properties in September 2009.

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GAMING REGULATORY OVERVIEW

The ownership and operation of casino entertainment facilities are subject to pervasive regulation under the laws, rules and regulations of each of the jurisdictions in which we operate. Gaming laws are based upon declarations of public policy designed to ensure that gaming is conducted honestly, competitively and free of criminal and corruptive elements. Since the continued growth and success of gaming is dependent upon public confidence, gaming laws protect gaming consumers and the viability and integrity of the gaming industry, including prevention of cheating and fraudulent practices. Gaming laws may also be designed to protect and maximize state and local revenues derived through taxation and licensing fees imposed on gaming industry participants and enhance economic development and tourism. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the gaming industry meet certain standards of character and fitness, or suitability. In addition, gaming laws require gaming industry participants to:

Establish and maintain responsible accounting practices and procedures;

Maintain effective controls over their financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;

Maintain systems for reliable record keeping;

File periodic reports with gaming regulators; and

Maintain strict compliance with various laws, regulations and required minimum internal controls pertaining to gaming.

Typically, regulatory environments in the jurisdictions in which we operate are established by statute and are administered by a regulatory agency or agencies with interpretive authority with respect to gaming laws and regulations and broad discretion to regulate the affairs of owners, managers, and persons/entities with financial interests in gaming operations. Among other things, gaming authorities in the various jurisdictions in which we operate:

Adopt rules and regulations under the implementing statutes;

Make appropriate investigations to determine if there has been any violation of laws or regulations;

Enforce gaming laws and impose disciplinary sanctions for violations, including fines and penalties;

Review the character and fitness of participants in gaming operations and make determinations regarding their suitability or qualification for licensure;

Grant licenses for participation in gaming operations;

Collect and review reports and information submitted by participants in gaming operations;

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Review and approve transactions, such as acquisitions or change of control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants; and

Establish and collect fees and/or taxes.

Licensing and Suitability Determinations

Gaming laws require us, each of our subsidiaries engaged in gaming operations, certain of our directors, officers and employees, and in some cases, our stockholders and holders of our debt securities, to obtain licenses or findings of suitability from gaming authorities. Licenses or findings of suitability typically require a determination that the applicant qualifies or is suitable. Gaming authorities have very broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable. Subject to certain administrative proceeding requirements, the gaming regulators have the authority to deny any application or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or approval, or fine any

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person licensed, registered or found suitable or approved, for any cause deemed reasonable by the gaming authorities. Criteria used in determining whether to grant a license or finding of suitability, while varying between jurisdictions, generally include consideration of factors such as:

The financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the jurisdiction and exhibits the ability to maintain adequate insurance levels;

The quality of the applicant's casino facilities;

The amount of revenue to be derived by the applicable jurisdiction through operation of the applicant's gaming facility;

The applicant's practices with respect to minority hiring and training; and

The effect on competition and general impact on the community.

In evaluating individual applicants, gaming authorities consider the individual's reputation for good character and criminal and financial history and the character of those with whom the individual associates.

Many jurisdictions limit the number of licenses granted to operate gaming facilities within the jurisdiction, and some jurisdictions limit the number of licenses granted to any one gaming operator. For example, in Indiana, state law allows us to only hold two gaming licenses. Licenses under gaming laws are generally not transferable unless the transfer is approved by the requisite regulatory agency. Licenses in many of the jurisdictions in which we conduct gaming operations are granted for limited durations and require renewal from time to time. In Iowa, our ability to continue our casino operations is subject to a referendum every eight years or at any time upon petition of the voters in the county in which we operate; the most recent referendum occurred in 2002. Our New Orleans casino operates under a contract with the Louisiana gaming authorities which extends until 2014, with a ten-year renewal period. There can be no assurance that any of our licenses or any of the above mentioned contracts will be renewed, or with respect to our gaming operations in Iowa, that continued gaming activity will be approved in any referendum.

In addition to us and our direct and indirect subsidiaries engaged in gaming operations, gaming authorities may investigate any individual or entity having a material relationship to, or material involvement with, any of these entities to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Certain jurisdictions require that any change in our directors or officers, including the directors or officers of our subsidiaries, must be approved by the requisite regulatory agency. Our officers, directors and certain key employees must also file applications with the gaming authorities and may be required to be licensed, qualified or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The burden of demonstrating suitability is on the applicant, who must pay all the costs of the investigation. Changes in licensed positions must be reported to gaming authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, gaming authorities have jurisdiction to disapprove of a change in a corporate position.

If gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would have to sever all relationships with such person. In addition, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, any of our stockholders or holders of our debt securities may be required to file an application, be investigated, and qualify or have his, her or its suitability determined. For example, under Nevada gaming laws, each person who acquires, directly or indirectly, beneficial ownership of any voting security, or beneficial or record ownership of any non-voting security or any debt security in a publicly traded

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corporation which is registered with the Nevada Gaming Commission (the Commission), such as Harrah's Entertainment, may be required to be found suitable if the Commission has reason to believe that his or her acquisition of that ownership, or his or her continued ownership in general, would be inconsistent with the declared public policy of Nevada, in the sole discretion of the Commission. Any person required by the Commission to be found suitable shall apply for a finding of suitability within 30 days after the Commission's request that he or she should do so and, together with his or her application for suitability, deposit with the Nevada Gaming Control Board (the Board) a sum of money which, in the sole discretion of the Board, will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of that application for suitability, and deposit such additional sums as are required by the Board to pay final costs and charges.

Furthermore, any person required by a gaming authority to be found suitable, who is found unsuitable by the gaming authority, shall not be able to hold directly or indirectly the beneficial ownership of any voting security or the beneficial or record ownership of any nonvoting security or any debt security of any publicly traded corporation which is registered with the gaming authority, such as Harrah's Entertainment, beyond the time prescribed by the gaming authority. A violation of the foregoing may constitute a criminal offense. A finding of unsuitability by a particular gaming authority impacts that person's ability to associate or affiliate with gaming licensees in that particular jurisdiction and could impact the person's ability to associate or affiliate with gaming licensees in other jurisdictions.

Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage of our voting securities and, in some jurisdictions, our non-voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability. Most gaming authorities, however, allow an institutional investor to apply for a waiver that allows the institutional investor to acquire, in most cases, up to 15% of our voting securities without applying for qualification or a finding of suitability. An institutional investor is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our gaming affiliates, or the taking of any other action which gaming authorities find to be inconsistent with holding our voting securities for investment purposes only. An application for a waiver as an institutional investor requires the submission of detailed information about the company and its regulatory filings, the name of each person that beneficially owns more than 5% of the institutional investor's voting securities or other equivalent and a certification made under oath and under the penalty of perjury, that the voting securities were acquired and are held for investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations. A change in the investment intent of an institutional investor must be reported to certain regulatory authorities immediately after its decision.

Notwithstanding, each person who acquires directly or indirectly; beneficial ownership of any voting security; or beneficial or record ownership of any nonvoting security or any debt security in our company may be required to be found suitable if a gaming authority has reason to believe that such person's acquisition of that ownership would otherwise be inconsistent with the declared policy of the jurisdiction.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by gaming authorities may be denied a license or found unsuitable, as applicable. The same restrictions may also apply to a record owner if the record owner, after request fails to identify the beneficial owner. Any person found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our securities beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we:

pay that person any dividend or interest upon our voting securities;

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allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;

pay remuneration in any form to that person for services rendered or otherwise; or

fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Although many jurisdictions generally require the individual holders of debt securities such as notes to be investigated and found suitable, gaming authorities may nevertheless retain the discretion to do so for any reason, including but not limited to, a default, or where the holder of the debt instruments exercises a material influence over the gaming operations of the entity in question. Any holder of debt securities required to apply for a finding of suitability or otherwise qualify must generally pay all investigative fees and costs of the gaming authority in connection with such an investigation. If the gaming authority determines that a person is unsuitable to own a debt security, we may be subject to disciplinary action, including the loss of our approvals, if without the prior approval of the gaming authority, we:

pay to the unsuitable person any dividend, interest or any distribution whatsoever;

recognize any voting right by the unsuitable person in connection with those securities;

pay the unsuitable person remuneration in any form; or

make any payment to the unsuitable person by way of principal, redemption, conversion exchange, liquidation or similar transaction. Certain jurisdictions impose similar restrictions in connection with debt securities and retain the right to require holders of debt securities to apply for a license or otherwise be found suitable by the gaming authority.

Under New Jersey gaming laws, if a holder of our debt or equity securities is required to qualify, the holder may be required to file an application for qualification or divest itself of the securities. If the holder files an application for qualification, it must place the securities in trust with an approved trustee. If the gaming regulatory authorities approve interim authorization, and while the application for plenary qualification is pending, such holder may, through the approved trustee, continue to exercise all rights incident to the ownership of the securities. If the gaming regulatory authorities deny interim authorization, the trust shall become operative and the trustee shall have the authority to exercise all the rights incident to ownership, including the authority to dispose of the securities and the security holder shall have no right to participate in casino earnings and may only receive a return on its investment in an amount not to exceed the actual cost of the investment (as defined by New Jersey gaming laws). If the security holder obtains interim authorization but the gaming authorities later find reasonable cause to believe that the security holder may be found unqualified, the trust shall become operative and the trustee shall have the authority to exercise all rights incident to ownership pending a determination on such holder's qualifications. However, during the period the securities remain in trust, the security holder may petition the New Jersey gaming authorities to direct the trustee to dispose of the trust property and distribute proceeds of the trust to the security holder in an amount not to exceed the lower of the actual cost of the investment or the value of the securities on the date the trust became operative. If the security holder is ultimately found unqualified, the trustee is required to sell the securities and to distribute the proceeds of the sale to the applicant in an amount not exceeding the lower of the actual cost of the investment or the value of the securities on the date the trust became operative and to distribute the remaining proceeds to the state. If the security holder is found qualified, the trust agreement will be terminated.

Additionally, the Certificate of Incorporation of Harrah's Entertainment contains provisions establishing the right to redeem the securities of disqualified holders if necessary to avoid any regulatory sanctions, to prevent the loss or to secure the reinstatement of any license or franchise, or if such holder is determined by any gaming regulatory agency to be unsuitable, has an application for a license or permit denied or rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed. The Certificates of

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Incorporation of Harrah's Entertainment also contain, provisions defining the redemption price and the rights of a disqualified security holder. In the event a security holder is disqualified, the New Jersey gaming authorities are empowered to propose any necessary action to protect the public interest, including the suspension or revocation of the licenses for the casinos we own in New Jersey.

Many jurisdictions also require that manufacturers and distributors of gaming equipment and suppliers of certain goods and services to gaming industry participants be licensed and require us to purchase and lease gaming equipment, supplies and services only from licensed suppliers.

Violations of Gaming Laws

If we or our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we and any other persons involved could be subject to substantial fines. Further, a supervisor or conservator can be appointed by gaming authorities to operate our gaming properties, or in some jurisdictions, take title to our gaming assets in the jurisdiction, and under certain circumstances, earnings generated during such appointment could be forfeited to the applicable jurisdictions. Furthermore, violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, violations by us of applicable gaming laws could have a material adverse effect on our financial condition, prospects and results of operations.

Reporting and Recordkeeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information about us and our subsidiaries which gaming authorities may require. Under both Nevada gaming law and federal law, we are required to record and submit detailed reports of currency transactions involving greater than \$10,000 at our casinos and Suspicious Activity Reports (SARCs) if the facts presented so warrant. Effective July 1, 2007, the Nevada requirements for currency reporting were repealed and Nevada properties are now required to adhere to the federal law governing currency transactions. Some jurisdictions require us to maintain a log that records aggregate cash transactions in the amount of \$3,000 or more. We are required to maintain a current stock ledger which may be examined by gaming authorities at any time. We may also be required to disclose to gaming authorities upon request the identities of the holders of our debt or other securities. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to gaming authorities. Failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may also require certificates for our stock to bear a legend indicating that the securities are subject to specified gaming laws. In certain jurisdictions, gaming authorities have the power to impose additional restrictions on the holders of our securities at any time.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by us and our subsidiaries must be reported to, or approved by, gaming authorities. Neither we nor any of our subsidiaries may make a public offering of securities without the prior approval of certain gaming authorities if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in such jurisdictions, or to retire or extend obligations incurred for such purposes. Such approval, if given, does not constitute a recommendation or approval of the investment merits of the securities subject to the offering. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise require prior approval of gaming authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

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Certain gaming laws and regulations in jurisdictions we operate in establish that certain corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting us or our subsidiaries may be injurious to stable and productive corporate gaming, and as a result, prior approval may be required before we may make exceptional repurchases of voting securities (such as repurchases which treat holders differently) above the current market price and before a corporate acquisition opposed by management can be consummated. In certain jurisdictions, the gaming authorities also require prior approval of a plan of recapitalization proposed by the board of directors of a publicly traded corporation which is registered with the gaming authority in response to a tender offer made directly to the registered corporation's shareholders for the purpose of acquiring control of the registered corporation.

Because licenses under gaming laws are generally not transferable, our ability to grant a security interest in any of our gaming assets is limited and may be subject to receipt of prior approval from gaming authorities. A pledge of the stock of a subsidiary holding a gaming license and the foreclosure of such a pledge may be ineffective without the prior approval of gaming authorities. Moreover, our subsidiaries holding gaming licenses may be unable to guarantee a security issued by an affiliated or parent company pursuant to a public offering, or pledge their assets to secure payment of the obligations evidenced by the security issued by an affiliated or parent company, without the prior approval of gaming authorities. We are subject to extensive prior approval requirements relating to certain borrowings and security interests with respect to our New Orleans casino. If the holder of a security interest wishes operation of the casino to continue during and after the filing of a suit to enforce the security interest, it may request the appointment of a receiver approved by Louisiana gaming authorities, and under Louisiana gaming laws, the receiver is considered to have all our rights and obligations under our contract with Louisiana gaming authorities.

Some jurisdictions also require us to file a report with the gaming authority within a prescribed period of time following certain financial transactions and the offering of debt securities. Were they to deem it appropriate, certain gaming authorities reserve the right to order such transactions rescinded.

Certain jurisdictions require the implementation of a compliance review and reporting system created for the purpose of monitoring activities related to our continuing qualification. These plans require periodic reports to senior management of our company and to the regulatory authorities.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions, including the counties, cities, and any related agencies, boards, commissions, or authorities, in which our operations are conducted, in connection with our casino gaming operations, computed in various ways depending on the type of gaming or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable either daily, monthly, quarterly or annually. License fees and taxes are based upon such factors as:

a percentage of the gross revenues received;

the number of gaming devices and table games operated;

franchise fees for riverboat casinos operating on certain waterways; and

admission fees for customers boarding our riverboat casinos.

In Illinois, licensees are obligated to generate a specific dollar amount in gaming tax based on business volume and if the number falls short, the company must subsidize the amount to the State of Illinois.

In many jurisdictions, gaming tax rates are graduated with the effect of increasing as gross revenues increase. Furthermore, tax rates are subject to change, sometimes with little notice, and we have recently experienced tax rate increases in a number of jurisdictions in which we operate. A live entertainment tax is also paid in certain jurisdictions by casino operations where entertainment is furnished in connection with the selling or serving of food or refreshments or the selling of merchandise.

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Operational Requirements

In many jurisdictions, we are subject to certain requirements and restrictions on how we must conduct our gaming operations. In many jurisdictions, we are required to give preference to local suppliers and include minority owned and women owned businesses in construction projects to the maximum extent practicable. Some jurisdictions also require us to give preferences to minority owned and women owned businesses in the procurement of goods and services. Some of our operations are subject to restrictions on the number of gaming positions we may have, the minimum or maximum wagers allowed by our customers, and the maximum loss a customer may incur within specified time periods.

Our land based casino in New Orleans operates under a contract with the Louisiana Gaming Control Board and the Louisiana Economic Development and Gaming Act and related regulations. Under this authority, our New Orleans casino is subject to not only many of the foregoing operational requirements, but also to restrictions on our food and beverage operations, including with respect to the size, location and marketing of eating establishments at our casino entertainment facility. Furthermore, with respect to the hotel tower recently opened, we are subject to restrictions on the number of rooms within the hotel, the amount of meeting space within the hotel and how we may market and advertise the rates we charge for rooms.

In Mississippi, we are required to include adequate parking facilities (generally 500 spaces or more) in close proximity to our existing casino complexes, as well as infrastructure facilities, such as hotels, that will amount to at least 25% of the casino cost. The infrastructure requirement was increased to 100% of the casino cost for any new casinos in Mississippi.

To comply with requirements of Iowa gaming laws, we have entered into management agreements with Iowa West Racing Association, a non profit organization. The Iowa Racing and Gaming Commission has issued a joint license to Iowa West Racing Association and Harveys Iowa Management Company, Inc. for the operation of the Harrah s Council Bluffs Casino, which is an excursion gambling boat that is now permanently moored, and issued a license for the Horseshoe Council Bluffs Casino at Bluffs Run Greyhound Park which is a full service, land based casino and a greyhound racetrack. The company operates both facilities pursuant to the management agreements.

The United Kingdom Gaming Act of 1968 prohibits casino operators from advertising and from offering encouragement or inducement to the public to gamble. Casino operators are allowed to place a limited amount of advertising in certain sections of newspapers or publications. The United Kingdom Gambling Act of 2005 which became effective in September 2007 also contains certain prohibitions on advertising as well as provisions to establish regulations for the control of advertising.

Native American Gaming

The terms and conditions of management contracts and the operation of casinos and all gaming on Native American land in the United States are subject to the Indian Gaming Regulatory Act of 1988, (the IGRA), which is administered by the National Indian Gaming Commission, (the NIGC), the gaming regulatory agencies of tribal governments, and Class III gaming compacts between the tribes for which we manage casinos and the states in which those casinos are located. IGRA established three separate classes of tribal gaming Class I, Class II and Class III. Class I includes all traditional or social games solely for prizes of minimal value played by a tribe in connection with celebrations or ceremonies. Class II gaming includes games such as bingo, pulltabs, punchboards, instant bingo and non-banked card games (those that are not played against the house) such as poker. Class III gaming includes casino-style gaming such as banked table games like blackjack, craps and roulette, and gaming machines such as slots and video poker, as well as lotteries and pari-mutuel wagering. Harrah s Ak-Chin Phoenix and Rincon provide Class II gaming and, as limited by the tribal-state compact, Class III gaming. The Eastern Band Cherokee Casino currently provides only Class III gaming.

IGRA prohibits all forms of Class III gaming unless the tribe has entered into a written agreement or compact with the state that specifically authorizes the types of Class III gaming the tribe may offer. These

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compacts may address, among other things, the manner and extent to which each state will conduct background investigations and certify the suitability of the manager, its officers, directors, and key employees to conduct gaming on tribal lands. We have received our permanent certification from the Arizona Department of Gaming as management contractor for the Ak-Chin Native American Community's casino and have been licensed by the relevant tribal gaming authorities to manage the Ak-Chin Native American Community's casino, the Eastern Band of Cherokee Native Americans' casino and the Rincon San Luiseno Band of Mission Native Americans, respectively.

IGRA requires NIGC approval of management contracts for Class II and Class III gaming as well as the review of all agreements collateral to the management contracts. Management contracts which are not so approved are void. The NIGC will not approve a management contract if a director or a 10% shareholder of the management company:

is an elected member of the Native American tribal government which owns the facility purchasing or leasing the games;

has been or is convicted of a felony gaming offense;

has knowingly and willfully provided materially false information to the NIGC or the tribe;

has refused to respond to questions from the NIGC; or

is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable activities in gaming or the business and financial arrangements incidental thereto.

In addition, the NIGC will not approve a management contract if the management company or any of its agents have attempted to unduly influence any decision or process of tribal government relating to gaming, or if the management company has materially breached the terms of the management contract or the tribe's gaming ordinance, or a trustee, exercising due diligence, would not approve such management contract. A management contract can be approved only after the NIGC determines that the contract provides, among other things, for:

adequate accounting procedures and verifiable financial reports, which must be furnished to the tribe;

tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross revenues and income;

minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs;

a ceiling on the repayment of such development and construction costs; and

a contract term not exceeding five years and a management fee not exceeding 30% of net revenues (as determined by the NIGC); provided that the NIGC may approve up to a seven year term and a management fee not to exceed 40% of net revenues if NIGC is satisfied that the capital investment required, and the income projections for the particular gaming activity require the larger fee and longer term.

Management contracts can be modified or cancelled pursuant to an enforcement action taken by the NIGC based on a violation of the law or an issue affecting suitability.

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Native American tribes are sovereign with their own governmental systems, which have primary regulatory authority over gaming on land within the tribes' jurisdiction. Therefore, persons engaged in gaming activities, including the company, are subject to the provisions of tribal ordinances and regulations on gaming. These ordinances are subject to review by the NIGC under certain standards established by IGRA. The NIGC may determine that some or all of the ordinances require amendment, and that additional requirements, including

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additional licensing requirements, may be imposed on us. The possession of valid licenses from the Ak-Chin Native American Community, the Eastern Band of Cherokee Native Americans and the Rincon San Luiseno Band of Mission Native Americans, are ongoing conditions of our agreements with these tribes.

Riverboat Casinos

In addition to all other regulations applicable to the gaming industry generally, some of our riverboat casinos are also subject to regulations applicable to vessels operating on navigable waterways, including regulations of the U.S. Coast Guard. These requirements set limits on the operation of the vessel, mandate that it must be operated by a minimum complement of licensed personnel, establish periodic inspections, including the physical inspection of the outside hull, and establish other mechanical and operational rules.

Racetracks

We own a full service casino which includes a full array of table games in conjunction with a greyhound racetrack in Council Bluffs, Iowa. The casino operation and the greyhound racing operation are regulated by the same state agency and are subject to the same regulatory structure established for all Iowa gaming facilities. A single operating license covers both parts of the operation in Council Bluffs. We also own slot machines at a thoroughbred racetrack in Bossier City, Louisiana, and we own slot machines at a horse track in southeastern Pennsylvania in which the company, through various subsidiary entities, owns a 50% interest in the entity licensed by the Pennsylvania Gaming Control Board. Generally, our slot operations at the Iowa racetrack is regulated in the same manner as our other gaming operations in Iowa. In addition, regulations governing racetracks are typically administered separately from our other gaming operations (except in Iowa), with separate licenses and license fee structures. For example, racing regulations may limit the number of days on which races may be held.

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The following table provides information regarding our executive officers and members of our boards of directors.

Name	Age	Position(s)
Gary Loveman	48	Chairman of the Board and Director
Jonathan Halkyard	44	Senior Vice President, Chief Financial Officer and Treasurer
Thomas Jenkin	53	Western Division President
Janis Jones	59	Senior Vice President, Communications/Government Relations
David Norton	40	Senior Vice President and Chief Marketing Officer
John Payne	40	Central Division President
Timothy Stanley	42	Senior Vice President, Innovation and Gaming and Chief Information Officer
Mary Thomas	42	Senior Vice President, Human Resources
J. Carlos Tolosa	59	Eastern Division President
Jeffrey Benjamin	47	Director
David Bonderman	66	Director
Anthony Civale	34	Director
Jonathan Coslet	44	Director
Kelvin Davis	45	Director
Karl Peterson	37	Director
Eric Press	43	Director
Marc Rowan	46	Director
Jeanne Jackson	57	Director
Lynn Swann	56	Director
Christopher Williams	50	Director

Gary Loveman has been a Director since 2000; Chairman of the Board since January 1, 2005; Chief Executive Officer since January 2003; President since April 2001. Mr. Loveman also serves as a director of Coach, Inc., a designer and marketer of high-quality handbags and women's and men's accessories, and FedEx Corporation, a world-wide provider of transportation, e-commerce and business services, each of which are traded on the New York Stock Exchange.

Jonathan Halkyard became our Chief Financial Officer in August 2006, a Senior Vice President in July 2005 and Treasurer in November 2003. He served as a Vice President from November 2002 to July 2005, Assistant General Manager-Harrahs Las Vegas from May 2002 to November 2002 and Vice President and Assistant General Manager-Harrahs Lake Tahoe from September 2001 to May 2002.

Thomas Jenkin became our Western Division President in January 2004. He served as Senior Vice President-Southern Nevada from November 2002 to December 2003 and Senior Vice President and General Manager-Rio from July 2001 to November 2002.

Janis Jones became our Senior Vice President-Communications/Government Relations in November 1999. Prior to joining Harrahs Entertainment, Ms. Jones served as Mayor of Las Vegas from 1991 to 1999.

David Norton became our Senior Vice President and Chief Marketing Officer in January 2008. Prior to that role, Mr. Norton served as our Senior Vice President-Relationship Marketing since January 2003. Prior to becoming a Senior Vice President, Mr. Norton served as Vice President-Loyalty Marketing from October 1998 to January 2003.

John Payne became our Central Division President in January 2007. Before becoming Central Division President, Mr. Payne served as Atlantic City Regional President from January 2006 to December 2006, Gulf

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Coast Regional President from June 2005 to January 2006, Senior Vice President and General Manager-Harrah's New Orleans from November 2002 to June 2005 and Senior Vice President and General Manager-Harrah's Lake Charles from March 2000 to November 2002.

Timothy Stanley became our Senior Vice President-Innovation and Gaming in January 2007 and our Chief Information Officer in January 2003. He served as Senior Vice President-Information Technology from February 2004 to January 2007 and Vice President-Information Technology from February 2001 to February 2004.

Mary Thomas became our Senior Vice President-Human Resources in February 2006. Prior to joining our company, Ms. Thomas served as Senior Vice President-Human Resources North America for Allied Domecq Spirits & Wines from October 2000 to December 2005.

J. Carlos Tolosa became our Eastern Division President in January 2003. Prior to becoming our Eastern Division President, Mr. Tolosa served as our Western Division President from August 1997 to January 2003.

Jeffrey Benjamin became a member of our board of directors in January 2008 upon consummation of the Acquisition. Mr. Benjamin has been a Senior Advisor to Cyrus Capital Partners since June 2008, having previously been a senior advisor to Apollo since 2002. Mr. Benjamin also serves as a Consultant to Apollo with respect to investments in the gaming industry. Mr. Benjamin also serves on the boards of directors of Exco Resources, Inc. and Virgin Media Inc.

David Bonderman became a member of our board of directors in January 2008 upon consummation of the Acquisition. Mr. Bonderman is a founding partner of TPG. Prior to forming TPG in 1992, Mr. Bonderman was Chief Operating Officer of Keystone, Inc. (formerly known as the Robert M. Bass Group, Inc.). Mr. Bonderman also serves on the boards of directors of CoStar Group, Inc., Gemalto N.V., and Ryanair Holdings PLC, of which he is Chairman, the Wilderness Society, the Grand Canyon Trust, the World Wildlife Fund, the University of Washington Foundation, and the American Himalayan Foundation.

Anthony Civale became a member of our board of directors in January 2008 upon consummation of the Acquisition. Mr. Civale is a Partner at Apollo Global Management, LLC, where he has worked since 1999. Mr. Civale also serves on the boards of directors of Berry Plastics Holding Corporation and Prestige Cruise Holdings, Inc.

Jonathan Coslet became a member of our board of directors in January 2008 upon consummation of the Acquisition. Mr. Coslet is a Senior Partner at TPG Capital, LP. Mr. Coslet serves on the boards of directors of The Neiman Marcus Group, Inc., Petco Animal Supplies, Inc., J. Crew Group, Inc., Quintiles Transnational Corp., Iasis Healthcare Corp., and Biomet, Inc. Mr. Coslet also serves on the Harvard Business School Advisory Board for the West Coast and the Finance Committee of the Lucille Packard Children's Hospital at Stanford.

Kelvin Davis became a member of our board of directors in January 2008 upon consummation of the Acquisition. Mr. Davis is a Senior Partner at TPG Capital, LP and Head of the firm's North American Buyouts Group. Mr. Davis also serves as directors of Kraton Polymers LLP, Aleris International Inc., Metro-Goldwyn-Mayer Studios Inc., Graphic Packaging Holding Company, and Univision Communications, Inc.

Karl Peterson became a member of our board of directors in January 2008 upon consummation of the Acquisition. Mr. Peterson is a Partner at TPG Capital, LP, where he has worked since 2004. Prior to joining TPG, Mr. Peterson was President and Chief Executive Officer of Hotwire, Inc. from 2000 to 2003. Mr. Peterson also serves on the boards of directors of Univision Communications, Sabre Holdings and Norwegian Cruise Lines.

Eric Press became a member of our board of directors in January 2008 upon consummation of the Acquisition. Mr. Press is a Partner at Apollo Global Management, LLC, where he has worked since 1998.

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Mr. Press also serves on the boards of directors of Prestige Cruise Holdings, Inc., Noranda Aluminum, Affinion Group, Metals USA Holdings and Innkeepers USA.

Marc Rowan became a member of our board of directors in January 2008 upon consummation of the Acquisition. Mr. Rowan is a managing partner of Apollo Global Management, LLC. Mr. Rowan also serves on the boards of directors of the general partner of AAA, an Apollo-sponsored multi-billion dollar alternative investment manager and Norwegian Cruise Lines. Mr. Rowan is a founding member and serves on the executive committee of the Youth Renewal Fund and also serves on the board of directors of the National Jewish Outreach Program, Riverdale Country School and the Undergraduate Executive Board of The Wharton School.

Jeanne Jackson became a member of our board of directors in April 2008. Ms. Jackson is founder and chief executive officer of MSP Capital, a private investment company. Ms. Jackson also serves as a director of Nike, Inc., McDonald's Corporation, and Nordstrom, Inc.

Lynn Swann became a member of our board of directors in April 2008. Mr. Swann is president of Swann, Inc., a consulting firm specializing in marketing and communications and managing director of Diamond Edge Capital Partners, LLC, a New York based finance company. He also serves as a director on the Hershey Entertainment and Resorts Company Board and the H. J. Heinz Company.

Christopher Williams became a member of our board of directors in April 2008. Mr. Williams has been Chairman of the Board and Chief Executive Officer of Williams Capital Group, L.P., an investment bank, since 1994, and Chairman of the Board and Chief Executive Officer of Williams Capital Management, LLC, an investment management firm, since 2002. He was a director from November 2003 to January 2008, and was a member of the Audit Committee. He also serves as a director of The Partnership for New York City, the National Association of Securities Professionals, and Wal-Mart Stores, Inc.

Board Composition

Board Committees

Audit Committee. The Audit Committee consists of four members: Karl Peterson, Eric Press, Jeanne Jackson and Christopher Williams. In light of our status as a privately-held company and the absence of a public trading market for our common stock, our Board has not designated any member of the Audit Committee as an audit committee financial expert. Though not formally considered by our Board given that our securities are no longer registered or traded on any national securities exchange, based upon the listing standards of the New York Stock Exchange, the national securities exchange upon which our common stock was listed prior to the Acquisition, we do not believe that either of Messrs. Peterson or Press would be considered independent because of their relationships with certain affiliates of the Sponsors and other entities which hold 100% of our outstanding voting common stock, and other relationships with us.

Human Resources Committee. See Executive Compensation Compensation Discussion and Analysis Corporate Governance Our Human Resources Committee

Executive Committee. The Executive Committee consists of three members: Kelvin Davis, Marc Rowan and Gary Loveman. The Executive Committee has all the powers of our Board in the management of our business and affairs, including without limitation, the establishment of additional committees or subcommittees of our Board and the delegation of authority to such committees and subcommittees, and may act on behalf of our Board to the fullest extent permitted under Delaware law and our organizational documents. The Executive Committee serves at the pleasure of our Board and may act by a majority of its members, provided that at least one member affiliated with TPG or Apollo must approve any action of the Executive Committee.

Finance Committee. The Finance Committee consists of two members: Karl Peterson and Eric Press. The Finance Committee has been delegated management of our indebtedness and the indebtedness of our subsidiaries.

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Code of Ethics

The Code of Business Conduct and Ethics that our Board adopted applies to our chairman, chief executive officer and president, chief operating officer, chief financial officer and chief accounting officer and is intended to qualify as a code of ethics as defined by rules of the Securities and Exchange Commission. This Code, is designed to deter wrongdoing and to promote:

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us;

compliance with applicable governmental laws, rules and regulations;

prompt internal reporting to an appropriate person or persons identified in the Code of violations of the Code; and

accountability for adherence to the Code.

Executive Compensation

Compensation Discussion and Analysis

Corporate Governance

Our Human Resources Committee. The Human Resources Committee (the Committee or HRC) serves as the Company's compensation committee with the specific purpose of designing, approving, and evaluating the administration of the Company's compensation plans, policies, and programs. The Committee ensures that compensation programs are designed to encourage high performance, promote accountability and align employee interests with the interests of the Company's stockholders. The Committee is also charged with reviewing and recommending the compensation of the Chief Executive Officer and our other senior executives, including all of the named executive officers. The Committee operates under the Harrah's Entertainment, Inc. the Human Resources Committee Charter. The HRC Charter was last updated on April 15, 2008, and it is reviewed no less than once per year with any recommended changes provided to the Board of Directors of the Company (the Board) for approval.

As of September 30, 2008, the Committee was comprised of two members: Kelvin Davis and Marc Rowan. The qualifications of the Committee members stem from roles as corporate leaders, private investors, and board members of several large corporations. Their knowledge, intelligence, and experience in company operations, financial analytics, business operations, and understanding of human capital management enables the members to carry out the objectives of the Committee.

As of December 31, 2007, the Committee was comprised of five members: Frank J. Biondi, Jr. (Chair), Ralph Horn, R. Brad Martin, Robert G. Miller, and Boake A. Sells. Other than the 2007 bonus payments (paid in 2008), 2007 compensation decisions were made by the Committee in place prior to the Acquisition. The qualifications of the Committee members stem from roles as corporate leaders, private investors, and board members of several large corporations. Their knowledge, intelligence, and experience in company operations, financial analytics, business operations, and understanding of human capital management enables the members to carry out the objectives of the Committee.

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee or to specified executives of the Company, except that it shall not delegate its responsibilities for any matters where it has determined such compensation is intended to comply with (a) the exemptions under Section 16(b) of the Securities Exchange Act of 1934, or (b) Section 162(m) of the Internal Revenue Code.

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HRC Consultant Relationships. The Committee has the authority to engage services of independent legal counsel, consultants and subject matter experts in order to analyze, review, and recommend actions with regard to Board compensation, executive officer compensation, or general compensation and plan provisions. The Company provides for appropriate funding for any such services commissioned by the Committee. These consultants are used by the HRC for purposes of executive compensation review, analysis, and recommendations. The HRC has in the past, and will continue in the future, to engage external consultants for the purposes of determining Chief Executive Officer and other senior executive compensation.

Roles in establishing compensation

Role of Human Resources Committee. The HRC has sole authority in setting the material compensation of the Company's senior executives, including base pay, incentive pay (bonus) and equity awards. The HRC receives information and input from senior executives of the Company and outside consultants (as described below) to help establish these material compensation determinations, but the HRC is the final arbiter on these decisions.

Role of company executives in establishing compensation. When determining the pay levels for the Chief Executive Officer and our other senior executives, the Committee solicits advice and counsel from internal as well as external resources. Internal Company resources include the Chief Executive Officer, Senior Vice President of Human Resources and Vice President of Compensation, Benefits, and Human Resource Systems and Services. The Senior Vice President of Human Resources is responsible for developing and implementing the Company's business plans and strategies for all companywide human resource functions, as well as day-to-day human resources operations. The Vice President of Compensation and Human Resource Systems and Services is responsible for the design, execution, and daily administration of the Company's compensation, benefits, and human resources shared-services operations. Both of these Human Resources executives attend the HRC meetings and act as a source of informational resources and serve in an advisory capacity. The Corporate Secretary is also in attendance at each of the HRC meetings and oversees the legal aspects of the Company's executive compensation plans, updates the Committee regarding changes in laws and regulations affecting the Company's compensation policies, and records the minutes of each HRC meeting. The Chief Executive Officer also attends HRC meetings.

In 2007, the HRC Chair communicated directly with the Chief Executive Officer and top Human Resources executives in order to obtain external market data, industry data, internal pay information, individual and Company performance results, and updates on regulatory issues. The Committee Chair also delegated specific tasks to the Human Resources executives in order to facilitate the decision making process and to assist in the finalization of meeting agendas, documentation, and compensation data for Committee review and approval.

The Chief Executive Officer annually reviews the performance of our senior executives and, based on these reviews, recommends to the HRC compensation for all senior executives, other than his own compensation. The HRC, however, has the discretion to modify the recommendations and makes the final decisions regarding material compensation to senior executives, including base pay, incentive pay (bonus), and equity awards.

Role of outside consultants in establishing compensation. The Company's internal Human Resources executives regularly engage outside consultants related to the Company's compensation policies. Standing consulting relationships are held with several global consulting firms specializing in executive compensation, human capital management, and board of director pay practices. The consultants provided the information described above to the Company's compensation department to help formulate information that is then provided to the HRC. The consultants did not interact with each other in 2007, as they each work on discrete areas of compensation.

Objectives of Compensation Programs

The Company's executive compensation program is designed to achieve the following objectives:

align our rewards strategy with our business objectives, including enhancing stockholder value and customer satisfaction,

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support a culture of strong performance by rewarding employees for results,

attract, retain and motivate talented and experienced executives, and

foster a shared commitment among our senior executives by aligning the Company's and their individual goals.

These objectives are ever present and are at the forefront of our compensation philosophy and all compensation design decisions.

Compensation Philosophy

The Company's compensation philosophy provides the foundation upon which all compensation programs are built. Our goal is to compensate our executives with a program that rewards loyalty, results-driven individual performance, and dedication to the organization's overall success. These principles define our compensation philosophy and are used to align our compensation programs with our business objectives. Further, the HRC specifically outlines in its charter the following duties and responsibilities in shaping and maintaining the Company's compensation philosophy:

Assess whether the components of executive compensation support the Company's culture and business goals;

Consider the impact of executive compensation programs on stockholders;

Consider issues and approve policies regarding qualifying compensation for executives for tax deductibility purposes;

Approve the appropriate balance of fixed and variable compensation; and

Approve the appropriate role of performance based and retention based compensation.

The executive compensation program rewards our executives for their contributions in achieving the Company's mission of providing outstanding customer service and attaining strong financial results, as discussed in more detail below. The Company's executive compensation policy is designed to attract and retain high caliber executives and motivate them to superior performance for the benefit of the Company's stockholders.

Various Company policies are in place to shape our executive pay plans, including:

Salaries are linked to competitive factors, internal equity, and can be increased as a result of successful job performance;

The annual bonus program is competitively based and provides incentive compensation based on our financial performance;

Long-term compensation is tied to enhancing stockholder value and to our financial performance; and

Qualifying compensation paid to senior executives is designed to maximize tax deductibility, where possible.

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The executive compensation practices are to compensate executives primarily on performance, with a large portion of potential compensation at risk. In the past, the HRC has set senior executive compensation with two driving principals in mind: (1) delivering financial results to our stockholders and (2) ensuring that our customers receive a great experience when visiting our properties. To that end, historically the HRC has set our senior executive compensation so that at least 50% of our senior executives' total compensation be at risk based on these objectives.

Although many legislative changes and accounting rules have changed over the past several years impacting our executive compensation programs and policies, in 2007 there was only one material change in our executive compensation program. Due to the pending Acquisition, our senior executives were not awarded equity compensation in 2007.

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Compensation Program Design

The executive compensation program is designed with our executive compensation objectives in mind and is comprised of fixed and variable pay plans, cash and non-cash plans, and short and long-term payment structures in order to recognize and reward executives for their contributions to the Company today and in the future.

The table below reflects our short-term and long-term executive compensation programs:

Short-term

Fixed and Variable Pay

Base Salary

Annual Management Bonus Plan

2005 Senior Executive Incentive Plan

The Company continually assesses and evaluates the internal and external competitiveness for all components of the executive compensation program. Internally, we look at critical and key positions that are directly linked to the profitability and viability of the Company. We ensure that the appropriate hierarchy of jobs is in place with appropriate ratios of Chief Executive Officer compensation to other senior executive compensation. We believe the appropriate ratio of Chief Executive Officer compensation compared to other senior executives ranges from 2:1 on the low end to 10:1 on the high end. These ratios are merely a reference point for the HRC in setting the compensation of our Chief Executive Officer, and were set after reviewing the job responsibilities of our Chief Executive Officer versus other senior executives and market practice. Internal equity is based on qualitative job evaluation methods, span of control, required skills and abilities, and long-term career growth opportunities. Externally, benchmarks are used to provide guidance and to ensure that our ability to attract, retain and recruit talented senior executives is intact. Due to the highly competitive nature of the gaming industry as well as the competitiveness across industries for talented senior executives, it is important for our pay plans to provide us the ability to internally develop executive talent, as well as recruit highly qualified senior executives.

External competitiveness is reviewed with the help of outside consultants and measured by data gathered from published executive compensation surveys and proxy data from peer companies. We define our peer group as one which operates under similar business conditions as the Company's, such as large gaming companies, hotel and lodging companies and large companies in the consumer services industries. We did not do a peer review in 2007, but the companies comprising our peer group for 2006 were:

Long-term

Variable Pay

Equity Awards

Executive Supplemental Savings Plan II

American Real Estate Partners, L.P.

Aramark Corporation

Boyd Gaming Corporation

Carnival Corporation

CBS Corporation

The DIRECTV Group, Inc.

GTECH Holdings Corporation

Hilton Hotels Corporation

IAC/InteractiveCorp

International Game Technology

Las Vegas Sands Corp.

Marriott International, Inc.

MGM MIRAGE

Penn National Gaming, Inc.

Starbucks Corporation

Starwood Hotels & Resorts Worldwide, Inc.

Station Casinos, Inc.

Wynn Resorts, Limited.

YUM! Brands

When used in 2006, median revenue and market capitalization for the 19 peer companies listed above are \$6 billion and \$12 billion, respectively. The Company's revenue and market capitalization each fell at the 68th percentile of the peer group in 2006.

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The peer group is used to benchmark senior executive compensation, which includes base salary, bonus, and long-term incentive pay. Each compensation element is considered individually and as a portion of total compensation, particularly when applying marketing data, which means that if one element is under or over our target market position, a corresponding adjustment does not necessarily take place if the executive's total compensation is positioned competitively. The Company targets its senior executive total direct compensation or TDC (base + bonus + long-term incentive opportunity) at the 75-90th percentile of the peer group. In June 2006, a TDC analysis was conducted in conjunction with Watson Wyatt Worldwide and the findings showed that we were within our 75-90th percentile range in base pay, bonus, long-term compensation, and total compensation. We target at the higher end of the market due to the competitive environment of the gaming industry, our goal to attract the most talented executives, and to support our efforts of retaining our executives for long-term business success.

The overall design of the executive compensation program and the elements thereof is a culmination of years of development and compensation plan design adjustments. Each year the plans have been reviewed for effectiveness, competitiveness, and legislative compliance. The current plans have been put into place with the approval of the HRC and in support of the principles of the compensation philosophy and objectives of the Company's pay practices and policies.

Impact of Performance on Compensation

The impact of individual performance on compensation is present in base pay merit increases, setting the annual bonus plan payout percentages as compared to base pay, and the amount of equity awards granted. The impact of the Company's financial performance and customer satisfaction is present in the calculation of the annual bonus payment and the intrinsic value of equity awards. Supporting a performance culture and providing compensation that is directly linked to outstanding individual and overall financial results is at the core of the Company's compensation philosophy and human capital management strategy.

For senior executives, the most significant compensation plans that are directly affected by the attainment of performance goals is the Annual Management Bonus Plan and 2005 Senior Executive Incentive Plan. All bonus plan performance criteria, target percentages, and plan awards were set in February 2007 for the bonus payments for fiscal 2007 (paid in 2008). The financial measurements used to determine the bonus under the Annual Management Bonus Plan are (1) Return on Invested Capital (ROIC), (2) Adjusted Earnings per Share (EPS), and (3) Operating Income (OI). The non-financial measurement used to determine plan payments is customer satisfaction. The financial measure for the 2005 Senior Executive Incentive Plan is earnings before interest, taxes, depreciation and amortization (EBITDA), as more fully described below.

Based on performance goals set by the HRC each year, there are minimum requirements that must be met in order for a bonus plan payment to be provided. Just as bonus payments are increased as performance goals are exceeded, results falling short of goals reduce or eliminate bonus payments. In order for senior executives to receive a bonus, a minimum attainment of 80% of financial and customer satisfaction scores approved by the HRC must be met. The 2007 requirements were set at the February 2007 HRC meeting.

Elements of Compensation

Elements of Active Employment Compensation and Benefits

The total direct compensation mix for each Named Executive Officer (NEO) varies. For our Chief Executive Officer, the allocation for 2007 was 45% for base salary and 55% for annual bonus. For the other NEOs in 2007, the average allocation was 57% for base salary and 43% for annual bonus. Due to the pending Acquisition, equity compensation was not awarded to our senior executives in 2007. Each compensation element is considered individually and as a component within the total compensation package. In reviewing each element of our senior executive's compensation, the HRC reviews peer data, internal and external benchmarks, the

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performance of the Company over the past 12 months (as compared to the Company's internal plan as well as compared to other gaming companies) and the executive's individual performance. Prior compensation and wealth accumulation is considered when making decisions regarding current and future compensation; however, it has not been a decision point used to cap a particular compensation element.

Base Salary

Salaries are reviewed each year and increases, if any, are based primarily on an executive's accomplishment of various performance objectives and salaries of executives holding similar positions within the peer group, or within our Company. Adjustments in base salary may be attributed to one of the following:

Merit: increases in base salary as a reward for meeting or exceeding objectives during a review period. The size of the increase is directly tied to pre-defined and weighted objectives (qualitative and quantitative) set forth at the onset of the review period. The greater the achievement in comparison to the goals, generally, the greater the increase. Merit increases can sometimes be distributed as lump-sum bonuses rather than increasing base salary.

Market: increases in base salary as a result of a competitive market analysis, or in coordination with a long term plan to pay a position at a more competitive level.

Promotional: increases in base salary as a result of increased responsibilities associated with a change in position.

Additional Responsibilities: increases in base salary as a result of additional duties, responsibilities, or organizational change. A promotion is not necessarily involved.

Retention: increases in base salary as a result of a senior executive's being recruited by or offered a position by another employer. All of the above reasons for base salary adjustments for senior executives must be approved by the HRC and are not guaranteed as a matter of practice or in policy.

Our Chief Executive Officer did not receive an increase in base salary in 2007. The HRC determined in 2005 to provide an increase in Mr. Loveman's base salary in order to adjust the salary for the increased responsibilities due to the nearly 100% growth in Company's size as a result of the Caesars Entertainment, Inc. acquisition. The other NEOs average increase in base salary was 6.5% in 2007. The average increase for our NEOs reflect merit and market increases.

Senior Executive Incentive Plan

The 2005 Senior Executive Incentive Plan was approved by the Company's stockholders in 2004 to provide participating executives with incentive compensation based upon the achievement of pre-established performance goals. The 2005 Senior Executive Incentive Plan is designed to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended, which limits the tax deductibility by the Company of compensation paid to executive officers named in the Summary Compensation Table to \$1 million. The Committee approves which officers will participate each calendar year prior to, or at the time of, establishment of the performance objectives for a calendar year. In 2007, Messrs. Loveman, Atwood and Halkyard participated in the 2005 Senior Executive Incentive Plan. The 2005 Senior Executive Incentive Plan's objective for 2007 was based on the Company's EBITDA. Under the 2005 Senior Executive Incentive Plan, EBITDA is adjusted for the following income statement line items: write-downs, reserves and recoveries, project opening costs, and any gain or loss on early extinguishment of debt. Bonus amounts were set at 0.5% of EBITDA. The HRC set the same objective and criteria for 2008.

The Committee has discretion to decrease bonuses under the 2005 Senior Executive Incentive Plan and it has been the Committee's practice to decrease the bonuses by reference to the achieved performance goals and bonus formulas used under the Annual Management Bonus Plan discussed below. See the Summary Compensation Table

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for specific bonus amounts awarded to our NEOs in 2008 for 2007 performance. The HRC used their discretion to reduce the bonus amounts paid to the NEOs and other senior executives in order to align their payments with the formula outlined in the Annual Management Bonus Plan Administrative Rules.

The Committee has determined that Messrs. Loveman, Atwood and Halkyard and other officers will participate in the 2005 Senior Executive Incentive Plan for the year 2008. As noted above, the Committee has authority to reduce bonuses earned under the 2005 Senior Executive Incentive Plan and also has authority to approve bonuses outside of the 2005 Senior Executive Incentive Plan to reward executives for special personal achievement.

On December 11, 2008, the Harrah's Entertainment, Inc. 2009 Senior Executive Incentive Plan was approved by its sole stockholder, to be effective January 1, 2009. The 2009 Senior Executive Incentive Plan replaces the 2005 Senior Executive Incentive Plan. The awards granted pursuant to the 2009 Plan are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended. Eligibility to participate in the 2009 Senior Executive Incentive Plan is limited to senior executives of Harrah's and its subsidiaries who are or at some future date may be, subject to Section 16 of the Securities Exchange Act of 1934, as amended. The HRC will select the 2009 Senior Executive Incentive Plan participants for each performance period. The 2009 Senior Executive Incentive Plan's performance goal will be based upon Harrah's EBITDA. The HRC will establish the performance goal for the performance period and adopt targeted awards for HRC participants for such performance period. Subject to the foregoing and to the maximum award limitations, no awards will be paid for any period unless Harrah's achieves positive EBITDA.

Annual Management Bonus Plan

The Annual Management Bonus Plan (the Bonus Plan) provides the opportunity for the Company's senior executives and other participants to earn an annual bonus payment based on meeting corporate financial and non-financial goals. These goals are set at the beginning of each fiscal year by the HRC. Under the Bonus Plan, the goals can pertain to operating income, pretax earnings, return on sales, earnings per share, a combination of objectives, or another objective approved by the Committee. For Messrs. Jenkin and Tolosa, who participated in the Bonus Plan for 2007, the objectives also include the operating income and customer satisfaction for their respective divisions. The goals may change annually to support the Company's short or long-term business objectives. For the 2007 plan year, the plan's goal consisted of a combination of earnings per share, income from operations, return on invested capital, and customer satisfaction improvement. Although officers that participate in the 2005 Senior Executive Incentive Plan do not participate in the Annual Management Bonus Plan, goals are set for all officers under this plan. The measurement used to gauge the attainment of these goals is called the corporate score.

For 2007, financial goals are comprised of these separate measures, representing up to 90 percent of the corporate score.

Adjusted Earnings Per Share: This is a common measure of company performance followed closely by investors and the business press. This measure helps us focus on the value we deliver to stockholders. Adjusted earnings per share is earnings per share adjusted for pre-opening costs, write-downs, reserves and recoveries, and unusual non-operating costs. Adjusted Earnings Per Share comprised 45% of the corporate score for 2007, and was set at \$4.28 per share for 2007.

Operating Income: As income is the lifeblood of any organization, the Committee believes that this is an excellent indication of our overall business health. Although this measure includes depreciation on assets, amortization, and corporate expenses, our officers have the ability to influence the outcome of this measure by supporting revenue generating business objectives and decreasing expenses whenever possible. Operating Income comprised 22.5% of the corporate score for 2007, and was set at \$2,035 million for 2007.

Return on Invested Capital: As the Company continues to make large, innovative investments, such as investments in capital improvements at existing properties, development of new properties, it is

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imperative that we generate attractive returns for our investors. Annual ROIC performance is determined by dividing the after-tax operating income by average invested capital. Return on Invested Capital comprised 22.5% of the corporate score for 2007, and was set at 5.75% for 2007.

Non-financial goals consist of one key measurement: customer satisfaction. We believe we distinguish ourselves from competitors by providing excellent customer service. Supporting our property team members who have daily interaction with our external customers is critical to maintaining and improving guest service. Customer satisfaction is measured by surveys taken by a third party of our loyalty program (Total Rewards) customers. These surveys are taken weekly across a broad spectrum of customers. Customers are asked to rate our casinos performance using a simple A-B-C-D-F rating scale. The survey questions focus on friendly/helpful and wait time in key operating areas, such as beverage service, slot services, Total Rewards, cashier services and hotel operation services. Each of our casinos properties works against an annual baseline defined by a composite of their performance in these key operating areas from the previous years. Customer satisfaction comprised 10% of the corporate score for 2007, and was set at 4% change from non-A to A scores for 2007.

In February 2007, the HRC determined the thresholds for the corporate score for 2007. Bonus plan payments would only be paid when all three financial measures are at least 80 percent of target. Additionally, customer satisfaction must achieve a one percent or higher shift in non-A to A scores.

After the corporate score has been determined, a bonus matrix approved by the Committee provides for bonus amounts of participating executive officers and other participants that will result in the payment of a specified percentage of the participant's salary if the target objective is achieved. This percentage of salary is adjusted upward or downward based upon the level of corporate score achievement.

In April 2005, the Committee reviewed a report on executive compensation that it commissioned from the Hay Group. Based on that report, the Committee approved an enhancement to the bonus target percentages for the Chief Executive Officer and other senior executives. This enhancement affects the target bonus percentages by applying a multiplier triggered by a corporate score of 1.1 or greater. The multiplier starts at 121% and caps at 250% for a corporate score of 1.1 and 1.5, respectively.

After the end of the fiscal year, the Chief Executive Officer assesses the Company's performance against the financial and customer satisfaction targets set by the HRC. Taking into account the Company's performance against the targets set by the HRC, the Chief Executive Officer will develop and recommend a performance score of 0 to 1.5 to the Committee.

The Committee has the authority under the Annual Management Bonus Plan to adjust any goal or bonus points with respect to executive officers. These decisions are subjective and based generally on a review of the circumstances affecting results to determine if any events were unusual or unforeseen. For 2007, the HRC reviewed the corporate score and approved adjustments based on information presented by the Chief Executive Officer. The HRC, similarly, approved adjustments to the corporate score for 2006. The adjustments approved by the HRC for 2007 were based on unexpected occurrences that were beyond the control of the Company's management (such as union elections in Atlantic City and Las Vegas, fires in Lake Tahoe and San Diego, affecting Harrah's Rincon), and acquisitions that were not planned for (such as our acquisition in 2007 of a golf course in Macau).

The 2007 corporate score of .80 was approved by the HRC in February 2008 and payments will be made in accordance with the Annual Management Bonus Plan based on this score. For 2007, the HRC approved bonuses as a percent of eligible earnings for the Named Executive Officers as follows: 120% Mr. Loveman, 100% for Mr. Atwood, 86% for Mr. Jenkin, 60% for Mr. Halkyard, and 60% for Mr. Tolosa. Although officers that participate in the 2005 Senior Executive Incentive Plan do not participate in the Annual Management Bonus Plan, goals are set for all officers under this plan.

See Human Resource Committee Actions Taken After Fiscal Year 2007 Establishment of Performance Goals for a description of the goals that have been set for 2008 under the Annual Management Bonus Plan.

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Equity Awards

As approved by stockholders in 2006, the Harrah's Entertainment, Inc. Amended and Restated 2004 Equity Incentive Award Plan (2004 EIAP) promoted the success and enhances the value of the Company by linking the personal interests of the members of the Board, employees, and senior executives to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders. The 2004 EIAP was intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of key employees. The 2004 EIAP provided for the grant of stock options, both incentive stock options and nonqualified stock options, restricted stock, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards, and performance-based awards to eligible individuals.

Historically, the annual grant process for all eligible employees takes place during the summer HRC meeting. The actual timing of the annual grant process is driven by the natural building of pay elements as the year progresses (base, bonus, and then equity). In the first and second quarters of the calendar year, the Company's management team is heavily involved in performance reviews, corresponding merit increases, and bonus payments. During the second and third quarters, the Company focuses on the equity grants. The second reason for the timing of grants is simply a product of the work load throughout the year, and with a summer equity grant date the administrative burden placed on the Company can be more easily absorbed. Lastly, the timing of the equity grants corresponds with the annual review of base salary by the HRC for our Chief Executive Officer and the other senior executives of the Company. Grant approvals can also be placed on the HRC agendas through the year, if necessary or appropriate. All equity grant dates coincide with the date the award is approved by the HRC, and as prescribed by the 2004 EIAP, the grant price is the average of the high and low price on the date prior to grant.

Historically, the HRC has approved the award grants after considering the recommendations made by the Chief Executive Officer for senior executives, and determines the grant size for the Chief Executive Officer. Generally, historically, the size of an equity grant is based on a target percent of base pay, but is adjusted higher or lower from the target percent based on individual performance, job responsibilities, and expected future performance. The Committee determines awards that it believes will be suitable for providing an adequate incentive for both performance and retention purposes. The dollar value of the award is determined by applying conventional methods for valuing equity awards.

As a result of the Acquisition, all unvested awards under the 2004 EIAP (and all predecessor equity incentive plans) vested at the closing in January 2008. Except for options awarded under the 2004 EIAP that were rolled over into the post-acquisition Company by Mr. Loveman, participants in the 2004 EIAP (and all predecessor plans) received consideration in the Acquisition for their awards. Participants who held restricted shares pursuant to the 2004 EIAP Plan (and any predecessor plans) received \$90.00 per share, less any applicable withholding taxes. Participants who held options or stock appreciation rights under the 2004 EIAP (and any predecessor plans) received a cash payment equal to the excess of (a) the product of the number of shares subject to such options or stock appreciation right and the \$90.00 per share merger consideration, over (b) the aggregate exercise price of the options or stock appreciation right, less any applicable withholding taxes. As a result of the Acquisition, no further awards will be made under the 2004 EIAP or any predecessor equity incentive plan.

In February 2008, the Board of Directors approved and adopted the Harrah's Entertainment, Inc. Management Equity Incentive Plan (the Equity Plan). The purpose of the Equity Plan is to promote our long term financial interests and growth by attracting and retaining management and other personnel and key service providers with the training, experience and ability to enable them to make a substantial contribution to the success of our business; to motivate management personnel by means of growth-related incentives to achieve long range goals; and to further the alignment of interests of participants with those of our stockholders.

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In February 2008, the Board of Directors approved grants as follows to our named executive officers:

Executive	Number of Shares of Time Based Options	Number of Shares of Performance Based Options
Gary Loveman	466,729	549,224
Charles Atwood	40,212	24,127
Jonathan Halkyard	51,417	30,688
Thomas Jenkin	68,785	41,271
Carlos Tolosa	29,630	17,778

Except as described below, the time based options vest and become exercisable in equal increments of 20% on each of the first five anniversaries of the Acquisition. The time vested options have a strike price equivalent to fair market value on the date of grant (as determined reasonably and in good faith by the Board of Directors). Messrs Atwood and Tolosa have time based options which vest 50% at 18 months after the date of the Acquisition and 50% at the third anniversary of the Acquisition.

The performance based options vest based on investment return to our stockholders. One-half of the performance based options become eligible to vest upon the stockholders receiving cash proceeds equal to two times their amount invested (the 2X options), and one-half of the performance based options become eligible to vest upon the stockholders receiving cash proceeds equal to three times their amount invested (the 3X options). In addition, the performance based options may vest earlier at lower thresholds upon liquidity events prior to December 31, 2011, as well as pro-rata, in certain circumstances.

The combination of time and performance based vesting of the options is designed to compensate executives for long term commitment to the Company, while motivating sustained increases in our financial performance and helping ensure the stockholders have received an appropriate return on their invested capital.

Employment Agreements and Severance Agreements

We have entered into employment agreements with each of our NEOs, and severance agreements with each of our NEOs, other than Mr. Loveman. The HRC and the board of directors have put these agreements in place in order to attract and retain the highest quality executives. At least annually, the Company's compensation department reviews our termination and change in control arrangements against peer companies as part of its review of the Company's overall compensation package for executives to ensure that it is competitive. The compensation department's analysis is performed by reviewing each of our executives under several factors, including the individual's role in the organization, the importance of the individual to the organization, the ability to replace the executive if he/she were to leave the organization, and the level of competitiveness in the marketplace to replace an executive while minimizing the affect to the on-going business of the Company. The compensation department presents its assessment to the Committee for feedback. The Committee reviews the information, and determines if changes are necessary to the termination and severance packages of our executives.

Policy Concerning Tax Deductibility

The HRC's policy with respect to qualifying compensation paid to its executive officers for tax deductibility purposes is that executive compensation plans will generally be designed and implemented to maximize tax deductibility. However, non-deductible compensation may be paid to executive officers when necessary for competitive reasons or to attract or retain a key executive, or where achieving maximum tax deductibility would be considered disadvantageous to the best interests of the Company. For 2007, Messrs. Loveman, Atwood, Jenkin and Tolosa received total compensation over the \$1 million deductibility limit so that \$2,667,630, \$5,266,431, \$3,343,567 and \$5,241,834, respectively, of their total compensation will not be deductible by the Company. The Company's 2005 Senior Executive Incentive Plan is intended to comply with Section 162(m) of the Internal Revenue Code so that annual bonuses paid under these plans will be eligible for deduction by the Company. See Senior Executive Incentive Plan above.

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Stock Ownership Requirements

In 2002, our board of directors adopted a policy requiring our executives to own shares of our common stock, excluding stock options or unvested restricted stock, having a value equal to or greater than an established multiple ranging between one times and three times the executive's annual base salary. We maintained these guidelines in an effort to firmly align the interests of our executives with those of our stockholders and to ensure our executives maintained a significant stake in our long term performance. As a privately held company, we no longer have a policy regarding stock ownership.

Chief Executive Officer's Compensation

The objectives of our Chief Executive Officer are approved annually by the Committee. These objectives are revisited each year. The objectives for 2007 were:

developing and implementing the Company's strategic direction;

maximizing stockholder value, increasing the Company's earnings per share to established goals and ensuring implementation of measures related to reducing corporate overhead;

fostering the Company's commitment to financial integrity, legal and regulatory compliance, and ethical business conduct;

preserving and enhancing the Company's leadership in promoting responsible gaming;

assuring customer satisfaction and loyalty through operational and service excellence and technological innovation;

enhancing employee effectiveness by creating a high performance employee culture and removing layers in operating reporting structure; and

pursuing new development opportunities for the Company.

The Committee's assessment of the Chief Executive Officer's performance is based on a subjective review of performance against these objectives. Specific weights may be assigned to particular objectives at the discretion of the Committee, and those weightings, or more focused objectives are communicated to the Chief Executive Officer at the time the goals are set forth. However, no specific weights were set against the Chief Executive Officer's objectives in 2007.

As Chief Executive Officer, Mr. Loveman's base salary was based on his performance, his responsibilities and the compensation levels for comparable positions in other companies in the hospitality, gaming, entertainment, restaurant and retail industries. Merit increases in his salary are a subjective determination by the Committee, which bases its decision upon his prior year's performance versus his objectives as well as upon an analysis of competitive salaries. Although base salary increases are subjective, the Committee reviews Mr. Loveman's base salary against peer groups, his roles and responsibilities within the Company, his contribution to the Company's success and his individual performance against his stated objective criteria.

The Committee used the 2005 Senior Executive Incentive Plan to determine the Chief Executive Officer's bonus for 2007. Under this plan, bonus is based on the Company achieving a specific financial objective. For 2007, the objective was based on the Company's EBITDA, as more fully described above. The HRC has discretion to reduce bonuses (as permitted by Section 162(m) of the Internal Revenue Code), and it is the normal practice of the Committee to reduce the Chief Executive Officer's bonus by reference to the achievement of performance goals and bonus formulas used under the Annual Management Bonus Plan. For 2007, the Committee reviewed the Chief Executive Officer's performance against his objectives, and determined to pay him a bonus in an amount that would have been paid under the Annual Management Bonus Plan as if he

was a participant under that plan, as more fully described above.

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Mr. Loveman's salary, bonus and equity awards differ from those of our other named executive officers in order to (a) keep Mr. Loveman's compensation in line with Chief Executive Officers of our other gaming, hotel and lodging companies, as well as other consumer oriented companies, (b) compensate him for the role as the leader and public face of the Company and (c) compensate him for attracting and retaining the Company's senior executive team.

Personal Benefits and Perquisites

During 2007, all of our NEOs received a financial counseling reimbursement benefit, and were eligible to participate in the Company's deferred compensation plan, the Executive Supplemental Savings Plan II, and the Company's health and welfare benefit plans, including the Harrah's Savings and Retirement Plan. The NEOs also received matching amounts from the Company pursuant to the plan documents, which are the same for all employees eligible for these plans. Amounts received by each NEO pursuant to these benefits are included in the Summary Compensation Table set forth herein.

Additionally, we provided for their personal use company aircraft for Messrs. Loveman and Tolosa at certain times during 2007. Lodging expenses were incurred by Mr. Loveman for use of his Las Vegas-based residence. We also provided security for Mr. Loveman and his family. The decision to provide Mr. Loveman with the personal security benefit was prompted by the results of an analysis provided by an independent professional consulting firm specializing in executive safety and security. Based on these results, the HRC approved personal security services to Mr. Loveman and his family.

These perquisites are more fully described in the Summary Compensation Table set forth herein.

Our use of perquisites as an element of compensation is limited. We do not view perquisites as a significant element of our comprehensive compensation structure, but do believe that they can be used in conjunction with base salary to attract, motivate and retain individuals in a competitive environment.

Under the Company's group life insurance program, senior executives, including the NEOs, are eligible for an employer provided life insurance benefit equal to three times their base annual salary, with a maximum benefit of \$5.0 million. Mr. Loveman is provided with a life insurance benefit of \$3.5 million under our group life insurance program and additional life insurance policies with a benefit of \$2.5 million.

In addition to the standard group long term disability benefit, the Chief Executive Officer and all other NEOs are covered under a Company-paid individual long-term disability insurance policy paying an additional \$5,000 monthly benefit. Mr. Loveman is also covered under a supplemental long-term disability policy with a maximum benefit of \$5,000,000 payable in a lump sum.

Elements of Post-Employment Compensation and Benefits

Employment Arrangements

Chief Executive Officer. Mr. Loveman entered into a new employment agreement on January 28, 2008, which provides that Mr. Loveman will serve as Chief Executive Officer and President until January 28, 2013, and the agreement shall extend for additional one year terms thereafter unless terminated by the Company or Mr. Loveman at least 60 days prior to each anniversary thereafter. Mr. Loveman's annual salary is \$2,000,000, subject to annual merit reviews by the Human Resources Committee. Pursuant to the agreement, Mr. Loveman received a grant of stock options pursuant to the Equity Plan (described above).

Pursuant to his employment agreement, Mr. Loveman is entitled to participate in the annual incentive bonus compensation programs with a minimum target bonus of 1.5 times his annual salary. In addition, the agreement entitles Mr. Loveman to an individual long-term disability policy with a \$180,000 annual maximum benefit and an individual long term disability excess policy with an additional \$540,000 annual maximum benefit.

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Mr. Loveman is also entitled to life insurance with a death benefit of at least three times his base annual salary. In addition, Mr. Loveman is entitled to financial counseling reimbursed by the Company, up to \$50,000 per year. The agreement also requires Mr. Loveman, for security purposes, to use the Company's aircraft, or other private aircraft, for himself and his family for business and personal travel. The agreement also provides that Mr. Loveman will be provided with accommodations while performing his duties in Las Vegas, and the Company will also pay Mr. Loveman a gross-up payment for any taxes incurred for such accommodations. Our Board can terminate the employment agreement with or without cause, and Mr. Loveman can resign, at any time.

If the Company terminates the agreement without cause, or if Mr. Loveman resigns for good reason:

Mr. Loveman will be paid, in equal installments over a 24 month period, two times his annual salary plus his target bonus;

Mr. Loveman will continue to have the right to participate in Company benefit plans (other than bonus and long-term incentive plans) for a period of two years beginning on the date of termination; and

his pro-rated bonus (at target) for the year of termination.

Cause is defined under the agreement as:

- (i) the willful failure of Mr. Loveman to substantially perform his duties with the Company or to follow a lawful reasonable directive from the Board of Directors of the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Mr. Loveman by the Board which specifically identifies the manner in which the Board believes that Mr. Loveman has willfully not substantially performed his duties or has willfully failed to follow a lawful reasonable directive and Mr. Loveman is given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure, if curable.
- (ii) (a) any willful act of fraud, or embezzlement or theft by Mr. Loveman, in each case, in connection with his duties under the employment agreement or in the course of his employment or (b) Mr. Loveman's admission in any court, or conviction of, or plea of *novo* contender to, a felony that could reasonably be expected to result in damage to the business or reputation of the Company.
- (iii) Mr. Loveman being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, or North Carolina.
- (iv) (x) Mr. Loveman's willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to the Company, or (y) a final judicial order or determination prohibiting Mr. Loveman from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the New York Stock Exchange.

Good Reason shall mean, without Mr. Loveman's express written consent, the occurrence of any of the following circumstances unless, in the case of paragraphs (a), (d), (e), (f), or (g) such circumstances are fully corrected prior to the date of termination specified in the written notice given by Mr. Loveman notifying the Company of his resignation for Good Reason:

- (a) The assignment to Mr. Loveman of any duties materially inconsistent with his status as Chief Executive Officer of the Company or a material adverse alteration in the nature or status of his responsibilities, duties or authority;

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- (b) The requirement that Mr. Loveman report to anyone other than the Board;
- (c) The failure of Mr. Loveman to be elected/re-elected as a member of the Board;
- (d) A reduction by the Company in Mr. Loveman's annual base salary of Two Million Dollars (\$2,000,000.00), as the same may be increased from time to time pursuant by the HRC;

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- (e) The relocation of the Company's principal executive offices from Las Vegas, Nevada, to a location more than fifty (50) miles from such offices, or the Company's requiring Mr. Loveman either: (i) to be based anywhere other than the location of the Company's principal offices in Las Vegas (except for required travel on the Company's business to an extent substantially consistent with Mr. Loveman's present business travel obligations); or (ii) to relocate his primary residence from Boston to Las Vegas;
- (f) The failure by the Company to pay to Mr. Loveman any material portion of his current compensation, except pursuant to a compensation deferral elected by Mr. Loveman, or to pay to Mr. Loveman any material portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;
- (g) The failure by the Company to continue in effect compensation plans (and Mr. Loveman's participation in such compensation plans) which provide benefits on an aggregate basis that are not materially less favorable, both in terms of the amount of benefits provided and the level of Mr. Loveman's participation relative to other participants at Mr. Loveman's grade level, to those in which Mr. Loveman is participating as of January 28, 2008;
- (h) The failure by the Company to continue to provide Mr. Loveman with benefits substantially similar to those enjoyed by him under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which Mr. Loveman is participating as of January 28, 2008, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive Mr. Loveman of any material fringe benefit enjoyed by Mr. Loveman as of January 28, 2008, except as permitted by the employment agreement;
- (i) Delivery of a written Notice of non-renewal of the employment agreement by the Company to Mr. Loveman; or
- (j) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform the employment agreement.

If the Company terminates the agreement for cause or Mr. Loveman terminates without good reason, Mr. Loveman's salary will end as of the termination date.

After his employment with the Company terminates for any reason, Mr. Loveman will be entitled to participate in the Company's group health insurance plans applicable to corporate executives, including family coverage, for his lifetime. The Company will pay 80% of the premium on an after-tax basis for this coverage, and Mr. Loveman will incur imputed taxable income equal to the amount of the Company's payment. When Mr. Loveman becomes eligible for Medicare coverage, the Company's group health insurance plan will become secondary, and Mr. Loveman will be eligible for the same group health benefits as normally provided to our other retired management directors. He will incur imputed taxable income equal to the premium cost of this benefit.

If a change in control were to occur during the term of Mr. Loveman's employment agreement, and his employment was terminated involuntarily or he resigned for good reason within two years after the change in control, or if his employment was involuntarily terminated within six months before the change in control by reason of the request of the buyer, Mr. Loveman would be entitled to receive the benefits described above under termination without cause by the Company or by Mr. Loveman for good reason, except that (a) the multiplier would be three times (in lieu of two times) and (b) the payment would be in a lump sum (as opposed to over a 24 month period). In addition, if the payments are subject to a federal excise tax imposed on Mr. Loveman (the "Excise Tax"), the employment agreement requires the Company to pay Mr. Loveman an additional amount (the "Gross-Up Payment") so that the net amount retained by Mr. Loveman after deduction of any Excise Tax on the change in control payments and all Excise Taxes and other taxes on the Gross-Up Payment, will equal the initial change in control payment, less normal taxes.

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The agreement provides that Mr. Loveman will not compete with the Company or solicit employees to leave the Company above a certain grade level for a period of two years after termination of his active full time employment (which for this purpose does not include the salary continuation period).

Named Executive Officer Employment Arrangements

We also have employment agreements with our other NEOs and members of our senior management team, which provides for a base salary, subject to merit increases as our Human Resources Committee of the Board of Directors may approve. The agreements of Messrs. Jenkin, Halkyard and Tolosa expire on February 28, 2008; and Mr. Atwood's agreement expires January 27, 2010. As discussed below under "HRC Actions Taken After Fiscal Year 2007," we have entered into new employment agreements with each of Messrs. Jenkin, Halkyard, Tolosa and Atwood.

During the term of these employment agreements, each executive is entitled to participate in the incentive compensation programs and other benefits accorded to our senior officers, including eligibility to receive bonus compensation and equity awards under the 2004 EIAP as approved by the Human Resources Committee. The Company can terminate the employment agreement immediately with or without cause upon 30 days prior written notice. The executive can voluntarily resign upon 30 days prior written notice, or upon six months prior written notice if he or she is going to work or act in competition with the Company.

If the Company terminates any of these agreements without cause or does not renew the agreement upon expiration, the executive will receive eighteen months' salary continuation and will not compete with the Company during that time. Stock options, restricted stock and stock appreciation rights will generally continue to be exercisable and to vest during the salary continuation, including vesting upon a change in control. If there were a change in control during the salary continuation and noncompete period, any unvested stock options would vest.

If (a) the executive attains age fifty (50) and, when added to his or her number of years of continuous service with the company, including any period of salary continuation, the sum of his or her age and years of service equals or exceeds sixty-five (65), and at any time after the occurrence of both such events Executive's employment is terminated and his employment then terminates either (1) without cause or (2) due to non-renewal of the agreement, or (b) the executive attains age fifty-five (55) and, when added to his number of years of continuous service with the company, including any period of salary continuation, the sum of his age and years of service equals or exceeds sixty-five (65) and Executive's employment is terminated other than for cause, he will be entitled to lifetime coverage under our group health insurance plan. The executive will be required to pay 20% of the premium for this coverage and the Company will pay the remaining premium, which will be imputed taxable income to the executive. This insurance coverage terminates if the executive competes with the Company.

Severance Agreements

We have entered into severance agreements with each of the NEOs, other than Mr. Loveman. The severance agreements relate to a change in control, which occurred pursuant to the definition of change in control in the severance agreements on January 28, 2008 as a result of the Acquisition. We believe these agreements reinforce and encourage the attention and dedication of our executives if they are faced with the possibility of a change in control of the Company that could affect their employment. The Severance Agreements of Messrs. Atwood, Jenkin, Halkyard and Tolosa became effective January 1, 2004.

The severance agreements provide, under the circumstances described below, for a compensation payment (the "Compensation Payment") of:

three times annual compensation (which includes salary and bonus (calculated as the average of the Executive's annual bonuses for the three highest calendar years during the five calendar years preceding

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the calendar year in which the change in control occurred) amounts but excludes restricted stock vestings and compensation or dividends related to restricted stock, stock options or stock appreciation rights).

any bonus accrued for the prior year and pro-rata for the current year up to the date of termination.

an additional payment (the Gross-Up Payment) so that the net amount retained on the payments made under the Severance Agreement (Severance Payments) which are subject to a federal excise tax imposed on the executive (the Excise Tax) will equal the initial Severance Payments less normal taxes.

life, accident and health insurance benefits for twenty four months substantially similar to those which the executive was receiving immediately prior to termination.

reasonable legal fees and expenses incurred by the executive as a result of termination.

The severance agreements entitle each of them to the Compensation Payment after a change in control if, within two years of the change in control, their employment is terminated without cause, or they resign with good reason, or if their employment is terminated without cause within six months before a change in control at the request of the buyer.

Good Reason is defined under the severance agreements as, without the executive's express written consent, the occurrence after Change in Control of the Company, of any of the following circumstances unless such circumstances occur by reason of their death, disability or the executive's voluntary termination or voluntary retirement, or, in the case of paragraphs (i), (ii), (iii), (iv) or (v), such circumstances are fully corrected prior to the date of termination, respectively, given in respect thereof:

- (i) The assignment to executive of any duties materially inconsistent with his status immediately prior to the Change in Control or a material adverse alteration in the nature or status of his or her responsibilities;
- (ii) A reduction by the Company in executive's annual base salary as in effect on the date of the severance agreement or as the same may have been increased from time to time;
- (iii) The relocation of the Company's executive offices where executive is located just prior to the Change in Control to a location more than fifty (50) miles from such offices, or the Company's requiring executive to be based anywhere other than the location of such executive offices (except for required travel on the Company's business to an extent substantially consistent with your business travel obligations during the year prior to the Change in Control);
- (iv) The failure by the Company to pay to executive any material portion of current compensation, except pursuant to a compensation deferral elected by executive required by agreement, or to pay any material portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;
- (v) Except as permitted by any agreement, the failure by the Company to continue in effect any compensation plan in which executive is participating immediately prior to the Change in Control which is material to executive's total compensation, including but not limited to, the Company's annual bonus plan, the ESSP, or the Stock Option Plan or any substitute plans, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants at grade level;

- (vi) The failure by the Company to continue to provide executive with benefits substantially similar to those enjoyed by executive under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which executive is participating at the time of the Change in

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Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive executive of any material fringe benefit enjoyed by executive at the time of Change in Control;

(vii) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement; or

(viii) Any purported termination of executive's employment by the Company which is not effected pursuant to a notice of termination satisfying the requirements set forth in the severance agreement.

A Change in Control is defined in the Severance Agreements as the occurrence of any of the following:

1. any person becomes the beneficial owner of 25% or more of our then outstanding voting securities, regardless of comparative voting power of such securities;
2. within a two-year period, members of the Board of Directors at the beginning of such period and their approved successors no longer constitute a majority of the Board;
3. the closing of a merger or other reorganization where the voting securities of the Company prior to the merger or reorganization represent less than a majority of the voting securities after the merger or consolidation; or
4. stockholder approval of the liquidation or dissolution of the Company.

In addition to payments described above, under the severance agreements, NEOs receive accelerated vesting of certain stock options, or if the executive's employment terminates subsequent to a change in control or within six months before the change in control by request of the buyer, accelerated vesting of all options (Accelerated Payments). Any unvested restricted stock and stock options granted prior to 2001 will vest automatically upon a change in control regardless of whether the executive is terminated, as will any stock options granted in 2001 or later which are not assumed by the acquiring company. All unvested stock options granted in 2001 and later, including those assumed by the acquiring company, will vest if the executive becomes eligible for a Compensation Payment. At the election of the Company, the Company may cash out all or part of the executive's outstanding and unexercised options, with the cash payment based upon the higher of the closing price of the Company's common stock on the date of termination and the highest per share price for Company common stock actually paid in connection with any change in control. The Acquisition constituted a Change in Control under the Severance Agreements and all equity awards held by Messrs. Atwood, Jenkin, Halkyard and Tolosa were cancelled and cashed-out at the merger consideration of \$90.00 per share (less applicable exercise prices and withholding taxes).

None of the executives is entitled to the Compensation Payment after a change in control if their termination is (i) by the Company for cause, or (ii) voluntary and not for good reason (as defined above).

For purposes of the severance agreements, Cause shall mean:

- (i) willful failure to perform substantially duties or to follow a lawful reasonable directive from a supervisor or the Board, as applicable, (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered by a supervisor or the Board, as applicable, which specifically identifies the manner in which a supervisor or the Board, as applicable, believe that the executive has not substantially performed his or her duties or to follow a lawful reasonable directive and you are given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

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- (ii) (A) any willful act of fraud, or embezzlement or theft, in each case, in connection with the executive's duties to the Company of in the course of employment with the Company or (B) admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case against the Company;

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- (iii) being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York and North Carolina;
- (iv) (A) willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes Oxley Act of 2002 if applicable, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order of determination prohibiting the executive from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

If an executive officer becomes entitled to payments under a severance agreement (*Severance Payments*) which is subject to a federal excise tax imposed on the executive (the *Excise Tax*), the severance agreements require the Company to pay the executive an additional amount (the *Gross-Up Payment*) so that the net amount retained by the executive after deduction of any Excise Tax on the Severance Payments and all Excise Taxes and other taxes on the Gross-Up Payment, will equal the initial Severance Payments less normal taxes.

Each severance agreement has a term of one calendar year and is renewed automatically each year starting January 1 unless we give the executive six months notice of non-renewal. In cases where a potential change in control (as defined) has occurred or the non-renewal is done in contemplation of a potential change in control, we must give the executive one year's notice. Each severance agreement provides that if a change in control occurs during the original or extended term of the agreement, then the agreement will automatically continue in effect for a period of 24 months beyond the month in which the change in control occurred. Therefore, since the Acquisition was a change in control under the severance agreement, each NEOs severance agreement shall continue in effect until January 2010 (24 months after the change in control occurred).

Deferred Compensation Plans

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

Further deferrals into the EDCP were terminated in 2001 when the Human Resources Committee approved the ESSP, which permits certain key employees, including executive officers, to make deferrals of specified percentages of salary and bonus. No deferrals were allowed after December 2004 into ESSP, and the Company approved the ESSP II, which complies with the American Jobs Creation Act of 2004 and allowed deferrals starting in 2005. ESSP II, similar to ESSP, allows participants to choose from a selection of varied investment alternatives and the results of these investments will be reflected in their deferral accounts. To assure payment of these deferrals, a trust fund was established similar to the escrow fund for the EDCP. The trust fund is funded to match the various types of investments selected by participants for their deferrals.

ESSP and ESSP II do not provide a fixed interest rate, as the EDCP does, and therefore the market risk of plan investments is borne by participants rather than the Company. To encourage EDCP participants to transfer their account balances to the ESSP thereby reducing the Company's market risk, the Company approved a program in 2001 that provided incentives to a limited number of participants to transfer their EDCP account balances to the ESSP. Under this program, a currently employed EDCP participant who was five or more years away from becoming vested in the EDCP retirement rate, including any executive officers who were in this group, received an enhancement in his or her account balance if the participant elected to transfer the account balance to the ESSP. The initial enhancement was the greater of (a) twice the difference between the participant's termination account balance and retirement account balance, (b) 40% of the termination account balance, not to exceed \$100,000, or (c) four times the termination account balance not to exceed \$10,000. Upon achieving eligibility for the EDCP retirement rate (age 55 and 10 years of service), the participant electing this program

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will receive an additional enhancement equal to 50% of the initial enhancement. Pursuant to the ESSP, the additional enhancement vested upon the closing of the Acquisition. Mr. Loveman elected to participate in this enhancement program, and therefore no longer has an account in the EDCP.

Messrs. Atwood, Jenkin and Tolosa maintain a balance in the EDCP. Under the EDCP, the executive earns the retirement rate under the EDCP if he attains (a) specified age and service requirements (55 years of age plus 10 years of service or 60 years of age) or (2) attains specified age and service requirements (is at least 50 years old, and when added to years of service, equals 65 or greater) and if his employment is terminated without cause pursuant to his employment agreement. The executive receives service credit under the EDCP for any salary continuation and noncompete period. Additionally, if an executive is separated from service within 24 months of the Acquisition, the executive earns the retirement rate under the EDCP. Messrs. Atwood and Tolosa have attained the specified age and service requirements under the EDCP to earn the retirement rate. Mr. Jenkin will receive the retirement rate if he (1) is terminated without cause under his employment agreement, (2) is separated from service within 24 months after the Acquisition, or (3) he meets the age requirement.

While further deferrals into the EDCP were terminated, and while most EDCP participants transferred their EDCP account balance to the ESSP, amounts deferred pursuant to the EDCP prior to its termination and not transferred to the ESSP remain subject to the terms and conditions of the EDCP and will continue to earn interest as described above.

Under the deferred compensation plans, a change in control of the Company (such as the Acquisition) requires that the trust and escrow fund be fully funded.

Human Resource Committee Actions Taken After Fiscal 2007

Employment Agreements

On February 28, 2008, we entered into new employment agreements with Charles L. Atwood, Jonathan S. Halkyard, Thomas M. Jenkin and J. Carlos Tolosa. These new employment agreements supercede and replace any prior employment agreements that these NEOs had with the Company. Below is a description of the material terms and conditions of these new employment agreements. Mr. Atwood retired from the Company effective December 19, 2008.

The agreement with each of Messrs. Atwood and Tolosa is for a term of three years beginning on the closing of the Acquisition and is automatically renewed for successive one year terms unless either the Company or the executive delivers a written notice of nonrenewal at least 60 days prior to the end of the term. The agreement with each of Messrs. Halkyard and Jenkin is for a term of four years beginning on the closing of the Acquisition and is automatically renewed for successive one year terms unless either the Company or the executive delivers a written notice of nonrenewal at least 60 days prior to the end of the term.

Pursuant to the employment agreements, the executives will receive base salaries as follows: Mr. Atwood, \$1,300,000; Mr. Halkyard, \$600,000; Mr. Jenkin, \$1,200,000 and Mr. Tolosa, \$1,075,000. The HRC will review base salaries on an annual basis with a view towards merit increases (but not decreases) in such salary. In addition, each executive will participate in the Company's annual incentive bonus program applicable to the executive's position and shall have the opportunity to earn an annual bonus based on the achievement of performance objectives. In addition, the agreement provides for a stock option grant to be made following the effective date of the employment agreement with vesting based on both the passage of time and the achievement of performance objectives.

Each executive will be entitled to participate in benefits and perquisites at least as favorable to the executive as such benefits and perquisites currently available to the executives, group health insurance, long term disability benefits, life insurance, financial counseling, vacation, reimbursement of expenses, director and officer insurance and the ability to participate in the Company's 401(k) plan. If (a) the executive attains age fifty (50) and, when

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added to his or her number of years of continuous service with the company, including any period of salary continuation, the sum of his or her age and years of service equals or exceeds sixty-five (65), and at any time after the occurrence of both such events Executive's employment is terminated and his employment then terminates either (1) without cause or (2) due to non-renewal of the agreement, or (b) the executive attains age fifty-five (55) and, when added to his number of years of continuous service with the company, including any period of salary continuation, the sum of his age and years of service equals or exceeds sixty-five (65) and Executive's employment is terminated other than for cause, he will be entitled to lifetime coverage under our group health insurance plan. The executive will be required to pay 20% of the premium for this coverage and the Company will pay the remaining premium, which will be imputed taxable income to the executive. This insurance coverage terminates if the executive competes with the Company.

In the event that the executive is terminated by the Company without cause (as defined in the severance agreement) or the executive resigns for good reason (as defined in the severance agreement) during the two year period following the effective date of the employment agreement, the executive's severance agreement (described above under "Named Executive Officer Employment Arrangements Severance Agreements") will govern the executive's severance benefits, if any, and the executive will be subject to the restrictive covenants set forth in the severance agreement, however, the executive shall retain the right to the retiree medical coverage described above.

Upon a termination without cause (as defined in the employment agreement and set forth below), a resignation by the executive for good reason (as defined in the employment agreement and set forth below) or upon the Company's delivery of a non-renewal notice, the executive shall be entitled to his accrued but unused vacation, unreimbursed business expenses and base salary earned but not paid through the date of termination. In addition, the executive will receive a cash severance payment equal to 1.5 times his base salary payable in equal installments during the 18 months following such termination and pro-rated bonus for the year in which the termination occurs based on certain conditions. In the event that the executive's employment is terminated by reason of his disability, he will be entitled to apply for the Company's long term disability benefits, and, if he is accepted for such benefits, he will receive 18 months of base salary continuation offset by any long term disability benefits to which he is entitled during such period of salary continuation. Furthermore, during the time that the executive receives his base salary during the period of salary continuation, he will be entitled to all benefits. Payment of any severance benefits is contingent upon the execution of a general release in favor of the Company and its affiliates.

Cause under the employment agreements is defined as:

- (i) The willful failure of executive to substantially perform executive's duties with the Company or to follow a lawful, reasonable directive from the Board or the chief executive officer of the Company (the "CEO") or such other executive officer to whom executive reports (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to executive by the Board (or the CEO, as applicable) which specifically identifies the manner in which the Board (or the CEO, as applicable) believes that executive has willfully not substantially performed executive's duties or has willfully failed to follow a lawful, reasonable directive;
- (ii) (A) Any willful act of fraud, or embezzlement or theft, by executive, in each case, in connection with executive's duties hereunder or in the course of executive's employment hereunder or (B) executive's admission in any court, or conviction of, or plea of nolo contendere to, a felony;
- (iii) executive being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in any jurisdiction in which the Company or Harrah's Entertainment, Inc. conducts gaming operations;
- (iv) (A) executive's willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that

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such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting executive from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the New York Stock Exchange; or

(v) A willful breach by executive of non competition provisions or confidentiality provisions of the agreement. For purposes of definition, no act or failure to act on the part of executive, shall be considered willful unless it is done, or omitted to be done, by executive in bad faith and without reasonable belief that executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by executive in good faith and in the best interests of the Company. The cessation of employment of executive shall not be deemed to be for Cause unless and until executive has been provided with written notice of the claim(s) against him or her under the above provision(s) and a reasonable opportunity (not to exceed thirty (30) days) to cure, if possible, and to contest said claim(s) before the Board.

Good Reason under the employment agreements is defined as:

The occurrence, without executive's express written consent, of any of the following circumstances unless such circumstances are fully corrected prior to the date of termination specified in the written notice given by executive notifying the Company of his or her intention to terminate his or her Employment for Good Reason:

- (a) A reduction by the Company in executive's annual base salary, other than a reduction in base salary that applies to a similarly situated class of employees of the Company or its affiliates;
- (b) Any material diminution in the duties or responsibilities of executive as of the date of the employment agreement; provided that a change in control of the Company that results in the Company becoming part of a larger organization will not, in and of itself and unaccompanied by any material diminution in the duties or responsibilities of executive, constitute Good Reason;
- (c) (i) The failure by the Company to pay or provide to executive any material portion of his or her then current Base Salary or then current benefits under the employment agreement (except pursuant to a compensation deferral elected by executive) or (ii) the failure to pay executive any material portion of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due and permitted to be paid under Section 409A of the Code, in each case other than any such failure that results from a modification to any compensation arrangement or benefit plan that is generally applicable to similarly situated officers;
- (d) The Company's requiring executive to be based anywhere other than Atlantic City or Las Vegas (except for required travel on the Company's business to an extent substantially consistent with executive's present business travel obligations); or
- (e) The Company's failure to obtain a satisfactory agreement from any successor to assume and agree to perform the employment agreement.

The executives each have covenants to not compete, not to solicit and not to engage in communication in a manner that is detrimental to the business. The executive's non-compete period varies based on the type of termination that they executive has. If the executive has a voluntarily termination of employment with the Company without Good Reason, the non-compete period is 6 months, if the Company has terminated the executive's employment without cause, or the executive has terminated for Good Reason, the Company has delivered a notice of non-renewal to the executive or if the executive's employment terminates by reason of disability, the non-compete period is for 18 months, if the executive's employment is terminated for cause, the non-compete period is for 6 months. The non-solicitation and non communication periods last for 18 months following termination. A breach of the non compete covenant will cause the Company's obligations under the agreement to terminate. In addition, the executives each have confidentiality obligations.

Table of Contents**Establishment of Performance Goals**

The HRC established targets under the Bonus Plan relating to fiscal 2008. The goals are based on the Company's financial achievement of \$3,106 million of adjusted EBITDA and \$449 million of Corporate Expense. In addition, there is a Customer Satisfaction target of 4% change from non-A to A scores. For each executive that is eligible to participate in the plan, his or her bonus is weighted as follows: 70% on the achievement of the adjusted EBITDA target, 20% on the achievement of the Corporate Expense target and 10% on the achievement of the Customer Satisfaction target. The targets also provide that there is no bonus payout in each of the following circumstances: if Adjusted EBITDA is 80% of target, if Corporate Expense exceeds 20% or more of target or if Customer Satisfaction is at less than a 1% shift in non-A to A scores.

Summary Compensation Table

The Summary Compensation Table below sets forth certain compensation information concerning the Company's Chief Executive Officer, Chief Financial Officer and our three additional most highly compensated executive officers during 2007.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽³⁾	Option Awards and Stock Appreciation Rights (\$) ⁽³⁾	Non-Equity Incentive Plan Compensation (\$) ⁽⁴⁾	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation (\$) ⁽⁶⁾	Total(\$)
							Earnings (\$) ⁽⁵⁾		
Gary W. Loveman, Chairman, President and CEO	2007	2,000,000		937,504	8,509,684	2,400,000		1,575,044	15,422,232
	2006	2,000,000		937,504	7,673,070	2,490,000		1,139,271	14,239,845
Jonathan S. Halkyard, Senior Vice President,	2007	560,769			445,580	336,461		39,882	1,382,692
	2006	420,740			494,175	236,772		15,832	1,167,519
Chief Financial Officer and Treasurer ⁽¹⁾									
Charles L. Atwood, Vice Chairman and Former Chief Financial Officer ⁽²⁾	2007	1,300,000			2,569,501	1,300,000	2,310	55,940	5,227,751
	2006	1,122,885		393,970	2,617,175	1,164,993	2,322	164,783	5,466,128
Thomas M. Jenkin, President, Western Division	2007	1,134,615			1,242,669	978,605	213,821	57,559	3,627,269
	2006	1,035,769		181,449	1,262,919	1,326,432	198,963	115,323	4,120,855
J. Carlos Tolosa, President, Eastern Division	2007	1,075,000			2,116,274	645,000	96,286	334,653	4,267,213
	2006	1,035,773		295,770	1,745,111	602,290	91,049	357,605	4,127,598

(1) Mr. Halkyard became our Chief Financial Officer on August 1, 2006.

(2) Mr. Atwood retired on December 19, 2008.

(3) The value of stock awards, option awards and stock appreciation rights was determined as required by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS No. 123(R)). See Note 15 in the Notes to Consolidated Financial Statements for details on assumptions used in the valuation. The Acquisition triggered accelerated vesting of the unvested restricted stock, option awards, and stock appreciation rights. The value of the 2008 vesting of option awards and stock appreciation rights as a result of the Acquisition is as follows: Mr. Loveman, \$10,329,474; Mr. Halkyard, \$237,232; Mr. Atwood, \$1,668,170; Mr. Jenkin, \$774,778; and Mr. Tolosa, \$777,169.

(4) Non-Equity Incentive Plan Compensation amounts for 2007 were determined in February 2008 by the HRC pursuant to the Senior Executive Incentive Plan for Messrs. Loveman, Atwood and Halkyard and the Annual Management Bonus Plan for Messrs. Jenkin and

Tolosa. The plans provide the opportunity for the Company's senior executives and other

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participants to earn an annual bonus payment based on meeting corporate financial and non-financial goals, which are established each plan year by the HRC. See Executive Compensation Compensation Discussion and Analysis Elements of Compensation Annual Management Bonus Plan for more details on the plan.

- (5) Includes above market earnings on the balance the executives maintain in the EDCP. Mr. Atwood and Mr. Tolosa have attained the specified age and service requirements such that they earn the retirement rate of interest on their EDCP balances. Mr. Jenkin has not attained the specified age and service requirements to earn the retirement rate of interest. However, we have assumed Mr. Jenkin will attain the specified age and service requirements in calculating the above market earnings on his EDCP balance. In October 1995, the HRC approved a fixed retirement rate of 15.5% for all account balances under the EDCP as of December 31, 1995 (subject to plan minimum rates contained in the EDCP). The interest rates on post 1995 deferrals continue to be approved each year by the Committee. The retirement rate on post 1995 deferrals during 2007 was the EDCP's minimum retirement rate which was 9.1%.
- (6) All Other Compensation includes the amounts in the following table:

Name	Year	Executive Security (\$)	Allocated amount for aircraft usage (\$)	Allocated amount for company lodging and the associated taxes (\$)	Matching contributions to the ESSP II (\$)	Dividends paid on unvested stock awards (\$)
Gary W. Loveman	2007	693,991	461,977	162,448		
	2006	276,720	435,786	141,665		123,958
Charles L. Atwood	2006				28,119	91,500
Thomas M. Jenkin	2007				28,967	
	2006				25,823	61,000
J. Carlos Tolosa	2007		248,196			
	2006		174,696			97,600

All other compensation is detailed in the above table only to the extent that the amount of any individual perquisite item exceeds the greater of \$25,000 or 10% of the executive's total perquisites.

Mr. Loveman is required to have executive security protection which is provided at the Company's cost; See Compensation Discussion & Analysis Personal Benefits and Perquisites for additional information.

The amount allocated to Messrs. Loveman and Tolosa for personal and/or commuting aircraft usage is calculated based on the incremental cost to us of fuel, trip-related maintenance, crew travel expenses, on-board catering, landing fees, trip-related hangar/parking costs and other miscellaneous variable costs. Since our aircraft are used primarily for business travel, we do not include the fixed costs that do not change based on usage, such as pilots' salaries, depreciation of the purchase costs of the Company-owned aircraft, and the cost of maintenance not specifically related to trips. For security reasons, Mr. Loveman is required to use Company aircraft for personal and commuter travel.

The amount allocated to Mr. Loveman for company lodging while in Las Vegas and the associated taxes are based on his respective taxable earnings for such lodging.

The Company does not provide a fixed benefit pension plan for its executives but maintains a deferred compensation plan, the Executive Supplemental Savings Plan II (ESSP II), under which the executives may defer a portion of their compensation. The ESSP II is a variable investment plan that allows the executives to direct their investments by choosing among several investment alternatives.

The executives received quarterly dividends during 2007 on their unvested restricted stock awards on the same basis as all stockholders of the Company and as all other employees holding unvested restricted stock awards.

As a result of the Acquisition, the executives received the following payments due to the acceleration of vesting and cash out of all awards under our equity award plans: Mr. Loveman, \$89,097,053; Mr. Halkyard, \$4,811,551; Mr. Atwood, \$11,774,775; Mr. Jenkin, \$6,698,600 and Mr. Tolosa, \$14,030,134.

Table of Contents*Discussion of Summary Compensation Table*

Each of our named executive officers have entered into employment and severance agreements (except Mr. Loveman who does not have a severance agreement) with the Company that relate to the benefits that the named executive officers receive upon termination. See Executive Compensation Compensation Discussion & Analysis Elements of Post Employment Compensation and Benefits Employment Arrangements for additional information.

Grants of Plan-Based Awards

The following table gives information regarding potential incentive compensation for 2007 to our executive officers named in the Summary Compensation Table. No equity awards were granted to any of our executive officers named in the Summary Compensation Table in 2007.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options/SARs (#)	Exercise or Base Price of Option/SARs (\$/Sh)	Closing Market Price on Grant Date (\$/Sh)	Grant date fair value of stock and option/SARs awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)					
Gary W. Loveman	n/a	2,400,000	3,000,000	5,000,000								
Jonathan S. Halkyard	n/a	336,461	420,577	1,051,442								
Charles L. Atwood	n/a	1,300,000	1,625,000	4,062,500								
Thomas M. Jenkin	n/a	680,769	850,961	2,127,403								
J. Carlos Tolosa	n/a	645,000	806,250	2,015,625								

(1) Represents potential threshold, target and maximum incentive compensation for 2007. Amounts actually paid for 2007 are described in the Non Equity Incentive Plan Compensation column in the Summary Compensation Table.

Discussion of Grants of Plan Based Awards Table

The Harrah's Entertainment, Inc. Amended and Restated 2004 Equity Incentive Award Plan (2004 EIAP) promotes the success and enhances the value of the Company by linking the personal interests of the members of the Board, employees, and senior executives to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders.

Historically, each executive officer is normally granted an equity award that will give such officer an estimated dollar value of stock compensation targeted to equal a percentage of salary. This percentage increases commensurate with the grade level of the officer and is determined by an assessment of competitive stock awards. The Human Resource Committee determines awards that it believes will be suitable for providing an adequate incentive for both performance and retention purposes. The dollar value of the award is determined by applying conventional methods for valuing equity awards. For a more detailed discussion of how equity grants are determined, see Executive Compensation Compensation Discussion & Analysis Elements of Compensation Equity Awards. However, due to the pending Acquisition, no equity awards were granted to any of our executive officers named in the Summary Compensation Table in 2007.

Other than as noted below related to Mr. Loveman, pursuant to the merger agreement, all vested and unvested equity awards were terminated upon the consummation of the Acquisition in exchange for (a) \$90.00 per share for restricted stock and (b) the difference between \$90.00 per share and the exercise price per share for options and stock appreciation rights.

On January 27, 2008, Mr. Loveman and the Company entered into a stock option rollover agreement that provides for the conversion of options to purchase shares of the Company prior to the Acquisition into options to purchase

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shares of the Company following the Acquisition with such conversion preserving the intrinsic spread value of the converted option. The rollover option is immediately exercisable with respect to 133,333 shares of non-voting common stock of the Company at an exercise price of \$25.00 per share. The rollover options expire on June 17, 2012.

Outstanding Equity Awards at Fiscal Year-End

In February 2008, the Board of Directors approved and adopted the Harrah's Entertainment, Inc. Management Equity Incentive Plan and awarded grants to each of our named executive officers. See Executive Compensation Compensation Discussion and Analysis Elements of Compensation-Equity Awards for more information.

Name	Options/SARs Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options/SARs (#) Exercisable	Number of Securities Underlying Unexercised Options/SARs (#) Unexercisable ⁽¹⁾	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options/SARs (#)	Options /SARs Exercise Price (\$)	Options/SARs Expiration Date ⁽²⁾	Number of Shares or Units of Stock That Have Not Vested (#) ⁽³⁾	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽⁴⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Gary W. Loveman	350,000			28.8125	11/15/2010				
	136,600			25.6250	1/2/2011				
	85,000			47.0250	6/19/2009				
	170,694	170,695		46.1350	9/5/2009				
	130,000			43.4950	6/18/2010				
	250,000			52.5850	6/16/2011				
	400,000	600,000		73.9500	6/17/2012				
	70,000	280,000		64.9700	7/19/2013				
					54,189	4,809,274			
Jonathan S. Halkyard	8,387			43.4950	6/18/2010				
	50,000			43.4350	11/11/2010				
	25,000			52.5850	6/16/2011				
	26,667	13,333		73.9500	6/17/2012				
	8,202	16,404		64.9700	7/19/2013				
Charles L. Atwood	25,000			43.4950	6/18/2010				
	82,000			52.5850	6/16/2011				
	133,333	66,667		73.9500	6/17/2012				
	57,719	115,438		64.9700	7/19/2013				
Thomas M. Jenkin	18,978			43.4950	6/18/2010				
	18,333			47.1000	11/13/2010				
	37,733			52.5850	6/16/2011				
	66,667	33,333		73.9500	6/17/2012				
	26,805	53,609		64.9700	7/19/2013				
J. Carlos Tolosa	51,208	51,209		46.1350	9/05/2009				
	75,000			43.4950	6/18/2010				
	65,000			52.5850	6/16/2011				
	66,667	33,333		73.9500	6/17/2012				
	26,805	53,609		64.9700	7/19/2013				

(1) Except for certain grants made to Mr. Loveman, annual option and SARs awards granted to employees vest in 1/3 increments over a two and one half to three year period. Other award grants vest as determined by the Human Resource Committee.

(2) The options and SARs granted to the executives after February 2002 expire seven years from the original date of grant. Options granted prior to February 2002 expire ten years from the date of grant.

(3) The unvested stock awards granted to Mr. Loveman vested on January 1, 2008.

(4) The market value of the awards is \$88.75 per share, the closing price of our stock on December 31, 2007.

For a discussion of the treatment of equity awards in the Acquisition, see above under Discussion of Grants of Plan Based Awards Table.

Table of Contents**Option Exercises and Stock Vested**

The following table gives certain information concerning stock option exercises during 2007 by our executive officers named in the Summary Compensation Table. It also gives information concerning option values.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) ⁽¹⁾	Value Realized on Vesting (\$) ⁽¹⁾
Gary W. Loveman			27,095	2,241,298
Jonathan S. Halkyard ⁽²⁾	6,458	246,933		
Charles L. Atwood			60,000	4,963,200
Thomas M. Jenkin			40,000	3,308,800
J. Carlos Tolosa			64,000	5,294,080

(1) Vested on January 1, 2007 at \$82.72 per share

(2) Exercised on March 20, 2007 at \$83.62 per share

For a discussion of the treatment of equity awards in the Acquisition, see above under Discussion of Grants of Plan Based Awards Table.

Nonqualified Deferred Compensation

Name	Executive Contributions in 2007 (\$) ⁽¹⁾	Registrant Contributions in 2007 (\$) ⁽¹⁾	Aggregate Earnings in 2007 (\$) ⁽¹⁾	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance in 2007 (\$) ⁽²⁾
Gary W. Loveman	2,228,750	53,700	635,009		12,668,012
Jonathan S. Halkyard	104,054	11,025	37,721		498,941
Charles L. Atwood			199,132		1,958,851
Thomas M. Jenkin	445,070	28,967	643,540		7,186,113
J. Carlos Tolosa	290,250	25,950	324,986		4,195,870

(1) The following deferred compensation contribution and earnings amounts were reported in the 2007 Summary Compensation Table.

Name	Contributions in 2007 (\$)	Above Market Earnings in 2007 (\$)
Gary W. Loveman	2,282,450	
Jonathan S. Halkyard	115,079	
Charles L. Atwood		2,310
Thomas M. Jenkin	474,037	213,821
J. Carlos Tolosa	316,200	96,286

All other earnings were at market rates from deferred compensation investments directed by the executives.

(2) The following deferred compensation contribution and earnings amounts were reported in the Summary Compensation Table in previous years.

Name	Prior Year Contributions and Above Market Earnings Amounts (\$)
Gary W. Loveman	8,951,799
Jonathan S. Halkyard	68,750
Charles L. Atwood	1,258,758
Thomas M. Jenkin	
J. Carlos Tolosa	

Table of Contents**Discussion of Nonqualified Deferred Compensation Table**

The Company does not provide a fixed benefit pension plan for its executives but maintains deferred compensation plans (collectively, DCP) and an Executive Supplemental Savings Plan II (ESSP II). During 2007, certain key employees, including executive officers, could defer a portion of their salary and bonus into the ESSP II. The ESSP II is a variable investment plan that allows the executives to direct their investments by choosing among several investment alternatives. All the named executives were participants in the ESSP II during 2007. The contributions of the executives and the Company into the ESSP II during 2007 are reflected in the above table. The earnings of the executives in 2007 on current and prior year deferrals are also reflected in the above table.

The ESSP II replaced our Executive Supplemental Savings Plan (ESSP) for future deferrals beginning on January 1, 2005. No deferrals were allowed after December 2004 into ESSP, and the Company approved the ESSP II, which complies with the American Jobs Creation Act of 2004 and allowed deferrals starting in 2005. All the named executives maintain a balance in the ESSP and their earnings for 2007 are included in the above table.

Messrs. Atwood, Jenkin and Tolosa also maintain a balance in the Executive Deferred Compensation Plan (EDCP). Under the EDCP, the executive earns the retirement rate under the EDCP if he attains (a) specified age and service requirements (55 years of age plus 10 years of service or 60 years of age) or (2) attains specified age and service requirements (is at least 50 years old, and when added to years of service, equals 65 or greater) and if his employment is terminated without cause pursuant to his employment agreement. The executive receives service credit under the EDCP for any salary continuation and noncompete period. Additionally, if an executive is separated from service within 24 months of the Acquisition, the executive earns the retirement rate under the EDCP. Messrs. Atwood and Tolosa have attained the specified age and service requirements under the EDCP to earn the retirement rate. Mr. Jenkin will receive the retirement rate if he (1) is terminated without cause under his employment agreement, (2) is separated from service within 24 months after the Acquisition, or (3) he meets the age requirement. Further deferrals into the EDCP were terminated in 2001. The Human Resources Committee approves the EDCP retirement rate (which cannot be lower than a specified formula rate) annually. In October 1995, the Human Resources Committee approved a fixed retirement rate of 15.5% for all account balances under the EDCP as of December 31, 1995 (subject to plan minimum rates contained in the EDCP). The interest rates on post-1995 deferrals continue to be approved each year by the Committee. The retirement rate on post-1995 deferrals during 2007 was the Plan's minimum retirement rate of 9.12%. Messrs. Atwood's, Jenkin's and Tolosa's earnings in 2007 under the EDCP are included in the above table.

The table below shows the investment funds available under the ESSP and the ESSP II and the annual rate of return for each fund for the year ended December 31, 2007:

Name of Fund	2007	Name of Fund	2007
	Rate of Return		Rate of Return
500 Index Trust B	5.25%	Mid Cap Stock Trust	23.59%
Aggressive Growth Lifecycle	8.70%	Mid Value Trust	0.51%
Brandes International Equity	8.01%	Moderate Lifecycle	8.30%
Conservative Lifecycle	8.10%	Money Market Trust B	4.82%
Diversified Research	1.36%	Small Cap Growth Trust	13.98%
Equity-Income Trust	3.39%	Small Cap Value Trust	(2.92)%
Growth Lifecycle	8.60%	Turner Core Growth	22.43%
Managed Bond	8.13%		

Pursuant to the terms of the DCP and ESSP II, any unvested amounts of the participants in the plans became fully vested upon the Acquisition.

Table of Contents**Potential Payments Upon Termination or Change of Control**

We have entered into employment and severance agreements (other than with Mr. Loveman who only has an employment agreement) with the named executive officers that require us to make payments and provide various benefits to the executives in the event of the executive's termination or a change of control in the Company. The terms of the agreements are described above under Executive Compensation Compensation Discussion and Analysis Elements of Post-Employment Compensation and Benefits Employment Arrangements. The estimated value of the payments and benefits due to the executives pursuant to their agreements under various termination events are detailed below.

As a result of the Acquisition, certain payments were made to our named executive officers due to the acceleration of vesting and cash-out of all awards under our equity award plans. In addition, unvested amounts, if any, under our Savings and Retirement Plan and Deferred Compensation Plans became vested. The table below outlines the payments made and other additional amounts accrued as a result of the Acquisition which occurred on January 28, 2008.

Executive Benefits and Payments at the Change in Control	Gary Loveman⁽¹⁾	Charles Atwood⁽²⁾	Jonathan Halkyard⁽³⁾	Carlos Tolosa⁽⁴⁾	Thomas Jenkin⁽⁵⁾
Compensation:					
Stock Options/SARS Unvested and Accelerated	\$ 13,428,400	\$ 2,889,413	\$ 410,592	\$ 1,341,833	\$ 1,341,833
Stock Options/SARS Vested and Unexercised	75,618,653	8,885,362	4,400,959	12,688,301	5,356,767
Benefits and Perquisites:					
Acceleration of Interest from conversion to ESSP	50,000				
Totals	\$ 89,097,053	\$ 11,774,775	\$ 4,811,551	\$ 14,030,134	\$ 6,698,600

(1) On January 27, 2008, Mr. Loveman and the Company entered into a stock option rollover agreement that provides for the conversion of options to purchase shares of the Company prior to the Acquisition into options to purchase shares of the Company following the Acquisition with such conversion preserving the intrinsic spread value of the converted option. The rollover option is immediately exercisable with respect to 133,333 shares of non-voting common stock of the Company at an exercise price of \$25.00 per share. The rollover options expire on June 17, 2012. In addition, Mr. Loveman invested \$14,999,990 of the proceeds noted above in the equity of the Company after the Acquisition.

(2) Mr. Atwood invested \$4,100,000 of the proceeds noted above in the equity of the Company after the Acquisition.

(3) Mr. Halkyard invested \$1,719,395 of the proceeds noted above in the equity of the Company after the Acquisition.

(4) Mr. Tolosa invested \$4,400,000 of the proceeds noted above in the equity of the Company after the Acquisition.

(5) Mr. Jenkin invested \$2,227,500 of the proceeds noted above in the equity of the Company after the Acquisition.

In addition, the following tables show the estimated amount of potential cash severance payable to each of the named executive officers, as well as the estimated value of continuing benefits, based on compensation and benefit levels in effect on December 31, 2007, assuming the executive's employment terminates effective December 31, 2007. For Mr. Loveman, we have assumed that his new employment agreement dated January 28, 2008 was in place as of December 31, 2007.

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For each of the named executive officers, we have assumed that their employment was terminated on December 31, 2007, and the market value of their unvested equity awards was \$88.75, which was the closing market price of our stock on December 31, 2007. Due to the numerous factors involved in estimating these amounts, the actual value of benefits and amounts to be paid can only be determined upon an executive's termination of employment.

	Voluntary Termination (\$)	Retirement (\$)	Involuntary Not for Cause Termination (\$)	For Cause Termination (\$)	Involuntary or Good Reason Termination (Change in Control) (\$)	Disability (\$) ⁽¹⁾	Death (\$)
Gary W. Loveman							
Compensation:							
Base Salary			10,000,000		15,000,000	4,000,000	
Short Term Incentive			3,000,000		3,000,000		
Long Term Incentives:							
Unvested and Accelerated Restricted Stock			4,809,274		4,809,274	4,809,274	2,404,637
Unvested and Accelerated Stock Options and SARs			16,523,567		22,812,567	22,812,567	19,175,484
Benefits and Perquisites:							
Post-retirement Health Care ⁽²⁾	283,575	283,575	283,575	283,575	283,575	283,575	
Life & Accident Insurance and Benefits ⁽³⁾			21,068		21,068	21,068	6,000,000
Disability Insurance and Benefits ⁽⁴⁾						30,000 per mo. and 5,000,000	
Acceleration of Interest from conversion to ESSP					50,000		
Accrued Vacation Pay							
Financial Planning							
Gross-Up Payment for Excise Taxes							
Totals						36,926,484 and	
	283,575	283,575	34,637,484	283,575	45,976,484	30,000 per mo.	27,580,121

(1) Base salary payments will be offset by disability payments.

(2) Reflects the estimated present value of all future premiums under the Company's health plans.

(3) Reflects the estimated present value of the cost of coverage for life and accident insurance policies and the estimated amount of proceeds payable to the executive's beneficiaries in the event of the executive's death.

(4) Reflects the estimated amount of proceeds payable to the executive in the event of the executive's disability.

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Assuming the employment of Messrs Atwood, Halkyard, Jenkin and Tolosa was terminated on December 31, 2007, and the market value of the executive's unvested equity awards was \$88.75, which was the market price of our stock on December 31, 2007, the executive would be eligible for the following payments and benefits:

	Voluntary Termination (\$)	Retirement (\$)	Involuntary Not for Cause Termination (\$)	For Cause Termination (\$)	Involuntary or Good Reason Termination (Change in Control) (\$)	Disability (\$) ⁽¹⁾	Death (\$)
Jonathan S. Halkyard							
Compensation:							
Base Salary			900,000		2,481,772	900,000	
Short Term Incentive			336,461		420,577	336,461	
Long Term Incentives:							
Unvested and Accelerated Restricted Stock							
Unvested and Accelerated Stock Options and SARs			587,416		587,416	587,416	293,708
Benefits and Perquisites:							
Post-retirement Health Care ⁽²⁾					19,096	323,599	
Life & Accident Insurance and Benefits ⁽³⁾					3,336		1,800,000
Disability Insurance and Benefits ⁽⁴⁾						30,000 per mo.	
Accrued Vacation Pay	10,514	10,514	10,514	10,514	10,514	10,514	10,514
Financial Planning			7,500		7,500		
Gross-Up Payment for Excise Taxes					987,795		
Totals	10,514	10,514	1,841,891	10,514	4,518,006	2,157,990 and 30,000 per mo.	2,104,222

(1) Base salary payments will be offset by disability payments.

(2) Reflects the estimated present value of all future premiums under the Company's health plans.

(3) Reflects the estimated present value of the cost of coverage for life and accident insurance policies and the estimated amount of proceeds payable to the executive's beneficiaries in the event of the executive's death.

(4) Reflects the estimated amount of proceeds payable to the executive in the event of the executive's disability.

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Assuming the employment of Messrs Atwood, Halkyard, Jenkin and Tolosa was terminated on December 31, 2007, and the market value of the executive's unvested equity awards was \$88.75, which was the market price of our stock on December 31, 2007, the executive would be eligible for the following payments and benefits:

	Voluntary Termination (\$)	Retirement (\$)	Involuntary Not for Cause Termination (\$)	For Cause Termination (\$)	Involuntary or Good Reason Termination (Change in Control) (\$)	Disability (\$) ⁽¹⁾	Death (\$)
Charles L. Atwood							
Compensation:							
Base Salary			1,950,000		7,807,493	1,950,000	
Short Term Incentive			1,300,000		1,625,000	1,300,000	
Long Term Incentives:							
Unvested and Accelerated Restricted Stock							
Unvested and Accelerated Stock Options and SARs			3,731,787		3,731,787	3,731,787	1,865,894
Benefits and Perquisites:							
Post-retirement Health Care ⁽²⁾	166,291	166,291	166,291		166,291	166,291	
Life & Accident Insurance and Benefits ⁽³⁾					32,659		3,500,000
Disability Insurance and Benefits ⁽⁴⁾						30,000 per mo.	
Accrued Vacation Pay	44,282	44,282	44,282	44,282	44,282	44,282	44,282
Financial Planning			15,000		15,000		
Gross-Up Payment for Excise Taxes							
Totals	210,573	210,573	7,207,360	44,282	13,422,512	7,192,360 and 30,000 per mo.	5,410,176

(1) Base salary payments will be offset by disability payments.

(2) Reflects the estimated present value of all future premiums under the Company's health plans.

(3) Reflects the estimated present value of the cost of coverage for life and accident insurance policies and the estimated amount of proceeds payable to the executive's beneficiaries in the event of the executive's death.

(4) Reflects the estimated amount of proceeds payable to the executive in the event of the executive's disability.

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	Voluntary Termination (\$)	Retirement (\$)	Involuntary Not for Cause Termination (\$)	For Cause Termination (\$)	Involuntary or Good Reason Termination (Change in Control) (\$)	Disability (\$) ⁽¹⁾	Death (\$)
Thomas M. Jenkin							
Compensation:							
Base Salary			1,800,000		7,041,432	1,800,000	
Short Term Incentive			978,605		850,961	978,605	
Long Term Incentives:							
Unvested and Accelerated Restricted Stock							
Unvested and Accelerated Stock Options and SARs			1,768,150		1,768,150	1,768,150	884,074
Benefits and Perquisites:							
Post-retirement Health Care ⁽²⁾	235,174	235,174	235,174		235,174	235,174	
Life & Accident Insurance and Benefits ⁽³⁾					13,855		3,500,000
Disability Insurance and Benefits ⁽⁴⁾						30,000 per mo.	
Acceleration of vesting in EDCP retirement interest rate			1,459,243		1,459,243	1,459,243	
Accrued Vacation Pay	106,154	106,154	106,154	106,154	106,154	106,154	106,154
Financial Planning			15,000		15,000		
Gross-Up Payment for Excise Taxes					2,610,143		
Totals	341,328	341,328	6,362,326	106,154	14,100,112	6,347,326 and	4,490,228
						30,000 per mo.	

(1) Base salary payments will be offset by disability payments.

(2) Reflects the estimated present value of all future premiums under the Company's health plans.

(3) Reflects the estimated present value of the cost of coverage for life and accident insurance policies and the estimated amount of proceeds payable to the executive's beneficiaries in the event of the executive's death.

(4) Reflects the estimated present value of the cost of coverage for disability insurance and the amount of proceeds payable to the executive in the event of the executive's disability.

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	Voluntary Termination (\$)	Retirement (\$)	Involuntary Not for Cause Termination (\$)	For Cause Termination (\$)	Involuntary or Good Reason Termination (Change in Control) (\$)	Disability (\$) ⁽¹⁾	Death (\$)
J. Carlos Tolosa							
Compensation:							
Base Salary			1,612,500		5,327,290	1,612,500	
Short Term Incentive			645,000		806,250	645,000	
Long Term Incentives:							
Unvested and Accelerated Restricted Stock							
Unvested and Accelerated Stock Options and SARs							
			3,950,422		3,950,422	3,950,422	1,975,211
Benefits and Perquisites:							
Post-retirement Health Care ⁽²⁾	197,153	197,153	197,153		197,153	197,153	99,803
Life & Accident Insurance and Benefits ⁽³⁾					30,186		3,225,000
Disability Insurance and Benefits ⁽⁴⁾						30,000 per mo.	
Accrued Vacation Pay	76,737	76,737	76,737	76,737	76,737	76,737	76,737
Financial Planning			15,000		15,000		
Gross-Up Payment for Excise Taxes							
Totals	273,890	273,890	6,496,812	76,737	10,403,038	6,481,812 and 30,000 per mo.	5,376,751

(1) Base salary payments will be offset by disability payments.

(2) Reflects the estimated present value of all future premiums under the Company's health plans.

(3) Reflects the estimated present value of the cost of coverage for life and accident insurance policies and the estimated amount of proceeds payable to the executive's beneficiaries in the event of the executive's death.

(4) Reflects the estimated amount of proceeds payable to the executive in the event of the executive's disability.

Compensation of Directors

During 2007, directors who were not employees of the Company or any of our subsidiaries earned a monthly fee of \$14,583.33 plus \$1,500 for each non-regularly scheduled committee meeting they attended as a committee member. Committee chairpersons received an additional monthly retainer as follows: Audit Committee received \$1,666.67, Human Resources Committee received \$833.33, and Nominating/Corporate Governance Committee received \$416.67. Directors were reimbursed for expenses reasonably incurred in connection with their service on the Board.

Pursuant to a director stock program, each director automatically received 50% of his or her director fees in our common stock in lieu of cash fees. Each director had the right to make an annual election to receive the remaining 50% of his or her director fees in common stock in lieu of cash fees for the duration of the program.

Grants of our common stock pursuant to the director stock program were made quarterly for an amount of our common stock, based on the market value on the grant date, equal in value to 50% of the fees that the director earned during the previous three-month grant period (or 100% of the fees if the director elected to receive the remaining 50% of fees in our common stock). Shares of our common stock that were granted could be disposed of until at least six months after the date of grant. A director could make an annual election to defer the grant of shares to be made the ensuing fiscal year. Prior to January 28, 2008, deferred shares were granted within 30 days after the director left our Board in a lump sum or in up to ten annual installments, as he or she elected. Those elections were made prior to each fiscal year. We created a trust to assure the payment of benefits pursuant to the directors stock program. Pursuant to the consummation of the Acquisition, the directors who elected to defer the grant of shares received \$90.00 per share in accordance with their payment election.

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All of these directors resigned as of January 28, 2008.

The following table sets forth the compensation provided by the Company to non-management directors during 2007:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽²⁾⁽⁴⁾	Option Awards (\$) ⁽³⁾⁽⁴⁾	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) ⁽⁵⁾	All Other Compensation (\$) ⁽⁶⁾	Total (\$)
Barbara T. Alexander		207,000	7,450				214,450
Frank J. Biondi, Jr.	95,000	95,000	9,110			7,943	207,053
Stephen F. Bollenbach	92,000	92,000				2,852	186,852
Ralph Horn		175,000			11,494	42,327	228,821
R. Brad Martin	6,000	175,000				45,311	226,311
Gary G. Michael ⁽¹⁾	102,750	93,750	7,626			8,856	212,982
Robert G. Miller	87,500	89,872				360	177,732
Boake A. Sells		177,794			389,783	53,940	621,517
Christopher J. Williams		187,000	5,401			12,283	204,684

- (1) Mr. Michael was a member of our Compliance Committee, which oversees our compliance programs for gaming and other laws and regulations we are subject to. Mr. Michael was appointed to the Compliance Committee because he is a member of the Audit Committee. For his services on the Compliance Committee, Mr. Michael received a per meeting fee in 2007 of \$1,000, and was paid an annual retainer of \$5,000. In 2007, Mr. Michael received \$10,000 for his service on the Compliance Committee, which was paid in cash.
- (2) Totals reflect grants made pursuant to our director stock program in payment of fees and the 2007 compensation expense for stock awards made to Messrs. Miller and Sells under the stock grant program for non-management directors. The stock grant program was terminated on February 21, 2001.
- (3) Totals reflect 2007 compensation expense for option awards made to Ms. Alexander, Mr. Biondi, Mr. Michael and Mr. Williams under the stock option programs for non-management directors. These programs have been discontinued.
- (4) The value of stock and option awards was determined as required by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS No. 123(R)). See Note 15 in the Notes to Consolidated Financial Statements for details on assumptions used in the valuation of the awards. Outstanding stock and option awards at December 31, 2007 for each director are as follows: Ms. Alexander: 7,000 option awards; Mr. Biondi: 9,000 option awards; Mr. Horn: 4,000 option awards; Mr. Martin: 4,000 option awards; Mr. Michael: 6,500 option awards; Mr. Miller: 4,000 option awards and 200 stock awards; Mr. Sells: 4,000 option awards and 200 stock awards; Mr. Williams: 5,000 option awards. The closing of the Acquisition on January 28, 2008 triggered accelerated vesting of the unvested stock awards and option awards. The value of the 2008 vesting of stock awards and option awards is as follows: Ms. Alexander, \$24,275; Mr. Biondi, \$38,812; Mr. Michael, \$24,848; Mr. Miller, \$2,372; Mr. Sells, \$2,794; and Mr. Williams, \$13,010.
- (5) Messrs. Horn and Sells maintain a balance in our Executive Deferred Compensation Plan (EDCP). In October 1995, the Human Resources Committee approved a fixed retirement rate of 15.5% for all account balances under the EDCP as of December 31, 1995 (subject to plan minimum rates contained in the EDCP). The interest rates on post 1995 deferrals continue to be approved each year by the Committee. The retirement rate on post 1995 deferrals during 2007 was the Plan's minimum retirement rate of 9.12%, and the retirement rate during 2007 for post 1995 deferrals has been approved once again at the Plan's minimum retirement rate.

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(6) All Other Compensation includes the following:

The cost of participation in the Company's group health insurance plan for Messrs. Horn, Martin and Sells was \$1,593, \$16,301 and \$15,543, respectively.

Quarterly dividends on unvested restricted stock awards and quarterly dividend reinvestments on deferred stock grants pursuant to the directors stock program. Totals for quarterly dividends on unvested restricted stock awards for 2007 were as follows: Mr. Miller, \$360; and Mr. Sells, \$360. Totals for quarterly dividend reinvestments for 2007 were as follows: Mr. Biondi, \$7,943; Mr. Bollenbach, \$2,852; Mr. Horn, \$40,734; Mr. Martin, \$29,010; Mr. Michael, \$8,856; Mr. Sells, \$38,037; and Mr. Williams, \$12,283.

Until May 1, 1996, directors were eligible to participate in an unfunded compensation deferral program, the Executive Deferred Compensation Plan. Two non-management directors who served in 2007 deferred part of their cash fees pursuant to the Executive Deferred Compensation Plan prior to May 1, 1996 and currently have account balances in the Plan. See Executive Compensation Compensation Discussion and Analysis Elements of Post-Employment Compensation Deferred Compensation Plans for more information about the Executive Deferred Compensation Plan.

Each non-management director was also provided with travel accident insurance of \$500,000 while traveling on behalf of the Company. Incumbent non-management directors who served on the Board as of February 21, 2001, are entitled to participate in the Company's standard group health insurance plans while serving as a director. This program was not available to directors elected or appointed after February 21, 2001. The Company paid the premium cost for this insurance. Each director receiving these benefits incurred taxable income equal to the premium cost of the group insurance.

Non-management directors elected prior to February 21, 2001 received a grant of 1,000 shares of restricted stock vesting in ten annual installments over ten years. Directors who served a full ten years under this program received another ten-year grant of 1,000 shares. Messrs. Miller and Sells received this grant. This program was terminated on February 21, 2001, with respect to further grants to new directors. Non-management directors who were initially elected between February 2001 and January 2004 received a non-qualified stock option grant of 5,000 shares upon being elected or appointed to the Board. Directors serving during that same time period received an annual nonqualified stock option grant of 2,000 shares. These stock option programs have been discontinued.

Pursuant to the Company's Amended and Restated 2004 Equity Incentive Award Plan, directors were eligible for grants of equity awards as may be approved by the Human Resources Committee from time to time. No equity awards were granted to our directors during 2007.

In November 2003, our Board of Directors implemented stock ownership guidelines for its non-management members. Within two years of first being elected, a director was expected to own and maintain a number of shares of the Company's common stock having a minimum value equal to two times his or her annual retainer. Shares granted to a director for his or her service on the Company's Board of Directors were included in determining the value of the director's holdings. As a privately held company, we no longer have a policy regarding stock ownership guidelines.

Pursuant to the consummation of the Acquisition, all options held by non-management directors, vested and unvested, were cancelled in consideration for the difference between \$90.00 per share and the exercise per share of each option held.

In recognition for the years of dedication and service to the Harrah's stockholders prior to the Acquisition, the non-management directors that resigned effective upon the closing of the Acquisition were each given an antique slot machine and complimentary stays in a suite (or best available room) at our properties for the next 5 years, subject to availability. Each stay is limited to three complimentary nights. Complimentary privileges include golf and tickets to entertainment performances, subject to certain limitations.

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Currently, only Messrs. Williams and Swan and Ms. Jackson receive compensation for their services as a member of our Board of Directors. These directors received a one time option grant on July 1, 2008, which vests ratably over five years from the date of election to our Board. Mr. Williams and Ms. Jackson received an option to purchase 2,822 shares of non-voting common stock and Mr. Swann received an option to purchase 2,117 shares. In addition, each of these directors receives annual cash compensation paid quarterly in arrears. Ms. Jackson and Mr. Williams receive \$100,000 annually and Mr. Swann receives \$75,000 annually. The remaining directors do not receive compensation for their service as a member of our Board of Directors. All of our directors are reimbursed for any expenses incurred in connection with their service.

Human Resources Committee Interlocks and Insider Participation

During 2007, the members of the Human Resources Committee Frank J. Biondi, Jr., Ralph Horn, R. Brad Martin, Robert G. Miller, and Boake A. Sells. None of these individuals were current or former officers or employees of the Company or any of our subsidiaries. During 2007, none of our executive officers served as a director or member of a compensation committee (or other committee serving an equivalent function) of any other entity whose executive officers served as a director or member of our Human Resources Committee.

After the closing of the Acquisition, the Committee was reconstituted with two members: Kelvin Davis and Marc Rowan. Neither of these individuals are current or former officers or employees of the Company or any of our subsidiaries.

Equity Compensation Plan Information

The table below sets forth information regarding our equity compensation plans as of December 31, 2007.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders ⁽²⁾	11,200,113	\$ 60.93	7,939,543
Equity compensation plans not approved by stockholders ⁽³⁾	50,097	57.49	8,897
Total	11,250,210	60.91	7,948,440

(1) The weighted average remaining contract life for the options, warrants and rights set forth in this column is 4.2 years.

(2) Includes the Company's Amended and Restated 2004 Equity Incentive Award Plan, 2001 Executive Stock Incentive Plan, 1996 Non-Management Directors Stock Incentive Plan, 1990 Restricted Stock Plan, 1990 Stock Option Plan, Park Place Entertainment Corporation 1998 Stock Incentive Plan, and the Caesars Entertainment, Inc. 2004 Long-Term Incentive Plan.

(3) Includes the Harrah's Entertainment, Inc. 2001 Broad-Based Stock Incentive Plan. The 2001 Broad-Based Stock Incentive Plan was not required to be approved by stockholders pursuant to rules of the New York Stock Exchange in existence at that time.

All of the Company's equity award plans in place were terminated as of the date of the Acquisition. In February 2008, our Board of Directors approved the Harrah's Entertainment, Inc. Management Equity Incentive Plan and granted options to purchase our non-voting common stock to certain of our officers and employees.

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The following table lists the beneficial ownership of our common stock as of September 30, 2008, by Hamlet Holdings, Inc., the Sponsors, all current directors, our five executive officers named in the Summary Compensation Table and all directors and executive officers as a group.

Name	Shares of Stock Beneficially Owned			Ownership Percentage		
	Voting Common Stock	Non-Voting Common Stock	Non-Voting Preferred Stock	Voting Common Stock	Non-Voting Common Stock	Non-Voting Preferred Stock
Apollo ⁽¹⁾⁽²⁾		31,387,726	15,351,275	%	77%	77%
TPG ⁽²⁾⁽³⁾		31,387,726	15,351,275		77	77
Hamlet Holdings ⁽⁴⁾	10			100		
Charles Atwood ⁽⁵⁾		27,533.09	13,466.91		*	*
Jeffrey Benjamin ⁽¹⁾						
David Bonderman ⁽³⁾⁽⁴⁾				17		
Anthony Civale ⁽¹⁾						
Jonathan Coslet ⁽³⁾⁽⁴⁾				17		
Kelvin Davis ⁽³⁾						
Jonathan Halkyard		11,546.41	5,647.54		*	*
Jeanne Jackson						
Thomas Jenkin		14,958.53	7,316.47		*	*
Gary Loveman ⁽⁶⁾		234,063.76	49,269.14		*	*
Karl Peterson ⁽³⁾						
Eric Press ⁽¹⁾						
Marc Rowan ⁽¹⁾⁽⁴⁾				17		
Lynn Swann						
J. Carlos Tolosa		29,547.71	14,452.29		*	*
Christopher Williams						
All directors and executive officers as a group ⁽⁴⁾⁽⁷⁾	10	364,769.25	113,297.26	50	1	1

* Indicates less than one percent.

- (1) Includes all of the non-voting capital stock held by Apollo Hamlet Holdings, LLC and Apollo Hamlet Holdings B, LLC. Each of Apollo Hamlet Holdings, LLC and Apollo Hamlet Holdings B, LLC is an affiliate of, and is controlled by, affiliates of Apollo. Each of Messrs. Benjamin, Civale, Press and Rowan may be deemed to be a beneficial owner of these interests due to his status as an employee of or consultant to Apollo, and each such person disclaims beneficial ownership of any such interests in which he does not have a pecuniary interest. The address of Messrs. Benjamin, Civale, Press and Rowan and Apollo is c/o Apollo Global Management, LLC, 9 West 57th Street, New York, New York 10019.
- (2) Includes all of the non-voting capital stock held by certain co-investors, the disposition of which will be jointly controlled by Apollo and TPG.
- (3) Includes all of the non-voting capital stock held by TPG Hamlet Holdings, LLC and TPG Hamlet Holdings B, LLC. Each of TPG Hamlet Holdings, LLC and TPG Hamlet Holdings B, LLC is an affiliate of, and is controlled by, affiliates of TPG. Each of Messrs. Bonderman, Coslet, Davis and Peterson may be deemed to be a beneficial owner of these interests due to his status as an employee of TPG, and each such person disclaims beneficial ownership of any such interests in which he does not have a pecuniary interest. The address of Messrs. Bonderman, Coslet, Davis and Peterson and TPG is c/o TPG Capital, LP, 345 California Street, Suite 3300, San Francisco, California 94104.
- (4) The members of Hamlet Holdings are Leon Black, Joshua Harris, 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.
- (5) Charles Atwood retired on December 19, 2008.
- (6) Includes 133,333 non-voting common shares that may be acquired within 60 days pursuant to outstanding stock options.
- (7) The address of each of our named executive officers is c/o Harrah's Entertainment, Inc., One Caesars Palace Drive, Las Vegas, Nevada 89109.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Party Transaction Policy

Our board of directors has approved related party transaction policy and procedures which gives our Audit Committee the power to approve or disapprove potential related party transactions of our directors and executive officers, their immediate family members and entities where they hold a 5% or greater beneficial ownership interest. The Audit Committee is charged with reviewing all relevant facts and circumstances of a related party transaction, including if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party and the extent of the person's interest in the transaction.

The policy has pre-approved the following related party transactions:

Compensation to an executive officer or director that is reported in the company's public filings and has been approved by the Human Resources Committee or our board of directors;

Transactions where the interest arises only from (a) the person's position as a director on the related party's board; (b) direct or indirect ownership of less than 5% of the related party or (c) the person's position as a partner with the related party with less than 5% interest and not the general partner of the partnership;

Transactions involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services; and

Related Party Transaction is defined as a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds \$120,000, and in which any related person had, has or will have a direct or indirect interest.

The following discussion reflects our relationships and related party transactions entered into in connection with the Acquisition and does not reflect relationships prior to that time.

Hamlet Holdings Operating Agreement

All holders of Hamlet Holdings' equity securities are parties to Hamlet Holdings' limited liability company operating agreement. The operating agreement provides, among other things, for the various responsibilities of the members. The members include Leon Black, Joshua Harris and Marc Rowan, each of whom is affiliated with Apollo (the "Apollo Members"), and David Bonderman, James Coulter and Jonathan Coslet, each of whom is affiliated with TPG (the "TPG Members" and, together with the Apollo Members, the "Members"). The Members have the full and exclusive right to manage Hamlet Holdings and the consent of at least one member from Apollo and one member from TPG is required for all decisions by or on behalf of Hamlet Holdings. The operating agreement also contains customary indemnification rights.

Stockholders' Agreement

In connection with the Acquisition, Hamlet Holdings, the Sponsors and certain of their affiliates, the co-investors and certain of their affiliates entered into a stockholders' agreement with the Company. The stockholders' agreement contains, among other things, the agreement among the stockholders to restrict their ability to transfer stock of the Company as well as rights of first refusal, tag-along rights, drag-along rights and piggyback rights. Pursuant to the stockholders' agreement, certain of the stockholders have, subject to certain exceptions, preemptive rights on future offerings of equity securities by the Company. The stockholders' agreement also provides the stockholders with certain rights with respect to the approval of certain matters and the designation of nominees to serve on the Board of Directors of the Company, as well as registration rights of securities of the Company that they own.

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The Board of Directors of the Company was initially comprised of at least nine (9) directors, (i) four (4) of whom were designated by the Apollo Members and (ii) four (4) of whom were designated by the TPG Members, and (iii) one (1) of whom was designated the chairman, and subsequently increased to thirteen (13) directors. As ownership in the Company by either of the Sponsors decreases, the stockholders' agreement provides for the reduction in the number of directors each of the Apollo Members or TPG Members can designate.

Pursuant to the stockholders' agreement, approval of the Board of Directors and at least two directors (one designated by Apollo Members and one designated by TPG Members) are required for various transactions by us, including, among other things, our liquidation, dissolution, merger, sale of all or substantially all of our assets as well as the issuance of our securities in connection with certain acquisitions and joint ventures.

Management Investor Rights Agreement

In connection with the Acquisition, the Company entered into a Management Investor Rights Agreement with certain holders of securities of the Company, including certain members of management of the Company. The agreement governs certain aspects of the Company's relationship with its management securityholders. The agreement, among other things:

restricts the ability of management securityholders to transfer shares of non-voting common stock or non-voting preferred stock of the Company, with certain exceptions, prior to a qualified public offering;

allows the Sponsors to require management securityholders to participate in sale transactions in which the Sponsors sell more than 40% of their shares of non-voting common stock and non-voting preferred stock;

allows management securityholders to participate in sale transactions in which the Sponsors sell shares of non-voting common stock and non-voting preferred stock, subject to certain exceptions;

allows management securityholders to participate in registered offerings in which the Sponsors sell their shares of non-voting common stock and non-voting preferred stock, subject to certain limitations;

allows management securityholders below the level of senior vice president to require Harrah's Entertainment to repurchase shares of non-voting common stock and non-voting preferred stock in the event that a management securityholder below the level of senior vice president experiences an economic hardship prior to an initial public offering, subject to annual limits on the company's repurchase obligations;

allows management securityholders to require the Company to repurchase shares of non-voting common stock and non-voting preferred stock upon termination of employment without cause or for good reason; and

allows the Company to repurchase, subject to applicable laws, all or any portion of the Company's non-voting common stock and non-voting preferred stock held by management securityholders upon the termination of their employment with the Company or its subsidiaries, in certain circumstances.

The agreement will terminate upon the earliest to occur of the dissolution of Hamlet Holdings or the occurrence of any event that reduces the number of securityholders to one.

Services Agreement

Upon the completion of the Acquisition, the Sponsors and their affiliates entered into a services agreement with the Company relating to the provision of certain financial and strategic advisory services and consulting services. The Company paid the Sponsors a one time transaction fee of \$200 million for structuring the Acquisition and will pay an annual fee for their management services and advice equal to the greater of \$30

million and 1% of the Company's earnings before interest, taxes, depreciation and amortization. Also, under the

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services agreement, the Sponsors will have the right to act, in return for additional fees based on a percentage of the gross transaction value, as our financial advisor or investment banker for any merger, acquisition, disposition, financing or the like if we decide we need to engage someone to fill such a role. We will agree to indemnify the Sponsors and their affiliates and their directors, officers and representatives for losses relating to the services contemplated by the services agreement and the engagement of affiliates of the Sponsors pursuant to, and the performance by them of the services contemplated by, the services agreement.

Shared Services Agreement

Harrah's Operating entered into a shared services agreement with the certain of our entities involved in the CMBS financing (the CMBS Entities), pursuant to which Harrah's Operating provides to the CMBS Entities certain corporate services. The services include but are not limited to: information technology services; website management services; operations and production services; vendor relationship management services; strategic sourcing services; real estate services; development services; construction services; finance and accounting services; procurement services; treasury and trust services; human resources services; marketing and public relations services; legal services; insurance services; corporate/executive services; payroll services; security and surveillance services; government relation services; communication services; consulting services; and data access services.

Pursuant to the agreement, Harrah's Operating granted the CMBS Entities the right to use certain software and other intellectual property rights granted or licensed to us and/or our direct or indirect subsidiaries. The agreement provides that the cost of the services described above will be allocated between Harrah's Operating and the CMBS Entities on the property-level basis that the Company has historically used to allocate such costs, and on a 70%/30% basis for those costs that have not previously been allocated to the various properties, or pursuant to such other methods as the board of directors of the Company determines in good faith to be an equitable allocation of such costs between us and the CMBS Entities. The agreement also memorializes certain short-term cash management arrangements and other operating efficiencies that reflect the way in which the Company has historically operated its business. Payments made to Harrah's Operating under the shared services agreement are subordinated to the obligations of the CMBS Entities under the CMBS financing. In addition, the agreement provides that certain insurance proceeds payable in respect of assets underlying the CMBS financing and Harrah's Operating properties will be paid first to the CMBS Entities to the extent of amounts payable thereto. The agreement terminates in January 2014 and may be terminated by the parties at any time prior to January 2014.

License Agreement

One of HOC's subsidiaries entered into license agreements with certain of the CMBS Entities pursuant to which the CMBS Entities license certain trademarks that are owned or licensed by such subsidiary.

Director Independence

As of September 30, 2008, our Board of Directors was composed of Jeffrey Benjamin, David Bonderman, Anthony Civale, Jonathan Coslet, Kelvin Davis, Gary Loveman, Karl Peterson, Eric Press, Marc Rowan, Jeanne Jackson, Lynn Swann, Christopher Williams and Charles Atwood. Though not formally considered by our Board given that our securities are no longer registered or traded on any national securities exchange, based upon the listing standards of the New York Stock Exchange, the national securities exchange upon which our common stock was listed prior to the Acquisition, we believe Messrs. Swann and Williams and Ms. Jackson would be independent, but all other directors would be considered not independent because of their relationships with certain affiliates of the funds and other entities which hold 100% of our outstanding voting common stock, and other relationships with us.

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DESCRIPTION OF OTHER INDEBTEDNESS

Senior Secured Credit Facilities

General. Our senior secured credit facilities provide for senior secured financing of up to \$9,250 million, consisting of:

senior secured term loan facilities in an aggregate principal amount of up to \$7,250 million with a maturity of seven years; and

a senior secured revolving credit facility in an aggregate principal amount of \$2,000 million with a maturity of six years, including both a letter of credit sub-facility and a swingline loan sub-facility.

In addition, we may request one or more incremental term loan facilities and/or increase commitments under our revolving facility in an aggregate amount of up to \$1,750 million, subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders.

All borrowings under our senior secured revolving credit facility following the date the term loan facility is initially drawn are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties, and the requirement that such borrowing does not reduce the amount of obligations otherwise permitted to be secured under our senior secured credit facilities without ratably securing the Retained Notes.

Proceeds of the term loans and, if applicable, the revolving loans, drawn on the closing date, together with other sources of funds described under Use of Proceeds, were used to repay existing debt. Proceeds of the revolving loans drawn after the closing date of the Transactions, swingline loans and letters of credit will be used for working capital and general corporate purposes. See Use of Proceeds. In addition, up to \$250 million of proceeds of the revolving loans drawn after the closing date of the Transaction, swingline loans and letters of credit may be distributed to or issued on behalf of the subsidiaries of Harrah's Entertainment that are not also the subsidiaries of Harrah's Operating (including the CMBS Borrowers) for working capital and general corporate purposes of such subsidiaries.

Interest Rates and Fees. Borrowings under the senior secured credit facilities bear interest at a rate equal to, at our option, either (a) a LIBOR rate determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs (the Eurocurrency Rate) or (b) a base rate determined by reference to the higher of (i) the federal funds rate plus 0.50% and (ii) the prime rate of Bank of America in each case plus an applicable margin. The initial applicable margin for borrowings is (A) 3.00% with respect to Eurocurrency borrowings and 2.00% with respect to base rate borrowings under the revolving credit facility and the term loan facility and (B) 1.50% with respect to swingline loans. The applicable margins for borrowings under the senior credit facilities may be reduced if we and our subsidiaries on a consolidated basis attain certain leverage ratios.

In addition to paying interest on outstanding principal under the senior secured credit facilities, we are required to pay a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments thereunder. The commitment fee rate is initially 0.50% per annum and may be reduced if we and our subsidiaries on a consolidated basis attain certain leverage ratios. We are also required to pay letter of credit fees computed at a rate equal to one-eighth of 1% per annum of the dollar equivalent of the daily stated amount of the letter of credit, plus such letter of credit issuer's customary documentary and processing fees and charges.

Prepayments. The senior secured credit facilities require us to prepay outstanding term loans, subject to certain exceptions, with:

50% (which percentage will be reduced to 25% if our consolidated first lien net senior secured leverage ratio is 2.75x or less but greater than 2.50x and to 0% if our consolidated first lien net senior secured leverage ratio is 2.50x or less) of our annual excess cash flow, as defined;

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100% (which percentage will be reduced to 0% if our consolidated first lien net senior secured leverage ratio is 2.50x or less) of the net cash proceeds of all nonordinary-course asset sales, other dispositions of property or certain casualty events, in each case subject to certain exceptions and provided that we may reinvest or commit to reinvest those proceeds in assets to be used in its business, or commit to make certain other permitted investments, within 15 months; and

100% of the net cash proceeds of any issuance or incurrence of debt, other than proceeds from debt permitted under the senior secured credit facilities.

The foregoing mandatory prepayments will be applied among the term loan facilities in a manner determined at our discretion and specified to the administrative agent. A prepayment premium may be applicable if any portion of tranche B-3 of the term loan facilities is prepaid before the third anniversary of the closing of the senior secured credit facilities.

We may voluntarily repay outstanding loans under the senior secured credit facilities at any time, subject to certain prepayment premia that may be applicable to tranche B-2 and tranche B-3 of the term loan facilities under certain circumstances and customary breakage costs with respect to Eurocurrency rate loans.

Amortization. Our senior secured credit facilities require scheduled quarterly payments on the term loans in amounts equal to 0.25% of the original principal amount of the term loans for six years and three quarters, with the balance paid at maturity.

Collateral and Guarantors. Our senior secured credit facilities are guaranteed by Harrah's Entertainment, and are secured by a pledge of our capital stock, and by substantially all of the existing and future property and assets of us and our material, wholly-owned domestic subsidiaries including a pledge of the capital stock of the pledgors specified above and 65% of the capital stock of the first-tier foreign subsidiaries in each case subject to exceptions. The collateral and guarantor package will be modified upon the closing of the Post-Closing CMBS Transaction to reflect the structure discussed herein.

The lenders under our senior secured credit facilities will also be entitled to the benefits of the turn-over provisions in the intercreditor agreement. See Description of Exchange Notes Intercreditor Agreement.

Restrictive Covenants and Other Matters. Our new 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 our ability and the ability of our restricted subsidiaries to, among other things: (i) incur additional debt; (ii) create liens on certain assets; (iii) enter into sale and lease-back transactions (iv) make certain investments, loans and advances; (v) consolidate, merge, sell or otherwise dispose of all or any part of its assets or to purchase, lease or otherwise acquire all or any substantial part of assets of any other person; (vi) pay dividends or make distributions or make other restricted payments; (vii) enter into certain transactions with its affiliates; (viii) engage in any business other than the business activity conducted at the closing date of the loan or business activities incidental or related thereto; (ix) amend or modify in any manner materially adverse to lenders the articles or certificate of incorporation, by-laws and certain agreements or make certain payments or modifications of indebtedness; and (x) designate or permit the designation of any indebtedness as Designated Senior Debt.

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

The senior secured credit facilities also contain certain customary affirmative covenants and events of default.

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Existing Indebtedness

In conjunction with the transaction, Harrah's Entertainment rolled over \$4,633 million of existing debt consisting of \$4,560 million of retained notes, \$63 million of other indebtedness and approximately \$10 million of borrowings under a South African credit facility at our sister company holding the London Clubs South Africa operations.

Retained Notes. Upon the closing of the Transactions, Harrah's Operating had, and currently has, an aggregate principal amount of face value of \$4,560 million of Retained Notes, of which \$3,829 million are senior notes and of which \$731 million are senior subordinated notes, consisting of the following series:

\$750 million aggregate principal amount of 5.5% Senior Notes due 2010;

\$375 million aggregate principal amount of 7.875% Senior Subordinated Notes due 2010;

\$72 million aggregate principal amount of 8% Senior Notes due 2011;

\$350 million aggregate principal amount of 8.125% Senior Subordinated Notes due 2011;

\$500 million aggregate principal amount of 5.375% Senior Notes due 2013;

\$1,000 million aggregate principal amount of 5.625% Senior Notes due 2015;

\$750 million aggregate principal amount of 6.5% Senior Notes due 2016;

\$750 million aggregate principal amount of 5.75% Senior Notes due 2017; and

\$13 million aggregate principal amount of debt securities not tendered in the Tender Offer.

These notes contain covenants that limit the amount of secured indebtedness we may incur and our ability to enter into sale/leaseback transactions. Harrah's Entertainment is a guarantor of these notes. Subject to the terms of the senior secured credit facilities and the indenture governing the notes, we may refinance these notes with debt that is guaranteed by our subsidiaries and/or secured by their and our assets.

Senior Unsecured Debt

Overview of Senior Unsecured Interim Loans. In connection with the Transactions, we entered into a senior unsecured loan agreement (the Interim Loan Agreement) with Citibank, N.A., as administrative agent, consisting of (a) a senior unsecured cash pay interim loan in an aggregate principal amount of \$5,275 million with a term of eight years and (b) a senior unsecured PIK toggle interim loan in an aggregate principal amount of up to \$1,500 million with a term of ten years (together, the senior unsecured interim loans). We used the proceeds from the notes to repay a portion of these senior unsecured interim loans on a dollar-for-dollar basis. Currently, \$343 million of senior unsecured cash pay interim loans and \$97 million of senior unsecured PIK toggle interim loans remain outstanding.

If any senior unsecured interim loans remain outstanding on the one-year anniversary (the initial maturity date) of the closing of the senior unsecured interim loans, the lenders in respect of the (i) senior unsecured interim cash pay loans have the option at any time or from time to time to exchange senior unsecured interim cash pay loans for senior cash pay notes (the senior cash pay exchange notes) and (ii) senior unsecured

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interim PIK toggle loans have the option at any time or from time to time to exchange senior unsecured interim PIK toggle loans for senior PIK toggle notes (the senior PIK toggle exchange notes and, together with the senior cash pay exchange notes, the senior exchange notes) that we will issue under a senior exchange note indenture, which may, at our option be the indenture governing the notes. The maturity date of any senior unsecured interim loans that are not exchanged for senior exchange notes will automatically be extended to the (i) in the case of the senior cash pay exchanges notes, the eighth anniversary (the senior cash pay maturity date) after the closing of the senior unsecured credit facilities and (ii) in the case of senior PIK toggle exchange notes, the tenth anniversary (the final maturity date) after the closing of the senior unsecured credit facilities. The senior cash

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pay exchange notes also mature on the senior cash pay maturity date and the senior PIK toggle exchange notes also mature on the final maturity date. Holders of the senior exchange notes have registration rights.

Obligations under the Interim Loan Agreement and the notes are treated as a single class for voting purposes.

Interest Rate. Subject to specific caps, borrowings under the Interim Loan Agreement for the first six-month period from the closing of the Interim Loan Agreement bear interest at a rate equal to the greater of (a) 9.25% and (b) either (i) a base rate (an ABR) plus a margin of 275 basis points or (ii) a Eurocurrency Rate plus a margin of 375 basis points. Interest for the three-month period commencing at the end of the initial six-month period, subject to specified caps, shall be payable at the greater of (A) 9.25% and (B) the then-prevailing ABR or Eurocurrency Rate plus (1) the initial margin plus (2) 50 basis points. Thereafter, subject to specified caps, interest will be increased by an additional 50 basis points at the beginning of each three-month period subsequent to the initial nine-month period, for so long as the senior unsecured interim loans are outstanding. Interest on the senior unsecured interim PIK toggle loans and senior PIK toggle exchange notes is payable in cash or, at our election by the addition of such interest to outstanding principal (or the issuance of additional notes in the case of the senior PIK toggle exchange notes). Any interest paid on the senior unsecured interim PIK toggle loans or senior PIK toggle exchange notes in the form of additional principal or notes will be increased by 75 basis points. If issued, the interest rate on the senior exchange notes will be fixed at the then-existing interest rate borne by the senior interim loans for which such notes were exchanged.

Prepayments and Redemptions. Until January 28, 2009 (the Rollover Date), we are required to prepay outstanding senior unsecured interim loans with the net proceeds of refinancing debt, including from the notes. We are required to make an offer to repay loans under the Interim Loan Agreement and, following the Rollover Date, repurchase any senior exchange notes with net proceeds from specified asset sales, subject to our obligations under the senior secured credit facilities and certain reinvestment rights. In addition, upon the occurrence of a change of control, after any payments required to repay the senior secured credit facilities, we are required to repay loans (prior to the Rollover Date) and, after the Rollover Date, make an offer to repay loans and, if issued, to repurchase the senior exchange notes. We may voluntarily repay outstanding loans under the Interim Loan Agreement, in whole or in part, at our option at any time upon three-business-days prior notice, at par plus accrued and unpaid interest and subject to, in the case of loans based on Eurocurrency interest rates, customary breakage costs with respect to such Eurocurrency loans.

Any senior exchange notes will be callable at a specified premium at any time after February 1, 2012, in the case of Senior Cash Pay Exchange Notes and at any time after February 1, 2013, in the case of senior PIK toggle exchange notes. Such senior exchange notes will also be subject to equity clawback and make-whole redemption provisions. In the case of any senior cash pay exchange note, the premium will decline ratably on each yearly anniversary of February 1, 2012 to zero on February 1, 2014 and thereafter. In the case of any senior PIK toggle exchange note, the premium will decline ratably on each yearly anniversary of February 1, 2013 to zero on February 1, 2016 and thereafter.

Guarantee. All obligations under the senior unsecured credit facilities are, and, if the senior exchange notes are issued, the senior exchange note indenture are, jointly and severally guaranteed on a senior basis by Harrah s Entertainment and each material direct or indirect wholly-owned domestic subsidiary of ours that pledges its assets to secure our obligations under the senior secured credit facilities.

Certain Covenants and Events of Default. The senior unsecured credit facilities and the senior exchange notes indenture contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to:

incur additional indebtedness or issue certain preferred shares;

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

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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 our assets;

enter into certain transactions with our affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

In addition, the senior unsecured credit facilities and the senior exchange notes indenture imposes certain requirements as to future subsidiary guarantors. The senior unsecured credit facilities and the senior exchange note indenture also contains certain customary affirmative covenants consistent with those in the senior secured credit facilities, to the extent applicable, and certain customary events of default.

Other Indebtedness. As of September 30, 2008, Harrah's Operating had other indebtedness in the aggregate principal amount of \$135 million as described below.

\$70 million of principal obligations to fund Clark County, Nevada, Special Improvement District bonds;

\$25 million aggregate principal amount of 6% secured promissory note due 2010 issued by Hole in the Wall, LLC, a Nevada limited liability company, to certain lenders;

\$24 million aggregate principal amount of unsecured Uruguay bonds due 2010, issued by Baluma, S.A., a Uruguay corporation; and

approximately \$16 million of miscellaneous other indebtedness.

2015 Second Lien Notes and 2018 Second Lien Notes

On November 14, 2008, in connection with the Private Exchange Offers, Harrah's Operating issued (i) approximately \$215 million of 10.00% Second-Priority Senior Secured Notes due 2015 for Old Notes maturing between 2010 and 2013, and (ii) approximately \$848 new 10.00% Second-Priority Senior Secured Notes due 2018, for Old Notes maturing between 2015 and 2018.

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 restrictive payments; (iii) make certain investment, (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 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, in 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**DESCRIPTION OF EXCHANGE NOTES****General**

Harrah's Operating Company, Inc., a Delaware corporation (*Harrah's Operating* or, the *Issuer*) issued \$4,932,417,000 aggregate principal amount of 10.75% Senior Notes due 2016 and \$1,402,583,000 aggregate principal amount of 10.75%/11.5% Optional PIK Interest Senior Notes due 2018 under an indenture (the *Indenture*), dated as of February 1, 2008, by and among itself, the Note Guarantors and U.S. Bank National Association, as Trustee.

The Issuer will issue the senior cash pay exchange notes and the senior toggle exchange notes under the Indenture. The terms of the exchange notes are identical in all material respects to the original notes except that upon completion of the exchange offers, the exchange notes will be registered under the Securities Act and free of any covenants regarding exchange registration rights. For purposes of this section, the original cash pay notes and the cash pay exchange notes are referred to as the *Cash Pay Notes*, and the original toggle notes and the exchange toggle notes are referred to as the *Toggle Notes*. References herein to the *Notes* include the Cash Pay Notes and the Toggle Notes. However, the Cash Pay Notes and the Toggle Notes are two separate series of notes under the Indenture for purposes of, among other things, payments of principal and interest, rescinding certain Events of Default and consenting to certain amendments to the Indenture and the Notes.

The following summary of certain provisions of the Indenture, the Notes, and the Intercreditor Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of those agreements, including the definitions of certain terms therein and those terms made a part thereof by the TIA. Capitalized terms used in this Description of Exchange Notes section and not otherwise defined have the meanings set forth in the section Certain Definitions. As used in this Description of Exchange Notes section, Harrah's Operating and HOC mean Harrah's Operating and its Subsidiaries, and the Issuer refers only to Harrah's Operating but not to any of its Subsidiaries.

Harrah's Operating issued Notes with an initial aggregate principal amount of \$6,335 million, comprised of \$4,932 million in initial aggregate principal amount of original Cash Pay Notes and \$1,403 million in initial aggregate principal amount of original Toggle Notes. The Issuer may issue additional Notes from time to time after this offering. Any offering of additional Notes is subject to the covenants described below under the caption Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock. The Cash Pay Notes and any additional Cash Pay Notes subsequently issued under the Indenture may, at our election, be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this Description of Exchange Notes, references to the Cash Pay Notes include any additional Cash Pay Notes actually issued. The Toggle Notes and any additional Toggle Notes subsequently issued under the Indenture may, at our election, be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this Description of Exchange Notes, references to the Toggle Notes include any additional Toggle Notes actually issued. In addition, in connection with the payment of PIK Interest or Partial PIK Interest in respect of the Toggle Notes, the Issuer is entitled to, without the consent of the holders, increase the outstanding principal amount of the Toggle Notes or issue additional Toggle Notes (the *PIK Notes*) under the Indenture on the same terms and conditions as the Toggle Notes (in each case, a *PIK Payment*). Unless the context requires otherwise, references to Notes for all purposes of the Indenture and this Description of Exchange Notes include any PIK Notes, and references to principal amount of the Notes includes any increase in the principal amount of the outstanding Notes as a result of a PIK Payment.

Principal of, premium, if any, and interest on the Notes will be payable, and the Notes may be exchanged or transferred, at the office or agency designated by the Issuer (which initially shall be the principal corporate trust office of the Trustee).

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The Notes were issued only in fully registered form, without coupons, in minimum denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof (rounded to the nearest \$1 in the case of any PIK Notes). No service charge was made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

Terms of the Notes

Cash Pay Notes

The Cash Pay Notes are senior obligations of the Issuer and will mature on February 1, 2016. Each Cash Pay Note bears interest at a rate of 10.75% per annum from the Issue Date or from the most recent date to which interest has been paid or provided for, payable semiannually to holders of record at the close of business on January 15 or July 15 immediately preceding the interest payment date on February 1 and August 1 of each year, commencing August 1, 2008.

Toggle Notes

The Toggle Notes are senior obligations of the Issuer and will mature on February 1, 2018. Each Toggle Note bears interest at a rate of 10.75% per annum with respect to Cash Interest (as defined below) and 11.5% per annum with respect to any PIK Interest (as defined below) from the Issue Date or from the most recent date to which interest has been paid or provided for, payable semiannually to holders of record at the close of business on January 15 or July 15 immediately preceding the interest payment date on February 1 and August 1 of each year.

For any interest payment period after the initial interest payment period and prior to February 1, 2013, the Issuer may, at its option, elect to pay interest on the Toggle Notes:

entirely in cash (*Cash Interest*);

entirely by increasing the principal amount of the outstanding Toggle Notes or by issuing PIK Notes (*PIK Interest*); or

on 50% of the outstanding principal amount of the Toggle Notes in cash and on 50% of the principal amount by increasing the principal amount of the outstanding Toggle Notes or by issuing PIK Notes (*Partial PIK Interest*).

The Issuer must elect the form of interest payment with respect to each interest period by delivering a notice to the Trustee prior to the beginning of each interest period. The Trustee shall promptly deliver a corresponding notice to the holders. In the absence of such an election for any interest period, interest on the Toggle Notes shall be payable according to the election for the previous interest period. Interest for the first interest period commencing on the Issue Date shall be payable entirely in cash. After February 1, 2013, the Issuer will make all interest payments on the Toggle Notes entirely in cash. Notwithstanding anything to the contrary, the payment of accrued interest in connection with any redemption of Toggle Notes as described under "Optional Redemption Toggle Notes" shall be made solely in cash.

On July 2, 2008, Harrah's Operating Company, Inc., 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. The Company intends to use the cash savings generated by this election for general corporate purposes. The Company 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.

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Cash Interest on the Toggle Notes accrues at a rate of 10.75% per annum and be payable in cash. Any PIK Interest on the Toggle Notes accrues at a rate of 11.5% per annum and is payable (x) with respect to Toggle Notes represented by one or more global notes registered in the name of, or held by, The Depository Trust Company (DTC) or its nominee on the relevant record date, by increasing the principal amount of the outstanding global Toggle Note by an amount equal to the amount of PIK Interest for the applicable interest period (rounded up to the nearest \$1) and (y) with respect to Toggle Notes represented by certificated notes, by issuing PIK Notes in certificated form in an aggregate principal amount equal to the amount of PIK Interest for the applicable period (rounded up to the nearest whole dollar), and the Trustee will, at the request of the Issuer, authenticate and deliver such PIK Notes in certificated form for original issuance to the holders on the relevant record date, as shown by the records of the register of holders. In the event that the Issuer elects to pay Partial PIK Interest for any interest period, each holder will be entitled to receive Cash Interest in respect of 50% of the principal amount of the Toggle Notes held by such holder on the relevant record date and PIK Interest in respect of 50% of the principal amount of the Toggle Notes held by such holder on the relevant record date. Following an increase in the principal amount of the outstanding global Toggle Notes as a result of a PIK Payment, the global Toggle Notes will bear interest on such increased principal amount from and after the date of such PIK Payment. Any PIK Notes issued in certificated form will be dated as of the applicable interest payment date and will bear interest from and after such date. All Toggle Notes issued pursuant to a PIK Payment will mature on February 1, 2018 and will be governed by, and subject to the terms, provisions and conditions of, the Indenture and shall have the same rights and benefits as the Toggle Notes issued on the Issue Date. Any certificated PIK Notes will be issued with the description PIK on the face of such PIK Note.

If the Toggle Notes would otherwise constitute applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Code, at the end of each accrual period ending after the fifth anniversary of the Toggle Notes issuance (each, an *AHYDO redemption date*), the Issuer will be required to redeem for cash a portion of each Toggle Note then outstanding equal to the Mandatory Principal Redemption Amount (such redemption, a *Mandatory Principal Redemption*). The redemption price for the portion of each 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 means the portion of a Toggle Note that must be required to be redeemed to prevent such 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 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 Toggle Notes that remain outstanding on the AHYDO redemption date.

Additional interest is payable with respect to the Toggle Notes in certain circumstances if the Issuer does not consummate the exchange offers (or shelf registration, if applicable) as provided in the Registration Rights Agreement. Any additional interest with respect to the Toggle Notes shall be payable in the same form as the interest election for such period.

Optional Redemption**Cash Pay Notes**

On or after February 1, 2012, the Issuer may redeem the Cash Pay Notes at its option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days prior notice mailed by first-class mail to each holder's registered address, at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest and additional interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on February 1 of the years set forth below:

Period	Redemption Price
2012	105.375%
2013	102.688%
2014 and thereafter	100.000%

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In addition, prior to February 1, 2012, the Issuer may redeem the Cash Pay Notes at its option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of the Cash Pay Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and additional interest, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notwithstanding the foregoing, at any time and from time to time on or prior to February 1, 2011, the Issuer may redeem in the aggregate up to 35% of the original aggregate principal amount of the Cash Pay Notes (calculated after giving effect to any issuance of additional Cash Pay Notes) with the net cash proceeds of one or more Equity Offerings (1) by the Issuer or (2) by any direct or indirect parent of the Issuer to the extent the net cash proceeds thereof are contributed to the common equity capital of the Issuer or used to purchase Capital Stock (other than Disqualified Stock) of the Issuer from it, at a redemption price (expressed as a percentage of principal amount thereof) of 110.75%, plus accrued and unpaid interest and additional interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that at least 50% of the original aggregate principal amount of the Cash Pay Notes (calculated after giving effect to any issuance of additional Cash Pay Notes) must remain outstanding after each such redemption; *provided, further*, that such redemption shall occur within 90 days after the date on which any such Equity Offering is consummated upon not less than 30 nor more than 60 days' notice mailed to each holder of Cash Pay Notes being redeemed and otherwise in accordance with the procedures set forth in the Indenture.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering.

Toggle Notes

On or after February 1, 2013, the Issuer may redeem the Toggle Notes at its option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest and additional interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on February 1 of the years set forth below:

Period	Redemption Price
2013	105.375%
2014	103.583%
2015	101.792%
2014 and thereafter	100.000%

In addition, prior to February 1, 2013, the Issuer may redeem the Toggle Notes at its option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of the Toggle Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and additional interest, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notwithstanding the foregoing, at any time and from time to time on or prior to February 1, 2011, the Issuer may redeem in the aggregate up to 35% of the original aggregate principal amount of the Toggle Notes (calculated after giving effect to any issuance of additional Toggle Notes) with the net cash proceeds of one or more Equity Offerings (1) by the Issuer or (2) by any direct or indirect parent of the Issuer to the extent the net

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cash proceeds thereof are contributed to the common equity capital of the Issuer or used to purchase Capital Stock (other than Disqualified Stock) of the Issuer from it, at a redemption price (expressed as a percentage of principal amount thereof) of 110.75%, plus accrued and unpaid interest and additional interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that at least 50% of the original aggregate principal amount of the Toggle Notes (calculated after giving effect to any issuance of additional Toggle Notes) must remain outstanding after each such redemption; provided, further, that such redemption shall occur within 90 days after the date on which any such Equity Offering is consummated upon not less than 30 nor more than 60 days notice mailed to each holder of Toggle Notes being redeemed and otherwise in accordance with the procedures set forth in the Indenture.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering.

Selection

In the case of any partial redemption other than a Mandatory Principal Redemption, selection of Cash Pay Notes or Toggle Notes, as the case may be, for redemption will be made by the Trustee on a pro rata basis to the extent practicable; provided that no Notes of \$2,000 (and integral multiples of \$1,000 in excess thereof) or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption so long as the Issuer has deposited with the Paying Agent funds sufficient to pay the principal of, plus accrued and unpaid interest and additional interest (if any) on, the Notes to be redeemed.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

Except as set forth in the fifth paragraph under Terms of the Notes Toggle Notes, the Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase Notes as described under the captions Change of Control and Certain Covenants Asset Sales. In addition, in the event any holder is found unsuitable by a Gaming Authority to hold the Notes, the Notes may be redeemed by the Issuer pursuant to the procedures described under the caption

Mandatory Disposition Pursuant to Gaming Laws. Harrah's Operating may at any time and from time to time purchase Notes in the open market or otherwise.

Ranking

The indebtedness evidenced by the Notes is senior unsecured Indebtedness of the Issuer, is equal in right of payment to all existing and future Pari Passu Indebtedness of the Issuer, is effectively subordinated to all Secured Indebtedness of the Issuer to the extent of the value of the assets securing such Indebtedness and is senior in right of payment to all existing and future Subordinated Indebtedness of the Issuer.

The indebtedness evidenced by the Note Guarantees is senior unsecured Indebtedness of the applicable Note Guarantor, is equal in right of payment to all existing and future Pari Passu Indebtedness of such Note Guarantor, is effectively subordinated to all Secured Indebtedness of such Note Guarantor to the extent of the value of the assets securing such Indebtedness and is senior in right of payment to all existing and future Subordinated Indebtedness of such Note Guarantor. In addition, notwithstanding the foregoing, so long as the Intercreditor Agreement is in effect, the Note Guarantors are effectively subordinated to Bank Indebtedness under the Credit Agreement, as amounts received by the holders in respect of a Note Guarantee must be paid over to the lenders under the Credit Agreement subject to the terms of the Intercreditor Agreement.

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At September 30, 2008, after giving pro forma effect to the Private Exchange Offers,

- (1) the Issuer and its Subsidiaries had \$8,527 million of Secured Indebtedness outstanding (excluding \$196 million of letters of credit, and \$1,554 million of availability under our revolving credit facility);
- (2) the Issuer and its Subsidiaries had \$8,502 million of senior unsecured Indebtedness outstanding, including the Notes, of which \$2,809 million was not guaranteed or issued by its Subsidiaries; and

- (3) the Issuer and its Subsidiaries had \$536 million of Subordinated Indebtedness outstanding.

Further, on September 30, 2008, the Real Estate Subsidiaries of Harrah's Entertainment, Inc. (*Harrah's Entertainment*) had \$6,500 million of additional Indebtedness.

Although the Indenture limits the Incurrence of Indebtedness and the issuance of Disqualified Stock by the Issuer and its Restricted Subsidiaries and the issuance of Preferred Stock by the Restricted Subsidiaries of the Issuer that are not Note Guarantors, such limitation is subject to a number of significant qualifications and exceptions. Under certain circumstances, the Issuer and its Subsidiaries may be able to incur substantial amounts of Indebtedness. Such Indebtedness may be Secured Indebtedness. See **Certain Covenants** Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock. In addition, neither the Parent Guarantor nor any of its Subsidiaries (including the Real Estate Subsidiaries, but other than the Issuer and the Restricted Subsidiaries) are subject to the covenants of the Indenture. See **Parent Guarantee**.

A significant portion of the operations of the Issuer are conducted through its Subsidiaries. Unless a Subsidiary is a Note Guarantor, claims of creditors of such Subsidiary, including trade creditors, and claims of preferred stockholders (if any) of such Subsidiary generally have priority with respect to the assets and earnings of such Subsidiary over the claims of creditors of the Issuer, including holders of the Notes. The Notes, therefore, are effectively subordinated to claims of creditors (including trade creditors) and preferred stockholders (if any) of Subsidiaries of the Issuer that are not Note Guarantors. 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. See **Risk Factors** Risks Related to Our Indebtedness and the Notes.

Intercreditor Agreement

The holders of the Notes are subject to the Intercreditor Agreement, which provides that the Trustee and the holders of the Notes pay over to the lenders of the Bank Indebtedness outstanding under the Credit Agreement referred to in clause (i) of the definition thereof any payment actually received in respect of any guarantee by a Subsidiary Note Guarantor to the extent such payment consists of assets constituting collateral (or proceeds from assets securing collateral) securing such Credit Agreement until such Bank Indebtedness is paid in full. Any other payments on any guarantee by a Subsidiary Note Guarantor shall be shared ratably (based on the aggregate outstanding principal amounts of the applicable indebtedness) among the holders of the Notes and lenders under the Credit Agreement.

Subsidiary Note Guarantees

Each of the Issuer's direct and indirect Wholly-owned Restricted Subsidiaries that are Domestic Subsidiaries on the Issue Date that are pledgors under the Credit Agreement jointly and severally irrevocably and unconditionally guarantee on a senior basis the performance and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of, premium, if any, or interest or additional interest on the Notes, expenses, indemnification or otherwise (all such obligations guaranteed by such Subsidiary Note Guarantors being herein called the *Guaranteed Obligations*). Such Subsidiary Note Guarantors agreed to pay, in addition to the amount stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the holders in enforcing any rights under the Subsidiary Note Guarantees.

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Each Subsidiary Note Guarantee is limited in amount to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Note Guarantor without rendering the Subsidiary Note Guarantee, as it relates to such Subsidiary Note Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. See Risk Factors Risk Factors Related Our Indebtedness and the 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. After the Issue Date, the Issuer will cause each Wholly-owned Restricted Subsidiary that is a Domestic Subsidiary (unless such Subsidiary is a Receivables Subsidiary) that Incurs or guarantees certain Indebtedness of the Issuer or any of its Restricted Subsidiaries or issues shares of Disqualified Stock to execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will guarantee payment of the Notes on the same unsecured senior basis. See Certain Covenants Future Note Guarantors.

Each Subsidiary Note Guarantee is a continuing guarantee and shall:

- (1) remain in full force and effect until payment in full of all the Guaranteed Obligations;
- (2) subject to the next succeeding paragraph, be binding upon each such Subsidiary Note Guarantor and its successors; and
- (3) inure to the benefit of and be enforceable by the Trustee, the holders and their successors, transferees and assigns.

A Subsidiary Note Guarantee is automatically released upon:

- (1) the sale, disposition, exchange or other transfer (including through merger, consolidation, amalgamation or otherwise) of the Capital Stock (including any sale, disposition or other transfer following which the applicable Subsidiary Note Guarantor is no longer a Restricted Subsidiary), of the applicable Subsidiary Note Guarantor if such sale, disposition, exchange or other transfer is made in a manner not in violation of the Indenture;
- (2) the sale, disposition, exchange or other transfer (including through merger, consolidation, amalgamation or otherwise) of the Capital Stock of the applicable Subsidiary Note Guarantor in connection with the Post-Closing CMBS Transaction;
- (3) the Issuer designating such Subsidiary Note Guarantor to be an Unrestricted Subsidiary in accordance with the covenant described under Certain Covenants Limitation on Restricted Payments and the definition of Unrestricted Subsidiary ;
- (4) the release or discharge of the pledge by such Subsidiary Note Guarantor of the Credit Agreement or other Indebtedness or the guarantee of any other Indebtedness which resulted in the obligation to guarantee the Notes; and
- (5) the Issuer's exercise of its legal defeasance option or covenant defeasance option as described under Defeasance or if the Issuer's obligations under the Indenture are discharged in accordance with the terms of the Indenture.

A Subsidiary Note Guarantee also will be automatically released upon the applicable Subsidiary ceasing to be a Subsidiary as a result of any foreclosure of any pledge or security interest securing Bank Indebtedness or other exercise of remedies in respect thereof.

Parent Guarantee

The Parent Guarantor jointly and severally with the Subsidiary Note Guarantors, irrevocably and unconditionally guarantees on a senior basis the performance and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all obligations of the Issuer under the Indenture and the Notes, whether

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for payment of principal of, premium, if any, or interest or additional interest on the Notes, expenses, indemnification or otherwise (all such obligations guaranteed by the Parent Guarantor being herein called the *Parent Guaranteed Obligations*). The Parent Guarantor agrees to pay, in addition to the amount stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the holders in enforcing any rights under the Parent Guarantee.

The Parent Guarantee is subject to important limitations. The Parent Guarantor and each of its Subsidiaries (including the Real Estate Subsidiaries, but other than the Issuer and the Restricted Subsidiaries) are not subject to any of the covenants set forth below other than those described under *Certain Covenants Future Note Guarantors* and *Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets* , and each of the Subsidiaries of the Parent Guarantor (including the Real Estate Subsidiaries, but other than the Issuer and the Restricted Subsidiaries) do not guarantee or otherwise are required to provide credit support for the Notes. As a result, the Parent Guarantee is effectively subordinated to the present and future liabilities of the Parent Guarantor's Subsidiaries (other than the Issuer and the Restricted Subsidiaries). As of September 30, 2008, these liabilities were approximately \$11,100 million.

After the Issue Date, the Issuer will cause the Parent Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the Parent Guarantor will guarantee payment of the Notes on the same unsecured senior basis. See *Certain Covenants Future Note Guarantors*.

The Parent Guarantee is a continuing guarantee and shall:

- (1) remain in full force and effect until payment in full of all the Parent Guaranteed Obligations;
- (2) subject to the next succeeding paragraph, be binding upon the Parent Guarantor and its successors; and
- (3) inure to the benefit of and be enforceable by the Trustee, the holders and their successors, transferees and assigns.

The Parent Guarantee is automatically released upon:

- (1) the Issuer ceasing to be a Wholly-owned Subsidiary of Harrah's Entertainment;
- (2) the Issuer's transfer of all or substantially all of its assets to, or merger with, an entity that is not a Wholly-owned Subsidiary of Harrah's Entertainment in accordance with the covenant described under *Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets*, and such transferee entity assumes the Issuer's obligations under the Indenture; and
- (3) the Issuer's exercise of its legal defeasance option or covenant defeasance option as described under *Defeasance* or if the Issuer's obligations under the Indenture are discharged in accordance with the terms of the Indenture.

In addition, the Parent Guarantee is automatically released upon the election of the Issuer and notice to the Trustee if the guarantee by Harrah's Entertainment of the Credit Agreement, the Retained Notes or any other Indebtedness which resulted in the obligation to guarantee the Notes has been released or discharged.

Change of Control

Upon the occurrence of a Change of Control, each holder will have the right to require the Issuer to repurchase all or any part of such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Issuer has previously or concurrently elected to redeem Notes as described under *Optional Redemption*.

In the event that at the time of such Change of Control the terms of the Bank Indebtedness restrict or prohibit the repurchase of Notes pursuant to this covenant, then prior to the mailing of the notice to holders

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provided for in the immediately following paragraph but in any event within 30 days following any Change of Control, the Issuer shall:

- (1) repay in full all Bank Indebtedness or, if doing so will allow the purchase of Notes, offer to repay in full all Bank Indebtedness and repay the Bank Indebtedness of each lender and/or noteholder who has accepted such offer; or
- (2) obtain the requisite consent under the agreements governing the Bank Indebtedness to permit the repurchase of the Notes as provided for in the immediately following paragraph.

See Risk Factors Risks Related to Our Indebtedness and the Notes Harrah's Operating may not be able to repurchase the Notes upon a change of control.

Within 30 days following any Change of Control, except to the extent that the Issuer has exercised its right to redeem the Notes by delivery of a notice of redemption as described under Optional Redemption, the Issuer shall mail a notice (a *Change of Control Offer*) to each holder with a copy to the Trustee stating:

- (1) that a Change of Control has occurred and that such holder has the right to require the Issuer to repurchase such holder's Notes at a repurchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date);
- (2) the circumstances and relevant facts and financial information regarding such Change of Control;
- (3) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and
- (4) the instructions determined by the Issuer, consistent with this covenant, that a holder must follow in order to have its Notes purchased.

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

In addition, the Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Notes repurchased by the Issuer pursuant to a Change of Control Offer will have the status of Notes issued but not outstanding or will be retired and canceled at the option of the Issuer. Notes purchased by a third party pursuant to the preceding paragraph will have the status of Notes issued and outstanding.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

This Change of Control repurchase provision is a result of negotiations between the Issuer and the initial purchasers. The Issuer has no present intention to engage in a transaction involving a Change of Control, although it is possible that the Issuer could decide to do so in the future. Subject to the limitations discussed below, the Issuer could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect the Issuer's capital structure or credit rating.

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The occurrence of events which would constitute a Change of Control would constitute a default under the Credit Agreement. Future Bank Indebtedness of the Issuer may contain prohibitions on certain events which would constitute a Change of Control or require such Bank Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of their right to require the Issuer to repurchase the Notes could cause a default under such Bank Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See Risk Factors Risks Related to Our Indebtedness and this Offering We may not be able to repurchase the Notes upon a change of control.

The definition of Change of Control includes a phrase relating to the sale, lease or transfer of all or substantially all the assets of the Issuer and its Subsidiaries taken as a whole. Although there is a developing body of case law interpreting the phrase substantially all, under New York law, which governs the Indenture, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase such Notes as a result of a sale, lease or transfer of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in principal amount of the Notes.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture. If on any date following the Issue Date, (i) the Notes have Investment Grade Ratings from both Rating Agencies, and (ii) no Default has occurred and is continuing under the Indenture then, beginning on that day and continuing at all times thereafter regardless of any subsequent changes in the rating of the Notes (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a *Covenant Suspension Event*), the covenants specifically listed under the following captions in this Description of Exchange Notes section of this prospectus will not be applicable to the Notes (collectively, the *Suspended Covenants*):

- (1) Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock ;
- (2) Limitation on Restricted Payments ;
- (3) Dividend and Other Payment Restrictions Affecting Subsidiaries ;
- (4) Asset Sales ;
- (5) Transactions with Affiliates ; and

(6) clause (4) of the first paragraph of Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets. If and while the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants, the Notes will be entitled to substantially less covenant protection. In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the *Reversion Date*) one or both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Notes below an Investment Grade Rating, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events. The period of time between the Covenant Suspension Event and the Reversion Date is referred to in this description as the *Suspension Period*.

On each Reversion Date, all Indebtedness Incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be classified as having been Incurred or issued pursuant to the first paragraph of Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock below or one of the clauses set forth in the second paragraph of Limitation on Incurrence of Indebtedness

and Issuance

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of Disqualified Stock and Preferred Stock below (to the extent such Indebtedness or Disqualified Stock or Preferred Stock would be permitted to be Incurred or issued thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred or issued prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness or Disqualified Stock or Preferred Stock would not be so permitted to be Incurred or issued pursuant to the first or second paragraph of Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock, such Indebtedness or Disqualified Stock or Preferred Stock will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (c) of the second paragraph under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock. Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under Limitation on Restricted Payments will be made as though the covenant described under Limitation on Restricted Payments had been in effect since the Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under the first paragraph of Limitation on Restricted Payments. As described above, however, no Default or Event of Default will be deemed to have occurred on the Reversion Date as a result of any actions taken by the Issuer or its Restricted Subsidiaries during the Suspension Period.

For purposes of the Asset Sales covenant, on the Reversion Date, the unutilized Excess Proceeds amount will be reset to zero.

There can be no assurance that the Notes will ever achieve or maintain Investment Grade Ratings.

Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock

The Indenture provides that:

- (1) the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) or issue any shares of Disqualified Stock; and
- (2) the Issuer will not permit any of its Restricted Subsidiaries (other than a Note Guarantor) to issue any shares of Preferred Stock; *provided, however*, that the Issuer and any Note Guarantor may Incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock, and, subject to the third paragraph of this covenant, any Restricted Subsidiary of the Issuer that is not a Note Guarantor may Incur Indebtedness (including Acquired Indebtedness), issue shares of Disqualified Stock or issue shares of Preferred Stock, in each case if the Fixed Charge Coverage Ratio of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred or such Disqualified Stock or Preferred Stock is issued would have been at least 2.00 to 1.00 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been Incurred, or the Disqualified Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

The foregoing limitations do not apply to:

- (a) the Incurrence by the Issuer or its Restricted Subsidiaries of Indebtedness under the Credit Agreement and the issuance and creation of letters of credit and bankers acceptances thereunder up to an aggregate principal amount of \$11,000 million;
- (b) the Incurrence by the Issuer and the Note Guarantors of Indebtedness represented by the Notes (not including any additional Notes, but including any PIK Notes issued as interest from time to time) and the Note Guarantees (including exchange Notes and related guarantees thereof) and any loans under the Senior Interim Loan Facility (including any PIK interest thereon) outstanding of the Issue Date (other than any loans repaid with the proceeds of the Notes on the Issue Date);
- (c) Indebtedness existing on the Issue Date (other than Indebtedness described in clauses (a) and (b));

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- (d) Indebtedness (including Capitalized Lease Obligations) Incurred by the Issuer or any of its Restricted Subsidiaries, Disqualified Stock issued by the Issuer or any of its Restricted Subsidiaries and Preferred Stock issued by any Restricted Subsidiaries of the Issuer to finance (whether prior to or within 270 days after) the acquisition, lease, construction, repair, replacement or improvement of property (real or personal) or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets);
- (e) Indebtedness Incurred by the Issuer or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit and bank guarantees issued in the ordinary course of business, including without limitation letters of credit in respect of workers' compensation claims, health, disability or other benefits to employees or former employees or their families or property, casualty or liability insurance or self-insurance, and letters of credit in connection with the maintenance of, or pursuant to the requirements of, environmental or other permits or licenses from governmental authorities, or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims;
- (f) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred in connection with the Transactions or any other acquisition or disposition of any business, assets or a Subsidiary of the Issuer in accordance with the terms of the Indenture, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition;
- (g) Indebtedness of the Issuer to a Restricted Subsidiary; *provided* that (except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Subsidiaries) any such Indebtedness owed to a Restricted Subsidiary that is not a Note Guarantor is subordinated in right of payment to the obligations of the Issuer under the Notes; *provided, further*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien) shall be deemed, in each case, to be an Incurrence of such Indebtedness not permitted by this clause (g);
- (h) shares of Preferred Stock of a Restricted Subsidiary issued to the Issuer or another Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock or any other event which results in any Restricted Subsidiary that holds such shares of Preferred Stock of another Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an issuance of shares of Preferred Stock not permitted by this clause (h);
- (i) Indebtedness of a Restricted Subsidiary to the Issuer or another Restricted Subsidiary; *provided* that if a Note Guarantor incurs such Indebtedness to a Restricted Subsidiary that is not a Note Guarantor (except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Subsidiaries), such Indebtedness is subordinated in right of payment to the Note Guarantee of such Note Guarantor; *provided, further*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any Restricted Subsidiary holding such Indebtedness ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien) shall be deemed, in each case, to be an Incurrence of such Indebtedness not permitted by this clause (i);
- (j) (x) Hedging Obligations entered into in connection with the Transaction and (y) Hedging Obligations that are not incurred for speculative purposes but (1) for the purpose of fixing or hedging interest rate risk with respect to any Indebtedness that is permitted by the terms of the Indenture to be outstanding; (2) for the purpose of fixing or hedging currency exchange rate risk with respect to any currency

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exchanges; or (3) for the purpose of fixing or hedging commodity price risk with respect to any commodity purchases or sales;

- (k) obligations (including reimbursement obligations with respect to letters of credit and bank guarantees) in respect of performance, bid, appeal and surety bonds and completion guarantees provided by the Issuer or any Restricted Subsidiary in the ordinary course of business or consistent with past practice or industry practice;
- (l) Indebtedness or Disqualified Stock of the Issuer or, subject to the third paragraph of this covenant, Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary of the Issuer not otherwise permitted hereunder in an aggregate principal amount or liquidation preference, which when aggregated with the principal amount or liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and Incurred pursuant to this clause (l), does not exceed the greater of \$1,100 million and 5.0% of Total Assets at the time of Incurrence (it being understood that any Indebtedness Incurred pursuant to this clause (l) shall cease to be deemed Incurred or outstanding for purposes of this clause (l) but shall be deemed Incurred for purposes of the first paragraph of this covenant from and after the first date on which the Issuer, or the Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness under the first paragraph of this covenant without reliance upon this clause (l));
- (m) Indebtedness or Disqualified Stock of the Issuer or any Restricted Subsidiary of the Issuer and Preferred Stock of any Restricted Subsidiary of the Issuer not otherwise permitted hereunder in an aggregate principal amount or liquidation preference not greater than 200.0% of the net cash proceeds received by the Issuer and its Restricted Subsidiaries since immediately after the Issue Date from the issue or sale of Equity Interests of the Issuer or any direct or indirect parent entity of the Issuer (which proceeds are contributed to the Issuer or its Restricted Subsidiary) or cash contributed to the capital of the Issuer (in each case other than proceeds of Disqualified Stock or sales of Equity Interests to, or contributions received from, the Issuer or any of its Subsidiaries) as determined in accordance with clauses (2) and (3) of the definition of Cumulative Credit to the extent such net cash proceeds or cash have not been applied pursuant to such clauses to make Restricted Payments or to make other Investments, payments or exchanges pursuant to the third paragraph of Limitation on Restricted Payments or to make Permitted Investments (other than Permitted Investments specified in clauses (1) and (3) of the definition thereof);
- (n) any guarantee by the Issuer or any Restricted Subsidiary of the Issuer of Indebtedness or other obligations of the Issuer or any of its Restricted Subsidiaries so long as the Incurrence of such Indebtedness Incurred by the Issuer or such Restricted Subsidiary is permitted under the terms of the Indenture; provided that (i) if such Indebtedness is by its express terms subordinated in right of payment to the Notes or the Note Guarantee of such Restricted Subsidiary, as applicable, any such guarantee of such Note Guarantor with respect to such Indebtedness shall be subordinated in right of payment to such Note Guarantor's Note Guarantee with respect to the Notes substantially to the same extent as such Indebtedness is subordinated to the Notes or the Note Guarantee of such Restricted Subsidiary, as applicable and (ii) if such guarantee is of Indebtedness of the Issuer, such guarantee is Incurred in accordance with the covenant described under Future Note Guarantors solely to the extent such covenant is applicable;
- (o) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness or Disqualified Stock or Preferred Stock of a Restricted Subsidiary of the Issuer which serves to refund, refinance or defease any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued as permitted under the first paragraph of this covenant and clauses (b), (c), (d), (l), (m), (o), (p), (t) and (x) of this paragraph or any Indebtedness, Disqualified Stock or Preferred Stock Incurred to so refund or refinance such Indebtedness, Disqualified Stock or Preferred Stock, including any additional Indebtedness, Disqualified Stock or Preferred Stock Incurred to pay premiums (including tender premiums), expenses, defeasance costs and fees in connection therewith (subject to the following proviso,

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Refinancing Indebtedness) prior to its respective maturity; *provided, however*, that such Refinancing Indebtedness:

- (1) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred which is not less than the shorter of (x) the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded, refinanced or defeased and (y) the Weighted Average Life to Maturity that would result if all payments of principal on the Indebtedness, Disqualified Stock and Preferred Stock being refunded or refinanced that were due on or after the date that is one year following the last maturity date of any Notes then outstanding were instead due on such date;
- (2) to the extent such Refinancing Indebtedness refinances (a) Indebtedness junior to the Notes or the Note Guarantee of such Restricted Subsidiary, as applicable, such Refinancing Indebtedness is junior to the Notes or the Note Guarantee of such Restricted Subsidiary, as applicable, or (b) Disqualified Stock or Preferred Stock, such Refinancing Indebtedness is Disqualified Stock or Preferred Stock; and
- (3) shall not include (x) Indebtedness of a Restricted Subsidiary of the Issuer that is not a Note Guarantor that refinances Indebtedness of the Issuer or a Note Guarantor, or (y) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

provided, further, that subclause (1) of this clause (o) will not apply to any refunding or refinancing of any Secured Indebtedness and subclauses (1) and (2) of this clause (o) will not apply to any refunding or refinancing of any of the Retained Notes.

- (p) Indebtedness, Disqualified Stock or Preferred Stock of (x) the Issuer or, subject to the third paragraph of this covenant, any of its Restricted Subsidiaries incurred to finance an acquisition or (y) Persons that are acquired by the Issuer or any of its Restricted Subsidiaries or merged, consolidated or amalgamated with or into the Issuer or any of its Restricted Subsidiaries in accordance with the terms of the Indenture; *provided* that after giving effect to such acquisition or merger, consolidation or amalgamation, either:
 - (1) the Issuer would be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of this covenant; or
 - (2) the Fixed Charge Coverage Ratio of the Issuer would be greater than immediately prior to such acquisition or merger, consolidation or amalgamation;
- (q) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing that is not recourse to the Issuer or any Restricted Subsidiary other than a Receivables Subsidiary (except for Standard Securitization Undertakings);
- (r) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of its Incurrence;
- (s) Indebtedness of the Issuer or any Restricted Subsidiary supported by a letter of credit or bank guarantee issued pursuant to the Credit Agreement, in a principal amount not in excess of the stated amount of such letter of credit;
- (t) Indebtedness of Foreign Subsidiaries; *provided, however*, that the aggregate principal amount of Indebtedness Incurred under this clause (t), when aggregated with the principal amount of all other Indebtedness then outstanding and Incurred pursuant to this clause (t), does not exceed the greater of \$250.0 million and 7.5% of Total Assets of the Foreign Subsidiaries at any one time outstanding (it

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being understood that any Indebtedness incurred pursuant to this clause (t) shall cease to be deemed incurred or outstanding for purposes of this clause (t) but shall be deemed incurred for the purposes of the first paragraph of this covenant from and after the first date on which such Foreign Subsidiary

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could have incurred such Indebtedness under the first paragraph of this covenant without reliance upon this clause (t);

- (u) Indebtedness of the Issuer or any Restricted Subsidiary consisting of (1) the financing of insurance premiums or (2) take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business;
- (v) Indebtedness consisting of Indebtedness issued by the Issuer or a Restricted Subsidiary of the Issuer to current or former officers, directors and employees thereof or any direct or indirect parent thereof, their respective estates, spouses or former spouses, in each case to finance the purchase or redemption of Equity Interests of the Issuer or any of its direct or indirect parent companies to the extent described in clause (4) of the third paragraph of the covenant described under Limitation on Restricted Payments ;
- (w) Indebtedness incurred in connection with any Project Financing;
- (x) Indebtedness incurred on behalf of, or representing Guarantees of Indebtedness of, joint ventures of the Issuer or any Restricted Subsidiary not in excess, at any one time outstanding, of \$300.0 million; and
- (y) Indebtedness of any Persons that are acquired by the Issuer or any of its Restricted Subsidiaries or merged, consolidated or amalgamated with or into the Issuer or any of its Restricted Subsidiaries in connection with the Post-Closing CMBS Transaction. Restricted Subsidiaries that are not Note Guarantors may not incur Indebtedness or issue Disqualified Stock or Preferred Stock under the first paragraph of this covenant or clauses (l) or (p)(x) of the second paragraph of this covenant if, after giving pro forma effect to such incurrence or issuance (including a *pro forma* application of the net proceeds therefrom), the aggregate amount of Indebtedness and Disqualified Stock and Preferred Stock of Restricted Subsidiaries that are not Note Guarantors incurred or issued pursuant to the first paragraph of this covenant and clauses (l) and (p)(x) of the second paragraph of this covenant, collectively, would exceed the greater of \$2,000 million and 5.0% of Total Assets.

For purposes of determining compliance with this covenant:

- (1) in the event that an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of permitted Indebtedness described in clauses (a) through (y) above or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Issuer shall, in its sole discretion, classify or reclassify, or later divide, classify or reclassify, such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) in any manner that complies with this covenant; and
- (2) at the time of incurrence, the Issuer will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs above without giving pro forma effect to the Indebtedness Incurred pursuant to the second paragraph above when calculating the amount of Indebtedness that may be Incurred pursuant to the first paragraph above.

Accrual of interest, the accretion of accreted value, the payment of interest or dividends in the form of additional Indebtedness, Disqualified Stock or Preferred Stock, as applicable, amortization of original issue discount, the accretion of liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an Incurrence of Indebtedness, Disqualified Stock or Preferred Stock for purposes of this covenant. Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included in the determination of such amount of Indebtedness; *provided* that the Incurrence of the Indebtedness represented by such guarantee or letter of credit, as the case may be, was in compliance with this covenant.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency

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shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term debt, or first committed or first Incurred (whichever yields the lower U.S. dollar equivalent), in the case of revolving credit debt; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar- denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer and its Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Indenture provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any distribution on account of the Issuer's or any of its Restricted Subsidiaries Equity Interests, including any payment made in connection with any merger, amalgamation or consolidation involving the Issuer (other than (A) dividends or distributions by the Issuer payable solely in Equity Interests (other than Disqualified Stock) of the Issuer; or (B) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly-owned Restricted Subsidiary, the Issuer or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities);
- (2) purchase or otherwise acquire or retire for value any Equity Interests of the Issuer or any direct or indirect parent of the Issuer;
- (3) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case prior to any scheduled repayment or scheduled maturity, any Subordinated Indebtedness or Long-Term Retained Notes of the Issuer or any of its Restricted Subsidiaries (other than the payment, redemption, repurchase, defeasance, acquisition or retirement of (A) Subordinated Indebtedness or Long-Term Retained Notes in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such payment, redemption, repurchase, defeasance, acquisition or retirement and (B) Indebtedness permitted under clauses (g) and (i) of the second paragraph of the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock ; or
- (4) make any Restricted Investment

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as *Restricted Payments*), unless, at the time of such Restricted Payment:

- (a) no Default shall have occurred and be continuing or would occur as a consequence thereof;
- (b) immediately after giving effect to such transaction on a *pro forma* basis, the Issuer could Incur \$1.00 of additional Indebtedness under the provisions of the first paragraph of the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock ; and

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- (c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries after the Issue Date (including Restricted Payments permitted by clauses (1), (2) (with respect to the payment of dividends on Refunding Capital Stock (as defined below) pursuant to clause (c) thereof), (6)(c), (8), (13)(b) and (20) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the amount equal to the Cumulative Credit.

Cumulative Credit means the sum of (without duplication):

- (1) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period, the Reference Period) from January 1, 2008 to the end of the Issuer s most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, in the case such Consolidated Net Income for such period is a deficit, minus 100% of such deficit), *plus*
- (2) 100% of the aggregate net proceeds, including cash and the Fair Market Value (as determined in good faith by the Issuer) of property other than cash, received by the Issuer after the Issue Date (other than net proceeds to the extent such net proceeds have been used to incur Indebtedness, Disqualified Stock, or Preferred Stock pursuant to clause (m) of the second paragraph of the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock) from the issue or sale of Equity Interests of the Issuer (excluding Refunding Capital Stock (as defined below), Designated Preferred Stock, Excluded Contributions, and Disqualified Stock), including Equity Interests issued upon exercise of warrants or options (other than an issuance or sale to a Restricted Subsidiary of the Issuer), *plus*
- (3) 100% of the aggregate amount of contributions to the capital of the Issuer received in cash and the Fair Market Value (as determined in good faith by the Issuer) of property other than cash after the Issue Date (other than Excluded Contributions, Refunding Capital Stock, Designated Preferred Stock, and Disqualified Stock and other than contributions to the extent such contributions have been used to incur Indebtedness, Disqualified Stock, or Preferred Stock pursuant to clause (m) of the second paragraph of the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock), *plus*
- (4) 100% of the principal amount of any Indebtedness, or the liquidation preference or maximum fixed repurchase price, as the case may be, of any Disqualified Stock of the Issuer or any Restricted Subsidiary thereof issued after the Issue Date (other than Indebtedness or Disqualified Stock issued to a Restricted Subsidiary) which has been converted into or exchanged for Equity Interests in the Issuer (other than Disqualified Stock) or any direct or indirect parent of the Issuer (provided in the case of any parent, such Indebtedness or Disqualified Stock is retired or extinguished), *plus*
- (5) 100% of the aggregate amount received by the Issuer or any Restricted Subsidiary in cash and the Fair Market Value (as determined in good faith by the Issuer) of property other than cash received by the Issuer or any Restricted Subsidiary from:
 - (A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary of the Issuer) of Restricted Investments made by the Issuer and its Restricted Subsidiaries and from repurchases and redemptions of such Restricted Investments from the Issuer and its Restricted Subsidiaries by any Person (other than the Issuer or any of its Restricted Subsidiaries) and from repayments of loans or advances, and releases of guarantees, which constituted Restricted Investments (other than in each case to the extent that the Restricted Investment was made pursuant to clause (7) of the succeeding paragraph),
 - (B) the sale (other than to the Issuer or a Restricted Subsidiary of the Issuer) of the Capital Stock of an Unrestricted Subsidiary, or
 - (C) a distribution or dividend from an Unrestricted Subsidiary, *plus*

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- (6) in the event any Unrestricted Subsidiary of the Issuer has been redesignated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or transfers or conveys its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary, the Fair Market Value (as determined in good faith by the Issuer) of the Investment of the Issuer in such Unrestricted Subsidiary (which, if the fair market value of such investment shall exceed \$250.0 million, shall be determined by the Board of Directors of the Issuer, a copy of the resolution of which with respect thereto shall be delivered to the Trustee) at the time of such redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable) (other than in each case to the extent that the designation of such Subsidiary as an Unrestricted Subsidiary was made pursuant to clause (7) of the succeeding paragraph or constituted a Permitted Investment).

The foregoing provisions do not prohibit:

- (1) the payment of any dividend or distribution within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of the Indenture;
- (2) (a) the redemption, repurchase, retirement or other acquisition of any Equity Interests (*Retired Capital Stock*) or Subordinated Indebtedness of the Issuer, any direct or indirect parent of the Issuer or any Note Guarantor in exchange for, or out of the proceeds of, the substantially concurrent sale of, Equity Interests of the Issuer or any direct or indirect parent of the Issuer or contributions to the equity capital of the Issuer (other than any Disqualified Stock or any Equity Interests sold to a Subsidiary of the Issuer) (collectively, including any such contributions, *Refunding Capital Stock*),
- (b) the declaration and payment of dividends on the Retired Capital Stock out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of Refunding Capital Stock, and
- (c) if immediately prior to the retirement of Retired Capital Stock, the declaration and payment of dividends thereon was permitted under clause (6) of this paragraph and not made pursuant to clause (2)(b), the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Equity Interests of any direct or indirect parent of the Issuer) in an aggregate amount per year no greater than the aggregate amount of dividends per annum that were declarable and payable on such Retired Capital Stock immediately prior to such retirement;
- (3) the redemption, repurchase, defeasance, or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Note Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, new Indebtedness of the Issuer or a Note Guarantor which is Incurred in accordance with the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock so long as
- (a) the principal amount (or accreted value, if applicable) of such new Indebtedness does not exceed the principal amount (or accreted value, if applicable), plus any accrued and unpaid interest, of the Subordinated Indebtedness being so redeemed, repurchased, defeased, acquired or retired for value (plus the amount of any premium required to be paid under the terms of the instrument governing the Subordinated Indebtedness being so redeemed, repurchased, acquired or retired, any tender premiums, plus any defeasance costs, fees and expenses incurred in connection therewith),
- (b) such Indebtedness is subordinated to the Notes or the related Note Guarantee, as the case may be, at least to the same extent as such Subordinated Indebtedness so purchased, exchanged, redeemed, repurchased, defeased, acquired or retired for value,
- (c) such Indebtedness has a final scheduled maturity date equal to or later than the earlier of (x) the final scheduled maturity date of the Subordinated Indebtedness being so redeemed, repurchased, acquired or retired and (y) 91 days following the

last maturity date of any Notes then outstanding, and

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(d) such Indebtedness has a Weighted Average Life to Maturity at the time Incurred which is not less than the shorter of (x) the remaining Weighted Average Life to Maturity of the Subordinated Indebtedness being so redeemed, repurchased, defeased, acquired or retired and (y) the Weighted Average Life to Maturity that would result if all payments of principal on the Subordinated Indebtedness being redeemed, repurchased, defeased, acquired or retired that were due on or after the date that is one year following the last maturity date of any Notes then outstanding were instead due on such date;

(4) a Restricted Payment to pay for the repurchase, retirement or other acquisition for value of Equity Interests of the Issuer or any direct or indirect parent of the Issuer held by any future, present or former employee, director or consultant of the Issuer or any direct or indirect parent of the Issuer or any Subsidiary of the Issuer pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other agreement or arrangement; *provided, however*, that the aggregate Restricted Payments made under this clause (4) do not exceed \$50.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over to succeeding calendar years subject to a maximum (without giving effect to the following proviso) of \$100.0 million in any calendar year (which shall increase to \$150.0 million subsequent to the consummation of an underwritten public Equity Offering of common stock); *provided, further*, however, that such amount in any calendar year may be increased by an amount not to exceed:

(a) the cash proceeds received by the Issuer or any of its Restricted Subsidiaries from the sale of Equity Interests (other than Disqualified Stock) of the Issuer or any direct or indirect parent of the Issuer (to the extent contributed to the Issuer) to members of management, directors or consultants of the Issuer and its Restricted Subsidiaries or any direct or indirect parent of the Issuer that occurs after the Issue Date (*provided* that the amount of such cash proceeds utilized for any such repurchase, retirement, other acquisition or dividend will not increase the amount available for Restricted Payments under clause (3) of the first paragraph under Limitation on Restricted Payments), *plus*

(b) the cash proceeds of key man life insurance policies received by the Issuer or any direct or indirect parent of the Issuer (to the extent contributed to the Issuer) or the Issuer's Restricted Subsidiaries after the Issue Date, *plus*

(c) the amount of any cash bonuses otherwise payable to members of management, directors or consultants of the Issuer and its Restricted Subsidiaries or any direct or indirect parent of the Issuer in connection with Transactions that are foregone in return for the receipt of Equity Interests;

provided that the Issuer may elect to apply all or any portion of the aggregate increase contemplated by clauses (a), (b) and (c) above in any calendar year; and *provided*, further that cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from any present or former employees, directors, officers or consultants of the Issuer, any of its Restricted Subsidiaries or its direct or indirect parents in connection with a repurchase of Equity Interests of the Issuer or any of its direct or indirect parents will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(5) the declaration and payment of dividends or distributions to holders of any class or series of Disqualified Stock of the Issuer or any of its Restricted Subsidiaries issued or incurred in accordance with the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock to the extent such dividends are included in the definition of Fixed Charges ;