SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 1-10410

HARRAH'S ENTERTAINMENT, INC.
(Exact name of registrant as specified in its charter)

Delaware	**62-1411755**
(State of incorporation)	**(I.R.S. Employer Identification No.)**
One Caesars Palace Drive, Las Vegas, Nevada	**89109**
(Address of principal executive offices)	**(Zip code)**

Registrant's telephone number, including area code:
(702) 407-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
voting common stock, $0.01 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 29, 2007, based upon the closing price of $85.26 for the Common Stock on the New York Stock Exchange on that date, was $15,894,715,035.

As of February 25, 2008, the Registrant had 10 shares of voting Common Stock and 40,709,745 shares of non-voting Common Stock outstanding.

PART I

ITEM 1. 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 December 31, 2007, we owned or managed through various subsidiaries 50 casinos in six countries, but primarily in the United States and the United Kingdom. Our casino entertainment facilities operate primarily under the Harrah's, Caesars and Horseshoe brand names in the United States, and include land-based casinos, casino clubs, riverboat or dockside casinos, casinos on Indian reservations, a combination greyhound racing facility and casino and combination thoroughbred racetrack and a harness racetrack and slot facility. As of December 31, 2007, our facilities have an aggregate of approximately 3 million square feet of gaming space and approximately 38,000 hotel rooms. We have a customer loyalty program, Total Rewards, which has over 40 million members that we use for marketing promotions and to generate play by our customers when they travel among our markets in the United States. We also own and operate the World Series of Poker tournament and brand. Unless otherwise noted or indicated by the context, the terms "Harrah's," "Harrah's Entertainment." "Company," "we," "us," and "our" refer to Harrah's Entertainment, Inc.

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

On December 19, 2006, our board of directors approved and we entered into an Agreement and Plan of Merger, (the "Merger Agreement," and the transactions contemplated thereby, the "Merger") by and among Hamlet Holdings LLC, a Delaware limited liability company ("Hamlet Holdings"), Hamlet Merger Inc., a Delaware corporation and a wholly-owned subsidiary of Hamlet Holdings ("Merger Sub") and Harrah's pursuant to which Hamlet Holdings would acquire all of our outstanding shares of common stock for $90.00 per share. Hamlet Holdings is controlled by certain individuals affiliated with Apollo Global Management, LLC and TPG Capital, L.P. (collectively, the "Sponsors"). The Merger was completed on January 28, 2008. As a result of the Merger, the issued and outstanding shares of non-voting common stock and the non-voting preferred stock of Harrah's 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 are owned by Hamlet Holdings. The Merger, the financing transactions related to the Merger and other related transactions consummated on January 28, 2008, had a transaction value of approximately $29.7 billion.

Description of Business

Our casino business commenced operations in 1937. We own or manage casino entertainment facilities in more areas throughout the United States than any other participant in the casino industry. In addition to casinos, our facilities typically include hotel and convention space, restaurants and non-gaming entertainment facilities. Three of our properties are racetracks at which we have installed slot machines. The descriptions below are as of December 31, 2007, except where otherwise noted.

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

In northern Nevada, Harrah's Lake Tahoe, Harveys Resort & Casino and Bill's Casino are located near Lake Tahoe and Harrah's Reno is located in downtown Reno, 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 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 Caesars Indiana, a dockside casino complex located in Elizabeth, Indiana, which draws customers primarily from Northern Kentucky, including the Louisville metropolitan area, and Southern Indiana, including Indianapolis.

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

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

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

Horseshoe Tunica, 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 (which opened on February 6, 2008), 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.

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.

Additional information about our casino entertainment properties is set forth below in Item 2, "Properties."

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.

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's®, Caesars®, Grand Casino℠, Bally's®, Flamingo®, Paris®, Caesars Palace®, Rio®, Showboat®, Bill's®, 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.

The casino entertainment industry is also subject to political and regulatory uncertainty. See also Part II, Item 7, “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 2009.

In August 2007, Harrah’s and AEG, a leading sports and entertainment developer and operator, announced plans to enter into a 50/50 joint venture to develop a 20,000-seat arena, which is expected to commence operations in 2010. This development is subject to completion of definitive documents and other customary conditions.

Chicagoland

Construction continues 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 is expected to cost approximately $485 million and is scheduled for completion in the second half of 2008.

Biloxi

Construction began in third quarter 2007 on Margaritaville Casino & Resort in Biloxi, a resort project to be developed and operated by Harrah's. We license the Margaritaville name from an entity affiliated with the singer/songwriter Jimmy Buffett. The project, which is expected to cost approximately $700 million, is expected to include approximately 75,000 square feet of casino space, 250,000 square feet of retail, a Margaritaville Restaurant, 420 new hotel rooms, and other amenities. We expect Simon Property Group, Inc. to be involved in developing and operating the retail space. We expect to complete the project in the spring of 2010.

Atlantic City

Construction continued on an upgrade and expansion of Harrah's Atlantic City, which will include a new hotel tower with approximately 960 rooms, a casino expansion and a retail and entertainment complex. A new buffet and most of the retail center opened on February 16, 2007. The new hotel tower is expected to open in phases with final completion in mid-2008.

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, including governmental approvals and changes in certain laws.

The Bahamas

In January 2007, we signed agreements to form 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 has also signed management agreements with subsidiaries of Starwood Hotels & Resorts Worldwide, Inc. The joint venture is expected to be 57% owned by a subsidiary of Baha Mar Resort Holdings Ltd. and 43% by a subsidiary of the Company effective upon confirmation by the Bahamian Government of certain required approvals and concessions and satisfaction of certain other conditions. The project contemplates the development of a Caesars branded casino and hotel. Completion of this project is subject to a number of conditions.

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. A more detailed description of the regulations to which we are subject is contained in Exhibit 99 to this Annual Report on Form 10-K, which Exhibit is incorporated herein by reference.

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

We have approximately 87,000 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. Approximately 28,000 employees are 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.

Available Information

Our internet address is *www.harrahs.com.* We make available free of charge on or through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or SEC. We also make available through our website all filings of our executive officers and directors on Forms 3, 4 and 5 under Section 16 of the Exchange Act. These filings are also available on the SEC's website at *www.sec.gov.* Our Code of Conduct and our Code of Business Conduct and Ethics for Principal Officers are available on our website under the "Investor Relations" link. We will provide a copy of these documents without charge to any person upon receipt of a written request addressed to Harrah's Entertainment, Inc., Attn: Corporate Secretary, One Harrah's Court, Las Vegas, Nevada 89119. Reference in this document to our website address does not constitute incorporation by reference of the information contained on the website.

ITEM 1A. Risk Factors.

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.

In particular, our business may be adversely impacted by the additional gaming and room capacity in Nevada, New Jersey, New York, Pennsylvania, Mississippi, Missouri, Michigan, Indiana, Iowa, Kansas, Kentucky, Illinois, Louisiana, Ontario, Spain, Uruguay, United Kingdom, Egypt, Bahamas 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 in 2007 requiring that we segregate at least 75% of the casino gaming floor as a nonsmoking area, leaving no more than 25% of the casino gaming floor as a smoking area. 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. These smoking bans could adversely affect revenues and operating results at our properties. The likelihood or outcome of similar legislation in other jurisdictions and referendums in the future cannot be predicted.

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

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

We may decide to develop, construct and open new hotels, casinos and other gaming venues in response to opportunities that may arise, including developments in Mississippi, Las Vegas, Atlantic City, Chicagoland, Spain and the Bahamas 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, Las Vegas, Atlantic City, Chicagoland, Spain, and the Bahamas, are susceptible to various risks and uncertainties, such as:

- the existence of acceptable market conditions and demand for the completed project;
- general construction risks, including cost overruns, change orders and plan or specification modification, shortages of equipment, materials or skilled labor, labor disputes, unforeseen environmental, engineering or geological problems, work stoppages, fire and other natural disasters, construction scheduling problems and weather interferences;
- changes and concessions required by governmental or regulatory authorities;
- the ability to finance the projects, especially in light of the substantial indebtedness incurred by the Company related to the Merger;
- 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 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, Caesars Palace dealers in Las Vegas recently 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.

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. Additionally, we have announced intentions to build additional facilities outside the United States in the Bahamas and Spain. International operations are subject to inherent risks including:

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

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

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

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

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

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

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. We may not be successful in the defense of these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations.

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

Our senior secured credit facilities, the senior unsecured interim loan agreement, real estate facility loans and the indenture governing our senior notes contain, and any future indebtedness of ours would likely contain, a number of covenants that will impose significant operating and financial restrictions on us, including restrictions on our and our subsidiaries ability to, among other things:

- incur additional debt or issue certain preferred shares;

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

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

We have pledged a significant portion of our assets as collateral under our senior secured credit facilities. If any of the lenders under our senior secured credit facilities accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

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

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

Such actions by the lenders could cause cross defaults under our other indebtedness. If we were unable to repay those amounts, the lenders under our new senior secured credit facilities and real estate 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 new senior secured credit facilities and real estate facilities.

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

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.

As of the closing of the Merger on January 28, 2008, we are a highly leveraged company. As of December 31, 2007, on a pro forma basis assuming the completion of the Merger, we would have had $25,246.2 million face value of outstanding indebtedness, and for the twelve months ended December 31, 2007, pro forma debt service payment obligations of $1,229.6 million (including approximately $999.6 million of debt service on fixed rate obligations) and pro forma cash interest expense of $1,989.1 million.

Our substantial indebtedness could:

- limit our ability to borrow money for our working capital, capital expenditures, development projects, debt service requirements, strategic initiatives or other purposes;
- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to the repayment of our indebtedness thereby reducing funds available to us for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our operations or business;

- make us more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- make us more vulnerable to downturns in our business or the economy;
- restrict us from making strategic acquisitions, developing new gaming facilities, introducing new technologies or exploiting business opportunities; 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 certain of our debt is variable-rate debt.

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 contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. For example, as of December 31, 2007, on a pro forma basis, we would have had $1,811.9 million available for additional borrowing under our revolving credit facility, all of which would be secured.

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

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

- our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control; and
- our future ability to borrow under our senior secured credit facilities, the availability of which depends on, among other things, our complying with the covenants in our senior secured credit facilities.

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

If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due. The Sponsors have no continuing obligation to provide us with debt or equity financing.

PRIVATE SECURITIES LITIGATION REFORM ACT

This Annual Report on Form 10-K contains or may contain “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. Further, statements that include words such as “may,” “will,” “project,” “might,” “expect,” “believe,” “anticipate,” “intend,” “could,” “would,” “estimate,” “continue” or “pursue,” or the negative of these words or other words or expressions of similar meaning may identify forward-looking statements. These forward-looking statements are found at various places throughout the report. These forward-looking statements, including, without limitation, those relating to future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings, and future financial results, wherever they occur in this report, are necessarily estimates reflecting the best judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors set forth above and from time to time in our filings with the Securities and Exchange Commission.

In addition to the risk factors set forth above, important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation:

- the impact of the substantial indebtedness incurred to finance the consummation of the Merger;
- the effects of local and national economic, credit and capital market conditions on the economy in general, and on the gaming and hotel industry in particular;
- construction factors, including delays, increased costs for labor and materials, availability of labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues;
- the effects of environmental and structural building conditions relating to our properties;
- our ability to timely and cost-effectively integrate companies that we acquire into our operations;
- access to available and reasonable financing on a timely basis;
- changes in laws, including increased tax rates, smoking bans, regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies;
- litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;
- the ability of our customer-tracking, customer loyalty and yield-management programs to continue to increase customer loyalty and same store or hotel sales;
- the ability to recoup costs of capital investments through higher revenues;
- acts of war or terrorist incidents or natural disasters;
- access to insurance on reasonable terms for our assets;
- abnormal gaming holds;
- the potential difficulties in employee retention as a result of the Merger;
- the effects of competition, including locations of competitors and operating and market competition; and
- the other factors set forth under “Risk Factors” above.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events, except as required by law.

ITEM 1B. Unresolved Staff Comments.

None.

ITEM 2. Properties.

The following table sets forth information about our casino entertainment facilities:

Summary of Property Information*

Property	Type of Casino	Casino Space–Sq. Ft.[a]	Slot Machines[a]	Table Games[a]	Hotel Rooms & Suites[a]
Atlantic City, New Jersey					
Harrah's Atlantic City[m]	Land-based	160,800	3,890	120	1,630
Showboat Atlantic City[m]	Land-based	124,200	3,530	110	1,330
Bally's Atlantic City	Land-based	225,800	5,120	220	1,740
Caesars Atlantic City	Land-based	145,000	3,180	170	1,140
Las Vegas, Nevada					
Harrah's Las Vegas[m]	Land-based	90,600	1,600	110	2,530
Rio[m]	Land-based	107,000	1,220	110	2,520
Caesars Palace	Land-based	129,900	1,440	160	3,600
Paris Las Vegas	Land-based	85,000	1,170	110	2,920
Bally's Las Vegas	Land-based	66,400	1,130	60	2,810
Flamingo Las Vegas[b][m]	Land-based	76,800	1,420	120	3,460
Imperial Palace	Land-based	75,000	800	50	2,640
Bill's Gamblin' Hall & Saloon	Land-based	42,500	440	40	210
Laughlin, Nevada					
Harrah's Laughlin	Land-based	47,000	940	40	1,510
Reno, Nevada					
Harrah's Reno	Land-based	39,700	890	50	930
Lake Tahoe, Nevada					
Harrah's Lake Tahoe[m]	Land-based	57,600	870	70	510
Harveys Lake Tahoe[m]	Land-based	63,300	910	80	740
Bill's Lake Tahoe[m]	Land-based	18,000	280	20	—
Chicago, Illinois area					
Harrah's Joliet (Illinois)[c]	Dockside	38,900	1,190	20	200
Horseshoe Hammond (Indiana)	Dockside	48,300	1,940	60	—
Metropolis, Illinois					
Harrah's Metropolis[d]	Dockside	31,000	1,170	30	260
Southern Indiana					
Caesars Indiana	Dockside	70,400	1,750	90	500
Council Bluffs, Iowa					
Harrah's Council Bluffs	Dockside	28,000	1,050	20	250
Horseshoe Council Bluffs[e]	Greyhound racing facility and land-based casino	78,800	1,880	70	—
Tunica, Mississippi					
Horseshoe Tunica	Dockside	63,000	1,740	90	510
Grand Casino Tunica	Dockside	136,000	1,880	80	1,360
Sheraton Casino & Hotel	Dockside	31,000	1,080	40	130
Mississippi Gulf Coast					
Grand Casino Biloxi	Dockside	26,500	830	40	490
St. Louis, Missouri					
Harrah's St. Louis	Dockside	111,500	2,830	100	500

Property	Type of Casino	Casino Space–Sq. Ft.[a]	Slot Machines[a]	Table Games[a]	Hotel Rooms & Suites[a]
North Kansas City, Missouri					
Harrah's North Kansas City	Dockside	60,100	1,780	60	390
New Orleans, Louisiana					
Harrah's New Orleans	Land-based	125,100	2,040	130	450
Bossier City, Louisiana					
Louisiana Downs	Thoroughbred racing facility and land-based casino	14,900	1,340	—	—
Horseshoe Bossier City	Dockside	29,900	1,540	70	610
Chester, Pennsylvania					
Harrah's Chester[f]	Harness racing facility and land-based casino	92,000	2,790	—	—
Phoenix, Arizona					
Harrah's Ak-Chin[g]	Indian Reservation	48,000	950	30	150
Cherokee, North Carolina					
Harrah's Cherokee[g]	Indian Reservation	88,000	3,330	40	580
San Diego, California					
Harrah's Rincon[g]	Indian Reservation	69,900	1,600	70	650
Punta del Este, Uruguay					
Conrad Punta del Este Resort and Casino[h]	Land-based	44,500	490	70	300
Ontario, Canada					
Casino Windsor[i]	Land-based	100,000	2,610	80	390
United Kingdom					
Golden Nugget	Land-based	6,500	20	40	—
Rendezvous Casino	Land-based	9,100	20	40	—
The Sportsman	Land-based	7,100	10	40	—
Fifty[j]	Land-based	3,200	—	20	—
Rendezvous Brighton	Land-based	13,100	20	70	—
Rendezvous Southend-on-Sea	Land-based	11,900	20	60	—
Manchester235	Land-based	17,600	20	100	—
The Casino at the Empire	Land-based	26,400	20	80	—
Alea Nottingham	Land-based	5,500	20	60	—
Alea Glasgow[k]	Land-based				
Egypt					
London Club Cairo-Nile[g]	Land-based	2,000	40	10	—
Rendezvous Cairo-Ramses[g]	Land-based	2,400	30	20	—
South Africa					
Emerald Safari(l)[m]	Land-based	37,700	660	20	190

* As of December 31, 2007, unless otherwise noted.

(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) Opened February 6, 2008.
(l) We have a 70 percent interest in and manage this property.
(m) Properties not owned by Harrah's Operating Company, Inc. or its subsidiaries as of the closing of the Merger. See also Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Debt and Liquidity—Commercial Mortgage Based Securities ("CMBS") Financing."

ITEM 3. Legal Proceedings.

Litigation Related to our Operations

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

Delaware Lawsuits.

On October 5, 2006, Henoch Kaiman and Joseph Weiss filed a purported class action complaint in the Delaware Court of Chancery, Civil Action No. 2453-N, against Harrah's, its board of directors and the Sponsors, challenging the proposed transaction as inadequate and unfair to Harrah'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 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. See "Settlement Procedures" below for an update.

Initial Nevada Lawsuits.

On October 3, 2006, Natalie Gordon filed a putative class action lawsuit in the state district court in Clark County, Nevada, Case No. A529183, against Harrah's, its board of directors and the Sponsors, challenging the proposed transaction as inadequate and unfair to Harrah's public stockholders.

Eight similar putative class actions were subsequently filed in the Clark County district court: Phillips v. Harrah's Entertainment, Inc., et al., Case No. A529184; Murphy v. Harrah's Entertainment, Inc., et al., Case No. A529246; Shapiro v. Alexander, et al., Case No. A529247; Barnum v. Alexander, et al., Case No. A529277; Iron Workers Tennessee Valley Pension Fund v. Harrah's Entertainment, Inc., et al., Case No. A529449; Staehr v. Harrah's Entertainment, Inc., et al., Case No. A529385; Berliner v. Harrah's Entertainment, Inc., et al., Case No. A529508; and Frechter v. Harrah's Entertainment, Inc., et al., Case No. A529680. All of the complaints name Harrah's and its current directors as defendants. Four of the complaints also name the Sponsors as defendants. One complaint further names two former directors of Harrah's, Joe M. Henson and William Barron Hilton, as defendants. On October 6, 2006, the Clark County district court consolidated these complaints under the heading In Re Harrah's Shareholder Litigation and appointed liaison counsel for the consolidated action.

On October 17, 2006, a consolidated class action complaint was filed naming Harrah's, Entertainment, its current board of directors and the Sponsors as defendants. The consolidated complaint alleges that Harrah's Entertainment's board of directors breached their fiduciary duties and the Sponsors aided and abetted the alleged breaches of fiduciary duty in connection with the proposed transaction. The consolidated complaint seeks, among other relief, class certification of the lawsuit, an injunction against the proposed transaction, declaratory relief, compensatory and/or rescissory damages to the class, and an award of attorneys' fees and expenses to plaintiffs.

On October 25, 2006, Harrah's removed the consolidated action to the United States District Court for the District of Nevada as In Re Harrah's Shareholder Litigation, Case 2:06-CV-01356, pursuant to the Securities Litigation Uniform Standards Act ("SLUSA"). On November 27, 2006, plaintiffs Gordon, Phillips, Murphy, Shapiro and Barnum filed a motion for remand. Also on that date, plaintiff Iron Workers Tennessee Valley Pension Fund filed a separate motion for remand. On December 5, 2006, plaintiff Frechter joined Iron Workers' motion for remand. On January 5, 2007, the plaintiff in Iron Workers filed notice of its intention to voluntarily dismiss its action. On that same date, plaintiffs Gordon, Phillips, Murphy, Shapiro and Barnum filed a notice of withdrawal of their motion for remand. The court approved these notices on January 9, 2007. On January 23, 2007, defendants moved to dismiss the remaining actions pursuant to SLUSA. On February 5, 2007, plaintiffs Gordon, Phillips, Murphy, Shapiro and Barnum filed a First Amended Consolidated Class Action Complaint, adding a claim that the December 2006 14A filings by Harrah's with the SEC in connection with the merger were false and misleading. Accordingly, eight consolidated cases currently remain in the United States District Court for the District of Nevada. On February 12, 2007, the court denied the Frechter motion for remand under the SLUSA. On February 23, 2007, the defendants filed a reply brief renewing their request that the court dismiss the actions in their entirety. See "Settlement Procedures" below for an update.

Subsequent Nevada Lawsuits.

On November 22, 2006, two putative class action lawsuits were filed in the state district court in Clark County, Nevada against Harrah's and its board of directors: Eisenstein v. Harrah's Entertainment, Inc., et al., Case No. A531963; and NECA-IBEW Pension Fund v. Harrah's Entertainment, Inc., et al., Case No. A531965. Both complaints allege that Harrah's board of directors breached their fiduciary duties in connection with the proposed transaction. The complaints seek, among other things, declaratory and injunctive relief; neither of them seeks damages.

On January 3, 2007, plaintiffs in both actions filed a joint Motion to Designate Litigation as Complex, Consolidate Cases, and for Appointment of Lead Counsel. A hearing on plaintiffs' motion, which had been scheduled for January 30, 2007, was vacated pursuant to a stipulation between the parties, dated January 25, 2007.

On January 26, 2007, in accordance with the parties' January 25, 2007 stipulation, the Clark County district court ordered the consolidation of the Eisenstein and NECA-IBEW Pension Fund complaints and appointed lead and liaison counsel. See "Settlement Procedures" below for an update.

Settlement Procedures.

On March 8, 2007, Harrah's, its board of directors, and the other named defendants in the Delaware and Nevada Lawsuits above entered into a memorandum of understanding with plaintiffs' counsel in those lawsuits. Under the terms of the memorandum, Harrah's, its board of directors, the other named defendants, and the plaintiffs have agreed in principle that the Initial Nevada Lawsuits and the Delaware Lawsuit will be dismissed without prejudice and, subject to court approval, the Subsequent Nevada Lawsuits would be dismissed with prejudice. The parties subsequently entered into a stipulation of settlement ("Stipulation") incorporating the terms of the memorandum of understanding.

Harrah's, its board of directors, and the other defendants deny all of the allegations in the lawsuits. Nevertheless, the defendants agreed in principle to settle the purported class action litigations in order to avoid costly litigation and mitigate the risk that the litigation may have caused a delay to the closing of the Merger. Pursuant to the terms of the Stipulation, Harrah's agreed to provide certain additional information to stockholders that was included in its definitive proxy statement dated March 8, 2007. In addition, Harrah's or its successor has agreed to pay the legal fees and expenses of plaintiffs' counsel, up to a certain limit and subject to approval by the court, and the costs of providing notice to the class. Class members have the right to opt out of the proposed settlement; however, Defendants have the right to terminate the proposed settlement if the holders of more than a designated amount of shares elect to opt out. The entry of a final judgment and the grant of a release against Harrah's, its board of directors and the other named defendants will not affect the rights of any stockholders who timely and validly request exclusion from the settlement class pursuant to applicable law.

On February 4, 2008, the Stipulation was submitted to a district court in Nevada, where it was approved and an order was entered for notice and a hearing in this matter. Per the court's order, a settlement hearing is to be held on April 21, 2008.

Additional details of the settlement in principle are set forth in a separate notice that has been sent to stockholders of the Company prior to the Merger prior to a court hearing to consider the settlement, including any award of attorneys' fees.

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.

ITEM 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

PART II

ITEM 5. Market for the Company's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our outstanding common stock is privately held and there is no established public trading market for our common stock. Until January 28, 2008, our common stock was listed on the New York Stock Exchange and traded under the ticker symbol "HET." Until January 28, 2008, our common stock was also listed on the Chicago Stock Exchange and the Philadelphia Stock Exchange.

The following table sets forth the high and low sales prices per share of our common stock, as reported by the New York Stock Exchange, for the last two fiscal years:

	High	Low
2007		
First Quarter	$85.58	$82.31
Second Quarter	86.26	83.60
Third Quarter	87.79	78.77
Fourth Quarter	89.35	86.21
2006		
First Quarter	$79.80	$70.50
Second Quarter	83.33	68.46
Third Quarter	70.59	59.04
Fourth Quarter	84.25	73.50

The approximate number of holders of record of our non-voting common stock as of February 25, 2008, was 108.

The following table sets forth the dates and amounts of cash dividends per share paid by the Company during the last two fiscal years:

	Record Date	Paid On
2007		
$0.40	February 12, 2007	February 21, 2007
0.40	May 9, 2007	May 23, 2007
0.40	August 8, 2007	August 22, 2007
0.40	November 8, 2007	November 21, 2007
2006		
$0.3625	February 15, 2006	February 22, 2006
0.3625	May 10, 2006	May 24, 2006
0.40	August 9, 2006	August 23, 2006
0.40	November 8, 2006	November 22, 2006

We did not repurchase any shares of our common stock in 2007.

ITEM 6. Selected Financial Data.

The selected financial data set forth below for the five years ended December 31, 2007, should be read in conjunction with the Consolidated Financial Statements and accompanying notes thereto.

(In millions, except common stock data and financial percentages and ratios)	2007[(a)]	2006[(b)]	2005[(c)]	2004[(d)]	2003[(e)]
OPERATING DATA					
Revenues	$10,825.2	$ 9,673.9	$ 7,010.0	$4,396.8	$3,808.4
Income from operations	1,652.0	1,556.6	1,029.0	772.8	663.7
Income from continuing operations	527.2	523.9	316.3	319.3	252.7
Net income	619.4	535.8	236.4	367.7	292.6
COMMON STOCK DATA					
Earnings per share-diluted					
From continuing operations	2.77	2.79	2.10	2.83	2.29
Net income	3.25	2.85	1.57	3.26	2.65
Cash dividends declared per share	1.60	1.53	1.39	1.26	0.60
FINANCIAL POSITION					
Total assets	23,357.7	22,284.9	20,517.6	8,585.6	6,578.8
Long-term debt	12,429.6	11,638.7	11,038.8	5,151.1	3,671.9
Stockholders' equity	6,626.9	6,071.1	5,665.1	2,035.2	1,738.4
FINANCIAL PERCENTAGES AND RATIOS					
Return on revenues-continuing	4.9%	5.4%	4.5%	7.3%	6.6%
Return on average invested capital					
Continuing operations	4.8%	5.0%	4.4%	8.2%	8.1%
Net income	5.3%	5.0%	3.6%	8.0%	7.6%
Return on average equity					
Continuing operations	8.2%	8.8%	7.6%	16.9%	15.5%
Net income	9.7%	9.1%	5.7%	19.5%	18.0%
Ratio of earnings to fixed charges [(f)]	2.1	2.2	2.1	2.8	2.7

Note references are to our Notes to Consolidated Financial Statements. See Item 8.

(a) 2007 includes $109.7 million in pretax charges for write-downs, reserves and recoveries (see Note 10), $13.4 million in pretax charges related to the proposed sale of the Company, and $2.0 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity. 2007 also includes the financial results of Bill's Gamblin' Hall & Saloon, from its February 27, 2007, date of acquisition and Macau Orient Golf, from its September 12, 2007, date of acquisition.

(b) 2006 includes $83.3 million in pretax charges for write-downs, reserves and recoveries (see Note 10), $37.0 million in pretax charges related to the review of certain strategic matters by the special committee of our Board of Directors and the integration of Caesars in Harrah's Entertainment, and $62.0 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity. 2006 also includes the financial results of London Clubs International from the date of our acquisition of a majority ownership interest in November 2006.

(c) 2005 includes $194.7 million in pretax charges for write-downs, reserves and recoveries (see Note 10), $55.0 million in pretax charges related to our acquisition of Caesars Entertainment, Inc., and $3.3 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity. 2005 also includes the financial results of Caesars Entertainment, Inc., from its June 13, 2005, date of acquisition.

(d) 2004 includes $9.6 million in pretax charges for write-downs, reserves and recoveries and $2.3 million in pretax charges related to our pending acquisition of Caesars Entertainment, Inc. 2004 also includes the financial results of Horseshoe Gaming Holding Corp. from its July 1, 2004, date of acquisition.

(e) 2003 includes $10.5 million in pretax charges for write-downs, reserves and recoveries and $19.1 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity.

(f) Ratio computed based on Income from continuing operations. For details of the computation of this ratio, see Exhibit 12.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

OVERVIEW

We are one of the largest casino entertainment providers in the world. As of December 31, 2007, we operated 50 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 and riverboat casinos, a greyhound racetrack, a thoroughbred racetrack, a harness racetrack, 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 Global Management, LLC ("Apollo") and TPG Capital, LP ("TPG") in an all cash transaction, hereinafter referred to as "the Merger," valued at approximately $30.9 billion, including the assumption of $12.4 billion of debt and approximately $1.2 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 Merger, the issued and outstanding shares of non-voting common stock and the non-voting preferred stock of Harrah's Entertainment are owned by entities affiliated with Apollo/TPG and certain co-investors and members of management, and the issued and outstanding shares of voting common stock of Harrah's Entertainment are owned by Hamlet Holdings LLC, which is owned by certain individuals affiliated with Apollo/TPG. As a result of the Merger, our stock is no longer publicly traded.

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 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 Merger, 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 $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.

(In millions)	2007	2006	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	(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 or to refinance existing debt. 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 Merger, we have incurred substantial additional debt, which will significantly change our financial position.

The majority of our debt is due in 2010 and beyond. 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.

Debt as of December 31, 2007

Long-term debt consisted of the following as of December 31:

(In millions)	2007	2006
Credit facilities		
4.05%–6.25% at December 31, 2007, maturities to 2011	$ 5,768.1	$ 4,307.0
Secured Debt		
6.0%, maturity 2010	25.0	25.0
7.1%, maturity 2028	87.7	89.3
LIBOR plus 1%–2.75%, maturity 2011	—	67.0
S. African prime less 1.5%, maturity 2009	10.5	11.4
4. 5%–11.0%, maturities to 2036	4.4	6.8
Unsecured Senior Notes		
7.125%, maturity 2007	—	497.8
Floating Rate Notes, maturity 2008	250.0	250.0
7.5%, maturity 2009*	136.2	136.2
7.5%, maturity 2009	442.4	452.4
5.5%, maturity 2010	747.1	746.0
8.0%, maturity 2011	71.7	71.7
5.375%, maturity 2013	497.7	497.4
7.0%, maturity 2013*	324.4	328.4
5.625%, maturity 2015	996.3	995.9
6.5%, maturity 2016	744.3	743.8
5.75%, maturity 2017	745.8	745.5
Floating Rate Contingent Convertible Senior Notes, maturity 2024*	370.6	367.8
Unsecured Senior Subordinated Notes		
9.375%, maturity 2007*	—	499.2
8.875%, maturity 2008*	409.6	423.3
7.875%, maturity 2010*	394.9	403.4
8.125%, maturity 2011*	380.3	388.2
Other Unsecured Borrowings		
LIBOR plus 4.5%, maturity 2010	29.1	33.9
Other, various maturities	1.6	1.6
Capitalized Lease Obligations		
5.77%–10.0%, maturities to 2011	2.7	0.9
	12,440.4	12,089.9
Current portion of long-term debt	(10.8)	(451.2)
	$12,429.6	$11,638.7

* Assumed in our acquisition of Caesars

We recorded the debt assumed in the Caesars acquisition at its market value, and the premium recorded is being amortized as a credit to interest expense using the effective interest method. The debt was assumed by Harrah's Operating Company, Inc. ("Harrah's Operating" or "HOC"), a wholly-owned subsidiary of Harrah's Entertainment, and is guaranteed by Harrah's Entertainment.

$400 million, face amount, of our 8.875% Senior Subordinated Notes due in September 2008, and $250 million, face amount, of our Floating Rate Senior Notes due in February 2008, are classified as long-term in our Consolidated Balance Sheet as of December 31, 2007, because the Company has both the intent and the ability to refinance that portion of these notes.

Debt Following the January 28, 2008, Acquisition and Financing

In connection with the Merger, $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 December 31, 2007. The remainder of our discussion related to debt will refer to the debt structure after the Merger.

Following the Merger, long-term debt consisted of the following:

(In millions)	HOC and Subsidiaries	Other Subsidiaries of Harrah's Entertainment	Total Harrah's Entertainment, Inc.
Credit facilities			
Term loans, 6.244% at January 28, 2008, maturities to 2015	$ 7,250.0		$ 7,250.0
Subsidiary guaranteed debt			
10.75% Senior Notes due 2016, including senior interim loans of $342.6, 9.25% at January 28, 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 January 28, 2008	1,500.0		1,500.0
Unsecured Senior Notes			
7.5%, maturity 2009	0.9		0.9
7.5%, maturity 2009	5.0		5.0
5.5%, maturity 2010	669.1		669.1
8.0%, maturity 2011	62.7		62.7
5.375%, maturity 2013	342.3		342.3
7.0%, maturity 2013	0.7		0.7
5.625%, maturity 2015	640.6		640.6
6.5%, maturity 2016	486.0		486.0
5.75%, maturity 2017	443.0		443.0
Floating Rate Contingent Convertible Senior Notes, maturity 2024*	0.2		0.2
Unsecured Senior Subordinated Notes			
8.875%, maturity 2008	5.9		5.9
7.875%, maturity 2010	349.5		349.5
8.125%, maturity 2011	307.4		307.4
Other Secured Borrowings			
CMBS financing, 6.244% at January 28, 2008, maturity 2013		$ 6,500.0	6,500.0
S. Africa, prime less 1.5%, maturity 2009		10.3	10.3
6.0%, maturity 2010	25.0		25.0
4.25%–10.125%, maturities to 2035	3.8		3.8
Other Unsecured Borrowings			
LIBOR plus 4.5%, maturity 2010	29.1		29.1
Other, various maturities	1.6		1.6
Capitalized Lease Obligations			
5.77%–10.0%, maturities to 2011	2.5		2.5
	17,400.3	6,510.3	23,910.6
Current portion of long-term debt	(71.4)	(1.5)	(72.9)
	$17,328.9	$ 6,508.8	$ 23,837.7

As of January 28, 2008, aggregate annual principal maturities for the four years subsequent to 2008 were: 2009, $96.8 million; 2010, $1.2 billion; 2011, $0.5 billion; and 2012, $0.2 billion.

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

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

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

New Senior Secured Credit Facility

Overview. HOC's new senior secured credit facilities provide for senior secured financing of up to $9.25 billion, consisting of senior secured term loan facilities in an aggregate principal amount of up to $7.25 billion with a maturity of seven years, and a senior secured revolving credit facility in an aggregate principal amount of $2.0 billion with a maturity of six years, including both a letter of credit sub-facility and a swingline loan sub-facility. None of the $2.0 billion credit facility was drawn at the closing of the Merger; however, approximately $188.1 million in letters of credit were outstanding under this facility at closing.

In addition, HOC 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 our new senior secured credit facilities without ratably securing the retained notes.

Proceeds from the term loan drawn on the closing date were used to repay extinguished debt in the table above, pay expenses related to the Merger 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.

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

Restrictive Covenants and Other Matters. HOC's 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 new senior secured credit facilities include negative covenants, subject to certain exceptions, restricting or limiting HOC's ability and the ability of its restricted subsidiaries to, among other things: (i) incur additional debt; (ii) create liens on certain assets; (iii) enter into sale and lease-back transactions (iv) make certain investments, loans and advances; (v) consolidate, merge, sell or otherwise dispose of all or any part of its assets or to puchase, 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 HOC's credit agreement, other than with respect to the incurrence of liens on and the pledge of its stock of HOC.

HOC's new senior secured credit facilities also contain certain customary affirmative covenants and events of default.

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

On January 28, 2008, HOC entered into a Senior Interim Loan Agreement for $6.775 billion, consisting of $5.275 billion Senior Interim Cash Pay Loans and $1.5 billion Interim Toggle Loans. On February 1, 2008, $4,932.4 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 will limit HOC's (and most of its subsidiaries') ability to among other things: (i) incur additional debt or issue certain preferred shares; (ii) pay dividends or make distributions in respect of our capital stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) with respect to HOC only, engage in any business or own any material asset other than all of the equity interest of HOC so long as certain investors hold a majority of the notes; (vi) create or permit to exist dividend and/or payment restrictions affecting its restricted subsidiaries; (vii) create liens on certain assets to secure debt; (viii) consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; (ix) enter into certain transactions with its affiliates; and (x) designate its subsidiaries as unrestricted subsidiaries. Subject to certain exceptions, the indenture governing the notes and the agreements governing the other cash pay debt and PIK toggle debt will permit us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

Commercial Mortgaged-Backed Securities ("CMBS") Financing

In connection with the Merger, eight of our properties and their related operating assets were spun off from HOC to Harrah's Entertainment through a series of distributions, liquidations, transfers and contributions ("the CMBS Spin-Off"). The eight properties, as of the closing, 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. Subsequent to the closing of the Merger and subject to regulatory approvals, Paris Las Vegas and Harrah's Laughlin and their related operating assets will be spun off from HOC 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 will be transferred to subsidiaries of HOC from Harrah's Entertainment ("the Post-Close CMBS exchange"). The properties to be spun off from HOC and owned by Harrah's Entertainment, whether at closing or after the subsequent transfer, will collectively be referred to as "the CMBS properties." At closing, the CMBS properties borrowed $6.5 billion of mortgage loans and/or related mezzanine financing and/or real estate term loans (the "CMBS Financing"). The CMBS Financing is secured by the assets of the CMBS properties and certain aspects of the financing is guaranteed by Harrah's Entertainment.

Derivative Instruments

We account for derivative instruments in accordance with Statement of Financial Accounting Standards ("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 December 31, 2007, we had seven variable-to-fixed interest rate swap agreements for a total notional amount of $1.5 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 Dec. 31, 2007	Next Reset Date	Maturity Date
April 25, 2007	$ 200	4.898%	5.08375%	April 25, 2008	April 25, 2011
April 25, 2007	200	4.896%	5.08375%	April 25, 2008	April 25, 2011
April 25, 2007	200	4.925%	5.08375%	April 25, 2008	April 25, 2011
April 25, 2007	200	4.917%	5.08375%	April 25, 2008	April 25, 2011
April 25, 2007	200	4.907%	5.08375%	April 25, 2008	April 25, 2011
September 26, 2007	250	4.809%	5.08375%	April 25, 2008	April 25, 2011
September 26, 2007	250	4.775%	5.08375%	April 25, 2008	April 25, 2011

Our interest rate swap agreements are not 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. Interest rate swaps increased our 2007 and 2006 interest expense by $44.0 million and $7.2 million, respectively. The income statement impact for 2006 includes a charge to terminate $300 million of interest rate swaps.

In addition to the swaps in place at December 31, 2007, in January 2008, at or about the date of the Merger, we entered into the following forward interest rate swap agreements:

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received	Next Reset Date	Maturity Date
April 25, 2008	$ 1,000	4.172%	3 month LIBOR	April 25, 2008	April 25, 2013
April 25, 2008	2,000	4.276%	3 month LIBOR	April 25, 2008	April 25, 2013
April 25, 2008	2,000	4.263%	3 month LIBOR	April 25, 2008	April 25, 2013

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%.

Guarantees of Third-Party Debt and Other Obligations and Commitments

The following tables summarize our contractual obligations and other commitments as of December 31, 2007.

Contractual Obligations[a]	Payments Due by Period Total	Less than 1 year	1-3 years	4-5 years	After 5 years
			(In millions)		
Debt[b]	$12,360.4	$ 664.3	$3,271.1	$5,047.2	$3,377.8
Capital lease obligations	2.7	1.0	1.6	0.1	—
Estimated interest payments[c]	2,444.2	434.3	681.3	463.1	865.5
Operating lease obligations	2,447.3	95.4	146.6	131.8	2,073.5
Purchase orders obligations	82.9	82.9	—	—	—
Guaranteed payments to State of Louisiana	134.8	60.0	74.8	—	—
Community reinvestment	130.5	6.3	12.7	12.3	99.2
Construction commitments	1,289.6	1,289.6	—	—	—
Entertainment obligations	132.8	59.2	66.9	3.9	2.8
Other contractual obligations	100.2	55.2	9.2	5.7	30.1
	$19,125.4	$2,748.2	$4,264.2	$5,664.1	$6,448.9

(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. (See Note 11 to our Consolidated Financial Statements.)

(b) As of January 28, 2008, our debt obligations totaled $25,230.1 million with $72.9 million due in less than 1 year, $1,339.3 million due in 1-3 years, $644.8 million due in 4-5 years and $23,173.1 million due after 5 years.

(c) Estimated interest for variable rate debt included in this table is based on rates at December 31, 2007. As of January 28, 2008, our interest obligations totaled $13,999.0 million with $1,629.2 million due in less than 1 year, $3,506.8 million due in 1-3 years, $3,308.8 million due in 4-5 years and $5,554.2 million due after 5 years.

Other Commitments	Amount of Commitment Expiration Per Period Total amounts committed	Less than 1 year	1-3 years	4-5 years	After 5 years
			(In millions)		
Guarantees of loans	$ 170.6	$ 170.6	$ —	$ —	$ —
Letters of credit	193.2	192.9	0.3	—	—
Minimum payments to tribes	55.3	13.8	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 71 months from December 31, 2007, is $1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

As of December 31, 2007, we had guaranteed debt incurred by the Rincon San Luiseno Band of Mission Native Americans in California, to fund development of the casino on the tribe’s land. The outstanding balance of that debt as of December 31, 2007, was $164.4 million. In January 2008, the Rincon tribe secured new financing to replace that debt, and we do not guarantee the new debt.

CAPITAL SPENDING AND DEVELOPMENT

Part of our plan for growth and stability includes disciplined capital improvement projects, and 2007, 2006 and 2005 were all years of significant capital reinvestment.

In addition to the specific development and expansion projects discussed in REGIONAL RESULTS AND DEVELOPMENT PLANS, 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 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 $2.0 billion and $2.2 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.

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 Consolidated Financial Statements provides information regarding dispositions. The discussion that follows is related to our continuing operations.

(In millions, except earnings per share)	2007	2006	2005	Percentage Increase/(Decrease) 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

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 6 $^{1}/_{2}$ 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 $321.4 million in income from operations in the approximate six months that we owned them in 2005.

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 have exceeded the net book value of the impacted assets and costs and expenses that are expected to be 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.

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

Illinois/Indiana	Other Nevada	Managed/International/Other
Caesars Indiana	Harrah's Reno	Harrah's Ak-Chin[(2)]
Harrah's Joliet[(1)]	Harrah's Lake Tahoe	Harrah's Cherokee[(2)]
Harrah's Metropolis	Harveys Lake Tahoe	Harrah's Prairie Band (through 6/30/07)[(2)]
Horseshoe Hammond	Bill's Lake Tahoe	Harrah's Rincon[(2)]
	Harrah's Laughlin	Conrad Punta del Este[(1)]
		CasinoWindsor[(3)]
		London Clubs International[(4)]

(1) Not wholly owned by Harrah's Entertainment.

(2) Managed, not owned.

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

(4) Operates 10 casino clubs in the United Kingdom (including 1 that opened in first quarter 2008), 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.

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

(In millions)	2007	2006	2005
Impairment of goodwill and other intangible assets	$ 169.6	$ 20.7	$138.6
Litigation awards and settlements	8.5	32.5	2.6
Corporate efficiencies project	21.5	5.2	—
Write-off of abandoned assets	21.0	0.2	0.8
Demolition costs	7.3	11.4	6.0
Other	12.1	(0.1)	12.2
Insurance proceeds in excess of deferred costs	(130.3)	(10.2)	—
Impairment of investment securities	—	23.6	—
Hurricane expense	—	—	24.5
Contribution to The Harrah's Foundation	—	—	10.0
	$ 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 (above) 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

(In millions)	2007	2006	2005	Percentage Increase/(Decrease) 07 vs 06	Percentage Increase/(Decrease) 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

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.

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. As of December 31, 2007, $81.4 million had been spent on this project. This expansion is slated for completion in 2009. In August 2007, Harrah's Entertainment and AEG, a leading sports and entertainment developer and operator, announced plans to enter into a 50/50 joint venture to develop a 20,000-seat arena, which is expected to commence operations in 2010. This development is subject to completion of definitive documents and other customary conditions.

The increases in 2006 revenues and income from operations were driven by the results from the Caesars properties for the full year in 2006 vs. approximately 6 1/2 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 6 1/2 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.

Atlantic City Results

(In millions)	2007	2006	2005	Percentage Increase/(Decrease) 07 vs 06	Percentage Increase/(Decrease) 06 vs 05
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

Atlantic City regional revenues were higher in 2007 due to the inclusion of Harrah's Chester, which opened for simulcasting and live harness racing on September 10, 2006, and for slot play on January 22, 2007. The Atlantic City market was affected by the opening of slot operations at 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 vs. approximately 6 1/2 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 6 1/2 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.

Construction continues on an upgrade and expansion of Harrah's Atlantic City, which will include a new hotel tower with approximately 960 rooms, a casino expansion and a retail and entertainment complex. A new 620-seat buffet and substantially all of a retail promenade opened on February 16, 2007. We expect the new hotel tower to open in mid-2008. This project is expected to cost approximately $550 million, $376.2 million of which had been spent as of December 31, 2007.

Louisiana/Mississippi Results

				Percentage Increase/(Decrease)	
(In millions)	**2007**	**2006**	**2005**	**07 vs 06**	**06 vs 05**
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 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 damages caused by Hurricane Katrina. Income from operations for the years ended December 31, 2007 and 2006, includes insurance proceeds of $130.3 million and $10.2 million, respectively, that are in excess of the net book value of the impacted assets and costs and expenses that are expected to be reimbursed under 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.

In October 2007, Grand Casino Resort in Tunica, Mississippi, announced a strategic alliance with Food Network star Paula Deen and a renovation of its facility. Paula Deen's Buffet is expected to open in May 2008. In conjunction with the renovation of Grand Casino Resort, which is expected to cost approximately $45 million and to be completed in May 2008, the casino will be rebranded to be Harrah's Casino Tunica.

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. Construction began in third quarter 2007 on Margaritaville Casino & Resort in Biloxi, a resort project to be developed by Harrah's Entertainment. We license the Margaritaville name from an entity affiliated with the singer/songwriter Jimmy Buffett. The project, which is expected to cost more than $700 million, is expected to include approximately 75,000 square feet of casino space, 250,000 square feet of retail space, a Margaritaville restaurant, 420 new hotel rooms and other amenities. Completion of the project is projected for the spring of 2010. As of December 31, 2007, $49.1 million had been spent on this project.

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

				Percentage Increase/(Decrease)	
(In millions)	2007	2006	2005	07 vs 06	06 vs 05
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

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

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. Horseshoe Council Bluffs is the first property to be converted to a Horseshoe since we acquired the brand. The Bluffs Run Greyhound Racetrack remains in operation at the property.

Illinois/Indiana Results

				Percentage Increase/(Decrease)	
(In millions)	2007	2006	2005	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

Combined 2007 revenues from our properties in Illinois and Indiana increased over last year's revenues; however, income from operations was lower than last year due primarily to an impairment charge in 2007 related to certain intangible assets at Caesars Indiana. Our 2007 annual assessments for impairment of goodwill and other intangible assets that are not subject to amortization indicated that, based on the projected performance of Caesars Indiana, its intangible assets were impaired, and a charge of $60.4 million was taken in fourth quarter 2007. Also contributing to the decline in income from operations 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. A motion has been filed asking the court to declare that the riverboats can cease making payments, and we will ask for the return of the money that has been paid for this tax; however, given that the State has appealed the decision to the Illinois Supreme Court and the situation is still uncertain, we are continuing to accrue and pay this tax. 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 last year's revenues and income from operations due to results from Caesars Indiana for the full year vs. 6 1/2 months in 2005 and strong performance at Harrah's Joliet. 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 of 2006.

Caesars Indiana contributed $174.1 million in revenues and $28.6 million in income from operations to 2005 Illinois/Indiana results.

Construction began in third quarter 2006 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 is expected to cost approximately $485 million, $225.2 million of which had been spent as of December 31, 2007. The project is scheduled for completion in mid-2008.

Other Nevada Results

(In millions)	2007	2006	2005	Percentage Increase/(Decrease) 07 vs 06	Percentage Increase/(Decrease) 06 vs 05
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	— pts

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

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

(In millions)	2007	2006	2005	Percentage Increase/(Decrease) 07 vs 06	Percentage Increase/(Decrease) 06 vs 05
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%
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

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 December 31, 2007.

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.

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

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 vs. approximately 6 1/2 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.

In December 2006, we completed our acquisition of all of the ordinary shares of London Clubs, which owns or manages ten casinos in the United Kingdom (including one that opened in first quarter 2008), 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, including governmental approvals and changes in certain laws.

In January 2007, we signed a joint venture agreement with a subsidiary of Baha Mar Resort Holdings Ltd. to create the Caribbean's largest single-phase destination in the Bahamas. The joint venture partners have also signed management agreements with subsidiaries of Starwood Hotels & Resorts Worldwide, Inc. The joint venture is 57% owned by a subsidiary of Baha Mar Resort Holdings Ltd. and 43% by a subsidiary of the Company and will become effective upon confirmation by the Bahamian Government of certain required approvals and concessions. 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.

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

				Percentage Increase/(Decrease)	
(Income)/Expense (In millions)	**2007**	**2006**	**2005**	**07 vs 06**	**06 vs 05**
Corporate expense	$138.1	$177.5	$ 97.7	(22.2)%	81.7%
Merger 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%	3.8pts	(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 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).

2007 merger and integration costs include costs in connection with the Merger. 2006 merger 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 merger and integration costs represented costs related to the acquisition and integration of Caesars.

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.

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. A change in interest rates will impact our financial results. For example, assuming a constant outstanding balance for our variable-rate debt (after consideration of the Merger and financing thereof) for the next twelve months, a hypothetical 1% change in corresponding interest rates would change interest expense for the next twelve months by approximately $49.3 million. 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. Immediately after the Merger and related financing, our variable rate debt, adjusted for the debt for which we have swap and interest cap agreements, was 31.6% of our total debt, while our fixed rate is 68.4% 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 extinguishments of debt represent premiums paid and the write-offs of unamortized deferred financing costs. The charges in 2007 were incurred in connection with the retirement of a $120.1 million credit facility of London Clubs. 2006 losses 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 in 2007 and 2006 included gains on the sales of corporate assets. Also included in other income for all years presented is interest income on the cash surrender value of life insurance policies. 2005 other income also included the receipt of a death benefit and collection of a previously reserved investment.

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. The 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.

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

2007 Discontinued operations reflect insurance proceeds of $89.6 million, after taxes, 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 for Harrah’s Lake Charles and Grand Casino Gulfport, both of which were sold in 2006. Pursuant to the terms of the sales agreements, we will retain all insurance proceeds related to Harrah’s Lake Charles and Grand Casino Gulfport. 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.)

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 is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values after review and consideration of relevant information including discounted cash flow analyses, quoted market prices and our own estimates. For each transaction, the allocation of the purchase price was, or will be, completed within one year from the date of the acquisition. 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. Goodwill and intangible assets that are determined to have an indefinite life are not amortized.

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)]	Goodwill Assigned	Number of Casinos	Geographic Location
Bill's Gamblin' Hall & Saloon	February 2007	$ 371 million	$ —	1	Las Vegas, Nevada
London Clubs	December 2006	$ 591 million	$ 322 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	$ 2 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. For purposes of these financial statements, we have assumed that the excess of the purchase price over the net book value of the assets acquired is land costs. Values assigned to assets, including land, will be revised upon finalization of the purchase price allocation, which will be within one year of the acquisition.

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 ten 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 Merger and integration costs in our Consolidated Condensed Statements of Income.

COMPETITIVE PRESSURES

Due to the limited number of new markets opening for development in recent years, many casino operators are reinvesting in existing markets to attract new customers or 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. Furthermore, several operators, including Harrah's Entertainment, have announced plans for additional developments or expansions in some markets.

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

Although 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 these 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 our industry. We utilize the 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 Harrah's Entertainment casinos. We believe these sophisticated marketing tools provide us with competitive advantages, particularly with players who visit more than one casino or market.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

Property and Equipment

We have significant capital invested in our property and equipment, which represents approximately 67% of our total assets. 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 $5.6 billion in goodwill and other intangible assets in our Consolidated Balance Sheets resulting from our acquisition of other businesses. 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 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. At December 31, 2006, Harrah's Louisiana Downs had $27.3 million of intangible assets that were not deemed to be impaired.

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 relate 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 has 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.

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 December 31, 2007 and 2006, $72.8 million and $76.6 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 December 31, 2007 and 2006, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $16.9 million and $21.3 million, respectively.

Bad Debt Reserves

We reserve an estimated amount for receivables that may not be collected. Methodologies for estimating bad debt reserves range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. At December 31, 2007 and 2006, we had $126.2 million and $94.7 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 December 31, 2007 and 2006, we had total self-insurance accruals reflected in our Consolidated Balance Sheets of $210.5 million and $193.8 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 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 exam by various state and foreign tax authorities, although tax years prior to 2004 are generally closed as the statutes of limitations have lapsed. However, various subsidiaries are still being examined by the New Jersey Division of Taxation for tax years 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 that could have an impact to our Company.

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109” (“FIN 48”), which became effective for the Company on January 1, 2007. The Interpretation prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. See Notes 1 and 11 to our Consolidated Financial Statements for discussions of our implementation of FIN 48.

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. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. SFAS No. 157 could impact fair values assigned to assets and liabilities in any future acquisition.

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 is effective as of the first fiscal year beginning after November 15, 2007. 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.

HARRAH'S OPERATING COMPANY DEBT COVENANT COMPLIANCE

Certain covenants contained in the credit agreement governing our new senior secured credit facilities, the indenture and other agreements governing our new senior notes, senior toggle notes and senior interim loans (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 additional debt 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 to incur additional indebtedness and the ability to make future acquisitions, require an Adjusted EBITDA to Fixed Charges ratio (measured on a trailing four-quarter basis) of 2.0: 1.0. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions.

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

The following table reconciles EBITDA and Adjusted EBITDA of Harrah's Operating for the year ended December 31, 2007 and takes into consideration the CMBS Spin-Off, the transfer of London Clubs and its subsidiaries, with the exception of the subsidiaries related to the South Africa operations, to Harrah's Operating and the Post-Close CMBS exchange:

(in millions)	Year Ended December 31, 2007
Income from continuing operations	$ 163.1
Interest expense, net of interest income	776.0
Provision for income taxes	170.1
Depreciation and amortization	727.2
EBITDA	1,836.4
Project opening costs, abandoned projects and development costs[a]	26.9
Merger and integration costs[b]	9.4
Losses on early extinguishment of debt[c]	2.0
Minority interests, net of distributions[d]	(3.7)
Impairment of goodwill, intangible assets and investment securities[e]	155.9
Non-cash expense for stock compensation benefits[f]	38.2
Income from insurance claims for hurricane losses[g]	(130.3)
Other non-recurring or non-cash items[h]	55.6
Pro forma adjustment for acquired, new or disposed properties[i]	3.3
Pro forma adjustment for yet-to-be realized cost savings[j]	59.2
Adjusted EBITDA	$ 2,052.9

(a) Represents (i) project opening costs incurred in connection with the integration of acquired properties and with expansion and renovation projects at various properties, (ii) write-off of abandoned development projects and (iii) non-recurring strategic planning and restructuring costs.

(b) Represents costs in connection with the Acquisition, including review of certain strategic matters by the special committee established by Harrah's Entertainment's Board of Directors.

(c) Represents premiums paid and the write-off of historical unamortized deferred financing costs.

(d) Represents minority owners' share of income from our majority-owned subsidiaries, net of cash distributions to minority owners.

(e) Represents impairment of intangible assets related to London Clubs and Caesars Indiana and impairment of investment securities.

(f) Represents non-cash compensation expense related to stock options.

(g) Represents non-recurring insurance recoveries related to Hurricanes Katrina and Rita.

(h) Represents the elimination of other non-recurring and non-cash items such as litigation awards and settlements, severance and relocation costs, excess gaming taxes, gains and losses from disposal of assets, equity in non-consolidated subsidiaries (net of distributions) and one-time costs relating to new state gaming legislation.

(i) Represents the full year/period estimated impact of acquired, new and disposed properties.

(j) Represents the annualized additional cost savings expected to be realized from our previously announced profitability improvement program.

The following tables present the condensed combined balance sheet and statement of operations of Harrah's Operating Company, Inc. as of and for the year ended December 31, 2007, taking into consideration the CMBS Spin-Off, the London Clubs Transfer and the Post-Close CMBS Transactions:

Harrah's Operating Company, Inc.
Unaudited Condensed Combined Balance Sheet
As of December 31, 2007

	Historical Harrah's Entertainment(1)	Other Harrah's Entertainment Subsidiaries and Accounts(2)	Historical Harrah's Operating(3)	CMBS Spin-Off(4)	London Clubs Transfer(5)	Harrah's Operating Restructured	Post-Closing CMBS Transaction(6)	Harrah's Operating for the Post-Closing CMBS Transaction
Assets								
Current assets								
Cash and cash equivalents	$ 710.0	$ (137.2)	$ 572.8	$ (147.4)	$ 23.0	$ 448.4	$ 14.7	$ 463.1
Receivables, net of allowance for doubtful accounts	476.4	(18.6)	457.8	(101.8)	8.7	364.7	12.7	377.4
Deferred income taxes	200.0	(7.7)	192.3	(34.6)	—	157.7	15.0	172.7
Prepayments and other	221.2	(51.6)	169.6	(44.5)	5.6	130.7	(1.8)	128.9
Inventories	70.3	(2.3)	68.0	(18.4)	1.3	50.9	1.4	52.3
Total current assets	1,677.9	(217.4)	1,460.5	(346.7)	38.6	1,152.4	42.0	1,194.4
Land, buildings, riverboats and equipment, net of accumulated depreciation	15,571.5	(230.7)	15,340.8	(3,823.0)	161.4	11,679.2	(274.9)	11,404.3
Assets held for sale	4.5	—	4.5	—	—	4.5	—	4.5
Intangible assets	2,039.5	(563.8)	1,475.7	(516.1)	460.6	1,420.2	(78.7)	1,341.5
Goodwill	3,553.6	(13.1)	3,540.5	(79.4)	13.1	3,474.2	30.2	3,504.4
Deferred costs and other	510.7	(0.1)	510.6	—	—	510.6	—	510.6
Intercompany receivables	—	—	—	1,365.0	—	1,365.0	(715.0)	650.0
	$ 23,357.7	$ (1,025.1)	$ 22,332.6	$ (3,400.2)	$ 673.7	$ 19,606.1	$ (996.4)	$ 18,609.7
Liabilities and Stockholders' Equity								
Current liabilities								
Accounts payable	$ 442.0	$ (14.9)	$ 427.1	$ (73.3)	$ 13.0	$ 366.8	$ 5.3	$ 372.1
Accrued expenses	1,351.2	(166.2)	1,185.0	(193.8)	41.2	1,032.4	9.5	1,041.9
Current portion of long-term debt	10.8	(1.5)	9.3	(1.9)	—	7.4	1.8	9.2
Total current liabilities	1,804.0	(182.6)	1,621.4	(269.0)	54.2	1,406.6	16.6	1,423.2
Long-term debt	12,429.6	(9.1)	12,420.5	(86.0)	—	12,334.5	85.8	12,420.3
Intercompany notes	—	—	—	215.0	—	215.0	(215.0)	—
Liabilities held for sale	0.6	—	0.6	—	—	0.6	—	0.6
Deferred credits and other	464.8	(18.0)	446.8	(3.9)	17.2	460.1	(0.2)	459.9
Deferred income taxes	1,979.6	(58.8)	1,920.8	(426.7)	51.3	1,545.4	(103.0)	1,442.4
	16,678.6	(268.5)	16,410.1	(570.6)	122.7	15,962.2	(215.8)	15,746.4
Minority interests	52.2	—	52.2	(4.9)	—	47.3	—	47.3
Total stockholders' equity	6,626.9	(756.6)	5,870.3	(2,824.7)	551.0	3,596.6	(780.6)	2,816.0
	$ 23,357.7	$ (1,025.1)	$ 22,332.6	$ (3,400.2)	$ 673.7	$ 19,606.1	$ (996.4)	$ 18,609.7

(1) Represents the historical financial information of Harrah's Entertainment.

(2) Represents the removal of (i) the historical financial information of subsidiaries of Harrah's Entertainment that have historically not been a component of Harrah's Operating, namely, captive insurance companies and London Clubs and its subsidiaries; and (ii) account balances at Harrah's Entertainment.

(3) Represents the historical financial information of Harrah's Operating.

(4) Reflects the removal of the historical assets and liabilities of the CMBS properties, pursuant to the CMBS Spin-Off, in which certain properties and operations of Harrah's Operating were spun-off into a separate borrowing structure and held side-by-side with Harrah's Operating under Harrah's Entertainment.

(5) Reflects the inclusion of the London Clubs assets and liabilities, pursuant to the London Clubs Transfer, in which London Clubs and its subsidiaries, with the exception of the subsidiaries related to the South African operations, became subsidiaries of Harrah's Operating.

(6) Reflects the exchange of certain operating assets and liabilities between Harrah's Operating and the CMBS properties subsequent to the closing of the Merger and the CMBS Spin-Off. The exchange is subject to regulatory approval.

Unaudited Condensed Combined Statement of Operations
Harrah's Operating Company, Inc.
For the Year Ended
December 31, 2007

	Historical Harrah's Entertainment(1)	Other Harrah's Entertainment Subsidiaries and Accounts(2)	Historical Harrah's Operating(3)	CMBS Spin-Off(4)	London Clubs Transfer(5)	Harrah's Operating Restructured	Post-Closing CMBS Transaction(6)	Harrah's Operating for the Post-Closing CMBS Transaction
Revenues								
Casino	$ 8,831.0	$ (262.6)	$ 8,568.4	$ (2,006.8)	$ 222.1	$ 6,783.7	$ 258.6	$ 7,042.3
Food and beverage	1,698.8	(35.5)	1,663.3	(587.1)	30.1	1,106.3	(34.8)	1,071.5
Rooms	1,353.6	(2.8)	1,350.8	(473.2)	—	877.6	(88.7)	788.9
Management fees	81.5	(0.5)	81.0	—	0.5	81.5	—	81.5
Other	695.9	(10.3)	685.6	(204.3)	4.4	485.7	(34.8)	450.9
Less: casino promotional allowances	(1,835.6)	14.1	(1,821.5)	587.1	(12.9)	(1,247.3)	(93.7)	(1,341.0)
Net revenues	10,825.2	(297.6)	10,527.6	(2,684.3)	244.2	8,087.5	6.6	8,094.1
Operating expenses								
Direct								
Casino	4,595.2	(218.0)	4,377.2	(915.8)	185.6	3,647.0	101.3	3,748.3
Food and beverage	716.5	(13.5)	703.0	(263.9)	11.4	450.5	(37.2)	413.3
Rooms	266.3	(1.2)	265.1	(92.2)	—	172.9	(27.8)	145.1
Property general, administrative and other	2,421.7	(61.8)	2,359.9	(636.0)	60.5	1,784.4	27.6	1,812.0
Depreciation and amortization	817.2	(14.2)	803.0	(227.6)	14.2	589.6	22.8	612.4
Write-downs, reserves and recoveries	109.7	(109.2)	0.5	(28.8)	95.5	67.2	6.3	73.5
Project opening costs	25.5	(15.6)	9.9	(1.9)	15.7	23.7	—	23.7
Corporate expense	138.1	(0.2)	137.9	(38.8)	—	99.1	—	99.1
Merger and integration costs	13.4	—	13.4	—	—	13.4	—	13.4
(Income)/losses on interests in 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	(1.2)	—	70.1	0.7	70.8
Total operating expenses	9,173.2	(436.4)	8,736.8	(2,206.3)	383.4	6,913.9	93.7	7,007.6
Income from operations	1,652.0	138.8	1,790.8	(478.0)	(139.2)	1,173.6	(87.1)	1,086.5
Interest expense, net of interest capitalized	(800.8)	15.5	(785.3)	6.8	(3.3)	(781.8)	(6.8)	(788.6)
Losses 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	42.0	11.8	84.7	(38.1)	46.6
Income/(losses) from continuing operations before income taxes and minority interests	892.5	143.9	1,036.4	(429.2)	(132.7)	474.5	(132.0)	342.5
(Provision)/benefit for income taxes	(350.1)	(44.6)	(394.7)	148.9	30.9	(214.9)	44.8	(170.1)
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	$ (274.4)	$ (98.1)	$ 250.3	$ (87.2)	$ 163.1

(1) Represents the historical 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 Harrah's Operating, namely, captive insurance companies and London Clubs and its subsidiaries; and (ii) accounts at Harrah's Entertainment.

(3) Represents the historical financial information of Harrah's Operating.

(4) Reflects the removal of the historical operating results of the CMBS Borrowers, pursuant to the CMBS Spin-Off in which certain properties and operations of Harrah's Operating were spun-off into a separate borrowing structure and held side-by-side with Harrah's Operating under Harrah's Entertainment. The historical operating expenses of Harrah's Operating include unallocated costs attributable to services that have been performed by Harrah's Operating on behalf of the CMBS Borrowers. 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 spin-off reflects the push-down of corporate expense of $38.8 million that was unallocated at December 31, 2007. Following the Merger, many of these services will continue to be provided by Harrah's Operating pursuant to a shared services agreement with the CMBS Borrowers.

(5) Reflects the inclusion of the London Clubs operating results pursuant to the London Clubs Transfer, in which London Clubs and its subsidiaries, with the exception of the subsidiaries related to the South African operations, became subsidiaries of Harrah's Operating.

(6) Reflects the exchange of certain properties and operations between Harrah's Operating and the CMBS borrowers subsequent to the closing of the Merger and the CMBS spin-off. The exchange is subject to regulatory approval.

OVERALL OPERATING RESULTS FOR HARRAH'S OPERATING COMPANY

(In millions)	2007	2006
Casino revenues	$7,042.3	$6,192.3
Total revenues	8,094.1	7,134.9
Income from operations	1,086.5	996.1
Income from continuing operations	163.1	167.2
Operating margin	13.4%	14.0%

N/M = Not Meaningful

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 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.

The favorable increase in income from operations was impacted by the strong results in Las Vegas, partially offset by 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, as well a decrease in retail visitation in certain of our mid-Western markets. Income from operations for 2007 and 2006 include $130.3 million and $10.2 million, respectively, of insurance proceeds that were in excess of the net book value of impacted assets and costs and expenses under our business interruption claims and impairment charges of $169.3 million in 2007 related to certain intangible assets of London Clubs and Caesars Indiana.

ITEM 7A. 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 $12.4 billion total debt at December 31, 2007, $4.9 billion, excluding $1.5 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 5.7% at December 31, 2007. A change in interest rates will impact our financial results. For example, assuming a constant outstanding balance for our variable-rate debt (after consideration of the Merger and financing thereof) for the next twelve months, a hypothetical 1% change in corresponding interest rates would change interest expense for the next twelve months by approximately $49.3 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.

The table below provides information as of December 31, 2007, 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 December 31, 2007.

(In millions)	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value
Liabilities								
Long-term debt								
Fixed rate	$407.3	$564.2	$1,153.0	$ 425.0	$ 2.4	$3,377.7	$5,929.6	$6,305.0(1)
Average interest rate	8.9%	7.5%	6.3%	8.1%	7.1%	6.0%	6.5%	
Variable rate	$258.0	$390.3	$1,165.1	$4,620.0	$—	$ —	$6,433.4	$5,418.1(1)
Average interest rate	4.6%	5.5%	5.5%	5.7%	—	—	5.7%	
Interest Rate Derivatives								
Interest rate swaps								
Fixed to variable	—	—	—	$1,500.0	—	—	$1,500.0	$ (45.9)
Average pay rate	4.9%	4.9%	4.9%	4.9%	—	—	4.9%	
Average receive rate	2.9%	2.7%	3.6%	4.1%	—	—	3.2%	

(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 December 31, 2007, our long-term variable rate debt reflects borrowings under revolving credit and letter of credit facilities provided to us by a consortium of banks with a total capacity of $7.25 billion. The interest rates charged on borrowings under these facilities are a function of the London Inter-Bank Offered Rate, or LIBOR, and prime rate. As such, the interest rates charged to us for borrowings under the facilities are subject to change as LIBOR changes. These revolving credit and letter of credit facilities were terminated as of the closing of the Merger.

Foreign currency translation gains and losses were not material to our results of operations for the year ended December 31, 2007. Our only material ownership interests in businesses in foreign countries during 2007 were 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.

In connection with the Merger, we retired $7.7 billion, face amount, of our debt and issued fixed and floating-rate debt subject to variation in interest rates in respect of our floating rate-debt. Borrowings under our new senior secured credit facilities and mortgage loans entered by the CMBS properties accrue interest at variable rates.

On or about January 28, 2008, we entered into forward interest rate swap agreements for a notional amount of $5 billion with respect to LIBOR borrowings under our new senior secured credit facilities to fix the floating rate of interest thereunder to a fixed rate.

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 on February 13, 2013, is for a notional amount of $6.5 billion at a LIBOR cap rate of 4.5%.

ITEM 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Harrah's Entertainment, Inc.
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Harrah's Entertainment, Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Harrah's Entertainment, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Notes 1 and 11 to the Consolidated Financial Statements, the Company changed its method of accounting for uncertainty in income taxes to conform to Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, in 2007. As discussed in Notes 1 and 15 to the Consolidated Financial Statements, the Company changed its method of accounting for stock-based employee compensation costs to conform to Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, in 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 29, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
February 29, 2008

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except share amounts)

	December 31, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	$ 710.0	$ 799.6
Receivables, less allowance for doubtful accounts of $126.2 and $94.7	476.4	429.6
Deferred income taxes (Note 11)	200.0	143.6
Income tax receivable	5.0	28.5
Prepayments and other	216.2	166.5
Inventories	70.3	63.0
Total current assets	1,677.9	1,630.8
Land, buildings, riverboats and equipment		
Land and land improvements	5,392.8	4,821.5
Buildings, riverboats and improvements	9,270.7	8,165.6
Furniture, fixtures and equipment	3,186.6	2,993.1
Construction in progress	903.4	764.7
	18,753.5	16,744.9
Less: accumulated depreciation	(3,182.0)	(2,723.9)
	15,571.5	14,021.0
Assets held for sale (Note 4)	4.5	387.3
Goodwill (Notes 2 and 5)	3,553.6	3,689.4
Intangible assets (Notes 2 and 5)	2,039.5	2,044.5
Investments in and advances to nonconsolidated affiliates (Note 16)	18.6	25.9
Deferred costs and other	492.1	486.0
	$23,357.7	$22,284.9
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 442.0	$ 465.0
Accrued expenses (Note 7)	1,351.2	1,324.8
Current portion of long-term debt (Note 8)	10.8	451.2
Total current liabilities	1,804.0	2,241.0
Liabilities held for sale (Note 4)	0.6	0.6
Long-term debt (Note 8)	12,429.6	11,638.7
Deferred credits and other	464.8	384.2
Deferred income taxes (Note 11)	1,979.6	1,896.9
	16,678.6	16,161.4
Minority interests	52.2	52.4
Stockholders' equity (Notes 6, 8, 15 and 16)		
Common stock, $0.10 par value, authorized—720,000,000 shares, outstanding-188,778,819 and 186,146,738 shares (net of 36,033,752 and 35,735,329 shares held in treasury)	18.9	18.6
Capital surplus	5,395.4	5,148.2
Retained earnings	1,197.2	907.1
Accumulated other comprehensive income/(loss)	15.4	(2.8)
	6,626.9	6,071.1
	$23,357.7	$22,284.9

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

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)

	Year Ended December 31,		
	2007	2006	2005
Revenues			
Casino	$ 8,831.0	$ 7,868.6	$ 5,966.5
Food and beverage	1,698.8	1,577.7	1,086.7
Rooms	1,353.6	1,240.7	786.2
Management fees	81.5	89.1	75.6
Other	695.9	611.0	424.7
Less: casino promotional allowances	(1,835.6)	(1,713.2)	(1,329.7)
Net revenues	10,825.2	9,673.9	7,010.0
Operating expenses			
Direct			
Casino	4,595.2	3,902.6	2,984.6
Food and beverage	716.5	697.6	482.3
Rooms	266.3	256.6	151.5
Property general, administrative and other	2,421.7	2,206.8	1,464.4
Depreciation and amortization	817.2	667.9	485.7
Write-downs, reserves and recoveries (Note 10)	109.7	83.3	194.7
Project opening costs	25.5	20.9	16.4
Corporate expense	138.1	177.5	97.7
Merger and integration costs	13.4	37.0	55.0
Income on interests in nonconsolidated affiliates (Note 16)	(3.9)	(3.6)	(1.2)
Amortization of intangible assets (Note 5)	73.5	70.7	49.9
Total operating expenses	9,173.2	8,117.3	5,981.0
Income from operations	1,652.0	1,556.6	1,029.0
Interest expense, net of interest capitalized (Note 12)	(800.8)	(670.5)	(479.6)
Losses on early extinguishments of debt (Note 8)	(2.0)	(62.0)	(3.3)
Other income, including interest income	43.3	10.7	8.0
Income from continuing operations before income taxes and minority interests	892.5	834.8	554.1
Provision for income taxes (Note 11)	(350.1)	(295.6)	(225.9)
Minority interests	(15.2)	(15.3)	(11.9)
Income from continuing operations	527.2	523.9	316.3
Discontinued operations (Note 4)			
Income from discontinued operations (including gain on disposal of $119.6 in 2005)	145.4	16.4	16.6
Provision for income taxes	(53.2)	(4.5)	(96.5)
Income/(loss) from discontinued operations	92.2	11.9	(79.9)
Net income	$ 619.4	$ 535.8	$ 236.4
Earnings per share—basic			
Income from continuing operations	$ 2.83	$ 2.85	$ 2.14
Discontinued operations, net	0.50	0.06	(0.54)
Net income	$ 3.33	$ 2.91	$ 1.60
Earnings per share—diluted			
Income from continuing operations	$ 2.77	$ 2.79	$ 2.10
Discontinued operations, net	0.48	0.06	(0.53)
Net income	$ 3.25	$ 2.85	$ 1.57
Dividends declared per share	$ 1.60	$ 1.53	$ 1.39
Weighted average common shares outstanding	186.3	184.0	148.0
Additional shares based on average market price for period applicable to:			
Restricted stock	0.2	0.8	0.5
Stock options	2.4	2.1	1.5
Stock appreciation rights	0.2	—	—
Convertible debt	1.5	1.1	0.2
Weighted average common and common equivalent shares outstanding	190.6	188.0	150.2

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

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(In millions)
(Notes 6, 8, 15 and 16)

	Common Stock Shares Outstanding	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Deferred Compensation Related to Restricted Stock	Total	Comprehensive Income
Balance—December 31, 2004	112.7	$ 11.3	$ 1,394.5	$ 638.4	$ 1.0	$ (10.0)	$2,035.2	
Net income				236.4			236.4	$ 236.4
Net loss on derivative instruments qualifying as cash flow hedges, net of tax benefit of $3.4					(6.3)		(6.3)	(6.3)
Reclassification of loss on derivative instrument from other comprehensive income to net income, net of tax provision of $0.2					0.4		0.4	0.4
Foreign currency translation adjustments, net of tax benefit of $0.2					(0.4)		(0.4)	(0.4)
Cash dividends				(208.2)			(208.2)	
Net shares issued in acquisition of Caesars	67.9	6.8	3,302.7				3,309.5	
Market value of conversion option on convertible debt, net of tax provision of $38.3			70.4				70.4	
Net shares issued under incentive compensation plans, including income tax benefit of $29.9	3.2	0.3	240.8	(12.2)		(0.8)	228.1	
2005 Comprehensive Income								$ 230.1
Balance—December 31, 2005	183.8	18.4	5,008.4	654.4	(5.3)	(10.8)	5,665.1	
Reclassification of deferred compensation to Capital Surplus			(10.8)			10.8		
Net income				535.8			535.8	$ 535.8
Reclassification of loss on derivative instrument from other comprehensive income to net income, net of tax provision of $0.3					0.6		0.6	0.6
Foreign currency translation adjustments, net of tax provision of $1.0					1.9		1.9	1.9
Cash dividends				(282.7)			(282.7)	
Net shares issued under incentive compensation plans, including share-based compensation expense of $52.8 and income tax benefit of $23.0	2.3	0.2	150.6	(0.4)			150.4	
2006 Comprehensive Income								$ 538.3
Balance—December 31, 2006	186.1	18.6	5,148.2	907.1	(2.8)	—	6,071.1	
Net income				619.4			619.4	$ 619.4
Pension adjustment related to London Clubs International, net of tax benefit of $0.8					(1.8)		(1.8)	(1.8)
Reclassification of loss on derivative instrument from other comprehensive income to net income, net of tax provision of $0.3					0.6		0.6	0.6
Foreign currency translation adjustments, net of tax provision of $15.5					19.4		19.4	19.4
Cash dividends				(299.2)			(299.2)	
Adjustment for initial adoption of FIN 48				(12.3)			(12.3)	
Net shares issued under incentive compensation	2.7	0.3	247.2	(17.8)			229.7	

plans, including share-based compensation expense of $53.0 and income tax benefit of $47.7								
2007 Comprehensive Income								$ 637.6
Balance—December 31, 2007	188.8	$ 18.9	$ 5,395.4	$1,197.2	$ 15.4	$ —	$6,626.9	

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

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Note 12)

	Year Ended December 31,		
	2007	2006	2005
Cash flows from operating activities			
Net income	$ 619.4	$ 535.8	$ 236.4
Adjustments to reconcile net income to cash flows from operating activities:			
Income from discontinued operations, before income taxes	(145.4)	(16.4)	(16.6)
Income from insurance claims for hurricane damage	(130.3)	—	—
Losses on early extinguishments of debt	2.0	62.0	3.3
Depreciation and amortization	905.8	711.4	523.0
Write-downs, reserves and recoveries	195.8	39.9	160.8
Deferred income taxes	(35.0)	73.7	(30.1)
Share-based compensation expense	53.0	52.8	—
Tax benefit from stock equity plans	1.8	1.7	29.9
Other noncash items	134.6	37.2	26.5
Minority interests' share of net income	15.2	15.3	11.9
Income on interests in nonconsolidated affiliates	(3.9)	(3.6)	(1.2)
Net change in insurance receivables for hurricane damage	(0.7)	81.8	(87.3)
Insurance proceeds for hurricane losses from business interruption	119.1	—	—
Returns on investment in nonconsolidated affiliate	1.8	2.5	1.2
Net (gains)/losses from asset sales	(8.0)	(5.5)	14.6
Net change in long-term accounts	(45.1)	(35.4)	(80.5)
Net change in working capital accounts	(171.3)	(13.6)	(196.7)
Cash flows provided by operating activities	1,508.8	1,539.6	595.2
Cash flows from investing activities			
Land, buildings, riverboats and equipment additions	(1,379.5)	(2,511.3)	(1,149.5)
Payments for businesses acquired, net of cash acquired	(584.3)	(562.5)	(1,942.5)
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
Proceeds from other asset sales	99.6	47.1	37.0
Purchase of minority interest in subsidiary	(8.5)	(2.3)	—
Investments in and advances to nonconsolidated affiliates	(1.8)	(0.9)	(5.5)
Increase in construction payables	2.8	11.2	41.0
Proceeds from sales of discontinued operations	—	457.3	649.5
Proceeds from sale of long-term investments	—	49.4	2.7
Other	(81.0)	(31.3)	(22.9)
Cash flows used in investing activities	(1,923.6)	(2,243.7)	(2,289.1)
Cash flows from financing activities			
Borrowings under lending agreements, net of financing costs of $6.4, $4.4 and $7.6	39,124.4	6,946.5	11,599.4
Repayments under lending agreements	(37,619.5)	(5,465.8)	(10,522.9)
Early extinguishments of debt	(120.1)	(1,195.0)	(690.5)
Scheduled debt retirements	(1,001.7)	(5.0)	(307.5)
Dividends paid	(299.2)	(282.7)	(208.2)
Proceeds from exercises of stock options	126.2	66.3	106.7
Excess tax benefit from stock equity plans	51.7	21.3	—
Minority interests' distributions, net of contributions	(20.0)	(1.9)	(12.2)
Proceeds from issuance of senior notes, net of discount and issue costs of $-, $10.9 and $20.7	—	739.1	2,004.3
Premiums paid on early extinguishments of debt	—	(56.7)	(4.9)
Losses on derivative instruments	—	(2.6)	(7.9)
Other	(5.3)	1.3	(0.2)
Cash flows provided by financing activities	236.5	764.8	1,956.1
Cash flows from discontinued operations			
Cash flows from operating activities	88.9	19.3	(3.7)
Cash flows from investing activities	(0.2)	(4.8)	(23.1)
Cash flows 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
Cash and cash equivalents, beginning of year	799.6	724.4	489.0
Cash and cash equivalents, end of year	$ 710.0	$ 799.6	$ 724.4

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

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

Note 1—Summary of Significant Accounting Policies

BASIS OF PRESENTATION AND ORGANIZATION. As of December 31, 2007, we operated 50 casinos in six countries, primarily under the Harrah's, Caesars and Horseshoe brand names in the United States, including 31 land-based casinos, 12 riverboat or dockside casinos, one combination thoroughbred racetrack and casino, one combination greyhound racetrack and casino, one harness racetrack and casino, three managed casinos on Indian lands and one managed casino in Canada. We view each property as an operating segment and aggregate all operating segments into one reporting segment.

Certain of our properties were sold during some of the periods presented, and prior to their sales, assets and liabilities of these properties were classified in our Consolidated Balance Sheets as Assets/Liabilities held for sale, and their operating results through the dates of their sales were presented as discontinued operations, if appropriate. In addition to the completed sales, we also have announced plans to sell certain assets and liabilities of other properties that we have classified as Assets/Liabilities held for sale in our Consolidated Balance Sheets and, if appropriate, have included their results in discontinued operations. See Note 4 for further information regarding dispositions and planned sales.

ACQUISITION BY PRIVATE EQUITY FIRMS. On January 28, 2008, Harrah's Entertainment was acquired by affiliates of Apollo Global Management, LLC ("Apollo") and TPG Capital, LP ("TPG") in an all cash transaction, hereinafter referred to as the "Merger," valued at approximately $30.9 billion, including the assumption of $12.4 billion of debt and approximately $1.2 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 Merger, the issued and outstanding shares of non-voting common stock and the non-voting preferred stock of Harrah's Entertainment are owned by entities affiliated with Apollo/TPG and certain co-investors and members of management, and the issued and outstanding shares of voting common stock of Harrah's Entertainment are owned by Hamlet Holdings LLC, which is owned by certain individuals affiliated with Apollo/TPG. As a result of the Merger, our stock is no longer publicly traded. (See Note 18.)

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

CASH AND CASH EQUIVALENTS. Cash includes the minimum cash balances required to be maintained by state gaming commissions or local and state governments, which totaled approximately $25.4 million and $27.5 million at December 31, 2007 and 2006, respectively. Cash equivalents are highly liquid investments with an original maturity of less than three months and are stated at the lower of cost or market value.

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

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

LAND, BUILDINGS, RIVERBOATS AND EQUIPMENT. Land, buildings, riverboats and equipment are stated at cost. Land includes land not currently identified for use in our operations, which totaled $113.3 million and $119.6 million at December 31, 2007 and 2006, respectively. We capitalize the costs of improvements that extend the life of the asset. We expense maintenance and repairs cost as incurred. Gains or losses on the dispositions of land, buildings, riverboats or equipment are included in the determination of income. Interest expense is capitalized on internally constructed assets at our overall weighted average borrowing rate of interest. Capitalized interest amounted to $20.4 million, $24.3 million and $14.1 million in 2007, 2006 and 2005, respectively.

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

Buildings and improvements	10 to 40 years
Riverboats and barges	30 years
Furniture, fixtures and equipment	2 to 15 years

We review the carrying value of land, buildings, riverboats and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. 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 $5.6 billion in goodwill and other intangible assets on our balance sheet resulting from our acquisitions of other businesses. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," we perform an annual assessment of goodwill and intangible assets with indefinite lives for impairment during the fourth quarter of each year. (See Note 5.)

The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values after review and consideration of relevant information including discounted cash flow analyses, quoted market prices and our own estimates. 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. Intangible assets determined to have a finite life are amortized on a straight-line basis over the determined useful life of the asset. (See Note 5.)

UNAMORTIZED DEBT ISSUE COSTS. Debt discounts or premiums incurred in connection with the issuance of debt are capitalized and amortized to interest expense using the effective interest method. Debt issuance costs are amortized to interest expense based on the related debt agreements using the straight-line method, which approximates the effective interest method. Unamortized deferred financing charges are included in Deferred costs and other on our Consolidated Balance Sheets.

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 December 31, 2007 and 2006, $72.8 million and $76.6 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 December 31, 2007 and 2006, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $16.9 million and $21.3 million, respectively.

SELF-INSURANCE ACCRUALS. We are self-insured up to certain limits for costs associated with general liability, workers' compensation and employee health coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. At December 31, 2007 and 2006, we had total self-insurance accruals reflected on our Consolidated Balance Sheets of $210.5 million and

$193.8 million, respectively. In estimating those 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.

TREASURY STOCK. The shares of Harrah's Entertainment common stock were held in treasury at December 31, 2007 and 2006, are reflected in our Consolidated Balance Sheets and our Consolidated Statements of Stockholders' Equity and Comprehensive Income as if those shares were retired.

REVENUE RECOGNITION. Casino revenues consist of net gaming wins. Food and beverage and rooms revenues include the aggregate amounts generated by those departments at all consolidated casinos and casino hotels.

Casino promotional allowances consist principally of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of coupons redeemed for cash at our properties. The estimated costs of providing such complimentary services, which we classify as casino expenses for continuing operations through interdepartmental allocations, were as follows:

(In millions)	2007	2006	2005
Food and beverage	$582.9	$544.0	$387.5
Rooms	192.3	168.0	121.6
Other	95.6	75.2	70.8
	$870.8	$787.2	$579.9

ADVERTISING. The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense for continuing operations was $294.9 million, $287.5 million and $203.4 million for the years 2007, 2006 and 2005, respectively.

STOCK-BASED EMPLOYEE COMPENSATION. Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), "Share-Based Payment," using the modified prospective application, and, therefore, results for prior periods have not been restated.

As a result of adopting SFAS No. 123(R), we recognized $53.0 million and $52.8 million for stock option and stock appreciation rights ("SARs") expense in 2007 and 2006, respectively. In 2007, we began allocating a portion of the expense related to stock options and SARs to the applicable reporting segment, whereas, in 2006 that expense was included in Corporate expense in our Consolidated Statement of Income. For the year ended December 31, 2007, $10.3 million of the expense is included in Property general, administrative and other, and $42.7 million is included in Corporate expense. The total income tax benefit recognized for 2007 and 2006, was approximately $21.1 million and $20.4 million, respectively.

Prior to the adoption of SFAS No. 123(R), we accounted for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation expense was recorded as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share as if the Company had adopted SFAS No. 123(R) in the prior period. Had compensation expense for the stock option plans been determined in accordance with SFAS No. 123(R), total stock-based employee compensation expense, net of tax effects, would have been $31.7 million for the year ended December 31, 2005, and our pro forma Net income and Earnings per share for the indicated period would have been:

	2005	
(In millions, except per share amounts)	As Reported	Pro Forma
Net income	$ 236.4	$204.7
Earnings per share		
Basic	1.60	1.38
Diluted	1.57	1.32

The fair value of each option and SARs grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2007	2006	2005
Expected dividend yield	1.9%	2.4%	2.1%
Expected stock price volatility	25.1%	30.3%	32.9%
Risk-free interest rate	4.6%	5.0%	3.9%
Expected average life of options (years)	5	5	5

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 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 taxable 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 an approximate $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 exam by various state and foreign tax authorities, although tax years prior to 2004 are generally closed as the statutes of limitations have lapsed. However, various subsidiaries are still being examined by the New Jersey Division of Taxation for tax years 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.

EARNINGS PER SHARE. In accordance with the provisions of SFAS No. 128, "Earnings Per Share," we compute our Basic earnings per share by dividing Net income by the number of Weighted average common shares outstanding during the year. Our Diluted earnings per share is computed by dividing Net income by the number of Weighted average common and common equivalent shares outstanding during the year. For each of the three years ended December 31, 2007, common equivalent shares included net restricted shares of 190,771, 789,776 and 539,844, respectively, and stock options outstanding of 2,358,826, 2,157,811 and 1,481,765, respectively, under our employee stock benefit plans. For the years ended December 31, 2007 and 2006, respectively, common equivalent shares also included 1,502,534 and 1,085,144 potential shares related to the conversion spread of our convertible debt. For the years ended December 31, 2007 and 2006, common equivalent shares also included 230,592 and 3,055 SARs, respectively. (See Note 15.)

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

Note 2—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 is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values after review and consideration of relevant information including discounted cash flow analyses, quoted market prices and our own estimates. For each transaction, the allocation of the purchase price was, or will be, completed within one year from the date of the acquisition. 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. Goodwill and intangible assets that are determined to have an indefinite life are not amortized.

The table below summarizes our acquisition transactions completed in the three-year period ending December 31, 2007.

Company	Date Acquired	Total Purchase Price(a)	Goodwill Assigned	Number of Casinos	Geographic Location
Bill's Gamblin' Hall & Saloon	February 2007	$ 371 million	$ —	1	Las Vegas, Nevada
London Clubs	December 2006	$ 591 million	$ 322 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	$ 2 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. For purposes of these financial statements, we have assumed that the excess of the purchase price over the net book value of the assets acquired is land costs. Values assigned to assets, including land, will be revised upon finalization of the purchase price allocation, which will be within one year of the acquisition.

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 and/or manages ten casinos in the United Kingdom, two in Egypt and one in South Africa 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. For the period subsequent to the acquition 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.

The purchase price allocation for London Clubs was completed in 2007. The following table summarizes the values assigned to the assets acquired and liabilities assumed at the date of acquisition.

(In millions)	
Current assets	$ 56.1
Land, buildings and equipment	153.7
Goodwill and other intangible assets	646.6
Total assets acquired	856.4
Current liabilities	64.5
Long-term debt	76.4
Other long-term liabilities	43.9
Deferred income tax	81.1
Liabilities assumed	265.9
Net assets acquired	$590.5

Of the approximate $325.0 million of acquired intangible assets, $304.1 million has been assigned to gaming rights that are not subject to amortization, and $20.9 million has been assigned to contract rights with a 6-12 year life that are subject to amortization.

The goodwill related to the London Clubs acquisition will not be deductible for tax purposes.

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 of Imperial Palace are included in our operating results subsequent to its acquisition on December 23, 2005.

The purchase price allocation for Imperial Palace was completed in fourth quarter 2006, and there were no material changes from the initial purchase price allocation.

CAESARS ENTERTAINMENT. On June 13, 2005, we completed our acquisition of 100 percent of the outstanding shares of Caesars. The aggregate estimated 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 May 2005, Caesars reached an agreement to sell the Reno Hilton, and that sale closed in June 2006. Also included in the Caesars acquisition were the Flamingo Laughlin Casino and a hotel in Halifax, Nova Scotia, that we determined to classify as Assets held for sale in our Consolidated Balance Sheets, along with Reno Hilton. We sold the Halifax hotel in November 2005 and Flamingo Laughlin in May 2006. No gains or losses were recorded on these sales.

Note 3—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 are retaining all insurance proceeds related to the Lake Charles operations.

Insurance proceeds have exceeded the net book value of the impacted assets and costs and expenses that are expected to be 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 interruption 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.

Note 4—Dispositions

The following properties were sold in the three-year period ended December 31, 2007.

HARRAH'S LAKE CHARLES. In first quarter 2006, we determined that Harrah's Lake Charles should be classified as assets held for sale and discontinued operations. These assets were classified in Assets held for sale in our Consolidated Balance Sheets, and we ceased depreciating these assets. Results for Harrah's Lake Charles, until its sale in November 2006, are presented as discontinued operations in each of the years presented. We reported a pretax gain of approximately $10.9 million on this sale in fourth quarter 2006.

RENO HILTON. Prior to our acquisition of Caesars, an agreement was reached to sell the Reno Hilton, and that sale closed in June 2006. Prior to its sale, Reno Hilton's results are presented as discontinued operations. No depreciation was recorded subsequent to its acquisition, and no gain or loss was recorded on the sale.

FLAMINGO LAUGHLIN. Included in the Caesars acquisition was the Flamingo Laughlin Casino in Laughlin, Nevada, that we determined to classify as Assets/Liabilities held for sale in our 2005 Consolidated Balance Sheet. Operating results for Flamingo Laughlin are presented as discontinued operations from its acquisition until its sale in May 2006, and no depreciation was recorded. No gain or loss was recorded on this sale.

GRAND GULFPORT. In March 2006, we sold the assets of Grand Casino Gulfport, which had been damaged in a hurricane in August 2005, in their "as is" condition (see Note 3), and those assets were included in Assets/Liabilities held for sale in our 2005 Consolidated Balance Sheet. Operating results for Grand Casino Gulfport are presented as discontinued operations until its sale. No gain or loss was recorded on this sale.

HALIFAX HOTEL. Included in the Caesars acquisition was a hotel in Halifax, Nova Scotia, that we determined as of the acquisition date to classify as Assets/Liabilities held for sale in our Consolidated Balance Sheet, and its operating results were presented as part of our discontinued operations. The hotel was sold in November 2005. No gain or loss was recorded on the sale.

HARRAH'S EAST CHICAGO AND HARRAH'S TUNICA. On April 26, 2005, we sold the assets and certain related liabilities of Harrah's East Chicago and Harrah's Tunica. Until their sale, Harrah's East Chicago and Harrah's Tunica were classified in Assets/Liabilities held for sale in our Consolidated Balance Sheets, and we ceased depreciating their assets in September 2004. Results for Harrah's East Chicago and Harrah's Tunica are presented as discontinued operations for all periods presented. We reported a pretax gain of approximately $119.6 million on the sale of these two properties in the second quarter of 2005.

SUMMARY FINANCIAL INFORMATION

Summary operating results for the discontinued operations reflect the results of Harrah's Lake Charles through the date of its sale in November 2006, including the gain on the sale and insurance recoveries; the operating results of Reno Hilton, Flamingo Laughlin, Grand Casino Gulfport and a hotel in Halifax, Nova Scotia beginning June 13, 2005 through the dates of their sales in June 2006, May 2006, March 2006 and November 2005, respectively, including insurance recoveries related to Grand Casino Gulfport; and Harrah's East Chicago and Harrah's Tunica through the date of their sale in April 2005, including the gain on the sale. 2005 results for Grand Casino Gulfport and Harrah's Lake Charles include the write-off of $115.5 million, after taxes, for the impairment of intangible assets.

(In millions)	2007	2006	2005
Net revenues	$ 0.2	$106.8	$401.1
Pretax income from discontinued operations	$145.4	$ 16.4	$ 16.6
Discontinued operations, net of tax	$ 92.2	$ 11.9	$ (79.9)

Assets held for sale at December 31, 2007, primarily consists of non-operating land parcels.

Note 5—Goodwill and Other Intangible Assets

We account for our goodwill and other intangible assets in accordance with SFAS No. 142, which provides guidance regarding the recognition and measurement of intangible assets, eliminates the amortization of certain intangibles and requires assessments for impairment of intangible assets that are not subject to amortization at least annually.

We determine the fair value of a reporting unit as a function, or multiple, of earnings before interest, taxes, depreciation and amortization ("EBITDA"), or by using discounted cash flows, common measures used to value and buy or sell cash intensive businesses such as casinos. Based on our annual assessment for impairment as of September 30, 2007, we determined that, based on historical and projected performance, intangible assets at London Clubs and Caesars Indiana had been impaired, and we recorded impairment charges of $169.6 million in fourth quarter 2007. These charges are included Write-downs, reserves and recoveries in our 2007 Consolidated Statement of Income. At December 31, 2007, London Clubs and Caesars Indiana had intangible assets of $225.1 million and $193.4 million, respectively, that were not deemed to be impaired. The properties' 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.

Our annual assessment for impairment as of September 30, 2006, indicated that intangible assets at Harrah's Louisiana Downs were impaired, and a charge of $20.7 million was recorded in fourth quarter 2006. At December 31, 2006, Harrah's Louisiana Downs had $27.3 million of intangible assets that were not deemed to be impaired.

Our annual assessment for impairment as of September 30, 2005, indicated that the entire $49.9 million of goodwill associated with Harrah's Louisiana Downs was impaired, and a charge was recorded in fourth quarter 2005. Due to hurricane damage to our business in Biloxi, Mississippi, in the fourth quarter of 2005, we also wrote off $88.7 million of goodwill and intangible assets that were assigned to that property in our purchase price allocation of the Caesars acquisition. These charges are included in Write-downs, reserves and recoveries in our 2005 Consolidated Statement of Income.

Our 2005 assessment for impairment also indicated that certain goodwill and intangible assets related to properties reported as part of our Discontinued operations were impaired. These charges related to goodwill acquired in our 2000 acquisition of a property in Lake Charles, Louisiana, and to our 2005 acquisition of a property in Gulfport, Mississippi, which was severely damaged by Hurricane Katrina in August 2005. 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. This property had no other intangible assets. All of the goodwill and intangible assets related to Grand Casino Gulfport were deemed to be impaired, and a charge of $93.2 million was taken in fourth quarter 2005. Since Harrah's Lake Charles and Grand Casino Gulfport are reported in our Discontinued operations, the write-off of goodwill and intangible assets for those properties of $115.5 million, after taxes, is included in Discontinued operations.

The following table sets forth changes in goodwill for the years ended December 31, 2006, and December 31, 2007.

(In millions)	
Balance at December 31, 2005	$3,135.5
Additions or adjustments:	
Acquisition of London Clubs	467.9
Finalization of purchase price allocation for Caesars	83.5
Adjustments for taxes related to acquisitions	2.5
Balance at December 31, 2006	3,689.4
Additions or adjustments:	
Finalization of purchase price allocation for London Clubs	(146.3)
Foreign currency translation	17.0
Adjustments for taxes related to acquisitions	(14.9)
Purchase of additional interest in subsidiary	8.4
Balance at December 31, 2007	$3,553.6

The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets.

	December 31, 2007			December 31, 2006		
(In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:						
Trademarks	$ 31.0	$ 15.8	$ 15.2	$ 31.0	$ 9.6	$ 21.4
Gaming rights	37.5	3.3	34.2	37.4	2.0	35.4
Contract rights	153.5	52.7	100.8	131.7	36.6	95.1
Customer relationships	654.2	143.0	511.2	654.2	93.0	561.2
	$ 876.2	$ 214.8	661.4	$ 854.3	$ 141.2	713.1
Nonamortizing intangible assets:						
Trademarks			570.4			570.2
Gaming rights			807.7			761.2
			1,378.1			1,331.4
Total			$2,039.5			$2,044.5

The aggregate amortization expense for the years ended December 31, 2007, 2006 and 2005 for those assets that continue to be amortized under provisions of SFAS No. 142 was $73.5 million, $70.7 million and $49.9 million, respectively. Estimated annual amortization expense for those assets for the years ending December 31, 2008, 2009, 2010, 2011 and 2012 is $71.9 million, $70.4 million, $63.3 million, $57.7 million and $57.6 million, respectively. The amount of amortization to be recorded in future periods is subject to change as the purchase price allocations are refined and finalized.

Note 6—Stockholders' Equity

In addition to its common stock, Harrah's Entertainment had the following classes of stock authorized but unissued as of December 31, 2007:

Preferred stock, $100 par value, 150,000 shares authorized

Special stock, $1.125 par value, 5,000,000 shares authorized—
Series A Special Stock, 4,000,000 shares designated

Under the terms of our equity incentive award programs in place as of December 31, 2007, we had reserved shares of Harrah's Entertainment common stock for issuance under the Amended and Restated 2004 Equity Incentive Award Plan and the 2001 Broad-based Incentive Plan. (See Note 15 for a description of the plans.) The 2004 Equity Incentive Award Plan was an equity compensation plan approved by our stockholders and the 2001 Broad-based Incentive Plan was an equity compensation plan not approved by our stockholders. As of December 31, 2007, 7,939,543 shares were authorized and unissued under the 2004 Equity Incentive Award Plan and 8,897 shares were authorized and unissued under the 2001 Broad-based Incentive Plan. Incentive award programs in place at December 31, 2007, were terminated in connection with the Merger.

In connection with the Caesars acquisition, we assumed various equity award plans of Caesars; however, amendments to those plans provide that no further shares will be issued under the plans.

In connection with the Caesars acquisition, at a special meeting held in March 2005, our stockholders voted to approve an amendment to Harrah's Entertainment's certificate of incorporation to increase the number of authorized shares of Harrah's Entertainment common stock from 360 million to 720 million. Upon consummation of the Caesars acquisition, we issued 67.9 million shares of Harrah's Entertainment common stock. Since these additional shares were outstanding only since June 13, 2005, our average shares outstanding calculation for 2005 was only partially impacted by the transaction.

In connection with the Merger, the Company was recapitalized with 120,000,020 shares of stock, consisting of: (1) 20 shares of Voting Common Stock, par value $0.01 per share, (2) 80,000,000 shares of Non-Voting Common Stock, par value $0.01 per share, and (3) 40,000,000 shares of Preferred Stock, par value $0.01 per share, 20,000,000 of which have been designated as Non-Voting Perpetual Preferred Stock.

The table below presents quarterly cash dividends per common share that were declared and paid in 2007, 2006 and 2005:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007	$0.40	$0.40	$0.40	$0.40
2006	0.3625	0.3625	0.40	0.40
2005	0.33	0.33	0.3625	0.3625

Note 7—Detail of Certain Balance Sheet Accounts

Accrued expenses consisted of the following as of December 31:

(In millions)	2007	2006
Payroll and other compensation	$ 309.3	$ 312.3
Insurance claims and reserves	210.5	193.8
Accrued interest payable	107.8	145.3
Accrued taxes	139.1	128.8
Other accruals	584.5	544.6
	$1,351.2	$ 1,324.8

Note 8—Debt

Long-term debt consisted of the following as of December 31:

(In millions)	2007	2006
Credit facilities		
5.825%–7.25% at December 31, 2006, maturities to 2011	$ 5,768.1	$ 4,307.0
Secured Debt		
6.0%, maturity 2010	25.0	25.0
7.1%, maturity 2028	87.7	89.3
LIBOR plus 1%–2.75%, maturity 2011	—	67.0
S. African prime less 1.5%, maturity 2009	10.5	11.4
4.25%–10.125%, maturities to 2035	4.4	6.8
Unsecured Senior Notes		
7.125%, maturity 2007	—	497.8
Floating Rate Notes, maturity 2008	250.0	250.0
7.5%, maturity 2009*	136.2	136.2
7.5%, maturity 2009	442.4	452.4
5.5%, maturity 2010	747.1	746.0
8.0%, maturity 2011	71.7	71.7
5.375%, maturity 2013	497.7	497.4
7.0%, maturity 2013*	324.4	328.4
5.625%, maturity 2015	996.3	995.9
6.5%, maturity 2016	744.3	743.8
5.75%, maturity 2017	745.8	745.5
Floating Rate Contingent Convertible Senior Notes, maturity 2024*	370.6	367.8
Unsecured Senior Subordinated Notes		
9.375%, maturity 2007*	—	499.2
8.875%, maturity 2008*	409.6	423.3
7.875%, maturity 2010*	394.9	403.4
8.125%, maturity 2011*	380.3	388.2
Other Unsecured Borrowings		
LIBOR plus 4.5%, maturity 2010	29.1	33.9
Other, various maturities	1.6	1.6
Capitalized Lease Obligations		
5.77%–11.5%, maturities to 2011	2.7	0.9
	12,440.4	12,089.9
Current portion of long-term debt	(10.8)	(451.2)
	$12,429.6	$ 11,638.7

* Assumed in our acquisition of Caesars

We recorded the debt assumed in the Caesars acquisition at its market value, and the premium recorded is being amortized as a credit to interest expense using the effective interest method. The debt was assumed by Harrah's Operating Company, Inc. ("Harrah's Operating" or "HOC"), a wholly-owned subsidiary of Harrah's Entertainment, and is guaranteed by Harrah's Entertainment.

$400 million, face amount, of our 8.875% Senior Subordinated Notes due in September 2008, and $250 million, face amount, of our Floating Rate Senior Notes due in February 2008, are classified as long-term in our Consolidated Balance Sheet as of December 31, 2007, because the Company has both the intent and the ability to refinance that portion of these notes.

As of December 31, 2007, aggregate annual principal maturities for the four years subsequent to 2008 were: 2009, $954.5 million; 2010, $2.3 billion; 2011, $5.0 billion; and 2012, $2.4 million.

DEBT FOLLOWING THE JANUARY 28, 2008, ACQUISITION AND FINANCING (Unaudited)

In connection with the Merger, $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 December 31, 2007. The remainder of our discussion related to debt will refer to the debt structure after the Merger.

Following the Merger, long-term debt consisted of the following:

(In millions)	HOC and Subsidiaries	Other Subsidiaries of Harrah's Entertainment	Total Harrah's Entertainment, Inc.
Credit facilities			
Term loans, 6.244% at January 28, 2008, maturities to 2015	$ 7,250.0		$ 7,250.0
Subsidiary guaranteed debt			
10.75% Senior Notes due 2016, including senior interim loans of $342.6, 9.25% at January 28, 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 January 28, 2008	1,500.0		1,500.0
Unsecured Senior Notes			
7.5%, maturity 2009	0.9		0.9
7.5%, maturity 2009	5.0		5.0
5.5%, maturity 2010	669.1		669.1
8.0%, maturity 2011	62.7		62.7
5.375%, maturity 2013	342.3		342.3
7.0%, maturity 2013	0.7		0.7
5.625%, maturity 2015	640.6		640.6
6.5%, maturity 2016	486.0		486.0
5.75%, maturity 2017	443.0		443.0
Floating Rate Contingent Convertible Senior Notes, maturity 2024*	0.2		0.2
Unsecured Senior Subordinated Notes			
8.875%, maturity 2008	5.9		5.9
7.875%, maturity 2010	349.5		349.5
8.125%, maturity 2011	307.4		307.4
Other Secured Borrowings			
CMBS financing, 6.244% at January 28, 2008, maturity 2013		$ 6,500.0	6,500.0
S. Africa, prime less 1.5%, maturity 2009		10.3	10.3
6.0%, maturity 2010	25.0		25.0
4.25%–10.125%, maturities to 2035	3.8		3.8
Other Unsecured Borrowings			
LIBOR plus 4.5%, maturity 2010	29.1		29.1
Other, various maturities	1.6		1.6
Capitalized Lease Obligations			
5.77%–10.0%, maturities to 2011	2.5		2.5
	17,400.3	6,510.3	23,910.6
Current portion of long-term debt	(71.4)	(1.5)	(72.9)
	$17,328.9	$ 6,508.8	$ 23,837.7

As of January 28, 2008, aggregate annual principal maturities for the four years subsequent to 2008 were: 2009, $96.8 million; 2010, $1.2 billion; 2011, $0.5 billion; and 2012, $0.2 billion.

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

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

(a) includes senior unsecured cash pay interim loans of $342.6 million

(b) includes senior unsecured PIK toggle interim loans of $97.4 million

New Senior Secured Credit Facility

Overview. HOC's new senior secured credit facilities provide for senior secured financing of up to $9.25 billion, consisting of senior secured term loan facilities in an aggregate principal amount of up to $7.25 billion with a maturity of seven years, and a senior secured revolving credit facility in an aggregate principal amount of $2.0 billion with a maturity of six years, including both a letter of credit sub-facility and a swingline loan sub-facility. None of the $2.0 billion credit facility was drawn at the closing of the Merger; however, approximately $188.1 million in letters of credit were outstanding under this facility at closing.

In addition, HOC 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 our new senior secured credit facilities without ratably securing the retained notes.

Proceeds from the term loan drawn on the closing date were used to repay extinguished debt in the table above, pay expenses related to the Merger 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.

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

Restrictive Covenants and Other Matters. HOC's 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 new senior secured credit facilities include negative covenants, subject to certain exceptions, restricting or limiting HOC's ability and the ability of its restricted subsidiaries to, among other things: (i) incur additional debt; (ii) create liens on certain assets; (iii) enter into sale and lease-back transactions (iv) make certain investments, loans and advances; (v) consolidate, merge, sell or otherwise dispose of all or any part of its assets or to puchase, 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 HOC's credit agreement, other than with respect to the incurrence of liens on and the pledge of its stock of HOC.

HOC's new senior secured credit facilities also contain certain customary affirmative covenants and events of default.

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

On January 28, 2008, HOC entered into a Senior Interim Loan Agreement for $6.775 billion, consisting of $5.275 billion Senior Interim Cash Pay Loans and $1.5 billion Interim Toggle Loans. On February 1, 2008, $4,932.4 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 will limit HOC's (and most of its subsidiaries') ability to among other things: (i) incur additional debt or issue certain preferred shares; (ii) pay dividends or make distributions in respect of our capital stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) with respect to HOC only, engage in any business or own any material asset other than all of the equity interest of HOC so long as certain investors hold a majority of the notes; (vi) create or permit to exist dividend and/or payment restrictions affecting its restricted subsidiaries; (vii) create liens on certain assets to secure debt; (viii) consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; (ix) enter into certain transactions with its affiliates; and (x) designate its subsidiaries as unrestricted subsidiaries. Subject to certain exceptions, the indenture governing the notes and the agreements governing the other cash pay debt and PIK toggle debt will permit us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

Commercial Mortgaged-Backed Securities ("CMBS") Financing

In connection with the Merger, eight of our properties and their related operating assets were spun off from HOC to Harrah's Entertainment through a series of distributions, liquidations, transfers and contributions. The eight properties, as of the closing, 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. Subsequent to the closing of the Merger and subject to regulatory approvals, Paris Las Vegas and Harrah's Laughlin and their related operating assets will be spun off from HOC 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 will be transferred to subsidiaries of HOC from Harrah's Entertainment. The properties to be spun off from HOC and owned by Harrah's Entertainment, whether at closing or after the subsequent transfer, will collectively be referred to as the "CMBS properties." At closing, the CMBS properties borrowed $6.5 billion of mortgage loans and/or related mezzanine financing and/or real estate term loans (the "CMBS Financing"). The CMBS Financing is secured by the assets of the CMBS properties and certain aspects of the financing is guaranteed by Harrah's Entertainment.

DERIVATIVE INSTRUMENTS

We account for derivative instruments in accordance with Statement of Financial Accounting Standards ("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 December 31, 2007, we had seven variable-to-fixed interest rate swap agreements for a total notional amount of $1.5 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 Dec. 31, 2007	Next Reset Date	Maturity Date
April 25, 2007	$ 200	4.898%	5.08375%	April 25, 2008	April 25, 2011
April 25, 2007	200	4.896%	5.08375%	April 25, 2008	April 25, 2011
April 25, 2007	200	4.925%	5.08375%	April 25, 2008	April 25, 2011
April 25, 2007	200	4.917%	5.08375%	April 25, 2008	April 25, 2011
April 25, 2007	200	4.907%	5.08375%	April 25, 2008	April 25, 2011
September 26, 2007	250	4.809%	5.08375%	April 25, 2008	April 25, 2011
September 26, 2007	250	4.775%	5.08375%	April 25, 2008	April 25, 2011

Our interest rate swap agreements are not 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. Interest rate swaps increased our 2007 and 2006 interest expense by $44.0 million and $7.2 million, respectively. The income statement impact for 2006 includes a charge to terminate $300 million of interest rate swaps.

In addition to the swaps in place at December 31, 2007, in January 2008, at or about the date of the Merger, we entered into the following forward interest rate swap agreements:

(Unaudited)

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received	Next Reset Date	Maturity Date
April 25, 2008	$ 1,000	4.172%	3 month LIBOR	April 25, 2008	April 25, 2013
April 25, 2008	2,000	4.276%	3 month LIBOR	April 25, 2008	April 25, 2013
April 25, 2008	2,000	4.263%	3 month LIBOR	April 25, 2008	April 25, 2013

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%.

FAIR MARKET VALUE

Based on the borrowing rates available as of December 31, 2007, for debt with similar terms and maturities and market quotes of our publicly traded debt, the fair value of our long-term debt at December 31 was as follows:

(In millions)	2007		2006	
	Carrying Value	Market Value	Carrying Value	Market Value
Outstanding debt	$ 12,440.4	$ 11,723.1	$ 12,089.9	$ 11,876.4
Interest rate swaps (used for hedging purposes)	45.9	45.9	2.0	2.0

Note 9—Leases

We lease both real estate and equipment used in our operations and classify those leases as either operating or capital leases following the provisions of SFAS No. 13, “Accounting for Leases.” At December 31, 2007, the remaining lives of our operating leases ranged from one to 85 years, with various automatic extensions totaling up to 86 years.

Rental expense associated with operating leases for continuing operations is charged to expense in the year incurred and was included in the Consolidated Statements of Income as follows:

(In millions)	2007	2006	2005
Noncancelable			
Minimum	$ 88.9	$ 70.0	$57.1
Contingent	5.2	3.0	3.5
Sublease	(1.2)	(0.2)	(0.2)
Other	33.9	35.7	26.9
	$126.8	$108.5	$87.3

Our future minimum rental commitments as of December 31, 2007, were as follows:

(In millions)	Noncancelable Operating Leases
2008	$ 95.4
2009	76.7
2010	69.9
2011	67.4
2012	64.4
Thereafter	2,073.5
Total minimum lease payments	$ 2,447.3

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

Note 10—Write-downs, Reserves and Recoveries

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

(In millions)	2007	2006	2005
Impairment of goodwill and other intangible assets	$ 169.6	$ 20.7	$138.6
Litigation awards and settlements	8.5	32.5	2.6
Corporate efficiencies project	21.5	5.2	—
Write-off of abandoned assets	21.0	0.2	0.8
Demolition costs	7.3	11.4	6.0
Other	12.1	(0.1)	12.2
Insurance proceeds in excess of deferred costs	(130.3)	(10.2)	—
Impairment of investment securities	—	23.6	—
Hurricane expense	—	—	24.5
Contribution to The Harrah’s Foundation	—	—	10.0
	$ 109.7	$ 83.3	$194.7

See Note 5 for a discussion of the charges for impairment of goodwill and other intangible assets.

Litigation awards and settlements for 2006 represent 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.

We began a project in September 2006 to identify efficiencies and cost savings in our corporate organization. This project continued through 2007.

Hurricane expense includes insurance deductibles on policies for Harrah’s New Orleans and Harrah’s Lake Charles and payroll and benefits that we believe are 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 all 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.

We account for the impairment of long-lived assets to be held and used by evaluating the carrying value of the long-lived assets in relation to the operating performance and future undiscounted cash flows of the underlying operating unit when indications of impairment are present. Long-lived assets to be disposed of are evaluated in relation to the estimated fair value of such assets less costs to sell.

Note 11—Income Taxes

Our federal and state income tax provision/(benefit) allocable to our Consolidated Statements of Income and our Consolidated Balance Sheets line items was as follows:

(In millions)	2007	2006	2005
Income from continuing operations before income taxes and minority interests	$350.1	$295.6	$225.9
Discontinued operations	53.2	4.5	96.5
Stockholders' equity			
Unrealized gain/(loss) on available-for-sale securities	—	—	—
Unrealized gain/(loss) on derivatives qualifying as cash flow hedges	0.3	0.3	(3.2)
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(47.7)	(23.0)	(29.9)
	$355.9	$277.4	$289.3

Income tax expense attributable to Income from continuing operations before income taxes and minority interests consisted of the following:

(In millions)	2007	2006	2005
United States			
Current			
Federal	$341.2	$245.0	$189.3
State	24.9	28.9	33.7
Deferred	7.1	13.7	(0.7)
Other countries			
Current	11.0	7.2	6.4
Deferred	(34.1)	0.8	(2.8)
	$350.1	$295.6	$225.9

The differences between the statutory federal income tax rate and the effective tax rate expressed as a percentage of Income from continuing operations before income taxes and minority interests were as follows:

	2007	2006	2005
Statutory tax rate	35.0%	35.0%	35.0%
Increases/(decreases) in tax resulting from:			
State taxes, net of federal tax benefit	1.3	2.1	3.6
Foreign income taxes, net of credit	3.1	0.6	0.5
Goodwill amortization	—	—	6.2
Tax credits	(0.5)	(0.7)	(2.1)
Political contributions/lobbying expenses	0.1	1.0	0.3
Officers' life insurance/insurance proceeds	(0.5)	(0.6)	(0.6)
Merger and acquisition costs	0.5	0.4	—
Meals and entertainment	0.1	0.1	0.1
Minority interests in partnership earnings	(0.6)	(0.6)	(0.8)
Income tax reserve	0.4	(1.5)	—
Other	0.3	(0.4)	(1.4)
Effective tax rate	39.2%	35.4%	40.8%

The components of our net deferred tax balance included in our Consolidated Balance Sheets at December 31 were as follows:

(In millions)	2007	2006
Deferred tax assets		
Compensation programs	$ 169.6	$ 159.2
Bad debt reserve	61.2	59.8
Self-insurance reserves	38.5	40.0
Deferred income	0.2	1.0
Debt costs	8.1	13.6
Foreign tax credit	24.3	27.6
Valuation allowance on foreign tax credit	(18.9)	(23.0)
State and foreign net operating losses	131.1	74.0
Other	152.2	73.7
Valuation allowance on net operating losses and other deferred foreign and state tax assets	(148.7)	(79.3)
	417.6	346.6
Deferred tax liabilities		
Property	(1,522.6)	(1,502.2)
Management and other contracts	(26.3)	(29.8)
Intangibles	(464.4)	(495.5)
Investments in nonconsolidated affiliates	(40.9)	(30.0)
Undistributed foreign earnings	(4.7)	(4.8)
Project opening costs and prepaid expenses	(138.3)	(37.6)
	(2,197.2)	(2,099.9)
Net deferred tax liability	$(1,779.6)	$(1,753.3)

We anticipate that state net operating losses ("NOLs") valued at $0.9 million (subject to a full valuation allowance) will expire in 2008. The remaining state NOLs valued at $93.6 million (subject to a full valuation allowance) will expire between 2009 and 2022. Foreign NOLs valued at $36.6 million (subject to a full valuation allowance) have an indefinite carryforward period. In the event the valuation allowance of $148.7 million for 2007 is ultimately unnecessary, $65.2 million of this total would be treated as a reduction to goodwill while the remaining $83.5 million would reduce tax expense. Included in deferred tax expense above is the utilization of state NOLs in the amount of $1.7 million.

As discussed in Note 1, we adopted the provisions of FIN 48, on January 1, 2007. As a result of the implementation of FIN 48, we recognized an approximate $12 million reduction to the January 1, 2007, balance of retained earnings. A reconciliation of the beginning and ending amounts of unrecognized tax benefits are as follows.

	(in millions)
Balance at January 1, 2007	$ 183
Additions based on tax positions related to the current year	11
Additions for tax positions of prior years	12
Reductions for tax positions for prior years	(27)
Settlements	(37)
Expiration of statutes	—
Balance at December 31, 2007	$ 142

We recognize interest and penalties accrued related to unrecognized tax benefits in income tax expense. We accrued approximately $9 million during 2007; additionally, we had approximately $40 million and $38 million for the payment of interest and penalties accrued at January 1, 2007, and December 31, 2007, respectively. Included in the balance of unrecognized tax benefits at January 1, 2007, and December 31, 2007, are $48 million and $49 million, respectively, of unrecognized tax benefits that, if recognized, would impact the effective tax rate. As a result of the expected resolution of examination issues with both federal and state tax authorities, the lapsing of various state statutes, and the remittance of tax payments, we believe it is reasonably possible that the amount unrecognized tax benefits will decrease during 2008 between $30 million and $80 million. Included in this range are expected adjustments from the IRS to increase income tax for prior years as well as the recognition of previously unrecognized tax benefits attributable to various federal audit issues.

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

Note 12—Supplemental Cash Flow Information

The change in Cash and cash equivalents due to the changes in long-term and working capital accounts was as follows:

(In millions)	2007	2006	2005
Long-term accounts			
Deferred costs and other	$ (30.4)	$ (28.1)	$ (26.9)
Deferred credits and other	(14.7)	(7.3)	(53.6)
Net change in long-term accounts	$ (45.1)	$ (35.4)	$ (80.5)
Working capital accounts			
Receivables	$(145.7)	$(119.0)	$ (77.3)
Inventories	(6.8)	(0.8)	3.8
Prepayments and other	1.6	7.5	(10.8)
Accounts payable	(25.0)	78.3	56.8
Accrued expenses	4.6	20.4	(169.2)
Net change in working capital accounts	$(171.3)	$ (13.6)	$(196.7)

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

(In millions)	2007	2006	2005
Interest expense, net of interest capitalized	$800.8	$670.5	$479.6
Adjustments to reconcile to cash paid for interest:			
Net change in accruals	43.3	(4.2)	(94.1)
Amortization of deferred finance charges	(10.1)	(8.4)	(9.6)
Net amortization of discounts and premiums	40.2	71.0	43.2
Amortization of other comprehensive income	(0.9)	—	—
Change in fair value of interest rate swaps	(45.9)	—	—
Cash paid for interest, net of amount capitalized	$827.4	$728.9	$419.1
Cash payments for income taxes, net of refunds	$372.6	$238.8	$585.7

Note 13—Commitments and Contingencies

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

As of December 31, 2007, we had guaranteed debt incurred by the Rincon San Luiseno Band of Mission Native Americans in California, to fund development of the casino on the tribe's land. The outstanding balance of that debt as of December 31, 2007, was $164.4 million. In January 2008, the Rincon tribe secured new financing to replace that debt, and we do not guarantee the new debt.

In February 2007, we entered into an agreement with the State of Louisiana whereby we extended our guarantee of an annual payment obligation of JCC, our wholly-owned subsidiary, of $60 million owed to the State of Louisiana. The guarantee was extended for one year to March 31, 2010.

The agreements under which we manage casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled payments 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 of the Indian-owned properties 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. As of December 31, 2007, the aggregate monthly commitment for the minimum guaranteed payments pursuant to these contracts, which extend for periods of up to 71 months from December 31, 2007, is $1.2 million. The maximum exposure for the minimum guaranteed payments to the tribes is unlikely to exceed $55.3 million as of December 31, 2007.

In addition to the guarantees discussed above, as of December 31, 2007, we had commitments and contingencies of $1,846.4 million, consisting primarily of construction-related commitments.

SEVERANCE AGREEMENTS. As of December 31, 2007, the Company has severance agreements with 26 of its senior executives, which provide for payments to the executives in the event of their termination after a change in control, as defined. These agreements provide, among other things, for a compensation payment of 1.5 to 3.0 times the executive’s average annual compensation, as defined, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Harrah’s Entertainment’s incentive plans. The estimated amount, computed as of December 31, 2007, that would be payable under the agreements to these executives based on the compensation payments and stock awards aggregated approximately $249.7 million. The estimated amount that would be payable to these executives does not include an estimate for the tax gross-up payment, provided for in the agreements, that would be payable to the executive if the executive becomes entitled to severance payments which are subject to a federal excise tax imposed on the executive. The Merger met the definition of change in control under the severance agreements.

SELF-INSURANCE. We are self-insured for various levels of general liability, workers’ compensation and employee medical coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims.

Note 14—Litigation

In connection with our acquisition of Caesars, we assumed Caesars’ litigation matters, including, but not limited to, the following litigation.

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

Additionally, we are subject to the following litigation matters that relate to the pending sale of the Company.

Delaware Lawsuits

On October 5, 2006, Henoch Kaiman and Joseph Weiss filed a purported class action complaint in the Delaware Court of Chancery, Civil Action No. 2453-N, against Harrah’s, its board of directors and the Sponsors, challenging the proposed transaction as inadequate and unfair to Harrah’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 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. See "Settlement Procedures" below for an update.

Initial Nevada Lawsuits

On October 3, 2006, Natalie Gordon filed a putative class action lawsuit in the state district court in Clark County, Nevada, Case No. A529183, against Harrah's, its board of directors and the Sponsors, challenging the proposed transaction as inadequate and unfair to Harrah's public stockholders.

Eight similar putative class actions were subsequently filed in the Clark County district court: Phillips v. Harrah's Entertainment, Inc., et al., Case No. A529184; Murphy v. Harrah's Entertainment, Inc., et al., Case No. A529246; Shapiro v. Alexander, et al., Case No. A529247; Barnum v. Alexander, et al., Case No. A529277; Iron Workers Tennessee Valley Pension Fund v. Harrah's Entertainment, Inc., et al., Case No. A529449; Staehr v. Harrah's Entertainment, Inc., et al., Case No. A529385; Berliner v. Harrah's Entertainment, Inc., et al., Case No. A529508; and Frechter v. Harrah's Entertainment, Inc., et al., Case No. A529680. All of the complaints name Harrah's and its current directors as defendants. Four of the complaints also name the Sponsors as defendants. One complaint further names two former directors of Harrah's, Joe M. Henson and William Barron Hilton, as defendants. On October 6, 2006, the Clark County district court consolidated these complaints under the heading In Re Harrah's Shareholder Litigation and appointed liaison counsel for the consolidated action.

On October 17, 2006, a consolidated class action complaint was filed naming Harrah's, Entertainment, its current board of directors and the Sponsors as defendants. The consolidated complaint alleges that Harrah's Entertainment's board of directors breached their fiduciary duties and the Sponsors aided and abetted the alleged breaches of fiduciary duty in connection with the proposed transaction. The consolidated complaint seeks, among other relief, class certification of the lawsuit, an injunction against the proposed transaction, declaratory relief, compensatory and/or rescissory damages to the class, and an award of attorneys' fees and expenses to plaintiffs.

On October 25, 2006, Harrah's removed the consolidated action to the United States District Court for the District of Nevada as In Re Harrah's Shareholder Litigation, Case 2:06-CV-01356, pursuant to the Securities Litigation Uniform Standards Act ("SLUSA"). On November 27, 2006, plaintiffs Gordon, Phillips, Murphy, Shapiro and Barnum filed a motion for remand. Also on that date, plaintiff Iron Workers Tennessee Valley Pension Fund filed a separate motion for remand. On December 5, 2006, plaintiff Frechter joined Iron Workers' motion for remand. On January 5, 2007, the plaintiff in Iron Workers filed notice of its intention to voluntarily dismiss its action. On that same date, plaintiffs Gordon, Phillips, Murphy, Shapiro and Barnum filed a notice of withdrawal of their motion for remand. The court approved these notices on January 9, 2007. On January 23, 2007, defendants moved to dismiss the remaining actions pursuant to SLUSA. On February 5, 2007, plaintiffs Gordon, Phillips, Murphy, Shapiro and Barnum filed a First Amended Consolidated Class Action Complaint, adding a claim that the December 2006 14A filings by Harrah's with the SEC in connection with the merger were false and misleading. Accordingly, eight consolidated cases currently remain in the United States District Court for the District of Nevada. On February 12, 2007, the court denied the Frechter motion for remand under the SLUSA. On February 23, 2007, the defendants filed a reply brief renewing their request that the court dismiss the actions in their entirety. See "Settlement Procedures" below for an update.

Subsequent Nevada Lawsuits

On November 22, 2006, two putative class action lawsuits were filed in the state district court in Clark County, Nevada against Harrah's and its board of directors: Eisenstein v. Harrah's Entertainment, Inc., et al., Case No. A531963; and NECA-IBEW Pension Fund v. Harrah's Entertainment, Inc., et al., Case No. A531965. Both complaints allege that Harrah's board of directors breached their fiduciary duties in connection with the proposed transaction. The complaints seek, among other things, declaratory and injunctive relief; neither of them seeks damages.

On January 3, 2007, plaintiffs in both actions filed a joint Motion to Designate Litigation as Complex, Consolidate Cases, and for Appointment of Lead Counsel. A hearing on plaintiffs' motion, which had been scheduled for January 30, 2007, was vacated pursuant to a stipulation between the parties, dated January 25, 2007.

On January 26, 2007, in accordance with the parties' January 25, 2007 stipulation, the Clark County district court ordered the consolidation of the Eisenstein and NECA-IBEW Pension Fund complaints and appointed lead and liaison counsel. See "Settlement Procedures" below for an update.

Settlement Procedures

On March 8, 2007, Harrah's, its board of directors, and the other named defendants in the Delaware and Nevada Lawsuits above entered into a memorandum of understanding with plaintiffs' counsel in those lawsuits. Under the terms of the memorandum, Harrah's, its board of directors, the other named defendants, and the plaintiffs have agreed in principle that the Initial Nevada Lawsuits and the Delaware Lawsuit will be dismissed without prejudice and, subject to court approval, the Subsequent Nevada Lawsuits would be dismissed with prejudice. The parties subsequently entered into a stipulation of settlement ("Stipulation") incorporating the terms of the memorandum of understanding.

Harrah's, its board of directors, and the other defendants deny all of the allegations in the lawsuits. Nevertheless, the defendants agreed in principle to settle the purported class action litigations in order to avoid costly litigation and mitigate the risk that the litigation may have caused a delay to the closing of the Merger. Pursuant to the terms of the Stipulation, Harrah's has agreed to provide certain additional information to stockholders that was included in its definitive proxy statement dated March 8, 2007. In addition, Harrah's or its successor has agreed to pay the legal fees and expenses of plaintiffs' counsel, up to a certain limit and subject to approval by the court. Class members have the right to opt out of the proposed settlement; however, Defendants have the right to terminate the proposed settlement if the holders of more than a designated amount of shares elect to opt out. The entry of a final judgment and the grant of a release against Harrah's, its board of directors and the other named defendants will not affect the rights of any stockholders who timely and validly request exclusion from the settlement class pursuant to applicable law.

On February 4, 2008, the Stipulation was submitted to a district court in Nevada, where it was approved and an order was entered for notice and a hearing in this matter. Per the court's order, a settlement hearing is to be held on April 21, 2008.

Additional details of the settlement in principle are set forth in a separate notice that has been sent to stockholders of the Company prior to a court hearing to consider the settlement, including any award of attorneys' fees. Class members have the right to opt out of the proposed settlement, including any award of attorneys' fees.

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.

Note 15—Employee Benefit Plans

We have established a number of employee benefit programs for purposes of attracting, retaining and motivating our employees. The following is a description of the basic components of these programs as of December 31, 2007.

EQUITY INCENTIVE AWARDS. In April 2006, our stockholders approved the Harrah's Entertainment, Inc. Amended and Restated 2004 Equity Incentive Award Plan (the "2004 Plan"), which, among other things, increased the number of shares of common stock that may be issued by 11.5 million. Under the 2004 Plan, non-qualified stock options, restricted stock, SARs, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards and performance-based awards may be granted to employees or consultants of the Company and members of our Board of Directors. Only non-qualified stock options, SARs and restricted stock were ever issued under the 2004 Plan.

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

In connection with the Merger, all equity awards under these plans (and all of our equity award plans) were terminated and cashed out.

In February 2008, the Board of Directors approved and adopted the Harrah's Entertainment, Inc. Management Equity Incentive Plan (the "Equity Plan"). The Board of Directors approved the grant of options to purchase 3,218,020 shares of our non-voting common stock in February 2008.

Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), "Share-Based Payment," using the modified prospective application, and, therefore, results for prior periods have not been restated. Under the modified-prospective transition method of SFAS No. 123(R), we were permitted to calculate a cumulative memo balance of windfall tax benefits from post-1995 years for calculating the opening pool of windfall tax benefits as prescribed in FASB Staff Position No. FAS 123(R)-3, “Transition Election to Accounting for the Tax Effects of Share-Based Payments Awards”. We elected to apply the “short-cut” method for determining the pool of windfall tax benefits.

As a result of adopting SFAS No. 123(R), we recognized $53.0 million and $52.8 million for stock option and stock appreciation rights expense (“SARs”) in 2007 and 2006, respectively. In 2007, we began allocating a portion of the expense related to stock options and stock appreciation rights to the applicable reporting unit, whereas, in 2006 that expense was included in Corporate expense in our Consolidated Statement of Income. For the year ended December 31, 2007, $10.3 million of the expense is included in Property general, administrative and other, and $42.7 million is included in Corporate expense. The total income tax benefit recognized for 2007 and 2006, was approximately $21.1 million and $20.4 million, respectively.

Stock Options. Prior to the Merger, stock option awards typically vested in equal installments on January 1 following the grant date and on January 1 in each of the two subsequent years and allowed the option holder to purchase stock over specified periods of time, generally seven years from the date of grant, at a fixed price equal to the market value at the date of grant.

In connection with the Merger, on January 28, 2008, outstanding and unexercised stock options, whether vested or unvested, were cancelled and converted into the right to receive a cash payment equal to the product of (a) the number of shares of common stock underlying the options and (b) the excess, if any, of the merger consideration over the exercise price per share of common stock previously subject to such options, less any required withholding taxes.

The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The expected volatility is a rate based upon the historical volatility of our stock. The expected term is based upon observation of actual time elapsed between the date of grant and exercise of options for all employees. No stock options were awarded in 2007 or 2006. The assumptions and resulting fair values of options granted in 2005 are as follows:

	2005
Expected volatility	32.9%
Expected dividend yield	2.1%
Expected term (in years)	4.8
Risk-free interest rate	3.9%
Weighted average fair value per share of options granted	$23.96

The following table presents our stock options granted, exercised and forfeited/expired during 2007.

	Weighted Avg. Exercise Price (Per Share)	Number of Options Outstanding	Weighted Avg. Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Balance—January 1, 2006	$ 53.84	12,925,170		
Granted	—	—		
Exercised	40.18	(1,651,034)		
Forfeited/expired	63.07	(500,074)		
Balance—December 31, 2006	55.50	10,774,062	4.31	$ 598.0
Granted	—	—		
Exercised	48.51	(2,602,177)		
Forfeited/expired	67.05	(178,857)		
Balance—December 31, 2007	57.51	7,993,028	3.54	249.3
Exercisable at December 31, 2007	53.72	5,835,262	3.42	204.2

The total intrinsic value of options exercised was $99.3 million for the year ended December 31, 2007, $58.3 million for the year ended December 31, 2006 and $73.7 million for the year ended December 31, 2005. As of December 31, 2007, there was $12.7 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested stock options, which was recognized first quarter 2008 in connection with the Merger.

Cash received from option exercises was $126.2 million during 2007. The tax benefit realized for the tax deduction from option exercises totaled $34.9 million in 2007. In 2006 and 2005, cash received from option exercises was $66.3 million and $105.4 million, respectively, and the tax benefit realized for the tax deduction from option exercises totaled $20.5 million and $26.1 million, respectively.

Stock Appreciation Rights. Prior to the Merger, SARs typically vested in equal installments on June 30 following the grant date and on June 30 in each of the two subsequent years. SARs allowed the holder to receive a payment, in stock, equal to the excess of the fair market value of a specified number of shares of stock on the date the SARs were exercised over an exercise price per share, which typically is the fair market value on the date the SARs were granted.

In connection with the Merger, on January 28, 2008, outstanding SARs, whether vested or unvested, were cancelled and converted into the right to receive a cash payment equal to the product of (a) the number of shares of common stock underlying the SARs and (b) the excess, if any, of the merger consideration over the exercise price per share of common stock previously subject to such SARs, less any required withholding taxes.

The fair value of SARs at the date of grant was estimated using the Black-Scholes option pricing model. The expected volatility is a rate based upon the historical volatility of our stock over a time period commensurate with the expected term of the SARs. The expected term is based upon past experience of actual time elapsed between the date of grant and exercise of options for employee groups with similar exercise behaviors. No SARs were awarded prior to first quarter 2006. The assumptions and resulting fair values of SARs granted in 2007 and 2006 are as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2006
Expected volatility	25.1%	30.3%
Expected dividend yield	1.9%	2.4%
Expected term (in years)	4.8	5.1
Risk-free interest rate	4.6%	5.0%
Weighted average fair value per share of SARs granted	$ 21.06	$ 18.98

The following table presents our SARs granted, exercised and forfeited/expired during 2007 and 2006.

	Weighted Avg. Exercise Price (Per Share)	Number of SARs Outstanding	Weighted Avg. Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Balance—January 1, 2006		—		
Granted	$ 65.38	3,150,322		
Exercised	—	—		
Forfeited/expired	66.81	(174,287)		
Balance—December 31, 2006	65.29	2,976,035	6.52	$ 194.3
Granted	85.43	656,606		
Exercised	65.82	(212,354)		
Forfeited/expired	66.40	(163,105)		
Balance—December 31, 2007	69.26	3,257,182	5.74	63.3
Exercisable at December 31, 2007	65.38	764,299	5.53	17.8

SARs were first issued in first quarter 2006, and no SARs were exercised in 2006. The total intrinsic value of SARs exercised in 2007 was $4.6 million. As of December 31, 2007, there was $38.2 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested SARs, which was recognized first quarter 2008 in connection with the Merger.

The tax benefit realized for the tax deduction from SARs exercises totaled $1.6 million in 2007.

Restricted Stock. Restricted shares granted have restrictions that may include, but not be limited to, the right to vote, receive dividends on or transfer the restricted stock. Restricted shares may be subject to forfeiture during a specified period or periods prior to vesting. The shares issued under the 2004 Plan generally vest in equal annual installments over a three year period. The compensation arising from a restricted stock grant is based upon the market price at the grant date. Such expense is deferred and amortized to expense over the vesting period.

In connection with the Merger, on January 28, 2008, outstanding restricted shares vested and became free of restrictions, and each holder received $90 in cash for each outstanding share.

As of December 31, 2007, members of the Board of Directors can receive either 50% or 100% of his or her director fees in restricted shares. Shares issued to Board members as director fees cannot be disposed of until at least six months after the date of grant.

Pursuant to a Time Accelerated Restricted Stock Award Plan (“TARSAP”), certain key executives were granted restricted stock awards. A portion of these awards were eligible, but did not qualify, for earlier annual vesting beginning in 2003 based on the Company’s financial performance in each year. The remaining unvested shares vested on January 1, 2007. The expense arising from TARSAP awards was amortized over the periods in which the restrictions lapsed.

The following table presents the number and weighted average grant-date fair values of restricted shares granted, vested and forfeited during 2007, including the TARSAP awards and issues to our Board of Directors.

	Grant Date Fair Value (Per Share)	Number of Shares
Unvested shares—January 1, 2006	$ 36.69	983,231
Granted	65.69	764,401
Vested	48.93	(123,852)
Forfeited	68.20	(76,991)
Unvested shares—December 31, 2006	48.47	1,546,789
Granted	85.40	268,625
Vested	41.02	(1,015,302)
Forfeited	66.65	(75,797)
Unvested shares—December 31, 2007	70.71	724,315

For 2007, we recognized $22.9 million of compensation expense related to restricted stock. The total tax benefit recognized for 2007 was $29.9 million. For 2006 and 2005, we recognized $15.1 million and $8.0 million, respectively, of compensation expense related to restricted stock. The total tax benefit recognized for 2006 and 2005 was $3.0 million and $1.7 million, respectively. As of December 31, 2007, there was $36.6 million of unrecognized compensation cost related to unvested restricted stock, which was recognized first quarter 2008 in connection with the Merger.

SAVINGS AND RETIREMENT PLAN. We maintain a defined contribution savings and retirement plan, which, among other things, allows pretax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 50% of their eligible earnings. The Company fully matches 50% of the first six percent of employees’ contributions. The Merger was a change in control under the savings and retirement plan, and therefore, all unvested Company match as of the Merger became vested. Amounts contributed to the plan are invested, at the participant’s direction, in up to 20 separate funds, including a Harrah’s company stock fund prior to the Merger. Participants become vested in the matching contribution over five years of credited service. Our contribution expense for this plan was $33.1 million, $17.6 million and $15.2 million in 2007, 2006 and 2005, respectively.

Employees of Horseshoe Gaming continued to participate in the Horseshoe Gaming Holding Corp. 401(k) Plan until January 1, 2006, when they became eligible to participate in Harrah’s Entertainment’s plan. Under the Horseshoe Gaming plan, employees could elect to make pretax contributions of up to 50% of their eligible earnings (five percent for certain executives). The Company fully matched the first two percent of employees’ contributions and 50% of the next four percent of the employees’ contributions. Amounts contributed to the plan were invested, at the participant’s direction, in up to 12 separate funds plus, effective January 2005, a Harrah’s company stock fund. Participants become vested in the matching contributions over four years of credited service. Harrah’s Entertainment’s contribution expense for 2005 was $4.0 million.

Employees of Caesars continued to participate in Caesars’ 401(k) savings plans until January 1, 2007, when they became eligible to participate in Harrah’s Entertainment’s plan. Under the Caesars plans, employees could elect to make pretax contributions of up to 50% of their eligible earnings (five percent for certain executives). The Company matched 50% of the first six percent of the employees’ contributions and an additional 25% for employees who have five or more years of service. Amounts contributed to the plan are invested, at the participant’s direction, in up to 18 separate funds plus, effective January 2006, a Harrah’s company stock fund. Participants become vested in the matching contributions over five years of credited service. Harrah’s Entertainment’s contribution expense for this plan was $10.9 million and $6.8 million, in 2006 and 2005, respectively.

DEFERRED COMPENSATION PLANS. Harrah’s maintains deferred compensation plans, (collectively, “DCP”) and an Executive Supplemental Savings Plan (“ESSP”) under which certain employees may defer a portion of their compensation. Amounts deposited into these plans are unsecured liabilities of the Company. Amounts deposited into DCP earn interest at rates approved by the Human Resources Committee of the Board of Directors. The ESSP is a variable investment plan, which allows employees to direct their investments by choosing from several investment alternatives. In connection with the Caesars acquisition, we assumed the outstanding liability for Caesars’ deferred compensation plan; however, the balance was frozen and former Caesars employees may no longer contribute to that plan. The total liability included in Deferred credits and other for these plans at December 31, 2007 and 2006 was $213.3 million and $208.6 million, respectively. In connection with the administration of one of these plans, we have purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

Beginning in 2005, we implemented Executive Supplemental Savings Plan II ("ESSPII") for certain executive officers, directors and other key employees of the Company to replace the ESSP, which was frozen for new contributions as of December 31, 2004. Eligible employees may elect to defer a percentage of their salary and/or bonus under ESSPII, and the Company may make matching contributions with respect to deferrals of salary to those participants who are eligible to receive matching contributions under the Company's 40l(k) plan and discretionary contributions. Employees vest in matching and discretionary contributions over five years or, under certain conditions, employees may immediately vest.

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

MULTI-EMPLOYER PENSION PLAN. We have approximately 28,000 employees covered under collective bargaining agreements, and the majority of those employees are covered by union sponsored, collectively bargained multi-employer pension plans. We contributed and charged to expense $35.9 million, $34.6 million and $21.5 million in 2007, 2006 and 2005, respectively, for such plans. Our 2005 contribution and charge to expense include contribution and expense for Caesars employees subsequent to our acquisition of Caesars on June 13, 2005. The plans' administrators do not provide sufficient information to enable us to determine our share, if any, of unfunded vested benefits.

PENSION COMMITMENTS. With the acquisition of London Clubs in December 2006, we assumed a defined benefit plan, which provides benefits based on final pensionable salary. The assets of the plan are held in a separate trustee-administered fund, and death-in-service benefits, professional fees and other expenses are paid by the pension plan. The most recent actuarial valuation of the plan showed a deficit of approximately $15.9 million, which is recognized as a liability in our Consolidated Balance Sheet at December 31, 2007. The London Clubs pension plan is not material to our Company.

With our acquisition of Caesars, we assumed certain obligations related to the Employee Benefits and Other Employment Matters Allocation Agreement by and between Hilton Hotels Corporation and Caesars dated December 31, 1998, pursuant to which we shall retain or assume, as applicable, liabilities and excess, if any, related to the Hilton Hotels Retirement Plan based on the ratio of accrued benefits of Hilton employees and the Company's employees covered under the plan. Based on this ratio, our share of any benefit or obligation would be approximately 30 percent of the total. The Hilton Hotels Retirement Plan is a defined benefit plan that provides benefits based on years of service and compensation, as defined. Since December 31, 1996, employees have not accrued additional benefits under this plan. The plan is administered by Hilton Hotels Corporation. Hilton Hotels Corporation has informed the Company that as of December 31, 2007, the plan benefit obligations exceeded the fair value of the plan assets by $5.2 million, of which $1.6 million is our share; however, no contributions to the plan were required during 2007, and no contributions are expected to be required for 2008.

Note 16—Nonconsolidated Affiliates

As of December 31, 2007, our investments in nonconsolidated affiliates consisted primarily of interests in a company that provides management services to a casino in Windsor, Canada, a casino club in the United Kingdom, a horse-racing facility in Florence, Kentucky, a hotel in Metropolis, Illinois and a joint venture to construct a hotel at our combination thoroughbred racetrack and casino in Bossier City, Louisiana.

Our Investments in and advances to nonconsolidated affiliates are reflected in our accompanying Consolidated Balance Sheets as follows:

(In millions)	2007	2006
Investments in and advances to nonconsolidated affiliates		
Accounted for under the equity method	$16.6	$25.7
Accounted for at historical cost	2.0	0.2
	$18.6	$25.9

Note 17—Consolidating Financial Information of Guarantors and Issuers

As of December 31, 2007, HOC, a 100% owned subsidiary and the principal asset of Harrah's Entertainment, is the issuer of certain debt securities that have been guaranteed by Harrah's Entertainment. The following consolidating schedules present condensed financial information for Harrah's Entertainment, Inc., the parent and guarantor; Harrah's Operating Company, the subsidiary issuer; and other subsidiaries of Harrah's Entertainment as of December 31, 2007 and 2006 and for each of the three years ended December 31, 2007, 2006 and 2005.

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2007
(In millions)

	HET (Parent)	Subsidiary Issuer	Other Sudsidiaries	Consolidating/ Eliminating Adjustments	Total
Assets					
Current assets					
Cash and cash equivalents	$ —	$ 572.8	$ 137.2	$ —	$ 710.0
Receivables, less allowance for doubtful accounts	—	459.2	43.6	(26.4)	476.4
Deferred income taxes	—	192.3	7.7	—	200.0
Income tax receivable	—	5.0	—	—	5.0
Prepayments and other	—	164.6	51.6	—	216.2
Inventories	—	68.0	2.3	—	70.3
Total current assets	—	1,461.9	242.4	(26.4)	1,677.9
Land, buildings, riverboats and equipment	—	18,505.6	247.9	—	18,753.5
Less: accumulated depreciation	—	(3,164.8)	(17.2)	—	(3,182.0)
	—	15,340.8	230.7	—	15,571.5
Assets held for sale	—	4.5	—	—	4.5
Goodwill	—	3,215.0	338.6	—	3,553.6
Intangible assets	—	1,814.4	225.1	—	2,039.5
Investments in and advances to nonconsolidated affiliates	6,628.1	18.6	—	(6,628.1)	18.6
Deferred costs and other	—	1,064.4	13.1	(585.4)	492.1
	$6,628.1	$22,919.6	$ 1,049.9	$ (7,239.9)	$23,357.7
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts payable	$ —	$ 427.3	$ 23.5	$ (8.8)	$ 442.0
Accrued expenses	—	1,173.1	174.2	3.9	1,351.2
Current portion of long-term debt	—	10.8	—	—	10.8
Total current liabilities	—	1,611.2	197.7	(4.9)	1,804.0
Liabilities held for sale	—	0.6	—	—	0.6
Long-term debt	—	12,420.5	594.5	(585.4)	12,429.6
Deferred credits and other	—	454.4	31.9	(21.5)	464.8
Deferred income taxes	1.2	1,919.6	58.8	—	1,979.6
	1.2	16,406.3	882.9	(611.8)	16,678.6
Minority interests	—	52.2	—	—	52.2
Stockholders' equity	6,626.9	6,461.1	167.0	(6,628.1)	6,626.9
	$6,628.1	$22,919.6	$ 1,049.9	$ (7,239.9)	$23,357.7

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2006
(In millions)

	HET (Parent)	Subsidiary Issuer	Other Subsidiaries	Consolidating/ Eliminating Adjustments	Total
Assets					
Current assets					
Cash and cash equivalents	$ —	$ 710.0	$ 127.0	$ (37.4)	$ 799.6
Receivables, less allowance for doubtful accounts	—	414.5	38.9	(23.8)	429.6
Deferred income taxes	—	131.2	12.4	—	143.6
Income tax receivable	—	28.5	—	—	28.5
Prepayments and other	1.0	161.8	3.7	—	166.5
Inventories	—	61.6	1.4	—	63.0
Total current assets	1.0	1,507.6	183.4	(61.2)	1,630.8
Land, buildings, riverboats and equipment	—	16,609.7	135.2	—	16,744.9
Less: accumulated depreciation	—	(2,723.3)	(0.6)	—	(2,723.9)
	—	13,886.4	134.6	—	14,021.0
Assets held for sale	—	387.3	—	—	387.3
Goodwill	—	3,221.5	467.9	—	3,689.4
Intangible assets	—	1,894.1	150.4	—	2,044.5
Investments in and advances to nonconsolidated affiliates	6,070.1	14.0	11.9	(6,070.1)	25.9
Deferred costs and other	—	1,070.4	—	(584.4)	486.0
	$6,071.1	$21,981.3	$ 948.2	$ (6,715.7)	$22,284.9
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts payable	$ —	$ 449.8	$ 21.6	$ (6.4)	$ 465.0
Accrued expenses	—	1,229.0	130.9	(35.1)	1,324.8
Current portion of long-term debt	—	449.8	1.4	—	451.2
Total current liabilities	—	2,128.6	153.9	(41.5)	2,241.0
Liabilities held for sale	—	0.6	—	—	0.6
Long-term debt	—	11,561.6	661.5	(584.4)	11,638.7
Deferred credits and other	—	344.4	59.5	(19.7)	384.2
Deferred income taxes	—	1,856.4	40.5	—	1,896.9
	—	15,891.6	915.4	(645.6)	16,161.4
Minority interests	—	52.4	—	—	52.4
Stockholders' equity	6,071.1	6,037.3	32.8	(6,070.1)	6,071.1
	$6,071.1	$21,981.3	$ 948.2	$ (6,715.7)	$22,284.9

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 2007
(In millions)

	HET (Parent)	Subsidiary Issuer	Other Subsidiaries	Consolidating/ Eliminating Adjustments	Total
Revenues					
Casino	$ —	$ 8,568.4	$ 262.6	$ —	$ 8,831.0
Food and beverage	—	1,663.3	35.5	—	1,698.8
Rooms	—	1,350.8	2.8	—	1,353.6
Management fees	—	81.5	—	—	81.5
Other	—	685.0	62.8	(51.9)	695.9
Less: casino promotional allowances	—	(1,821.5)	(14.1)	—	(1,835.6)
Net revenues	—	10,527.5	349.6	(51.9)	10,825.2
Operating expenses					
Direct					
Casino	—	4,377.2	218.0	—	4,595.2
Food and beverage	—	703.0	13.5	—	716.5
Rooms	—	265.1	1.2	—	266.3
Property general, administrative and other	—	2,361.0	111.6	(50.9)	2,421.7
Depreciation and amortization	—	803.0	14.2	—	817.2
Write-downs, reserves and recoveries	—	0.5	109.2	—	109.7
Project opening costs	—	9.8	15.7	—	25.5
Corporate expense	0.2	137.9	—	—	138.1
Merger and integration costs	—	13.4	—	—	13.4
Losses/(income) on interests in nonconsolidated affiliates	(621.1)	(4.4)	0.5	621.1	(3.9)
Amortization of intangible assets	—	71.3	2.2	—	73.5
Total operating expenses	(620.9)	8,737.8	486.1	570.2	9,173.2
Income/(loss) from operations	620.9	1,789.7	(136.5)	(622.1)	1,652.0
Interest expense, net of interest capitalized	—	(785.5)	(56.5)	41.2	(800.8)
Losses on early extinguishments of debt	—	—	(2.0)	—	(2.0)
Other income, including interest income	(0.1)	72.1	12.5	(41.2)	43.3
Income/(loss) from continuing operations before income taxes and minority interests	620.8	1,076.3	(182.5)	(622.1)	892.5
Provision for income taxes	(1.4)	(394.4)	44.7	1.0	(350.1)
Minority interests	—	(18.9)	3.7	—	(15.2)
Income/(loss) from continuing operations	619.4	663.0	(134.1)	(621.1)	527.2
Discontinued operations					
Income from discontinued operations	—	145.4	—	—	145.4
Provision for income taxes	—	(53.2)	—	—	(53.2)
Income from discontinued operations, net	—	92.2	—	—	92.2
Net income/(loss)	$ 619.4	$ 755.2	$ (134.1)	$ (621.1)	$ 619.4

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 2006
(In millions)

	HET (Parent)	Subsidiary Issuer	Other Subsidiaries	Consolidating/ Eliminating Adjustments	Total
Revenues					
Casino	$ —	$ 7,855.3	$ 13.3	$ —	$ 7,868.6
Food and beverage	—	1,576.3	1.4	—	1,577.7
Rooms	—	1,240.7	—	—	1,240.7
Management fees	—	89.1	—	—	89.1
Other	—	607.1	51.9	(48.0)	611.0
Less: casino promotional allowances	—	(1,712.5)	(0.7)	—	(1,713.2)
Net revenues	—	9,656.0	65.9	(48.0)	9,673.9
Operating expenses					
Direct					
Casino	—	3,892.0	10.6	—	3,902.6
Food and beverage	—	696.4	1.2	—	697.6
Rooms	—	256.6	—	—	256.6
Property general, administrative and other	—	2,207.1	46.7	(47.0)	2,206.8
Depreciation and amortization	—	667.3	0.6	—	667.9
Write-downs, reserves and recoveries	—	83.3	—	—	83.3
Project opening costs	—	20.6	0.3	—	20.9
Corporate expense	0.2	177.3	—	—	177.5
Merger and integration costs	—	37.0	—	—	37.0
Income on interests in nonconsolidated affiliates	(536.9)	(3.1)	(0.5)	536.9	(3.6)
Amortization of intangible assets	—	70.7	—	—	70.7
Total operating expenses	(536.7)	8,105.2	58.9	489.9	8,117.3
Income from operations	536.7	1,550.8	7.0	(537.9)	1,556.6
Interest expense, net of interest capitalized	—	(670.1)	(3.3)	2.9	(670.5)
Losses on early extinguishments of debt	—	(62.0)	—	—	(62.0)
Other income, including interest income	—	13.6	—	(2.9)	10.7
Income from continuing operations before income taxes and minority interests	536.7	832.3	3.7	(537.9)	834.8
Provision for income taxes	(0.9)	(293.6)	(2.1)	1.0	(295.6)
Minority interests	—	(15.3)	—	—	(15.3)
Income from continuing operations	535.8	523.4	1.6	(536.9)	523.9
Discontinued operations					
Income from discontinued operations	—	16.4	—	—	16.4
Provision for income taxes	—	(4.5)	—	—	(4.5)
Income/(loss) from discontinued operations, net	—	11.9	—	—	11.9
Net income	$ 535.8	$ 535.3	$ 1.6	$ (536.9)	$ 535.8

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 2005
(In millions)

	HET (Parent)	Subsidiary Issuer	Other Subsidiaries	Consolidating/ Eliminating Adjustments	Total
Revenues					
Casino	$ —	$ 5,966.5	$ —	$ —	$ 5,966.5
Food and beverage	—	1,086.7	—	—	1,086.7
Rooms	—	786.2	—	—	786.2
Management fees	—	75.6	—	—	75.6
Other	—	423.1	32.4	(30.8)	424.7
Less: casino promotional allowances	—	(1,329.7)	—	—	(1,329.7)
Net revenues	—	7,008.4	32.4	(30.8)	7,010.0
Operating expenses					
Direct					
Casino	—	2,984.6	—	—	2,984.6
Food and beverage	—	482.3	—	—	482.3
Rooms	—	151.5	—	—	151.5
Property general, administrative and other	—	1,466.9	26.3	(28.8)	1,464.4
Depreciation and amortization	—	485.7	—	—	485.7
Write-downs, reserves and recoveries	—	194.7	—	—	194.7
Project opening costs	—	16.4	—	—	16.4
Corporate expense	0.2	97.5	—	—	97.7
Merger and integration costs	—	55.0	—	—	55.0
Income on interests in nonconsolidated affiliates	(238.4)	(1.2)	—	238.4	(1.2)
Amortization of intangible assets	—	49.9	—	—	49.9
Total operating expenses	(238.2)	5,983.3	26.3	209.6	5,981.0
Income from operations	238.2	1,025.1	6.1	(240.4)	1,029.0
Interest expense, net of interest capitalized	—	(479.6)	—	—	(479.6)
Losses on early extinguishments of debt	—	(3.3)	—	—	(3.3)
Other income, including interest income	—	8.0	—	—	8.0
Income from continuing operations before income taxes and minority interests	238.2	550.2	6.1	(240.4)	554.1
Provision for income taxes	(1.8)	(224.0)	(2.1)	2.0	(225.9)
Minority interests	—	(11.9)	—	—	(11.9)
Income from continuing operations	236.4	314.3	4.0	(238.4)	316.3
Discontinued operations					
Income from discontinued operations	—	16.6	—	—	16.6
Provision for income taxes	—	(96.5)	—	—	(96.5)
Loss from discontinued operations, net	—	(79.9)	—	—	(79.9)
Net income	$ 236.4	$ 234.4	$ 4.0	$ (238.4)	$ 236.4

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007
(In millions)

	HET (Parent)	Subsidiary Issuer	Other Subsidiaries	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by operating activities	$ 121.3	$ 1,461.2	$ 10.2	$ (83.9)	$ 1,508.8
Cash flows from investing activities					
Land, buildings, riverboats and equipment additions	—	(1,296.5)	(83.0)	—	(1,379.5)
Payments for businesses acquired, net of cash acquired	—	(580.1)	(4.2)	—	(584.3)
Insurance proceeds for hurricane losses for continuing operations	—	15.7	—	—	15.7
Insurance proceeds for hurricane losses for discontinued operations	—	13.4	—	—	13.4
Purchase of minority interest in subsidiary	—	(8.5)	—	—	(8.5)
Investments in and advances to nonconsolidated affiliates	—	(1.8)	—	—	(1.8)
Increase in construction payables	—	2.8	—	—	2.8
Proceeds from other asset sales	—	99.6	—	—	99.6
Other	—	(81.0)	—	—	(81.0)
Cash flows used in investing activities	—	(1,836.4)	(87.2)	—	(1,923.6)
Cash flows from financing activities					
Borrowings under lending agreements, net of financing costs	—	39,072.3	52.1	—	39,124.4
Repayments under lending agreements	—	(37,617.6)	(1.9)	—	(37,619.5)
Early extinguishments of debt	—	—	(120.1)	—	(120.1)
Scheduled debt retirements	—	(1,001.7)	—	—	(1,001.7)
Dividends paid	(299.2)	—	—	—	(299.2)
Proceeds from exercises of stock options	126.2	—	—	—	126.2
Excess tax benefit from stock equity plans	51.7	—	—	—	51.7
Minority interests' distributions, net of contributions	—	(20.0)	—	—	(20.0)
Other	—	(5.3)	—	—	(5.3)
Transfers (to)/from affiliates	—	(278.4)	157.1	121.3	—
Cash flows provided by/(used in) financing activities	(121.3)	149.3	87.2	121.3	236.5
Cash flows from discontinued operations					
Cash flows from operating activities	—	88.9	—	—	88.9
Cash flows from investing activities	—	(0.2)	—	—	(0.2)
Cash flows provided by discontinued operations	—	88.7	—	—	88.7
Net increase/(decrease) in cash and cash equivalents	—	(137.2)	10.2	37.4	(89.6)
Cash and cash equivalents, beginning of period	—	710.0	127.0	(37.4)	799.6
Cash and cash equivalents, end of period	$ —	$ 572.8	$ 137.2	$ —	$ 710.0

Note 18—Subsequent Event

On January 28, 2008, Harrah's Entertainment was acquired by affiliates of Apollo/TPG in an all cash transaction, hereinafter referred to as "the Merger," valued at approximately $30.9 billion, including the assumption of $12.4 billion of debt and approximately $1.2 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 Merger, the issued and outstanding shares of non-voting common stock and the non-voting preferred stock of Harrah's Entertainment are owned by entities affiliated with Apollo/TPG and certain co-investors and members of management, and the issued and outstanding shares of voting common stock of Harrah's Entertainment are owned by Hamlet Holdings LLC, which is owned by certain individuals affiliated with Apollo/TPG. As a result of the Merger, our stock is no longer publicly traded.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2006
(In millions)

	HET (Parent)	Subsidiary Issuer	Other Subsidiaries	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by operating activities	$ 195.1	$ 1,529.3	$ 23.0	$ (207.8)	$ 1,539.6
Cash flows from investing activities					
Land, buildings, riverboats and equipment additions	—	(2,510.7)	(0.6)	—	(2,511.3)
Payments for businesses acquired, net of cash acquired	—	—	(562.5)	—	(562.5)
Insurance proceeds for hurricane losses for continuing operations	—	124.9	—	—	124.9
Insurance proceeds for hurricane losses for discontinued operations	—	174.7	—	—	174.7
Proceeds from other asset sales	—	47.1	—	—	47.1
Purchase of minority interest in subsidiary	—	(2.3)	—	—	(2.3)
Investments in and advances to nonconsolidated affiliates	—	(0.9)	—	—	(0.9)
Increase in construction payables	—	11.2	—	—	11.2
Proceeds from sales of discontinued operations	—	457.3	—	—	457.3
Proceeds from sale of long-term investments	—	49.4	—	—	49.4
Other	—	(31.3)	—	—	(31.3)
Cash flows used in investing activities	—	(1,680.6)	(563.1)	—	(2,243.7)
Cash flows from financing activities					
Borrowings under lending agreements, net of financing costs	—	6,946.5	585.4	(585.4)	6,946.5
Repayments under lending agreements	—	(5,465.8)	—	—	(5,465.8)
Early extinguishments of debt	—	(1,195.0)	—	—	(1,195.0)
Scheduled debt retirements	—	(5.0)	—	—	(5.0)
Dividends paid	(282.7)	—	—	—	(282.7)
Proceeds from exercises of stock options	66.3	—	—	—	66.3
Excess tax benefit from stock equity plans	21.3	—	—	—	21.3
Minority interests’ distributions, net of contributions	—	(1.9)	—	—	(1.9)
Proceeds from issuance of senior notes, net of issue costs	—	739.1	—	—	739.1
Premiums paid on early entinguishments of debt	—	(56.7)	—	—	(56.7)
Losses on derivative contracts	—	(2.6)	—	—	(2.6)
Other	—	1.3	—	—	1.3
Transfers (to)/from affiliates	—	(780.5)	—	780.5	—
Cash flows provided by/(used in) financing activities	(195.1)	179.4	585.4	195.1	764.8
Cash flows from discontinued operations					
Cash flows from operating activities	—	19.3	—	—	19.3
Cash flows from investing activities	—	(4.8)	—	—	(4.8)
Cash flows provided by discontinued Operation	—	14.5	—	—	14.5
Net increase in cash and cash equivalents	—	42.6	45.3	(12.7)	75.2
Cash and cash equivalents, beginning of period	—	667.4	81.7	(24.7)	724.4
Cash and cash equivalents, end of period	$ —	$ 710.0	$ 127.0	$ (37.4)	$ 799.6

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005
(In millions)

	HET (Parent)	Subsidiary Issuer	Other Subsidiaries	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by operating activities	$ 101.5	$ 589.3	$ 11.7	$ (107.3)	$ 595.2
Cash flows from investing activities					
Land, buildings, riverboats and equipment additions	—	(1,149.5)	—	—	(1,149.5)
Payments for businesses acquired, net of cash acquired	—	(1,942.5)	—	—	(1,942.5)
Insurance proceeds for hurricane losses for continuing operations	—	69.0	—	—	69.0
Insurance proceeds for hurricane losses for discontinued operations	—	32.1	—	—	32.1
Investments in and advances to nonconsolidated affiliates	—	(5.5)	—	—	(5.5)
Increase in construction payables	—	41.0	—	—	41.0
Proceeds from other asset sales	—	37.0	—	—	37.0
Proceeds from sales of discontinued operations	—	649.5	—	—	649.5
Proceeds from sale of long-term investments	—	2.7	—	—	2.7
Other	—	(22.9)	—	—	(22.9)
Cash flows used in investing activities	—	(2,289.1)	—	—	(2,289.1)
Cash flows from financing activities					
Borrowings under lending agreements, net of financing costs	—	11,599.4	—	—	11,599.4
Repayments under lending agreements	—	(10,522.9)	—	—	(10,522.9)
Early extinguishments of debt	—	(690.5)	—	—	(690.5)
Scheduled debt retirements	—	(307.5)	—	—	(307.5)
Dividends paid	(208.2)	—	—	—	(208.2)
Proceeds from exercises of stock options	106.7	—	—	—	106.7
Minority interests’ distributions, net of contributions	—	(12.2)	—	—	(12.2)
Proceeds from issuance of senior note, net of discount and issue costs	—	2,004.3	—	—	2,004.3
Premiums paid on early extinguishments of debt	—	(4.9)	—	—	(4.9)
Losses on derivative contracts	—	(7.9)	—	—	(7.9)
Other	—	(0.2)	—	—	(0.2)
Transfers (to)/from affiliates	—	(101.5)	—	101.5	—
Cash flows provided by/(used in) financing activities	(101.5)	1,956.1	—	101.5	1,956.1
Cash flows from discontinued operations					
Cash flows from operating activities	—	(3.7)	—	—	(3.7)
Cash flows from investing activities	—	(23.1)	—	—	(23.1)
Cash flows provided by discontinued operations	—	(26.8)	—	—	(26.8)
Net increase in cash and cash equivalents	—	229.5	11.7	(5.8)	235.4
Cash and cash equivalents, beginning of period	—	437.9	70.0	(18.9)	489.0
Cash and cash equivalents, end of period	$ —	$ 667.4	$ 81.7	$ (24.7)	$ 724.4

The purchase price allocation process began in fourth quarter 2007 and will be completed within one year of the acquisition. Due to the timing of the closing of the Merger, it is not practicable to present a condensed balance sheet to disclose amounts assigned to major assets and liabilities. Values will be assigned to assets upon review of reports from third parties that we have engaged to perform valuation studies.

Note 19—Quarterly Results of Operations (Unaudited)

(In millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2007[(1)]					
Revenues	$2,655.6	$2,701.7	$2,840.3	$2,627.5	$10,825.2
Income from operations	451.2	477.9	577.2	145.8	1,652.0
Income/(loss) from continuing operations	167.2	195.5	220.6	(56.1)	527.2
Net income/(loss)	185.3	237.5	244.4	(47.8)	619.4
Earnings/(loss) per share—basic[(3)]					
From continuing operations	0.90	1.05	1.18	(0.30)	2.83
Net income/(loss)	1.00	1.28	1.31	(0.26)	3.33
Earnings/(loss) per share—diluted[(3)]					
From continuing operations	0.88	1.03	1.16	(0.30)	2.77
Net income/(loss)	0.98	1.25	1.28	(0.26)	3.25
2006[(2)]					
Revenues	$2,356.9	$2,373.9	$2,512.5	$2,430.6	$ 9,673.9
Income from operations	453.1	431.7	441.9	229.7	1,556.6
Income from continuing operations	177.6	128.7	178.3	39.4	523.9
Net income	182.4	128.6	177.2	47.6	535.8
Earnings per share—basic[(3)]					
From continuing operations	0.97	0.70	0.97	0.21	2.85
Net income	1.00	0.70	0.96	0.26	2.91
Earnings per share—diluted[(3)]					
From continuing operations	0.95	0.69	0.96	0.21	2.79
Net income	0.98	0.69	0.95	0.25	2.85

(1) 2007 includes the following:

(Income)/loss	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Pretax charges for					
Project opening costs	$ 8.9	$ 8.3	$ 4.8	$ 3.4	$ 25.5
Insurance proceeds for hurricane losses	(18.7)	(37.0)	(61.1)	(13.4)	(130.3)
Impairment of intangible assets	—	—	—	169.6	169.6
Write-downs, reserves and recoveries	11.3	16.2	6.6	36.4	70.4
Merger and integration costs	4.0	3.5	0.7	5.1	13.4
After-tax write-downs, reserves and recoveries for discontinued operations	0.2	(0.1)	(1.1)	(1.4)	(2.4)
Insurance proceeds for hurricane losses, net of tax	(18.2)	(42.0)	(22.5)	(7.0)	(89.6)

(2) 2006 includes the following:

(Income)/loss	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Pretax charges for					
Project opening costs	$ 4.5	$ 4.7	$ 5.7	$ 6.0	$ 20.9
Write-downs, reserves and recoveries	3.2	7.2	(1.3)	74.3	83.3
Merger and integration costs	13.4	6.4	3.9	13.3	37.0
After-tax write-downs, reserves and recoveries for discontinued operations	(0.2)	0.1	1.7	(1.5)	—

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

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

ITEM 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2007, including controls and procedures to timely alert management to material information relating to the Company and its subsidiaries required to be included in our periodic SEC filings. Based on such evaluation, they have concluded that, as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms.

Internal Control over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management is responsible for establishing and maintaining adequate internal control over our financial reporting.

We have evaluated the effectiveness of our internal control over financial reporting as of December 31, 2007. The evaluation was performed using the internal control evaluation framework developed by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, management concluded that, as of such date, our internal control over financial reporting was effective.

Deloitte & Touche LLP has issued an attestation report on our internal control over financial reporting. Their report follows this Item 9A.

(b) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Harrah's Entertainment, Inc.
Las Vegas, Nevada

We have audited the internal control over financial reporting of Harrah's Entertainment, Inc. and subsidiaries (the "Company") as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control—Integrated* Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2007 of the Company and our report dated February 29, 2008 expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph regarding the Company's adoption of new accounting standards.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
February 29, 2008

ITEM 9B. Other Information.

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

Directors

As of December 31, 2007, the Directors of the Company were Gary W. Loveman, Barbara T. Alexander, Charles L. Atwood, Frank Biondi, Jr., Stephen F. Bollenbach, Ralph Horn, R. Brad Martin, Gary G. Michael, Robert G. Miller, Boake A. Sells, and Christopher J. Williams. On January 28, 2008, the resignations of these directors became effective and the individuals listed below were appointed to serve on the Board of Directors. Gary W. Loveman, one of our executive officers, was appointed to the Board of Directors. Because of our status as a privately-held company, we do not currently have a policy or procedures with respect to stockholder recommendations for nominees to the Board of Directors.

Name and Age	Principal Occupations or Employment
Jeffrey Benjamin (46)	Senior advisor to Apollo Global Management, LLC since 2002; Serves on the boards of directors of Exco Resources, Inc., Virgin Media Inc. and Goodman Global, Inc.
David Bonderman (68)	Founding partner of TPG Capital, LP; Serves as a director of Burger King Holdings, Inc., 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 (33)	Partner at Apollo Global Management, LLC since 1999; Serves on the boards of directors of Goodman Global, Inc., Berry Plastics Holding Corporation and Prestige Cruise Holdings, Inc.
Jonathan Coslet (44)	Senior Partner at TPG Capital, LP; 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 (47)	Senior Partner at TPG Capital, LP and Head of the firm’s North American Buyouts Group; Chairman of the Board of Kraton Polymers LLP; Director of Metro-Goldwyn-Mayer Studios Inc., Altivity Packaging, LLC, Aleris International, and Univision Communications, Inc.
Karl Peterson (38)	Partner at TPG Capital, LP since 2004; President and Chief Executive Officer of Hotwire, Inc. from 2000 to 2003; Serves on the boards of directors of Univision Communications and Sabre Holdings.
Eric Press (42)	Partner at Apollo Global Management, LLC since 1998; Serves on the boards of directors of Prestige Cruise Holdings, Inc., Noranda Aluminum, Affinion Group, Metals USA Holdings and Quality Distribution, Inc.
Marc Rowan (45)	Founding partner of Apollo Global Management, LLC; Serves on the boards of directors of the general partner of AAA and Mobile Satellite Ventures.

Executive Officers

Name and Age	Positions and Offices Held and Principal Occupations or Employment During Past 5 Years
Gary W. Loveman (47)	Director since 2000; Chairman of the Board since January 1, 2005; Chief Executive Officer since January 2003; President since April 2001; 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.
Charles L. Atwood (59)	Vice Chairman since August 2006; Chief Financial Officer from April 2001 to August 2006; Senior Vice President from April 2001 to February 2006; Treasurer from October 1996 to November 2003; Director, Equity Residential, an owner and operator of multi-family properties traded on the New York Stock Exchange.
Stephen H. Brammell (50)	Senior Vice President and General Counsel since July 1999; Corporate Secretary from June 2004 to February 2006, from November 2002 to July 2003 and from May 2000 to February 2001.
Jonathan S. Halkyard (43)	Chief Financial Officer since August 2006; Senior Vice President since July 2005; Treasurer since November 2003; Vice President from November 2002 to July 2005.
Thomas M. Jenkin (53)	Western Division President since January 2004; Senior Vice President—Southern Nevada from November 2002 to December 2003.
Janis L. Jones (58)	Senior Vice President, Communications/Government Relations since November 1999.
David W. Norton (39)	Senior Vice President and Chief Marketing Officer since January 2008; Senior Vice President—Relationship Marketing from January 2003 to January 2008.
John Payne (39)	Central Division President since January 2007; Atlantic City Regional President from January 2006 to December 2006; Gulf 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.
Timothy S. Stanley (42)	Senior Vice President, Innovation and Gaming since January 2007; Chief Information Officer since January 2003; Senior Vice President, Information Technology from February 2004 to January 2007; Vice President, Information Technology from February 2001 to February 2004.
Mary H. Thomas (41)	Senior Vice President, Human Resources since February 2006; Senior Vice President, Human Resources—North America, Allied Domecq Spirits & Wines from October 2000 to December 2005.
J. Carlos Tolosa (58)	Eastern Division President since January 2003; Western Division President from August 1997 to January 2003.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and officers to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and to furnish us with copies of all forms filed. To our knowledge, based solely on review of the copies of such reports furnished to us and written representations that no other reports were required, during the past fiscal year all Section 16(a) filing requirements applicable to our officers and directors were met except with respect to Frank Biondi, Jr., Stephen F. Bollenbach, Ralph Horn, R. Brad Martin, Gary G. Michael, Boake A. Sells and Christopher J. Williams. Forms 4 reporting acquisitions of stock through dividend reinvestments through the Directors Stock Program in the accounts of Messrs. Biondi, Bollenbach, Horn, Martin, Michael, Sells and Williams, due November 23, 2007, were filed on November 26, 2007.

Code of Ethics

In February 2003, our Board adopted a Code of Business Conduct and Ethics that 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, set forth as Exhibit 14 to this Report, 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.

Audit Committee and Audit Committee Financial Expert

Prior to January 28, 2008, the Audit Committee was composed of Barbara T. Alexander, Stephen F. Bollenbach, Gary G. Michael and Christopher J. Williams. Each of these individuals had been determined by our Board to be independent and were designated as "audit committee financial experts." After the closing of the Merger, the Audit Committee was reconstituted with two members: Karl Peterson and Eric Press. 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 Merger, 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.

ITEM 11. 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. Corporate Governance Guidelines and the Human Resources Committee Charter. The HRC Charter was last updated on April 26, 2006, 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 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. In February 2008, after the closing of the Merger, the Committee was reconstituted with two members: Kelvin Davis and Marc Rowan. Other than the 2007 bonus payments (paid in 2008), 2007 compensation decisions were made by the Committee in place prior to the Merger. 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.

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.

2007 HRC Activity

During four meetings in 2007, as delineated in the Human Resources Charter and as outlined below, the Committee performed various tasks in accordance with their assigned duties and responsibilities, including:

- Chief Executive Officer Compensation: reviewed and approved corporate goals and objectives relating to the compensation of the Chief Executive Officer, evaluated the performance of the Chief Executive Officer in light of these goals and objectives, and established the base compensation and annual bonus of the Chief Executive Officer based on such evaluation. No equity compensation was awarded to our Chief Executive Officer in 2007 due to the pending Merger.
- Other Senior Executive Compensation: set base compensation and annual bonus for all senior executives, which included an analysis relative to our competition peer group. No equity compensation was awarded to our senior executives in 2007 due to the pending Merger.
- Executive Compensation Plans: reviewed status of various executive compensation plans, programs and incentives, including the 2005 Senior Executive Incentive Plan, the Annual Management Bonus Plan, the Company’s various deferred compensation plans and the Company’s various equity plans.

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, Benefits, 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, at the request of the Committee Chair, 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. During 2007, the services engaged for the Human Resources Committee as set forth below:

1. Watson Wyatt Worldwide provided us with the development of the premium-equivalents for the Company's self-insured medical, dental, vision, and short term disability plans, recommended appropriate reserves for these plans, and reported on the plans' financial performance. In addition, they served as a consultant on plan design, compliance, strategy, and vendor management for these plans.

2. Mercer Human Resources Consulting was retained by the Savings & Retirement Plan (401k) and Executive Deferred Compensation Plan Investment Committees to advise these Committees on investment management performance, monitoring, investment policy development, and investment manager searches. Mercer also provides plan design, compliance, and operational consulting for the Company's qualified defined contribution plan and non-qualified deferred compensation plans.

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,
- 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.

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 polices, in 2007 there was only one material change in our executive compensation program. Due to the pending Merger, our senior executives were not awarded equity compensation in 2007.

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	Long-term
Fixed and Variable Pay	***Variable Pay***
Base Salary	Equity Awards
Annual Management Bonus Plan	Executive Supplemental Savings Plan II
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:

- 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, Inc.

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.

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 Merger, 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 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 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 seven 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.

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 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.

Due to the recent closing of the Merger, goals under the Annual Management Bonus Plan have not been set for 2008.

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 Merger, 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 Merger 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 Merger, 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.

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	51,147	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 Merger. 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 Merger and 50% at the third anniversary of the Merger.

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 NEO’s, and severance agreements which each of our NEO’s, 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.

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.

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 Officer's 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. 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;

(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;

(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.

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. We anticipate entering into new employment agreements with our NEOs in the near future.

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 Merger. 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 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 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 Merger 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;

(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;

(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 Merger 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 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 Merger. 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 Merger, 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 Merger, 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 Merger) requires that the trust and escrow fund be fully funded.

REPORT OF THE HUMAN RESOURCES COMMITTEE

To the Board of Directors of Harrah's Entertainment, Inc.:

Our role is to assist the Board of Directors in its oversight of the Company's executive compensation, including approval and evaluation of director and officer compensation plans, programs and policies and administration of the Company's bonus and other incentive compensation plans.

We have reviewed and discussed with management the Compensation Discussion and Analysis.

Based on the review and discussion referred to above, we recommend to the Board of Directors that the Compensation Discussion and Analysis referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Kelvin Davis
Marc Rowan

The above Report of the Human Resources Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

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.

SUMMARY COMPENSATION TABLE

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

(3) 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 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 "Compensation Discussion and Analysis—Elements of Compensation—Annual Management Bonus Plan" for more details on the plan.

(4) 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%.

(5) 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 Merger, 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.

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 "Compensation Discussion & Analysis—Elements of Post Employment Compensation and Benefits—Employment Arrangements" for additional information.

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.

GRANTS OF PLAN-BASED AWARDS

		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 Awards	Closing Market Price on Grant Date	Grant date fair value of stock and option/SARs awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	($/Sh)	($)
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 "Compensation Discussion & Analysis—Elements of Compensation—Equity Awards." However, due to the pending Merger, 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 Merger 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 Merger into options to purchase shares of the Company following the Merger 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 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 "Compensation Discussion and Analysis – Elements of Compensation-Equity Awards" for more information.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Options/SARs Awards					Stock Awards			
Name	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 Merger, see above under “—Discussion of Grants of Plan Based Awards Table.”

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.

OPTION EXERCISES AND STOCK VESTED

Name	Option Awards: Number of Shares Acquired on Exercise (#)	Option Awards: Value Realized on Exercise ($)	Stock Awards: Number of Shares Acquired on Vesting (#)(1)	Stock Awards: Value Realized on Vesting ($)(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 Merger, 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	—

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 Merger, 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 Merger, 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 Rate of Return	Name of Fund	2007 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 Merger.

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 "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 Merger, 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 Merger 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 Merger into options to purchase shares of the Company following the Merger 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 Merger.

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

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

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

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

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.

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.

Gary W. Loveman	Voluntary Termination ($)	Retirement ($)	Involuntary Not for Cause Termination ($)	For Cause Termination ($)	Involuntary or Good Reason Termination (Change in Control) ($)	Disability ($)[(1)]	Death ($)
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	—	—

Gary W. Loveman	Voluntary Termination ($)	Retirement ($)	Involuntary Not for Cause Termination ($)	For Cause Termination ($)	Involuntary or Good Reason Termination (Change in Control) ($)	Disability ($)(1)	Death ($)
Accrued Vacation Pay	—	—	—	—	—	—	—
Financial Planning	—	—	—	—	—	—	—
Gross-Up Payment for Excise Taxes	—	—	—	—	—	—	—
Totals	283,575	283,575	34,637,484	283,575	45,976,484	36,926,484 and 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.

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:

Jonathan S. Halkyard	Voluntary Termination ($)	Retirement ($)	Involuntary Not for Cause Termination ($)	For Cause Termination ($)	Involuntary or Good Reason Termination (Change in Control) ($)	Disability ($)(1)	Death ($)
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.

Charles L. Atwood	Voluntary Termination ($)	Retirement ($)	Involuntary Not for Cause Termination ($)	For Cause Termination ($)	Involuntary or Good Reason Termination (Change in Control) ($)	Disability ($)(1)	Death ($)
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.

Thomas M. Jenkin	Voluntary Termination ($)	Retirement ($)	Involuntary Not for Cause Termination ($)	For Cause Termination ($)	Involuntary or Good Reason Termination (Change in Control) ($)	Disability ($)(1)	Death ($)
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 30,000 per mo.	4,490,228

(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.

J. Carlos Tolosa	Voluntary Termination ($)	Retirement ($)	Involuntary Not for Cause Termination ($)	For Cause Termination ($)	Involuntary or Good Reason Termination (Change in Control) ($)	Disability ($)[1]	Death ($)
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 Merger, the directors who elected to defer the grant of shares received $90.00 per share in accordance with their payment election.

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 is 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 Merger 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.

(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 "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 Merger, 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 Merger, the non-management directors that resigned effective upon the closing of the Merger 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.

Currently, none of our directors receive compensation for their service as a member of our Board of Directors. They 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 Merger, 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.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

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 Merger. 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.

Ownership of Harrah's Entertainment Common Stock

The following table lists the beneficial ownership of our common stock as of February 25, 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.

	Shares of Stock Beneficially Owned			Ownership Percentage		
Name	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 L. Atwood	—	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 S. Halkyard	—	11,546.41	5,647.54	—	*	*
Thomas M. Jenkin	—	14,958.53	7,316.47	—	*	*
Gary W. Loveman[5]	—	234,063.76	49,269.14	—	*	*
Karl Peterson[3]	—	—	—	—	—	—
Eric Press[1]	—	—	—	—	—	—
Marc Rowan[1][4]	—	—	—	17	—	—
J. Carlos Tolosa	—	29,547.71	14,452.29	—	*	*
All directors and executive officers as a group[4][6]	10	374,035.54	117,731.47	50	1	1

* Indicates less than 1%

(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) Includes 133,333 non-voting common shares that may be acquired within 60 days pursuant to outstanding stock options.

(6) The address of each of our named executive officers is c/o Harrah’s Entertainment, Inc., One Caesars Palace Drive, Las Vegas, Nevada 89109.

ITEM 13. CertainRelationships and Related Transactions, and Director Independence.

One of our former directors, Stephen F. Bollenbach was Co-Chairman and Chief Executive Officer of Hilton Hotels Corporation. We own a 50% interest in Windsor Casino Limited, which operates Casino Windsor in Ontario, Canada. A subsidiary of Hilton Hotels owns the other 50% of Windsor Casino Limited.

Other than as noted above, there were no reportable relationships or transactions for 2007.

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

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 Merger 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 Merger, 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.

The Board of Directors of the Company will initially be comprised of at least nine (9) directors, (i) four (4) of whom shall be designated by the Apollo Members and (ii) four (4) of whom shall be designated by the TPG Members, and (iii) one (1) of whom shall be the chairman. 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 designed 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 Merger, 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 Merger, 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 Merger 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 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 Company, Inc. ("HOC") entered into a shared services agreement with the certain of our entities involved in the CMBS financing (the "CMBS Entities"), pursuant to which HOC will provide 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, HOC 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 HOC 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 HOC 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 underling the CMBS financing and HOC 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 our 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 February 25, 2008, our Board of Directors is composed of Jeffrey Benjamin, David Bonderman, Anthony Civale, Jonathan Coslet, Kelvin Davis, Gary Loveman, Karl Peterson, Eric Press and Marc Rowan. 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 Merger, we do not believe that any or our directors would be considered 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.

ITEM 14. Principal Accountant Fees and Services.

FEES PAID TO DELOITTE & TOUCHE LLP

The following table summarizes the aggregate fees paid or accrued by the Company to Deloitte & Touche LLP during 2007 and 2006

	2007	2006
	(in thousands)	
Audit Fees[a]	$7,407	$8,199
Audit-Related Fees[b]	561	638
Tax Fees[c]	165	312
All Other Fees	—	—
Total	$8,133	$9,149

(a) **Audit Fees**—Fees for audit services billed in 2007 and 2006 consisted of:

- Audit of the Company's annual financial statements, including the audits of the various subsidiaries conducting gaming operations as required by the regulations of the respective jurisdictions;
- Sarbanes-Oxley Act, Section 404 attestation services;
- Reviews of the Company's quarterly financial statements; and
- Comfort letters, statutory and regulatory audits, consents and other services related to Securities and Exchange Commission ("SEC") matters.

(b) **Audit-Related Fees**—Fees for audit-related services billed in 2007 and 2006 consisted of:

- Quarterly revenue and compliance audits performed at certain of our properties as required by state gaming regulations;
- Financial accounting and reporting consultations;
- Sarbanes-Oxley Act, Section 404 advisory services;
- Internal control reviews;
- Employee benefit plan audits; and

- Agreed-upon procedures engagements.

(c) **Tax Fees**—Fees for tax services paid in 2007 and 2006 consisted of tax compliance and tax planning and advice:

- Fees for tax compliance services totaled $12,000 and $70,000 in 2007 and 2006, respectively. Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and obtain government approval for amounts to be included in tax filings and consisted of:

    i. Federal, state and local income tax return assistance

    ii. Requests for technical advice from taxing authorities

    iii. Assistance with tax audits and appeals

- Fees for tax planning and advice services totaled $153,000 and $242,000 in 2007 and 2006, respectively. Tax planning and advice are services rendered with respect to proposed transactions or that alter a transaction to obtain a particular tax result. Such services consisted of:

    i. Purchase and installation of tax return preparation software

    ii. Tax advice related to structuring certain proposed mergers, acquisitions and disposals

    iii. Tax advice related to the alteration of employee benefit plans

    iv. Tax advice related to an intra-group restructuring

	2007	2006
Memo: Ratio of Tax Planning and Advice Fees and All Other Fees to Audit Fees, Audit-Related Fees and Tax Compliance Fees	0.02:1	0.03:1

In considering the nature of the services provided by the independent auditor, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with the independent auditor and Company management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

The services performed by Deloitte & Touche LLP in 2007 and 2006 were pre-approved in accordance with the pre-approval policy and procedures adopted by the Audit Committee at its February 26, 2003, meeting, and amended at its April 15, 2004, meeting. This policy describes the permitted audit, audit-related, tax and other services that Deloitte & Touche may perform. Any requests for audit services must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Except for such services which fall under the *de minimis* provision of the pre-approval policy, any requests for audit-related, tax or other services also must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant specific pre-approval between meetings, as necessary, has been delegated to the Chairperson of the Audit Committee. The Chairperson must update the Audit Committee at the next regularly scheduled meeting of any services that were granted specific pre-approval.

In addition, although not required by the rules and regulations of the SEC, the Audit Committee generally requests a range of fees associated with each proposed service. Providing a range of fees for a service incorporates appropriate oversight and control of the independent auditor relationship, while permitting the Company to receive immediate assistance from the independent auditor when time is of the essence.

The policy contains a *de minimis* provision that operates to provide retroactive approval for permissible non-audit, tax and other services under certain circumstances. The provision allows for the pre-approval requirement to be waived if all of the following criteria are met:

1. The service is not an audit, review or other attest service;

2. The estimated fees for such services to be provided under this provision do not exceed a defined amount of total fees paid to the independent auditor in a given fiscal year;

3. Such services were not recognized at the time of the engagement to be non-audit services; and

4. Such services are promptly brought to the attention of the Audit Committee and approved by the Audit Committee or its designee.

The fees approved under the *de minimis* provision were as follows:

	2007	2006
	(in thousands)	
Audit-Related Services	$—	$—
Tax Services	—	21
All Other Services	—	—

PART IV

ITEM 15. Exhibits, Financial Statement Schedules.

(a) 1. Financial statements of the Company (including related notes to consolidated financial statements) filed as part of this report are listed below:

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of December 31, 2007 and 2006.

Consolidated Statements of Income for the Years Ended December 31, 2007, 2006 and 2005.

Consolidated Statements of Stockholders' Equity and Comprehensive Income for the Years Ended December 31, 2007, 2006 and 2005.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006 and 2005.

2. Schedules for the years ended December 31, 2007, 2006 and 2005, are as follows:

Schedule II—Consolidated valuation and qualifying accounts.

Schedules I, III, IV, and V are not applicable and have therefore been omitted.

3. Exhibits

Exhibit Number	Exhibit Description
3.1	Amended Certificate of Incorporation of Harrah's Entertainment, Inc. (Incorporated by reference to the exhibit to the Company's Registration Statement on Form S-8 filed January 31, 2008.)
3.2	Bylaws of Harrah's Entertainment, Inc., as amended on January 28, 2008. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed February 1, 2008.)
4.1	Certificate of Designation of Non-Voting Perpetual Preferred Stock of Harrah's Entertainment, Inc., dated January 28, 2008. (Incorporated by reference to the exhibit to the Company's Registration Statement on Form S-8 filed January 31, 2008.)
4.2	Indenture, dated as of December 18, 1998, among Harrah's Operating Company, Inc. as obligor, Harrah's Entertainment, Inc., as Guarantor, and IBJ Schroder Bank & Trust Company, as Trustee relating to the 7 1/2% Senior Notes Due 2009. (Incorporated by reference to the exhibit to the Registration Statement on Form S-3 of Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc., File No. 333-69263, filed December 18, 1998.)
4.3	Indenture, dated as of November 9, 1999 between Park Place Entertainment Corp., as Issuer, and Norwest Bank Minnesota, N.A., as Trustee relating to the 8.5% Senior Notes due 2006 and 8.875% Senior Subordinated Notes due 2008. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.4	Officers' Certificate, dated as of September 12, 2000 with respect to the 8.875% Senior Subordinated Notes due 2008. (Incorporated by reference to the exhibit to Park Place Entertainment Corporation's Current Report on Form 8-K, filed September 19, 2000.)
4.5	First Supplemental Indenture, dated as of June 13, 2005, to Indenture dated as of November 9, 1999, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 8.5% Senior Notes due 2006 and the 8.875% Senior Subordinated Notes due 2008. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.6	Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and Wells Fargo Bank, National Association, as Trustee, to the Indenture, dated as of November 9, 1999, as supplemented by certain Officers' Certificates dated as of November 9, 1999 and September 12, 2000, and as further amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 8.5% Senior Notes due 2006 and the 8.875% Senior Subordinated Notes due 2008. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)

Exhibit Number	Exhibit Description
4.7	Indenture, dated as of January 29, 2001, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Bank One Trust Company, N.A., as Trustee, relating to the 8.0% Senior Notes Due 2011. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
4.8	Indenture, dated as of May 14, 2001, between Park Place Entertainment Corp., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 8 $^{1}/8$% Senior Subordinated Notes due 2011. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Park Place Entertainment Corporation, File No. 333-62508, filed June 7, 2001.)
4.9	First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of May 14, 2001, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 8 $^{1}/8$% Senior Subordinated Notes due 2011. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.10	Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and Wells Fargo Bank, National Association, as Trustee, to the Indenture, dated as of May 14, 2001, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 8 $^{1}/8$% Senior Subordinated Notes due 2011. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
4.11	Indenture, dated as of August 22, 2001, between Park Place Entertainment Corp., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 7.50% Senior Notes due 2009. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Park Place Entertainment Corporation, File No. 333-69838, filed September 21, 2001.)
4.12	First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of August 22, 2001, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 7.50% Senior Notes due 2009. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.13	Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and Wells Fargo Bank, National Association, as Trustee, to the Indenture, dated as of August 22, 2001, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 7.50% Senior Notes due 2009. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
4.14	Indenture, dated as of March 14, 2002, between Park Place Entertainment Corp., as Issuer, and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 7 $^{7}/8$% Senior Subordinated Notes due 2010. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Park Place Entertainment Corporation, File No. 333-86142, filed April 12, 2002.)
4.15	First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of March 14, 2002, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee, with respect to the 7 $^{7}/8$% Senior Subordinated Notes due 2010. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.16	Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and Wells Fargo Bank, National Association, as Trustee, to the Indenture, dated as of March 14, 2002, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 7 $^{7}/8$% Senior Subordinated Notes due 2010. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
4.17	Indenture, dated as of April 11, 2003, between Park Place Entertainment Corp., as Issuer, and U.S. Bank National Association, as Trustee, with respect to the 7% Senior Notes due 2013. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Park Place Entertainment Corporation, File No. 333-104829, filed April 29, 2003.)

Exhibit Number	Exhibit Description
4.18	First Supplemental Indenture, dated as of June 13, 2005, to Indenture, dated as of April 11, 2003, between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Caesars Entertainment, Inc. and U.S. Bank National Association, as Trustee, with respect to the 7% Senior Notes due 2013. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.)
4.19	Second Supplemental Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and U.S. Bank National Association, as Trustee, to the Indenture, dated as of April 11, 2003, as amended and supplemented by a First Supplemental Indenture, dated as of June 13, 2005, with respect to the 7% Senior Notes due 2013. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
4.20	Indenture, dated as of December 11, 2003, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.375% Senior Notes due 2013. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)
4.21	Indenture, dated as of June 25, 2004, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.50% Senior Notes due 2010. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.)
4.22	Indenture, dated as of February 9, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Senior Floating Rate Notes due 2008. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.)
4.23	Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Issuer, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed August 2, 2005.)
4.24	First Supplemental Indenture, dated as of September 9, 2005, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024. (Incorporated by reference to the exhibit to the Registration Statement on Form S-3/A of Harrah's Entertainment, Inc., File No. 333-127210, filed September 19, 2005.)
*4.25	Second Supplemental Indenture, dated as of January 8, 2008, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024.
4.26	Third Supplemental Indenture, dated as of January 28, 2008, to Amended and Restated Indenture, dated as of July 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc. as Guarantor, and U.S. Bank National Association, as Trustee, relating to the Floating Rate Contingent Convertible Senior Notes due 2024. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed January 28, 2008)
4.27	Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed June 3, 2005.)
4.28	First Supplemental Indenture, dated as of August 19, 2005, to Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015. (Incorporated by reference to the exhibit to the Registration Statement on Form S-4 of Harrah's Entertainment, Inc., File No. 333-127840, filed August 25, 2005.)
4.29	Second Supplemental Indenture, dated as of September 28, 2005, to Indenture, dated as of May 27, 2005, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.625% Senior Notes due 2015. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K, filed October 3, 2005.)

Exhibit Number	Exhibit Description
4.30	Indenture dated as of September 28, 2005, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.75% Senior Notes due 2017. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed October 3, 2005.)
4.31	Indenture, dated as of June 9, 2006, between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. National Bank Association, as Trustee, relating to the 6.50% Senior Notes due 2016. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 14, 2006.)
4.32	Officers' Certificate, dated as of June 9, 2006, pursuant to Sections 301 and 303 of the Indenture dated as of June 9, 2006 between Harrah's Operating Company, Inc., Harrah's Entertainment, Inc. and U.S. National Bank Association, as Trustee, relating to the 6.50% Senior Notes due 2016. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed June 14, 2006.)
4.33	Indenture, dated as of February 1, 2008, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein) and U.S. Bank National Association, as Trustee, relating to the 10.5% Senior Cash Pay Notes due 2016 and 10.5%/11.5% Senior Toggle Notes due 2018. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed February 4, 2008.)
4.34	Registration Rights Agreement, dated as of February 1, 2008, by and among Harrah's Operating Company, Inc., the Guarantors (as defined therein), Citigroup Global Markets Inc., Banc of America Securities LLC, Credit Suisse Securities (USA), LLC, Deutsche Bank Securities, Inc., J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated as representatives of Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Banc of America Securities LLC, Credit Suisse Securities (USA) LLC, J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bear, Sterns & Co., Inc., Goldman, Sachs & Co., Morgan Stanley & Co. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed February 4, 2008.)
4.35	Stockholders' Agreement, dated as of January 28, 2008, by and among Apollo Hamlet Holdings, LLC, Apollo Hamlet Holdings B, LLC, TPG Hamlet Holdings, LLC, TPG Hamlet Holdings B, LLC, Co-Invest Hamlet Holdings, Series LLC, Co-Invest Hamlet Holdings B, LLC, Hamlet Holdings LLC and Harrah's Entertainment, Inc., and, solely with respect to Sections 3.01 and 6.07, Apollo Investment Fund VI, L.P. and TPG V Hamlet AIV, L.P. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
4.36	Services Agreement, dated as of January 28, 2008, by and among Harrah's Entertainment, Inc., Apollo Management VI, L.P., Apollo Alternative Assets, L.P. and TPG Capital, L.P. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
4.37	Management Investor Rights Agreement, dated as of January 28, 2008, by and among Harrah's Entertainment, Inc., Apollo Hamlet Holdings, LLC, Apollo Hamlet Holdings B, LLC, TPG Hamlet Holdings, LLC, TPG Hamlet Holdings B, LLC, Hamlet Holdings LLC and the stockholders that are parties thereto (incorporated by reference to Exhibit 4.2 to Harrah's Entertainment, Inc.'s Registration Statement on Form S-8 filed January 31, 2008)
10.1	Credit Agreement, dated as of January 28, 2008, by and among Hamlet Merger Inc., Harrah's Operating Company, Inc. as Borrower, the Lenders party thereto from time to time, Bank of America, N.A., as Administrative Agent and Collateral Agent, Deutsche Bank AG New York Branch, as Syndication Agent, and Citibank, N.A., Credit Suisse, Cayman Islands Branch, JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman Sachs Credit Partners L.P., Morgan Stanley Senior Funding, Inc., and Bear Sterns Corporate Lending, Inc., as Co-Documentation Agents. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.2	Guaranty and Pledge Agreement, dated as of January 28, 2008, made by Hamlet Merger Inc. in favor of Bank of America, N.A., as Administrative Agent and Collateral Agent. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.3	Senior Unsecured Interim Loan Agreement, dated as of January 28, 2008, by and among Harrah's Operating Company, Inc., as Borrower, the Lenders party thereto from time to time, Citibank, N.A., as Administrative Agent, Deutsche Bank AG New York Branch, as Syndication Agent, Banc of America Bridge LLC, Credit Suisse, Cayman Islands Branch, JPMorgan Chase Bank, N.A., and Merrill Lynch Capital Corporation, as Co-Documentation Agents, Citigroup Global Markets Inc., Deutsche Bank Securities, Inc., Banc of America Securities LLC, Credit Suisse Securities (USA) LLC, J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Bookrunners and Citigroup Global Markets Inc. and Deutsche Bank Securities Inc., as Joint Lead Arrangers. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)

Exhibit Number	Exhibit Description
10.4	Loan Agreement, dated as of January 28, 2008, by and among Harrah's Las Vegas Propco, LLC, Harrah's Atlantic City Propco, LLC, Tahoe Propco, LLC, Rio Propco, LLC, Flamingo Las Vegas Propco, LLC and Showboat Propco, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.5	First Mezzanine Loan Agreement, dated as of January 28, 2008, by and among Harrah's Las Vegas Mezz 1, LLC, Harrah's Atlantic City Mezz 1, LLC, Tahoe Mezz 1, LLC, Rio Mezz 1, LLC, Flamingo Las Vegas Mezz 1, LLC and Showboat Atlantic City Mezz 1, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.6	Second Mezzanine Loan Agreement, dated as of January 28, 2008, by and among Harrah's Las Vegas Mezz 2, LLC, Harrah's Atlantic City Mezz 2, LLC, Tahoe Mezz 2, LLC, Rio Mezz 2, LLC, Flamingo Las Vegas Mezz 2, LLC and Showboat Atlantic City Mezz 2, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.7	Third Mezzanine Loan Agreement, dated as of January 28, 2008, by and among Harrah's Las Vegas Mezz 3, LLC, Harrah's Atlantic City Mezz 3, LLC, Tahoe Mezz 3, LLC, Rio Mezz 3, LLC, Flamingo Las Vegas Mezz 3, LLC and Showboat Atlantic City Mezz 3, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.8	Fourth Mezzanine Loan Agreement, dated as of January 28, 2008, by and among Harrah's Las Vegas Mezz 4, LLC, Harrah's Atlantic City Mezz 4, LLC, Tahoe Mezz 4, LLC, Rio Mezz 4, LLC, Flamingo Las Vegas Mezz 4, LLC and Showboat Atlantic City Mezz 4, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.9	Fifth Mezzanine Loan Agreement, dated as of January 28, 2008, by and among Harrah's Las Vegas Mezz 5, LLC, Harrah's Atlantic City Mezz 5, LLC, Tahoe Mezz 5, LLC, Rio Mezz 5, LLC, Flamingo Las Vegas Mezz 5, LLC and Showboat Atlantic City Mezz 5, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.9	Sixth Mezzanine Loan Agreement, dated as of January 28, 2008, by and among Harrah's Las Vegas Mezz 6, LLC, Harrah's Atlantic City Mezz 6, LLC, Tahoe Mezz 6, LLC, Rio Mezz 6, LLC, Flamingo Las Vegas Mezz 6, LLC and Showboat Atlantic City Mezz 6, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.10	Seventh Mezzanine Loan Agreement, dated as of January 28, 2008, by and among Harrah's Las Vegas Mezz 7, LLC, Harrah's Atlantic City Mezz 7, LLC, Tahoe Mezz 7, LLC, Rio Mezz 7, LLC, Flamingo Las Vegas Mezz 7, LLC and Showboat Atlantic City Mezz 7, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.11	Eighth Mezzanine Loan Agreement, dated as of January 28, 2008, by and among Harrah's Las Vegas Mezz 8, LLC, Harrah's Atlantic City Mezz 8, LLC, Tahoe Mezz 8, LLC, Rio Mezz 8, LLC, Flamingo Las Vegas Mezz 8, LLC and Showboat Atlantic City Mezz 8, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)
10.12	Ninth Mezzanine Loan Agreement, dated as of January 28, 2008, by and among Harrah's Las Vegas Mezz 9, LLC, Harrah's Atlantic City Mezz 9, LLC, Tahoe Mezz 9, LLC, Rio Mezz 9, LLC, Flamingo Las Vegas Mezz 9, LLC and Showboat Atlantic City Mezz 9, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K/A filed February 7, 2008.)

Exhibit Number	Exhibit Description
†10.13	Employment Agreement, dated as of January 28, 2008, by and between Harrah’s Entertainment, Inc. and Gary W. Loveman. (Incorporated by reference to the exhibit to the Company’s Current Report on Form 8-K/A filed February 7, 2008.)
†10.14	Rollover Option Agreement, dated as of January 28, 2008, by and between Harrah’s Entertainment, Inc. and Gary W. Loveman. (Incorporated by reference to the exhibit to the Company’s Current Report on Form 8-K/A filed February 7, 2008.)
†10.15	Form of Employment Agreement between Harrah’s Operating Company, Inc. and Charles L. Atwood, Stephen H. Brammell, Jonathan S. Halkyard, Thomas M. Jenkin, Janis L. Jones, David W. Norton, John Payne, Virginia E. Shanks, Timothy S. Stanley, Mary H. Thomas and J. Carlos Tolosa. (Incorporated by reference to the exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)
†10.16	Form of Severance Agreement entered into with Charles L. Atwood, Stephen H. Brammell, Jonathan S. Halkyard, Thomas M. Jenkin, Janis L. Jones, David W. Norton, John Payne, Virginia E. Shanks, Timothy S. Stanley, Mary H. Thomas and J. Carlos Tolosa. (Incorporated by reference to the exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)
10.17	Form of Indemnification Agreement entered into by The Promus Companies Incorporated and each of its directors and executive officers. (Incorporated by reference to the exhibit to the Registration Statement of Harrah’s Entertainment, Inc. on Form 10, File No. 1-10410, filed on December 13, 1989.)
10.18	Form of Supplemental Indemnification Agreement entered into by Harrah’s Entertainment, Inc. and each of its directors and executive officers. (Incorporated by reference to the exhibit to the Company’s Current Report on Form 8-K filed July 21, 2006.)
†10.19	Financial Counseling Plan of Harrah’s Entertainment, Inc. as amended June 1996. (Incorporated by reference to the exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
10.20	Summary Plan Description of Executive Term Life Insurance Plan. (Incorporated by reference to the exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
†10.21	Harrah’s Entertainment, Inc. 2005 Senior Executive Incentive Plan. (Incorporated by reference from Annex C to the Company’s Proxy Statement, filed March 4, 2004.)
†10.22	The 2001 Restatement of the Harrah’s Entertainment, Inc. Savings And Retirement Plan, effective January 1, 2002. (Incorporated by reference to the exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.)
†10.23	First Amendment to the 2001 Restatement of the Harrah’s Entertainment, Inc. Savings and Retirement Plan effective January 1, 1997. (Incorporated by reference to the exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
†10.24	Second Amendment to the 2001 Restatement of the Harrah’s Entertainment, Inc. Savings and Retirement Plan effective January 1, 2002. (Incorporated by reference to the exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
†10.25	Third Amendment to the 2001 Restatement of the Harrah’s Entertainment, Inc. Savings and Retirement Plan effective November 24, 2003. (Incorporated by reference to the exhibit to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)

Exhibit Number	Exhibit Description
†10.26	Fourth Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc. Savings and Retirement Plan executed December 22, 2003. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
†10.27	Fifth Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc. Savings and Retirement Plan effective January 1, 2005. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
†10.28	Sixth Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc. Savings and Retirement Plan adopted July 20, 2005. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
†10.29	Seventh Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc. Savings and Retirement Plan effective August 30, 2005. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
†10.30	Eighth Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc. Savings and Retirement Plan adopted September 20, 2006. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
†10.31	Ninth Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc. Savings and Retirement Plan adopted November 7, 2006. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
†10.32	Tenth Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc. Savings and Retirement Plan executed December 29, 2006. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
10.33	Trust Agreement dated June 20, 2001 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.)
10.34	Escrow Agreement, dated February 6, 1990, by and between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1989.)
10.35	Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
10.36	Amendment, dated as of June 7, 1995, to Escrow Agreement among The Promus Companies Incorporated, certain subsidiaries thereof and NationsBank. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed June 15, 1995.)
10.37	Amendment, dated as of July 18, 1996, to Escrow Agreement between Harrah's Entertainment, Inc. and NationsBank. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)
10.38	Amendment, dated as of October 30, 1997, to Escrow Agreement between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and NationsBank. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed March 10, 1998, File No. 1-10410.)
10.39	Amendment to Escrow Agreement, dated April 26, 2000, between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A., Successor to Bank of America, N.A. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.)
10.40	Letter Agreement with Wells Fargo Bank Minnesota, N.A., dated August 31, 2000, concerning appointment as Escrow Agent under Escrow Agreement for deferred compensation plans. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.)
*†10.41	Harrah's Entertainment, Inc. Amended and Restated Executive Deferred Compensation Trust Agreement dated January 11, 2006 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank, N.A.
*†10.42	Amendment to the Harrah's Entertainment, Inc. Amended and Restated Executive Deferred Compensation Trust Agreement effective January 28, 2008 by and between Harrah's Entertainment, Inc. and Wells Fargo Bank, N.A.

Exhibit Number	Exhibit Description
†10.43	Amendment and Restatement of Harrah's Entertainment, Inc. Executive Deferred Compensation Plan, effective August 3, 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
†10.44	Amendment and Restatement of Harrah's Entertainment, Inc. Deferred Compensation Plan, effective as of August 3, 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
†10.45	Amendment and Restatement of Park Place Entertainment Corporation Executive Deferred Compensation Plan, effective as of August 3, 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
†10.46	Amendment and Restatement of Harrah's Entertainment, Inc. Executive Supplemental Savings Plan, effective as of August 3, 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
†10.47	Amendment and Restatement of Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II, effective as of August 3, 2007. (Incorporated by reference to the exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.)
*12	Computation of Ratios.
14	Harrah's Entertainment, Inc. Code of Business Conduct and Ethics for Principal Officers, adopted February 26, 2003. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003.)
*21	List of subsidiaries of Harrah's Entertainment, Inc.
*23	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
*31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated February 29, 2008.
*31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated February 29, 2008.
*32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated February 29, 2008.
*32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated February 29, 2008.
*99	Description of Governmental Regulation.

* Filed herewith.

† Management contract of compensatory plan or arrangement required to be filed as an exhibit to this Form pursuant to Item 15(a)(3) of Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HARRAH'S ENTERTAINMENT, INC.

February 29, 2008

By: /s/ GARY W. LOVEMAN

Gary W. Loveman
Chairman of the Board,
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEFFREY BENJAMIN **Jeffrey Benjamin**	Director	February 29, 2008
/s/ DAVID BONDERMAN **David Bonderman**	Director	February 29, 2008
/s/ ANTHONY CIVALE **Anthony Civale**	Director	February 29, 2008
/s/ JONATHAN COSLET **Jonathan Coslet**	Director	February 29, 2008
/s/ KELVIN DAVIS **Kelvin Davis**	Director	February 29, 2008
/s/ GARY W. LOVEMAN **Gary W. Loveman**	Director, Chairman of the Board, Chief Executive Officer and President	February 29, 2008
/s/ KARL PETERSON **Karl Peterson**	Director	February 29, 2008
/s/ ERIC PRESS **Eric Press**	Director	February 29, 2008
/s/ MARC ROWAN **Marc Rowan**	Director	February 29, 2008
/s/ JONATHAN S. HALKYARD **Jonathan S. Halkyard**	Senor Vice President, Chief Financial Officer and Treasurer	February 29, 2008
/s/ ANTHONY D. MCDUFFIE **Anthony D. McDuffie**	Senior Vice President, Controller and Chief Accounting Officer	February 29, 2008

Schedule II

HARRAH'S ENTERTAINMENT, INC.

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
(In millions)

Column A	Column B	Column C Additions		Column D	Column E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
YEAR ENDED DECEMBER 31, 2007					
Allowance for doubtful accounts					
Current	$ 94.7	$ 135.3	$ —	$ (103.8) [a]	$ 126.2
Long-term	$ 0.3	$ —	$ —	$ —	$ 0.3
Liability to sellers under acquisition agreement [b]	$ 2.0	$ —	$ —	$ (0.2)	$ 1.8
YEAR ENDED DECEMBER 31, 2006					
Allowance for doubtful accounts					
Current	$ 111.8	$ 71.8	$ —	$ (88.9) [a]	$ 94.7
Long-term	$ 0.3	$ —	$ —	$ —	$ 0.3
Liability to sellers under acquisition agreement [b]	$ 3.6	$ —	$ —	$ (1.6)	$ 2.0
YEAR ENDED DECEMBER 31, 2005					
Allowance for doubtful accounts					
Current	$ 48.6	$ 29.5	$ 75.8 [c]	$ (42.1) [a]	$ 111.8
Long-term	$ —	$ —	$ 0.3 [c]	$ —	$ 0.3
Liability to sellers under acquisition agreement [b]	$ 23.6	$ —	$ —	$ (20.0)	$ 3.6
Reserve for structural repairs [d]	$ 0.7	$ —	$ —	$ (0.7)	$ —

(a) Uncollectible accounts written off, net of amounts recovered.

(b) We acquired Players International, Inc., ("Players") in March 2000. In 1995, Players acquired a hotel and land adjacent to its riverboat gaming facility in Lake Charles, Louisiana, for cash plus future payments to the seller based on the number of passengers boarding the riverboat casinos during a defined term. In accordance with the guidance provided by APB 16 regarding the recognition of liabilities assumed in a business combination accounted for as a purchase, Players estimated the net present value of the future payments to be made to the sellers and recorded that amount as a component of the total consideration paid to acquire these assets. Our recording of this liability in connection with the purchase price allocation process following the Players acquisition was originally reported in 2000. Our casino operations in Lake Charles sustained significant damage in late third quarter 2005 as a result of Hurricane Rita. As a result of hurricane damage, and upon the Company's subsequent decision to scale back operations in Lake Charles and ultimately sell the property, the current and long-term portions of this obligation were written down in fourth quarter 2005; the credit is included in Discontinued operations on our Consolidated Statements of Income. We sold Harrah's Lake Charles in fourth quarter 2006. Prior to the sale, the current and long-term portions of this obligation were included in Liabilities held for sale on our Consolidated Balance Sheets. The remaining long-term portion of this liability is included in Deferred credits and other on our Consolidated Balance Sheets; the current portion of this obligation is included in Accrued expenses on our Consolidated Balance Sheets.

(c) 2005 Charged to Other Accounts consists primarily of the balances acquired from our acquisition of Caesars Entertainment, Inc., on June 13, 2005.

(d) During 2002, we discovered that water leaks had caused considerable damage to a hotel tower at our property in Reno, Nevada. Following an initial assessment of the extent of the damage, our design and construction department (assisted by third-party experts) estimated that the costs to repair the damage would total approximately $5 million.

Exhibit 4.25

HARRAH'S OPERATING COMPANY, INC.
as Issuer

AND

HARRAH'S ENTERTAINMENT, INC.
as Guarantor

AND

U.S. BANK, NATIONAL ASSOCIATION
as Trustee

SECOND SUPPLEMENTAL INDENTURE

Dated as of January 8, 2008

to

the Amended and Restated Indenture

Dated as of July 28, 2005

Floating Rate Contingent Convertible Senior Notes due 2024

THIS SECOND SUPPLEMENTAL INDENTURE, (the "Supplemental Indenture"), dated as of January 8, 2008, is by and among Harrah's Entertainment, Inc., a Delaware corporation (the "Parent"), Harrah's Operating Company, Inc., a Delaware corporation and a wholly owned subsidiary of the Parent (the "Company"), and U.S. Bank National Association, as trustee under the indenture referred to below (the "Trustee").

W I T N E S S E T H

WHEREAS, reference is made to that certain Amended and Restated Indenture, dated as of July 28, 2005, by and among the Parent, the Company, as successor to Caesars Entertainment, Inc., a Delaware corporation, and the Trustee, as amended and supplemented by that certain First Supplemental Indenture, dated as of September 9, 2005 (as so amended and restated, the "Indenture") with respect to the Company's Floating Rate Contingent Convertible Senior Notes due 2024 (the "Notes");

WHEREAS, pursuant to Section 9.01(c) of the Indenture, the Company and the Trustee may amend or supplement the Indenture to make any other changes that does not adversely affect the rights of any Holder in any material respect;

WHEREAS, this Supplemental Indenture is intended to amend the references to denominations of the Notes contained in the Indenture;

WHEREAS, the amendments set forth herein are authorized pursuant to Section 9.01(c) of the Indenture referred to above; and

WHEREAS, the execution and delivery of this Supplemental Indenture has been duly authorized by the parties hereto, and all other acts necessary to make this Supplemental Indenture a valid and binding supplement to the Indenture effectively amending the Indenture as set forth herein have been duly taken.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the Parent and the Trustee mutually covenant and agree as follows:

ARTICLE I

CAPTALIZED TERMS

Section 1.1 Capitalized Terms. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Indenture. Unless the context otherwise requires, from and after the date hereof, all references to the Indenture shall mean the Indenture as amended and supplemented hereby.

ARTICLE II

AMENDMENTS

Section 2.1 Amendments to the Indenture. All references to "only in denominations of $1,000 of principal amount and any integral multiple thereof," "in any integral multiple of $1,000," "in principal amounts of $1,000 and integral multiples thereof" or words of like import contained in the Indenture are hereby deleted in their entirety and replaced with "only in denominations of $1.00 of principal amount and any integral multiple thereof," "in any integral multiple of $1.00" and "in principal amounts of $1.00 and integral multiples thereof", as applicable.

ARTICLE III

MISCELLANEOUS PROVISIONS

Section 3.1 Ratification and Effect. Except as amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. Upon and after the execution of this Supplemental Indenture, each reference in the Indenture to "this Indenture", "hereunder", "hereof" or words of like import referring to the Indenture shall mean and be a reference to the Indenture as modified hereby.

Section 3.2 **Severability.** In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 3.3 **Effect of Headings.** The Article and Section headings used herein are for convenience only and shall not affect the construction of this Supplemental Indenture.

Section 3.4 **Governing Law.** THIS SUPPLEMENTAL INDENTURE AND THE NOTES WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. Each of the parties hereto agrees to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of, or relating to, this Supplemental Indenture or the Notes.

Section 3.5 **Counterparts.** The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent one and the same agreement.

Section 3.6 **Successors.** All agreements of the Company, the Parent and the Trustee in this Supplemental Indenture shall bind their respective successors.

(THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the day and year written above.

HARRAH'S OPERATING COMPANY, INC.

By: /s/ Jonathan S. Halkyard
Name: Jonathan S. Halkyard
Title: Senior Vice President, Chief Financial Officer and Treasurer

HARRAH'S ENTERTAINMENT, INC.

By: /s/ Jonathan S. Halkyard
Name: Jonathan S. Halkyard
Title: Senior Vice President, Chief Financial Officer and Treasurer

U.S. BANK, N.A., as Trustee

By: /s/ Raymond S. Haverstock
Name: Raymond S. Haverstock
Title: Vice President

Exhibit 10.41

HARRAH'S ENTERTAINMENT, INC.
AMENDED AND RESTATED
EXECUTIVE DEFERRED COMPENSATION
TRUST AGREEMENT

HARRAH'S ENTERTAINMENT, INC.
AMENDED AND RESTATED
EXECUTIVE DEFERRED COMPENSATION
TRUST AGREEMENT

THIS AMENDED AND RESTATED TRUST AGREEMENT is made by and between Harrah's Entertainment, Inc. (the "Company") and Wells Fargo Bank, N.A. (the "Trustee").

WHEREAS, the Company has adopted the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan and the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II (collectively, the "ESSPs"), both nonqualified deferred compensation plans for the benefit of certain executives;

WHEREAS, the Company also sponsors the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan (the "EDCP") and the Harrah's Entertainment, Inc. Deferred Compensation Plan (the "DCP"), nonqualified deferred compensation plans for the benefit of certain executives and directors;

WHEREAS, the Company has entered into an Escrow Agreement dated February 6, 1990, as amended, pursuant to which the Company may maintain a source of funds to assist it in meeting its liabilities under the EDCP and the portion of its liabilities under the DCP that relates to DCP account balances of individuals who participate in both the EDCP and the DCP (the "Escrow Agreement");

WHEREAS, the Company expects to incur liabilities with respect to individuals participating in the ESSPs and the Company has incurred certain liabilities in connection with the DCP for which it has no source of funds other than the general assets of the Company;

WHEREAS, the Company has established a trust (the "Harrah's Trust") and has made contributions to the Harrah's Trust to provide a source of funds to assist the Company in meeting its liabilities under the ESSPs and its liabilities under the portion of the DCP that is not subject to funding through the Escrow Agreement;

WHEREAS, the Company acquired Caesars Entertainment, Inc., a Delaware corporation ("Caesars") through a merger of Caesars with and into Harrah's Operating Company, Inc. ("HOC"), a Delaware corporation and a wholly-owned subsidiary of the Company, according to the Agreement and Plan of Merger dated as of July 14, 2004, by and among the Company, HOC and Caesars, with HOC as the surviving entity;

WHEREAS, HOC, as the successor to Caesars, maintains a trust (the "Caesars Trust") in order to provide HOC with a source of funds to assist it in satisfying its liabilities under the following plans maintained by HOC as the successor to Caesars: the Caesars Entertainment Executive Deferred Compensation Plan and the Caesars World, Inc. Executive Security Plan (the "Caesars Plans," and collectively with the ESSPs and the DCP, the "Plans");

WHEREAS, the Caesars Trust is being merged with and into the Harrah's Trust according to the Agreement and Plan of Merger of Trusts by and among the Company, the Trustee, HOC, Caesars and Wachovia Bank, N.A., the trustee of the Caesars Trust, contemporaneously with the effective date of this amendment and restatement;

WHEREAS, the Company wishes to contribute to the Harrah's Trust assets that shall be held therein subject to the claims of the Company's Insolvency, as herein defined, until paid to the Plan participants and their beneficiaries in such manner and at such times as specified in the Plans, as applicable;

WHEREAS, it is the intention of the parties that this Trust Agreement shall constitute an unfunded arrangement and shall not affect the status of any Plan as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974 ("Act").

NOW, THEREFORE, the parties now desire to have this Trust Agreement amend and restate the Harrah's Trust in its entirety and supersede the Harrah's Trust in all respects as of the effective date set forth in Section 14.1 hereof and agree that the Harrah's Trust shall be amended and restated (as amended and restated, the "Trust") as follows:

ARTICLE ONE
ESTABLISHMENT OF TRUST

1.1 The Company hereby deposits with the Trustee in trust ten dollars ($10.00), which, together with subsequent contributions made or to be made by the Company, constitute the principal of the Trust to be held, administered and disposed of by the Trustee in accordance with the terms of the Plan and as provided in this Trust Agreement.

1.2 The Trust hereby established shall be irrevocable.

1.3 The Trust is intended to be a grantor trust, of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

1.4 The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes of the participants in the Caesars Plans, the participants in the ESSPs and the participants in the DCP whose DCP benefits are not subject to the Escrow Agreement (collectively, the "Plan Participants") and the general creditors of the Company, as set forth herein. Plan Participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plans and this Trust Agreement shall be mere unsecured contractual rights of participants and their beneficiaries against the Company. Any assets held by the Trust will be subject to the claims of the Company's general creditors under federal and state law in the event of Insolvency, as defined in Section 3.1 herein.

1.5 The Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property in trust with the Trustee to augment the principal to be held, administered and disposed of by the Trustee as provided in the Plans and this Trust Agreement. Neither the Trustee nor any Plan Participant or beneficiary shall have any right to compel such additional deposits.

1.6 Upon a "Change of Control" (as defined in the ESSPs and the DCP), the Company shall, as soon as possible, but in no event longer than 90 days following the Change of Control, make an irrevocable contribution to the Trust in an amount that is sufficient to pay each Plan Participant or beneficiary the benefits to which Plan Participants or their beneficiaries would be entitled pursuant to the terms of the Plans as of the date on which the Change of Control occurred.

ARTICLE TWO
PAYMENTS TO PLAN PARTICIPANTS
AND THEIR BENEFICIARIES

2.1 The entitlement of a Plan Participant or his or her beneficiaries to benefits under each Plan shall be determined by the Company or such party as it shall designate under such Plan, and any claim for such benefits shall be considered and reviewed under the procedures set out in that Plan. No provision in this Trust Agreement shall be construed as affording to a participant under any Plan rights or privileges available under any other Plan. The rights and entitlements of each Plan Participant or beneficiary shall be determined in accordance with each Plan.

2.2 The Company may direct the Trustee to make payment of benefits to Plan Participants or beneficiaries as they become due under the terms of the Plans. Alternatively, the Company may make payment of benefits directly to Plan Participants or beneficiaries. If the Company elects to make benefit payments directly to the Plan Participants or beneficiaries, the Company shall notify the Trustee of such election prior to the time amounts become payable to Plan Participants or their beneficiaries under the terms of the Plans.

2.3 The Company or a consultant designated by the Company shall provide to the Trustee, at least annually, a schedule showing the account balances of each Plan Participant or beneficiary, the vesting percentage applicable to each account balance and the entitlement of each Plan Participant or beneficiary to a current or future payment under the Plans (the "Payment Schedule"). If a Plan Participant or his beneficiary shall make a request for payment from the Trustee, the Trustee shall obtain from the Company its written authorization to make such payment and from the Company or its designated consultant an updated Payment Schedule that specifically reflects the amount currently payable to any Plan Participant or beneficiary who has requested payment from the Trustee, the form in which such amount is to be paid (as provided for or available under the Plans), and the time of commencement for payment of such amount. Except as otherwise provided herein, the Trustee shall make payments to the Plan Participants and their beneficiaries in accordance with the appropriate Payment Schedule. There shall be no liability on the part of the Trustee with respect to any payment made in accordance with the terms of this Trust Agreement and the most recent Payment Schedule in the possession of the Trustee and at the direction of the Company. At the direction of the Company, the Trustee shall withhold any federal, state or local taxes required to be withheld on benefits paid under the Plans and shall pay amounts withheld to the Company for remittance to the appropriate taxing authorities. The Company shall indemnify and hold harmless the Trustee from any and all liability to which the Trustee may become subject due to the Company's failure to properly withhold and remit taxes (including FICA) due to the appropriate taxing authorities.

2.4 If the Company provides the Trustee written notification of its intention to cease payment of benefits to Plan Participants and beneficiaries, or to make no future contributions to the Trust, the Trustee shall immediately obtain from the designated consultant, or, if deemed necessary by the Trustee, an actuary selected by the Trustee, an updated Payment Schedule in order to determine the funding status of the Trust. The funding status (the "funding ratio") shall be determined by dividing the then current market value of the Trust assets by the total account balances of the Plan Participants or beneficiaries reflected on the Payment Schedule, without regard to whether the accounts are fully vested. If the funding ratio is less than one (1), all future benefit payments shall not exceed the maximum lump-sum or installment payment due to Plan Participants or beneficiaries, multiplied by the funding ratio.

2.5 The designated consultant, or, if deemed necessary by the Trustee, an actuary selected by the Trustee, will calculate and record the difference between the amount paid to the Plan Participant or beneficiary and the scheduled benefit payment according to the Plan, which shall be referred to as the "overdue payment." The overdue payment may be made by the Trustee to the affected Plan Participants or their beneficiaries only at such time as the value of the total assets of the Trust is sufficient to support a funding ratio of at least one (1) and to fund the overdue payments. The Company may make payment of any overdue payment directly to a Plan Participant or beneficiary and will provide written notification to its designated consultant or to the Trustee that it has done so.

ARTICLE THREE
TRUSTEE RESPONSIBILITY REGARDING PAYMENTS
TO TRUST BENEFICIARY WHEN COMPANY IS INSOLVENT

3.1 The Trustee shall cease paying for benefits to Plan Participants and their beneficiaries if the Company is Insolvent. The Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

3.2 At all times during the continuance of this Trust, as provided in Section 1.4 hereof, the principal and income of the Trust shall be subject to claims of general creditors of the Company under federal and state law as set forth below.

(a) The Board of Directors and the Chief Executive Officer of the Company shall have the duty to inform the Trustee in writing of the Company's Insolvency. If a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall determine whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payment of benefits to Plan Participants or their beneficiaries.

(b) Unless the Trustee has actual knowledge of the Company's Insolvency, or has received notice from the Company or a person claiming to be a creditor alleging that the Company is Insolvent, the Trustee shall have no duty to inquire whether the Company is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's solvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning the Company's solvency.

(c) If at any time the Trustee has determined that the Company is Insolvent, the Trustee shall discontinue payments to Plan Participants or their beneficiaries and shall hold the assets of the Trust for the benefit of the Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Plan Participants or their beneficiaries to pursue their rights as general creditors of the Company with respect to benefits due under the Plans or otherwise.

(d) The Trustee shall resume the payment of benefits to Plan Participants or their beneficiaries in accordance with Article Two of this Trust Agreement only after the Trustee has been directed that the Company is not Insolvent (or is no longer Insolvent).

3.3 Provided that there are sufficient assets, if the Trustee discontinues the payment of benefits from the Trust pursuant to Section 3.2 and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Plan Participants or their beneficiaries under the terms of the Plans for the period of such discontinuance, less the aggregate amount of any payments made to Plan Participants or their beneficiaries by the Company in lieu of the payments provided for hereunder during any such period of discontinuance.

ARTICLE FOUR
PAYMENTS TO THE COMPANY

4.1 Except as provided in Article Three above and as set forth below in this Article Four, the Company shall have no right or power to direct the Trustee to return to the Company or to divert to others any of the Trust assets before all payment of benefits have been made to Plan Participants and their beneficiaries pursuant to the terms of the Plans.

4.2 In the event that the Trust shall hold “Excess Assets” (as that term is defined in Section 4.3 below), the committee designated by the Company to carry out the administrative duties of the Company under the Plans (the “Committee”), in its discretion, may direct the Trustee to return part or all of such Excess Assets to the Company.

4.3 “Excess Assets” are assets of the Trust which exceed one hundred twenty percent (120%) of the amounts necessary to pay each Plan Participant or beneficiary the benefits to which such Plan Participants or their beneficiaries are entitled pursuant to the terms of the Plans as of the date the Committee requests that any Excess Assets be returned to the Company, regardless of whether such benefits are vested or payable as of the date the Committee makes its request for Excess Assets. Notwithstanding Section 4.2 and the preceding sentence of this Section 4.3, for a period of six (6) months following the merger of the Caesars Trust with and into the Harrah’s Trust and the effective date set forth in Section 14.1 hereof, the Committee, in its discretion, may direct the Trustee to return part or all of the Trust assets which exceed one hundred percent (100%) of the amounts (net of taxes) necessary to pay each Plan Participant or beneficiary the benefits to which such Plan Participants or their beneficiaries are entitled pursuant to the terms of the Plans as of the date the Committee requests that any such assets be returned to the Company, regardless of whether such benefits are vested or payable as of the date the Committee makes its request for such assets.

4.4 The calculations required by Section 4.3 shall be made by the Company’s designated consultant or, if deemed necessary by the Trustee, an actuary selected by the Trustee. If the Trustee so requests, the Company or its designated consultant shall provide to the Trustee an updated Payment Schedule in connection with the calculations performed in accordance with Section 4.3.

4.5 Any Excess Assets returned to the Company pursuant to this Article Four shall be returned to the Company in any order of priority directed by the Committee.

ARTICLE FIVE
INVESTMENT AUTHORITY

5.1 All administrative rights associated with the assets of the Trust shall be exercised by the Trustee or the person designated by the Trustee, and shall in no event be exercisable or rest with Plan Participants, except that voting rights with respect to the Trust assets will be exercised by the Company.

5.2 The Company shall have the right at anytime, and from time to time, in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by the Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity.

5.3 In the administration of the Trust, the Trustee shall have the following powers; however, all powers regarding the investment of the Trust shall be exercised solely pursuant to direction from the Company or its delegated agent or, if applicable, an investment manager, unless the Trustee has been properly delegated investment authority. No enumeration of specific powers herein shall be construed as a limitation on the general powers of the Trustee. The powers of the Trustee include, but are not limited to, the following:

(a) To hold, as an investment of the Trust, life insurance policies owned by the Company and issued on the lives of current or former employees of the Company, in accordance with the provisions of Article Eight of this Trust Agreement;

(b) To invest in securities (including stock and rights to acquire stock) or obligations issued by the Company;

(c) To invest and reinvest in bonds, notes, debentures, stocks (common or preferred), interests in investment companies (whether "open-end mutual funds" or "closed-end mutual funds"), including shares of any investment company, whether or not the Trustee or any of its affiliates provides investment advice or other services to such company and receives compensation for the services provided, options to acquire or sell securities (including "covered call options"), commercial paper, bank repurchase agreements, individual and group annuity contracts, deposit administration contracts, life insurance company separate accounts and pooled investment funds, mortgages, leaseholds, fee interests, personal, corporate and governmental obligations;

(d) To pledge or mortgage, assign, lease, contract to lease, grant and trade options to purchase, sell for cash or on credit at a private or public sale, convert, redeem, exchange for other securities or other property in which the Trust may be invested under this Trust Agreement or otherwise dispose of any securities or other property at any time held by the Trustee except as otherwise provided by the Plans; no person dealing with the Trustee shall be bound to see to the application or to inquire into the validity, expediency or propriety of such sale or other disposition;

(e) To retain in cash so much of the Trust as the Trustee deems advisable and to deposit any such cash held in the Trust in banking accounts, including banking accounts of the Trustee, without liability for interest, for a period of time as necessary, notwithstanding that the Trustee or an affiliate of the Trustee may benefit directly or indirectly from such uninvested amounts. It is acknowledged that the Trustee's handling of such amounts is consistent with usual and customary banking and fiduciary practices, and any earnings realized by the Trustee or its affiliates will be compensation for its bank services in addition to its regular fees;

(f) To settle, compromise, contest or submit to arbitration any claims, debts or damages due or owing to or from the Trust, to commence or defend suits or legal proceedings, and to represent the Trust in all suits or legal proceedings;

(g) As directed by the Company, to exercise any conversion privilege or subscription right available in connection with any securities or property at any time held by the Trustee, to consent to the reorganization, consolidation, merger or readjustment of the finances of any corporation, company or association, or to the sale, mortgage, pledge or lease of the property of any corporation, company or association, any of the securities of which may at any time be held by the Trustee; and to do any acts with reference thereto, including the exercise of options, making of agreements or subscriptions, and the payment of expenses, assessments or subscriptions, which may be deemed to be necessary or advisable in connection therewith, and to hold and retain any securities or other property which the Trustee may so acquire;

(h) As directed by the Company, to vote any corporate stock belonging to the Trust and to give proxies or general or limited powers of attorney for the purpose of such voting to other persons, with or without power of substitution;

(i) To borrow money, assume indebtedness, extend mortgages and encumber by mortgage or pledge upon such terms and conditions as may be deemed advisable;

(j) To collect the income, rents, issues, profits and increases of the Trust through such means as are deemed advisable;

(k) To invest all or part of the Trust in interest-bearing deposits with the Trustee or another bank or other federally-insured institution at a reasonable rate of interest, including but not limited to investment in time deposits, savings deposits, certificates of deposit or time accounts;

(l) To consult with legal counsel (who may also be counsel for the Company generally) with respect to any of its duties or obligations hereunder, and the Trustee may employ agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties and obligations hereunder. The Company shall pay their reasonable compensation and expenses for services by such individuals or entities and if the Company does not pay such expenses in a reasonably timely manner, the Trustee may obtain payment from the Trust.

(m) To cause any of the investments of the Trust to be registered in the name of the Trustee or in the name of its nominee, and any corporation or its transfer agent may presume conclusively that such nominee is the actual owner of any investments submitted for transfer; to make, execute and deliver as Trustee any and all instruments, advances, contracts, waivers, releases or other instruments in writing necessary or proper in the employment of any of the foregoing powers;

(n) To retain any funds or property subject to dispute without liability for the payment of interest, and to decline to make payment or delivery thereof until final adjudication is made by a court of competent jurisdiction; and

(o) To file all tax and other returns and reports required of the Trustee.

5.4 The Trustee, in investing and reinvesting the assets of the Trust, shall be subject to the investment directions issued by the Company (or its designee) in accordance with the terms and provisions of the Plans. No discretionary investment power shall be exercised by the Trustee under this Trust Agreement except upon written acceptance by the Trustee of these responsibilities. Neither the Trustee nor any other person shall be under any duty to question any such direction of the Company or to review any securities or other property acquired or held pursuant to the Company's directions or to make any suggestions to the Company in connection therewith; and the Trustee shall as promptly as possible comply with any directions given by the Company hereunder. The Trustee shall not be liable, to the extent permitted by law, for compliance with any such directions. The Company may delegate its investment discretion under this Section to the Trustee, and upon written acceptance, the Trustee shall exercise the investment discretion. Any such delegation shall be set forth in the Plans or be made by a written instrument delivered to the Trustee and signed by the Company and the Trustee. All directions of the Company to the Trustee shall be in writing signed by the Company or by such other person as it shall authorize in writing so to act. Notwithstanding any provision of the this Trust Agreement to the contrary, the Company hereby agrees to indemnify the Trustee and to hold the Trustee harmless from and against any claim or liability which may be asserted against the Trustee by reason of the Trustee acting on any direction from the Company pursuant to this Section or failing to act in the absence of any such direction.

5.5 The Company may designate an investment manager to direct the Trustee regarding the management, acquisition and distribution of all or a part of the assets of the Trust. Any such investment manager shall be registered as an investment adviser under the Investment Advisers Act of 1940, or shall be a bank, or shall be an insurance company qualified to perform investment management services under the laws of the State of Delaware and shall have acknowledged in writing that he or it is a fiduciary with respect to the Trust. In the event an investment manager is appointed, the Company shall deliver to the Trustee a copy of the instruments appointing the investment manager and evidencing the investment manager's acceptance of such appointment. The Trustee shall follow the written directions of the investment manager regarding the investment and reinvestment of the Trust or such portion thereof as shall be under management by the investment manager and shall exercise to such extent all powers set forth in Section 5.3 as directed by the investment manager until notified in writing by the Company that the appointment of the investment manager has been terminated. The Trustee shall be under no duty or obligation to review any investments to be acquired, held or disposed of pursuant to such directions, nor to make any recommendations with respect to the disposition or continued retention of any such investment or the exercise or non-exercise of any of the powers enumerated in Section 5.3. The Trustee shall have no liability or responsibility for acting pursuant to the directions of, or for failing to act in the absence of any directions from, the investment manager. The Company hereby agrees to indemnify the Trustee and hold the Trustee harmless from and against any claim or liability which may be asserted against the Trustee by reason of the Trustee's acting on any direction from an investment manager pursuant to this Section or failing to act in the absence of any such direction.

ARTICLE SIX
DISPOSITION OF INCOME

6.1 During the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested.

ARTICLE SEVEN
ACCOUNTING BY THE TRUSTEE

7.1 The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between the Company and the Trustee. Within 60 days following the close of each plan year and within 60 days after the removal or resignation of the Trustee, the Trustee shall deliver to the Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding plan year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such plan year or as of the date of such removal or resignation, as the case may be.

ARTICLE EIGHT
RESPONSIBILITY OF THE TRUSTEE

8.1 The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by the Company that is contemplated by, and in conformity with, the terms of this Trust and is given in writing by the Company. The Company shall indemnify and hold harmless the Trustee, its officers, employees and agents from and against all liabilities, losses and claims (including reasonable attorneys' fees and costs of defense) for actions taken or omitted by the Trustee in accordance with the terms of this Trust, unless the Trustee has violated the Act or any other applicable law or has been negligent or has engaged in willful misconduct or has acted in bad faith. In the event of a dispute between the Company and a party, the Trustee may apply to a court of competent jurisdiction to resolve the dispute.

8.2 The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law, unless expressly provided otherwise herein, provided, however, that if an insurance policy is held as an asset of the Trust, the Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy other than to a successor Trustee or to an insurance carrier to effect a tax-free exchange of policies under Section 1035 of the Code, or to loan to any person the proceeds of any borrowing against such policy. The Trustee shall have the right to effect a voluntary conversion of the policy to a different form. The Trustee shall not be liable for the failure or omission of any insurance company for any reason to pay any benefits or furnish any services under the policies or contracts.

8.3 However, notwithstanding the provisions of Section 8.2 above, the Trustee may loan to the Company the proceeds of any borrowing against an insurance policy held as an asset of the Trust.

8.4 Notwithstanding any powers granted to Trustee pursuant to this Trust Agreement or to applicable law, the Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

ARTICLE NINE
COMPENSATION AND EXPENSES OF THE TRUSTEE

9.1 The Trustee shall be entitled to reasonable compensation for the services it renders under this Trust. The Company shall pay all fees and expenses associated with the administration of the Trust including the Trustee's fees and expenses. If not so paid, the fees and expenses shall be paid from the Trust.

ARTICLE TEN
RESIGNATION AND REMOVAL OF THE TRUSTEE

10.1 The Trustee may resign at any time by written notice to the Company, which shall be effective 30 days after receipt of such notice unless the Company and the Trustee agree otherwise.

10.2 The Trustee may be removed by the Company on 30 days notice or upon shorter notice accepted by the Trustee.

10.3 Upon resignation or removal of the Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within 30 days after receipt of all information reasonably required by the Trustee to transfer assets to the successor Trustee, unless the Company extends the time limit.

10.4 If the Trustee resigns or is removed, a successor shall be appointed, in accordance with Article Eleven hereof, by the effective date of resignation or removal under Section 10.1. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

ARTICLE ELEVEN
APPOINTMENT OF SUCCESSOR

11.1 If the Trustee resigns or is removed in accordance with Section 10.1 hereof, the Company may appoint any third party, such as a bank trust department or other party that may be granted corporate trustee powers under state law, as a successor to replace the Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer.

11.2 The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Articles Seven and Eight hereof. The successor Trustee shall not be responsible for and the Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes the successor Trustee.

ARTICLE TWELVE
AMENDMENT OR TERMINATION

12.1 This Trust Agreement may be amended by a written instrument executed by the Trustee and the Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plans or shall make the Trust revocable. In the event of a conflict between an amendment to this Trust Agreement and the Plans, the Plans shall control and there shall be no liability on the part of the Trustee resulting from its execution of an amendment the terms of which conflict with the Plans.

12.2 The Trust shall not terminate until the date on which participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Plans. Upon termination of the Trust any assets remaining in the Trust shall be returned to the Company.

12.3 Upon written approval of participants or beneficiaries entitled to payment of benefits pursuant to the terms of the Plans, the Company may terminate this Trust prior to the time all benefit payments owed to Plan Participants and beneficiaries under the Plans have been made. All assets in the Trust at termination shall be returned to the Company.

ARTICLE THIRTEEN
MISCELLANEOUS

13.1 Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

13.2 Benefits payable to the Plan Participants and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

13.3 This Trust Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

ARTICLE FOURTEEN
EFFECTIVE DATE

14.1 The effective date of this Amended and Restated Trust Agreement shall be January 11, 2006.

IN WITNESS WHEREOF, the Company and the Trustee have caused this Trust Agreement to be executed by their duly authorized representatives on the 11th day of January, 2006.

HARRAH'S ENTERTAINMENT, INC.

By: /s/ Charles L. Atwood
Its: Sr. VP and CFO

WELLS FARGO BANK, N.A.

By: /s/ Gaye Borden
Its: VP, Investment Trust Services

Exhibit 10.42

AMENDMENT TO THE
HARRAH'S ENTERTAINMENT, INC.
AMENDED AND RESTATED
EXECUTIVE DEFERRED COMPENSATION
TRUST AGREEMENT

THIS AMENDMENT TO THE AMENDED AND RESTATED TRUST AGREEMENT is made by and between Harrah's Entertainment, Inc. (the "Company") and Wells Fargo Bank, N.A. (the "Trustee").

WHEREAS, the Company maintains the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan, as amended, and the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II, as amended (collectively, the "ESSPs"), each of which is a nonqualified deferred compensation plan for the benefit of certain executives;

WHEREAS, the Company also maintains the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan, as amended (the "EDCP"), and the Harrah's Entertainment, Inc. Deferred Compensation Plan, as amended (the "DCP"), each of which is a nonqualified deferred compensation plan for the benefit of certain executive and directors;

WHEREAS, the Company has entered into an Escrow Agreement dated February 6, 1990, as amended, pursuant to which the Company may maintain a source of funds to assist it in meeting its liabilities under the EDCP and the portion of its liabilities under the DCP that relates to DCP account balances of individuals who participate in both the EDCP and the DCP (the "Escrow Agreement");

WHEREAS, the Company has established a trust (the "Harrah's Trust") and has made contributions to the Harrah's Trust to provide a source of funds to assist the Company in meeting its liabilities under the ESSPs and its liabilities under the portion of the DCP that is not subject to funding through the Escrow Agreement;

WHEREAS, the Company acquired Caesars Entertainment, Inc. a Delaware corporation ("Ceasars"), through a merger of Caesars with and into Harrah's Operating Company, Inc. ("HOC"), a Delaware corporation and a wholly-owned subsidiary of the Company, according to the Agreement and Plan of Merger, dated as of July 14, 2004, by and among the Company, HOC and Caesars, with HOC as the surviving entity;

WHEREAS, HOC, as the successor to Caesars, previously maintained a trust (the "Caesars Trust") in order to provide HOC with a source of funds to assist it in satisfying its liabilities under the following plans maintained by HOC as the successor to Caesars: the Caesars Entertainment Executive Deferred Compensation Plan and the Caesars World, Inc. Executive Security Plan (the "Caesars Plans" and, collectively with the ESSPs and the portion of the DCP that relates to DCP account balances of individuals who do not participate in both the EDCP and the DCP, the "Plans");

WHEREAS, the Company and the Trustee entered into the Harrah's Entertainment, Inc. Amended and Restated Executive Deferred Compensation Trust Agreement, dated as of January 11, 2006 (the "Trust Agreement");

WHEREAS, the Caesars Trust was merged with and into the Harrah's Trust, effective as of January 12, 2006;

WHEREAS, it is the intention of the parties that the Trust Agreement shall constitute an unfunded arrangement and shall not affect the status of any Plan as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974 ("Act");

WHEREAS, the Company has entered into the Agreement and Plan of Merger, dated as of December 19, 2006, by and among Hamlet Holding LLC, Hamlet Merger Inc., and Harrah's Entertainment, Inc. (the "Merger Agreement"), pursuant to which Hamlet Merger Inc. will merge with and into the Company (the "Merger") upon the terms and conditions of the Merger Agreement;

WHEREAS, the Company and the Trustee desire to amend the Trust Agreement to provide for the establishment of subaccounts under the Trust, effective as of the Merger.

NOW, THEREFORE, the parties hereby amend the Trust Agreement, effective as of January 28, 2008, as follows:

1. Section 2.2 is hereby amended to read in its entirety as follows:

2.2 Subject to Article Fourteen, the Company may direct the Trustee to make payment of benefits to Plan Participants or beneficiaries as they become due under the terms of the Plans. Alternatively, the Company may make payment of benefits directly to Plan Participants or beneficiaries. If the Company elects to make benefit payments directly to the Plan Participants or beneficiaries, the Company shall notify the Trustee of such election prior to the time amounts become payable to Plan Participants or their beneficiaries under the terms of the Plans.

2. Section 4.1 is hereby amended to read in its entirety as follows:

4.1 Except as provided in Articles Two and Three above and as set forth below in this Article Four, the Company shall have no right or power to direct the Trustee to return to the Company or to divert to others any of the Trust assets before all payment or benefits have been made to Plan Participants and their beneficiaries pursuant to the terms of the Plans.

3. Section 4.4 is hereby amended to read in its entirety as follows:

4.4 The calculations required by Section 4.3 or 4.6 shall be made by the Company's designated consultant or, if deemed necessary by the Trustee, an actuary selected by the Trustee. If the Trustee so requests, the Company or its designated consultant shall provide to the Trustee an updated Payment Schedule in connection with the calculations performed in accordance with Section 4.3 or 4.6.

4. Article Four is hereby amended to add the following new Section 4.6 at the end thereof:

4.6 Notwithstanding Section 4.2, in no event shall the Trustee return all or any part of the assets allocated to the Pre-Merger Subtrust to the Company pursuant to Section 4.2, unless the Pre-Merger Subtrust funding ratio, determined immediately following the return of assets allocated to the Pre-Merger Subtrust to the Company, is not less than one hundred and twenty percent (120%).

5. Article Six is hereby amended by adding the following new Section 6.2 at the end thereof:

6.2 During the term of this Trust, all income received by the Trust that is allocable to the assets of each Subtrust, net of expenses and taxes allocable to such income, shall be accumulated and reinvested and allocated to such Subtrust.

6. Article Seven is hereby amended by adding the following new Section 7.2 at the end thereof:

7.2 The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made with respect to each Subtrust, including such specific records as shall be agreed upon in writing between the Company and the Trustee. Within 60 days following the close of each plan year and within 60 days after the removal or resignation of the Trustee, the Trustee shall deliver to the Company a written account of its administration of each Subtrust during such year or during the period from the close of the last preceding plan year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by the Trustee with respect to each Subtrust, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in such Subtrust at the end of such plan year or as of the date of such removal or resignation, as the case may be.

7. Section 12.1 is hereby amended to read in its entirety as follows:

12.1 This Trust Agreement may be amended by a written instrument executed by the Trustee and the Company. Notwithstanding the foregoing, no such amendment shall (a) conflict with the terms of the Plans, (b) make the Trust revocable, (c) amend Section 4.6 or 6.2, or (d) amend Article Fourteen to permit the payment of any benefit payments (or portions thereof) attributable to the Post-Merger Subaccounts of the accounts of Plan Participants or beneficiaries in the Plans from the Pre-Merger Subtrust. In the event of a conflict between an amendment to this Trust Agreement and the Plans, the Plans shall control and there shall be no liability on the part of the Trustee resulting form its execution of an amendment the terms of which conflict with the Plans.

8. Article Fourteen shall be redesignated Article Fifteen and Section 14.1 shall be redesignated Section 15.

9. The following new Article Fourteen shall be added following Article Thirteen:

ARTICLE FOURTEEN
SUBTRUSTS

14.1 Effective as of the Merger (as defined below), a subaccount (the "Pre-Merger Subtrust") shall be established under the Trust, and all of the assets held in the Trust as of the effective time of the Merger shall be allocated to the Pre-Merger Subtrust. The Pre-Merger Subtrust shall be maintained as part of the Trust and the assets allocated thereto shall be held by the Trustee in accordance with the terms and conditions of the Trust Agreement.

14.2 Effective as of the Merger, a subaccount (the "Post-Merger Subtrust") shall be established under the Trust, and none of the assets held in the Trust as of the effective time of the Merger shall be allocated to the Post-Merger Subtrust. The Post-Merger Subtrust shall be maintained as part of the Trust and the assets allocated thereto shall be held by the Trustee in accordance with the terms and conditions of the Trust Agreement.

14.3 Any contributions made by the Company to the Trust in accordance with Section 1.6 shall be allocated to the Pre-Merger Subtrust.

14.4 Any contributions made by the Company to the Trust under Section 1.5 on or after the Merger shall be allocated to the Pre-Merger Subtrust or the Post-Merger Subtrust, as specified in a written direction of the Company to the Trustee.

14.5 The Company may direct the Trustee to make payment of benefits from the Pre-Merger Subtrust to a Plan Participant or beneficiary as such benefit payments become due under the terms of the Plans. Except as provided in Section 3.2, the Trustee shall make such benefit payments (or portions thereof) only to the extent such benefit payments (or portions thereof) are attributable to the Pre-Merger Subaccounts (as defined below) of such Plan Participant's or beneficiary's accounts in the Plans. In no event shall the Trustee make such benefit payments (or portions thereof) from the Pre-Merger Subtrust to the extent that such benefit payments (or portions thereof) are attributable to the Post-Merger Subaccounts of such Plan Participant's or beneficiary's accounts in the Plans, except as provided in Section 3.2.

14.6 The Company may direct the Trustee to make payment of benefits from the Post-Merger Subtrust to a Plan Participant or beneficiary as such benefit payments become due under the terms of the Plans.

14.7 The Company establish and maintain two subaccounts (a "Pre-Merger Subaccount" and a "Post-Merger Subaccount" and, collectively, the "Subaccounts") for each of the Plan accounts of a Participant or beneficiary in accordance with this Section 14.7. Such Subaccounts shall comprise portions of a Participant's or beneficiary's Plan account and shall be maintained for purposes of accounting for the Trust assets and determining the Plan benefit payments to be made from the Subtrust under the Trust.

(a) The Company shall establish and maintain a Pre-Merger Subaccount under each of the Plan accounts of a Participant or beneficiary. Effective as of the Merger under the terms of the applicable Plan, the balance in such Plan account (determined without regard to the vested interest of such Participant or beneficiary) shall be credited to the Pre-Merger Subaccount in such Plan account. All deferrals and contributions credited to such Plan account on or before the Merger under the terms of the applicable Plan shall be credited to such Pre-Merger Subaccount. No deferrals or contributions credited to the Plan account after the Merger under the terms of the applicable Plan shall be credited to such Pre-Merger Subaccount. Such Pre-Merger Subaccount shall be adjusted to reflect investment gains and losses attributable to the portion of the Plan account allocable to such Pre-Merger Subaccount, and shall be debited to reflect distributions and forfeitures of the Plan benefits attributable to the portion of the Plan account allocable to such Pre-Merger Subaccount.

(b) The Company shall establish and maintain a Post-Merger Subaccount under each of the Plan accounts of a Participant or beneficiary. No deferrals or contributions credited to the Plan account on or before the Merger under the terms of the applicable Plan shall be credited to such Post-Merger Subaccount. All deferrals and contributions credited to such Plan account after the Merger under the terms of the applicable Plan shall be credited to such Post-Merger Subaccount. Such Post-Merger Subaccount shall be adjusted to reflect investment gains and losses attributable to the portion of the Plan Account allocable to such Post-Merger Subaccount, and shall be debited to reflect distributions and forfeitures of Plan benefits attributable to the portion of the Plan Account allocable to such Post-Merger Subaccount.

14.8 For purposes of this Article, the "Merger" shall mean the merger of Hamlet Merger Inc. with and into the Company pursuant to the Agreement and Plan of Merger, dates as of December 19, 2006, by and among Hamlet Holdings LLC, Hamlet Merger Inc. and Harrah's Entertainment, Inc.

14.9 The Company or a consultant designated by the Company shall provide the Trustee with schedules showing the balances in the Subaccounts of a Participant's or beneficiary's Plan accounts as follows.

(a) The Company or a consultant designated by the Company shall provide to the Trustee, at least annually, as part of the Payment Schedule provided in accordance with Section 2.3, a schedule showing the balances of the Subaccounts in the Plan accounts of each Plan Participant or beneficiary. If a Plan Participant or his beneficiary shall make a request for payment from the Trustee in accordance with Section 2.3, the updated Payment Schedule provided by the Company or its designated consultant in accordance with Section 2.3 shall specifically reflect the amounts currently payable from such Subaccounts. Except as otherwise provided herein, the Trustee shall make payments to the Plan Participants and their beneficiaries in accordance with the appropriate Payment Schedule and the schedules showing the balances in the Subaccounts in the Plan accounts of the Plan participants and beneficiaries.

(b) If the Company provides the Trustee written notification of its intention to cease payment of benefits to Plan Participants and beneficiaries, or to make no future contributions to the Trust, in accordance with Section 2.4, the Trustee shall immediately obtain from the designated consultant, or, if deemed necessary by the Trustee, an actuary selected by the Trustee, as part of the updated Payment Schedule in accordance with Section 2.4, an updated schedule showing the balances of the Subaccounts in the Plan accounts of each Plan Participant or beneficiary in order to determine the funding status of the Pre-Merger Subtrust and the Post-Merger Subtrust. The funding status of the Pre-Merger Subtrust (the "Pre-Merger Subtrust funding ratio") shall be determined by dividing the then current market value of the Trust assets allocated to the Pre-Merger Subtrust by the total of the balances in the Pre-Merger Subaccounts in the Plan accounts of the Participants or beneficiaries reflected on the Payment Schedule, without regard to whether the accounts are fully vested. If the Pre-Merger Subtrust funding ratio is less than one (1), all future benefit payments from the Pre-Merger Subtrust shall not exceed the maximum lump-sum or installment payment due to Plan Participants or beneficiaries from such Participant's or beneficiary's Pre-Merger Subaccounts, multiplied by the Pre-Merger Subtrust funding ratio. The funding status of the Post-Merger Subtrust (the "Post-Merger Subtrust funding ratio") shall be determined by dividing the then current market value of the Trust assets allocated to the Post-Merger Subtrust by the total of the balances in the Post-Merger Subaccounts in the Plan accounts of the Participants or beneficiaries reflected on the Payment Schedule, without regard to whether the accounts are fully vested. If the Post-Merger Subtrust funding ratio is less than one (1), all future benefit payments from the Post-Merger Subtrust shall not exceed the maximum lump-sum or installment payment due to Plan Participants or beneficiaries from such Participant's or beneficiary's Post-Merger Subaccounts, multiplied by the Post-Merger Subtrust funding ratio.

(c) The designated consultant, or, if deemed necessary by the Trustee, an actuary selected by the Trustee shall calculate and record the difference between the amount paid to the Plan Participant or beneficiary from the Pre-

Merger Subaccounts and the scheduled benefit payment from the Pre-Merger Subaccounts according to the applicable Plan which shall be referred to as the "Pre-Merger Subaccount overdue payment." The Pre-Merger Subaccount overdue payment may be made by the Trustee to the affected Plan Participants or their beneficiaries only at such time as the value of the total assets of the Trust allocated to the Pre-Merger Subtrust is sufficient to support a Pre-Merger Subtrust funding ratio of at least one (1) and to fund the Pre-Merger Subaccount overdue payments. The Company may make payment of any Pre-Merger Subaccount overdue payment directly to a Plan Participant or beneficiary and will provide written notification to its designated consultant or to the Trustee that it has done so.

(d) The designated consultant, or, if deemed necessary by the Trustee, an actuary selected by the Trustee shall calculate and record the difference between the amount paid to the Plan Participant or beneficiary from the Post-Merger Subaccounts and the scheduled benefit payment from the Post-Merger Subaccounts according to the applicable Plan which shall be referred to as the "Post-Merger Subaccount overdue payment." The Post-Merger Subaccount overdue payment may be made by the Trustee to the affected Plan Participants or their beneficiaries only at such time as the value of the total assets of the Trust allocated to the Post-Merger Subtrust is sufficient to support a Post-Merger Subtrust funding ratio of at least one (1) and to fund the Post-Merger Subaccount overdue payments. The Company may make payment of any Post-Merger Subaccount overdue payment directly to a Plan Participant or beneficiary and will provide written notification to its designated consultant or to the Trustee that it has done so.

10. Except as otherwise provided herein, the Trust Agreement shall remain in full force and effect in accordance with the terms thereof.

IN WITNESS WHEREOF, the Company and the Trustee have caused this Amendment to the Trust Agreement to be executed by their duly authorized representatives on the 28th day of January, 2008.

HARRAH'S ENTERTAINMENT, INC.

By: /s/ MARY H. THOMAS
Its: Senior Vice President, Human Resources

WELLS FARGO BANK N.A.

By: /s/ GAYE BORDEN
Its: Vice President, ITS

HARRAH'S ENTERTAINMENT, INC.
COMPUTATION OF RATIOS
(Unaudited)
(In millions, except ratio amounts)

	2007[a]	2006[b]	2005[c]	2004[d]	2003[e]
Return on Revenues-Continuing					
Income from continuing operations	$ 527.2	$ 523.9	$ 316.3	$ 319.3	$ 252.7
Revenues	10,825.2	9,673.9	7,010.0	4,396.8	3,808.4
Return	4.9%	5.4%	4.5%	7.3%	6.6%
Return on Average Invested Capital – Continuing					
Income from continuing operations	$ 527.2	$ 523.9	$ 316.3	$ 319.3	$ 252.7
Add: Interest expense after tax	481.3	428.6	257.2	170.6	146.0
	$ 1,008.5	$ 952.5	$ 573.5	$ 489.9	$ 398.7
Average invested capital	$20,859.6	$18,932.7	$13,032.6	$5,970.1	$4,895.4
Return	4.8%	5.0%	4.4%	8.2%	8.1%
Return on Average Invested Capital – Net Income					
Net income	$ 619.4	$ 535.8	$ 236.4	$ 367.7	$ 292.6
Add: Interest expense after tax	481.3	428.6	257.2	170.6	146.0
	$ 1,100.7	$ 964.4	$ 493.6	$ 538.3	$ 438.6
Average invested capital	$20,859.6	$19,126.3	$13,543.5	$6,719.0	$5,780.2
Return	5.3%	5.0%	3.6%	8.0%	7.6%
Return on Average Equity – Continuing					
Income from continuing operations	$ 527.2	$ 523.9	$ 316.3	$ 319.3	$ 252.7
Average equity	6,398.2	5,920.3	4,136.5	1,887.8	1,627.8
Return	8.2%	8.8%	7.6%	16.9%	15.5%
Return on Average Equity – Net Income					
Net income	$ 619.4	$ 535.8	$ 236.4	$ 367.7	$ 292.6
Average equity	6,398.2	5,920.3	4,136.5	1,887.8	1,627.8
Return	9.7%	9.1%	5.7%	19.5%	18.0%
Ratio of Earnings to Fixed Charges[f]					
Income from continuing operations before income taxes and minority interests	$ 892.5	$ 834.8	$ 554.1	$ 513.0	$ 415.4
Add:					
Fixed charges	843.4	706.6	508.6	291.8	251.6
Capitalized interest	20.4	24.3	14.1	4.1	2.4
Distributed income from equity investees	1.8	2.5	1.2	—	—
Amortization of capitalized interest	5.7	4.0	3.3	0.5	0.6
(Income)/loss from equity investments	(3.9)	(3.6)	(1.2)	0.9	0.9
Earnings as defined	$ 1,759.9	$ 1,568.6	$ 1,080.1	$ 810.3	$ 670.9
Fixed charges:					
Interest expense	$ 800.8	$ 670.5	$ 479.6	$ 269.3	$ 232.1
Interest included in rental expense	42.6	36.1	29.0	22.5	19.5
Total fixed charges	$ 843.4	$ 706.6	$ 508.6	$ 291.8	$ 251.6
Ratio of earnings to fixed charges	2.1	2.2	2.1	2.8	2.7

HARRAH'S ENTERTAINMENT, INC.
COMPUTATION OF RATIOS
(In thousands, except ratio amounts)

(a) 2007 includes $109.7 million in pretax charges for write-downs, reserves and recoveries, $13.4 million in pretax charges related to the proposed sale of the Company, and $2.0 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity. 2007 also includes the financial results of Corner Investment Company, LLC dba Bill's Gamblin' Hall & Saloon, from its February 27, 2007, date of acquisition and Macau Orient Golf, from its September 12, 2007, date of acquisition.

(b) 2006 includes $83.3 million in pretax charges for write-downs, reserves and recoveries, $37.0 million in pretax charges related to the review of certain strategic matters by the special committee of our Board of Directors and the integration of Caesars in Harrah's Entertainment, and $62.0 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity. 2006 also includes the financial results of London Clubs International from the date of our acquisition of a majority ownership interest in November 2006.

(c) 2005 includes $194.7 million in pretax charges for write-downs, reserves and recoveries, $55.0 million in pretax charges related to our acquisition of Caesars Entertainment, Inc., and $3.3 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity. 2005 also includes the financial results of Caesars Entertainment, Inc., from its June 13, 2005, date of acquisition.

(d) 2004 includes $9.6 million in pretax charges for write-downs, reserves and recoveries and $2.3 million in pretax charges related to our pending acquisition of Caesars Entertainment, Inc. 2004 also includes the financial results of Horseshoe Gaming Holding Corp. from its July 1, 2004, date of acquisition.

(e) 2003 includes $10.5 million in pretax charges for write-downs, reserves and recoveries and $19.1 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity.

(f) For purposes of computing this ratio, "earnings" consist of income before income taxes plus fixed charges (excluding capitalized interest) and minority interests (relating to subsidiaries whose fixed charges are included in the computation), excluding equity in undistributed earnings of less-than-50%-owned investments. "Fixed charges" include interest whether expensed or capitalized, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense that we deem to be representative of interest. As required by the rules which govern the computation of this ratio, both earnings and fixed charges are adjusted where appropriate to include the financial results for the Company's nonconsolidated majority-owned subsidiaries. As discussed in Note 13 to the Consolidated Financial Statements, the Company has guaranteed certain third-party loans in connection with its casino development activities. The above ratio computation excludes estimated fixed charges associated with these guarantees as follows: 2007, none; 2006, $11.3 million; 2005, $11.8 million; 2004, $6.7 million; and 2003, $9.5 million.

HARRAH'S ENTERTAINMENT, INC. SUBSIDIARIES

Name	Jurisdiction of Incorporation	Percentage of Ownership
Aster Insurance Ltd.	Bermuda	100%
Romulus Risk and Insurance Company, Inc.	Nevada	100%
Harrah's Atlantic City Holding, Inc.	New Jersey	100%
Harrah's Atlantic City Mezz 1, LLC	Delaware	100%
Harrah's Atlantic City Mezz 2, LLC	Delaware	100%
Harrah's Atlantic City Mezz 3, LLC	Delaware	100%
Harrah's Atlantic City Mezz 4, LLC	Delaware	100%
Harrah's Atlantic City Mezz 5, LLC	Delaware	100%
Harrah's Atlantic City Mezz 6, LLC	Delaware	100%
Harrah's Atlantic City Mezz 7, LLC	Delaware	100%
Harrah's Atlantic City Mezz 8, LLC	Delaware	100%
Harrah's Atlantic City Mezz 9, LLC	Delaware	100%
Harrah's Atlantic City Propco, LLC	Delaware	100%
Atlantic City Express Services, LLC[1]	New Jersey	33.33%
Harveys Tahoe Management Company, Inc.	Nevada	100%
Tahoe Mezz 1, LLC	Delaware	100%
Tahoe Mezz 2, LLC	Delaware	100%
Tahoe Mezz 3, LLC	Delaware	100%
Tahoe Mezz 4, LLC	Delaware	100%
Tahoe Mezz 5, LLC	Delaware	100%
Tahoe Mezz 6, LLC	Delaware	100%
Tahoe Mezz 7, LLC	Delaware	100%
Tahoe Mezz 8, LLC	Delaware	100%
Tahoe Mezz 9, LLC	Delaware	100%
Tahoe Propco, LLC	Delaware	100%
Tahoe Garage Propco, LLC	Delaware	100%
Harrah South Shore Corporation	Nevada	100%
Harrah's Las Vegas, Inc.	Nevada	100%
Harrah's Las Vegas Mezz 1, LLC	Delaware	100%
Harrah's Las Vegas Mezz 2, LLC	Delaware	100%
Harrah's Las Vegas Mezz 3, LLC	Delaware	100%
Harrah's Las Vegas, Mezz 4, LLC	Delaware	100%
Harrah's Las Vegas Mezz 5, LLC	Delaware	100%
Harrah's Las Vegas Mezz 6, LLC	Delaware	100%
Harrah's Las Vegas Mezz 7, LLC	Delaware	100%
Harrah's Las Vegas Mezz 8, LLC	Delaware	100%
Harrah's Las Vegas Mezz 9, LLC	Delaware	100%
Harrah's Las Vegas Propco, LLC	Delaware	100%
Rio Properties, Inc.	Nevada	100%
Rio Mezz 1, LLC	Delaware	100%
Rio Mezz 2, LLC	Delaware	100%
Rio Mezz 3, LLC	Delaware	100%
Rio Mezz 4, LLC	Delaware	100%
Rio Mezz 5, LLC	Delaware	100%
Rio Mezz 6, LLC	Delaware	100%
Rio Mezz 7, LLC	Delaware	100%
Rio Mezz 8, LLC	Delaware	100%
Rio Mezz 9, LLC	Delaware	100%
Rio Propco, LLC	Delaware	100%
Rio Property Holding, LLC	Nevada	100%
Cinderlane, Inc.	Nevada	100%
Twain Avenue, Inc.	Nevada	100%

[1] 33.33% Boardwalk Regency Corporation; 33.33% Harrah's Atlantic City Holding, Inc.; (33.33% Marina District Development Company, LLC)

Name	Jurisdiction of Incorporation	Percentage of Ownership
Flamingo Las Vegas Holding, Inc.	Nevada	100%
Flamingo Las Vegas Operating Company, LLC	Nevada	100%
MP Flamingo, LLC[2]	Nevada	50%
Flamingo Las Vegas Mezz 1, LLC	Delaware	100%
Flamingo Las Vegas Mezz 2, LLC	Delaware	100%
Flamingo Las Vegas Mezz 3, LLC	Delaware	100%
Flamingo Las Vegas Mezz 4, LLC	Delaware	100%
Flamingo Las Vegas Mezz 5, LLC	Delaware	100%
Flamingo Las Vegas Mezz 6, LLC	Delaware	100%
Flamingo Las Vegas Mezz 7, LLC	Delaware	100%
Flamingo Las Vegas Mezz 8, LLC	Delaware	100%
Flamingo Las Vegas Mezz 9, LLC	Delaware	100%
Flamingo Las Vegas Propco, LLC	Delaware	100%
Showboat, Inc.	Nevada	100%
Ocean Showboat, Inc.	New Jersey	100%
Showboat Atlantic City Operating Company, LLC	New Jersey	100%
Showboat Atlantic City Mezz 1, LLC	Delaware	100%
Showboat Atlantic City Mezz 2, LLC	Delaware	100%
Showboat Atlantic City Mezz 3, LLC	Delaware	100%
Showboat Atlantic City Mezz 4, LLC	Delaware	100%
Showboat Atlantic City Mezz 5, LLC	Delaware	100%
Showboat Atlantic City Mezz 6, LLC	Delaware	100%
Showboat Atlantic City Mezz 7, LLC	Delaware	100%
Showboat Atlantic City Mezz 8, LLC	Delaware	100%
Showboat Atlantic City Mezz 9, LLC	Delaware	100%
Showboat Atlantic City Propco, LLC	Delaware	100%
Showboat Development Company	Nevada	100%
Showboat Indiana, Inc.	Nevada	100%
Waterfront Entertainment and Development, Inc.	Indiana	100%
Showboat Indiana Investment Limited Partnership[3]	Indiana	99%
Showboat Marina Partnership[4]	Indiana	55%
Showboat Marina Investment Partnership[4]	Indiana	55%
Showboat Marina Casino Partnership[5]	Indiana	1%
Showboat Marina Finance Corporation	Nevada	100%
London Clubs South Africa Limited	England/Wales	100%
London Clubs Holdings Limited	England/Wales	100%
LCI (Overseas) Investments Pty Ltd.	South Africa	100%
Emerald Safari Resort (Proprietary) Limited	South Africa	70%
Harrah’s Operating Company, Inc.	Delaware	100%
190 Flamingo, LLC	Nevada	100%
AJP Parent, LLC	Delaware	100%
AJP Holdings, LLC	Delaware	100%
Durante Holdings, LLC	Nevada	100%
DCH Exchange, LLC	Nevada	100%
Desert Club, LLC	Nevada	100%
Dusty Corporation	Nevada	100%
Turfway Park, LLC[6]		50%
Chester Facility Holding Company, LLC	Delaware	100%
Corner Investment Company, LLC	Nevada	100%
East Beach Development Corporation	Mississippi	100%
Harrah’s Alabama Corporation	Nevada	100%
Harrah’s Arizona Corporation	Nevada	100%

2 50% Flamingo Las Vegas Operating Company, LLC; (50% Margaritaville Las Vegas, LLC)
3 99% Ocean Showboat, Inc.; 1% Showboat Indiana, Inc.
4 55% Showboat Indiana Investment Limited Partnership; 45% Waterfront Entertainment and Development Inc.
5 1% Showboat Marina Investment Partnership; 99% Showboat Marina Partnership
6 50% Dusty Corporation, (50% non-affiliate)

Name	Jurisdiction of Incorporation	Percentage of Ownership
H-BAY, LLC	Nevada	100%
Harrah's Bossier City Management Company, LLC	Nevada	100%
HCAL, LLC	Nevada	100%
Harrah's Chester Downs Investment Company, LLC	Delaware	100%
Chester Downs and Marina LLC	Pennsylvania	50%
Harrah's Chester Downs Management Company, LLC	Nevada	100%
Harrah's Illinois Corporation	Nevada	100%
Des Plaines Development Limited Partnership[7]	Delaware	80%
Harrah's Imperial Palace Corp.	Nevada	100%
Harrah's Interactive Investment Company	Nevada	100%
Harrah's Investments, Inc.	Nevada	100%
Harrah's Kansas Casino Corporation	Nevada	100%
Harrah's Laughlin, Inc.	Nevada	100%
Harrah's License Company, LLC	Nevada	100%
Harrah's Management Company	Nevada	100%
Harrah's Marketing Services Corporation	Nevada	100%
Harrah's Maryland Heights LLC[8]	Delaware	54.45%
Harrah's Maryland Heights Operating Company	Nevada	100%
Harrah's MH Project, LLC	Delaware	100%
Harrah's NC Casino Company, LLC[9]	North Carolina	99%
Harrah's New Orleans Management Company	Nevada	100%
Harrah's North Kansas City LLC	Missouri	100%
Harrah's Operating Company Memphis, LLC	Delaware	100%
Harrah's Pittsburgh Management Company	Nevada	100%
Harrah's Reno Holding Company, Inc.	Nevada	100%
Harrah's Shreveport/Bossier City Holding Company, LLC	Delaware	100%
Harrah's Shreveport Management Company, LLC	Nevada	100%
Harrah's Shreveport Investment Company, LLC	Nevada	100%
Harrah's Shreveport/Bossier City Investment Company, LLC[10]	Delaware	84.3%
Harrah's Bossier City Investment Company, LLC	Louisiana	100%
Harrah's Southwest Michigan Casino Corporation	Nevada	100%
Harrah's Sumner Investment Company, LLC	Delaware	100%
Harrah's Sumner Management Company, LLC	Delaware	100%
Harrah's Travel, Inc.	Nevada	100%
Harrah's Tunica Corporation	Nevada	100%
Harrah's Vicksburg Corporation	Nevada	100%
Harrah's West Warwick Gaming Company, LLC	Delaware	100%
HHLV Management Company, LLC	Nevada	100%
Hole in the Wall, LLC	Nevada	100%
JCC Holding Company II LLC	Delaware	100%
Jazz Casino Company, LLC	Louisiana	100%
JCC Fulton Development, LLC	Louisiana	100%
Koval Holdings Company, LLC	Delaware	100%
Koval Investment Company, LLC	Nevada	100%
Las Vegas Golf Management, LLC	Nevada	100%
Nevada Marketing, LLC	Nevada	100%
Reno Crossroads, LLC	Delaware	100%
Rio Development Company, Inc.	Nevada	100%
Roman Empire Development, LLC	Nevada	100%
TRB Flamingo, LLC	Nevada	100%

7 80% Harrah's Illinois Corporation, (20% Des Plaines Development Corporation)

8 54.45% Harrah's Operating Company, Inc., 0.55% Harrah's Maryland Heights Operating Company, 45% Players Maryland Heights Nevada, LLC

9 99% Harrah's Operating Company, Inc., 1% Harrah's Management Company

10 84.3% Harrah's Shreveport Investment Company, LLC, 9.8% Harrah's Shreveport/Bossier City Holding Company, LLC, 0.9% Harrah's Shreveport Management Company, LLC , 5% Harrah's New Orleans Management Company

Name	Jurisdiction of Incorporation	Percentage of Ownership
Trigger Real Estate Corporation	Nevada	100%
Winnick Parent, LLC	Delaware	100%
Winnick Holdings, LLC	Delaware	100%
Las Vegas Resort Development, Inc.	Nevada	100%
Players International, LLC	Nevada	100%
Players Development, Inc.	Nevada	100%
Players Holding, LLC	Nevada	100%
Players Bluegrass Downs, Inc.	Kentucky	100%
Players LC, LLC	Nevada	100%
Players Maryland Heights Nevada, LLC	Nevada	100%
Players Riverboat, LLC	Nevada	100%
Players Riverboat Management, LLC	Nevada	100%
Players Riverboat II, LLC[11]	Louisiana	1%
Southern Illinois Riverboat/Casino Cruises, Inc.	Illinois	100%
Metropolis IL 1292 LP	Illinois	12.5%
Players Resources, Inc.	Nevada	100%
Players Services, Inc.	New Jersey	100%
Harveys BR Management Company, Inc.	Nevada	100%
Harveys C.C. Management Company, Inc.	Nevada	100%
Harveys Iowa Management Company, Inc.	Nevada	100%
HBR Realty Company, Inc.	Nevada	100%
HCR Services Company, Inc.	Nevada	100%
Reno Projects, Inc.	Nevada	100%
Horseshoe Gaming Holding, LLC	Delaware	100%
Casino Computer Programming, Inc.	Indiana	100%
Horseshoe GP, LLC	Nevada	100%
Horseshoe Hammond, LLC	Indiana	100%
Horseshoe Shreveport, L.L.C.	Louisiana	100%
New Gaming Capital Partnership[12]	Nevada	99%
Horseshoe Entertainment[13]	Louisiana	91.92%
Red Oak Insurance Company Ltd.†	Barbados	100%
Robinson Property Group Corp.[14]	Mississippi	99%
Bally’s Midwest Casino, Inc.	Delaware	100%
Bally’s Operator, Inc.	Delaware	100%
Bally’s Tunica, Inc.	Mississippi	100%
Bally’s Olympia Limited Partnership[15]	Delaware	88%
Bally’s Park Place, Inc.	New Jersey	100%
Atlantic City Country Club 1, LLC	New Jersey	100%
GNOC, Corp.	New Jersey	100%
Benco, Inc.	Nevada	100%
Caesars Entertainment Akwesasne Consulting Corporation	Nevada	100%
Caesars Entertainment Canada Holding, Inc.	Nevada	100%
Park Place Entertainment Scotia Finance Limited Partnership[16]	New Brunswick	1%
Caesars Entertainment Finance Corp.	Nevada	100%
Park Place Finance, ULC	Nova Scotia	100%
Caesars Entertainment - Golf, Inc.	Nevada	100%
Caesars Entertainment Retail, Inc.	Nevada	100%
Caesars World, Inc.	Florida	100%
Windsor Casino Supplies Limited[17]	Canada	50%

11 1% Players Riverboat Management, LLC; 99% Players Riverboat, LLC
12 99% Horseshoe Gaming Holding, LLC; 1% Horseshoe GP, LLC
13 91.92% New Gaming Capital Partnership; 8.08% Horseshoe Gaming Holding, LLC
14 99% Horseshoe Gaming Holding, LLC; 1% Horseshoe GP, LLC
15 88% Bally’s Tunica, Inc.; 11% Bally’s Midwest Casino, Inc.; 1% Bally’s Operator, Inc.
16 1% Caesars Entertainment Canada Holding, Inc.; 99% Harrah’s Operating Company, Inc.
17 50% Caesars World, Inc.; (50% Conrad International Corporation)

Name	Jurisdiction of Incorporation	Percentage of Ownership
Caesars Entertainment Windsor Holding, Inc.	Canada	100%
Windsor Casino Limited[18]	Canada	50%
Caesars New Jersey, Inc.	New Jersey	100%
Boardwalk Regency Corporation	New Jersey	100%
Atlantic City Express Service, LLC[19]	New Jersey	33.33%
Martial Development Corporation	New Jersey	100%
Caesars Palace Corporation	Delaware	100%
Caesars Palace Realty Corporation	Nevada	100%
Desert Palace, Inc.	Nevada	100%
Caesars Palace Sports Promotions, Inc.	Nevada	100%
California Clearing Corporation	California	100%
Caesars India Sponsor Company, LLC	Nevada	100%
Tele/Info, Inc.	Nevada	100%
Caesars United Kingdom, Inc.	Nevada	100%
Caesars Entertainment, (U.K.) Ltd.	United Kingdom	100%
Caesars World Marketing Corporation	New Jersey	100%
Caesars World International Corporation PTE, Ltd.	Singapore	100%
Caesars World International Far East Limited	Hong Kong	100%
Caesars World Marketing Company, Limited	Thailand	100%
Caesars World Merchandising, Inc.	Nevada	100%
Roman Entertainment Corporation of Indiana	Indiana	100%
Roman Holding Corporation of Indiana	Indiana	100%
Caesars Riverboat Casino, LLC[20]	Indiana	82%
CEI-Sullivan County Development Company	Nevada	100%
Consolidated Supplies, Services and Systems	Nevada	100%
Grand Casinos, Inc.	Minnesota	100%
BL Development, Corporation	Minnesota	100%
GCA Acquisition Subsidiary, Inc.	Minnesota	100%
Grand Casinos of Biloxi, LLC	Minnesota	100%
Biloxi Village Walk Development, LLC	Delaware	100%
Village Walk Construction, LLC	Delaware	100%
Biloxi Hammond, LLC	Delaware	100%
Grand Casinos of Mississippi, LLC Gulfport	Mississippi	100%
Grand Media Buying, Inc.	Minnesota	100%
Parball Corporation	Nevada	100%
FHR Corporation	Nevada	100%
Flamingo-Laughlin, Inc.	Nevada	100%
LVH Corporation	Nevada	100%
Park Place Entertainment Scotia Limited	Canada	100%
Sheraton Tunica Corporation	Delaware	100%
VLO Development Corporation	British Virgin Islands	100%
VFC Development Corporation	British Virgin Islands	100%
Harrah’s International Holding Company, Inc.	Delaware	100%
Harrah’s Entertainment Limited	England/Wales	100%
Harrah’s Activity Limited	England/Wales	100%
Harrah’s Online Poker Limited	Alderney	100%
Caesars Spain Holdings Ltd.	UK	100%
Caesars Casino Castilla La Mancha S.A.[21]	Spain	60%
Caesars Hotel Castilla La Mancha S.L.	Spain	100%
B I Gaming Corporation	Nevada	100%
Baluma Holdings S.A.[22]	Bahamas	11.47%
Baluma S.A.[23]	Uruguay	0.11%

18 50% Caesars Entertainment Windsor Holding, Inc.; (50% Conrad International Corporation)
19 33.33% Boardwalk Regency Corporation; 33.33% Marina Associates; (33.33% Marina District Development Company, LLC)
20 82% Roman Holding Corporation of Indiana; 18% Harrah’s Operating Company, Inc.
21 60% Caesars Spain Holdings Ltd.; (40% El Reino De Don Quijote De La Mancha S.A.)
22 11.47% B I Gaming Corporation; 83.934% Harrah’s International Holding Company, Inc.; (4.6% Third Parties)
23 0.11% B I Gaming Corporation; 99.89% Baluma Holdings S.A.

Name	Jurisdiction of Incorporation	Percentage of Ownership
Baluma Cambio, S.A.	Uruguay	100%
Baluma Ltda.[24]	Brazil	99.99978%
HEI Holding Company One, Inc.	Nevada	100%
Caesars Bahamas Management Corporation[25]	Bahamas	50%
HEI Holding Company Two, Inc.	Nevada	100%
Harrah's International C.V.[26]	The Netherlands	99%
HEI Holding C.V.[27]	The Netherlands	99%
Harrah's (Barbados) SRL	Barbados	100%
HET International 1 B.V.	The Netherlands	100%
HET International 2 B.V.	The Netherlands	100%
Caesars Bahamas Investment Corporation	Bahamas	100%
Caesars Asia Limited	Hong Kong	100%
Dagger Holdings Limited	England/Wales	100%
London Clubs International Limited	England/Wales	100%
London Clubs Structure Described Below		
London Clubs International Limited	England/Wales	100%
London Clubs Management Limited	England/Wales	100%
50 St. James Management Limited	England/Wales	100%
London Clubs Manchester Limited	England/Wales	100%
London Clubs Nottingham Limited	England/Wales	100%
Burlington Street Services Limited	England/Wales	100%
Corby Leisure Retail Developments Limited	England/Wales	100%
Golden Nugget Club Limited	England/Wales	100%
London Clubs Southend Limited	England/Wales	100%
Oasis Casino Limited	England/Wales	100%
R Club (London) Limited	England/Wales	100%
Rendezvous Club (London) Limited	England/Wales	100%
The Sportsman Club Limited	England/Wales	100%
50 St. James Limited	England/Wales	50%
London Clubs Glasgow Limited	Scotland	100%
London Clubs LSQ Limited	England/Wales	100%
London Clubs Leeds Limited	England/Wales	100%
London Clubs Brighton Limited	England/Wales	100%
The Directors Box Limited	England/Wales	100%
London Clubs GH Limited	England/Wales	100%
London Clubs (Overseas) Limited	England/Wales	100%
London Clubs (Bahamas) Limited	Bahamas	100%
Inter Casino Management (Egypt) Limited	Isle of Man	100%
London Clubs (Europe) Limited	England/Wales	100%
Mayfair Maritime Casinos Limited	Gibraltar	100%
London Clubs Developments Limited	England/Wales	100%
LCI plc	England/Wales	100%
London Clubs Limited	England/Wales	100%
Casanova Limited	England/Wales	100%
London Clubs Wolverhampton Limited	England/Wales	100%
R Casino Limited	England/Wales	100%
London Clubs Trustee Limited	England/Wales	100%

24 99.88878% Baluma S.A.; 0.00022% Baluma Holding S.A.
25 50% HEI Holding Company One, Inc.; 50% Harrah's Operating Company, Inc.
26 99% HEI Holding Company Two, Inc.; 1% HEI Holding Company One, Inc.
27 99% Harrah's International C.V.; 1% HEI Holding Company One, Inc.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-39840, 333-57214, 333-63856, 333-115384, 333-121774, 333-122048, 333-125807, and 333-133609 on the respective Forms S-8, in Amendment No. 3 to Registration Statement No. 333-119836 on Form S-4, in Amendment No. 1 to Registration Statement No. 333-125666 on Form S-3, in Amendment No. 1 to Registration Statement No. 333-127210 on Form S-3, and in Registration Statement No. 333-133062 on Form S-3 of Harrah's Entertainment, Inc. of our reports dated February 29, 2008, relating to the financial statements and financial statement schedule of Harrah's Entertainment, Inc. (which report expresses an unqualified opinion and includes an explanatory paragraph relating to Harrah's Entertainment, Inc.'s change in 2007 in its method of accounting for uncertainty in income taxes to conform to Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, and the Company's change in 2006 in its method of accounting for stock-based employee compensation costs to conform to Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*) and the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Harrah's Entertainment, Inc. for the year ended December 31, 2007.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
February 29, 2008

Exhibit 31(1)

CERTIFICATIONS

I, Gary W. Loveman, certify that:

1. I have reviewed this annual report on Form 10-K of Harrah's Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

By: /S/ GARY W. LOVEMAN

Gary W. Loveman
Chairman of the Board,
Chief Executive Officer and President

Exhibit 31(2)

I, Jonathan S. Halkyard, certify that:

1. I have reviewed this annual report on Form 10-K of Harrah's Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

By: /s/ JONATHAN S. HALKYARD

Jonathan S. Halkyard
Senior Vice President,
Chief Financial Officer and Treasurer

Exhibit 32(1)

Certification of Principal Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Harrah's Entertainment, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 29, 2008

By: /s/ GARY W. LOVEMAN

Gary W. Loveman
Chairman of the Board,
Chief Executive Officer and President

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32(2)

Certification of Principal Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Harrah's Entertainment, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 29, 2008

By: /s/ JONATHAN S. HALKYARD

Jonathan S. Halkyard
Senior Vice President,
Chief Financial Officer and Treasurer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 99

GAMING REGULATORY OVERVIEW

General

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;
- 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 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 public 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 public 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;
- 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, our Certificates of Incorporation and the Certificate of Incorporation of Harrah's Operating Company, Inc., contain 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 Incorporation 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.

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 and 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.

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, 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 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.

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 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.