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, 2008

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

As of March 13, 2009, the Registrant had 10 shares of voting Common Stock and 40,694,445 shares of non-voting Common Stock outstanding. There is not a market for the Registrant's common stock; therefore, the aggregate market value of the Registrant's common stock held by non-affiliates is not calculable.

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, 2008, we owned or managed, through various subsidiaries, 53 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, 2008, our facilities have an aggregate of approximately 3 million square feet of gaming space and approximately 39,000 hotel rooms. We have a customer loyalty program, Total Rewards, which has over 40 million members that we use for marketing promotions and to generate play by our customers when they travel among our markets in the United States and Canada. We also own and operate the World Series of Poker tournament and brand. Unless otherwise noted or indicated by the context, the terms "Harrah's," "Harrah's Entertainment," "Company," "we," "us," and "our" refer to Harrah's Entertainment, Inc.

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

On January 28, 2008, Harrah's Entertainment was acquired by affiliates of Apollo Global Management, LLC ("Apollo") and TPG Capital, LP ("TPG") in an all-cash transaction, hereinafter referred to as the "Merger," valued at approximately $30.7 billion, including the assumption of $12.4 billion of debt and approximately $1.0 billion of acquisition costs. Holders of Harrah's Entertainment stock received $90.00 in cash for each outstanding share of common stock. As a result of the Merger, the issued and outstanding shares of non-voting common stock and non-voting preferred stock of Harrah's Entertainment are owned by entities affiliated with Apollo/TPG 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.

Description of Business

Our casino business commenced operations in 1937. We own or manage casino entertainment facilities in more areas throughout the United States than any other participant in the casino industry. In addition to casinos, our facilities typically include hotel and convention space, restaurants and non-gaming entertainment facilities. Three of our properties are racetracks at which we have installed slot machines. The descriptions below are as of December 31, 2008, except where otherwise noted.

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

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

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

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

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

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

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

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

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

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

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

As part of the acquisition of London Clubs in December 2006, we own or manage five casinos in London: the Sportsman, the Golden Nugget, the Rendezvous, Fifty and The Casino at the Empire. Our casinos in London draw customers primarily from the London metropolitan area as well as international visitors. We also own Alea Nottingham, Alea Glasgow, Alea Leeds, Manchester235, Rendezvous Brighton and Rendezvous Southend-on-Sea in the provinces of the United Kingdom, which primarily draw customers from their local areas. We also manage three casinos in Cairo, Egypt at the Nile Hilton, Ramses Hilton and Caesars Cairo (which opened on December 22, 2008), which draw customers primarily from other countries in the Middle East. Emerald Safari, located in the province of Gauteng in South Africa, draws customers primarily from South Africa.

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

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

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

- Harrah's Rincon Casino and Resort, located near San Diego, California, which we manage for the Rincon San Luiseno Band of Mission Indians under a management agreement that expires in November 2013. Harrah's Rincon draws customers from the San Diego metropolitan area and Orange County, California; and

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

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

We also own Macau Orient Golf located on Cotai in Macau.

Additional information about our casino entertainment properties is set forth below 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, 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 compete more effectively.

Our Total Rewards program is structured in tiers, providing customers an incentive to consolidate their play at our casinos. Total Rewards customers are able to earn Tier Credits and Reward Credits and redeem those Credits at substantially all of our casino entertainment facilities located in the U.S. and Canada for on-property entertainment expenses. 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 ® , 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 six 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, now expired; U.S. Patent No. 6,183,362, issued February 6, 2001, which we will allow to lapse in 2009; and U.S. Patent No. 7,419,427, issued September 2, 2008, which will expire on May 24, 2016. We have also been issued two U.S. patents covering some of the technology associated with our Total Rewards 2 program-U.S. Patent 7,329,185, issued February 12, 2008, which will expire on September 29, 2024; and U.S. Patent 7,410,422, issued on August 12, 2008, which will expire on April 24, 2025.

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 Caesars Entertainment, Inc. in 2005 and our renovated and expanded facility in Hammond, Indiana. 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.

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 present competitive issues for us which have had a negative impact on our financial results.

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

Other 2008 Events

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. In December 2008, we announced plans for Caesars Macau Golf, a five-star golf lifestyle destination, the centerpieces of which will be a redesigned par-72 golf course and the establishment of Asia's first Butch Harmon School of Golf, the first of Harmon's flagship teaching facilities outside of the United States. The redevelopment includes expansion of the existing clubhouse into a golf lifestyle boutique, meeting facilities, VIP entertainment suites and a restaurant.

Las Vegas. In July 2007, we announced plans for an expansion and renovation of Caesars Palace Las Vegas. We have announced that we will defer completion of the planned 660-room hotel tower due to current economic conditions impacting the Las Vegas tourism sector. Other aspects of the project will proceed as planned, including the mid-summer 2009 opening of an additional 110,000 square feet of meeting and convention space, three 10,000 square foot villas and an expanded pool and garden area. The estimated total capital expenditures for the project, excluding the costs to complete the deferred rooms, are expected to be approximately $681 million.

Biloxi. We have decided to slow down construction, which began in the third quarter of 2007, of Margaritaville Casino & Resort in Biloxi, Mississippi, as we refine the design of that project and explore all of our alternatives related to the project and its financing. We are adjusting our plan for development to better align with the economic environment, market conditions on the Gulf Coast and the current financing environment. We license the Margaritaville name from an entity affiliated with the singer/songwriter Jimmy Buffett.

Exchange Offer. In December 2008, Harrah's Operating Company, Inc. completed private exchange offers whereby approximately $2.2 billion, face amount, of its debt, was exchanged for approximately $1.1 billion, face amount, new 10.0% Second-Priority Senior Secured Notes due 2015 and 2018 and cash.

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 99.2 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 80,000 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 26,000 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 Atlantic City properties expires in September 2009 and at our Las Vegas properties in May 2012.

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 Caesars Palace Drive, Las Vegas, Nevada 89109. 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 that we participate may have substantially greater financial, marketing and other resources than we do, and there can be no assurance that they will not in the future engage in aggressive pricing action to compete with us. Although we believe we are currently able to compete effectively in each of the various markets in which we participate, we cannot assure you that we will be able to continue to do so or that we will be capable of maintaining or further increasing our current market share. Our failure to compete successfully in our various markets could adversely affect our business, financial condition, results of operations and cash flow.

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

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

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

We are subject to extensive gaming regulations and political and regulatory uncertainty. Regulatory authorities in the jurisdictions where we operate have broad powers with respect to the licensing of casino operations and may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines and take other actions, any one of which could adversely impact our business, financial condition and results of operations. For example, revenues and income from operations were negatively impacted during July 2006 in Atlantic City by a three-day government—imposed casino shutdown.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Some of our employees are represented by labor unions. A lengthy strike or other work stoppage at one of our casino properties or construction projects could have an adverse effect on our business and results of operations. From time to time, we have also experienced attempts to unionize certain of our non–union employees. While these efforts have achieved only limited success to date, we cannot provide any assurance that we will not experience additional and more successful union activity in the future. There has been a trend towards unionization for employees in Atlantic City and Las Vegas. For example, certain dealers, slot technicians and security guards at certain of our Atlantic City properties have voted to be represented by the United Auto Workers and the International Union, Security, Police and Fire Professionals of America, respectively. However, to date, there are no collective bargaining agreements in place. In addition, in 2007, Caesars Palace dealers in Las Vegas signed union authorization cards to be represented by the Transport Worker's Union (the "TWU"). The TWU held elections supervised by the National Labor Relations Board 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. International operations are subject to inherent risks including:

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

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

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

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

Our success and ability to grow are dependent, in part, on our ability to hire, retain and motivate sufficient numbers of talented people, with the increasingly diverse skills needed to serve clients and expand our business, in many locations around the world. Competition for highly qualified, specialized technical and managerial, and particularly consulting personnel, is intense. Recruiting, training, retention and benefits costs place significant demands on our resources. Additionally, the recent downturn in the gaming, travel and leisure sectors has made recruiting executives to our business more difficult. The inability to attract qualified employees in sufficient numbers to meet particular demands or the loss of a significant number of our employees could have an adverse effect on us.

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

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

Eight of our twelve directors have been appointed by the Sponsors. In addition, two of the three members of our Executive Committee are affiliated with the Sponsors. The members 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 in which a motion to dismiss was not granted, on procedural grounds, in December 2007. In addition, an indirect subsidiary of Harrah's Operating filed a complaint against two entities seeking declaratory judgment with respect to right to terminate an agreement to enter into a joint venture related to a project in the Bahamas. The entities filed a countersuit against the indirect subsidiary of Harrah's Operating alleging wrongful termination, failure to make capital contributions and failure to perform its purported obligations. We may not be successful in the defense or prosecution of these lawsuits, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations.

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 indentures governing our senior notes and 2nd lien 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, our real estate facility loans and our 2nd lien notes. If any of these lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

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

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

Such actions by the lenders could cause cross defaults under our other indebtedness. If we were unable to repay those amounts, the lenders under our new senior secured credit facilities, our real estate facilities and our 2nd lien notes could proceed against the collateral granted to them to secure that indebtedness.

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.

We are a highly leveraged company. As of December 31, 2008, we had $24.5 billion face value of outstanding indebtedness, and for the twelve months ended December 31, 2008, pro forma cash interest expense of $1.7 billion, adjusted to reflect the Merger as if it had occurred on January 1, 2008.

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, 2008, we had $1.29 billion available for additional borrowing under our revolving credit facility after giving effect to approximately $0.2 billion in outstanding letters of credit, all of which would be secured. Subsequent to December 31, 2008, we borrowed the remaining amount available, except for amounts committed to back letters of credit. The remaining amount was borrowed in light of the continuing uncertainty in the credit market and general economic conditions. The funds will be used for general corporate purposes, including capital expenditures.

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, national and global 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;
- difficulties in employee retention and recruitment as a result of our substantial indebtedness and the recent downturn in the gaming and hotel industries;
- the effects of competition, including locations of competitors and operating and market competition; and
- the other factors set forth under “Risk Factors” 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	Land-based	173,200	3,440	150	2,590
Showboat Atlantic City	Land-based	120,100	3,150	120	1,330
Bally's Atlantic City [(b)]	Land-based	147,200	3,900	210	1,760
Caesars Atlantic City	Land-based	145,000	3,040	160	1,140
Las Vegas, Nevada					
Harrah's Las Vegas	Land-based	90,600	1,580	110	2,530
Rio	Land-based	107,000	1,170	100	2,520
Caesars Palace	Land-based	129,900	1,440	160	3,290
Paris Las Vegas	Land-based	85,000	1,170	100	2,920
Bally's Las Vegas	Land-based	66,400	1,080	60	2,810
Flamingo Las Vegas [(c)]	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	420	40	200
Laughlin, Nevada					
Harrah's Laughlin	Land-based	47,000	910	40	1,510
Reno, Nevada					
Harrah's Reno	Land-based	41,600	870	50	930
Lake Tahoe, Nevada					
Harrah's Lake Tahoe	Land-based	57,600	870	70	510
Harveys Lake Tahoe	Land-based	63,300	820	80	740
Bill's Lake Tahoe	Land-based	18,000	310	—	—
Chicago, Illinois area					
Harrah's Joliet (Illinois) [(d)]	Dockside	38,900	1,180	30	200
Horseshoe Hammond (Indiana)	Dockside	108,000	3,210	130	—
Metropolis, Illinois					
Harrah's Metropolis [(e)]	Dockside	31,000	1,140	30	260
Southern Indiana					
Horseshoe Southern Indiana	Dockside	86,600	1,990	100	500
Council Bluffs, Iowa					
Harrah's Council Bluffs	Dockside	28,000	1,040	30	250
Horseshoe Council Bluffs [(f)]	Greyhound racing facility and land-based casino	78,800	1,840	70	—
Tunica, Mississippi					
Horseshoe Tunica	Dockside	63,000	1,760	80	510
Harrah's Tunica	Dockside	136,000	1,750	70	1,360
Sheraton Casino & Hotel	Dockside	31,000	1,100	30	130
Mississippi Gulf Coast					
Grand Casino Biloxi	Dockside	28,800	830	30	490
St. Louis, Missouri					
Harrah's St. Louis	Dockside	111,500	2,820	90	500
North Kansas City, Missouri					
Harrah's North Kansas City	Dockside	60,100	1,760	60	390

Property	Type of Casino	Casino Space–Sq. Ft. [a]	Slot Machines [a]	Table Games [a]	Hotel Rooms & Suites [a]
New Orleans, Louisiana					
Harrah's New Orleans	Land-based	125,100	2,020	130	450
Bossier City, Louisiana					
Louisiana Downs	Thoroughbred racing facility and land-based casino	14,900	1,210	—	—
Horseshoe Bossier City	Dockside	29,900	1,510	70	610
Chester, Pennsylvania					
Harrah's Chester [g]	Harness racing facility and land-based casino	92,900	2,870	—	—
Phoenix, Arizona					
Harrah's Ak-Chin [g]	Indian Reservation	50,300	1,090	30	150
Cherokee, North Carolina					
Harrah's Cherokee [h]	Indian Reservation	88,000	3,320	40	580
San Diego, California					
Harrah's Rincon [h]	Indian Reservation	69,900	1,600	80	660
Punta del Este, Uruguay					
Conrad Punta del Este Resort and Casino [i]	Land-based	44,500	520	70	300
Ontario, Canada					
Caesars Windsor [j]	Land-based	100,000	2,620	80	760
United Kingdom					
Golden Nugget	Land-based	5,100	40	20	—
Rendezvous Casino	Land-based	6,200	40	20	—
The Sportsman	Land-based	5,200	40	20	—
Fifty [k]	Land-based	3,200	—	20	—
Rendezvous Brighton	Land-based	7,800	70	30	—
Rendezvous Southend-on-Sea	Land-based	8,700	60	30	—
Manchester235	Land-based	11,500	80	30	—
The Casino at the Empire	Land-based	20,900	100	50	—
Alea Nottingham	Land-based	10,000	60	20	—
Alea Glasgow	Land-based	15,000	60	30	—
Alea Leeds	Land-based	10,300	60	30	—
Egypt					
London Club Cairo-Nile [h]	Land-based	2,300	40	10	—
Rendezvous Cairo-Ramses [h]	Land-based	2,700	30	20	—
Caesars Cairo [h]	Land-based	5,500	20	20	—
South Africa					
Emerald Safari [l]	Land-based	37,700	660	20	190

* As of December 31, 2008, unless otherwise noted.

(a) Approximate.

(b) Reflects reductions in casino space and slot machines for temporary closure of gaming areas in the first quarter of 2009.

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

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

(e) A hotel, in which we own a 12.5% special limited partnership interest, is adjacent to the Metropolis facility. We own a second 260-room hotel.

(f) 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.

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

(h) Managed.

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

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

(k) We have a 50 percent ownership interest in and manage this property. In December 2008, we entered into a Share Purchase Agreement by which our interest in the property will be sold to the joint venture partner. We expect this transaction to close in March 2009.

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

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. We have filed the motion for summary judgment, which is currently pending with the Court. We believe this matter to be without merit and will vigorously contest any attempt to enforce the judgment.

Litigation Related to Development

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

Baha Mar and Baha Mar Development Company Ltd. ("Baha Mar Development") filed an Amended Answer and Counterclaims against CBIC and a Third Party Complaint dated June 18, 2008 against HOC in the Supreme Court of the State of New York. Baha Mar and the Baha Mar Development allege that CBIC wrongfully terminated the Subscription Agreement and that CBIC wrongfully failed to make capital contributions under the Joint Venture Investors Agreement, by and between CBIC and Baha Mar, dated January 12, 2007. In addition, Baha Mar and Baha Mar Development allege that HOC wrongfully failed to perform its purported obligations under the Harrah's Baha Mar Joint Venture Guaranty, dated January 12, 2007. Baha Mar and Baha Mar Development assert claims for breach of contract, breach of fiduciary duty, promissory estoppel, equitable estoppel and negligent misrepresentation. Baha Mar and Baha Mar Development seek (i) declaratory relief; (ii) specific performance; (iii) the recovery of alleged monetary damages; (iv) the recovery of attorneys fees, costs, and expenses and (v) the dismissal with prejudice of CBIC's Complaint. CBIC and HOC have each answered, denying all allegations of wrongdoing.

Litigation Related to the December 2008 Exchange Offer

On January 9, 2009, S. Blake Murchison and Willis Shaw filed a purported class action lawsuit in the United Stated District Court for the District of Delaware, Civil Action No. 09-00020-SLR, against Harrah's Entertainment, Inc. and its board of directors, and Harrah's Operating Company, Inc. The lawsuit was amended on March 4, 2009 alleging that the bond exchange offer which closed on December 24, 2008 wrongfully impaired the rights of bondholders. The amended complaint alleges, among others, breach of the bond indentures, violation of the Trust Indenture Act of 1939, equitable rescission, and liability claims against the members of the board. The amended complaint seeks, among other relief, class certification of the lawsuit, declaratory relief that the alleged violations occurred, unspecified damages to the class, and attorneys' fees. On February 23, 2009, prior to the amended complaint being filed, the defendants filed a motion to dismiss the complaint, which had not been ruled upon by the Court.

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 approximate number of holders of record of our non-voting common stock as of March 13, 2009, was 181.

We did not pay any cash dividends in 2008. The following table sets forth the dates and amounts of cash dividends per share paid by the Company during 2007.

	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

The following table sets forth repurchases of our equity securities during the fourth quarter of the fiscal year covered by this report:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
10/1/2008 – 10/31/2008	0	0	0	0
11/1/2008 – 11/30/2008	0	0	0	0
12/1/2008 – 12/31/2008	72,288.8	$ 51.79	0	0

ITEM 6. Selected Financial Data.

The selected financial data set forth below for the five years ended December 31, 2008, should be read in conjunction with the Consolidated Financial Statements and accompanying notes thereto.

	Successor	Predecessor				
(In millions, except common stock data and ratios)	Jan. 28, 2008 through Dec. 31, 2008 (a)	Jan. 1, 2008 through Jan. 27, 2008 (b)	2007(c)	2006(d)	2005(e)	2004(f)
OPERATING DATA						
Revenues	$ 9,366.9	$ 760.1	$10,825.2	$ 9,673.9	$ 7,010.0	$4,396.8
(Loss)/income from operations	(4,237.5)	(36.8)	1,652.0	1,556.6	1,029.0	772.8
(Loss)/income from continuing operations	(5,186.7)	(101.0)	527.2	523.9	316.3	319.3
Net (loss)/income	(5,096.3)	(100.9)	619.4	535.8	236.4	367.7
COMMON STOCK DATA						
Earnings per share-diluted						
From continuing operations	—	(0.54)	2.77	2.79	2.10	2.83
Net (loss)/income	—	(0.54)	3.25	2.85	1.57	3.26
Cash dividends declared per share	—	—	1.60	1.53	1.39	1.26
FINANCIAL POSITION						
Total assets	31,048.6	23,371.3	23,357.7	22,284.9	20,517.6	8,585.6
Long-term debt	23,123.3	12,367.5	12,429.6	11,638.7	11,038.8	5,151.1
Stockholders' (deficit)/equity	(1,410.4)	6,680.2	6,626.9	6,071.1	5,665.1	2,035.2
RATIO OF EARNINGS TO FIXED CHARGES (g)	—	—	2.1	2.2	2.1	2.8

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

(a) The Successor period of 2008 includes $5.5 billion in pretax charges for impairment of intangible assets (see Note 3), $16.2 million in pretax charges for other write-downs, reserves and recoveries (see Note 9), $24.0 million in pretax charges related to the sale of the Company, and $742.1 million in pretax credits for discounts related to, and write-offs associated with, debt retired before maturity.

(b) The Predecessor period of 2008 includes $4.7 million in pretax charges for write-downs, reserves and recoveries (see Note 9) and $125.6 million in pretax charges related to the sale of the Company.

(c) 2007 includes $59.9 million in net pretax credits for write-downs, reserves and recoveries (see Note 9), $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.

(d) 2006 includes $62.6 million in pretax charges for write-downs, reserves and recoveries (see Note 9), $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.

(e) 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.

(f) 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.

(g) Ratio computed based on (Loss)/income from continuing operations. For details of the computation of this ratio, see Exhibit 12. For the Predecessor and Successor period of 2008, our earnings were insufficient to cover fixed charges by $122.5 million and $5.5 billion, respectively.

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, 2008, we operated 53 casinos in six countries, but primarily in the United States and the United Kingdom. Our facilities operate primarily under the Harrah’s, Caesars and Horseshoe brand names in the United States. Our properties include land-based casinos and casino hotels, dockside casinos, a combination greyhound racetrack and casino, a combination thoroughbred racetrack and casino, a combination harness racetrack and casino, casino clubs and managed casinos. We are focused on building customer loyalty through a unique combination of customer service, excellent products, unsurpassed distribution, operational excellence and technology leadership and on exploiting the value of our major hotel/casino brands – Harrah’s, Caesars and Horseshoe and our loyalty program, Total Rewards. We believe that the customer-relationship marketing and business-intelligence capabilities fueled by Total Rewards are constantly bringing us closer to our customers so we better understand their preferences, and from that understanding, we are able to improve entertainment experiences we offer accordingly.

On January 28, 2008, Harrah’s Entertainment was acquired by affiliates of Apollo Global Management, LLC (“Apollo”) and TPG Capital, LP (“TPG”) in an all-cash transaction, hereinafter referred to as the “Merger,” valued at approximately $30.7 billion, including the assumption of $12.4 billion of debt and approximately $1.0 billion of acquisition costs. Holders of Harrah’s Entertainment stock received $90.00 in cash for each outstanding share of common stock. As a result of the Merger, the issued and outstanding shares of non-voting common stock and non-voting preferred stock of Harrah’s Entertainment are owned by entities affiliated with Apollo/TPG 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.

2008 was a difficult year for the casino industry as the broader economic slowdown affecting the United States and the rest of the world took its toll on the travel and leisure industry, including gaming. Rising unemployment, low consumer confidence and crisis in the financial markets, combined with smoking bans in several jurisdictions, have impacted both customer visitation to our casinos and spend per trip. We have implemented several efficiency improvements and cost savings programs in 2008 to meet the challenges of operating our casinos in the current economic environment.

OVERALL OPERATING RESULTS

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

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

Certain of our properties were sold during 2006, and their operating results prior to their sales were included in discontinued operations, if appropriate. Note 15 to our Consolidated Financial Statements provides information regarding dispositions. The discussion that follows is related to our continuing operations.

	Successor	Predecessor		Predecessor		Percentage Increase/(Decrease)	
(In millions)	Jan. 28, 2008 through Dec. 31, 2008	Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	2007	2006	08 vs 07	07 vs 06
Casino revenues	$ 7,476.9	$ 614.6	$ 8,091.5	$ 8,831.0	$7,868.6	(8.4)%	12.2%
Total revenues	$ 9,366.9	$ 760.1	$10,127.0	$10,825.2	$9,673.9	(6.4)%	11.9%
Income/(loss) from operations before impairment charges	$ 1,252.1	$ (36.8)	$ 1,215.3	$ 1,821.6	$1,577.3	(33.3)%	15.5%
Impairment of intangible assets	(5,489.6)	—	(5,489.6)	(169.6)	(20.7)	N/M	N/M
(Loss)/income from operations	$ (4,237.5)	$ (36.8)	$ (4,274.3)	$ 1,652.0	$1,556.6	N/M	6.1%
(Loss)/income from continuing operations	$ (5,186.7)	$ (101.0)	$ (5,287.7)	$ 527.2	$ 523.9	N/M	0.6%
Net (loss)/income	$ (5,096.3)	$ (100.9)	$ (5,197.2)	$ 619.4	$ 535.8	N/M	15.6%

N/M = Not Meaningful

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

The increase in 2007 revenues 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.

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 believe 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)	Harrah's Tunica(2)	
Rio		Horseshoe Tunica	
Imperial Palace		Sheraton Tunica	
Bill's Gamblin' Hall & Saloon			

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

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

(2) Re-branded from Grand Casino Tunica in May 2008.

(3) Re-branded from Caesars Indiana in July 2008.

(4) Managed, not owned.

(5) We have a 50 percent interest in Windsor Casino Limited, which manages this property. The province of Ontario owns the complex. The property was re-branded from Casino Windsor in June 2008.

(6) Operates 11 casino clubs in the United Kingdom, 3 in Egypt and 1 in South Africa.

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

We 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 projected performance, which reflects factors impacted by current market conditions, including lower valuation multiples for gaming assets; higher discount rates resulting from on-going turmoil in the credit markets; and the completion of our annual budget and forecasting process, our 2008 analysis indicated that certain of our goodwill and other intangible assets were impaired. A charge of $5.5 billion was recorded to our Consolidated Statement of Operations in fourth quarter 2008. Our 2007 analysis determined that, based on historical and projected performance, intangible assets at London Clubs and Horseshoe Southern Indiana had been impaired, and we recorded impairment charges of $169.6 million in fourth quarter 2007. Our 2006 analysis indicated that, based on the historical performance and projected performance of Harrah's Louisiana Downs, intangible assets of that property had been impaired, and a charge of $20.7 million was recorded in fourth quarter 2006. Our 2008, 2007 and 2006 analyses of the tangible assets, applying the provisions of SFAS No. 144, indicated that the carrying value of the tangible assets was not impaired.

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

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006
Remediation costs	$ 60.5	$ 4.4	$ 64.9	$ —	$ —
Impairment of long-term assets	39.6	—	39.6	—	23.6
Write-off of abandoned assets	34.3	—	34.3	21.0	0.2
Efficiency projects	29.4	0.6	30.0	21.5	5.2
Termination of contracts	14.4	—	14.4	—	—
Litigation awards and settlements	10.1	—	10.1	8.5	32.5
Demolition costs	9.2	0.2	9.4	7.3	11.4
Other	4.1	(0.5)	3.6	12.1	(0.1)
Insurance proceeds in excess of deferred costs	(185.4)	—	(185.4)	(130.3)	(10.2)
	$ 16.2	$ 4.7	$ 20.9	$ (59.9)	$ 62.6

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

Impairment of long-term assets in 2008 represents declines in the market value of certain assets that are held for sale and reserves for amounts that are not expected to be recovered for other non-operating assets. The impairment in 2006 resulted from an assessment of certain bonds classified as held-to-maturity and the determination that they were highly uncollectible.

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

Efficiency projects in 2006 and 2007 represents costs incurred to identify efficiencies and cost savings in our corporate organization. Expense in 2008 represents costs related to additional projects aimed at stream-lining corporate and operations functions to achieve further cost savings and efficiencies.

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

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

Las Vegas Results

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

N/M=Not meaningful

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

An expansion and renovation of Caesars Palace Las Vegas is underway, which will include a hotel tower with approximately 660 rooms, including 75 luxury suites, 110,000 square feet of additional meeting and convention space, three 10,000 square foot villas and an expanded pool and garden area. We have announced that we will defer completion of the hotel tower expansion as a result of current economic conditions impacting the Las Vegas tourism sector. The estimated total capital expenditures for the project, excluding the costs to complete the deferred rooms, are expected to be $681.0 million, $335.2 million of which had been spent as of December 31, 2008. This expansion is scheduled for completion in mid-summer 2009.

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 located at the northeast corner of Flamingo Road and Las Vegas Boulevard between Bally's Las Vegas and Flamingo Las Vegas. We began operating the acquired property on March 1, 2007, as Bill's Gamblin' Hall & Saloon, and its results are included in our operating results from the date of its acquisition.

Atlantic City Results

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

N/M=Not meaningful

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

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

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

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

Louisiana/Mississippi Results

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

N/M=Not meaningful

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

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

In May 2008, Grand Casino Resort in Tunica, Mississippi, was re-branded to Harrah's Tunica. In connection with the re-branding, renovations to the property costing approximately $30.3 million were completed. In conjunction with the renovation and re-branding project, a strategic alliance with Food Network star, Paula Deen, was formed, and a new Paula Deen Buffet also opened in May 2008.

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.

Construction began in third quarter 2007 on Margaritaville Casino & Resort in Biloxi. In 2008, we decided to slow construction of this project as we refine the design of the project and explore alternatives related to the project and its financing. We are adjusting our plan for development to better align with the economic environment, market conditions on the Gulf Coast and the current financing environment. We license the Margaritaville name from an entity affiliated with the singer/songwriter Jimmy Buffett. As of December 31, 2008, $175.2 million had been spent on this project.

Iowa/Missouri Results

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

N/M= Not meaningful

Combined 2008 revenues at our Iowa and Missouri properties were lower than last year, driven primarily by Harrah's St. Louis, where the opening of a new facility by a competitor impacted results. Income from operations for Iowa/Missouri includes a charge of $49.0 million recorded in fourth quarter 2008 for the impairment of certain non-amortizing intangible assets. The impairment charge is included in Write-downs, reserves and recoveries in our 2008 Consolidated Statement of Operations. Partially offsetting the impairment were favorable results due to cost savings.

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

In March 2006, following an $87 million renovation and expansion, the former Bluffs Run Casino became Horseshoe Council Bluffs. Horseshoe Council Bluffs was 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

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

N/M=Not meaningful

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

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

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

Other Nevada Results

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

N/M=Not meaningful

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

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.

Managed, International and Other

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs 07	Percentage Increase/(Decrease) 07 vs 06
Revenues							
Managed	$ 59.1	$ 5.0	$ 64.1	$ 81.5	$ 89.1	(21.3)%	(8.5)%
International	375.7	51.2	426.9	396.4	99.8	7.7%	N/M
Other	75.0	3.2	78.2	80.3	72.1	(2.6)%	11.4%
Total revenues	$ 509.8	$ 59.4	$ 569.2	$ 558.2	$ 261.0	2.0%	N/M
Income/(loss) from operations							
Managed	$ 22.1	$ 4.0	$ 26.1	$ 64.7	$ 72.1	(59.7)%	(10.3)%
International	(276.0)	2.2	(273.8)	(128.6)	12.8	N/M	N/M
Other	(799.1)	(6.5)	(805.6)	(94.4)	(261.0)	N/M	63.8%
Total loss from operations	$ (1,053.0)	$ (0.3)	$(1,053.3)	$(158.3)	$(176.1)	N/M	10.1%

N/M = Not meaningful

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, 2008.

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

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

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

International

Favorable International revenues for 2008 are due to the opening during 2008 of two new properties of London Clubs International Limited (“London Clubs”) and a full year of revenues from two properties that opened during 2007, partially offset by the impact of a new smoking ban enacted in mid-2007. Income from operations was further impacted by a charge of $210.8 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets, and London Clubs’ table game hold, higher gaming taxes imposed during 2007 and reserves for receivables due from a joint venture member that may not be collectible. The impairment charge and reserve for the receivable are included in Write-downs, reserves and recoveries in our 2008 Consolidated Statement of Operations. As of December 31, 2008, London Clubs owns or manages eleven casinos in the United Kingdom, three in Egypt and one in South Africa.

Revenues from our international properties increased in 2007 due to the inclusion of London Clubs, which was acquired in 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 identified in our annual assessment for impairment of goodwill and other intangible assets that are not subject to amortization.

In September 2007, we acquired Macau Orient Golf, located on 175 acres on Cotai adjacent to the Lotus Bridge, one of the two border crossings into Macau from China, and rights to a land concession contract for a total consideration of approximately $577.7 million. The government of Macau owns most of the land in Macau, and private interests are obtained through long-term leases and other grants of rights to use land from the government. The term of the land concession is 25 years from its inception in 2001, with rights to renew for additional periods until 2049. Annual rental payments are approximately $90,000 and are adjustable at five-year intervals. Macau Orient Golf is one of only two golf courses in Macau and is the only course that is semi-private. In December 2008, we announced plans for Caesars Macau Golf, a five-star golf lifestyle destination, the centerpieces of which will be a redesigned par-72 golf course and the establishment of Asia's first Butch Harmon School of Golf, the first of Harmon's flagship teaching facilities outside of the United States. The redevelopment includes expansion of the existing clubhouse into a 32,000 square-foot golf lifestyle boutique, meeting facilities and VIP entertainment suites. In addition, plans call for the clubhouse to feature a fine-dining restaurant operated by Macau's leading restaurateur, G&L Group. The project is expected to cost approximately $32 million and is slated for completion in phases beginning in 2010.

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

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

In January 2007, we signed a joint venture agreement with a subsidiary of Baha Mar Resort Holdings Ltd. to create the Caribbean's largest single-phase destination in the Bahamas. The joint venture partners have also signed management agreements with subsidiaries of Starwood Hotels & Resorts Worldwide, Inc. The joint venture is 57% owned by a subsidiary of Baha Mar Resort Holdings Ltd. and 43% by a subsidiary of the Company. We have terminated our involvement with the Baha Mar development. (See ITEM 3. Legal Proceedings.)

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

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

Other Factors Affecting Net Income

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

N/M = Not meaningful

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

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

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

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

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

Interest expense increased in 2008 from the same periods in 2007 primarily due to increased borrowings in connection with the Merger. Also included in interest expense in 2008 is a charge of $104.3 million representing the changes in the fair values of our derivative instruments. Interest expense for 2007 included $45.4 million representing the losses from the change in the fair values of our interest rate swaps. A change in interest rates on variable-rate debt will impact our financial results. For example, assuming a constant outstanding balance for our variable-rate debt, excluding $6.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, for the next twelve months, a hypothetical 1% change in corresponding interest rates would change interest expense for the next twelve months by approximately $81.9 million. At December 31, 2008, our variable-rate debt, excluding $6.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, represents approximately 35.3% of our total debt, while our fixed-rate debt is approximately 64.7% of our total debt.

Included in 2006 interest expense is $3.6 million to adjust the liability to market value of interest rate swaps that were terminated during the first quarter of 2006. (For discussion of our interest rate swap agreements, see DEBT AND LIQUIDITY, Derivative Instruments.)

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

Other income for all years presented included interest income on the cash surrender value of life insurance policies. 2008 also includes the receipt of a death benefit. Other income in 2007 and 2006 included gains on the sales of corporate assets.

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

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

Discontinued operations for 2008 reflects insurance proceeds of $87.3 million, after taxes, representing the final funds received that were in excess of the net book value of the impacted assets and costs and expenses that were reimbursed under our business interruption claims for Grand Casino Gulfport. 2007 Discontinued operations reflected insurance proceeds of $89.6 million, after taxes, for reimbursements under our business interruption claims related to Harrah's Lake Charles and Grand Casino Gulfport, both of which were sold in 2006. Pursuant to the terms of the sales agreements, we retained all insurance proceeds related to those properties. Discontinued operations for 2006 also included Reno Hilton, Flamingo Laughlin, Harrah's Lake Charles and Grand Casino Gulfport, all of which were sold in 2006. 2006 Discontinued operations reflect the results of Harrah's Lake Charles, Grand Casino Gulfport, Reno Hilton and Flamingo Laughlin through their respective sales dates and include any gain/loss on the sales. (See Notes 15 and 16 to our Consolidated Financial Statements.)

COST SAVINGS INITIATIVES

In light of the severe economic downturn and adverse conditions in the travel and leisure industry generally, Harrah's Entertainment has undertaken a comprehensive cost reduction study that began in August 2008 examining all areas of our business, including organizational restructurings at our corporate and property operations, reduction of travel and entertainment expenses, an examination of our corporate wide marketing expenses, and headcount reductions at property operations and corporate offices. To date, Harrah's Entertainment has identified $534.7 million in estimated costs savings from these initiatives, of which approximately $33.2 million had been realized as of December 31, 2008. Harrah's Entertainment expects to implement most of the program directives and achieve approximately $500 million in annual savings on a run-rate basis, by the end of 2009.

DEBT AND LIQUIDITY

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

Our cash and cash equivalents totaled $650.5 million at December 31, 2008, compared to $710.0 million at December 31, 2007. The following provides a summary of our cash flows for the years ended December 31.

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

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

A substantial portion of the financing of the Merger is comprised of bank and bond financing obtained by Harrah's Operating Company, Inc. ("HOC"), a wholly-owned subsidiary of Harrah's Entertainment. This financing is neither secured nor guaranteed by Harrah's Entertainment's other direct, wholly-owned subsidiaries, including certain subsidiaries that own properties that are security for $6.5 billion of commercial mortgage-backed securities ("CMBS"). Pro forma information pertaining solely to the consolidated financial position and results of HOC and its subsidiaries can be found in Exhibit 99.1 of this Form 10-K.

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

(In millions)	Successor 2008	Predecessor 2007
Credit facilities		
Term loans, 4.46%–6.54% at December 31, 2008, maturities to 2015	$ 7,195.6	$ —
Revolving credit facility, 3.49%–4.75% at December 31, 2008, maturities to 2014	533.0	—
Revolving credit facility, 4.05%–6.25% at December 31, 2007, retired in 2008	—	5,768.1
Subsidiary-guaranteed debt		
10.75% Senior Notes due 2016, including senior interim loans of $342.6, 9.25% at January 28, 2008	4,542.7	—
10.75%/11.5% Senior PIK Toggle Notes due 2018, including senior interim loans of $97.4, 10.0% at January 28, 2008	1,150.0	—
Secured Debt		
CMBS financing, 4.2% at December 31, 2008, maturity 2013	6,500.0	—
10.0% Second-Priority Senior Secured Notes, maturity 2018	542.7	—
10.0% Second-Priority Senior Secured Notes, maturity 2015	144.0	—
6.0%, maturity 2010	25.0	25.0
7.1%, maturity 2028	—	87.7
S. African prime less 1.5%, maturity 2009	—	10.5
4.25%–6.0%, maturities to 2035 at December 31, 2008	1.1	4.4
Unsecured Senior Notes		
Floating Rate Notes, maturity 2008	—	250.0
7.5%, maturity 2009	5.1	136.2
7.5%, maturity 2009	0.9	442.4
5.5%, maturity 2010	321.5	747.1
8.0%, maturity 2011	47.4	71.7
5.375%, maturity 2013	200.6	497.7
7.0%, maturity 2013	0.7	324.4
5.625%, maturity 2015	578.1	996.3
6.5%, maturity 2016	436.7	744.3
5.75%, maturity 2017	372.7	745.8
Floating Rate Contingent Convertible Senior Notes, maturity 2024	0.2	370.6
Unsecured Senior Subordinated Notes		
8.875%, maturity 2008	—	409.6
7.875%, maturity 2010	287.0	394.9
8.125%, maturity 2011	216.8	380.3
Other Unsecured Borrowings		
LIBOR plus 4.5%, maturity 2010	23.5	29.1
5.3% special improvement district bonds, maturity 2037	69.7	—
Other, various maturities	1.4	1.6
Capitalized Lease Obligations		
5.77%–10.0%, maturities to 2011	12.5	2.7
Total debt, net of unamortized discounts of $1,253.4 and premium of $77.4	23,208.9	12,440.4
Current portion of long-term debt	(85.6)	(10.8)
	$23,123.3	$12,429.6

$5.1 million, face amount, of our 7.5% Unsecured Senior Notes due in January 2009, and $0.8 million, face amount, of our 7.5% Unsecured Senior Notes due in September 2009, are classified as long-term in our Consolidated Balance Sheet as of December 31, 2008, because the Company has both the intent and the ability to refinance that portion of these notes.

As of December 31, 2008, aggregate annual principal maturities for the four years subsequent to 2009 were: 2010, $755.8 million; 2011, $376.6 million; 2012, $74.4 million; and 2013, $6.9 billion.

In July 2008, HOC made the permitted election under the Indenture governing its 10.75%/11.5% Senior Toggle Notes due 2018 and the Senior Unsecured Interim Loan Agreement dated January 28, 2008, to pay all interest due on January 28, and February 1, 2009, for the loan in kind. A similar election was made in January 2009 to pay the interest due August 1, 2009, for the 10.75%/11.5% Senior Toggle Notes due 2018 in kind, and in March 2009, the election was made to pay the interest due April 28, 2009, on the Senior unsecured Interim Loan Agreement in kind. The Company intends to use the cash savings generated by this election for general corporate purposes, including the early retirement of other debt.

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

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

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

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

Included in the table above is approximately $2.2 billion, face amount, of HOC's debt that was retired in connection with private exchange offers in December 2008. Retired notes, maturing between 2010 and 2013, were exchanged for new 10.0% Second-Priority Senior Secured Notes due 2015, and retired notes maturing between 2015 and 2018 were exchanged for new 10.0% Second-Priority Senior Secured Notes due 2018 as reflected in the table below. Approximately $448 million, face amount, of the retired notes maturing between 2010 and 2011 and participating in the exchange offers elected to receive cash of approximately $289 million in lieu of new notes.

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

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

Senior Secured Credit Facility

Overview. HOC's senior secured credit facilities (the "Credit Facilities") provide for senior secured financing of up to $9.196 billion, consisting of (i) senior secured term loan facilities in an aggregate principal amount of up to $7.196 billion maturing through January 28, 2015 and (ii) a senior secured revolving credit facility in an aggregate principal amount of $2.0 billion, maturing January 28, 2014, including both a letter of credit sub-facility and a swingline loan sub-facility. The Credit Facilities require scheduled quarterly payments on the term loans of $18.125 million each for six years and three quarters, with the balance paid at maturity. Interest on the Credit Agreement is based on our debt ratings and leverage ratio and is subject to change. In addition, we may request one or more incremental term loan facilities and/or increase commitments under our revolving facility in an aggregate amount of up to $1.75 billion, subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders. As of December 31, 2008, $7.73 billion in borrowings was outstanding under the Credit Facilities with an additional $0.2 billion committed to back letters of credit. After consideration of these borrowings and letters of credit, $1.29 billion of additional borrowing capacity was available to the Company under the Credit Facilities as of December 31, 2008. Subsequent to December 31, 2008, HOC borrowed the remaining amount available, except for amounts committed to back letters of credit, under the $2.0 billion senior secured revolving credit facility. The remaining amount available was borrowed in light of the continuing uncertainty in the credit market and general economic conditions. The funds will be used for general corporate purposes, including capital expenditures.

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

Proceeds from the term loan drawn on the closing date were used to repay extinguished debt in the table above and pay expenses related to the Merger. 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 Credit Facilities bear interest at a rate equal to the then-current LIBOR rate or at a rate equal to the alternate base rate, in each case plus an applicable margin. In addition, on a quarterly basis, we are required to pay each lender (i) a commitment fee in respect of any unused commitments under the revolving credit facility and (ii) a letter of credit fee in respect of the aggregate face amount of outstanding letters of credit under the revolving credit facility. As of December 31, 2008, the Credit Facilities bore interest based upon 300 basis points over LIBOR for the term loans, 200 basis points over the alternate base rate for the revolver loan and 150 basis points over LIBOR for the swingline loan and bore a commitment fee for unborrowed amounts of 50 basis points.

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

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

Illinois/Indiana	Other Nevada
Horseshoe Southern Indiana	Harrah's Reno
Harrah's Metropolis	Harrah's Lake Tahoe
Horseshoe Hammond	Harveys Lake Tahoe
	Bill's Lake Tahoe

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

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

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

Certain covenants contained in HOC's credit agreement require the maintenance of a senior secured debt to last twelve months (LTM) Adjusted EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"), as defined in the agreements, ratio ("Senior Secured Leverage Ratio"). Certain covenants contained in HOC's credit agreement governing its senior secured credit facilities, the indenture and other agreements governing HOC's 10.75% Senior Notes due 2016, 10.75% Senior Toggle Notes due 2018 and senior interim loans restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet defined Adjusted EBITDA to Fixed Charges, senior secured debt to LTM Adjusted EBITDA and consolidated debt to LTM Adjusted EBITDA ratios. The covenants that restrict additional indebtedness and the ability to make future acquisitions require an LTM Adjusted EBITDA to Fixed Charges ratio (measured on a trailing four-quarter basis) of 2.0: 1.0. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions.

We believe we are in compliance with HOC's credit agreement and indentures, including the Senior Secured Leverage Ratio, as of December 31, 2008. If our LTM Adjusted EBITDA were to decline significantly from the level achieved in 2008, it could cause us to exceed the Senior Secured Leverage Ratio and could be an Event of Default under HOC's credit agreement. However, we could implement certain actions in an effort to minimize the possibility of a breach of the Senior Secured Leverage Ratio, including reducing payroll and other operating costs, deferring or eliminating certain maintenance, delaying or deferring capital expenditures, or selling assets. In addition, under certain circumstances, our credit agreement allows us to apply the cash contributions received by HOC as a capital contribution to cure covenant breaches. However, there is no guarantee that such contributions will be able to be secured.

10.75% Senior Notes, 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.

10.0% Second-Priority Senior Secured Notes

In December 2008, HOC completed private exchange offers whereby approximately $2.2 billion, face amount, of HOC's debt maturing between 2010 and 2018, was exchanged for new 10.0% Second-Priority Senior Secured Notes with a face value of $214.8 million due 2015 and new 10.0% Second-Priority Senior Secured Notes with a face value of $847.6 million due 2018. Interest on the new notes will be payable in cash each June 15 and December 15 until maturity. The Second-Priority Senior Secured Notes will be secured by a second priority security interest in substantially all of HOC's and its subsidiary's property and assets that secure the senior secured credit facilities. These liens will be junior in priority to the liens on substantially the same collateral securing the senior secured credit facilities.

On March 4, 2009, HOC announced private exchange offers to exchange up to $2.8 billion aggregate principal amount (subject to increase) of new 10.0% Second-Priority Senior Secured Notes due 2018 for its outstanding debt due between 2010 and 2018. The new notes will also be guaranteed by Harrah's Entertainment and will be secured on a second-priority lien basis by substantially all of HOC's and its subsidiary's property and assets that secure the senior secured credit facilities. In addition to the exchange offers, a subsidiary of Harrah's Entertainment is offering to spend up to $150 million to purchase for cash certain notes of HOC maturing between 2015 and 2017. Additionally, HOC is offering to spend up to $50 million to purchase for cash old notes from retail holders that are not eligible to participate in the exchange offers.

Concurrently with these transactions, affiliates of Apollo and TPG and certain other co-investors announced that they are commencing a $250 million cash tender offer for the outstanding 10.0% Second-Priority Senior Secured Notes due 2015 and 10.0% Second-Priority Senior Secured notes due 2018. Upon the closing of the exchange offers, this offer will be expanded to include the new 10% Second-Priority Senior Secured notes issued in the exchange offers.

Commercial Mortgaged-Backed Securities ("CMBS") Financing

In connection with the Merger, eight of our properties ("the CMBS properties") and their related assets were spun out of HOC to Harrah's Entertainment. As of the Merger date, the CMBS properties were Harrah's Las Vegas, Rio, Flamingo Las Vegas, Harrah's Atlantic City, Showboat Atlantic City, Harrah's Lake Tahoe, Harveys Lake Tahoe and Bill's Lake Tahoe. The CMBS properties borrowed $6.5 billion of mortgage loans and/or related mezzanine financing and/or real estate term loans (the "CMBS Financing"). The CMBS Financing is secured by the assets of the CMBS properties and certain aspects of the financing are guaranteed by Harrah's Entertainment. On May 22, 2008, Paris Las Vegas and Harrah's Laughlin and their related operating assets were spun out of HOC to Harrah's Entertainment and became property secured under the CMBS loans, and Harrah's Lake Tahoe, Harveys Lake Tahoe, Bill's Lake Tahoe and Showboat Atlantic City were transferred to HOC from Harrah's Entertainment as contemplated under the debt agreements effective pursuant to the Merger.

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. Our derivatives are recorded at their fair values, adjusted for the credit rating of the counterparty, if the derivative is an asset, or the Company, if the derivative is a liability.

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2008, we had ten interest rate swap agreements for a total notional amount of $6.5 billion. The difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreement will have a corresponding effect on future cash flows. The major terms of the interest rate swaps are as follows:

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received as of December 31, 2008	Next Reset Date	Maturity Date
April 25, 2007	$ 200	4.898%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.896%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.925%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.917%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.907%	3.535%	January 26, 2009	April 25, 2011
September 26, 2007	250	4.809%	3.535%	January 26, 2009	April 25, 2011
September 26, 2007	250	4.775%	3.535%	January 26, 2009	April 25, 2011
April 25, 2008	1,000	4.172%	3.535%	January 26, 2009	April 25, 2012
April 25, 2008	2,000	4.276%	3.535%	January 26, 2009	April 25, 2013
April 25, 2008	2,000	4.263%	3.535%	January 26, 2009	April 25, 2013

Until February 15, 2008, none of our interest rate swap agreements were designated as hedging instruments; therefore, gains or losses resulting from changes in the fair value of the swaps were recognized in earnings in the period of the change. On February 15, 2008, eight of our interest rate swap agreements for notional amounts totaling $3.5 billion were designated as hedging instruments, and on April 1, 2008, the remaining swap agreements were designated as hedging instruments. Upon designation as hedging instruments, only any measured ineffectiveness is recognized in earnings in the period of change. Interest rate swaps increased our 2008 and 2007 interest expense by $161.9 million and $44.0 million, respectively.

Additionally, on January 28, 2008, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the CMBS financing. The interest rate cap agreement, which was effective January 28, 2008, and terminates February 13, 2013, is for a notional amount of $6.5 billion at a LIBOR cap rate of 4.5%. The interest rate cap was designated as a hedging instrument on May 1, 2008. For the year ended December 31, 2008, a net charge of $19.9 million, is included in Interest expense in our Consolidated Condensed Statement of Operations.

Guarantees of Third-Party Debt and Other Obligations and Commitments

The following tables summarize our contractual obligations and other commitments as of December 31, 2008.

Contractual Obligations [a]	Payments due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
			(In millions)		
Debt, face value	$24,449.8	$ 86.4	$1,125.1	$6,927.7	$16,310.6
Capital lease obligations	12.5	5.2	7.3	—	—
Estimated interest payments [b]	10,383.1	1,640.9	3,071.8	2,713.4	2,957.0
Operating lease obligations	1,894.3	82.8	120.5	108.9	1,582.1
Purchase orders obligations	51.3	51.3	—	—	—
Guaranteed payments to State of Louisiana	134.8	60.0	74.8	—	—
Community reinvestment	124.6	6.3	12.7	11.9	93.7
Construction commitments	717.5	717.5	—	—	—
Entertainment obligations	135.3	52.9	60.4	20.6	1.4
Other contractual obligations	606.1	83.3	111.5	85.4	325.9
	$38,509.3	$2,786.6	$4,584.1	$9,867.9	$21,270.7

(a) In addition to the contractual obligations disclosed in this table, we have unrecognized tax benefits that, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities. (See Note 11 to our Consolidated Financial Statements.)

(b) Estimated interest for variable rate debt included in this table is based on rates at December 31, 2008. Estimated interest includes the estimated impact of our interest rate swap and interest rate cap agreements.

Contractual Obligations [a]	Amounts of Commitment Per Year				
	Total amounts committed	Less than 1 year	1-3 years	4-5 years	After 5 years
			(In millions)		
Letters of credit	$ 175.4	$ 175.4	$ —	$—	$ —
Minimum payments to tribes	41.5	13.8	25.4	2.3	—

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 59 months from December 31, 2008, is $1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

CAPITAL SPENDING AND DEVELOPMENT

Part of our plan for growth and stability includes disciplined capital improvement projects, and 2008, 2007 and 2006 were all years of significant capital investment.

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 2008 totaled approximately $1.3 billion. Capital spending in 2007 totaled approximately $1.5 billion, excluding our acquisitions of a golf course in Macau and Bill’s Gamblin’ Hall and Saloon. 2006 capital spending was approximately $2.5 billion, excluding the cost of our acquisition of London Clubs. Estimated total capital expenditures for 2009 are expected to be between $500 million and $700 million.

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.

COMPETITIVE PRESSURES

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

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

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

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 59% 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

After consideration of the impairment charges recorded in fourth quarter 2008, we have approximately $10.2 billion in goodwill and other intangible assets in our Consolidated Balance Sheet at December 31, 2008, resulting from the Merger. Goodwill and other intangible assets in our Consolidated Balance Sheet at December 31, 2007, resulted from our acquisitions 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 after review and consideration of relevant information including 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. Our 2008 analysis reflected factors impacted by current market conditions, including lower valuation multiples for gaming assets, higher discount rates resulting from on-going turmoil in the credit markets and the completion of our annual budget and forecasting process, and indicated that our goodwill and other nonamortizing intangible assets were impaired. A charge of $5.5 billion was recorded to our Consolidated Statement of Operations in fourth quarter 2008.

The annual evaluation of goodwill and other nonamortizing intangible assets requires the use of estimates about future operating results, valuation multiples and discount rates of each reporting unit to determine their estimated fair value. Changes in these assumptions can materially affect these estimates. Once an impairment of goodwill or other intangible assets has been recorded, it cannot be reversed.

Total Rewards Point Liability Program

Our customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of our casinos throughout the United States. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. As a result of the ability of the customer to bank the Reward Credits, we accrue the expense of Reward Credits, after consideration of estimated breakage, as they are earned. The value of the cost to provide Reward Credits is expensed as the Reward Credits are earned and is included in Casino expense on our Consolidated Statements of 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, 2008 and 2007, $64.7 million and $72.8 million, respectively, were accrued for the cost of anticipated Total Rewards credit redemptions.

In addition to Reward Credits, customers at certain of our properties can earn points based on play that are redeemable in cash (“cash-back points”). In 2007, certain of our properties introduced a modification to the cash-back program whereby points are redeemable in playable credits at slot machines where, after one play-through, the credits can be cashed out. We accrue the cost of cash-back points and the modified program, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowances on our Consolidated Statements of Income. At December 31, 2008 and 2007, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $9.3 million and $16.9 million, respectively.

Bad Debt Reserves

We reserve an estimated amount for receivables that may not be collected. Methodologies for estimating bad debt reserves range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. At December 31, 2008 and 2007, we had $201.4 million and $126.2 million, respectively, in our bad debt reserve. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating our reserves for bad debts.

Self-Insurance Accruals

We are self-insured up to certain limits for costs associated with general liability, workers' compensation and employee health coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. At December 31, 2008 and 2007, we had total self-insurance accruals reflected in our Consolidated Balance Sheets of $213.0 million and $210.5 million, respectively. In estimating these costs, we consider historical loss experience and make judgments about the expected levels of costs per claim. We also rely on consultants to assist in the determination of estimated accruals. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals; however, changes in health care costs, accident frequency and severity and other factors can materially affect the estimate for these liabilities. We continually monitor the potential for changes in estimates, evaluate our insurance accruals and adjust our recorded provisions.

Income Taxes

We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. We account for income taxes under SFAS No. 109, "Accounting for Income Taxes," whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or income tax returns. Deferred tax assets and liabilities are determined based on differences between financial statement carrying amounts of existing assets 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 have consistently generated taxable income on a consolidated basis, certain foreign and state NOLs and other deferred foreign and state tax assets were not deemed realizable because they are attributable to subsidiaries that are not expected to produce future earnings. Other than these exceptions, we are unaware of any circumstances that would cause the remaining deferred tax assets to not be realizable.

We adopted the provisions of Financial Accounting Standards Board ("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 and 2008 tax years. This program accelerates the examination of key transactions with the goal of resolving any issues before the tax return is filed. Our 2006 federal income tax return is currently being examined by the IRS in a traditional audit process, and the 2004 and 2005 tax years are in the IRS appeals 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 2008 that could have an impact to our Company.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, but it does not require any new fair value measurements. The provisions of SFAS No. 157 were to be effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position ("FSP") No. 157-2, "Effective Date of FASB Statement No. 157." FSP No. 157-2 defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). Also in February 2008, the FASB issued FSP No. 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13." FSP No. 157-1 excludes SFAS No. 13, "Accounting for Leases," and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. We adopted the required provisions of SFAS No. 157 on January 1, 2008. The required provisions did not have a material impact on our financial statements. We have applied SFAS No. 157 to recognize the liability related to our derivative instruments at fair value to consider the changes in the creditworthiness of the Company and our counterparties in determining any credit valuation adjustment.

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

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

- Acquisition costs will be generally expensed as incurred;
- Assets that an acquirer does not intend to use will be recorded at fair value reflecting the assets' highest and best use;
- Noncontrolling interests (formerly known as "minority interests" — see Statement 160 discussion below) will be valued at fair value at the acquisition date;
- Acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;
- In-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date;
- Restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and
- Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

SFAS No. 141(R) also includes a substantial number of new disclosure requirements. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. We are currently evaluating the impact of this statement on our financial statements.

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

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities. It requires disclosures that allow financial statement users to understand (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Because SFAS No. 161 applies only to financial statement disclosures, it will not have a material impact on our consolidated financial position, results of operations and cash flows.

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

- The entity's accounting policy on the treatment of costs incurred to renew or extend the term of a recognized intangible asset
- In the period of acquisition or renewal, the weighted-average period prior to the next renewal or extension (both explicit and implicit), by major intangible asset class
- For an entity that capitalizes renewal or extension costs, the total amount of costs incurred in the period to renew or extend the term of a recognized intangible asset for each period for which a statement of financial position is presented by major intangible asset class

This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods with in those fiscal years. While the guidance on determining the useful life of a recognized intangible asset must be applied prospectively only to intangible assets acquired after the FSP's effective date, the disclosure requirements of the FSP must be applied prospectively to all intangible assets recognized as of, and after, the FSP's effective date. Early adoption is prohibited. This FSP will affect intangible assets acquired by Harrah's after the effective date as well as require additional disclosures for existing intangible assets.

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 $23.2 billion total debt at December 31, 2008, $8.2 billion, excluding $6.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, is subject to variable interest rates. We have hedging arrangements with respect to LIBOR borrowings for a notional amount of $6.5 billion, all of which fix the floating rates of interest to fixed rates. In addition to the swap agreements, we entered into an interest rate cap agreement for a notional amount of $6.5 billion at a LIBOR cap rate of 4.5%. Assuming a constant outstanding balance for our variable rate debt for the next twelve months, a hypothetical 1% change in interest rates would change interest expense for the next twelve months by approximately $81.9 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, 2008, about our financial instruments that are sensitive to changes in interest rates, including debt obligations and interest rate swaps. For debt obligations, the table presents principal cash flows and related weighted average interest rates by contractual maturity dates. Principal amounts are used to calculate the contractual payments to be exchanged under the contract and weighted average variable rates are based on implied forward rates in the yield curve as of December 31, 2008.

($ in millions)	2009	2010	2011	2012	2013	Thereafter	Total	Fair Value
Liabilities								
Long-term debt								
Fixed rate	$78.0	$742.3	$ 359.1	$ 67.4	$ 280.8	$14,742.4	$16,270.0	$9,578.4(1)
Average interest rate	5.5%	6.5%	7.5%	4.9%	5.4%	7.5%	7.4%	
Variable rate	$13.7	$ 13.5	$ 17.5	$ 7.0	$6,572.5	$ 1,568.1	$ 8,192.3	$8,192.3(1)
Average interest rate	5.9%	5.9%	6.3%	4.5%	4.2%	5.5%	5.5%	
Interest Rate Derivatives								
Interest rate swaps								
Fixed to variable	$ —	$ —	$1,500.0	$1,000.0	$4,000.0	$ —	$ 6,500.0	$ (335.3)
Average pay rate	4.4%	4.4%	4.4%	4.2%	4.3%	—	4.3%	
Average receive rate	1.3%	1.4%	1.8%	2.6%	2.7%	—	1.6%	
Interest rate cap	$ —	$ —	$ —	$ —	$6,500.0	$ —	$ 6,500.0	$ 32.4

(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, 2008, our long-term variable rate debt reflects borrowings under our senior secured credit facilities provided to us by a consortium of banks with a total capacity of $9.196 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.

Foreign currency translation gains and losses were not material to our results of operations for the year ended December 31, 2008. Our only material ownership interests in businesses in foreign countries are London Clubs, Macau Orient Golf 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 that exchange rate movements of foreign currencies would have on our future operating results or cash flows.

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

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, 2008 (Successor Company) and December 31, 2007 (Predecessor Company), and the related consolidated statements of operations, stockholders' (deficit)/equity and comprehensive (loss)/income, and cash flows for the period January 28, 2008 through December 31, 2008 (Successor Company), the period January 1, 2008 through January 27, 2008 (Predecessor Company), and the years ended December 31, 2007 and 2006 (Predecessor Company). Our audits also included the consolidated 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, 2008 (Successor Company) and December 31, 2007 (Predecessor Company), and the results of their operations and their cash flows for the period January 28, 2008 through December 31, 2008 (Successor Company), the period January 1, 2008 through January 27, 2008 (Predecessor Company), and the years ended December 31, 2007 and 2006 (Predecessor Company), in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Notes 1 and 10 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.

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, 2008, 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 March 16, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 16, 2009

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

	December 31, Successor 2008	Predecessor 2007
Assets		
Current assets		
Cash and cash equivalents	$ 650.5	$ 710.0
Receivables, less allowance for doubtful accounts of $201.4 and $126.2	394.0	476.4
Deferred income taxes (Note 10)	157.6	200.0
Income tax receivable	5.5	5.0
Prepayments and other	216.4	216.2
Inventories	62.7	70.3
Total current assets	1,486.7	1,677.9
Land, buildings, riverboats and equipment		
Land and land improvements	7,310.8	5,392.8
Buildings, riverboats and improvements	8,860.8	9,270.7
Furniture, fixtures and equipment	1,888.1	3,186.6
Construction in progress	821.7	903.4
	18,881.4	18,753.5
Less: accumulated depreciation	(614.3)	(3,182.0)
	18,267.1	15,571.5
Assets held for sale	49.3	4.5
Goodwill (Notes 2 and 3)	4,902.2	3,553.6
Intangible assets (Notes 2 and 3)	5,307.9	2,039.5
Investments in and advances to nonconsolidated affiliates (Note 17)	30.4	18.6
Deferred costs and other	1,005.0	492.1
	$31,048.6	$23,357.7
Liabilities and Stockholders' (Deficit)/Equity		
Current liabilities		
Accounts payable	$ 382.3	$ 442.0
Accrued expenses (Note 5)	1,532.7	1,351.2
Current portion of long-term debt (Note 6)	85.6	10.8
Total current liabilities	2,000.6	1,804.0
Liabilities held for sale	—	0.6
Long-term debt (Note 6)	23,123.3	12,429.6
Deferred credits and other	669.1	464.8
Deferred income taxes (Note 10)	4,327.0	1,979.6
	30,120.0	16,678.6
Minority interests	49.6	52.2
Commitments and contingencies (Notes 6, 8, 12 through 14 and 17)		
Preferred stock of Successor Entity; $0.01 par value; authorized-40,000,000 shares, outstanding-19,912,447 shares (net of 23,088 shares held in treasury)	2,289.4	—
Stockholders' (deficit)/equity (Notes 4, 6, 14 and 17)		
Common stock non-voting and voting of Successor Entity; $0.01 par value; 80,000,020 shares authorized; 40,711,008 shares issued and outstanding at December 31, 2008 (net of 47,201 shares held in treasury)	0.4	—
Common stock of Predecessor Entity; $0.10 par value, authorized - 720,000,000 shares, outstanding - 188,778,819 shares (net of 36,033,752 shares held in treasury) at December 31, 2007	—	18.9
Additional paid-in capital	3,825.1	5,395.4
(Accumulated deficit)/retained earnings	(5,096.3)	1,197.2
Accumulated other comprehensive (loss)/income	(139.6)	15.4
	(1,410.4)	6,626.9
	$31,048.6	$23,357.7

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

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions)

	Successor	Predecessor		
	January 28, 2008 Through December 31, 2008	January 1, 2008 Through January 27, 2008	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006
Revenues				
Casino	$ 7,476.9	$ 614.6	$ 8,831.0	$ 7,868.6
Food and beverage	1,530.2	118.4	1,698.8	1,577.7
Rooms	1,174.5	96.4	1,353.6	1,240.7
Management fees	59.1	5.0	81.5	89.1
Other	624.8	42.7	695.9	611.0
Less: casino promotional allowances	(1,498.6)	(117.0)	(1,835.6)	(1,713.2)
Net revenues	9,366.9	760.1	10,825.2	9,673.9
Operating expenses				
Direct				
Casino	4,102.8	340.6	4,595.2	3,902.6
Food and beverage	639.5	50.5	716.5	697.6
Rooms	236.7	19.6	266.3	256.6
Property general, administrative and other	2,143.0	178.2	2,421.7	2,206.8
Depreciation and amortization	626.9	63.5	817.2	667.9
Impairment of intangible assets (Note 3)	5,489.6	—	169.6	20.7
Other write-downs, reserves and recoveries (Note 9)	16.2	4.7	(59.9)	62.6
Project opening costs	28.9	0.7	25.5	20.9
Corporate expense	131.8	8.5	138.1	177.5
Merger and integration costs	24.0	125.6	13.4	37.0
Loss/(income) on interests in nonconsolidated affiliates (Note 17)	2.1	(0.5)	(3.9)	(3.6)
Amortization of intangible assets (Note 3)	162.9	5.5	73.5	70.7
Total operating expenses	13,604.4	796.9	9,173.2	8,117.3
(Loss)/income from operations	(4,237.5)	(36.8)	1,652.0	1,556.6
Interest expense, net of interest capitalized (Note 11)	(2,074.9)	(89.7)	(800.8)	(670.5)
Gains/(losses) on early extinguishments of debt (Note 6)	742.1	—	(2.0)	(62.0)
Other income, including interest income	35.2	1.1	43.3	10.7
(Loss)/income from continuing operations before income taxes and minority interests	(5,535.1)	(125.4)	892.5	834.8
Income tax benefit/(provision) (Note 10)	360.4	26.0	(350.1)	(295.6)
Minority interests	(12.0)	(1.6)	(15.2)	(15.3)
(Loss)/income from continuing operations	(5,186.7)	(101.0)	527.2	523.9
Discontinued operations (Note 15)				
Income from discontinued operations	141.5	0.1	145.4	16.4
Provision for income taxes	(51.1)	—	(53.2)	(4.5)
Income from discontinued operations	90.4	0.1	92.2	11.9
Net (loss)/income	$ (5,096.3)	$ (100.9)	$ 619.4	$ 535.8

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

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT)/EQUITY AND COMPREHENSIVE (LOSS)/INCOME
(In millions)
(Notes 2, 4, 6, 14 and 17)

	Common Stock							
	Shares Outstanding	Amount	Capital Surplus	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Deferred Compensation Related to Restricted Stock	Total	Comprehensive Income/(Loss)
Predecessor 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 Predecessor Comprehensive Income								$ 538.3
Predecessor 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 plans, including share-based compensation expense of $53.0 and income tax benefit of $47.7	2.7	0.3	247.2	(17.8)			229.7	
2007 Predecessor Comprehensive Income								$ 637.6
Predecessor Balance - December 31, 2007	188.8	18.9	5,395.4	1,197.2	15.4	—	6,626.9	

	Common Stock							
	Shares Outstanding	Amount	Capital Surplus	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Deferred Compensation Related to Restricted Stock	Total	Comprehensive Income/(Loss)
Net loss				(100.9)			(100.9)	$ (100.9)
Foreign currency translation adjustments, net of tax benefit of $3.1					(1.8)		(1.8)	(1.8)
Acceleration of predecessor incentive compensation plans, including share-based compensation expense of $2.9 and income tax benefit of $65.8			156.0				156.0	
2008 Predecessor Comprehensive Loss								$ (102.7)
Predecessor Balance - January 27, 2008	188.8	18.9	5,551.4	1,096.3	13.6	—	6,680.2	
Redemption of Predecessor equity (Note 2)	(188.8)	(18.9)	(5,551.4)	(1,096.3)	(13.6)		(6,680.2)	
Issuance of Successor common stock (Note 4)	40.7	0.4	4,085.0				4,085.4	
Net loss				(5,096.3)			(5,096.3)	$ (5,096.3)
Net shares issued under incentive compensation plans, including share-based compensation expense of $15.8			11.9				11.9	
Debt exchange transaction, net of tax provision of $13.9			25.7				25.7	
Cumulative preferred stock dividends			(297.8)				(297.8)	
Pension adjustment related to acquisition of London Clubs International, net of tax benefit of $3.0					(6.9)		(6.9)	(6.9)
Reclassification of loss on derivative instrument from other comprehensive income to net income, net of tax provision of $0.3					0.6		0.6	0.6
Foreign currency translation adjustments, net of tax benefit of $14.7					(31.2)		(31.2)	(31.2)
Fair market value of swap agreements, net of tax benefit of $28.2					(51.9)		(51.9)	(51.9)
Adjustment for FIN 48 tax implications			0.3				0.3	
Fair market value of interest rate cap agreement on commercial mortgage-backed securities, net of tax benefit of $28.4					(50.2)		(50.2)	(50.2)
2008 Successor Comprehensive Loss								$ (5,235.9)
Successor Balance - December 31, 2008	40.7	$ 0.4	$ 3,825.1	$ (5,096.3)	$ (139.6)	$ —	$(1,410.4)	

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 11)

	Successor	Predecessor	Predecessor	
	January 28, 2008 Through December 31, 2008	January 1, 2008 Through January 27, 2008	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006
Cash flows from operating activities				
Net (loss)/income	$ (5,096.3)	$ (100.9)	$ 619.4	$ 535.8
Adjustments to reconcile net income to cash flows from operating activities:				
Income from discontinued operations, before income taxes	(141.5)	(0.1)	(145.4)	(16.4)
Income from insurance claims for hurricane damage	(185.4)	—	(130.3)	—
(Gains)/losses on early extinguishments of debt	(742.1)	—	2.0	62.0
Depreciation and amortization	1,027.3	104.9	905.8	711.4
Write-downs, reserves and recoveries	5,541.3	(0.1)	195.8	39.9
Deferred income taxes	(466.7)	(19.0)	(35.0)	73.7
Share-based compensation expense	15.8	50.9	53.0	52.8
Tax benefit from stock equity plans	—	42.6	1.8	1.7
Other noncash items	132.2	34.4	134.6	37.2
Minority interests' share of net income	12.0	1.6	15.2	15.3
Loss/(income) on interests in nonconsolidated affiliates	2.1	(0.5)	(3.9)	(3.6)
Net change in insurance receivables for hurricane damage	(8.6)	—	(0.7)	81.8
Insurance proceeds for hurricane losses from business interruption	97.9	—	119.1	—
Returns on investment in nonconsolidated affiliate	2.5	0.1	1.8	2.5
Net losses/(gains) from asset sales	8.3	(7.4)	(8.0)	(5.5)
Net change in long-term accounts	(57.6)	68.3	(45.1)	(35.4)
Net change in working capital accounts	380.9	(167.6)	(171.3)	(13.6)
Cash flows provided by operating activities	522.1	7.2	1,508.8	1,539.6
Cash flows from investing activities				
Land, buildings, riverboats and equipment additions	(1,169.3)	(117.4)	(1,379.5)	(2,511.3)
Payments for businesses acquired, net of cash acquired	—	0.1	(584.3)	(562.5)
Insurance proceeds for hurricane losses for continuing operations	98.1	—	15.7	124.9
Insurance proceeds for hurricane losses for discontinued operations	83.3	—	13.4	174.7
Proceeds from other asset sales	5.1	3.1	99.6	47.1
Purchase of minority interest in subsidiary	—	—	(8.5)	(2.3)
Investments in and advances to nonconsolidated affiliates	(5.9)	—	(1.8)	(0.9)
(Decrease)/increase in construction payables	(12.1)	(8.2)	2.8	11.2
Proceeds from sales of discontinued operations	—	—	—	457.3
Payment for Merger	(17,490.2)	—	—	—
Proceeds from sale of long-term investments	—	—	—	49.4
Other	(23.2)	(1.7)	(81.0)	(31.3)
Cash flows used in investing activities	(18,514.2)	(124.1)	(1,923.6)	(2,243.7)

	Successor January 28, 2008 Through December 31, 2008	Predecessor January 1, 2008 Through January 27, 2008	Predecessor Year Ended Dec. 31, 2007	Predecessor Year Ended Dec. 31, 2006
Cash flows from financing activities				
Proceeds from issuance of long-term debt, net of issue costs	21,313.4	11,316.3	39,124.4	6,946.5
Repayments under lending agreements	(6,760.5)	(11,288.8)	(37,619.5)	(5,465.8)
Early extinguishments of debt	(1,941.5)	(87.7)	(120.1)	(1,195.0)
Scheduled debt retirements	(6.5)	—	(1,001.7)	(5.0)
Payment to bondholders for debt exchange	(289.0)	—	—	—
Dividends paid	—	—	(299.2)	(282.7)
Proceeds from exercises of stock options	—	2.4	126.2	66.3
Excess tax benefit from stock equity plans	(50.5)	77.5	51.7	21.3
Minority interests' distributions, net of contributions	(14.6)	(1.6)	(20.0)	(1.9)
Proceeds from issuance of senior notes, net of discount and issue costs of $-, $- and $10.9	—	—	—	739.1
Premiums paid on early extinguishments of debt	(225.9)	—	—	(56.7)
Equity contribution for buyout	6,007.0	—	—	—
Losses on derivative instruments	—	—	—	(2.6)
Other	(4.9)	(0.8)	(5.3)	1.3
Cash flows provided by financing activities	18,027.0	17.3	236.5	764.8
Cash flows from discontinued operations				
Cash flows from operating activities	4.7	0.5	88.9	19.3
Cash flows from investing activities	—	—	(0.2)	(4.8)
Cash flows provided by discontinued operations	4.7	0.5	88.7	14.5
Net increase/(decrease) in cash and cash equivalents	39.6	(99.1)	(89.6)	75.2
Cash and cash equivalents, beginning of year	610.9	710.0	799.6	724.4
Cash and cash equivalents, end of year	$ 650.5	$ 610.9	$ 710.0	$ 799.6

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, 2008, we operated 53 casinos in six countries, primarily under the Harrah's, Caesars and Horseshoe brand names in the United States, including 34 land-based casinos, 12 riverboat or dockside casinos, one combination thoroughbred racetrack and casino, one combination greyhound racetrack and casino, one combination 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 2006, 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 plan to sell certain assets that we have classified as Assets held for sale in our Consolidated Balance Sheets. See Note 15 for further information regarding dispositions.

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." Although Harrah's Entertainment continued as the same legal entity after the Merger, the accompanying Consolidated Statement of Operations, the Consolidated Statement of Cash Flows and the Consolidated Statements of Stockholders' (Deficit)/Equity and Comprehensive (Loss)/Income for the year ended December 31, 2008, are presented as the Predecessor period for the period preceding the Merger and as the Successor period for the period succeeding the Merger. As a result of the application of purchase accounting as of the Merger date, the consolidated financial statements for the Successor period and the Predecessor periods are presented on different bases and are, therefore, not comparable. 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.

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.

In accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," we analyze our variable interests to determine if the entity that is party to the variable interest is a variable interest entity. Our analysis includes both quantitative and qualitative reviews. Quantitative analysis is based on the forecasted cash flows of the entity. Qualitative analysis is based on our review of the design of the entity, its organizational structure including decision-making ability, and financial agreements. Quantitative and qualitative analyses are also used to determine if we must consolidate a variable interest entity as the primary beneficiary. Based on these analyses there are no consolidated variable interest entities that are significant to our consolidated financial statements.

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 $27.4 million and $25.4 million at December 31, 2008 and 2007, respectively. Cash equivalents are highly liquid investments with an original maturity of less than three months and are stated at the lower of cost or market value.

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

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

LAND, BUILDINGS, RIVERBOATS AND EQUIPMENT. As a result of the application of purchase accounting, land, buildings, riverboats and equipment were recorded at their estimated fair value and useful lives as of the Merger date. Additions to land, buildings, riverboats and equipment are stated at cost. Land includes land not currently identified for use in our operations, which totaled $87.2 million and $113.3 million at December 31, 2008 and 2007, 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 $56.0 million, $20.4 million and $24.3 million in 2008, 2007 and 2006, 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 $10.2 billion in goodwill and other intangible assets in our Consolidated Balance Sheet at December 31, 2008, resulting from the Merger. Goodwill and other intangible assets in our Consolidated Balance Sheet at December 31, 2007, resulted from our acquisitions of other businesses and was not recognized by the Successor entity. The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values after review and consideration of relevant information including discounted cash flows, quoted market prices and estimates made by management. To the extent 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 3.)

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. Our 2008 analysis reflected factors impacted by current market conditions, including lower valuation multiples for gaming assets, higher discount rates resulting from on-going turmoil in the credit markets and the completion of our annual budget and forecasting process, and indicated that our goodwill and other nonamortizing intangible assets were impaired. A charge of $5.5 billion was recorded to our Consolidated Statement of Operations in fourth quarter 2008.

The annual evaluation of goodwill and other nonamortizing intangible assets requires the use of estimates about future operating results, valuation multiples and discount rates of each reporting unit to determine their estimated fair value. Changes in these assumptions can materially affect these estimates. Once an impairment of goodwill or other intangible assets has been recorded, it cannot be reversed. (See Note 3.)

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 in 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 in our Consolidated Statements of Operations. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. We use historical data to assist in the determination of estimated accruals. At December 31, 2008 and 2007, $64.7 million and $72.8 million, respectively, were accrued for the cost of anticipated Total Rewards credit redemptions.

In addition to Reward Credits, customers at certain of our properties can earn points based on play that are redeemable in cash (“cash-back points”). In 2007, certain of our properties introduced a modification to the cash-back program whereby points are redeemable in playable credits at slot machines where, after one play-through, the credits can be cashed out. We accrue the cost of cash-back points and the modified program, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowance in our Consolidated Statements of Operations. At December 31, 2008 and 2007, the liability related to outstanding cash-back points, which is based on historical redemption activity, was $9.3 million and $16.9 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, 2008 and 2007, we had total self-insurance accruals reflected in our Consolidated Balance Sheets of $213.0 million and $210.5 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.

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:

	Successor	Predecessor		
(In millions)	Jan. 28, 2008 through Dec. 31, 2008	Jan. 1, 2008 through Jan. 27, 2008	2007	2006
Food and beverage	$ 500.6	$ 42.4	$582.9	$544.0
Rooms	168.7	12.7	192.3	168.0
Other	88.6	5.5	95.6	75.2
	$ 757.9	$ 60.6	$870.8	$787.2

ADVERTISING. The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense for continuing operations was $253.7 million for the period January 28, 2008 through December 31, 2008, $20.9 million for the period January 1, 2008 through January 27, 2008, and $294.9 million and $287.5 million for the years 2007 and 2006, respectively.

STOCK-BASED EMPLOYEE COMPENSATION. Effective January 1, 2006, we adopted Statement of Financial Accounting Standards (“SFAS”) No. 123 (revised 2004), “Share-Based Payment,” and, as a result, we recognized stock option expense of $15.8 million for the period January 28, 2008, through December 31, 2008, and stock option and stock appreciation rights expense (“SARs”) of $2.9 million for the period January 1, 2008, through January 27, 2008, $53.0 million for the year ended December 31, 2007, and $52.8 million for the year ended December 31, 2006. In 2008 and 2007, we allocated 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 Operations. For the periods January 28, 2008, through December 31, 2008, and January 1, 2008, through January 27, 2008, and year ended December 31, 2007, $6.3 million, $0.9 million and $10.3 million, respectively, of the expense is included in Property general, administrative and other, and $9.5 million, $2.0 million and $42.7 million, respectively, is included in Corporate expense. The total income tax benefit recognized for 2008, 2007 and 2006, was approximately $6.6 million, $21.1 million and $20.4 million, respectively.

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 10, we have provided a valuation allowance on foreign tax credits, certain foreign and state net operating losses (“NOLs”), and other deferred foreign and state tax assets. U.S. tax rules require us to allocate a portion of our total interest expense to our foreign operations for purposes of determining allowable foreign tax credits. Consequently, this decrease to taxable income from foreign operations results in a diminution of the foreign taxes available as a tax credit. Although we have consistently generated taxable income on a consolidated basis, certain foreign and state NOLs and other deferred foreign and state tax assets were not deemed realizable because they are attributable to subsidiaries that are not expected to produce future 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. We establish reserves to remove some or all of the tax benefit of any of our tax positions at the time we determine that the positions become uncertain based upon one of the following: (1) the tax position is not “more likely than not” to be sustained, (2) the tax position is “more likely than not” to be sustained, but for a lesser amount, or (3) the tax position is “more likely than not” to be sustained, but not in the financial period in which the tax position was originally taken. When evaluating whether a tax position is uncertain, (1) we presume the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information, (2) the tax position is based solely on its technical merits, and (3) each tax position is evaluated without considerations of the possibility of offset with other tax positions. We adjust these reserves, including related interest and penalties, based on new or changing facts and circumstances. 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 2008. This program accelerates the examination of key transactions with the goal of resolving any issues before the tax return is filed. We are no longer subject to U.S. federal income tax examination for years through 2003, and 2006 is currently under examination. Years 2004, 2005 and 2007 are in various stages of appeal for specific U.S. federal income tax positions.

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.

RECLASSIFICATION. We have reclassified certain amounts for prior years to conform with our 2008 presentation.

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—The Merger

As discussed in Note 1, the Merger was completed on January 28, 2008, and was financed by a combination of borrowings under the Company’s new term loan facility due 2015, the issuance of Senior Notes due 2016 and Senior PIK Toggle Notes due 2018, mortgage loans and/or related mezzanine financing and/or real estate term loans and equity investments of Apollo/TPG, co-investors and members of management. See Note 6 for a discussion of our debt.

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

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

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

(In millions)	Predecessor January 27, 2008	Predecessor Merger Adjustments	Successor January 28, 2008
Assets			
Current assets	$ 1,658.6	$ 696.8	$ 2,355.4
Land, buildings, riverboats and equipment	15,621.3	2,165.7	17,787.0
Long-term assets	511.5	812.9	1,324.4
Intangible assets	2,030.2	4,385.7	6,415.9
Goodwill	3,549.7	5,888.2	9,437.9
Total assets	$23,371.3	$ 13,949.3	$37,320.6
Liabilities and Stockholders' Equity			
Current liabilities, including current portion of long-term debt	$ 1,797.9	$ 321.7	$ 2,119.6
Deferred income taxes	1,974.1	2,914.4	4,888.5
Long-term debt	12,367.5	11,535.0	23,902.5
Other long-term liabilities	499.3	0.6	499.9
Total liabilities	16,638.8	14,771.7	31,410.5
Minority interests	52.3	—	52.3
Stockholders' equity	6,680.2	(822.4)	5,857.8
Total liabilities and stockholders' equity	$23,371.3	$ 13,949.3	$37,320.6

Of the estimated $6,415.9 million of intangible assets, $2,732.0 million was assigned to trademarks that are not subject to amortization and $1,951.0 million was assigned to gaming rights that are not subject to amortization. The remaining intangible assets include customer relationships of $1,454.5 million (12-year weighted useful life), contract/management rights estimated at $134.3 million (5-year estimated useful life), gaming rights estimated at $42.8 million (16-year estimated useful life), trademarks subject to amortization estimated at $7.8 million (5-year estimated useful life) and internally developed information technology systems estimated at $93.5 million (8-year estimated useful life). The weighted-average useful life of all amortizing intangible assets related to the Merger is approximately 11 years. Certain of the goodwill and other non-amortizing intangible assets were determined to be impaired and charges of $5.5 billion were recorded to our Consolidated Statement of Operations in fourth quarter 2008. (See Note 3.)

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

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

(In millions)	December 31, 2008	December 31, 2007
Net revenues	$10,127.0	$10,825.2
Loss from continuing operations	$ (5,421.5)	$ (424.3)
Net loss	$ (5,331.0)	$ (332.1)

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

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

Note 3—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 assessments for impairment as of September 30, 2008, we determined that, based on the projected performance, which reflects factors impacted by current market conditions, including lower valuation multiples for gaming assets; higher discount rates resulting from on-going turmoil in the credit markets; and the completion of our annual budget and forecasting process, certain of our goodwill and other intangible assets were impaired. A charge of $5.5 billion was recorded to our Consolidated Statement of Operations in fourth quarter 2008. $4.6 billion of the charge related to goodwill, $687.0 million related to nonamortizing trademarks and $239.0 million related to gaming rights. We determine the fair values of our intangible assets by using the Relief From Royalty Method under the income approach.

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 (since re-branded to Horseshoe Southern Indiana) had been impaired, and we recorded impairment charges of $169.6 million in fourth quarter 2007. At December 31, 2007, London Clubs and Horseshoe Southern 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.

The following table sets forth changes in goodwill for the years ended December 31, 2007, and December 31, 2008.

(In millions)	
Balance at December 31, 2006 (Predecessor)	$ 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 (Predecessor)	3,553.6
Additions or adjustments	(3.9)
Balance at January 27, 2008 (Predecessor)	3,549.7
Elimination of Predecessor goodwill	(3,549.7)
Goodwill assigned in purchase price allocation	9,437.9
Adjustments for taxes	16.3
Foreign currency translation	(14.1)
Impairment losses	(4,537.9)
Balance at December 31, 2008 (Successor)	$ 4,902.2

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

	Predecessor			
(In millions)	As of December 31, 2007	Additions/ Other Changes	Amortization	As of January 27, 2008
Amortizing intangible assets				
Trademarks	$ 15.2	$ —	$ (0.4)	$ 14.8
Gaming rights	34.2	—	(0.1)	34.1
Contract rights	100.8	—	(1.3)	99.5
Customer relationships	511.2	—	(3.7)	507.5
	661.4	—	(5.5)	655.9
Nonamortizing intangible assets				
Trademarks	570.4	—		570.4
Gaming rights	807.7	(3.8)		803.9
	1,378.1	(3.8)		1,374.3
Total	$ 2,039.5	$ (3.8)	$ (5.5)	$ 2,030.2

(In millions)	Successor As of January 28, 2008	Additions/ Other Changes	Amortization	Impairment Losses	As of December 31, 2008
Amortizing intangible assets					
Trademarks	$ 7.8	$ —	$ (1.4)		$ 6.4
Gaming rights	42.8	—	(2.4)		40.4
Patented technology	93.5	—	(10.7)		82.8
Contract rights	134.3	(5.5)	(33.2)		95.6
Customer relationships	1,454.5	—	(115.2)		1,339.3
	1,732.9	(5.5)	(162.9)		1,564.5
Nonamortizing intangible assets					
Trademarks	2,732.0	(1.9)		$ (687.0)	2,043.1
Gaming rights	1,951.0	(11.7)		(239.0)	1,700.3
	4,683.0	(13.6)		(926.0)	3,743.4
Total	$ 6,415.9	$ (19.1)	$ (162.9)	$ (926.0)	$ 5,307.9

The aggregate amortization expense for those assets that continue to be amortized under provisions of SFAS No. 142 was $162.9 million for the period January 28, 2008, through December 31, 2008, $5.5 million for the period January 1, 2008, through January 27, 2008, $73.5 million for the year ended December 31, 2007 and $70.7 million for the year ended December 31, 2006. Estimated annual amortization expense for those assets for the years ending December 31, 2009, 2010, 2011, 2012 and 2013 is $175.4 million, $159.4 million, $155.8 million, $154.4 million and $152.1 million, respectively.

Note 4—Preferred and Common Stock

Preferred Stock

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

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

On a quarterly basis, each share of non-voting preferred stock accrues dividends at a rate of 15.0% per annum, compounded quarterly. Dividends will be paid in cash when, if, and as declared by the board of directors, subject to approval by relevant regulators. We currently do not expect to pay cash dividends. Dividends on Non-Voting Perpetual Preferred Stock are cumulative. As of December 31, 2008, such dividends in arrears are $297.8 million. Shares of the non-voting preferred stock rank prior in right of payment to the non-voting and voting common stock and are entitled to a liquidation preference.

Upon the occurrence of any liquidating event, each holder of non-voting preferred stock shall have the right to require the Company to repurchase each outstanding share of non-voting preferred stock before any payment or distribution shall be made to the holders of non-voting common stock, voting common stock or any other junior stock. After the payment to the holders of non-voting preferred stock of the full preferential amounts, the holders of non-voting preferred stock shall have no right or claim to any of the remaining assets of the Company. Non-voting preferred stock may be converted into non-voting common stock on a pro rata basis with the consent of the holders of a majority of the non-voting preferred stock. Neither the non-voting preferred stock nor the non-voting common stock will have any voting rights. At December 31, 2008, the full preferential amount of the non-voting preferred stock was $2.3 billion. Changes in the fair value of the Company's shares could materially impact the amount of a non-voting preferred stock repurchase.

Upon written notice from the holders of the majority of the outstanding non-voting preferred stock, the Company shall convert each share of non-voting preferred stock into the number of shares of non-voting common stock equal to the stated value plus accumulated dividends, divided by the fair market value of the non-voting common stock as determined by the Board. At December 31, 2008, the conversion rate was equal to 3.46 non-voting common shares per non-voting preferred share.

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

Common Stock

As of December 31, 2008, the authorized common stock of the Company totaled 80,000,020 shares, consisting of 20 shares of voting common stock, par value $0.01 per share and 80,000,000 shares of non-voting common stock, par value $0.01 per share.

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

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

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

In 2007, the Predecessor company declared and paid the following quarterly cash dividends per common share:

First Quarter	Second Quarter	Third Quarter	Fourth Quarter
$0.40	$0.40	$0.40	$0.40

Note 5—Detail of Accrued Expenses

Accrued expenses consisted of the following as of December 31:

(In millions)	Successor 2008	Predecessor 2007
Payroll and other compensation	$ 193.1	$ 309.3
Insurance claims and reserves	213.0	210.5
Accrued interest payable	417.7	107.8
Accrued taxes	158.9	139.1
Other accruals	550.0	584.5
	$1,532.7	$ 1,351.2

Note 6—Debt

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

(In millions)	Successor 2008	Predecessor 2007
Credit facilities		
Term loans, 4.46%–6.54% at December 31, 2008, maturities to 2015	$ 7,195.6	$ —
Revolving credit facility, 3.49%–4.75% at December 31, 2008, maturities to 2014	533.0	—
Revolving credit facility, 4.05%–6.25% at December 31, 2007, retired in 2008	—	5,768.1
Subsidiary-guaranteed debt		
10.75% Senior Notes due 2016, including senior interim loans of $342.6, 9.25% at January 28, 2008	4,542.7	—
10.75%/11.5% Senior PIK Toggle Notes due 2018, including senior interim loans of $97.4, 10.0% at January 28, 2008	1,150.0	—
Secured Debt		
CMBS financing, 4.2% at December 31, 2008, maturity 2013	6,500.0	—
10.0% Second-Priority Senior Secured Notes, maturity 2018	542.7	—
10.0% Second-Priority Senior Secured Notes, maturity 2015	144.0	—
6.0%, maturity 2010	25.0	25.0
7.1%, maturity 2028	—	87.7
S. African prime less 1.5%, maturity 2009	—	10.5
4.25%–6.0%, maturities to 2035 at December 31, 2008	1.1	4.4
Unsecured Senior Notes		
Floating Rate Notes, maturity 2008	—	250.0
7.5%, maturity 2009	5.1	136.2
7.5%, maturity 2009	0.9	442.4
5.5%, maturity 2010	321.5	747.1
8.0%, maturity 2011	47.4	71.7
5.375%, maturity 2013	200.6	497.7
7.0%, maturity 2013	0.7	324.4
5.625%, maturity 2015	578.1	996.3
6.5%, maturity 2016	436.7	744.3
5.75%, maturity 2017	372.7	745.8
Floating Rate Contingent Convertible Senior Notes, maturity 2024	0.2	370.6
Unsecured Senior Subordinated Notes		
8.875%, maturity 2008	—	409.6
7.875%, maturity 2010	287.0	394.9
8.125%, maturity 2011	216.8	380.3
Other Unsecured Borrowings		
LIBOR plus 4.5%, maturity 2010	23.5	29.1
5.3% special improvement district bonds, maturity 2037	69.7	—
Other, various maturities	1.4	1.6
Capitalized Lease Obligations		
5.77%–10.0%, maturities to 2011	12.5	2.7
Total debt, net of unamortized discounts of $1,253.4 and premium of $77.4	23,208.9	12,440.4
Current portion of long-term debt	(85.6)	(10.8)
	$23,123.3	$12,429.6

$5.1 million, face amount, of our 7.5% Unsecured Senior Notes due in January 2009, and $0.8 million, face amount, of our 7.5% Unsecured Senior Notes due in September 2009, are classified as long-term in our Consolidated Balance Sheet as of December 31, 2008, because the Company has both the intent and the ability to refinance that portion of these notes.

As of December 31, 2008, aggregate annual principal maturities for the four years subsequent to 2009 were: 2010, $755.8 million; 2011, $376.6 million; 2012, $74.4 million; and 2013, $6.9 billion.

In July 2008, Harrah's Operating Company, Inc. ("HOC"), a wholly-owned subsidiary of Harrah's Entertainment, made the permitted election under the Indenture governing its 10.75%/11.5% Senior Toggle Notes due 2018 and the Senior Unsecured Interim Loan Agreement dated January 28, 2008, to pay all interest due on January 28, and February 1, 2009, for the loan in kind. A similar election was made in January 2009 to pay the interest due August 1, 2009, for the 10.75%/11.5% Senior Toggle Notes due 2018 in kind, and in March 2009, the election was made to pay the interest due April 28, 2009, on the Senior Unsecured Interim Loan Agreement in kind. The Company intends to use the cash savings generated by this election for general corporate purposes, including the early retirement of other debt.

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

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

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

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

Included in the table above is approximately $2.2 billion, face amount, of HOC's debt that was retired in connection with private exchange offers in December 2008. Retired notes, maturing between 2010 and 2018, were exchanged for new 10.0% Second-Priority Senior Secured Notes due 2015 and new 10.0% Second-Priority Senior Secured Notes due 2018, as reflected in the table below. Approximately $448 million, face amount, of the $2.2 billion retired notes, maturing between 2010 and 2011 and participating in the exchange offers, elected to receive cash of approximately $289 million in lieu of new notes.

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

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

Senior Secured Credit Facility

Overview. HOC's senior secured credit facilities (the "Credit Facilities") provide for senior secured financing of up to $9.196 billion, consisting of (i) senior secured term loan facilities in an aggregate principal amount of up to $7.196 billion maturing through January 28, 2015 and (ii) a senior secured revolving credit facility in an aggregate principal amount of $2.0 billion, maturing January 28, 2014, including both a letter of credit sub-facility and a swingline loan sub-facility. The Credit Facilities require scheduled quarterly payments on the term loans of $18.125 million each for six years and three quarters, with the balance paid at maturity. Interest on the Credit Agreement is based on our debt ratings and leverage ratio and is subject to change. In addition, we may request one or more incremental term loan facilities and/or increase commitments under our revolving facility in an aggregate amount of up to $1.75 billion, subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders. As of December 31, 2008, $7.73 billion in borrowings was outstanding under the Credit Facilities with an additional $0.2 billion committed to back letters of credit. After consideration of these borrowings and letters of credit, $1.29 billion of additional borrowing capacity was available to the Company under the Credit Facilities as of December 31, 2008. Subsequent to December 31, 2008, HOC borrowed the remaining amount available, except for amounts committed to back letters of credit, under the $2.0 billion senior secured revolving credit facility. The remaining amount available was borrowed in light of the continuing uncertainty in the credit market and general economic conditions. The funds will be used for general corporate purposes, including capital expenditures.

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

Proceeds from the term loan drawn on the closing date were used to repay extinguished debt in the table above and pay expenses related to the Merger. 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 Credit Facilities bear interest at a rate equal to the then-current LIBOR rate or at a rate equal to the alternate base rate, in each case plus an applicable margin. In addition, on a quarterly basis, we are required to pay each lender (i) a commitment fee in respect of any unused commitments under the revolving credit facility and (ii) a letter of credit fee in respect of the aggregate face amount of outstanding letters of credit under the revolving credit facility. As of December 31, 2008, the Credit Facilities bore interest based upon 300 basis points over LIBOR for the term loans, 200 basis points over the alternate base rate for the revolver loan and 150 basis points over LIBOR for the swingline loan and bore a commitment fee for unborrowed amounts of 50 basis points.

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

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

Illinois/Indiana	Other Nevada
Horseshoe Southern Indiana	Harrah's Reno
Harrah's Metropolis	Harrah's Lake Tahoe
Horseshoe Hammond	Harveys Lake Tahoe
	Bill's Lake Tahoe

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

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

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

Certain covenants contained in HOC's credit agreement require the maintenance of a senior secured debt to last twelve months (LTM) Adjusted EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"), as defined in the agreements, ratio ("Senior Secured Leverage Ratio"). Certain covenants contained in HOC's credit agreement governing its senior secured credit facilities, the indenture and other agreements governing HOC's 10.75% Senior Notes due 2016, 10.75% Senior Toggle Notes due 2018 and senior interim loans restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet defined Adjusted EBITDA to Fixed Charges, senior secured debt to LTM Adjusted EBITDA and consolidated debt to LTM Adjusted EBITDA ratios. The covenants that restrict additional indebtedness and the ability to make future acquisitions require an LTM Adjusted EBITDA to Fixed Charges ratio (measured on a trailing four-quarter basis) of 2.0: 1.0.

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.

10.0% Second-Priority Senior Secured Notes

In December 2008, HOC completed private exchange offers whereby approximately $2.2 billion, face amount, of HOC's debt maturing between 2010 and 2018 was exchanged for new 10.0% Second-Priority Senior Secured Notes with a face value of $214.8 million due 2015 and new 10.0% Second-Priority Senior Secured Notes with a face value of $847.6 million due 2018. Gains of $946.0 million were recognized on the debt exchanged and on the debt exchanged and retired for cash. Interest on the new notes will be payable in cash each June 15 and December 15 until maturity. The Second-Priority Senior Secured Notes will be secured by a second priority security interest in substantially all of HOC's and its subsidiary pledgor's property and assets that secure the senior secured credit facilities. These liens will be junior in priority to the liens on substantially the same collateral (including mortgages) securing the senior secured credit facilities.

On March 4, 2009, HOC announced private exchange offers to exchange up to $2.8 billion aggregate principal amount (subject to increase) of new 10.0% Second-Priority Senior Secured Notes due 2018 for its outstanding debt due between 2010 and 2018. The new notes will also be guaranteed by Harrah's Entertainment and will be secured on a second-priority lien basis by substantially all of HOC's and its subsidiary's property and assets that secure the senior secured credit facilities. In addition to the exchange offers, a subsidiary of Harrah's Entertainment is offering to spend up to $150 million to purchase for cash certain notes of HOC maturing between 2015 and 2017. Additionally, HOC is offering to spend up to $50 million to purchase for cash old notes from holders that are not eligible to participate in the exchange offers.

Concurrently with these transactions, affiliates of Apollo and TPG and certain other co-investors announced that they are commencing a $250 million cash tender offer for the outstanding 10.0% Second-Priority Senior Secured Notes due 2015 and 10.0% Second-Priority Senior Secured notes due 2018. Upon the closing of the exchange offers, this offer will be expanded to include the new 10% Second-Priority Senior Secured notes issued in the exchange offers.

Commercial Mortgaged-Backed Securities (“CMBS”) Financing

In connection with the Merger, eight properties (“the CMBS properties”) and their related assets were spun out of HOC to Harrah’s Entertainment. As of the Merger date, the CMBS properties were Harrah’s Las Vegas, Rio, Flamingo Las Vegas, Harrah’s Atlantic City, Showboat Atlantic City, Harrah’s Lake Tahoe, Harveys Lake Tahoe and Bill’s Lake Tahoe. The CMBS properties borrowed $6.5 billion of mortgage loans and/or related mezzanine financing and/or real estate term loans (the “CMBS Financing”). The CMBS Financing is secured by the assets of the CMBS properties and certain aspects of the financing is guaranteed by Harrah’s Entertainment. On May 22, 2008, Paris Las Vegas and Harrah’s Laughlin and their related operating assets were spun out of HOC to Harrah’s Entertainment and became property secured under the CMBS loans, and Harrah’s Lake Tahoe, Harveys Lake Tahoe, Bill’s Lake Tahoe and Showboat Atlantic City were transferred to HOC from Harrah’s Entertainment as contemplated under the debt agreements effective pursuant to the Merger.

Derivative Instruments

We account for derivative instruments in accordance with SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” and all amendments thereto. SFAS No. 133 requires that all derivative instruments be recognized in the financial statements at fair value. Any changes in fair value are recorded in the income statement or in other comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair values of our derivative instruments are based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts.

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

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2008, we had ten interest rate swap agreements for a total notional amount of $6.5 billion. The difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreement will have a corresponding effect on future cash flows. The major terms of the interest rate swaps are as follows:

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received as of December 31, 2008	Next Reset Date	Maturity Date
April 25, 2007	$ 200	4.898%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.896%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.925%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.917%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.907%	3.535%	January 26, 2009	April 25, 2011
September 26, 2007	250	4.809%	3.535%	January 26, 2009	April 25, 2011
September 26, 2007	250	4.775%	3.535%	January 26, 2009	April 25, 2011
April 25, 2008	1,000	4.172%	3.535%	January 26, 2009	April 25, 2012
April 25, 2008	2,000	4.276%	3.535%	January 26, 2009	April 25, 2013
April 25, 2008	2,000	4.263%	3.535%	January 26, 2009	April 25, 2013

Until February 15, 2008, none of our interest rate swap agreements were designated as hedging instruments; therefore, gains or losses resulting from changes in the fair value of the swaps were recognized in earnings in the period of the change. On February 15, 2008, eight of our interest rate swap agreements for notional amounts totaling $3.5 billion were designated as hedging instruments, and on April 1, 2008, the remaining swap agreements were designated as hedging instruments. Upon designation as hedging instruments, only any measured ineffectiveness is recognized in earnings in the period of change. Interest rate swaps increased our 2008 and 2007 interest expense by $161.9 million and $44.0 million, respectively.

Additionally, on January 28, 2008, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the CMBS financing. The interest rate cap agreement, which was effective January 28, 2008, and terminates February 13, 2013, is for a notional amount of $6.5 billion at a LIBOR cap rate of 4.5%. The interest rate cap was designated as a hedging instrument on May 1, 2008. For the year ended December 31, 2008, a net charge of $19.9 million is included in Interest expense in our Consolidated Statement of Operations.

Note 7—Fair Value Measurements

We adopted the required provisions of SFAS No. 157, "Fair Value Measurements," on January 1, 2008. SFAS No. 157 outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures.

FASB Staff Position 157-2, "Effective Date of FASB Statement No. 157," defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). At this time, we have chosen not to apply SFAS No. 157 early for nonrecurring measurements made for nonfinancial assets and nonfinancial liabilities. Goodwill and certain other nonamortizing intangible assets were tested for impairment during fourth quarter 2008. As a result of that testing, goodwill and certain other nonamortizing intangible assets were adjusted to their fair values; however, we have not applied the provisions of SFAS No. 157 to these nonfinancial assets in accordance with the delayed adoption date for FASB Staff Position 157-2. (See Note 3.)

Under SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of SFAS No. 115," entities are permitted to choose to measure many financial instruments and certain other items at fair value. We did not elect the fair value measurement option under SFAS No. 159 for any of our financial assets or financial liabilities.

Items Measured at Fair Value on a Recurring Basis

In accordance with the fair value hierarchy described in SFAS No. 157, the following table shows the fair value of our financial assets and financial liabilities that are required to be measured at fair value as of December 31, 2008.

(In millions)	Balance at December 31, 2008	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 77.6	$ 77.6	$ —	$ —
Investments	45.6	45.6	—	—
Derivative instruments	32.4	—	32.4	—
Liabilities:				
Derivative instruments	(335.3)	—	(335.3)	—

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

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

Derivative instruments – 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. Derivative instruments are included in the Deferred costs and other and Deferred credits and other lines of our Consolidated Balance Sheets. We have applied SFAS No. 157 to recognize the liability related to our derivative instruments at fair value to consider the changes in the creditworthiness of the Company and our counterparties in determining any credit valuation adjustment. See Note 6 for more information on our derivative instruments.

Investments – Investments are primarily debt and equity securities that are traded in active markets, have readily determined market values and utilize level 1 inputs. These investments are included in Prepayments and other in our Consolidated Balance Sheets.

Items Disclosed at Fair Value

Long-Term Debt – The fair value of the Company's debt has been calculated based on the borrowing rates available as of December 31, 2008, for debt with similar terms and maturities and market quotes of our publicly traded debt.

As of December 31, 2008, the Company's outstanding debt had a fair value of $17,770.7 million and a carrying value of $23,208.9 million. As of December 31, 2007, the Company's outstanding debt had a fair value of $11,723.1 million and a carrying value of $12,440.4 million. The fair value of the Company's interest rate swaps used for hedging purposes had a fair value and carrying value of $(335.3) million, and our interest rate cap agreement had a fair value and carrying value of $32.4 million at December 31, 2008. The fair value of our interest rate swaps at December 31, 2007, was $45.9 million and their carrying value was $45.9 million.

Note 8—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, 2008, the remaining lives of our operating leases ranged from one to 84 years, with various automatic extensions totaling up to 85 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 Operations as follows:

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Predecessor 2007	Predecessor 2006
Noncancelable				
Minimum	$ 81.8	$ 7.3	$ 88.9	$ 70.0
Contingent	5.5	0.4	5.2	3.0
Sublease	(1.0)	—	(1.2)	(0.2)
Other	32.9	2.9	33.9	35.7
	$ 119.2	$ 10.6	$126.8	$108.5

Our future minimum rental commitments as of December 31, 2008, were as follows:

(In millions)	Noncancelable Operating Leases
2009	$ 82.9
2010	63.0
2011	57.5
2012	54.8
2013	54.0
Thereafter	1,582.1
Total minimum lease payments	$ 1,894.3

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 9—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)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Predecessor 2007	Predecessor 2006
Remediation costs	$ 60.5	$ 4.4	$ —	$ —
Impairment of long-term assets	39.6	—	—	23.6
Write-off of abandoned assets	34.3	—	21.0	0.2
Efficiency projects	29.4	0.6	21.5	5.2
Termination of contracts	14.4	—	—	—
Litigation awards and settlements	10.1	—	8.5	32.5
Demolition costs	9.2	0.2	7.3	11.4
Other	4.1	(0.5)	12.1	(0.1)
Insurance proceeds in excess of deferred costs	(185.4)	—	(130.3)	(10.2)
	$ 16.2	$ 4.7	$ (59.9)	$ 62.6

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

Impairment of long-term assets in 2008 represents declines in the market value of certain assets that are held for sale and reserves for amounts that are not expected to be recovered for other non-operating assets. The impairment in 2006 resulted from an assessment of certain bonds classified as held-to-maturity and the determination that they were highly uncollectible.

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

Efficiency projects in 2006 and 2007 represents costs incurred to identify efficiencies and cost savings in our corporate organization. Expense in 2008 represents costs related to additional projects aimed at stream-lining corporate and operations functions to achieve further cost savings and efficiencies.

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

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

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 10—Income Taxes

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

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Predecessor 2007	Predecessor 2006
(Loss)/income from continuing operations before income taxes and minority interests	$ (360.4)	$ (26.0)	$350.1	$295.6
Discontinued operations	51.1	—	53.2	4.5
Stockholders' equity				
Unrealized (loss)/gain on derivatives qualifying as cash flow hedges	(56.3)	—	0.3	0.3
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	—	(116.3)	(47.7)	(23.0)
	$ (365.6)	$ (142.3)	$355.9	$277.4

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

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Predecessor 2007	Predecessor 2006
United States				
Current				
Federal	$ 113.3	$ (11.1)	$341.2	$245.0
State	9.5	(1.2)	24.9	28.9
Deferred	(471.8)	(15.9)	7.1	13.7
Other countries				
Current	10.0	2.2	11.0	7.2
Deferred	(21.4)	—	(34.1)	0.8
	$ (360.4)	$ (26.0)	$350.1	$295.6

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:

	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Predecessor 2007	Predecessor 2006
Statutory tax rate	35.0%	35.0%	35.0%	35.0%
Increases/(decreases) in tax resulting from:				
State taxes, net of federal tax benefit	—	0.6	1.3	2.1
Foreign income taxes, net of credit	(1.1)	(1.4)	3.1	0.6
Goodwill	(27.2)	0.1	—	—
Tax credits	0.1	0.3	(0.5)	(0.7)
Political contributions/lobbying expenses	—	—	0.1	1.0
Officers' life insurance/insurance proceeds	0.1	(1.7)	(0.5)	(0.6)
Merger and acquisition costs	(0.1)	(12.0)	0.5	0.4
Minority interests in partnership earnings	0.1	0.5	(0.6)	(0.6)
Income tax reserve	(0.3)	(0.2)	0.4	(1.5)
Other	(0.1)	(0.4)	0.4	(0.3)
Effective tax rate	6.5%	20.8%	39.2%	35.4%

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

(In millions)	Successor 2008	Predecessor 2007
Deferred tax assets		
Compensation programs	$ 73.6	$ 169.6
Bad debt reserve	72.1	61.2
Self-insurance reserves	29.7	38.5
Deferred income	2.8	0.2
Debt costs	—	8.1
Investments in nonconsolidated affiliates	7.6	—
Project opening costs and prepaid expenses	15.3	—
Foreign tax credit	18.9	24.3
Valuation allowance on foreign tax credit	(18.9)	(18.9)
State and foreign net operating losses	151.4	131.1
Valuation allowance on net operating losses and other deferred foreign and state tax assets	(151.4)	(148.7)
Other	142.0	152.2
	343.1	417.6
Deferred tax liabilities		
Property	(2,440.6)	(1,522.6)
Management and other contracts	(31.2)	(26.3)
Intangibles	(1,770.0)	(464.4)
Investments in nonconsolidated affiliates	—	(40.9)
Debt costs	(267.7)	—
Undistributed foreign earnings	(3.0)	(4.7)
Project opening costs and prepaid expenses	—	(138.3)
	(4,512.5)	(2,197.2)
Net deferred tax liability	$(4,169.4)	$(1,779.6)

Our 2008 tax rate changed primarily as a result of the goodwill impairment charges described in Note 3, which are not generally deductible for income tax purposes. In December 2008, the Company recognized cancellation of indebtedness income of $983 million. The Company is entering into an agreement with the IRS to defer payment of its 2008 income tax liability until March 2010, as the Company will be able to settle the liability at that time through cash payment or through application of its expected net operating loss for 2009. The Company will be subject to payment of interest to the IRS during the deferral period.

We anticipate that state net operating losses NOLs valued at $0.6 million (subject to a full valuation allowance) will expire in 2009. The remaining state NOLs valued at $121.7 million (subject to a full valuation allowance) will expire between 2010 and 2028. Foreign NOLs valued at $29.2 million (subject to a full valuation allowance) have an indefinite carryforward period. Included in deferred tax expense above is the utilization of state NOLs in the amount of $1.5 million.

Unremitted earnings of our foreign subsidiaries amounted to $72 million in 2008 and $29 million in 2007. We have not recognized deferred taxes for U.S. federal income tax purposes on the unremitted earnings of our foreign subsidiaries that are deemed to be permanently reinvested. Upon distribution, in the form of dividends or otherwise, these unremitted earnings would be subject to U.S. federal income tax. Unrecognized foreign tax credits would be available to reduce a portion of the U.S. tax liability. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable.

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
Additions based on tax positions related to the current year	2
Additions for tax positions of prior years	16
Reductions for tax positions for prior years	(12)
Settlements	(12)
Expiration of statutes	—
Balance at December 31, 2008	$ 136

We recognize interest and penalties accrued related to unrecognized tax benefits in income tax expense. We accrued approximately $7 million and $9 million, respectively during 2008 and 2007; additionally, we had accrued, in total, approximately $45 million and $38 million for the payment of interest and penalties at December 31, 2008 and 2007, respectively. Included in the balance of unrecognized tax benefits at December 31, 2008 and 2007, are $108 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 of unrecognized tax benefits will decrease during 2009 between $0 million and $36 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 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 2008. This program accelerates the examination of key transactions with the goal of resolving any issues before the tax return is filed. We are no longer subject to U.S. federal income tax examination for years through 2003, and 2006 is currently under examination. Years 2004, 2005, and 2007 are in various stages of appeal for specific U.S. federal income tax positions.

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 11—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)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	2007	2006
Long term accounts				
Deferred costs and other	$ 41.8	$ 14.0	$ (30.4)	$ (28.1)
Deferred credits and other	(99.4)	54.3	(14.7)	(7.3)
Net change in long-term accounts	$ (57.6)	$ 68.3	$ (45.1)	$ (35.4)
Working capital accounts				
Receivables	$ (55.6)	$ 33.0	$(145.7)	$(119.0)
Inventories	8.9	(1.4)	(6.8)	(0.8)
Prepayments and other	26.0	(26.5)	1.6	7.5
Accounts payable	(95.8)	56.9	(25.0)	78.3
Accrued expenses	497.4	(229.6)	4.6	20.4
Net change in working capital accounts	$ 380.9	$ (167.6)	$(171.3)	$ (13.6)

Non-cash transactions are described in Notes 4, 6 and 18.

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 Operations, to cash paid for interest.

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	2007	2006
Interest expense, net of interest capitalized	$ 2,074.9	$ 89.7	$800.8	$670.5
Adjustments to reconcile to cash paid for interest:				
Net change in accruals	(196.4)	8.7	43.3	(4.2)
Amortization of deferred finance charges	(91.8)	(0.8)	(10.1)	(8.4)
Net amortization of discounts and premiums	(129.2)	2.9	40.2	71.0
Amortization of other comprehensive income	(0.9)	(0.1)	(0.9)	—
Change in accrual (related to interest paid in kind)	(68.4)	—	—	—
Change in fair value of interest rate swaps	(65.0)	(39.2)	(45.9)	—
Cash paid for interest, net of amount capitalized	$ 1,523.2	$ 61.2	$827.4	$728.9
Cash payments for income taxes, net of refunds	$ 11.0	$ 1.0	$372.6	$238.8

Note 12—Commitments and Contingencies

CONTRACTUAL COMMITMENTS. We continue to pursue additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties and development completion guarantees. The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment for the minimum guaranteed payments, pursuant to these contracts for the three managed Indian-owned facilities now open, which extend for periods of up to 59 months from December 31, 2008, is $1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

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

In addition to the guarantees discussed above, as of December 31, 2008, we had commitments and contingencies of $1,758.9 million, including construction-related commitments.

SEVERANCE AND EMPLOYMENT AGREEMENTS.

Severance Agreements. As of December 31, 2008, we have severance agreements with 18 of our executives, which provide for payments to the executives in the event of their termination after a change in control, as defined. These agreements provide, among other things, for a compensation payment of 1.5 to 3.0 times the executive's average annual compensation, as defined. The estimated amount, computed as of December 31, 2008, that would be payable under the agreements to these executives aggregated approximately $43.2 million. The estimated amount that would be payable to these executives does not include an estimate for the tax gross-up payment, provided for in the agreements, that would be payable to the executive if the executive becomes entitled to severance payments which are subject to federal excise tax imposed on the executive. These severance agreements terminate February 1, 2010.

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

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 13—Litigation

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. We have filed the motion for summary judgment, which is currently pending with the Court. We believe this matter to be without merit and will vigorously contest any attempt to enforce the judgment.

Litigation Related to Development

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

Baha Mar and Baha Mar Development Company Ltd. ("Baha Mar Development") filed an Amended Answer and Counterclaims against CBIC and a Third Party Complaint dated June 18, 2008 against HOC in the Supreme Court of the State of New York. Baha Mar and the Baha Mar Development allege that CBIC wrongfully terminated the Subscription Agreement and that

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

Litigation Related to the December 2008 Exchange Offer

On January 9, 2009, S. Blake Murchison and Willis Shaw filed a purported class action lawsuit in the United Stated District Court for the District of Delaware, Civil Action No. 09-00020-SLR, against Harrah's Entertainment, Inc. and its board of directors, and Harrah's Operating Company, Inc. The lawsuit was amended on March 4, 2009, alleging that the bond exchange offer which closed on December 24, 2008, wrongfully impaired the rights of bondholders. The amended complaint alleges, among others, breach of the bond indentures, violation of the Trust Indenture Act of 1939, equitable rescission, and liability claims against the members of the board. The amended complaint seeks, among other relief, class certification of the lawsuit, declaratory relief that the alleged violations occurred, unspecified damages to the class, and attorneys' fees. On February 23, 2009, prior to the amended complaint being filed, the defendants filed a motion to dismiss the complaint, which had not been ruled upon by the Court.

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 14—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, 2008.

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

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

The following is a summary of activity under the equity incentive plans that were in effect upon adoption of SFAS No. 123 (R) through the effective date of the Merger, when all of the stock options and SARs were cancelled and restricted shares were vested:

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

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

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

The total intrinsic value of stock options and SARs cancelled and restricted shares vested due to the Merger was approximately $456.9 million, $225.3 million and $46.9 million, respectively, for the period January 1, 2008 through January 27, 2008.

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

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

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

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

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

Share-based Compensation Plans—Successor Entity

In February 2008, the Board of Directors approved and adopted the Harrah's Entertainment, Inc. Management Equity Incentive Plan (the "Equity Plan"). The Board of Directors approved the grant of options to purchase 3,733,835 shares of our non-voting common stock in February 2008. The Equity Plan authorizes equity award options to be granted to management and other personnel and key service providers. Grants may be either shares of time-based options or shares of performance-based options, or a combination. Time-based options generally vest in equal increments of 20% on each of the first five anniversaries of the grant date. The performance-based options vest based on the investment returns of our stockholders. One-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to two times their amount vested, and one-half of the performance-based options become eligible to vest upon the stockholders receiving cash proceeds equal to three times their amount vested subject to certain conditions and limitations. In addition, the performance-based options may vest earlier at lower thresholds upon liquidity events prior to December 31, 2009 and 2011, as well as pro rata, in certain circumstances. The Equity Plan was amended in December 2008 to allow grants at a price above fair market value, as defined in the Equity Plan.

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

	Successor Entity			
Options	Shares	Weighted Average Exercise Price	Fair Value(1)	Weighted Average Remaining Contractual Term (years)
Outstanding at January 28, 2008	133,133	$ 25.00	$20.82	
Options granted	3,417,770	99.13	35.81	
Exercised	—	—	—	
Cancelled	(379,303)	100.00	36.68	
Outstanding at December 31, 2008	3,171,600	$ 95.91	$35.07	8.9
Exercisable at December 31, 2008(2)	133,133	$ 25.00	$20.82	3.5

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

(2) On January 27, 2008, an executive and the Company entered into a stock option rollover agreement that provides for the conversion of options to purchase shares of the Company prior to the 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 133,133 shares of non-voting common stock of the Company at an exercise price of $25.00 per share. The rollover options expire on June 17, 2012.

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

The weighted-average grant date fair value of options granted during 2008 was $35.81. There were no stock option exercises during the period January 28, 2008 to December 31, 2008.

The Company utilized historical optionee behavioral data to estimate the option exercise and termination rates used in the option-pricing models. The expected term of the options represents the period of time the options were expected to be outstanding based on historical trends. Expected volatility was based on the historical volatility of the common stock of Harrah's Entertainment and its competitor peer group for a period approximating the expected life. The Company does not expect to pay dividends on common stock. The risk-free interest rate within the expected term was based on the U.S. Treasury yield curve in effect at the time of grant.

As of December 31, 2008, there was approximately $66.3 million of total unrecognized compensation cost related to stock option grants. This cost is expected to be recognized over a remaining weighted-average period of 2.1 years. The compensation cost that has been charged against income for stock option grants was approximately $15.8 million for the period January 28, 2008 through December 31, 2008. $9.5 million was included in Corporate expense and $6.3 million was included in Property general, administrative and other in the Consolidated Statements of Operations for the period January 28, 2008 through December 31, 2008.

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

	2008 Successor	2007 Predecessor	2006 Predecessor
Expected volatility	35.4%	25.1%	30.3%
Expected dividend yield	—	1.9%	2.4%
Expected term (in years)	6.0	4.8	5.1
Risk-free interest rate	3.3%	4.6%	5.0%
Weighted average fair value per share of options granted	$ 35.81	$ 21.06	$ 18.98

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 19 separate funds. Participants become vested in the matching contribution over five years of credited service. Our contribution expense for this plan was $28.5 million for the January 28 to December 31, 2008 period and $2.4 million for the period of January 1, 2008 to January 27, 2008, $33.1 million and $17.6 million in 2007 and 2006, respectively. In February 2009, Harrah's Entertainment announced the suspension of the employer match for all participating employees, where allowed by law or not in violation of an existing agreement.

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, 2008 and 2007 was $100.3 million and $213.3 million, respectively. In connection with the administration of one of these plans, we have purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

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. In February 2009, the Company eliminated the matching contribution with respect to deferrals of salary. 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 26,000 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 $34.7 million for the period of January 28, 2008 to December 31, 2008 and $3.0 million for the period of January 1, 2008 to January 27, 2008, $35.9 million in 2007 and $34.6 million in 2006 for such plans. The plans' administrators do not provide sufficient information to enable us to determine our share, if any, of unfunded vested benefits.

PENSION COMMITMENTS. With the acquisition of London Clubs in December 2006, we assumed a defined benefit plan, which provides benefits based on final pensionable salary. The assets of the plan are held in a separate trustee-administered fund, and death-in-service benefits, professional fees and other expenses are paid by the pension plan. The most recent actuarial valuation of the plan showed a deficit of approximately $18.2 million, which is recognized as a liability in our Consolidated Balance Sheet at December 31, 2008. 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, 2008, the plan benefit obligations exceeded the fair value of the plan assets by $61.0 million, of which $18.3 million is our share; however, no contributions to the plan were required during 2008, and no contributions are expected to be required for 2009.

Note 15—Discontinued Operations

The following properties were sold in the three-year period ended December 31, 2008, and their operating results, prior to their sales, are included in Discontinued operations in our Consolidated Statements of Operations.

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, 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.

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; the operating results of Reno Hilton, Flamingo Laughlin and Grand Casino Gulfport through the dates of their sales in June 2006, May 2006 and March 2006, respectively; and insurance recoveries related to Grand Casino Gulfport and Harrah's Lake Charles.

(In millions)	Successor Jan. 28, 2008 Through Dec. 31, 2008	Predecessor Jan. 1, 2008 Through Jan. 27, 2008	Predecessor 2007	Predecessor 2006
Net revenues	$ 0.0	$ 0.0	$ 0.2	$106.8
Pretax income from discontinued operations	$ 0.1	$ 141.5	$145.4	$ 16.4
Discontinued operations, net of tax	$ 0.1	$ 90.4	$ 92.2	$ 11.9

Assets held for sale at December 31, 2008, primarily consists of two airplanes and one riverboat.

Note 16—Insurance Proceeds Related to Hurricane Damaged Properties

In 2008, we settled final claims associated with damages incurred in 2005 from hurricanes and received the final payment from our insurance carriers. Insurance proceeds exceeded the net book value of the impacted assets and costs and expenses that were reimbursed under our business interruption claims, and the excess is recorded as income in the line item, Write-downs, reserves and recoveries, for properties included in continuing operations and in the line item, Income/(loss) from discontinued operations, for properties included in discontinued operations. We recorded $185.4 million in the period January 28, 2008, through December 31, 2008, and $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 $141.1 million in the period January 28, 2008, through December 31, 2008, 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 Statements of Operations.

Note 17—Nonconsolidated Affiliates

As of December 31, 2008, 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 South Africa, 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)	Successor 2008	Predecessor 2007
Investments in and advances to nonconsolidated affiliates		
Accounted for under the equity method	$ 25.3	$ 16.6
Accounted for at historical cost	5.1	2.0
	$ 30.4	$ 18.6

Note 18—Related Party Transactions

In connection with the Merger, Apollo/TPG and their affiliates entered into a services agreement with Harrah's Entertainment relating to the provision of financial and strategic advisory services and consulting services. We paid Apollo/TPG a one-time transaction fee of $200 million for structuring the Merger and debt financing negotiations. This amount has been included in the overall purchase price of the Merger. In addition, we pay an annual monitoring fee equal to the greater of $30 million or 1% of the Company's EBITDA, as defined, for management services and advice.

In connection with our debt exchange in December 2008, the $39.6 million gain on the portion of our debt that was held by Apollo/TPG and exchanged for new debt, was recorded to equity.

Note 19—Consolidating Financial Information of Guarantors and Issuers

As of December 31, 2008, HOC, a 100% owned subsidiary of Harrah's Entertainment, is the issuer of certain debt securities that have been guaranteed by Harrah's Entertainment and certain subsidiaries of HOC. The following consolidating schedules present condensed financial information for Harrah's Entertainment, the parent and guarantor; HOC, the subsidiary issuer; guarantor subsidiaries of HOC; and non-guarantor subsidiaries of Harrah's Entertainment and HOC, which includes the CMBS properties, as of December 31, 2008 and 2007, and for the successor companies for the period January 28, 2008, through December 31, 2008, and for the predecessor companies for the periods from January 1, 2008, through January 27, 2008 and the years ended December 31, 2007 and 2006.

The financial information included in this section reflects ownership of the CMBS properties pursuant to the spin-off and transfer described in Note 6 – Debt, *CMBS Financing*.

HARRAH'S ENTERTAINMENT, INC.
(SUCCESSOR ENTITY)
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2008
(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Assets						
Current assets						
Cash and cash equivalents	$ 0.1	$ 7.1	$ 318.3	$ 325.0	$ —	$ 650.5
Receivables, net of allowance for doubtful accounts	0.1	8.1	271.5	114.3	—	394.0
Deferred income taxes	—	56.5	79.4	21.7	—	157.6
Income tax receivable	—	—	1.0	4.5	—	5.5
Prepayments and other	—	12.9	100.6	102.9	—	216.4
Inventories	—	1.2	42.0	19.5	—	62.7
Intercompany receivables	0.2	261.6	161.5	168.0	(591.3)	—
Total current assets	0.4	347.4	974.3	755.9	(591.3)	1,486.7
Land, buildings, riverboats and equipment, net of accumulated depreciation	—	252.0	10,992.0	6,996.4	26.7	18,267.1
Assets held for sale	—	35.0	14.3	—	—	49.3
Goodwill	—	—	2,737.2	2,165.0	—	4,902.2
Intangible assets	—	7.0	4,506.2	794.7	—	5,307.9
Investments in and advances to nonconsolidated affiliates	728.2	15,879.1	4.1	26.3	(16,607.3)	30.4
Deferred costs and other	—	524.1	249.4	231.5	—	1,005.0
Intercompany receivables	160.6	1,256.9	1,687.7	1,202.4	(4,307.6)	—
	$ 889.2	$18,301.5	$21,165.2	$12,172.2	$ (21,479.5)	$31,048.6
Liabilities and Stockholders' (Deficit)/Equity						
Current liabilities						
Accounts payable	$ 0.5	$ 156.8	$ 153.6	$ 71.4	$ —	$ 382.3
Accrued expenses	7.7	624.4	510.6	390.0	—	1,532.7
Current portion of long-term debt	—	72.5	6.3	6.8	—	85.6
Intercompany payables	—	18.9	298.2	274.2	(591.3)	—
Total current liabilities	8.2	872.6	968.7	742.4	(591.3)	2,000.6
Long-term debt	—	16,503.2	102.6	6,517.5	—	23,123.3
Deferred credits and other	—	480.6	131.5	57.0	—	669.1
Deferred income taxes	—	358.5	2,551.8	1,416.7	—	4,327.0
Intercompany notes	2.0	258.7	1,973.4	2,073.5	(4,307.6)	—
	10.2	18,473.6	5,728.0	10,807.1	(4,898.9)	30,120.0
Minority interests	—	—	—	49.6	—	49.6
Preferred stock	2,289.4	—	—	—	—	2,289.4
Stockholders' (deficit)/equity	(1,410.4)	(172.1)	15,437.2	1,315.5	(16,580.6)	(1,410.4)
	$ 889.2	$18,301.5	$21,165.2	$12,172.2	$ (21,479.5)	$31,048.6

HARRAH'S ENTERTAINMENT, INC.
(PREDECESSOR ENTITY)
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2007
(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Assets						
Current assets						
Cash and cash equivalents	$ —	$ 15.2	$ 353.1	$ 341.7	$ —	$ 710.0
Receivables, less allowance for doubtful accounts	—	55.3	300.1	121.0	—	476.4
Deferred income taxes	—	114.1	70.2	15.7	—	200.0
Income tax receivable	—	—	2.9	2.1	—	5.0
Prepayments and other	—	11.8	96.5	107.9	—	216.2
Inventories	—	1.6	46.5	22.2	—	70.3
Intercompany receivables	—	288.6	151.2	69.8	(509.6)	—
Total current assets	—	486.6	1,020.5	680.4	(509.6)	1,677.9
Land, buildings, riverboats and equipment, net of accumulated depreciation	—	352.6	9,919.4	5,304.8	(5.3)	15,571.5
Assets held for sale	—	—	4.5	—	—	4.5
Goodwill	—	—	2,575.8	977.8	—	3,553.6
Intangible assets	—	—	1,608.4	431.1	—	2,039.5
Investments in and advances to nonconsolidated affiliates	6,628.1	16,446.1	10.8	7.8	(23,074.2)	18.6
Deferred costs and other	—	169.4	261.9	60.8	—	492.1
Intercompany notes receivable	—	2,296.0	1,902.7	1,915.4	(6,114.1)	—
	$6,628.1	$19,750.7	$17,304.0	$ 9,378.1	$ (29,703.2)	$23,357.7
Liabilities and Stockholders' Equity						
Current liabilities						
Accounts payable	$ —	$ 149.1	$ 186.7	$ 106.2	$ —	$ 442.0
Accrued expenses	1.2	408.6	567.5	373.9	—	1,351.2
Current portion of long-term debt	—	—	2.5	8.3	—	10.8
Intercompany payables	—	10.7	437.8	61.1	(509.6)	—
Total current liabilities	1.2	568.4	1,194.5	549.5	(509.6)	1,804.0
Liabilities held for sale	—	—	0.6	—	—	0.6
Long-term debt	—	12,279.4	118.0	32.2	—	12,429.6
Deferred credits and other	—	308.4	108.0	48.4	—	464.8
Deferred income taxes	—	(110.7)	1,449.0	641.3	—	1,979.6
Intercompany notes payable	—	98.1	2,564.7	3,451.3	(6,114.1)	—
	1.2	13,143.6	5,434.8	4,722.7	(6,623.7)	16,678.6
Minority interests	—	—	—	52.2	—	52.2
Stockholders' equity	6,626.9	6,607.1	11,869.2	4,603.2	(23,079.5)	6,626.9
	$6,628.1	$19,750.7	$17,304.0	$ 9,378.1	$ (29,703.2)	$23,357.7

HARRAH'S ENTERTAINMENT, INC.
(SUCCESSOR ENTITY)
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE PERIOD
JANUARY 28, 2008 THROUGH DECEMBER 31, 2008
(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	$ —	$ 87.7	$ 4,963.3	$ 2,425.9	$ —	$ 7,476.9
Food and beverage	—	20.2	868.8	641.2	—	1,530.2
Rooms	—	18.4	648.6	507.5	—	1,174.5
Management fees	—	8.0	62.1	(0.1)	(10.9)	59.1
Other	—	41.1	415.7	288.5	(120.5)	624.8
Less: casino promotional allowances	—	(24.9)	(973.6)	(500.1)	—	(1,498.6)
Net revenues	—	150.5	5,984.9	3,362.9	(131.4)	9,366.9
Operating expenses						
Direct						
Casino	—	54.1	2,696.7	1,352.0	—	4,102.8
Food and beverage	—	10.7	334.4	294.4	—	639.5
Rooms	—	1.9	122.3	112.5	—	236.7
Property general, administrative and other	—	57.0	1,410.3	775.1	(99.4)	2,143.0
Depreciation and amortization	—	7.2	432.4	187.3	—	626.9
Write-downs, reserves and recoveries	9.0	42.4	3,399.0	2,055.3	0.1	5,505.8
Project opening costs	—	—	22.5	6.4	—	28.9
Corporate expense	31.0	80.6	23.1	29.2	(32.1)	131.8
Acquisition and integration costs	—	24.0	—	—	—	24.0
Losses/(income) on interests in nonconsolidated affiliates	5,072.1	3,006.3	(107.5)	1.2	(7,970.0)	2.1
Amortization of intangible assets	—	0.6	105.2	57.1	—	162.9
Total operating expenses	5,112.1	3,284.8	8,438.4	4,870.5	(8,101.4)	13,604.4
(Loss)/income from operations	(5,112.1)	(3,134.3)	(2,453.5)	(1,507.6)	7,970.0	(4,237.5)
Interest expense, net of interest capitalized	—	(1,673.7)	(187.5)	(520.7)	307.0	(2,074.9)
Gain on early extinguishment of debt	—	742.1	—	—	—	742.1
Other income, including interest income	4.9	117.5	119.0	100.8	(307.0)	35.2
(Loss)/income from continuing operations before income taxes and minority interests	(5,107.2)	(3,948.4)	(2,522.0)	(1,927.5)	7,970.0	(5,535.1)
Benefit/(provision) for income taxes	10.9	315.0	40.1	(5.6)	—	360.4
Minority interests	—	—	—	(12.0)	—	(12.0)
(Loss)/income from continuing operations	(5,096.3)	(3,633.4)	(2,481.9)	(1,945.1)	7,970.0	(5,186.7)
Discontinued operations						
Income from discontinued operations	—	—	141.5	—	—	141.5
Provision for income taxes	—	—	(51.1)	—	—	(51.1)
Income from discontinued operations, net	—	—	90.4	—	—	90.4
Net (loss)/income	$(5,096.3)	$(3,633.4)	$(2,391.5)	$(1,945.1)	$ 7,970.0	$ (5,096.3)

HARRAH'S ENTERTAINMENT, INC.
(PREDECESSOR ENTITY)
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE PERIOD
JANUARY 1, 2008 THROUGH JANUARY 27, 2008
(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	$ —	$ 5.7	$ 400.5	$ 208.4	$ —	$ 614.6
Food and beverage	—	1.5	65.7	51.2	—	118.4
Rooms	—	1.3	52.7	42.4	—	96.4
Management fees	—	0.7	6.0	0.1	(1.8)	5.0
Other	—	0.7	26.3	22.0	(6.3)	42.7
Less: casino promotional allowances	—	(1.5)	(76.9)	(38.6)	—	(117.0)
Net revenues	—	8.4	474.3	285.5	(8.1)	760.1
Operating expenses						
Direct						
Casino	—	4.1	217.8	118.7	—	340.6
Food and beverage	—	1.0	26.0	23.5	—	50.5
Rooms	—	0.2	10.0	9.4	—	19.6
Property general, administrative and other	—	5.6	112.7	68.0	(8.1)	178.2
Depreciation and amortization	—	1.1	41.9	20.5	—	63.5
Write-downs, reserves and recoveries	—	0.6	(0.4)	4.5	—	4.7
Project opening costs	—	—	(0.2)	0.9	—	0.7
Corporate expense	—	7.9	0.6	—	—	8.5
Acquisition and integration costs	—	125.6	—	—	—	125.6
Losses/(income) on interests in nonconsolidated affiliates	102.3	(1.3)	1.6	(0.2)	(102.9)	(0.5)
Amortization of intangible assets	—	—	5.2	0.3	—	5.5
Total operating expenses	102.3	144.8	415.2	245.6	(111.0)	796.9
(Loss)/income from operations	(102.3)	(136.4)	59.1	39.9	102.9	(36.8)
Interest expense, net of interest capitalized	—	(89.3)	(7.1)	(27.3)	34.0	(89.7)
Other income, including interest income	—	12.6	9.8	12.7	(34.0)	1.1
(Loss)/income from continuing operations before income taxes and minority interests	(102.3)	(213.1)	61.8	25.3	102.9	(125.4)
Benefit/(provision) for income taxes	1.4	56.3	(18.9)	(12.8)	—	26.0
Minority interests	—	—	—	(1.6)	—	(1.6)
(Loss)/income from continuing operations	(100.9)	(156.8)	42.9	10.9	102.9	(101.0)
Discontinued operations						
Income from discontinued operations	—	—	0.1	—	—	0.1
Provision for income taxes	—	—	—	—	—	—
Income from discontinued operations, net	—	—	0.1	—	—	0.1
Net (loss)/income	$(100.9)	$ (156.8)	$ 43.0	$ 10.9	$ 102.9	$(100.9)

HARRAH'S ENTERTAINMENT, INC.
(PREDECESSOR ENTITY)
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007
(In millions)

	HET (Parent)	Subsidiary Issuer	Other Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	$ —	$ 109.1	$ 5,953.1	$ 2,768.8	$ —	$ 8,831.0
Food and beverage	—	24.0	963.0	711.8	—	1,698.8
Rooms	—	22.2	752.2	579.2	—	1,353.6
Management fees	—	8.1	87.2	—	(13.8)	81.5
Other	—	5.1	398.1	364.1	(71.4)	695.9
Less: casino promotional allowances	—	(26.8)	(1,217.0)	(591.8)	—	(1,835.6)
Net revenues	—	141.7	6,936.6	3,832.1	(85.2)	10,825.2
Operating expenses						
Direct						
Casino	—	59.2	3,015.5	1,520.5	—	4,595.2
Food and beverage	—	12.8	374.1	329.6	—	716.5
Rooms	—	3.3	138.1	124.9	—	266.3
Property general, administrative and other	—	104.8	1,569.6	832.3	(85.0)	2,421.7
Depreciation and amortization	—	14.3	545.0	258.1	(0.2)	817.2
Write-downs, reserves and recoveries	—	25.5	16.1	68.1	—	109.7
Project opening costs	—	—	3.1	22.4	—	25.5
Corporate expense	0.2	122.0	15.8	0.1	—	138.1
Acquisition and integration costs	—	13.4	—	—	—	13.4
Income on interests in nonconsolidated affiliates	(621.1)	(1,306.9)	40.9	(113.1)	1,996.3	(3.9)
Amortization of intangible assets	—	—	69.8	3.7	—	73.5
Total operating expenses	(620.9)	(951.6)	5,788.0	3,046.6	1,911.1	9,173.2
Income from operations	620.9	1,093.3	1,148.6	785.5	(1,996.3)	1,652.0
Interest expense, net of interest capitalized	—	(818.3)	(245.1)	(328.3)	590.9	(800.8)
Losses on early extinguishments of debt	—	—	—	(2.0)	—	(2.0)
Other income, including interest income	(0.1)	136.0	284.2	214.1	(590.9)	43.3
Income from continuing operations before income taxes and minority interests	620.8	411.0	1,187.7	669.3	(1,996.3)	892.5
Provision for income taxes	(1.4)	308.3	(471.0)	(186.0)	—	(350.1)
Minority interests	—	—	—	(15.2)	—	(15.2)
Income from continuing operations	619.4	719.3	716.7	468.1	(1,996.3)	527.2
Discontinued operations						
Income from discontinued operations	—	—	145.4	—	—	145.4
Provision for income taxes	—	—	(53.2)	—	—	(53.2)
Income/(loss) from discontinued operations, net	—	—	92.2	—	—	92.2
Net income	$ 619.4	$ 719.3	$ 808.9	$ 468.1	$ (1,996.3)	$ 619.4

HARRAH'S ENTERTAINMENT, INC.
(PREDECESSOR ENTITY)
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006
(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Revenues						
Casino	$ —	$ 112.6	$ 5,650.9	$ 2,105.1	$ —	$ 7,868.6
Food and beverage	—	24.1	922.0	631.6	—	1,577.7
Rooms	—	20.5	684.7	535.5	—	1,240.7
Management fees	—	7.8	154.3	1.1	(74.1)	89.1
Other	—	5.4	293.5	313.2	(1.1)	611.0
Less: casino promotional allowances	—	(27.3)	(1,164.0)	(521.9)	—	(1,713.2)
Net revenues	—	143.1	6,541.4	3,064.6	(75.2)	9,673.9
Operating expenses						
Direct						
Casino	—	61.4	2,823.8	1,017.4	—	3,902.6
Food and beverage	—	12.0	372.2	313.4	—	697.6
Rooms	—	3.4	135.6	117.6	—	256.6
Property general, administrative and other	—	181.4	1,448.5	652.1	(75.2)	2,206.8
Depreciation and amortization	—	14.4	457.5	196.0	—	667.9
Write-downs, reserves and recoveries	—	63.2	10.3	9.8	—	83.3
Project opening costs	—	—	12.1	8.8	—	20.9
Corporate expense	0.2	161.4	18.9	(3.0)	—	177.5
Acquisition and integration costs	—	37.0	—	—	—	37.0
Income on interests in nonconsolidated affiliates	(536.9)	(1,233.0)	68.9	(3.4)	1,700.8	(3.6)
Amortization of intangible assets	—	1.0	68.2	1.5	—	70.7
Total operating expenses	(536.7)	(697.8)	5,416.0	2,310.2	1,625.6	8,117.3
Income from operations	536.7	840.9	1,125.4	754.4	(1,700.8)	1,556.6
Interest expense, net of interest capitalized	—	(704.6)	(139.9)	(218.0)	392.0	(670.5)
Losses on early extinguishments of debt	—	(62.0)	—	—	—	(62.0)
Other income, including interest income	—	32.6	210.8	159.3	(392.0)	10.7
Income from continuing operations before income taxes and minority interests	536.7	106.9	1,196.3	695.7	(1,700.8)	834.8
Provision for income taxes	(0.9)	394.7	(455.2)	(234.2)	—	(295.6)
Minority interests	—	—	0.2	(15.5)	—	(15.3)
Income from continuing operations	535.8	501.6	741.3	446.0	(1,700.8)	523.9
Discontinued operations						
Income from discontinued operations	—	14.0	2.4	—	—	16.4
Provision for income taxes	—	—	(4.5)	—	—	(4.5)
Income/(loss) from discontinued operations, net	—	14.0	(2.1)	—	—	11.9
Net income	$ 535.8	$ 515.6	$ 739.2	$ 446.0	$ (1,700.8)	$ 535.8

HARRAH'S ENTERTAINMENT, INC.
(SUCCESSOR ENTITY)
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE PERIOD
JANUARY 28, 2008 THROUGH DECEMBER 31, 2008
(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 106.6	$ (911.5)	$ 1,757.7	$ (430.7)	$ —	$ 522.1
Cash flows from investing activities						
Land, buildings, riverboats and equipment additions	—	(27.8)	(943.8)	(197.7)	—	(1,169.3)
(Decrease)/increase in construction payables	—	—	(1.7)	(10.4)	—	(12.1)
Insurance proceeds for hurricane losses from asset recovery	—	—	181.4	—	—	181.4
Payment for Merger	(17,490.2)	—	—	—	—	(17,490.2)
Investments in and advances to nonconsolidated affiliates	—	—	—	(5.9)	—	(5.9)
Proceeds from other asset sales	—	0.1	4.7	0.3	—	5.1
Other	—	—	(17.4)	(5.8)	—	(23.2)
Cash flows used in investing activities	(17,490.2)	(27.7)	(776.8)	(219.5)	—	(18,514.2)
Cash flows from financing activities						
Proceeds from issuance of long-term debt, net of issue costs	—	14,983.5	—	6,329.9	—	21,313.4
Repayments under lending agreements	—	(6,750.2)	—	(10.3)	—	(6,760.5)
Early extinguishments of debt	—	(1,941.5)	—	—	—	(1,941.5)
Premiums paid on early extinguishments of debt	—	(225.9)	—	—	—	(225.9)
Scheduled debt retirement	—	—	—	(6.5)	—	(6.5)
Equity contribution from buyout	6,007.0	—	—	—	—	6,007.0
Payment to bondholders for debt exchange	—	(289.0)	—	—	—	(289.0)
Minority interests' distributions, net of contributions	—	—	—	(14.6)	—	(14.6)
Excess tax benefit from stock equity plans	(50.5)	—	—	—	—	(50.5)
Other	—	(3.4)	(1.3)	(0.2)	—	(4.9)
Transfers from/(to) affiliates	11,424.9	(4,837.7)	(929.0)	(5,658.2)	—	—
Cash flows provided by/(used in) financing activities	17,381.4	935.8	(930.3)	640.1	—	18,027.0
Cash flows from discontinued operations						
Cash flows from operating activities	—	—	4.7	—	—	4.7
Cash flows from investing activities	—	—	—	—	—	—
Cash flows provided by discontinued operations	—	—	4.7	—	—	4.7
Net (decrease)/increase in cash and cash equivalents	(2.2)	(3.4)	55.3	(10.1)	—	39.6
Cash and cash equivalents, beginning of period	2.3	10.5	263.0	335.1	—	610.9
Cash and cash equivalents, end of period	$ 0.1	$ 7.1	$ 318.3	$ 325.0	$ —	$ 650.5

HARRAH'S ENTERTAINMENT, INC.
(PREDECESSOR ENTITY)
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE PERIOD
JANUARY 1, 2008 THROUGH JANUARY 27, 2008
(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 43.9	$ (106.4)	$ (25.3)	$ 95.0	$ —	$ 7.2
Cash flows from investing activities						
Land, buildings, riverboats and equipment additions	—	(1.0)	(69.1)	(47.3)	—	(117.4)
Payments for businesses acquired, net of cash acquired	—	—	—	0.1	—	0.1
Proceeds from other asset sales	—	—	0.1	3.0	—	3.1
(Decrease)/increase in construction payables	—	(0.4)	2.8	(10.6)	—	(8.2)
Other	—	—	(1.2)	(0.5)	—	(1.7)
Cash flows used in investing activities	—	(1.4)	(67.4)	(55.3)	—	(124.1)
Cash flows from financing activities						
Proceeds from issuance of long-term debt, net of issue costs	—	11,316.3	—	—	—	11,316.3
Repayments under lending agreements	—	(11,288.6)	—	(0.2)	—	(11,288.8)
Early extinguishments of debt	—	—	(87.7)	—	—	(87.7)
Minority interests' distributions, net of contributions	—	—	—	(1.6)	—	(1.6)
Proceeds from exercises of stock options	2.4	—	—	—	—	2.4
Excess tax benefit from stock equity plans	77.5	—	—	—	—	77.5
Other	—	—	(0.7)	(0.1)	—	(0.8)
Transfers (to)/from affiliates	(121.5)	75.4	90.5	(44.4)	—	—
Cash flows (used in)/provided by financing activities	(41.6)	103.1	2.1	(46.3)	—	17.3
Cash flows from discontinued operations						
Cash flows from operating activities	—	—	0.5	—	—	0.5
Cash flows from investing activities	—	—	—	—	—	—
Cash flows provided by discontinued operations	—	—	0.5	—	—	0.5
Net increase/(decrease) in cash and cash equivalents	2.3	(4.7)	(90.1)	(6.6)	—	(99.1)
Cash and cash equivalents, beginning of period	—	15.2	353.1	341.7	—	710.0
Cash and cash equivalents, end of period	$ 2.3	$ 10.5	$ 263.0	$ 335.1	$ —	$ 610.9

HARRAH'S ENTERTAINMENT, INC.
(PREDECESSOR ENTITY)
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 65.4	$ (450.9)	$ 639.4	$ 1,254.9	$ —	$ 1,508.8
Cash flows from investing activities						
Land, buildings, riverboats and equipment additions	—	(59.1)	(777.3)	(543.1)	—	(1,379.5)
Insurance proceeds for hurricane losses from asset recovery	—	—	29.1	—	—	29.1
Payments for businesses acquired, net of cash acquired	—	—	—	(584.3)	—	(584.3)
Purchase of minority interest in subsidiary		—	—	(8.5)	—	(8.5)
Investments in and advances to nonconsolidated affiliates	—	—	(1.8)	—	—	(1.8)
Proceeds from other asset sales	—	88.2	7.7	3.7	—	99.6
(Decrease)/increase in construction payables	—	(2.4)	—	5.2	—	2.8
Other	—	—	(21.3)	(59.7)	—	(81.0)
Cash flows provided by/(used in) investing activities	—	26.7	(763.6)	(1,186.7)	—	(1,923.6)
Cash flows from financing activities						
Proceeds from issuance of long-term debt, net of issue 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	—	(996.7)	—	(5.0)	—	(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' contributions/(distributions), net	—	—	—	(20.0)	—	(20.0)
Other	—	(2.7)	(2.4)	(0.2)	—	(5.3)
Transfers from/(to) affiliates	55.9	(28.5)	(80.4)	53.0	—	—
Cash flows (used in)/provided by financing activities	(65.4)	426.8	(82.8)	(42.1)	—	236.5
Cash flows 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	—	2.6	(118.3)	26.1	—	(89.6)
Cash and cash equivalents, beginning of period	—	12.6	471.4	315.6	—	799.6
Cash and cash equivalents, end of period	$ —	$ 15.2	$ 353.1	$ 341.7	$ —	$ 710.0

HARRAH'S ENTERTAINMENT, INC.
(PREDECESSOR ENTITY)
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006
(In millions)

	HET (Parent)	Subsidiary Issuer	Guarantors	Non-Guarantors	Consolidating/ Eliminating Adjustments	Total
Cash flows provided by/(used in) operating activities	$ 61.2	$ (705.6)	$ 887.4	$ 1,296.6	$ —	$ 1,539.6
Cash flows from investing activities						
Land, buildings, riverboats and equipment additions	—	(1,050.5)	(938.5)	(522.3)	—	$(2,511.3)
Insurance proceeds for hurricane losses from asset recovery	—	—	299.6	—	—	299.6
Payments for businesses acquired, net of cash acquired	—	—	—	(562.5)	—	(562.5)
Purchase of minority interest in subsidiary	—	—	—	(2.3)	—	(2.3)
Investments in and advances to nonconsolidated affiliates	—	—	(0.9)	—	—	(0.9)
Proceeds from sales of discontinued operations	—	—	457.3	—	—	457.3
Proceeds from sale of long-term investments	—	49.4	—	—	—	49.4
Proceeds from other asset sales	—	43.3	3.3	0.5	—	47.1
(Decrease)/increase in construction payables	—	(7.3)	3.1	15.4	—	11.2
Other	—	(1.3)	(26.4)	(3.6)	—	(31.3)
Cash flows used in investing activities	—	(966.4)	(202.5)	(1,074.8)	—	(2,243.7)
Cash flows from financing activities						
Proceeds from issuance of long-term debt, net of issue costs	—	7,685.6	—	—	—	7,685.6
Repayments under lending agreements	—	(5,465.8)	—	—	—	(5,465.8)
Early extinguishments of debt	—	(1,195.0)	—	—	—	(1,195.0)
Premiums paid on early extinguishments of debt	—	(56.7)	—	—	—	(56.7)
Scheduled debt retirements	—	—	—	(5.0)	—	(5.0)
Losses on derivative contracts	—	(2.6)	—	—	—	(2.6)
Proceeds from exercises of stock options	66.3	—	—	—	—	66.3
Excess tax benefit from stock equity plans	21.3	—	—	—	—	21.3
Dividends paid	(282.7)	—	—	—	—	(282.7)
Minority interests' distributions, net of contributions	—	—	—	(1.9)	—	(1.9)
Other	—	3.5	(2.2)	—	—	1.3
Transfers from/(to) affiliates	133.9	693.8	(674.5)	(153.2)	—	—
Cash flows (used in)/provided by financing activities	(61.2)	1,662.8	(676.7)	(160.1)	—	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 operations	—	—	14.5	—	—	14.5
Net (decrease)/increase in cash and cash equivalents	—	(9.2)	22.7	61.7	—	75.2
Cash and cash equivalents, beginning of period	—	21.8	448.7	253.9	—	724.4
Cash and cash equivalents, end of period	$ —	$ 12.6	$ 471.4	$ 315.6	$ —	$ 799.6

Note 20—Quarterly Results of Operations (Unaudited)

(In millions)	Predecessor January 1 through January 27	Successor January 28 through March 31	Second Quarter	Third Quarter	Fourth Quarter	January 28 through December 31[c]
2008[a]						
Revenues	$ 760.1	$ 1,840.5	$2,602.1	$2,645.9	$ 2,278.4	$ 9,366.9
(Loss)/income from operations	(36.8)	437.8	323.1	349.6	(5,348.0)	(4,237.5)
Loss from continuing operations	(101.0)	(174.2)	(98.0)	(130.4)	(4,784.0)	(5,186.7)
Net loss	(100.9)	(86.9)	(97.6)	(129.7)	(4,782.1)	(5,096.3)

	Predecessor First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year [c]
2007[b]					
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

(a) 2008 includes the following:

	Predecessor January 1 through January 27	Successor January 28 through March 31	Second Quarter	Third Quarter	Fourth Quarter	January 28 through December 31[c]
Loss/(income)						
Pretax charges for						
Project opening costs	$ 0.7	$ 2.8	$ 7.2	$ 16.3	$ 2.6	$ 28.9
Insurance proceeds for hurricane losses	—	(185.4)	—	—	—	(185.4)
Impairment of goodwill and other intangible assets	—	—	—	—	5,489.6	5,489.6
Write-downs, reserves and recoveries	4.7	26.6	50.1	46.8	78.0	201.6
Acquisition and integration costs	125.6	17.0	5.1	1.0	1.0	24.0
After-tax write-downs, reserves and recoveries for discontinued operations	—	—	—	(0.8)	—	(0.8)
Insurance proceeds for hurricane losses, net of tax	—	(87.4)	0.1	—	(2.4)	(89.7)

(b) 2007 includes the following:

	Predecessor First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year [c]
Loss/(income)					
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
Acquisition 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)

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

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, 2008, 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, 2008. 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, 2008, 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, 2008, 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 balance sheet as of December 31, 2008 (Successor Company) and the related consolidated statements of operations, stockholders' (deficit)/equity and comprehensive (loss)/income, and cash flows and the consolidated financial statement schedule for the period January 28, 2008 through December 31, 2008 (Successor Company), the period January 1, 2008 through January 27, 2008 (Predecessor Company) of the Company and our report dated March 16, 2009 expressed an unqualified opinion on those consolidated financial statements and consolidated financial statement schedule and includes an explanatory paragraph regarding the Company's adoption of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada
March 16, 2009

ITEM 9B. Other Information.

On March 13, 2009, the Company and Mr. Loveman amended his employment agreement to state that base salary shall be the greater of $2,000,000 and current base salary for purposes of (a) benefits paid upon (1) disability, (2) termination without cause, and (3) termination for good reason and (b) the life insurance benefit under the agreement. This modification was made in connection with the reduction of Mr. Loveman's annual base salary to $1,900,000 as part of a broader management reduction of salaries.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

Directors

Until January 28, 2008, 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 Jeffrey Benjamin, David Bonderman, Anthony Civale, Jonathan Coslet, Kelvin Davis, Karl Peterson, Eric Press, and Marc Rowan were appointed to serve on the Board of Directors. Gary W. Loveman, one of our executive officers, was also appointed to the Board of Directors. Charles L. Atwood, one of our executive officers until his retirement on December 19, 2008, was appointed to the Board of Directors on April 7, 2008. 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 (47)	Director of the Company since January 2008; Senior advisor to Cyrus Capital Partners since June 2008; Senior advisor to Apollo Global Management, LLC from 2002 to 2008; Serves on the boards of directors of Exco Resources, Inc. and Virgin Media Inc.
David Bonderman (66)	Director of the Company since January 2008; Founding partner of TPG Capital, LP; Serves as a director of CoStar Group, Inc., Gemalto N.V., and Ryanair Holdings PLC, of which he is Chairman, the Wilderness Society, the Grand Canyon Trust, the University of Washington Foundation, and the American Himalayan Foundation.
Anthony Civale (34)	Director of the Company since January 2008; 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)	Director of the Company since January 2008; 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; Serves on boards of directors of Petco Animal Supplies, Inc., the Neiman Marcus Group, Inc., J. Crew Group, Inc. and Bionet, Inc.
Kelvin Davis (45)	Director of the Company since January 2008; 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.; Member of the Company’s Executive and Human Resources Committees.
Jeanne P. Jackson (57)	Director of the Company since April 2008; Founder and chief executive officer of MSP Capital, a private investment company. Serves on the boards of directors of Nike, Inc., McDonald’s Corporation, and Nordstrom, Inc.; Member of the Company’s Audit Committee.
Karl Peterson (38)	Director of the Company since January 2008; Partner at TPG Capital, LP since 2004; President and Chief Executive Officer of Hotwire, Inc. from 2000 to 2003; Serves on the board of directors of Sabre Holdings; Member of the Company’s Audit and Finance Committees.
Eric Press (43)	Director of the Company since January 2008; 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, Quality Distribution, Inc. and Verso Paper Corp.; Member of the Company’s Audit Committee.
Marc Rowan (46)	Director of the Company since January 2008; Founding partner of Apollo Global Management, LLC; Serves on the boards of directors of the general partner of AAA Guernsey Limited and Norwegian Cruise Lines; Member of the Company’s Executive, Finance and Human Resources Committees.
Lynn C. Swann (56)	Director of the Company since April 2008; President of Swann, Inc., a consulting firm specializing in marketing and communications; Managing director of Diamond Edge Capital Partners, LLC, a New York-based finance company; Serves on the boards of directors of Hershey Entertainment and Resorts Company, H. J. Heinz Company and Transdel Pharmaceuticals; Member of Company’s 162(m) Plan Committee.

Name and Age	Principal Occupations or Employment
Christopher J. Williams (51)	Director of the Company since April 2008; Mr. Williams has been Chairman of the Board and Chief Executive Officer of Williams Capital Group, L.P., an investment bank, since 1994, and Chairman of the Board and Chief Executive Officer of Williams Capital Management, LLC, an investment management firm, since 2002. He was a director of the Company from November 2003 to January 2008, and was a member of the Audit Committee. He also serves of the boards of directors for The Partnership for New York City, the National Association of Securities Professionals, and Wal-Mart Stores, Inc. ; Chairman of Company's Audit Committee and Member of 162(m) Plan Committee.

Executive Officers

Name and Age	Positions and Offices Held and Principal Occupations or Employment During Past 5 Years
Gary W. Loveman (48)	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.
Jonathan S. Halkyard (44)	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 (54)	Western Division President since January 2004; Senior Vice President—Southern Nevada from November 2002 to December 2003.
Janis L. Jones (59)	Senior Vice President, Communications/Government Relations since November 1999.
David W. Norton (40)	Senior Vice President and Chief Marketing Officer since January 2008; Senior Vice President—Relationship Marketing from January 2003 to January 2008.
John Payne (40)	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 (43)*	Senior Vice President, Innovation and Gaming from January 2007 to January 2009; Chief Information Officer from January 2003 to January 2009; Senior Vice President, Information Technology from February 2004 to January 2007; Vice President, Information Technology from February 2001 to February 2004.
Mary H. Thomas (42)	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 (59)	Eastern Division President since January 2003; Western Division President from August 1997 to January 2003.

* Not currently employed by the Company.

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.

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. Jeanne P. Jackson and Christopher J. Williams were appointed to the Audit Committee in April 2008. 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.

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 approving 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. Human Resources Committee Charter. The HRC Charter was last updated on April 15, 2008, and it is reviewed no less than once per year with any recommended changes presented to the Board of Directors of the Company (the "Board") for approval.

As of December 31, 2008, the Committee was comprised of two members: Kelvin Davis and Marc Rowan. The qualifications of the Committee members stem from roles as corporate leaders, private investors, and board members of several large corporations. Their knowledge, intelligence, and experience in company operations, financial analytics, business operations, and understanding of human capital management enables the members to carry out the objectives of the Committee.

Until January 28, 2008 (the closing date of the Merger), 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 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 the exemptions under Section 16(b) of the Securities Exchange Act of 1934.

In February 2009, the Board of Directors formed the 162(m) Plan Committee comprised of two members: Lynn C. Swann and Christopher J. Williams. The purpose of the 162(m) Plan Committee is to administer the Harrah's Entertainment, Inc. 2009 Senior Executive Incentive Plan.

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, recommend and approve 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 expects to in the future, to engage external consultants for the purposes of determining Chief Executive Officer and other senior executive compensation.

2008 HRC Activity

During four meetings in 2008, as delineated in the Human Resources Committee 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 approved corporate goals and objectives and established the equity compensation and annual bonus of the Chief Executive Officer based on such evaluation.
- Other Senior Executive Compensation: set base compensation, annual bonus and equity compensation for all senior executives, which included an analysis relative to our competition peer group.
- Executive Compensation Plans: reviewed status of various executive compensation plans, programs and incentives, including the Annual Management Bonus Plan, the Company's various deferred compensation plans and the Company's various equity plans, and approved the 2009 Senior Executive Incentive Plan.
- Committee Charter: reviewed and recommended a revised Human Resources Committee Charter.
- Independent Director Compensation: reviewed and recommended compensation for the Company's independent directors.

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 and Human Resource Systems and Services. The Senior Vice President of Human Resources is responsible for developing and implementing the Company's business plans and strategies for all companywide human resource functions, as well as day-to-day human resources operations. The Vice President of Compensation and Human Resource Systems and Services is responsible for the design, execution, and daily administration of the Company's compensation and human resources shared-services operations. Both of these Human Resources executives attend the HRC meetings, at the request of the Committee, 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 and benefit 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 2008, the HRC 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 HRC 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 HRC 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 2008, 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 and benefits departments to help formulate information that is then provided to the HRC. The consultants did not interact with each other in 2008, 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.

In 2008, as a result of the Merger and no public market for our common stock, the HRC changed our long-term compensation philosophy by awarding "megagrant" equity awards in lieu of our historical practice of annual equity grants.

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 during 2008:

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 6:1 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 formal peer review in 2008 or 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

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 are 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.

Although no formal peer review was performed by the Committee in 2008, the Company's Human Resources department continually monitors the Company's senior executive compensation and measures it against that of other gaming, leisure and entertainment companies.

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 are the Annual Management Bonus Plan and 2005 Senior Executive Incentive Plan. The bonus plan performance criteria, target percentages, and plan awards under the 2005 Senior Executive Incentive Plan were set in February 2008 and the bonus plan performance criteria, target percentages, and plan awards under the Annual Management Bonus Plan were set in April 2008 for the bonus payments for fiscal 2008 (paid in 2009). The financial measurements used to determine the bonus under the Annual Management Bonus Plan are adjusted EBITDA and corporate expense. 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 2008 requirements were approved by the HRC in April 2008.

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 2008 was 40% for base salary and 60% for annual bonus. For the other NEOs in 2008, the average allocation was 53% for base salary and 47% for annual bonus. 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 may be, but, 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 and other NEO's did not receive an increase in base salary in 2008 due to the general economic environment. In February 2009, the Company implemented a 5% reduction in base salary for management employees, including the NEO's.

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 2008, Messrs. Loveman, Atwood and Halkyard participated in the 2005 Senior Executive Incentive Plan. The 2005 Senior Executive Incentive Plan's objective for 2008 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 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. No Senior Executive Incentive Plan bonuses were awarded to our NEOs in 2009 for 2008 performance under the 2005 Senior Executive Incentive Plan.

In December 2008, the Harrah's Entertainment, Inc. 2009 Senior Executive Incentive Plan was approved by the HRC and our sole voting stockholder, to be effective January 1, 2009. The 2009 Senior Executive Incentive Plan replaces the 2005 Senior Executive Incentive Plan. The awards granted pursuant to the 2009 Plan are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended. Eligibility to participate in the 2009 Senior Executive Incentive Plan is limited to senior executives of Harrah's and its subsidiaries who are or at some future date may be, subject to Section 16 of the Securities Exchange Act of 1934, as amended. The 162(m) Plan Committee has selected the 2009 Senior Executive Incentive Plan participants for each performance period. The 2009 Senior Executive Incentive Plan's performance goal will be based upon Harrah's EBITDA. The 162(m) Plan Committee set criteria of .5% of EBITDA for 2009 in March 2009. Subject to the foregoing and to the maximum award limitations, no awards will be paid for any period unless Harrah's achieves positive EBITDA.

The 162(m) Plan Committee has determined that Messrs. Loveman, Atwood and Halkyard and other executive officers will participate in the 2009 Senior Executive Incentive Plan for the year 2009. As noted above, the 162(m) Plan Committee has authority to reduce bonuses earned under the 2009 Senior Executive Incentive Plan and also has authority to approve bonuses outside of the 2009 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, Payne and Tolosa, who participated in the Bonus Plan for 2008, the objectives also include Adjusted EBITDA 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 2008 plan year, the plan's goal consisted of a combination of Adjusted EBITDA, corporate expense, and customer satisfaction improvement. Although officers that participated in the 2005 Senior Executive Incentive Plan during 2008 do not participate in the 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 2008, financial goals are comprised of these separate measures, representing up to 90 percent of the corporate score.

- Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): This is a common measure of company performance in the gaming industry and as bases for valuation of gaming companies and, in the case of Adjusted EBITDA, as a measure of compliance with certain debt covenants. Adjusted EBITDA comprised 70% of the corporate score for 2008, and was set at $3,106 million for 2008.
- Corporate Expense: In the current recessionary environment, it is important for the Company to match decreased revenues with expenses. Corporate expense comprised 20% of the corporate score for 2008, and was set at $449 million for 2008.

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 casino 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 2008, and was set at 4% change from non-A to A scores for 2008.

In April 2008, the HRC determined the thresholds for the corporate score for 2008. Bonus plan payments would not be paid if Adjusted EBITDA is less than 80 percent of target, if corporate expense exceeds 20% or more of target or if there is less than a one percent shift in non-A to A customer satisfaction 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 2008, the HRC reviewed the corporate score and elected not to approve any adjustments.

The 2008 corporate score of 0.0 was approved by the HRC in February 2009. However, our Divisional Presidents may earn bonuses based on the performance of the properties in their divisions. Messrs. Jenkin and Tolosa received no bonus for 2008 but Mr. Payne was paid a bonus—see Summary Compensation Table.

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 enhanced 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.

Prior to the Merger, the annual grant process for all eligible employees took place during the summer HRC meeting. The actual timing of the annual grant process was 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 was heavily involved in performance reviews, corresponding merit increases, and bonus payments. During the second and third quarters, the Company focused on the equity grants. The second reason for the timing of grants was simply a product of the work load throughout the year, and with a summer equity grant date the administrative burden placed on the Company could be more easily absorbed. Lastly, the timing of the equity grants corresponded 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 approved the award grants after considering the recommendations made by the Chief Executive Officer for senior executives, and determined the grant size for the Chief Executive Officer. Generally, historically, the size of an equity grant was based on a target percent of base pay, but was adjusted higher or lower from the target percent based on individual performance, job responsibilities, and expected future performance. The Committee determined awards that it believed would be suitable for providing an adequate incentive for both performance and retention purposes. The dollar value of the award was 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 (1)	40,212	24,128
Jonathan Halkyard	51,147	30,688
Thomas Jenkin	68,785	41,270
John Payne	49,384	29,630
Carlos Tolosa	29,630	17,778

(1) The option shares awarded to Mr. Atwood were cancelled upon his retirement in December 2008.

These "megagrants" are in lieu of regular annual equity awards, however, the HRC has discretion to make additional equity awards.

Except as described below, the time based options noted above 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. Mr. Atwood's options were cancelled upon his retirement in December 2008.

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 with each of our NEO's, other than Mr. Loveman. The severance agreements related to a change in control of the Company and were put in place prior to the Merger, and will expire by their terms on February 1, 2010. The HRC and the board of directors 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. The Company's 2005 Senior Executive Incentive Plan and the 2009 Senior Executive Incentive Plan are designed to comply with Section 162(m) of the Internal Revenue Code so that annual bonuses paid under these plans, if any, 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 2008 were:

- ensuring successful closure of "going private" transaction and smooth transition from a public to privately-held company;
- developing and implementing the Company's strategic direction;
- meeting or improving financial targets by enhancing loyalty and marketing programs and increasing reductions in corporate expense;
- 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 implementing comprehensive engagement program involving education and wellness; 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 2008.

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 2008. Under this plan, bonus is based on the Company achieving a specific financial objective. For 2008, 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 2008, the Committee made the determination not to award a bonus to the Chief Executive Officer.

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 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 2008, 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 percentages of salary 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 Mr. Loveman's personal use of company aircraft at certain times during 2008. 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 group long term disability benefits, 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 eligible for additional supplemental long-term disability policies with a monthly benefit of $60,000, subject to insurability.

Elements of Post-Employment Compensation and Benefits

Employment Arrangements

Chief Executive Officer. Mr. Loveman entered into a new employment agreement on January 28, 2008 (as amended to date), 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. Additionally, pursuant to the agreement, Mr. Loveman received a grant of stock options pursuant to the Equity Plan (described above). Mr. Loveman's annual salary is $2,000,000, subject to annual merit reviews by the Human Resources Committee. In February 2009, Mr. Loveman agreed to reduce his salary to $1,900,000 as part of a broader management reduction of salaries.

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, subject to insurability.

Mr. Loveman is also entitled to life insurance with a death benefit of at least three times the greater of his base annual salary and $2,000,000. 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 the greater of his annual salary and $2,000,000 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. We entered into new employment agreements on February 28, 2008 with Charles L. Atwood, Jonathan S. Halkyard, Thomas M. Jenkin, John W. R. Payne and J. Carlos Tolosa. These new employment agreements superseded and replaced any prior employment agreements that these NEOs had with the Company. The agreements of Messrs. Atwood and Tolosa expire January 28, 2011; the agreements of Messrs. Jenkin, Halkyard, and Payne expire January 28, 2012. Below is a description of the material terms and conditions of these employment agreements. Mr. Atwood retired from the Company effective December 19, 2008.

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

Pursuant to the employment agreements, the executives will receive base salaries as follows: Mr. Atwood, $1,300,000; Mr. Halkyard, $600,000; Mr. Jenkin, $1,200,000, Mr. Payne, $925,000 and Mr. Tolosa, $1,075,000. In February 2009, Messrs Halkyard, Jenkin, Payne and Tolosa agreed to reduce their respective base salaries by 5% as part of a broader management reduction of salaries. The HRC will review base salaries on an annual basis with a view towards merit increases (but not decreases) in such salary. In addition, each executive will participate in the Company's annual incentive bonus program applicable to the executive's position and shall have the opportunity to earn an annual bonus based on the achievement of performance objectives. In addition, the agreement provides for a stock option grant to be made following the effective date of the employment agreement with vesting based on both the passage of time and the achievement of performance objectives.

Each executive will be entitled to participate in benefits and perquisites at least as favorable to the executive as such benefits and perquisites currently available to the executives, group health insurance, long term disability benefits, life insurance, financial counseling, vacation, reimbursement of expenses, director and officer insurance and the ability to participate in the Company's 401(k) plan. If (a) the executive attains age fifty (50) and, when added to his or her number of years of continuous service with the company, including any period of salary continuation, the sum of his or her age and years of service equals or exceeds sixty-five (65), and at any time after the occurrence of both such events Executive's employment is terminated and his employment then terminates either (1) without cause or (2) due to non-renewal of the agreement, or (b) the executive attains age fifty-five (55) and, when added to his number of years of continuous service with the company, including any period of salary continuation, the sum of his age and years of service equals or exceeds sixty-five (65) and Executive's employment is terminated other than for cause, he will be entitled to lifetime coverage under our group health insurance plan. The executive will be required to pay 20% of the premium for this coverage and the Company will pay the remaining premium, which will be imputed taxable income to the executive. This insurance coverage terminates if the executive competes with the Company.

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

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

"Cause" under the employment agreements is defined as:

(i) The willful failure of executive to substantially perform executive's duties with the Company or to follow a lawful, reasonable directive from the Board or the chief executive officer of the Company (the "CEO") or such other executive officer to whom executive reports (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to executive by the Board (or the CEO, as applicable) which specifically identifies the manner in which the Board (or the CEO, as applicable) believes that executive has willfully not substantially performed executive's duties or has willfully failed to follow a lawful, reasonable directive;

(ii) (A) Any willful act of fraud, or embezzlement or theft, by executive, in each case, in connection with executive's duties hereunder or in the course of executive's employment hereunder or (B) executive's admission in any court, or conviction of, or plea of nolo contendere to, a felony;

(iii) executive being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in any jurisdiction in which the Company or Harrah's Entertainment, Inc. conducts gaming operations;

(iv) (A) executive's willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting executive from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the New York Stock Exchange; or

(v) A willful breach by executive of non competition provisions or confidentiality provisions of the agreement.

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

"Good Reason" under the employment agreements is defined as:

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

(a) A reduction by the Company in executive's annual base salary, other than a reduction in base salary that applies to a similarly situated class of employees of the Company or its affiliates;

(b) Any material diminution in the duties or responsibilities of executive as of the date of the employment agreement; provided that a change in control of the Company that results in the Company becoming part of a larger organization will not, in and of itself and unaccompanied by any material diminution in the duties or responsibilities of executive, constitute Good Reason;

(c) (i) The failure by the Company to pay or provide to executive any material portion of his or her then current Base Salary or then current benefits under the employment agreement (except pursuant to a compensation deferral elected by executive) or (ii) the failure to pay executive any material portion of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due and permitted to be paid under Section 409A of the Code, in each case other than any such failure that results from a modification to any compensation arrangement or benefit plan that is generally applicable to similarly situated officers;

(d) The Company's requiring executive to be based anywhere other than Atlantic City or Las Vegas (except for required travel on the Company's business to an extent substantially consistent with executive's present business travel obligations); or

(e) The Company's failure to obtain a satisfactory agreement from any successor to assume and agree to perform the employment agreement.

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

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 Agreement of Mr. Payne became effective January 1, 2007.

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 vested 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, Payne 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 February 1, 2010.

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 HRC approved the ESSP, which permited 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 maintained balances in the EDCP during 2008. The accounts for Messrs. Atwood and Tolosa were distributed as of May 31, 2008. 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, the Merger required 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, 2008.

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.

Summary Compensation Table

The Summary Compensation Table below sets forth certain compensation information concerning the Company's Chief Executive Officer, Chief Financial Officer and our four additional most highly compensated executive officers during 2008.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (3)	Option Awards and Stock Appreciation Rights ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (6)	Total($)
Gary W. Loveman,	2008	2,000,000	—	—	36,389,259	—	—	1,237,724	39,626,983
Chairman,	2007	2,000,000	—	937,504	8,509,684	2,400,000	—	1,575,044	15,422,232
President and CEO	2006	2,000,000	—	937,504	7,673,070	2,490,000	—	1,139,271	14,239,845
Jonathan S. Halkyard,	2008	600,000	—	—	2,988,615	—	—	38,964	3,627,579
Senior Vice President,	2007	560,769	—	—	445,580	336,461	—	39,882	1,382,692
Chief Financial Officer and Treasurer (1)	2006	420,740	—	—	494,175	236,772	—	15,832	1,167,519
Charles L. Atwood,	2008	1,300,000	—	—	2,349,694	—	1,057	47,936	3,698,687
Vice Chairman and	2007	1,300,000	—	—	2,569,501	1,300,000	2,310	55,940	5,227,751
Former Chief Financial Officer (2)	2006	1,122,885	—	393,970	2,617,175	1,164,993	2,322	164,783	5,466,128
Thomas M. Jenkin,	2008	1,200,000	—	—	4,019,211	—	248,968	33,058	5,501,237
President, Western Division	2007	1,134,615	—	—	1,242,669	978,605	213,821	57,559	3,627,269
	2006	1,035,769	—	181,449	1,262,919	1,326,432	198,963	115,323	4,120,855
John W. R. Payne,	2008	978,365	—	—	2,885,592	277,500	—	38,820	4,180,277
President, Central Division	2007	922,115	—	146,637	450,990	508,305	—	53,297	2,081,344
	2006	896,491	—	211,746	506,728	297,388	—	156,903	2,069,256
J. Carlos Tolosa,	2008	1,075,000	—	—	1,731,340	—	44,149	601,682	3,452,171
President, Eastern Division	2007	1,075,000	—	—	2,116,274	645,000	96,286	334,653	4,267,213
	2006	1,035,773	—	295,770	1,745,111	602,290	91,049	357,605	4,127,598

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

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

(3) The value of stock awards, option awards and stock appreciation rights was determined as required by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123(R)). See Note 14 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, restricted stock 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; Mr. Payne, $379,440 and Mr. Tolosa, $777,169.

(4) Other than for Mr. Payne, no bonuses were approved for the NEO's for 2008.

(5) Includes above market earnings on the balance the executives maintain in the EDCP. Mr. Atwood and Mr. Tolosa have attained the specified age and service requirements such that they earn the retirement rate of interest on their EDCP balances. Mr. Jenkin has not attained the specified age and service requirements to earn the retirement rate of interest. However, we have assumed Mr. Jenkin will attain the specified age and service requirements in calculating the above market earnings on his EDCP balance. In October 1995, the HRC approved a fixed retirement rate of 15.5% for all account balances under the EDCP as of December 31, 1995 (subject to plan minimum rates contained in the EDCP). The interest rates on post 1995 deferrals continue to be approved each year by the Committee. The retirement rate on post 1995 deferrals during 2008 was the EDCP's minimum retirement rate which was 9.85%. The accounts for Messrs. Atwood and Tolosa were distributed as of May 31, 2008.

(6) All Other Compensation includes the amounts in the following table:

Name	Year	Executive Security ($)	Allocated amount for aircraft usage ($)	Allocated amount for company lodging and the associated taxes ($)	Matching contributions to the ESSP II ($)	Relocation ($)	Dividends paid on unvested stock awards ($)
Gary W. Loveman	2008	442,186	460,086	155,387	—	—	—
	2007	693,991	461,977	162,448	—	—	—
	2006	276,720	435,786	141,665	—	—	123,958
Charles L. Atwood	2008	—	—	—	—	—	—
	2007	—	—	—	—	—	—
	2006	—	—	—	28,119	—	91,500
Thomas M. Jenkin	2008	—	—	—	—	—	—
	2007	—	—	—	28,967	—	—
	2006	—	—	—	25,823	—	61,000
John W. R. Payne	2008	—	—	—	—	—	—
	2007	—	—	—	—	—	—
	2006	—	—	—	—	71,470	35,918
J. Carlos Tolosa	2008	—	501,240	—	—	—	—
	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, fractional ownership commitment fees, 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 amount allocated to Mr. Payne for relocation is based on his taxable earnings for his relocation in 2006.

The executives received quarterly dividends during 2006 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.

Discussion of Summary Compensation Table

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

Grants of Plan-Based Awards

The following table gives information regarding potential incentive compensation for 2008 to our executive officers named in the Summary Compensation Table. Non-Equity Incentive Plan Awards approved for 2008 are included in the "Non Equity Incentive Plan Compensation" column in the Summary Compensation Table.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Share Value on Grant Date	Grant date fair value of option 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	—	—	—	—	—	—	—
	2/27/2008							1,015,953	100.00	100.00	36,389,259
Jonathan S. Halkyard	n/a	360,000	450,000	1,125,000	—	—	—	—	—	—	—
	2/27/2008							81,835	100.00	100.00	2,988,615
Charles L. Atwood	n/a	1,300,000	1,625,000	4,062,500	—	—	—	—	—	—	—
	2/27/2008							64,340	100.00	100.00	2,349,694
Thomas M. Jenkin	n/a	720,000	900,000	2,250,000	—	—	—	—	—	—	—
	2/27/2008							110,055	100.00	100.00	4,019,211
John W. R. Payne	n/a	555,000	693,750	1,734,375	—	—	—				
	2/27/2008							79,014	100.00	100.00	2,885,592
J. Carlos Tolosa	n/a	645,000	806,250	2,015,625	—	—	—	—	—	—	—
	2/27/2008							47,408	100.00	100.00	1,731,340

(1) Represents potential threshold, target and maximum incentive compensation for 2008. Amounts actually paid for 2008 are described in the "Non Equity Incentive Plan Compensation" column in the Summary Compensation Table.

Discussion of Grants of Plan Based Awards Table

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. For a more detailed discussion of how equity grants are determined, see "—Executive Compensation—Compensation Discussion & Analysis—Elements of Compensation—Equity Awards."

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 133,133 shares of non-voting common stock of the Company at an exercise price of $25.00 per share. The rollover options expire on June 17, 2012.

Outstanding Equity Awards at Fiscal Year-End

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

	Options				
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Options Exercise Price ($)**	**Options Expiration Date**
Gary W. Loveman	133,133	—	—	25.00	6/17/2012
	—	—	466,729	100.00	2/27/2018
	—	—	549,224	100.00	2/27/2018
Jonathan S. Halkyard	—	—	51,147	100.00	2/27/2018
	—	—	30,688	100.00	2/27/2018
Charles L. Atwood (1)	—	—	—	—	—
Thomas M. Jenkin	—	—	68,785	100.00	2/27/2018
	—	—	41,270	100.00	2/27/2018
John W. R. Payne	—	—	49,384	100.00	2/27/2018
	—	—	29,630	100.00	2/27/2018
J. Carlos Tolosa	—	—	29,630	100.00	2/27/2018
	—	—	17,778	100.00	2/27/2018

(1) Options granted to Mr. Atwood were cancelled upon his retirement in December 2008

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

Option Exercises and Stock Vested

The following table gives certain information concerning stock option and stock award exchanges effective with the Merger on January 28, 2008 by our executive officers named in the Summary Compensation Table.

Name	**Option/SAR Awards Number of Shares Exchanged (#)**	**Stock Awards Number of Shares Exchanged (#)**	**Value Realized on Exchange ($)**
Gary W. Loveman	2,509,856	54,189	89,097,053
Jonathan S. Halkyard	147,993	—	4,811,551
Charles L. Atwood	480,157	—	11,774,775
Thomas M. Jenkin	255,458	—	6,698,600
John W. R. Payne	95,780	4,514	2,956,648
J. Carlos Tolosa	422,831	—	14,030,134

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

Historically, each executive officer is normally granted an equity award that will give such officer an estimated dollar value of stock compensation targeted to equal a percentage of salary. This percentage increases commensurate with the grade level of the officer and is determined by an assessment of competitive stock awards. The Human Resource Committee determines awards that it believes will be suitable for providing an adequate incentive for both performance and retention purposes. The dollar value of the award is determined by applying conventional methods for valuing equity awards. For a more detailed discussion of how equity grants are determined, see "—Executive Compensation—Compensation Discussion & Analysis—Elements of Compensation—Equity Awards."

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.

Nonqualified Deferred Compensation

Name	Executive Contributions in 2008 ($) (1)	Registrant Contributions in 2008 ($) (1)	Aggregate Earnings in 2008 ($) (1)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance in 2008 ($) (2)
Gary W. Loveman	1,200,000	50,000	(255,096)	13,625,766	37,150
Jonathan S. Halkyard	127,115	11,100	(223,426)	—	413,730
Charles L. Atwood	—	—	(619,409)	80,955	1,258,487
Thomas M. Jenkin	—	—	406,190	3,681,238	3,910,665
John W. R. Payne	254,168	12,689	(71,773)	2,458,023	8,738
J. Carlos Tolosa	258,000	25,350	45,669	4,239,308	285,581

(1) The following deferred compensation contribution and earnings amounts were reported in the 2008 Summary Compensation Table.

Name	Contributions in 2008 ($)	Above Market Earnings in 2008 ($)
Gary W. Loveman	1,250,000	—
Jonathan S. Halkyard	138,215	—
Charles L. Atwood	—	1,057
Thomas M. Jenkin	—	248,968
John W. R. Payne	266,857	—
J. Carlos Tolosa	283,350	44,149

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	11,234,249
Jonathan S. Halkyard	183,829
Charles L. Atwood	1,261,068
Thomas M. Jenkin	687,858
John W. R. Payne	535,129
J. Carlos Tolosa	412,486

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 2008, 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 2008. The contributions of the executives and the Company into the ESSP II during 2008 are reflected in the above table. The earnings of the executives in 2008 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 2008 are included in the above table.

Messrs. Atwood and Tolosa maintained, and Mr. Jenkin currently maintains 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 2008 was the Plan's minimum retirement rate of 9.85%. Messrs. Atwood's, Jenkin's and Tolosa's earnings in 2008 under the EDCP are included in the above table. Messrs. Atwood and Tolosa received distributions of the full amount of their balances in the EDCP during 2008.

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, 2008:

Name of Fund	2008 Rate of Return
500 Index Trust B	(37.19) %
Aggressive Growth Lifecycle	(33.11) %
American Growth Trust	(44.20)%
American International Trust	(42.37)%
Brandes International Equity	(39.84) %
Conservative Lifecycle	(5.86) %
Equity-Income Trust	(35.94)%
Growth Lifecycle	(26.01) %
Inflation Managed	(9.34)%
International Equity Index Trust B	(44.38)%
Janus Risk-Managed Core	(36.24) %
Managed Bond	(1.71) %
Mid Cap Stock Trust	(43.75) %
Mid Value Trust	(34.67) %
Moderate Lifecycle	(16.26) %
Money Market Trust B	2.12 %
Real Estate Securities Trust	(39.39)%
Small Cap Growth Trust	(39.54) %
Small Cap Value Trust	(26.07) %
Small Cap Index	(35.03) %

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 "—Executive Compensation—Compensation Discussion and Analysis—Elements of Post-Employment Compensation and Benefits—Employment Arrangements." The estimated value of the payments and benefits due to the executives pursuant to their agreements under various termination events are detailed below.

As a result of the 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)	John Payne (6)
Compensation:						
Stock Options/SARS/Stock Awards Unvested and Accelerated	$ 13,428,400	$ 2,889,413	$ 410,592	$ 1,341,833	$ 1,341,533	$ 914,794
Stock Options/SARS Vested and Unexercised	75,618,653	8,885,362	4,400,959	12,688,301	5,356,767	2,041,854
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	$ 2,956,648

(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 133,133 shares of non-voting common stock of the Company at an exercise price of $25.00 per share. The rollover options expire on June 17, 2012. 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.

(6) Mr. Payne invested $1,058,580 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, 2008, assuming the executive's employment terminates effective December 31, 2008.

For each of the named executive officers, we have assumed that their employment was terminated on December 31, 2008, and the market value of their unvested equity awards was $51.79, which was the fair market value of our stock (as determined by the HRC) on December 31, 2008. 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	—	—	—	—	—	—	—
Unvested and Accelerated Stock Options and SARs	—	—	—	—	—	—	—
Benefits and Perquisites:							
Post-retirement Health Care (2)	302,350	302,350	302,350	302,350	302,350	302,350	—
Life & Accident Insurance and Benefits (3)	—	—	21,908	—	21,908	21,908	6,000,000
Disability Insurance and Benefits (4)	—	—	—	—	—	20,000 per mo.	—
Accrued Vacation Pay	—	—	—	—	—	—	—
Financial Planning	—	—	50,000	—	50,000	—	—
Gross-Up Payment for Excise Taxes	—	—	—	—	—	—	—
Totals	302,350	302,350	13,374,258	302,350	18,374,258	4,324,258 and 20,000 per mo.	6,000,000

(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. An additional long-term disability benefit of $60,000 per month may be payable subject to insurability.

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	—	—	—	—	450,000	—	—
Long Term Incentives:							
Unvested and Accelerated Restricted Stock	—	—	—	—	—	—	—
Unvested and Accelerated Stock Options and SARs	—	—	—	—	—	—	—
Benefits and Perquisites:							
Post-retirement Health Care (2)	—	—	—	—	20,286	347,038	—
Life & Accident Insurance and Benefits (3)	—	—	—	—	5,443	—	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	—	—	—	—	—	—	—
Totals	10,514	10,514	918,014	10,514	2,975,515	1,257,552 and 30,000 per mo.	1,810,514

(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	—	—	—	—	900,000	—	—
Long Term Incentives:							
Unvested and Accelerated Restricted Stock	—	—	—	—	—	—	—
Unvested and Accelerated Stock Options and SARs	—	—	—	—	—	—	—
Benefits and Perquisites:							
Post-retirement Health Care [(2)]	248,690	248,690	248,690	—	248,690	248,690	—
Life & Accident Insurance and Benefits [(3)]	—	—	—	—	19,488	—	3,500,000
Disability Insurance and Benefits [(4)]	—	—	—	—	—	30,000 per mo.	—
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	—	—	—	—	—	—	—
Totals	354,844	354,844	2,169,844	106,154	8,330,764	2,154,844 and 30,000 per mo.	3,606,154

(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.

John W. R. Payne	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	—	—	1,387,500	—	3,961,771	1,387,500	—
Short Term Incentive	—	—	277,500	—	693,750	—	—
Long Term Incentives:							
Unvested and Accelerated Restricted Stock	—	—	—	—	—	—	—
Unvested and Accelerated Stock Options and SARs	—	—	—	—	—	—	—
Benefits and Perquisites:							
Post-retirement Health Care (2)	—	—	—	—	15,430	376,193	—
Life & Accident Insurance and Benefits (3)	—	—	—	—	7,660	—	2,775,000
Disability Insurance and Benefits (4)	—	—	—	—	—	30,000 per mo.	—
Accrued Vacation Pay	18,461	18,461	18,461	18,461	18,461	18,461	18,461
Financial Planning	—	—	15,000	—	15,000	—	—
Gross-Up Payment for Excise Taxes	—	—	—	—	—	—	—
Totals	18,461	18,461	1,698,461	18,461	4,712,072	1,782,154 and 30,000 per mo.	2,793,461

(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	—	—	—	—	806,250	—	—
Long Term Incentives:							
Unvested and Accelerated Restricted Stock	—	—	—	—	—	—	—
Unvested and Accelerated Stock Options and SARs	—	—	—	—	—	—	—
Benefits and Perquisites:							
Post-retirement Health Care (2)	210,510	210,510	210,510	—	210,510	210,510	107,605
Life & Accident Insurance and Benefits (3)	—	—	—	—	38,313	—	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	287,247	287,247	1,914,747	76,737	6,474,100	1,899,747 and 30,000 per mo.	3,409,342

(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.

Mr. Atwood retired on December 19, 2008 and received the following payments and benefits:

Charles L. Atwood	Retirement ($)
Compensation:	
Base Salary	
Lump Sum Payment	638,457
Periodic Payments	520,000
Benefits and Perquisites:	
Post-retirement Health Care (1)	145,552
Life & Accident Insurance and Benefits	—
Disability Insurance and Benefits	—
Accrued Vacation Pay	—
Financial Planning	—
Gross-Up Payment for Excise Taxes	—
Totals	1,304,009

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

Compensation of Directors

From January 1, 2008 to January 28, 2008, 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.

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

The following table sets forth the compensation provided by the Company to non-management directors during 2008:

Name	Fees Earned or Paid in Cash ($)	Option Awards ($) (3)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (6)	Total ($)
Barbara T. Alexander (1)	23,750	—	—	—	23,750
Jeffrey Benjamin	—	—	—	—	—
Frank J. Biondi, Jr. (1)	21,833	—	—	—	21,833
Stephen F. Bollenbach (1)	22,083	—	—	—	22,083
David Bonderman	—	—	—	—	—
Anthony Civale	—	—	—	—	—
Jonathan Coslet	—	—	—	—	—
Kelvin Davis	—	—	—	—	—
Ralph Horn (1)	20,583	—	1,017	265	21,865
Jeanne P. Jackson (7)	75,000	107,546	—	—	182,546
R. Brad Martin (1)	20,583	—	—	3,113	23,696
Gary G. Michael (1) (2)	88,083	—	—	—	88,083
Robert G. Miller (1)	20,583	—	—	—	20,583
Karl Peterson	—	—	—	—	—
Eric Press	—	—	—	—	—
Marc Rowan	—	—	—	—	—
Boake A. Sells (1)	20,583	—	420,513	2,850	443,946
Lynn C. Swann (7)	56,250	80,679	—	—	136,929
Christopher J. Williams (1) (7) (8)	247,083	107,546	—	—	354,629

(1) Resigned January 28, 2008.

(2) 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 was a member of the Audit Committee. For his services on the Compliance Committee, Mr. Michael received a per meeting fee in 2008 of $1,000, and was paid an annual retainer of $30,000, all of which was paid in cash. Mr. Michael also serves on the NJ/PA Audit Committee which oversees surveillance and internal audit functions for our properties in New Jersey and Pennsylvania. For his services on the NJ/PA Audit Committee, Mr. Michael was paid an annual retainer of $30,000 in 2008.

(3) Totals reflect one-time option awards to Messrs. Williams and Swann, and Ms. Jackson on July 1, 2008.

(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 14 in the Notes to Consolidated Financial Statements for details on assumptions used in the valuation of the awards. Outstanding option awards at December 31, 2008 for each director are as follows: Ms. Jackson: 2,822 option awards; Mr. Williams: 2,822 option awards; and Mr. Swann: 2,117 option awards.

(5) Messrs. Horn and Sells maintain balances 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 2008 was the Plan's minimum retirement rate of 9.85%, and the retirement rate during 2009 for post 1995 deferrals has been approved once again at the Plan's minimum retirement rate. Mr. Horn's account was distributed as of January 31, 2008.

(6) All Other Compensation includes the following:

The cost of participation in the Company's group health insurance plan.

(7) Elected to the Board of Directors April 7, 2008.

(8) Mr. Williams also serves on the NJ/PA Audit Committee. For his services on the NJ/PA Audit Committee, Mr. Williams was paid an annual retainer of $150,000 in 2008.

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 2008 deferred part of their cash fees pursuant to the Executive Deferred Compensation Plan prior to May 1, 1996 and maintained account balances in the Plan. See "—Executive Compensation—Compensation Discussion and Analysis—Elements of Post-Employment Compensation—Deferred Compensation Plans" for more information about the Executive Deferred Compensation Plan.

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

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

Pursuant to the Company's Amended and Restated 2004 Equity Incentive Award Plan, directors were eligible for grants of equity awards as may be approved by the Human Resources Committee from time to time. No equity awards were granted to our directors during 2008.

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

Human Resources Committee Interlocks and Insider Participation

Until January 28, 2008, the members of the Human Resources Committee were 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.

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. During 2008, 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.

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

Equity Compensation Plan Information

All of the Company's previous 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.

The table below sets forth information regarding our equity compensation plans as of December 31, 2008.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options(1)	(b) Weighted-average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under equity compensation plans
Management Equity Incentive Plan	3,144,792	$ 95.88	722,176

(1) The weighted average remaining contract life for the options set forth in this column is 8.9 years.

Ownership of Harrah's Entertainment Common Stock

The following table lists the beneficial ownership of our common stock as of March 13, 2009, by Hamlet Holdings, Inc., the Sponsors, all current directors, our six 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	15,352,275	— %	99%	99%
TPG(2)(3)	—	31,387,726	15,352,275	—	99	99
Hamlet Holdings(4)	10	—	—	100	—	—
Charles L. Atwood	—	—	—	—	*	*
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	—	*	*
Jeanne P. Jackson	—	—	—	—	—	—
Thomas M. Jenkin	—	14,958.53	7,316.47	—	*	*
Gary W. Loveman(5)	—	233,863.76	49,269.14	—	*	*
John W. R. Payne	—	7,108.78	3,477.02	—	*	*
Karl Peterson(3)	—	—	—	—	—	—
Eric Press(1)	—	—	—	—	—	—
Marc Rowan(1)(4)	—	—	—	17	—	—
Lynn C. Swann	—	—	—	—	—	—
J. Carlos Tolosa	—	29,547.71	14,452.29	—	*	*
Christopher J. Williams	—	—	—	—	—	—
All directors and executive officers as a group(4)(6)	10	312,266.15	87,617.07	50	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. 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 133,133 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. Certain Relationships 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.

On March 5, 2009, Hamlet Tender, LLC and Hamlet FW LLC, and/or one or more additional investment vehicles formed or to be formed by Apollo and TPG and certain other co-investors launched a $250 million cash tender offer for up to approximately $676 million aggregate principal amount of the 10% Second-Priority Senior Secured Notes due 2015 and 2018 of Harrah's Operating Company, Inc. Hamlet Tender, LLC and Hamlet FW LLC were formed and are controlled by affiliates of Apollo and TPG.

Other than as noted above, there were no reportable relationships or transactions for 2008.

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 was initially comprised of at least nine (9) directors, (i) four (4) of whom were designated by the Apollo Members and (ii) four (4) of whom were designated by the TPG Members, and (iii) one (1) of whom 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 March 13, 2009, our Board of Directors is composed of Jeffrey Benjamin, David Bonderman, Anthony Civale, Jonathan Coslet, Kelvin Davis, Jeanne P. Jackson, Gary Loveman, Karl Peterson, Eric Press, Marc Rowan, Lynn C. Swann and Christopher J. Williams. 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 Messrs. Benjamin, Bonderman, Civale, Coslet, Davis, Loveman, Peterson, Press or Rowan 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 2008 and 2007:

	2008	2007
	(in thousands)	
Audit Fees (a)	$6,559	$7,407
Audit-Related Fees (b)	306	561
Tax Fees (c)	181	165
All Other Fees	—	—
Total	$7,046	$8,133

(a) **Audit Fees**—Fees for audit services billed in 2008 and 2007 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 2008 and 2007 consisted of:

- Quarterly revenue and compliance audits performed at certain of our properties as required by state gaming regulations;
- Internal control reviews;
- Employee benefit plan audits; and
- Agreed-upon procedures engagements.

(c) **Tax Fees**—Fees for tax services paid in 2008 and 2007 consisted of tax compliance and tax planning and advice:

- Fees for tax compliance services totaled $20,000 and $12,000 in 2008 and 2007, 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 $161,000 and $153,000 in 2008 and 2007, 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. Tax advice related to structuring certain proposed mergers, acquisitions and disposals

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

  iii. Tax advice related to an intra-group restructuring

	2008	2007
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	0.02:1

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 2008 and 2007 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.

No fees were approved under the *de minimis* provision in 2008 or 2007.

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.)
3.3	Restated Certificate of Incorporation of Harrah's Operating Company, Inc. (f/k/a Embassy Suites, Inc.), as amended. (Incorporated by reference to the exhibit to the Company's Registration Statement on Form S-4 filed October 29, 2008.)
*3.4	Certificate of Amendment of Restated Certificate of Incorporation of Harrah's Operating Company, Inc.
3.5	Bylaws of Harrah's Operating Company, Inc., as amended. (Incorporated by reference to the exhibit to the Company's Registration Statement on Form S-4 filed October 29, 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.)
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.)

Exhibit Number	Exhibit Description
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. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007)
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.)
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.)

Exhibit Number	Exhibit Description
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	First Supplemental Indenture, dated as of June 12, 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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
4.35	Indenture, dated as of December 24, 2008, by and among Harrah’s Operating Company, Inc., Harrah’s Entertainment, Inc. and U.S. Bank National Association, as Trustee, relating to the 10.00% Second-Priority Senior Secured Notes due 2018 and 10.00% Second-Priority Senior Secured Notes due 2015. (Incorporated by reference to the exhibit filed with Company’s Registration Statement on Form S-4/A, filed December 24, 2008.)
4.36	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.)
4.37	Registration Rights Agreement, dated as of December 24, 2008, by and among Harrah’s Operating Company, Inc., Harrah’s Entertainment, Inc., Citigroup Global Markets Inc., as lead dealer manager, and Banc of America Securities LLC, as joint dealer manager. (Incorporated by reference to the exhibit filed with the Company’s Current Report on Form 8-K, filed December 30, 2008.)
4.38	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.)
4.39	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.)
4.40	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.)

Exhibit Number	Exhibit Description
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	Intercreditor Agreement, dated as of January 28, 2008 by and among Bank of America, N.A. as administrative agent and collateral agent under the Credit Agreement, Citibank, N.A. as administrative agent under the Bridge-Loan Agreement and U.S. Bank National Association as Trustee under the Indenture.
*10.4	Intercreditor Agreement, dated as of December 24, 2008 among Bank of America, N.A. as Credit Agreement Agent, each Other First Priority Lien Obligations Agent from time to time, U.S. Bank National Association as Trustee and each collateral agent for any Future Second Lien Indebtedness from time to time.
10.5	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.)
10.6	Amended and Restated Loan Agreement, dated as of May 22, 2008, by and among Harrah's Las Vegas Propco, LLC, Harrah's Atlantic City Propco, LLC, Rio Propco, LLC, Flamingo Las Vegas Propco, LLC, Paris Las Vegas Propco, LLC and Harrah's Laughlin Propco, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
10.7	Amended and Restated First Mezzanine Loan Agreement, dated as of May 22, 2008, by and among Harrah's Las Vegas Mezz 1, LLC, Harrah's Atlantic City Mezz 1, LLC, Rio Mezz 1, LLC, Flamingo Las Vegas Mezz 1, LLC, Paris Las Vegas Mezz 1, LLC and Harrah's Laughlin Mezz 1, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
10.8	Amended and Restated Second Mezzanine Loan Agreement, dated as of May 22, 2008, by and among Harrah's Las Vegas Mezz 2, LLC, Harrah's Atlantic City Mezz 2, LLC, Rio Mezz 2, LLC, Flamingo Las Vegas Mezz 2, LLC, Paris Las Vegas Mezz 2, LLC and Harrah's Laughlin Mezz 2, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
10.9	Amended and Restated Third Mezzanine Loan Agreement, dated as of May 22, 2008, by and among Harrah's Las Vegas Mezz 3, LLC, Harrah's Atlantic City Mezz 3, LLC, Rio Mezz 3, LLC, Flamingo Las Vegas Mezz 3, LLC, Paris Las Vegas Mezz 3, LLC and Harrah's Lauglin Mezz 3, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
10.10	Amended and Restated Fourth Mezzanine Loan Agreement, dated as of May 22, 2008, by and among Harrah's Las Vegas Mezz 4, LLC, Harrah's Atlantic City Mezz 4, LLC, Rio Mezz 4, LLC, Flamingo Las Vegas Mezz 4, LLC, Paris Las Vegas Mezz 4, LLC and Harrah's Laughlin Mezz 4, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
10.11	Amended and Restated Fifth Mezzanine Loan Agreement, dated as of May 22, 2008, by and among Harrah's Las Vegas Mezz 5, LLC, Harrah's Atlantic City Mezz 5, LLC, Rio Mezz 5, LLC, Flamingo Las Vegas Mezz 5, LLC, Paris Las Vegas 5, LLC and Harrah's Laughlin Mezz 5, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)

Exhibit Number	Exhibit Description
10.12	Amended and Restated Sixth Mezzanine Loan Agreement, dated as of May 22, 2008, by and among Harrah’s Las Vegas Mezz 6, LLC, Harrah’s Atlantic City Mezz 6, LLC, Rio Mezz 6, LLC, Flamingo Las Vegas Mezz 6, LLC, Paris Las Vegas Mezz 6, LLC and Harrah’s Laughlin Mezz 6, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
10.13	Amended and Restated Seventh Mezzanine Loan Agreement, dated as of May 22, 2008, by and among Harrah’s Las Vegas Mezz 7, LLC, Harrah’s Atlantic City Mezz 7, LLC, Rio Mezz 7, LLC, Flamingo Las Vegas Mezz 7, LLC, Paris Las Vegas Mezz 7, LLC and Harrah’s Laughlin Mezz 7, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
10.14	Amended and Restated Eighth Mezzanine Loan Agreement, dated as of May 22, 2008, by and among Harrah’s Las Vegas Mezz 8, LLC, Harrah’s Atlantic City Mezz 8, LLC, Rio Mezz 8, LLC, Flamingo Las Vegas Mezz 8, LLC, Paris Las Vegas Mezz 8, LLC and Harrah’s Laughlin Mezz 8, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
10.15	Amended and Restated Ninth Mezzanine Loan Agreement, dated as of May 22, 2008, by and among Harrah’s Las Vegas Mezz 9, LLC, Harrah’s Atlantic City Mezz 9, LLC, Rio Mezz 9, LLC, Flamingo Las Vegas Mezz 9, LLC, Paris Las Vegas Mezz 9, LLC and Harrah’s Laughlin Mezz 9, LLC, as Borrowers, and JPMorgan Chase Bank, N.A., as Lender. (Incorporated by reference to the exhibit filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
*†10.16	Employment Agreement, made as of January 28, 2008, and amended on March 13, 2009, by and between Harrah’s Entertainment, Inc. and Gary W. Loveman.
†10.17	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.)
†10.18	Form of Employment Agreement between Harrah’s Operating Company, Inc. and Charles L. Atwood and J. Carlos Tolosa. (Incorporated by reference to the exhibit to the Company’s Current Report on Form 8-K filed April 11, 2008.)
†10.19	Form of Employment Agreement between Harrah’s Operating Company, Inc. and Jonathan S. Halkyard, Thomas M. Jenkin and John W. R. Payne. (Incorporated by reference to the exhibit to the Company’s Current Report on Form 8-K filed April 11, 2008.)
†10.20	Form of Severance Agreement entered into with Charles L. Atwood, Jonathan S. Halkyard, Thomas M. Jenkin, John W. R. Payne 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.)
10.21	Form of 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 October 6, 2008.)
†10.22	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.)
10.23	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.)
†10.24	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.)
†10.25	Harrah’s Entertainment, Inc. 2009 Senior Executive Incentive Plan, effective January 1, 2009. (Incorporated by reference to the exhibit to the Company’s Current Report on Form 8-K filed December 15, 2008.)
†10.26	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.)

Exhibit Number	Exhibit Description
†10.27	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.)
†10.28	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.)
†10.29	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.)
†10.30	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.)
†10.31	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.)
†10.32	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.)
†10.33	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.)
†10.34	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.)
†10.35	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.)
†10.36	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.)
†10.37	Eleventh Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc. Savings and Retirement Plan executed July 11, 2008. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
†10.38	Twelfth Amendment to 2001 Restatement of The Harrah's Entertainment, Inc. Savings and Retirement Plan, effective as of February 9, 2009. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K filed February 13, 2009.)
10.39	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.)
10.40	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.)
10.41	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.)
10.42	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.)

Exhibit Number	Exhibit Description
10.43	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.)
10.44	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.)
10.45	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.)
10.46	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.)
†10.47	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. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007)
†10.48	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. (Incorporated by reference to the exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007)
†10.49	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.)
†10.50	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.)
†10.51	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.)
†10.52	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.)
†10.53	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.)
†10.54	First Amendment to the Amendment and Restatement of Harrah's Entertainment, Inc. Amendment and Restatement of Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II, effective as of February 9, 2009. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed February 13, 2009.)
†10.55	Harrah's Entertainment, Inc. Management Equity Incentive Plan, as amended December 10, 2008. (Incorporated by reference to the exhibit to the Company's Current Report on Form 8-K filed December 15, 2008.)
†10.56	Stock Option Grant Agreement dated February 27, 2008 between Gary W. Loveman and Harrah's Entertainment, Inc. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
†10.57	Stock Option Grant Agreement dated February 27, 2008 between Charles L. Atwood and Harrah's Entertainment, Inc. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
†10.58	Stock Option Grant Agreement dated February 27, 2008 between Jonathan S. Halkyard and Harrah's Entertainment, Inc. (Incorporated by reference to the exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)

Exhibit Number	Exhibit Description
†10.59	Stock Option Grant Agreement dated February 27, 2008 between J. Carlos Tolosa and Harrah’s Entertainment, Inc. (Incorporated by reference to the exhibit filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
†10.60	Stock Option Grant Agreement dated February 27, 2008 between Thomas M. Jenkin and Harrah’s Entertainment, Inc. (Incorporated by reference to the exhibit filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
†10.61	Form of Stock Option Grant Agreement dated July 1, 2008 between Harrah’s Entertainment, Inc. and each of Jeanne P. Jackson, Lynn C. Swann and Christopher J. Williams. (Incorporated by reference to the exhibit filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.)
10.62	Collateral Agreement, dated as of December 24, 2008, by and among Harrah’s Operating Company, Inc., the subsidiary pledgors party thereto and U.S. Bank National Association, as collateral agent. (Incorporated by reference to the exhibit filed with the Company’s Registration Statement on Form S-4/A, filed December 24, 2008.)
*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 March 16, 2009
*31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 16, 2009.
*32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 16, 2009
*32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 16, 2009.
*99.1	Supplemental Discussion of Pro Forma Harrah’s Operating Company Results
*99.2	Description of Governmental Regulation.

* Filed herewith

† Management contract of compensatory plan or arrangement required to be filed as an exhibit to the 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.

March 16, 2009

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	March 16, 2009
/s/ DAVID BONDERMAN **David Bonderman**	Director	March 16, 2009
/s/ ANTHONY CIVALE **Anthony Civale**	Director	March 16, 2009
/s/ JONATHAN COSLET **Jonathan Coslet**	Director	March 16, 2009
/s/ KELVIN DAVIS **Kelvin Davis**	Director	March 16, 2009
/s/ JEANNE P. JACKSON **Jeanne P. Jackson**	Director	March 16, 2009
/s/ GARY W. LOVEMAN **Gary W. Loveman**	Director, Chairman of the Board, Chief Executive Officer and President	March 16, 2009
/s/ KARL PETERSON **Karl Peterson**	Director	March 16, 2009
/s/ ERIC PRESS **Eric Press**	Director	March 16, 2009
/s/ MARC ROWAN **Marc Rowan**	Director	March 16, 2009

Signature	Title	Date
/s/ LYNN C. SWANN **Lynn C. Swann**	Director	March 16, 2009
/s/ CHRISTOPHER J. WILLIAMS **Christopher J. Williams**	Director	March 16, 2009
/s/ JONATHAN S. HALKYARD **Jonathan S. Halkyard**	Senior Vice President, Chief Financial Officer and Treasurer	March 16, 2009
/s/ ANTHONY D. MCDUFFIE **Anthony D. McDuffie**	Senior Vice President, Controller and Chief Accounting Officer	March 16, 2009

Schedule II

HARRAH'S ENTERTAINMENT, INC.

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(In millions)

Column A	Column B	Column C		Column D	Column E
		Additions			
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, 2008					
Allowance for doubtful accounts					
Current	$ 126.2	$ 85.9	$ 45.3	$ (56.0)(a)	$ 201.4
Long-term	$ 0.3	$ —	$ —	$ —	$ 0.3
Liability to sellers under acquisition agreement (b)	$ 1.8	$ —	$ —	$ (0.2)	$ 1.6
YEAR ENDED DECEMBER 31, 2007					
Allowance for doubtful accounts					
Current	$ 94.7	$ 135.3	$ —	$ (103.8)(a)	$ 126.2
Long-term	$ 0.3	$ —	$ —	$ —	$ 0.3
Liability to sellers under acquisition 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

(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 was included in Discontinued operations on our Consolidated Statements of Operations. We sold Harrah's Lake Charles in fourth quarter 2006. Prior to the sale, the current and long-term portions of this obligation were included in Liabilities held for sale on our Consolidated Balance Sheets. The remaining long-term portion of this liability is included in Deferred credits and other on our Consolidated Balance Sheets; the current portion of this obligation is included in Accrued expenses on our Consolidated Balance Sheets.

Exhibit 3.4

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "HARRAH'S OPERATING COMPANY, INC.", FILED IN THIS OFFICE ON THE NINETEENTH DAY OF MAY, A.D. 2008, AT 6:28 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

/s/ Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 6602284

DATE: 05-20-08

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You may verify this certificate online at corp. delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 06:34 PM 05/19/2008
FILED 06:28 PM 05/19/2008
SRV 080569524 – 2014547 FILE

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
HARRAH'S OPERATING COMPANY, INC.

Harrah's Operating Company, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY:

I. The Board of Directors of the Corporation has duly adopted a resolution setting forth an amendment to the Restated Certificate of Incorporation of the Corporation. The resolution setting forth the amendment is as follows:

RESOLVED, that the Certificate of Incorporation of the Corporation is hereby amended by amending the Article FOURTH, thereof so that, as amended, Article FOURTH shall read in its entirety as follows:

"FOURTH: A. The total number of shares of stock which the Corporation shall have authority to issue is 1,002,000, consisting of 2,000 shares of Common Stock, par value $1.00 per share (the "Common Stock"), and 1,000,000 shares of Preferred Stock, par value $0.10 per share (the "Preferred Stock").

B. Shares of Preferred Stock may be issued from time to time in one or more series, as provided for herein or as provided for by the Board of Directors as permitted hereby. All shares of Preferred Stock shall be of equal rank and shall be identical, except in respect of the terms fixed herein for the series provided for herein or fixed by the Board of Directors for series provided for by the Board of Directors as permitted hereby. All shares of any one series shall be identical in all respects with all the other shares of such series, except the shares of any one series issued at different times may differ as to the dates from which dividends thereon may be cumulative.

The Board of Directors is hereby authorized, by resolution or resolutions, to establish, out of the unissued shares of Preferred Stock not then allocated to any series of Preferred Stock, additional series of Preferred Stock. Before any shares of any such additional series are issued, the Board of Directors shall fix and determine, and is hereby expressly empowered to fix and determine, by resolutions, the distinguishing characteristics and the relative rights, preferences, privileges and immunities of the shares thereof, so far as not inconsistent with the provisions of this Article FOURTH. Without limiting the generality of the foregoing, the Board of Directors may fix and determine:

1. The designation of such series and the number of shares which shall constitute such series;

2. The rate of dividend, if any, payable on shares of such series;

3. Whether the shares of such series shall be cumulative, non-cumulative or partially cumulative as to dividends, and the dates from which any cumulative dividends are to accumulate.

4. Whether the shares of such series may be redeemed, and, if so, the price or prices at which and the terms and conditions on which shares of such series may be redeemed;

5. The amount payable upon shares of such series in the event of the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation;

6. The sinking fund provisions, if any, for the redemption of shares of such series;

7. The voting rights, if any, of the shares of such series;

8. The terms and conditions, if any, on which shares of such series may be converted into shares of capital stock of the Corporation of any other class or series;

9. Whether the shares of such series are to be preferred over shares of capital stock of the Corporation of any other class or series as to dividends, or upon the voluntary or involuntary dissolution, liquidation, or winding up of the affairs of the Corporation, or otherwise; and

10. Any other characteristics, preferences, limitations, rights, privileges, immunities or terms not inconsistent with the provisions of this article FOURTH.

C. Except as otherwise provided in this Certificate of Incorporation (including this Section C of Article FOURTH and including the resolutions adopted by the Board of Directors pursuant to Section B of this Article FOURTH), each holder of Common Stock shall be entitled to one vote for each share of Common Stock held by him on all matters submitted to stockholders for a vote and each holder of Preferred Stock of any series that has voting rights shall be entitled to such number of votes for each share held by him as may be specified in the resolutions providing for the issuance of such series."

2. This Certificate of Amendment of Restated Certificate of Incorporation was duly adopted by written consent has been given in accordance with the provisions of Sections 228 and 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, said Corporation has caused this Certificate to be executed this 19th day of MAY, 2008.

HARRAH'S OPERATING COMPANY, INC.,
a Delaware corporation

By:	/s/ Charles L. Atwood
Name:	Charles L. Atwood
Title:	Vice Chairman

INTERCREDITOR AGREEMENT

This INTERCREDITOR AGREEMENT (this "Agreement"), dated as of January 28, 2008 is by and among Bank of America, N.A., in its capacity as administrative agent and collateral agent for the Secured Parties under the below-described Credit Agreement (the "Agent"), Citibank, N.A. (including any successor administrative agent under the below-described Bridge Loan Agreement, the "Bridge Agent"), in its capacity as administrative agent under the below-described Bridge Loan Agreement, each Additional Contributing Agent (as defined below) from time to time party hereto and, upon the execution of a counterpart to this Agreement following the execution of the below-described Indenture, U.S. Bank National Association (including any successor trustee under the below-described Indenture, the "Notes Trustee"), in its capacity as Trustee under the below-described Indenture.

R E C I T A L S

A. Harrah's Operating Company, Inc., a Delaware corporation (the "Borrower"), is a party to that certain Credit Agreement (as the same may be amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"), dated as of the date hereof, among the Borrower, Hamlet Merger Inc., a Delaware corporation (to be merged with and into Harrah's Entertainment, Inc. ("Holdings")), the Agent, the lenders from time to time party thereto (the "Lenders") and the other agents from time to time party thereto, pursuant to which, among other things, the Lenders have agreed, subject to the terms and conditions set forth in the Credit Agreement, to make certain loans and financial accommodations to the Borrower. Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Credit Agreement; provided that, after consummation of any Refinancing, such terms shall have the meaning corresponding to any analogous terms set forth in the Refinancing Loan Documents.

B. The Borrower, certain domestic subsidiaries of the Borrower (the "Subsidiary Guarantors") and the Notes Trustee are expected to enter into an indenture, dated on or about February 4, 2008 (as the same may be amended, supplemented, restated or otherwise modified from time to time as permitted hereunder, the "Indenture") pursuant to which the Borrower will issue senior unsecured notes (the "Notes" as the same may be amended, supplemented, restated or otherwise modified from time to time as permitted hereunder and including any notes issued in exchange or substitution therefor), and pursuant to which Holdings and the Subsidiary Guarantors will guarantee the Borrower's obligations under the Notes (the guarantees issued by the Subsidiary Guarantors being referred to as the "Note Guarantees").

C. The Borrower has entered into that certain Senior Unsecured Interim Loan Agreement (as the same may be amended, supplemented, restated or otherwise modified from time to time, the "Bridge Loan Agreement"), dated as of the date hereof, among the Borrower, the Bridge Agent, the lenders from time to time party thereto and the other agents from time to time party thereto, pursuant to which, among other things, the lenders have agreed, subject to the terms and conditions set forth in the Bridge Loan Agreement, to make loans to the Borrower. Holding and the Subsidiary Guarantors have guaranteed the obligations of the Borrower under the Bridge Loan Agreement pursuant to a Guarantee dated the dated hereof among the Subsidiary Guarantors and the Bridge Agent (as the same may be amended, supplemented, restated or otherwise modified from time to time, and with respect to the Subsidiary Guarantors only, the "Bridge Guarantee" and, together with the Note Guarantees, the "Guarantees")

D. Pursuant to this Agreement, the Borrower may, from time to time, designate certain additional Indebtedness of the Borrower and the Subsidiary Guarantors as "Additional Contributing Indebtedness" by executing and delivering an Additional Contributing Indebtedness Designation and by complying with the procedures set forth in Section 7, and any Additional Contributing Agent therefor shall thereafter constitute a Contributing Agent, for all purposes under this Agreement.

E. As an inducement to and as one of the conditions precedent to the agreement of the Agent, the Lenders and the other agents party thereto to consummate the transactions contemplated by the Credit Agreement, such parties required the execution and delivery of this Agreement by the Notes Trustee and the Bridge Agent.

NOW, THEREFORE, in order to induce the Agent and the Lenders to consummate the transactions contemplated by the Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

1. Definitions. The following terms shall have the following meanings in this Agreement:

"Additional Contributing Agent" shall mean any one or more agents, trustees or other representatives for or of any one or more Additional Contributing Creditors, and shall include any successor thereto, as well as any person designated as an "Agent" under any Additional Contributing Facility.

"Additional Contributing Creditors" shall mean one or more holders of Additional Contributing Indebtedness (or commitments therefor) that is or may be incurred under one or more Additional Contributing Facilities.

"Additional Contributing Facilities" shall mean any one or more agreements, instruments and documents under which any Additional Contributing Indebtedness is or may be incurred, including without limitation any credit agreements, loan agreements, indentures or other financing agreements, in each case as the same may be amended, modified or supplemented from time to time, together with any other agreement extending the maturity of, consolidating, restructuring, refunding, replacing or refinancing all or any portion of the

Additional Contributing Indebtedness, whether by the same or any other lender, debtholder or group of lenders or debtholders, or the same or any other agent, trustee or representative therefor, and whether or not increasing the amount of any Indebtedness that may be incurred thereunder.

"Additional Contributing Indebtedness" shall mean any Indebtedness that is designated as "Additional Contributing Indebtedness" by the Borrower pursuant to an Additional Contributing Indebtedness Designation and in compliance with the procedures set forth in Section 7.

"Additional Contributing Indebtedness Designation" shall mean a certificate of the Borrower with respect to Additional Contributing Indebtedness, substantially in the form of Exhibit A.

"Additional Contributing Indebtedness Joinder" shall mean a joinder agreement executed by one or more Additional Contributing Agents in respect of any Additional Contributing Indebtedness subject to an Additional Contributing Indebtedness Designation on behalf of one or more Additional Contributing Creditors in respect of such Additional Contributing Indebtedness, substantially in the form of Exhibit B.

"Additional Effective Date" shall have the meaning ascribed to such term in Section 7(b) hereof.

"Agent" shall have the meaning ascribed to such term in the preamble of this Agreement; provided, that, after the consummation of any Refinancing, the term "Agent" shall refer to any Person appointed by the Secured Parties, as agent for themselves for the purposes of this Agreement pursuant to the terms of the Refinancing Loan Documents.

"Bankruptcy Code" shall mean Title 11 of the United States Code, as amended.

"Bankruptcy Law" shall mean the Bankruptcy Code and any similar Federal, state or foreign law for the relief of debtors.

"Borrower" shall have the meaning ascribed to such term in the recitals hereto.

"Bridge Agent" shall mean the Bridge Agent which is signatory to this Agreement and any other successor Bridge Agent pursuant to the terms of the Bridge Loan Agreement.

"Bridge Guarantee" shall have the meaning ascribed to such term in the recitals hereto.

"Bridge Loan Agreement" shall have the meaning ascribed to such term in the recitals hereto.

"Contributing Agents" shall mean the Notes Trustee, the Bridge Agent and any Additional Contributing Agents.

"Contributing Creditors" shall mean the Notes Trustee, the holders of the Notes, the Bridge Agent, the lenders and other agents under the Bridge Loan Agreement, any Additional Contributing Agents and any Additional Contributing Creditors.

"Contributing Indebtedness" shall mean all of the obligations of the Borrower and the Subsidiary Guarantors under the Notes, the Note Guarantees, the Indenture, the Bridge Loan Agreement, the Bridge Guarantee and any Additional Contributing Facilities and all other amounts and other obligations now or hereafter owed by the Borrower or the Subsidiary Guarantors to the Contributing Creditors pursuant to any Contributing Indebtedness Documents.

"Contributing Indebtedness Documents" shall mean the Notes, the Note Guarantees, the Indenture, the Bridge Loan Agreement, the Bridge Guarantee, any Additional Contributing Facilities and all other documents, agreements and instruments evidencing, securing or pertaining to any portion of the Contributing Indebtedness, in each case as amended, supplemented, restated or otherwise modified from time to time.

"Credit Agreement" shall have the meaning ascribed to such term in the recitals hereto, it being understood that following a Refinancing, all references to the Credit Agreement shall be deemed to refer to any Refinancing Loan Documents.

"Credit Agreement Indebtedness" shall mean the "Obligations," as such term is defined in the Collateral Agreement or any such analogous term in the Refinancing Loan Documents; provided that any such Obligations were permitted to be incurred pursuant to the terms of the Contributing Indebtedness Documents.

"Guarantees" shall have the meaning ascribed to such term in the recitals hereto and shall also include any other guarantee by any Subsidiary Guarantor of the Notes, the obligations under the Bridge Loan Agreement or any other Contributing Indebtedness.

"Holdings" shall have the meaning ascribed to such term in the recitals hereto.

"Indenture" shall have the meaning ascribed to such term in the recitals hereto.

"Insolvency or Liquidation Proceeding" shall mean:

(1) any case commenced by or against any Subsidiary Guarantor under any Bankruptcy Law, any other proceeding for the reorganization, recapitalization or adjustment or marshalling of the assets or liabilities of any Subsidiary Guarantor, any receivership or assignment for the benefit of creditors relating to any Subsidiary Guarantor or any similar case or proceeding relative to any Subsidiary Guarantor or its creditors, as such, in each case whether or not voluntary;

(2) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to any Subsidiary Guarantor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency; or

(3) any other proceeding of any type or nature in which substantially all claims of creditors of any Subsidiary Guarantor are determined and any payment or distribution is or may be made on account of such claims.

"Lender or Lenders" shall have the meaning ascribed to such term in the Recitals hereto.

"Note Guarantees" shall have the meaning ascribed to such term in the recitals hereto.

"Notes" shall have the meaning ascribed to such term in the recitals hereto.

"Notes Trustee" shall mean the Notes Trustee which is signatory to this Agreement and any other successor Notes Trustee pursuant to the terms of the Indenture.

"Paid in Full" or "Payment in Full" shall mean the indefeasible payment in full in cash of the Credit Agreement Indebtedness and termination of all commitments under the Loan Documents or Refinancing Loan Documents, as applicable.

"Recovery" shall have the meaning set forth in Section 19 hereof.

"Refinancing" shall mean any refinancing of the Credit Agreement Indebtedness under the Loan Documents (and, for the avoidance of doubt, shall include any refinancing of the Credit Agreement Indebtedness under the Refinancing Loan Documents) pursuant to Refinancing Loan Documents.

"Refinancing Loan Documents" shall mean any financing documentation which replaces the Loan Documents and pursuant to which the Credit Agreement Indebtedness under the Loan Documents is refinanced, as such financing documentation may be amended, supplemented, restated or otherwise modified from time to time.

"Subsidiary Guarantors" shall have the meaning ascribed to such term in the recitals hereto and shall also include any other Subsidiary of the Borrower which at any time has provided a guarantee of the Notes, the obligations under the Bridge Loan Agreement or any other Contributing Indebtedness.

2. Turnover of Payments. If any payment (whether made in cash, securities or other property) is received by any Contributing Creditor from any Subsidiary Guarantor on account of the Contributing Indebtedness (including any payment in any Insolvency or Liquidation Proceeding received on account of any Guarantee) at any time prior to the Payment in Full of the Credit Agreement Indebtedness, such payment shall not be commingled with any asset of such Contributing Creditor, shall be held in trust by such Contributing Creditor for the benefit of the Secured Parties and shall be applied as follows:

(a) any portion of such payment representing Collateral or proceeds of Collateral shall be distributed as follows: first, to the Agent, for the benefit of the

Secured Parties, for application (in accordance with the Credit Agreement) to the payment of the Credit Agreement Indebtedness then remaining unpaid, until the Credit Agreement Indebtedness is Paid in Full and second, to the Contributing Agents, for the benefit of the Contributing Creditors, to the payment of the Contributing Indebtedness (on a pro rata basis in accordance with the outstanding amounts of Contributing Indebtedness under the various Contributing Indebtedness Documents) in accordance with the terms of the Contributing Indebtedness Documents; and

(b) any portion of such payment not representing Collateral or proceeds of Collateral shall be distributed to the Agent, for the benefit of the Secured Parties, and the Contributing Agents, for the benefit of the Contributing Creditors, on a pro rata basis in accordance with the outstanding amounts of Credit Agreement Indebtedness and Contributing Indebtedness for application (in accordance with the Credit Agreement and the Contributing Indebtedness Documents) to the payment of the Credit Agreement Indebtedness and Contributing Indebtedness then remaining unpaid.

Without limiting the generality of the foregoing, if any Contributing Agent receives any payment that the other Contributing Creditors would not be entitled to retain in accordance with the foregoing, such Contributing Agent shall not distribute such payment to such other Contributing Creditors, but shall instead pay it over to the Agent as described above.

Notwithstanding anything to the contrary in this Agreement, each Contributing Agent shall retain all rights to payment of its fees and expenses, and the priority with respect thereto, in accordance with the provisions of the applicable Contributing Indebtedness Documents.

Determinations as to whether a payment or any portion thereof represents Collateral or proceeds of Collateral shall be made by the Agent in its reasonable judgment.

For the avoidance of doubt, nothing in this Section 2 shall prevent the holders of Contributing Indebtedness from receiving amounts paid from the Borrower as a result of any distribution from the Subsidiary Guarantors that is not directly or indirectly in connection with the enforcement of any Guarantee or an Insolvency or Liquidation Proceeding.

Each holder of a Note or any other Contributing Indebtedness, by purchasing or accepting a Note issued pursuant to the Indenture or any other Contributing Indebtedness Documents will automatically be bound by the provisions of this Section 2 and the other provisions of this Agreement.

In furtherance of the foregoing, the Indenture, the Bridge Loan Agreement, the Guarantees and any other applicable Contributing Indebtedness Documents shall contain a legend to substantially the following effect:

“**The terms of this agreement are subject to the terms of the Intercreditor Agreement, dated as of January 28, 2008, by and among Bank of America, N.A., U.S. Bank National Association, Citibank, N.A. and the other parties thereto from time to time.**”

3. Continued Effectiveness of this Agreement; Modifications to Credit Agreement Indebtedness.

(a) The terms of this Agreement, and the rights and the obligations of the Contributing Creditors and the Secured Parties arising hereunder, shall not be affected, modified or impaired in any manner or to any extent by: (i) any amendment, modification or waiver of or supplement to any Loan Document, Refinancing Loan Document or Contributing Indebtedness Document; (ii) the validity or enforceability of any of such documents; or (iii) any exercise or non-exercise of any right, power or remedy under or in respect of the Credit Agreement Indebtedness or the Contributing Indebtedness or any of the instruments or documents referred to in clause (i) above.

(b) The Agent and the other Secured Parties may at any time and from time to time without the consent of or notice to any Contributing Creditor, without incurring liability to any Contributing Creditor and without impairing or releasing the obligations of any Contributing Creditor under this Agreement, change the manner or place of payment or extend the time of payment of or renew or alter any Credit Agreement Indebtedness, or amend, supplement, restate or otherwise modify in any manner any Loan Document or Refinancing Loan Document.

4. Cumulative Rights, No Waivers. Each and every right, remedy and power granted to the Agent hereunder shall be cumulative and in addition to any other right, remedy or power specifically granted herein, in the Credit Agreement or the other Loan Documents now or hereafter existing in equity, at law, by virtue of statute or otherwise, and may be exercised by the Agent, from time to time, concurrently or independently and as often and in such order as the Agent may deem expedient. Any failure or delay on the part of the Agent in exercising any such right, remedy or power, or abandonment or discontinuance of steps to enforce the same, shall not operate as a waiver thereof or affect the Agent’s right thereafter to exercise the same, and any single or partial exercise of any such right, remedy or power shall not preclude any other or further exercise thereof or the exercise of any other right, remedy or power, and no such failure, delay, abandonment or single or partial exercise of the Agent’s or any Secured Party’s rights hereunder shall be deemed to establish a custom or course of dealing or performance among the parties hereto.

5. Amendments. No amendment or modification of any of the provisions of this Agreement shall be effective unless the same shall be in writing and signed by the Agent and each Contributing Agent. It is understood that the Agent is authorized to consent to any such amendment or modification with the consent of the “Required Lenders” under and as defined in the Credit Agreement (or any analgous term under any Refinancing Loan Document), and that each Contributing Agent is authorized to consent to any such amendment or modification with the consent of applicable percentage of the Contributing Creditors as shall be required by the applicable Contributing Indebtedness Documents.

6. <u>Additional Documents and Actions</u>. Each Contributing Agent at any time, and from time to time, after the execution and delivery of this Agreement, upon the reasonable request of the Agent and at the expense of the Borrower, promptly will execute and deliver such further documents and do such further acts and things as the Agent may reasonably request in order to effect fully the purposes of this Agreement.

7. <u>Designation of Additional Contributing Indebtedness; Joinder of Additional Contributing Agents</u>.

(a) The Borrower may (and shall if required by the terms of the Credit Agreement) designate additional Indebtedness as Additional Contributing Indebtedness for purposes of this Agreement, upon complying with the following conditions:

(1) one or more Additional Contributing Agents for one or more Additional Contributing Creditors in respect of such Additional Contributing Indebtedness shall have executed the Additional Contributing Indebtedness Joinder with respect to such Additional Contributing Indebtedness, and the Borrower or any such Additional Contributing Agent shall have delivered such executed Additional Contributing Indebtedness Joinder to the Agent;

(2) the Borrower shall have delivered to the Agent complete and correct copies of all documentation that will govern such Additional Contributing Indebtedness upon giving effect to such designation (which may be unexecuted copies of such documents to be executed and delivered concurrently with the effectiveness of such designation); and

(3) the Borrower shall have executed and delivered to the Agent the Additional Contributing Indebtedness Designation with respect to such Additional Contributing Indebtedness.

(b) Upon satisfaction of the conditions specified in the preceding Section 7(a), the designated Additional Contributing Indebtedness shall constitute "Additional Contributing Indebtedness", any Additional Contributing Facility under which such Additional Contributing Indebtedness is or may be incurred shall constitute an "Additional Contributing Facility", any holder of such Additional Contributing Indebtedness or other applicable Additional Contributing Creditor shall constitute an "Additional Contributing Creditor", and any Additional Contributing Agent for any such Additional Contributing Creditor shall constitute an "Additional Contributing Agent" for all purposes under this Agreement. The date on which such conditions specified in clause (a) shall have been satisfied with respect to any Additional Contributing Indebtedness is herein called the "<u>Additional Effective Date</u>" with respect to such Additional Contributing Indebtedness. Prior to the Additional Effective Date with respect to any Additional Contributing Indebtedness, all references herein to Additional Contributing Indebtedness shall be deemed not to take into account such Additional Contributing Indebtedness, and the rights and obligations of the Agent and the Contributing Creditors shall be determined on the basis that such Additional Contributing Indebtedness is not then designated. On and after the Additional Effective Date with respect to such Additional Contributing Indebtedness, all references herein to Additional Contributing Indebtedness shall be deemed to take into account such Additional Contributing Indebtedness, and the rights and obligations of the Agent and the Contributing Creditors then party to this Agreement shall be determined on the basis that such Additional Contributing Indebtedness is then designated.

(c) To the extent any additional Indebtedness intended to be designated as Additional Contributing Indebtedness is incurred directly by one or more Subsidiary Guarantors and not the Borrower, then either, at the option of the Agent (after consultation with the Borrower), (1) this Agreement may be amended (without the consent of any Contributing Creditor) to include such Indebtedness and to reflect such changes as the Agent (after consultation with the Borrower) reasonably determines are necessary to accommodate the inclusion of such Indebtedness; provided that any such amendment which would adversely affect the rights or duties of any Contributing Agent shall require the consent of such Contributing Agent or (2) a separate intercreditor agreement may be entered into with respect to such Indebtedness on substantially the terms set forth herein with such changes as the Agent (after consultation with the Borrower) reasonably determines are necessary to accommodate the inclusion of such Indebtedness.

8. Notices. All notices and communications under this Agreement shall be in writing and shall be (i) delivered in person, (ii) mailed, postage prepaid, either by registered or certified mail, return receipt requested, (iii) delivered by overnight express courier, or (iv) sent by telecopy (with such telecopy to be confirmed promptly in writing sent in accordance with (i), (ii) or (iii) above), addressed in each case as follows:

If to the Notes Trustee:

U.S. Bank National Association
60 Livingston Avenue
St. Paul, Minnesota 55107-1419
Attention: Corporate Trust Services,
Raymond S. Haverstock
Telecopy: (651) 495-8097

If to the Bridge Agent:

Citibank, N.A.
2 Penns Way
Suite 100
New Castle, DE 19720
Attention: Oswin Joseph
Telecopy: (212) 994-0961

If to the Agent:	Bank of America, N.A. Mail Code: TX1-492-14-11 Bank of America Plaza 901 Main Street Dallas, Texas 75202-3714 Attention: Ronaldo Naval Agency Management Officer Telecopy: (877) 511-6124
A copy of each such notice shall be given to:	Cahill Gordon & Reindel LLP 80 Pine Street New York, NY 10005 Attention: James J. Clark Telecopy: (212) 269-5420 and Harrah's Operating Company, Inc. One Caesars Palace Drive Las Vegas, Nevada 89101-8969 Attention: Michael Cohen Associate General Counsel and Corporate Secretary Telecopy: (702) 494-4323 and O'Melveny & Myers LLP Times Square Tower 7 Times Square New York, NY 10036 Attention: Gregory Ezring Telecopy: (212) 326-2061

or to any other address, as to any of the parties hereto, as such party shall designate in a written notice to the other parties hereto. All notices sent pursuant to the terms of this Section 8 shall be deemed received (i) if personally delivered, then on the Business Day of delivery, (ii) if sent by overnight, express carrier, on the next Business Day immediately following the day sent, (iii) if sent by registered or certified mail, on the earlier of the third Business Day following the day sent or when actually received or (iv) if delivered by telecopy, on the date of transmission if transmitted on a Business Day before 4:00 p.m. New York time, otherwise on the next Business Day.

9. Severability. In the event that any provision of this Agreement is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by any court or governmental authority, this Agreement shall be construed as not containing such provision and the invalidity of such provision shall not affect the validity of any other provisions hereof, and any and all other provisions hereof which otherwise are lawful and valid shall remain in full force and effect.

10. Successors and Assigns. This Agreement shall inure to the benefit of the successors and assigns of the Agent and shall be binding upon the successors and assigns of the Contributing Agents.

11. Counterparts; Effectiveness. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which taken together shall be one and the same instrument. Notwithstanding anything to the contrary herein, this Agreement shall not be binding on the Notes Trustee until such time as the Notes Trustee executes a counterpart to this Agreement. This Agreement shall be effective on the date hereof, however, with respect to the Agent and the Bridge Agent.

12. Defines Rights of Creditors; Subrogation. Subject to the Payment in Full of the Credit Agreement Indebtedness, in the event and to the extent cash, property or securities otherwise payable or deliverable to Contributing Creditors shall have been applied pursuant to this Agreement to the payment of Credit Agreement Indebtedness, then and in each such event, the Contributing Creditors shall be subrogated to the rights of the Secured Parties to receive any further payment or distribution in respect of or applicable to such Indebtedness; and, for the purposes of such subrogation, no payment or distribution to the Secured Parties of any cash, property or securities to which any Contributing Creditor would be entitled except for the provisions of this Agreement shall, and no payment over pursuant to the provisions of this Agreement to the Secured Parties by the Contributing Creditors shall, as between any Subsidiary Guarantor, its creditors other than the Secured Parties and the Contributing Creditors, be deemed to be a payment by such Subsidiary Guarantor to or on account of Credit Agreement Indebtedness. Notwithstanding anything to the contrary in this Agreement, each Contributing Agent shall retain all rights to payment of its fees and expenses, and the priority with respect thereto, in accordance with the provisions of the applicable Contributing Indebtedness Documents.

13. Conflict. In the event of any conflict between any term, covenant or condition of this Agreement and any term, covenant or condition of any of the Contributing Indebtedness Documents, the provisions of this Agreement shall control and govern. For purposes of this Section 13, to the extent that any provisions of any of the Contributing Indebtedness Documents provide rights, remedies and benefits to the Secured Parties that exceed the rights, remedies and benefits provided to the Secured Parties under this Agreement, such provisions of the applicable Contributing Indebtedness Documents shall be deemed to supplement (and not to conflict with) the provisions hereof.

14. <u>Obligations of Subsidiary Guarantors Unconditional</u>. Nothing contained in this Agreement is intended to or shall impair, as among the Subsidiary Guarantors and their creditors, the obligations of the Subsidiary Guarantors, which are absolute and unconditional, to the Contributing Creditors to pay the Contributing Indebtedness as and when such Contributing Indebtedness shall become due and payable in accordance with its terms, or affect the relative rights of the Contributing Creditors and other creditors of the Subsidiary Guarantors nor, except as expressly contemplated by Section 2 hereof, shall anything in this Agreement prevent any Contributing Creditor from exercising all remedies permitted by applicable law under the Contributing Indebtedness Documents.

15. <u>Notices to Holders of Contributing Indebtedness</u>. The Borrower shall promptly notify the Contributing Agents of any change in the identity of the Agent from time to time. Each Contributing Agent shall be entitled to rely on the delivery to it of a written notice by an officer or representative of the Agent representing himself to be acting on behalf of the Agent for the benefit of the Secured Parties under the Credit Agreement to establish that such notice has been given by the Agent.

16. <u>Effect of Failure to Pay Contributing Indebtedness</u>. The fact that failure to make any payment on account of Contributing Indebtedness is caused by reason of the operation of any provision of this Agreement, the effect of such provision shall not be construed as preventing the occurrence of a default under the Contributing Indebtedness Documents.

17. <u>[Reserved]</u>

18. <u>Headings</u>. The paragraph headings used in this Agreement are for convenience only and shall not affect the interpretation of any of the provisions hereof.

19. <u>Termination; Recovery and Reinstatement</u>. This Agreement shall terminate upon the Payment in Full of the Credit Agreement Indebtedness. If any Secured Party is required in any insolvency proceeding or otherwise to disgorge, turn over or otherwise pay to the estate of the Borrower or any Subsidiary Guarantor, because such amount was avoided or ordered to be paid or disgorged for any reason, including without limitation because it was found to be a fraudulent or preferential transfer, any amount (a “<u>Recovery</u>”), whether received as proceeds of security, enforcement of any right of set-off or otherwise, then the Credit Agreement Indebtedness shall be reinstated to the extent of such Recovery and deemed to be outstanding as if such payment had not occurred and the Payment in Full of the Credit Agreement Indebtedness shall be deemed not to have occurred. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto. The Contributing Creditors agree that none of them shall be entitled to benefit from any avoidance action affecting or otherwise relating to any distribution or allocation made in accordance with this Agreement, whether by preference or otherwise, it being understood and agreed that the benefit of such avoidance action otherwise allocable to them shall instead be allocated and turned over for application in accordance with the turnover provisions set forth in this Agreement.

20. Contributing Indebtedness Default Notice. The applicable Contributing Agent shall provide the Agent with a written notice upon the occurrence of any default under the Contributing Indebtedness, and such Contributing Agent shall notify the Agent in the event such default is cured or waived.

21. No Contest of Credit Agreement or Liens. Each Contributing Agent, on behalf of itself and the other Contributing Creditors, agrees that it will not, and will not encourage any other Person to, at any time, contest the validity, perfection, priority or enforceability of the Credit Agreement or Liens in the Collateral granted to the Agent pursuant to the Credit Agreement or the other Loan Documents or any Refinancing Loan Document.

22. APPLICABLE LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

23. JURISDICTION AND VENUE. EACH CONTRIBUTING CREDITOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND EACH CONTRIBUTING CREDITOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY OTHER SECURED PARTY TO BRING PROCEEDINGS AGAINST ANY CONTRIBUTING CREDITOR IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY CONTRIBUTING CREDITOR AGAINST THE AGENT OR ANY OTHER SECURED PARTY OR ANY AFFILIATE THEREOF INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

24. WAIVER OF RIGHT TO JURY TRIAL. EACH CONTRIBUTING CREDITOR AND THE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH CONTRIBUTING CREDITOR AND THE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING

THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

25. Waiver of Consolidation. Each Contributing Creditor acknowledges and agrees that (i) the Borrower and each of the Subsidiary Guarantors are each separate and distinct entities; and (ii) it will not at any time insist upon, plead or seek advantage of any substantive consolidation, piercing the corporate veil or any other order or judgment that causes an effective combination of the assets and liabilities of the Borrower or any of the Subsidiary Guarantors in any case or proceeding under Title 11 of the United States Code or other similar proceeding.

26. Duties of Agents. Each Contributing Agent, in acting under this Agreement, will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Borrower or any Subsidiary Guarantor under (x) any of the Contributing Indebtedness Documents relating to Contributing Indebtedness for which such Contributing Agent is not the agent or trustee or (y) the Credit Agreement or any Refinancing Loan Documents. The Agent, in acting under this Agreement, will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Borrower or any Subsidiary Guarantor under any of the Contributing Indebtedness Documents. Neither the Agent nor any Contributing Agent shall be bound to ascertain whether any notice, consent, waiver or request delivered to it by the Borrower, a Subsidiary Guarantor, any Lender, any Contributing Creditor or any other party hereto shall have been duly authorized or is true, accurate and complete. Neither the Agent nor any Contributing Agent has made nor does it now make any representations or warranties express or implied, nor does it assume any liability to any Lender, any Contributing Creditor or any other party hereto with respect to the creditworthiness or financial condition of the Borrower or the Subsidiary Guarantors.

27. Capacities of Agents. It is expressly understood and agreed by each of the parties hereto that (a) this Agreement is executed and delivered by each of the parties hereto (other than the Notes Trustee), not individually or personally, but solely in its capacity as agent, and (b) under no circumstances shall any party hereto (other than the Notes Trustee) be individually or personally liable for the payment of any amounts under this Agreement (but each party shall be liable in its capacity as agent to the extent expressly set forth herein). It is expressly understood and agreed by each of the parties hereto that (a) this Agreement is executed and delivered by U.S. Bank National Association, not individually or personally, but solely in its capacity as trustee under the Indenture, and (b) under no circumstances shall U.S. Bank National Association be individually or personally liable for the payment of any amounts under this Agreement (but U.S. Bank National Association shall be liable in its capacity as trustee to the extent expressly set forth herein) or, solely as a result of the operation of this Agreement, for the payment of any amounts under the Credit Agreement or the Contributing Indebtedness Documents.

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IN WITNESS WHEREOF, the Notes Trustee, the Bridge Agent and the Agent have caused this Agreement to be executed as of the date first above written.

NOTES TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: ____________________________________
Name:
Title:

BRIDGE AGENT:

CITIBANK, N.A., as Agent

By: ____________________________________
Name:
Title:

AGENT:

BANK OF AMERICA, N.A., as Agent

By: ____________________________________
Name:
Title:

Consent of Loan Parties

Each of the undersigned Loan Parties has read the foregoing Agreement and consents thereto. Each of the undersigned Loan Parties agrees not to take any action that would be contrary to the provisions of the foregoing Agreement and agrees that, except as otherwise provided therein, no Secured Party or Contributing Creditor shall have any liability to any Loan Party for acting in accordance with the provisions of the foregoing Agreement and the Credit Agreement, the Indenture, the Bridge Loan Agreement and other collateral, security and credit documents referred to therein. Each Loan Party understands that the foregoing Agreement is for the sole benefit of the Secured Parties and the Contributing Creditor and their respective successors and assigns, and that such Loan Party is not an intended beneficiary or third party beneficiary thereof except to the extent otherwise expressly provided therein. The Borrower agrees to be bound by Sections 6, 7 and 15 of the foregoing Agreement

Without limitation to the foregoing, each Loan Party agrees to take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Agent or any Contributing Agent may reasonably request to effectuate the terms of the foregoing Agreement.

For the purposes hereof, the address of (i) the Borrower shall be as set forth in the Credit Agreement and (ii) each other Loan Party shall be care of the Borrower at such address.

HARRAH'S OPERATING COMPANY, INC.

By: ______________________________

Name:

Title:

[Subsidiary Guarantors]

Exhibit 10.4

Execution Version

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT is dated as of December 24, 2008, among BANK OF AMERICA, N.A., as Credit Agreement Agent, each Other First Priority Lien Obligations Agent from time to time party hereto, each in its capacity as First Lien Agent, U.S. BANK NATIONAL ASSOCIATION, as Trustee and each collateral agent for any Future Second Lien Indebtedness from time to time party hereto, each in its capacity as Second Priority Agent.

A. WHEREAS, Harrah’s Operating Company, Inc., a Delaware corporation (the “**Company**”), (i) is party to the Credit Agreement dated as of January 28, 2008 (as amended, amended and restated, replaced, refinanced, supplemented or otherwise modified from time to time, the “**Credit Agreement**”) among Harrah’s Entertainment, Inc., a Delaware corporation (“**Holdings**”), the Company, 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 Stearns Corporate Lending, Inc., as co-documentation agents, and the other parties thereto, and (ii) may become a party to Other First Priority Lien Obligations Credit Documents;

B. WHEREAS, the Company (i) is party to the Indenture dated as of December 24, 2008 (as amended, amended and restated, replaced, refinanced, supplemented or otherwise modified from time to time, the “**Second Priority Senior Secured Notes Indenture**”), under which the Second Lien Notes were issued, among the Company, as obligor, Holdings, as guarantor, and U.S. Bank National Association, as Trustee and (ii) may become a party to Second Priority Documents governing Future Second Lien Indebtedness; and

Accordingly, in consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

SECTION 1. Definitions.

1.1. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“**Affiliate**” shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

“**Agreement**” shall mean this Agreement, as amended, renewed, extended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"**Bankruptcy Law**" shall mean Title 11 of the United States Code and any similar Federal, state or foreign law for the relief of debtors.

"**Closing Date**" shall mean January 28, 2008.

"**Common Collateral**" shall mean all of the assets of any Grantor, whether real, personal or mixed, constituting both Senior Lender Collateral and Second Priority Collateral, including without limitation any assets in which the First Lien Agents are automatically deemed to have a Lien pursuant to the provisions of Section 2.3.

"**Company**" shall have the meaning set forth in the recitals, and its successors in such capacity.

"**Comparable Second Priority Collateral Document**" shall mean, in relation to any Common Collateral subject to any Lien created under any Senior Collateral Document, those Second Priority Collateral Documents that create a Lien on the same Common Collateral, granted by the same Grantor.

"**Control**" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"**Credit Agreement**" shall have the meaning set forth in the recitals.

"**Credit Agreement Agent**" shall mean Bank of America, N.A., in its capacity as administrative agent and collateral agent for the Senior Lenders under the Credit Agreement and the other Senior Lender Documents entered into pursuant to the Credit Agreement, together with its successors in such capacity.

"**Credit Agreement Lender**" shall mean a "Lender" as defined in the Credit Agreement.

"**DIP Financing**" shall have the meaning set forth in Section 6.1.

"**Discharge of Senior Lender Claims**" shall mean, except to the extent otherwise provided in Section 5.7 below, payment in full in cash (except for contingent indemnities and cost and reimbursement obligations to the extent no claim has been made) of (a) all Obligations in respect of all outstanding Senior Lender Claims and, with respect to letters of credit or letter of credit guaranties outstanding thereunder, delivery of cash collateral or backstop letters of credit in respect thereof in compliance with the Credit Agreement, in each case after or concurrently with the termination of all commitments to extend credit thereunder and (b) any other Senior Lender Claims that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid; provided that the Discharge of Senior Lender Claims shall not be deemed to have occurred if such payments are made with the proceeds of other Senior Lender Claims that constitute an exchange or replacement for or a refinancing of such Obligations or Senior Lender Claims. In the event the Senior Lender Claims are modified and the Obligations are paid over time or otherwise modified pursuant to Section 1129 of the Bankruptcy Code, the Senior Lender Claims shall be deemed to be discharged when the final payment is made, in cash, in respect of such indebtedness and any obligations pursuant to such new indebtedness shall have been satisfied.

“**First Lien Agent**” shall mean each of (a) the Credit Agreement Agent and (b) any Other First Priority Lien Obligations Agent.

“**First Priority Designated Agent**” shall mean such agent or trustee as is designated “First Priority Designated Agent” by Senior Lenders holding a majority in principal amount of the Senior Lender Claims then outstanding; it being understood that as of the date of this Agreement and for so long as any Obligations under the Credit Agreement remain outstanding, the Credit Agreement Agent shall be so designated First Priority Designated Agent.

“**Future Second Lien Indebtedness**” shall mean Indebtedness or Obligations (other than Noteholder Claims) of Holdings, the Company or any of its Subsidiaries that are to be equally and ratably secured with the Noteholder Claims and are so designated as Future Second Lien Indebtedness in accordance with Section 8.22 hereof; *provided*, *however*, that such Future Second Lien Indebtedness is permitted to be so incurred in accordance with any Senior Lender Documents and any Second Priority Documents, as applicable.

“**Grantors**” shall mean the Company, Holdings and each of the Company’s Subsidiaries, in each case, that has executed and delivered a Second Priority Collateral Document or a Senior Collateral Document.

“**Holdings**” shall have the meaning set forth in the recitals.

“**Indebtedness**” shall mean and include all obligations that constitute “Indebtedness” within the meaning of the Second Priority Senior Secured Notes Indenture, the Credit Agreement, or the Other First Priority Lien Obligations Credit Documents.

“**Indenture Secured Parties**” shall mean the Persons holding Noteholder Claims, including the Trustee.

“**Insolvency or Liquidation Proceeding**” shall mean (a) any voluntary or involuntary case or proceeding under any Bankruptcy Law with respect to any Grantor, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to any of its assets, (c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of any Grantor.

“**Lien**” shall mean, with respect to any asset, (a) any mortgage, preferred mortgage, deed of trust, lien, notice of claim of lien, hypothecation, pledge, charge, security interest or similar encumbrance in or on such asset and (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset.

“**Loan Documents**” means the Credit Agreement and the other “Loan Documents” as defined in the Credit Agreement.

“**Noteholder Claims**” shall mean all Obligations in respect of the Notes or arising under the Noteholder Documents or any of them, including all fees and expenses of the Trustee thereunder.

“**Noteholder Collateral**” shall mean all of the assets of the Grantors, whether real, personal or mixed, with respect to which a Lien is granted as security for any Noteholder Claim.

“**Noteholder Collateral Agreement**” shall mean the Collateral Agreement dated as of December 24, 2008, among the Company, certain other Grantors and the Trustee in respect of the Second Priority Senior Secured Notes Indenture, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**Noteholder Collateral Documents**” shall mean the Noteholder Collateral Agreement and any other document or instrument pursuant to which a Lien is granted by any Grantor to secure any Noteholder Claims or under which rights or remedies with respect to any such Lien are governed.

“**Noteholder Documents**” shall mean (a) the Second Priority Senior Secured Notes Indenture, the Notes, the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Obligations thereunder.

“**Notes**” shall mean (a) the Second Lien Notes and (b) any additional notes issued under the Second Priority Senior Secured Notes Indenture by the Company, to the extent permitted by the Second Priority Senior Secured Notes Indenture, the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, any other Senior Lender Documents and any Second Priority Document, as applicable.

“**Obligations**” shall mean, with respect to any Person, any payment, performance or other obligations of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any Insolvency or Liquidation Proceeding. Without limiting the generality of the foregoing, the Obligations of any Grantor under any Senior Lender Document or Second Priority Document include the obligations to pay principal, interest (including interest accrued on or accruing after the commencement of any Insolvency or Liquidation Proceeding, whether or not a claim for post-filing interest is allowed in such proceeding) or premium on any Indebtedness, letter of credit commissions (if applicable), charges, expenses, fees, attorneys’ fees and disbursements, indemnities and other amounts payable by such Grantor to reimburse any amount in respect of any of the foregoing that any Senior Lender or Second Priority Secured Party, in its sole discretion, many elect to pay or advance on behalf of such Grantor.

“**Other First Priority Lien Obligations**” means all Obligations owing under any Other First Priority Lien Obligations Document; provided, however, for the avoidance of doubt, none of the Obligations under the Credit Agreement or any other Loan Document shall constitute Other First Priority Lien Obligations.

“**Other First Priority Lien Obligations Agent**” shall mean, with respect to any Other First Priority Lien Obligations Credit Document, the Person elected, designated or appointed as the administrative agent, trustee, collateral agent or similar representative with respect to such Other First Priority Lien Obligations Credit Document by or on behalf of the holders of such Other First Priority Lien Obligations, and its respective successors in such capacity.

“**Other First Priority Lien Obligations Credit Document**” means any (a) instruments, agreements or documents evidencing debt facilities or commercial paper facilities, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, (b) debt securities, indentures and/or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers’ acceptances), or (c) instruments or agreements evidencing any other indebtedness, in each case in respect of which a First Lien Agent has become a party hereto in accordance with Section 8.22 hereof.

“**Other First Priority Lien Obligations Documents**” means each Other First Priority Lien Obligations Credit Document and each Other First Priority Lien Obligations Security Document related thereto.

“**Other First Priority Lien Obligations Security Documents**” means any security agreement or any other document now existing or entered into after the date hereof that create Liens on any assets or properties of any Grantor to secure any Other First Priority Lien Obligations.

“**Person**” shall mean any natural person, corporation, business trust, joint venture, association, company, partnership, limited liability company or government, individual or family trusts, or any agency or political subdivision thereof.

“**Pledged Collateral**” shall mean the Common Collateral in the possession of any First Lien Agent (or its agents or bailees), to the extent that possession thereof perfects a Lien thereon under the Uniform Commercial Code.

“**Recovery**” shall have the meaning set forth in Section 6.4.

“**Required Lenders**” shall mean, with respect to any Senior Lender Documents, those Senior Lenders the approval of which is required to approve an amendment or modification of, termination or waiver of any provision of or consent to any departure from such Senior Lender Documents (or would be required to effect such consent under this Agreement if such consent were treated as an amendment of the Senior Lender Documents).

“**Second Lien Notes**” shall mean the Company’s Second Priority Senior Secured Notes due 2015 and 2018, issued pursuant to the Second Priority Senior Secured Notes Indenture and any notes issued by the Company in exchange for, and as contemplated by, the Second Lien Notes and the related registration rights agreement with substantially identical terms as the Second Lien Notes.

“**Second Priority Agents**” shall mean (a) the Trustee as agent for the Indenture Secured Parties and (b) the collateral agent for any Future Second Lien Indebtedness.

“**Second Priority Claims**” shall mean the Noteholder Claims and all other Obligations in respect of, or arising under, the Second Priority Documents, including all fees and expenses of the collateral agent for any Future Second Lien Indebtedness.

“**Second Priority Collateral**” shall mean the Noteholder Collateral and all of the assets of the Grantors, whether real, personal or mixed, with respect to which a Lien is granted as security for any Second Priority Claim.

“**Second Priority Collateral Agreements**” shall mean the Noteholder Collateral Agreement and any comparable agreement(s) with respect to any Future Second Lien Indebtedness.

“**Second Priority Collateral Documents**” shall mean the Noteholder Collateral Documents and any other agreement, document or instrument pursuant to which a Lien is now or hereafter granted securing any Second Priority Claims or under which rights or remedies with respect to such Liens are at any time governed.

“**Second Priority Designated Agent**” shall mean such agent or trustee as is designated “Second Priority Designated Agent” by Second Priority Secured Parties holding a majority in principal amount of the Second Priority Claims then outstanding; it being understood that as of the date of this Agreement and for so long as any Obligations under the Second Priority Senior Secured Notes Indenture remain outstanding, the Trustee shall be so designated Second Priority Designated Agent.

“**Second Priority Documents**” shall mean the Noteholder Documents and any other document or instrument evidencing or governing any Future Second Lien Indebtedness.

“**Second Priority Lien**” shall mean any Lien on any assets of the Company or any other Grantor securing any Second Priority Claims.

“**Second Priority Secured Parties**” shall mean the Indenture Secured Parties and all other Persons holding any Second Priority Claims, including the collateral agent for any Future Second Lien Indebtedness.

“**Second Priority Senior Secured Notes Indenture**” shall have the meaning set forth in the recitals.

“**Secured Hedge Agreements**” shall mean each Swap Agreement entered into by a Grantor that (i) is in effect on or following the Closing Date with a counterparty that is a Credit Agreement Lender or an Affiliate of a Credit Agreement Lender as of the Closing Date or (ii) is entered into after the Closing Date with any counterparty that is a Credit Agreement Lender or an Affiliate of a Credit Agreement Lender at the time such Swap Agreement is entered into.

“**Senior Collateral Agreement**” shall mean the Collateral Agreement, dated as of January 28, 2008, among the Company, certain other Grantors, and Bank of America, N.A. as collateral agent for the secured parties referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**Senior Collateral Documents**” shall mean the Senior Collateral Agreement, the Senior Guaranty and Pledge Agreement, the Other First Priority Lien Obligations Security Documents and any security agreement, mortgage or other agreement, document or instrument pursuant to which a Lien is now or hereafter granted securing any Senior Lender Claims or under which rights or remedies with respect to such Lien are at any time governed.

“**Senior Guaranty and Pledge Agreement**” shall mean the Guaranty and Pledge Agreement, dated as of January 28, 2008, made by Holdings in favor of Bank of America, N.A. as collateral agent for the secured parties referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**Senior Lender Cash Management Obligations**” shall mean, with respect to any Grantor, all Obligations of such Grantor in respect of any Overdraft Line (as defined in the Credit Agreement) owed to a Person that is a Credit Agreement Lender or any Affiliate of a Credit Agreement Lender as of or following the Closing Date or at the time the Overdraft Line is entered into (or any other Person designated by the Company as a provider of the Overdraft Line pursuant to the terms of the Credit Agreement and entitled to the benefits of the Senior Lender Collateral).

“**Senior Lender Claims**” shall mean all Obligations arising under the Credit Agreement, the Other First Priority Lien Obligations Credit Documents and any other Senior Lender Documents, whether or not such Obligations constitute Indebtedness, including, without limitation, (a) Obligations arising under Secured Hedge Agreements, (b) Senior Lender Cash Management Obligations and (c) Obligations under any agreement that is an exchange or replacement for or an extension, increase or refinancing of any other Senior Lender Claims. Senior Lender Claims shall include all interest and expenses accrued or accruing (or that would, absent the commencement of an Insolvency or Liquidation Proceeding, accrue) after the commencement of an Insolvency or Liquidation Proceeding in accordance with and at the rate specified in the relevant Senior Lender Documents whether or not the claim for such interest or expenses is allowed or allowable as a claim in such Insolvency or Liquidation Proceeding.

“**Senior Lender Collateral**” shall mean all of the assets of the Grantors, whether real, personal or mixed, with respect to which a Lien is granted as security for any Senior Lender Claim.

“**Senior Lender Documents**” shall mean the Loan Documents, the Other First Priority Lien Obligations Credit Documents, the Senior Collateral Documents and each of the other agreements, documents and instruments (including each agreement, document or instrument providing for or evidencing a Senior Lender Hedging Obligation or Senior Lender Cash Management Obligation) providing for, evidencing or securing any Senior Lender Claim, including, without limitation, any Obligation under the Credit Agreement and any other related document or instrument executed or delivered pursuant to any such document at any time or otherwise evidencing or securing any Obligation arising under any such document.

“**Senior Lender Hedging Obligations**” shall mean any Obligations under Secured Hedge Agreements.

“**Senior Lenders**” shall mean the Persons holding Senior Lender Claims, including the First Lien Agents.

“**Subsidiary**” shall mean any “Subsidiary” of the Company as defined in the Credit Agreement.

“**Swap Agreement**” shall mean any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided, that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of Holdings, the Company or any of the Subsidiaries shall be a Swap Agreement.

“**Trustee**” shall mean U.S. Bank National Association, in its capacity as trustee under the Second Priority Senior Secured Notes Indenture and as collateral agent under the Noteholder Collateral Documents, and its successors in such capacity.

“**Uniform Commercial Code**” or “**UCC**” shall mean the Uniform Commercial Code as from time to time in effect in the State of New York.

1.2. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified in accordance with this Agreement, (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein,” “hereof” and “hereunder,” and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections shall be construed to refer to Sections of this Agreement and (e) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 2. Lien Priorities.

2.1. Subordination of Liens. Notwithstanding (i) the date, time, method, manner or order of filing or recordation of any document or instrument or grant, attachment or perfection (including any defect or deficiency or alleged defect or deficiency in any of the foregoing) of any

Liens granted to the Second Priority Secured Parties on the Common Collateral or of any Liens granted to any First Lien Agent or Senior Lenders on the Common Collateral, (ii) any provision of the UCC, any Bankruptcy Law, or any applicable law or the Second Priority Documents or the Senior Lender Documents, (iii) whether any First Lien Agent, either directly or through agents, holds possession of, or has control over, all or any part of the Common Collateral, (iv) the fact that any such Liens may be subordinated, voided, avoided, invalidated or lapsed or (v) any other circumstance of any kind or nature whatsoever, each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, hereby agrees that: (a) any Lien on the Common Collateral securing any Senior Lender Claims now or hereafter held by or on behalf of any First Lien Agent or any Senior Lenders or any agent or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall have priority over and be senior in all respects and prior to any Lien on the Common Collateral securing any Second Priority Claims and (b) any Lien on the Common Collateral securing any Second Priority Claims now or hereafter held by or on behalf of the Trustee or any Second Priority Secured Parties or any agent or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Common Collateral securing any Senior Lender Claims. All Liens on the Common Collateral securing any Senior Lender Claims shall be and remain senior in all respects and prior to all Liens on the Common Collateral securing any Second Priority Claims for all purposes, whether or not such Liens securing any Senior Lender Claims are subordinated to any Lien securing any other obligation of the Company, any other Grantor or any other Person.

2.2. Prohibition on Contesting Liens. Each Second Priority Agent, for itself and on behalf of each applicable Second Priority Secured Party, and each First Lien Agent, for itself and on behalf of each Senior Lender in respect of which it serves as First Lien Agent, agrees that it shall not (and hereby waives any right to) take any action to challenge, contest or support any other Person in contesting or challenging, directly or indirectly, in any proceeding (including any Insolvency or Liquidation Proceeding), the validity, perfection, priority or enforceability of (a) a Lien securing any Senior Lender Claims held (or purported to be held) by or on behalf of any First Lien Agent or any of the Senior Lenders or any agent or trustee therefor in any Senior Lender Collateral or (b) a Lien securing any Second Priority Claims held (or purported to be held) by or on behalf of any Second Priority Secured Party in the Common Collateral, as the case may be; provided, however, that nothing in this Agreement shall be construed to prevent or impair the rights of any First Lien Agent or any Senior Lender to enforce this Agreement (including the priority of the Liens securing the Senior Lender Claims as provided in Section 2.1) or any of the Senior Lender Documents.

2.3. No New Liens. So long as the Discharge of Senior Lender Claims has not occurred and subject to Section 6, each Second Priority Agent agrees, for itself and on behalf of each applicable Second Priority Secured Party, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor, that it shall not acquire or hold any Lien on any assets of the Company or any other Grantor securing any Second Priority Claims that are not also subject to the first-priority Lien in respect of the Senior Lender Claims under the Senior Lender Documents. If any Second Priority Agent or any Second Priority Secured Party shall (nonetheless and in breach hereof) acquire or hold any Lien on any collateral that is not also subject to the first-priority Lien in respect of the Senior Lender Claims under the Senior Lender Documents, then such Second Priority Agent shall, without the need for any further consent of any party and notwithstanding anything to the contrary in any other document, be deemed to also hold and have held such lien for the benefit of the First Lien Agents as security for the Senior Lender Claims (subject to the lien priority and other terms hereof) and shall promptly notify each First Lien Agent in writing of the existence of such Lien and in any event take such actions as may be requested by any First Lien Agent to assign or release such Liens to the First Lien Agents (and/or each of its designee) as security for the applicable Senior Lender Claims.

2.4. Perfection of Liens. Neither the First Lien Agents nor the Senior Lenders shall be responsible for perfecting and maintaining the perfection of Liens with respect to the Common Collateral for the benefit of the Second Priority Agents and the Second Priority Secured Parties. The provisions of this Agreement are intended solely to govern the respective Lien priorities as between the Senior Lenders and the Second Priority Secured Parties and shall not impose on the First Lien Agents, the Second Priority Agents, the Second Priority Secured Parties or the Senior Lenders or any agent or trustee therefor any obligations in respect of the disposition of proceeds of any Common Collateral which would conflict with prior perfected claims therein in favor of any other Person or any order or decree of any court or governmental authority or any applicable law.

2.5. Waiver of Marshalling. Until the Discharge of Senior Lender Claims, each Second Priority Agent, on behalf of itself and the applicable Second Priority Secured Parties, agrees not to assert and hereby waives, to the fullest extent permitted by law, any right to demand, request, plead or otherwise assert or otherwise claim the benefit of, any marshalling, appraisal, valuation or other similar right that may otherwise be available under applicable law with respect to the Common Collateral or any other similar rights a junior secured creditor may have under applicable law.

SECTION 3. Enforcement.

3.1. Exercise of Remedies.

(a) So long as the Discharge of Senior Lender Claims has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor, (i) no Second Priority Agent or any Second Priority Secured Party will (x) exercise or seek to exercise any rights or remedies (including setoff or recoupment) with respect to any Common Collateral or any other security in respect of any applicable Second Priority Claims, or exercise any right under any lockbox agreement, control agreement, landlord waiver or bailee’s letter or similar agreement or arrangement, or institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure), (y) contest, protest or object to any foreclosure proceeding or action brought with respect to the Common Collateral or any other collateral by any First Lien Agent or any Senior Lender in respect of the Senior Lender Claims, the exercise of any right by any First Lien Agent or any Senior Lender (or any agent or sub-agent on their behalf) in respect of the Senior Lender Claims under any lockbox agreement, control agreement, landlord waiver or bailee’s letter or similar agreement or arrangement to which any Second Priority Agent or any Second Priority Secured Party either is a party or may have rights as a third party beneficiary, or any other exercise by any such party, of any rights and remedies relating to the Common Collateral or any other collateral under the Senior Lender Documents or otherwise in respect of Senior Lender Claims, or (z) object to the forbearance by the Senior Lenders from bringing or pursuing any foreclosure proceeding or action or any other exercise of any rights or remedies relating to the Common Collateral or any other collateral in respect of Senior Lender Claims and (ii) except as otherwise provided herein, each First Lien Agent and the Senior Lenders shall have the exclusive right to enforce rights, exercise remedies (including setoff and the right to credit bid their debt) and make determinations regarding the release, disposition or restrictions with respect to the Common Collateral without any consultation with or the consent of any Second Priority Agent or any Second Priority Secured Party; provided, however, that (A) in any Insolvency or Liquidation Proceeding commenced by or against the Company or any other Grantor, each Second Priority Agent may file a proof of claim or statement of interest with respect to the applicable Second Priority Claims, (B) each Second Priority Agent may take any action (not adverse to the prior Liens on the Common Collateral securing the Senior Lender Claims, or the rights of either First Lien Agent or the Senior Lenders to exercise remedies in respect thereof) in order to create, prove, perfect, preserve or protect (but not enforce) its rights in, and perfection and priority of its Lien on, the Common Collateral, (C) in any Insolvency or Liquidation Proceeding commenced by or against the Company or any other Grantor, each Second Priority Agent may file any necessary or responsive pleadings in opposition to any motion, adversary proceeding or other pleading filed by any Person objecting to or otherwise seeking disallowance of the claim or Lien of such Second Priority Agent or Second Priority Secured Party, (D) each Second Priority Agent may file any pleadings, objections, motions, or agreements which assert rights available to unsecured creditors of the Company or any other Grantor arising under any Insolvency or Liquidation Proceeding or applicable non-bankruptcy law and (E) each Second Priority Agent and each Second Priority Secured Party may vote on any plan of reorganization in any Insolvency or Liquidation Proceeding of the Company or any other Grantor, in each case (A) through (E) above to the extent such action is not inconsistent with, or could not result in a resolution inconsistent with, the terms of this Agreement. In exercising rights and remedies with respect to the Senior Lender Collateral, each First Lien Agent and the Senior Lenders may enforce the provisions of the Senior Lender Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Common Collateral or other collateral upon foreclosure, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a secured lender under the uniform commercial code of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction.

(b) So long as the Discharge of Senior Lender Claims has not occurred, each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, agrees that it will not take or receive any Common Collateral or other collateral or any proceeds of Common Collateral or other collateral in connection with the exercise of any right or remedy (including setoff or recoupment) with respect to any Common Collateral or other collateral in respect of the applicable Second Priority Claims. Without limiting the generality of the foregoing, unless and until the Discharge of Senior Lender Claims has occurred, except as expressly provided in the proviso in clause (ii) of Section 3.1(a), the sole right of the Second Priority Agents and the Second Priority Secured Parties with respect to the Common Collateral or any other collateral is to hold a Lien on the Common Collateral or such other collateral in respect of the applicable Second Priority Claims pursuant to the Second Priority Documents, as applicable, for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of Senior Lender Claims has occurred.

(c) Subject to the proviso in clause (ii) of Section 3.1(a) above, (i) each Second Priority Agent, for itself and on behalf of each applicable Second Priority Secured Party, agrees that no Second Priority Agent or any Second Priority Secured Party will take any action that would hinder any exercise of remedies undertaken by any First Lien Agent or Senior Lenders with respect to the Common Collateral or any other collateral under the Senior Lender Documents, including any sale, lease, exchange, transfer or other disposition of the Common Collateral or such other collateral, whether by foreclosure or otherwise, and (ii) each Second Priority Agent, for itself and on behalf of each applicable Second Priority Secured Party, hereby waives any and all rights it or any Second Priority Secured Party may have as a junior lien creditor or otherwise to object to the manner in which any First Lien Agent or Senior Lenders seek to enforce or collect the Senior Lender Claims or the Liens granted in any of the Senior Lender Collateral, regardless of whether any action or failure to act by or on behalf of any First Lien Agent or Senior Lenders is adverse to the interests of the Second Priority Secured Parties.

(d) Each Second Priority Agent hereby acknowledges and agrees that no covenant, agreement or restriction contained in any applicable Second Priority Document shall be deemed to restrict in any way the rights and remedies of any First Lien Agent or Senior Lenders with respect to the Senior Lender Collateral as set forth in this Agreement and the Senior Lender Documents.

3.2. Cooperation. Subject to the proviso in clause (ii) of Section 3.1(a), each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, agrees that, unless and until the Discharge of Senior Lender Claims has occurred, it will not commence, or join with any Person (other than the Senior Lenders and any First Lien Agent upon the request thereof) in commencing, any enforcement, collection, execution, levy or foreclosure action or proceeding with respect to any Lien held by it in the Common Collateral or any other collateral under any of the applicable Second Priority Documents or otherwise in respect of the applicable Second Priority Claims relating to the Common Collateral.

3.3. Actions Upon Breach. If any Second Priority Secured Party, in contravention of the terms of this Agreement, in any way takes, attempts to or threatens to take any action with respect to the Common Collateral (including, without limitation, any attempt to realize upon or enforce any remedy with respect to this Agreement), this Agreement shall create an irrebuttable presumption and admission by such Second Priority Secured Party that relief against such Second Priority Secured Party by injunction, specific performance and/or other appropriate equitable relief is necessary to prevent irreparable harm to the Senior Lenders, it being understood and agreed by each Second Priority Agent on behalf of each applicable Second Priority Secured Party that (i) the Senior Lenders' damages from its actions may at that time be difficult to ascertain and may be irreparable, and (ii) each Second Priority Secured Party waives any defense that the Grantors and/or the Senior Lenders cannot demonstrate damage and/or can be made whole by the awarding of damages.

SECTION 4. Payments.

4.1. Application of Proceeds. So long as the Discharge of Senior Lender Claims has not occurred, the Common Collateral and any other collateral in respect of the Second Priority Claims or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Common Collateral or other collateral upon the exercise of remedies as a secured party, shall be applied by the First Lien Agents to the Senior Lender Claims in such order as specified in the relevant Senior Lender Documents until the Discharge of Senior Lender Claims has occurred. Upon the Discharge of Senior Lender Claims, subject to Section 5.7 hereof, each of the First Lien Agents shall deliver promptly to the Second Priority Designated Agent any Common Collateral or proceeds thereof held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct to be applied by the Second Priority Designated Agent ratably to the Second Priority Claims in such order as specified in the Second Priority Documents.

4.2. Payments Over. Any Common Collateral or other collateral in respect of the Second Priority Claims or proceeds thereof received by any Second Priority Agent or any Second Priority Secured Party in connection with the exercise of any right or remedy (including setoff or recoupment) relating to the Common Collateral or such other collateral prior to the Discharge of Senior Lender Claims shall be segregated and held for the benefit of and forthwith paid over to the First Priority Designated Agent (and/or its designees) for the benefit of the Senior Lenders in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. The First Lien Agents are each hereby individually authorized to make any such endorsements as agent for any Second Priority Agent or any such Second Priority Secured Party. This authorization is coupled with an interest and is irrevocable.

SECTION 5. Other Agreements.

5.1. Releases.

(a) If, at any time any Grantor or the holder of any Senior Lender Claim delivers notice to each Second Priority Agent that any specified Common Collateral (including all or substantially all of the equity interests of a Grantor or any of its Subsidiaries) (including for such purpose, in the case of the sale of equity interests in any Subsidiary, any Common Collateral held by such Subsidiary or any direct or indirect Subsidiary thereof) is:

(A) sold, transferred or otherwise disposed of:

(i) by the owner of such Common Collateral in a transaction permitted under the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, the Second Priority Senior Secured Notes Indenture and each other Senior Lender Document and Second Priority Document (if any); or

(ii) during the existence of any Event of Default under (and as defined in) the Credit Agreement or the Other First Priority Lien Obligations Credit Documents to the extent that any of the First Lien Agents has consented to such sale, transfer or disposition; or

(B) otherwise released as permitted by the Credit Agreement and the Other First Priority Lien Obligations Credit Documents, then (whether or not any Insolvency or Liquidation Proceeding is pending at the time) the Liens in favor of the Second Priority Secured Parties upon such Common Collateral will automatically be released and discharged as and when, but only to the extent, such Liens on such Common Collateral securing Senior Lender Claims are released and discharged. Upon delivery to each Second Priority Agent of a notice from any First Lien Agent stating that any release of Liens securing or supporting the Senior Lender Claims has become effective (or shall become effective upon each Second Priority Agent's release) (whether in connection with a sale of such assets by the relevant Grantor pursuant to the preceding sentence or otherwise), each Second Priority Agent will promptly execute and deliver such instruments, releases, termination statements or other documents confirming such release on customary terms.

(b) Each Second Priority Agent, for itself and on behalf of each applicable Second Priority Secured Party, hereby irrevocably constitutes and appoints each First Lien Agent and any officer or agent of such First Lien Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of each Second Priority Agent or such holder or in such First Lien Agent's own name, from time to time in such First Lien Agent's discretion, for the purpose of carrying out the terms of this Section 5.1, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Section 5.1, including any termination statements, endorsements or other instruments of transfer or release.

(c) Unless and until the Discharge of Senior Lender Claims has occurred, each Second Priority Agent, for itself and on behalf of each applicable Second Priority Secured Party, hereby consents to the application, whether prior to or after a default, of proceeds of Common Collateral or other collateral to the repayment of Senior Lender Claims pursuant to the Senior Lender Documents; provided that nothing in this Section 5.1(c) shall be construed to prevent or impair the rights of the Second Priority Agents or the Second Priority Secured Parties to receive proceeds in connection with the Second Priority Claims not otherwise in contravention of this Agreement.

5.2. Insurance. Unless and until the Discharge of Senior Lender Claims has occurred, each First Lien Agent and the Senior Lenders shall have the sole and exclusive right, subject to the rights of the Grantors under the Senior Lender Documents, to adjust settlement for any insurance policy covering the Common Collateral or any other collateral in respect of the Second Priority Claims in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding affecting the Common Collateral or such other collateral. Unless and until the Discharge of Senior Lender Claims has occurred, all proceeds of any such policy and any such award if in respect of the Common Collateral or such other collateral shall be paid (a) first, prior to the occurrence of the Discharge of Senior Lender Claims, to the First Lien Agents for the benefit of Senior Lenders pursuant to the terms of the Senior Lender Documents, (b) second, after the occurrence of the Discharge of Senior Lender Claims, to the Second Priority Agents for the benefit of the Second Priority Secured Parties pursuant to the terms of the applicable Second Priority Documents and (c) third, if no Second Priority Claims are outstanding, to the owner of the subject property, such other person as may be entitled thereto or as a court of competent jurisdiction may otherwise direct. If any Second

Priority Agent or any Second Priority Secured Party shall, at any time, receive any proceeds of any such insurance policy or any such award in contravention of this Agreement, it shall pay such proceeds over to any First Lien Agent in accordance with the terms of Section 4.2.

5.3. <u>Amendments to Second Priority Collateral Documents</u>.

(a) So long as the Discharge of Senior Lender Claims has not occurred, without the prior written consent of the First Lien Agents, no Second Priority Collateral Document may be amended, supplemented or otherwise modified or entered into to the extent such amendment, supplement or modification, or the terms of any new Second Priority Collateral Document, would be prohibited by or inconsistent with any of the terms of this Agreement. Each Second Priority Agent agrees that each applicable Second Priority Collateral Document executed as of the date hereof shall include the following language (or language to similar effect approved by the First Lien Agents):

"Notwithstanding anything herein to the contrary, (i) the liens and security interests granted to the [applicable Second Priority Agent for the benefit of the [Secured Parties]] pursuant to this agreement are expressly subject and subordinate to the liens and security interests granted to Bank of America, N.A. as collateral agent (and its permitted successors), for the benefit of the secured parties referred to below, pursuant to the [Collateral Agreement] dated as of January 28, 2008 (as amended, amended and restated, supplemented or otherwise modified from time to time), from [the Company and the other "Pledgors" referred to therein], in favor of Bank of America, N.A., as collateral agent for the benefit of the secured parties referred to therein [and to the liens and security interests granted to [Other First Priority Lien Obligations Agent] pursuant to [Other First Priority Lien Obligations Security Document (as amended, supplemented or otherwise modified from time to time)]], and (ii) the exercise of any right or remedy by the [applicable Second Priority Agent] hereunder is subject to the limitations and provisions of the Intercreditor Agreement dated as of December 24, 2008 (as amended, restated, supplemented or otherwise modified from time to time, the "**Intercreditor Agreement**"), by and among Bank of America, N.A. in its capacity as First Lien Agent and U.S. Bank National Association, as Trustee. In the event of any conflict between the terms of the Intercreditor Agreement and the terms of this agreement, the terms of the Intercreditor Agreement shall govern."

(b) In the event that the First Lien Agents or the Senior Lenders enter into any amendment, waiver or consent in respect of or replace any Senior Collateral Document for the purpose of adding to, or deleting from, or waiving or consenting to any departures from any provisions of, any Senior Collateral Document or changing in any manner the rights of the First Lien Agents, the Senior Lenders, the Company or any other Grantor thereunder (including the release of any Liens in Senior Lender Collateral), then such amendment, waiver or consent shall apply automatically to any comparable provision of each Comparable Second Priority Collateral Document without the consent of any Second Priority Agent or any Second Priority Secured Party and without any action by any Second Priority Agent or any Second Priority Secured Party; provided, that such amendment, waiver or consent does not materially adversely affect the rights of the Second Priority Secured Parties or the interests of the Second Priority Secured Parties in the Second Priority Collateral and not the other creditors of the Company or such Grantor, as the case may be, that have a security interest in the affected collateral in a like or similar manner (without regard to the fact that the Lien of such Senior Collateral Document is senior to the Lien of the Comparable Second Priority Collateral Document). The relevant First Lien Agent shall give written notice of such amendment, waiver or consent to each Second Priority Agent; provided that the failure to give such notice shall not affect the effectiveness of such amendment, waiver or consent with respect to the provisions of any Second Priority Collateral Document as set forth in this Section 5.3(b).

(c) Anything contained herein to the contrary notwithstanding, until the Discharge of Senior Lender Claims has occurred, no Second Priority Collateral Document shall be entered into unless the collateral covered thereby is also subject to a perfected first-priority interest in favor of the First Lien Agents for the benefit of the Senior Lenders pursuant to the Senior Collateral Documents.

5.4. Rights As Unsecured Creditors. Notwithstanding anything to the contrary in this Agreement, the Second Priority Agents and the Second Priority Secured Parties may exercise rights and remedies as an unsecured creditor against the Company or any Grantor in accordance with the terms of the applicable Second Priority Documents and applicable law, in each case to the extent not inconsistent with the provisions of this Agreement. Nothing in this Agreement shall prohibit the receipt by any Second Priority Agent or any Second Priority Secured Party of the required payments of interest and principal so long as such receipt is not the direct or indirect result of (a) the exercise by any Second Priority Agent or any Second Priority Secured Party of rights or remedies as a secured creditor in respect of Common Collateral or other collateral or (b) enforcement in contravention of this Agreement of any Lien in respect of Second Priority Claims held by any of them. In the event any Second Priority Agent or any Second Priority Secured Party becomes a judgment lien creditor or other secured creditor in respect of Common Collateral or other collateral as a result of its enforcement of its rights as an unsecured creditor in respect of Second Priority Claims or otherwise, such judgment or other lien shall be subordinated to the Liens securing Senior Lender Claims on the same basis as the other Liens securing the Second Priority Claims are so subordinated to such Liens securing Senior Lender Claims under this Agreement. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the First Lien Agents or the Senior Lenders may have with respect to the Senior Lender Collateral.

5.5. First Lien Agents as Gratuitous Bailees for Perfection.

(a) Each First Lien Agent agrees to hold the Pledged Collateral that is part of the Common Collateral that is in its possession or control (or in the possession or control of its agents or bailees) as gratuitous bailee for each Second Priority Agent and any assignee solely for the purpose of perfecting the security interest granted in such Pledged Collateral pursuant to the Second Priority Collateral Agreements, subject to the terms and conditions of this Section 5.5 (such bailment being intended, among other things, to satisfy the requirements of Sections 8-106(d)(3), 8-301(a)(2) and 9-313(c) of the UCC).

(b) In the event that any First Lien Agent (or its agent or bailees) has Lien filings against Intellectual Property (as defined in the Senior Collateral Agreement) that is part of the Common Collateral that are necessary for the perfection of Liens in such Common Collateral, such First Lien Agent agrees to hold such Liens as gratuitous bailee for each Second Priority Agent and any assignee solely for the purpose of perfecting the security interest granted in such Liens pursuant to the Second Priority Collateral Agreements, subject to the terms and conditions of this Section 5.5.

(c) Except as otherwise specifically provided herein (including Sections 3.1 and 4.1), until the Discharge of Senior Lender Claims has occurred, any First Lien Agent shall be entitled to deal with the Pledged Collateral in accordance with the terms of the Senior Lender Documents as if the Liens under the Second Priority Collateral Documents did not exist. The rights of the Second Priority Agents and the Second Priority Secured Parties with respect to such Pledged Collateral shall at all times be subject to the terms of this Agreement.

(d) The First Lien Agents shall have no obligation whatsoever to any Second Priority Agent or any Second Priority Secured Party to assure that the Pledged Collateral is genuine or owned by the Grantors or to protect or preserve rights or benefits of any Person or any rights pertaining to the Common Collateral except as expressly set forth in this Section 5.5. The duties or responsibilities of the First Lien Agents under this Section 5.5 shall be limited solely to holding the Pledged Collateral as gratuitous bailee for each Second Priority Agent for purposes of perfecting the Lien held by the Second Priority Secured Parties.

(e) The First Lien Agents shall not have by reason of the Second Priority Collateral Documents or this Agreement or any other document a fiduciary relationship in respect of any Second Priority Agent or any Second Priority Secured Party and the Second Priority Agents and the Second Priority Secured Parties hereby waive and release the First Lien Agents from all claims and liabilities arising pursuant to the First Lien Agents’ role under this Section 5.5, as agent and gratuitous bailee with respect to the Common Collateral.

(f) Upon the Discharge of Senior Lender Claims, the relevant First Lien Agent shall deliver to the Second Priority Designated Agent, to the extent that it is legally permitted to do so, the remaining Pledged Collateral (if any) and to the extent such Pledged Collateral is in the possession or control of such First Lien Agent (or its agents or bailees) together with any necessary endorsements (or otherwise allow the Second Priority Designated Agent to obtain control of such Pledged Collateral) or as a court of competent jurisdiction may otherwise direct.

(g) Neither the First Lien Agents nor the Senior Lenders shall be required to marshal any present or future collateral security for the Company’s or its Subsidiaries’ obligations to the First Lien Agents or the Senior Lenders under the Credit Agreement or the Senior Collateral Documents or any assurance of payment in respect thereof or to resort to such collateral security or other assurances of payment in any particular order, and all of their rights in respect of such collateral security or any assurance of payment in respect thereof shall be cumulative and in addition to all other rights, however existing or arising.

5.6. Second Priority Designated Agent as Gratuitous Bailee for Perfection.

(a) Upon the Discharge of Senior Lender Claims, the Second Priority Designated Agent agrees to hold the Pledged Collateral that is part of the Common Collateral in its possession or control (or in the possession or control of its agents or bailees) as gratuitous bailee for the other Second Priority Agents and any assignee solely for the purpose of perfecting the security interest granted in such Pledged Collateral pursuant to the applicable Second Priority Collateral Agreement, subject to the terms and conditions of this Section 5.6.

(b) In the event that the Second Priority Designated Agent (or its agent or bailees) has Lien filings against Intellectual Property (as defined in the Senior Collateral Agreement) that is part of the Common Collateral that are necessary for the perfection of Liens in such Common Collateral, upon the Discharge of Senior Lender Claims, the Second Priority Designated Agent agrees to hold such Liens as gratuitous bailee for the other Second Priority Agents and any assignee solely for the purpose of perfecting the security interest granted in such Liens pursuant to the applicable Second Priority Collateral Agreement, subject to the terms and conditions of this Section 5.6.

(c) The Second Priority Designated Agent, in its capacity as gratuitous bailee, shall have no obligation whatsoever to the other Second Priority Agents or the First Lien Agent to assure that the Pledged Collateral is genuine or owned by the Grantors or to protect or preserve rights or benefits of any Person or any rights pertaining to the Common Collateral except as expressly set forth in this Section 5.6. The duties or responsibilities of the Second Priority Designated Agent under this Section 5.6 upon the Discharge of Senior Lender Claims shall be limited solely to holding the Pledged Collateral as gratuitous bailee for the other Second Priority Agents for purposes of perfecting the Lien held by the applicable Second Priority Secured Parties.

(d) The Second Priority Designated Agent shall not have by reason of the Second Priority Collateral Documents or this Agreement or any other document a fiduciary relationship in respect of the other Second Priority Agents (or the Second Priority Secured Parties for which such other Second Priority Agents are agents) and the other Second Priority Agents hereby waive and release the Second Priority Designated Agent from all claims and liabilities arising pursuant to the Second Priority Designated Agent’s role under this Section 5.6, as agent and gratuitous bailee with respect to the Common Collateral.

(e) In the event that the Second Priority Designated Agent shall cease to be so designated the Second Priority Designated Agent pursuant to the definition of such term, the then Second Priority Designated Agent shall deliver to the successor Second Priority Designated Agent, to the extent that it is legally permitted to do so, the remaining Pledged Collateral (if any), together with any necessary endorsements (or otherwise allow the successor Second Priority Designated Agent to obtain control of such Pledged Collateral) or as a court of competent jurisdiction may otherwise direct, and such successor Second Priority Designated Agent shall perform all duties of the Second Priority Designated Agent as set forth herein.

5.7. Release Upon Discharge of Senior Lender Claims; No Release If Event of Default; Reinstatement.

(a) Except as otherwise provided in clause (b) of this Section 5.7, upon the Discharge of Senior Lender Claims and the concurrent release of the Liens securing Senior Lender Claims, the Liens in favor of the Second Priority Secured Parties shall automatically be released and discharged.

(b) Notwithstanding any other provisions contained in this Agreement, if an Event of Default (as defined in the Second Priority Senior Secured Notes Indenture or any other Second Priority Document, as applicable) exists on the date of Discharge of Senior Lender Claims, the Second Priority Liens on the Second Priority Collateral securing the Second Priority Claims relating to such Event of Default will not be released, except to the extent such Second Priority Collateral or any portion thereof was disposed of in order to repay Senior Lender Claims secured by such Second Priority Collateral, and thereafter the applicable Second Priority Agent will have the right to foreclose upon such Second Priority Collateral (but in such event, the Liens on such Second Priority Collateral securing the applicable Second Priority Claims will be released when such Event of Default and all other Events of Default under the Second Priority Senior Secured Notes Indenture or any other Second Priority Document, as applicable, cease to exist).

(c) If, at any time after the Discharge of Senior Lender Claims has occurred, the Company incurs and designates any Senior Lender Claims, then such Discharge of Senior Lender Claims shall automatically be deemed not to have occurred for all purposes of this Agreement (other than with respect to any actions taken prior to the date of such designation as a result of the occurrence of such first Discharge of Senior Lender Claims), and the applicable agreement governing such Senior Lender Claims shall automatically be treated as the Credit Agreement for all purposes of this Agreement, including for purposes of the Lien priorities and rights in respect of Common Collateral set forth herein and the granting by the First Lien Agents of amendments, waivers and consents hereunder. Upon receipt of notice of such designation (including the identity of any new First Lien Agent), each Second Priority Agent shall promptly (i) enter into such documents and agreements, including amendments or supplements to this Agreement, as such new First Lien Agent shall reasonably request in writing in order to provide the new First Lien Agent the rights of the First Lien Agents contemplated hereby and (ii) to the extent then held by any Second Priority Agent, deliver to such First Lien Agent the Pledged Collateral that is Common Collateral together with any necessary endorsements (or otherwise allow such First Lien Agent to obtain possession or control of such Pledged Collateral).

SECTION 6. Insolvency or Liquidation Proceedings.

6.1. Financing Issues. If the Company or any other Grantor shall be subject to any Insolvency or Liquidation Proceeding and any First Lien Agent shall desire to permit the use of cash collateral or to permit the Company or any other Grantor to obtain financing under Section 363 or Section 364 of Title 11 of the United States Code or any similar provision in any Bankruptcy Law ("**DIP Financing**"), then each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, agrees that it will raise no objection to, and will not support any objection to, and will not otherwise contest (a) such use of cash collateral or DIP Financing and will not request adequate protection or any other relief in connection therewith (except to the extent permitted by Section 6.3) and, to the extent the Liens securing the Senior Lender Claims under the Senior Lender Documents are subordinated or pari passu with such DIP Financing, will subordinate its Liens in the Common Collateral and any other collateral to such DIP Financing (and all Obligations relating thereto) on the same basis as the other Liens securing the Second Priority Claims are so subordinated to Liens securing Senior Lender Claims under this Agreement, (b) any motion for relief from the automatic stay or from any injunction against foreclosure or enforcement in respect of Senior Lender Claims made by any First Lien Agent or any holder of Senior Lender Claims, (c) any lawful exercise by any holder of Senior Lender

Claims of the right to credit bid Senior Lender Claims at any sale in foreclosure of Senior Lender Collateral, (d) any other request for judicial relief made in any court by any holder of Senior Lender Claims relating to the lawful enforcement of any Lien on Senior Lender Collateral or (e) any order relating to a sale of assets of any Grantor for which any First Lien Agent has consented that provides, to the extent the sale is to be free and clear of Liens, that the Liens securing the Senior Lender Claims and the Second Priority Claims will attach to the proceeds of the sale on the same basis of priority as the Liens securing the Senior Lender Collateral do to the Liens securing the Second Priority Collateral in accordance with this Agreement.

6.2. Relief from the Automatic Stay. Until the Discharge of Senior Lender Claims has occurred, each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, agrees that none of them shall seek relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Common Collateral or any other collateral, without the prior written consent of all First Lien Agents and Required Lenders.

6.3. Adequate Protection. Each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, agrees that none of them shall contest (or support any other Person contesting) (a) any request by any First Lien Agent or Senior Lenders for adequate protection or (b) any objection by any First Lien Agent or Senior Lenders to any motion, relief, action or proceeding based on such First Lien Agent's or the Senior Lenders' claiming a lack of adequate protection. Notwithstanding the foregoing, in any Insolvency or Liquidation Proceeding, (i) if the Senior Lenders (or any subset thereof) are granted adequate protection in the form of additional collateral in connection with any DIP Financing or use of cash collateral under Section 363 or Section 364 of Title 11 of the United States Code or any similar Bankruptcy Law, then each Second Priority Agent, on behalf of itself and any applicable Second Priority Secured Party, (A) may seek or request adequate protection in the form of a replacement Lien on such additional collateral, which Lien is subordinated to the Liens securing the Senior Lender Claims and such DIP Financing (and all Obligations relating thereto) on the same basis as the other Liens securing the Second Priority Claims are so subordinated to the Liens securing Senior Lender Claims under this Agreement and (B) agrees that it will not seek or request, and will not accept, adequate protection in any other form, and (ii) in the event any Second Priority Agent, on behalf of itself or any applicable Second Priority Secured Party, seeks or requests adequate protection and such adequate protection is granted in the form of additional collateral, then such Second Priority Agent, on behalf of itself or each such Second Priority Secured Party, agrees that the First Lien Agents shall also be granted a senior Lien on such additional collateral as security for the applicable Senior Lender Claims and any such DIP Financing and that any Lien on such additional collateral securing the Second Priority Claims shall be subordinated to the Liens on such collateral securing the Senior Lender Claims and any such DIP Financing (and all Obligations relating thereto) and any other Liens granted to the Senior Lenders as adequate protection on the same basis as the other Liens securing the Second Priority Claims are so subordinated to such Liens securing Senior Lender Claims under this Agreement.

6.4. Avoidance Issues. If any Senior Lender is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of the Company or any other Grantor (or any trustee, receiver or similar person therefor), because the payment of such amount was declared to be fraudulent or preferential in any respect or for any other reason, any amount (a "**Recovery**"), whether received as proceeds of security, enforcement of any right of setoff or otherwise, then as among the parties hereto the Senior Lender Claims shall be deemed to be reinstated to the extent of such Recovery and to be outstanding as if such payment had not occurred and the Senior Lenders shall be entitled to a Discharge of Senior Lender Claims with respect to all such recovered amounts and shall have all rights hereunder until such time. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto.

6.5. Application. This Agreement shall be applicable prior to and after the commencement of any Insolvency or Liquidation Proceeding. All references herein to any Grantor shall apply to any trustee for such Person and such Person as debtor in possession. The relative rights as to the Common Collateral and other collateral and proceeds thereof shall continue after the filing thereof on the same basis as prior to the date of the petition, subject to any court order approving the financing of, or use of cash collateral by, any Grantor.

6.6. Waivers. Until the Discharge of Senior Lender Claims has occurred, each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, (a) will not assert or enforce any claim under Section 506(c) of the United States Bankruptcy Code senior to or on a parity with the Liens securing the Senior Lender Claims for costs or expenses of preserving or disposing of any Common Collateral or other collateral, and (b) waives any claim it may now or hereafter have arising out of the election by any Senior Lender of the application of Section 1111(b)(2) of the Bankruptcy Code.

SECTION 7. Reliance; Waivers; etc.

7.1. Reliance. The consent by the Senior Lenders to the execution and delivery of the Second Priority Documents to which the Senior Lenders have consented and all loans and other extensions of credit made or deemed made on and after Closing Date by the Senior Lenders to the Company or any Subsidiary shall be deemed to have been given and made in reliance upon this Agreement. Each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, acknowledges that it and the applicable Second Priority Secured Parties is not entitled to rely on any credit decision or other decisions made by any First Lien Agent or any Senior Lender in taking or not taking any action under the applicable Second Priority Document or this Agreement.

7.2. No Warranties or Liability. Neither any First Lien Agent nor any Senior Lender shall have been deemed to have made any express or implied representation or warranty upon which the Second Priority Agent or the Second Priority Secured Parties may rely, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the Senior Lender Documents, the ownership of any Common Collateral or the perfection or priority of any Liens thereon. The Senior Lenders will be entitled to manage and supervise their respective loans and extensions of credit under the Senior Lender Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Senior Lenders may manage their loans and extensions of credit without regard to any rights or interests that any Second Priority Agent or any of the Second Priority Secured Parties have in the

Common Collateral or otherwise, except as otherwise provided in this Agreement. Neither any First Lien Agent nor any Senior Lender shall have any duty to any Second Priority Agent or any Second Priority Secured Party to act or refrain from acting in a manner that allows, or results in, the occurrence or continuance of an event of default or default under any agreements with the Company or any Subsidiary thereof (including the Second Priority Documents), regardless of any knowledge thereof that they may have or be charged with. Except as expressly set forth in this Agreement, the First Lien Agents, the Senior Lenders, the Second Priority Agents and the Second Priority Secured Parties have not otherwise made to each other, nor do they hereby make to each other, any warranties, express or implied, nor do they assume any liability to each other with respect to (a) the enforceability, validity, value or collectibility of any of the Second Priority Claims, the Senior Lender Claims or any guarantee or security which may have been granted to any of them in connection therewith, (b) the Company's title to or right to transfer any of the Common Collateral or (c) any other matter except as expressly set forth in this Agreement.

7.3. Obligations Unconditional. All rights, interests, agreements and obligations of the First Lien Agents and the Senior Lenders, and the Second Priority Agents and the Second Priority Secured Parties, respectively, hereunder shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any Senior Lender Documents or any Second Priority Documents;

(b) any change in the time, manner or place of payment of, or in any other terms of, all or any of the Senior Lender Claims or Second Priority Claims, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of the Credit Agreement or any other Senior Lender Document or of the terms of the Second Priority Senior Secured Notes Indenture or any other Second Priority Document;

(c) any exchange of any security interest in any Common Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Senior Lender Claims or Second Priority Claims or any guarantee thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of the Company or any other Grantor; or

(e) any other circumstances that otherwise might constitute a defense available to, or a discharge of, the Company or any other Grantor in respect of the Senior Lender Claims, or of any Second Priority Agent or any Second Priority Secured Party in respect of this Agreement.

SECTION 8. Miscellaneous.

8.1. Conflicts. Subject to Section 8.19, in the event of any conflict between the provisions of this Agreement and the provisions of any Senior Lender Document or any Second Priority Document, the provisions of this Agreement shall govern.

8.2. Continuing Nature of this Agreement; Severability. Subject to Section 6.4, this Agreement shall continue to be effective until the Discharge of Senior Lender Claims shall have occurred or such later time as all the Obligations in respect of the Second Priority Claims shall have been paid in full. This is a continuing agreement of lien subordination and the Senior Lenders may continue, at any time and without notice to each Second Priority Agent or any Second Priority Secured Party, to extend credit and other financial accommodations and lend monies to or for the benefit of the Company or any other Grantor constituting Senior Lender Claims in reliance hereon. The terms of this Agreement shall survive, and shall continue in full force and effect, in any Insolvency or Liquidation Proceeding. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.3. Amendments; Waivers. Subject to Section 8.22 hereof, no amendment, modification or waiver of any of the provisions of this Agreement by any Second Priority Agent or any First Lien Agent shall be deemed to be made unless the same shall be in writing signed on behalf of the party making the same or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. The Company and the other Grantors shall not have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent their rights are adversely affected (in which case the Company shall have the right to consent to or approve any such amendment, modification or waiver).

8.4. Information Concerning Financial Condition of the Company and the Subsidiaries. Neither any First Lien Agent nor any Senior Lender shall have any obligation to any Second Priority Agent or any Second Priority Secured Party to keep the Second Priority Agent or any Second Priority Secured Party informed of, and the Second Priority Agents and the Second Priority Secured Parties shall not be entitled to rely on the First Lien Agents or the Senior Lenders with respect to, (a) the financial condition of the Company and the Subsidiaries and all endorsers, pledgors and/or guarantors of the Second Priority Claims or the Senior Lender Claims and (b) all other circumstances bearing upon the risk of nonpayment of the Second Priority Claims or the Senior Lender Claims. The First Lien Agents, the Senior Lenders, each Second Priority Agent and the Second Priority Secured Parties shall have no duty to advise any other party hereunder of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that any First Lien Agent, any Senior Lender, any Second Priority Agent or any Second Priority Secured Party, in its or their sole discretion, undertakes at any time or from time to time to provide any such information to any other party, it or they shall be under no obligation (w) to make, and the First Lien Agents, the Senior Lenders, the Second Priority Agents and the Second Priority Secured Parties shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided, (x) to provide any additional information or to provide any such information on any subsequent occasion, (y) to undertake any investigation or (z) to disclose any information that, pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

8.5. Subrogation. Each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, hereby waives any rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of Senior Lender Claims has occurred.

8.6. Application of Payments. Except as otherwise provided herein, all payments received by the Senior Lenders may be applied, reversed and reapplied, in whole or in part, to such part of the Senior Lender Claims as the Senior Lenders, in their sole discretion, deem appropriate, consistent with the terms of the Senior Lender Documents. Except as otherwise provided herein, each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, assents to any such extension or postponement of the time of payment of the Senior Lender Claims or any part thereof and to any other indulgence with respect thereto, to any substitution, exchange or release of any security that may at any time secure any part of the Senior Lender Claims and to the addition or release of any other Person primarily or secondarily liable therefor.

8.7. Consent to Jurisdiction; Waivers. The parties hereto consent to the nonexclusive jurisdiction of any state or federal court located in New York County, New York (the "**New York Courts**"), and consent that all service of process may be made by registered mail directed to such party as provided in Section 8.8 for such party. Service so made shall be deemed to be completed three days after the same shall be posted as aforesaid. The parties hereto waive any objection to any action instituted hereunder in any such court based on forum non conveniens, and any objection to the venue of any action instituted hereunder in any such court. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement, or any course of conduct, course of dealing, verbal or written statement or action of any party hereto in connection with the subject matter hereof. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement in the courts of any jurisdiction, except that each Second Priority Secured Party and each Second Priority Agent agrees that (a) it will not bring any such action or proceeding in any court other than New York Courts, and (b) in any such action or proceeding brought against any Second Priority Agent or any Grantor or any Second Priority Secured Party in any other court, it will not assert any cross-claim, counterclaim or setoff, or seek any other affirmative relief, except to the extent that the failure to assert the same will preclude such Second Priority Secured Party from asserting or seeking the same in the New York Courts.

8.8. Notices. All notices to the Second Priority Secured Parties and the Senior Lenders permitted or required under this Agreement may be sent to the Trustee, the First Lien Agents or any Second Priority Agent as provided in the Second Priority Senior Secured Notes Indenture, the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, the other relevant Senior Lender Documents or the other relevant Second Priority Documents, as applicable. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, electronically mailed or sent by courier service or U.S. mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a telecopy or electronic mail or upon receipt via U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto shall be as set forth below each party's name on the signature pages hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties. The First Lien Agents hereby agree to promptly notify each Second Priority Agent upon payment in full in cash of all Obligations under the applicable Senior Lender Documents (except for contingent indemnities and cost and reimbursement obligations to the extent no claim therefor has been made).

8.9. Further Assurances. Each of the Second Priority Agents, on behalf of itself and each applicable Second Priority Secured Party, and each applicable First Lien Agent, on behalf of itself and each Senior Lender, agrees that each of them shall take such further action and shall execute and deliver to each other First Lien Agent and the Senior Lenders such additional documents and instruments (in recordable form, if requested) as each other First Lien Agent or the Senior Lenders may reasonably request, to effectuate the terms of and the lien priorities contemplated by this Agreement.

8.10. Governing Law. This Agreement has been delivered and accepted in and shall be deemed to have been made in New York, New York and shall be interpreted, and the rights and liabilities of the parties bound hereby determined, in accordance with the laws of the State of New York.

8.11. Binding on Successors and Assigns. This Agreement shall be binding upon the First Lien Agents, the Senior Lenders, the Second Priority Agents, the Second Priority Secured Parties and their respective permitted successors and assigns.

8.12. Specific Performance. Each First Lien Agent may demand specific performance of this Agreement. Each Second Priority Agent, on behalf of itself and each applicable Second Priority Secured Party, hereby irrevocably waives any defense based on the adequacy of a remedy at law and any other defense that might be asserted to bar the remedy of specific performance in any action that may be brought by any First Lien Agent.

8.13. Section Titles. The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement.

8.14. Counterparts. This Agreement may be executed in one or more counterparts, including by means of facsimile, each of which shall be an original and all of which shall together constitute one and the same document.

8.15. Authorization. By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement. The First Lien Agents represent and warrant that this Agreement is binding upon the Senior Lenders. The Trustee represents and warrants that this Agreement is binding upon the Indenture Secured Parties.

8.16. No Third Party Beneficiaries; Successors and Assigns. This Agreement and the rights and benefits hereof shall inure to the benefit of, and be binding upon, each of the parties hereto and their respective successors and assigns and shall inure to the benefit of each of, and be binding upon, the holders of Senior Lender Claims and Second Priority Claims. No other Person shall have or be entitled to assert rights or benefits hereunder. Notwithstanding the foregoing, the Company is an intended beneficiary and third party beneficiary hereof with the right and power to enforce with respect to Sections 5.1, 5.3, 5.7, 8.3, 8.16 and 8.22 and Article VI hereof and as otherwise provided herein.

8.17. Effectiveness. This Agreement shall become effective when executed and delivered by the parties hereto. This Agreement shall be effective both before and after the commencement of any Insolvency or Liquidation Proceeding. All references to the Company or any other Grantor shall include the Company or any other Grantor as debtor and debtor-in-possession and any receiver or trustee for the Company or any other Grantor (as the case may be) in any Insolvency or Liquidation Proceeding.

8.18. First Lien Agents and Second Priority Agents. It is understood and agreed that (a) Bank of America, N.A. is entering into this Agreement in its capacity as administrative agent and collateral agent under the Credit Agreement and the provisions of Article VIII of the Credit Agreement applicable to Bank of America, N.A. as administrative agent and collateral agent thereunder shall also apply to Bank of America, N.A. as Credit Agreement Agent hereunder, and (b) U.S. Bank National Association is entering into this Agreement in its capacity as Trustee, and the provisions of Article VII of the Second Priority Senior Secured Notes Indenture applicable to the trustee thereunder shall also apply to the Trustee hereunder.

8.19. Relative Rights. Notwithstanding anything in this Agreement to the contrary (except to the extent contemplated by Section 5.3(b)), nothing in this Agreement is intended to or will (a) amend, waive or otherwise modify the provisions of the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, the Second Priority Senior Secured Notes Indenture or any other Senior Lender Documents or Second Priority Documents entered into in connection with the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, the Second Priority Senior Secured Notes Indenture or any other Senior Lender Document or Second Priority Document or permit Holdings, the Company or any Subsidiary to take any action, or fail to take any action, to the extent such action or failure would otherwise constitute a breach of, or default under, the Credit Agreement or any other Senior Lender Documents entered into in connection with the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, the Second Priority Senior Secured Notes Indenture or any other Second Priority Documents, (b) change the relative priorities of the Senior Lender Claims or the Liens granted under the Senior Lender Documents on the Common Collateral (or any other assets) as among the Senior Lenders, (c) otherwise change the relative rights of the Senior Lenders in respect of the Common Collateral as among such Senior Lenders or (d) obligate Holdings, the Company or any Subsidiary to take any action, or fail to take any action, that would otherwise constitute a breach of, or default under, the Credit Agreement, the Other First Priority Lien Obligations Credit Documents or any other Senior Lender Document entered into in connection with the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, the Second Priority Senior Secured Notes Indenture or any other Second Priority Documents.

8.20. References. Notwithstanding anything to the contrary in this Agreement, any references contained herein to any Section, clause, paragraph, definition or other provision of the Second Priority Senior Secured Notes Indenture (including any definition contained therein) shall be deemed to be a reference to such Section, clause, paragraph, definition or other provision as in effect on the date of this Agreement; provided that any reference to any such Section, clause, paragraph or other provision shall refer to such Section, clause, paragraph or other provision of the Second Priority Senior Secured Notes Indenture, as applicable (including any definition contained therein), as amended or modified from time to time if such amendment or modification has been (1) made in accordance with the Second Priority Senior Secured Notes Indenture, and (2) approved in writing by, or on behalf of, the requisite Senior Lenders as are needed under the terms of the Credit Agreement and the Other First Priority Lien Obligations Credit Documents, to approve such amendment or modification.

8.21. [Reserved]

8.22. Joinder Requirements. The Company and/or any First Lien Agent and/or any Second Priority Agent, without the consent of any other First Lien Agent or Second Priority Agent, any Senior Lender or any Second Priority Secured Party, may designate additional obligations as Other First Priority Lien Obligations or Future Second Lien Indebtedness if the incurrence of such obligations is permitted under each of the Credit Agreement, each Other First Priority Lien Obligations Credit Document, the Second Priority Senior Secured Notes Indenture, all other relevant Senior Lender Documents and Second Priority Documents and this Agreement. If so permitted, as a condition precedent to the effectiveness of such designation, the applicable Other First Priority Lien Obligations Agent or the administrative agent or trustee and collateral agent for such Future Second Lien Indebtedness shall execute and deliver to each First Lien Agent and Second Priority Agent, a joinder agreement to this Agreement in form and substance reasonably satisfactory to the Credit Agreement Agent. Notwithstanding anything to the contrary set forth in this Section 8.22 or in Section 8.3 hereof, any First Lien Agent and/or any Second Priority Agent may, and, at the request of the Company, shall, in each case, without the consent of any other First Lien Agent or Second Priority Agent, any Senior Lender or any Second Priority Secured Party, enter into a supplemental agreement (which may take the form of an amendment, an amendment and restatement or a supplement of this Agreement) to facilitate the designation of such additional obligations as Other First Priority Lien Obligations or Future Second Lien Indebtedness. Any such amendment may, among other things, (i) add other parties holding Future Second Lien Indebtedness (or any agent or trustee therefor) to the extent such Indebtedness is not prohibited by the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, the Second Priority Senior Secured Notes Indenture or any other Second Priority Document governing Future Second Lien Indebtedness, (ii) add other parties holding Obligations arising under the Other First Priority Lien Obligations Credit Documents (or any agent or trustee thereof) to the extent such Obligations are not prohibited by the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, the Second Priority Senior Secured Notes Indenture or any other Second Priority Document governing Future Second Lien Indebtedness, (iii) in the case of Future Second Lien Indebtedness, (a) establish that the Lien on the Common Collateral securing such Future Second Lien Indebtedness shall be junior and subordinate in all respects to all Liens on the Common Collateral securing any Senior Lender Claims and shall share in the benefits of the Common Collateral equally and ratably with all Liens on the Common Collateral securing any Second Priority Claims, and (b) provide to the holders of such Future Second Lien Indebtedness (or any agent or trustee thereof) the comparable rights and benefits (including any improved rights and benefits that have been consented to by the First Lien Agents) as are provided to the holders of Second Priority Claims under the foregoing Agreement prior to the incurrence of such Future Second Lien Indebtedness, and (iv) in the case of Obligations arising under Other First Priority Lien Obligations Credit Documents, (a) establish that the Lien on the Common Collateral securing such Obligations shall be superior in all respects to all Liens on the Common Collateral securing any Second Priority Claims and any Future Second Lien Indebtedness and shall share in the benefits of the Common Collateral equally and ratably with all Liens on the Common Collateral securing any other Senior Lender Claims, and (b) provide to the holders of such Obligations arising under the Other First Priority Lien Obligations Credit Documents (or any agent or trustee thereof) the comparable rights and benefits as are provided to the holders of Senior Lender Claims under the foregoing Agreement prior to the incurrence of such Obligations. Any such additional party, each First Lien Agent and each Second Priority Agent shall be entitled to rely on the determination of officers of the Company that such modifications do not violate the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, the Second Priority Senior Secured Notes Indenture or any other Second Priority Document governing Future Second Lien Indebtedness if such determination is set forth in an officers' certificate delivered to such party, the First Lien Agents and each Second Priority Agent; provided, however, that such determination will not affect whether or not the Company has complied with its undertakings in the Credit Agreement, the Other First Priority Lien Obligations Credit Documents, the Senior Collateral Documents, the Second Priority Senior Secured Notes Indenture, any other Second Priority Document governing Future Second Lien Indebtedness or the Second Priority Collateral Documents.

8.23. Intercreditor Agreements. Each party hereto agrees that the Senior Lenders (as among themselves) and the Second Priority Secured Parties (as among themselves) may each enter into intercreditor agreements (or similar arrangements) with the applicable First Lien Agent or Second Priority Agent governing the rights, benefits and privileges as among the Senior Lenders or the Second Priority Secured Parties, as the case may be, in respect of the Common Collateral, this Agreement and the other Senior Collateral Documents or Second Priority Collateral Documents, as the case may be, including as to application of proceeds of the Common Collateral, voting rights, control of the Common Collateral and waivers with respect to the Common Collateral, in each case so long as (A) the terms thereof do not violate or conflict with the provisions of this Agreement or the other Senior Collateral Documents or Second Priority Collateral Documents, as the case may be, (B) in the case of any such intercreditor agreement (or similar arrangement) affecting any Senior Lenders, the First Lien Agent acting on behalf of such Senior Lenders agrees in its sole discretion to enter into any such intercreditor agreement (or similar arrangement) and (C) in the case of any such intercreditor agreement (or similar arrangement) affecting the Senior Lenders holding Senior Lender Claims under the Credit Agreement, such intercreditor agreement (or similar arrangement) is permitted under the Credit Agreement or the Required Lenders otherwise authorize the applicable First Lien Agent to enter into any such intercreditor agreement (or similar arrangement). Notwithstanding the preceding clauses (B) and (C), to the extent that the applicable First Lien Agent is not authorized by the Required Lenders to enter into any such intercreditor agreement (or similar arrangement) or does not agree to enter into such intercreditor agreement (or similar arrangement), such intercreditor agreement (or similar arrangement) shall not be binding upon the applicable First Lien Agent but, subject to the immediately succeeding sentence, may still bind the other parties party thereto. In any event, if a respective intercreditor agreement (or similar arrangement) exists, the provisions thereof shall not be (or be construed to be) an amendment, modification or other change to this Agreement or any other Senior Collateral Document or Second Priority Collateral Document, and the provisions of this Agreement and the other Senior Collateral

Documents and Second Priority Collateral Documents shall remain in full force and effect in accordance with the terms hereof and thereof (as such provisions may be amended, modified or otherwise supplemented from time to time in accordance with the terms thereof, including to give effect to any intercreditor agreement (or similar arrangement)).

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

BANK OF AMERICA, N.A.
as Credit Agreement Agent

By: ____
Name:
Title:

Address:
Attention:
Telecopier:

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: ______________________________
Name: Raymond S. Haverstock
Title: Vice President

Address:	EP-MN-WS3C, 60 Livingston Avenue, St. Paul MN, 55107-1419
Attention:	Corporate Trust
Telecopier:	651-495-8097

Acknowledgement of Intercreditor Agreement

The Company has read the foregoing Agreement and consents thereto. The Company agrees not to take any action that would be contrary to the provisions of the foregoing Agreement and agrees that, except as otherwise provided therein, including with respect to those provisions of which the Company is an intended third party beneficiary, no Second Priority Agent, First Lien Agent, Senior Lender or Second Priority Secured Party shall have any liability to the Company for acting in accordance with the provisions of the foregoing Agreement and the Credit Agreement, the Second Priority Senior Secured Notes Indenture and other collateral, security and credit documents referred to therein. The Company understands that it is not an intended beneficiary or third party beneficiary of the foregoing Agreement except that it is an intended beneficiary and third party beneficiary thereof with the right and power to enforce with respect to Sections 5.1, 5.3, 5.7, 8.3, 8.16 and 8.22 and Article VI thereof and as otherwise provided therein. The Company agrees to be bound by Section 8.22 of the foregoing Agreement.

Notwithstanding anything to the contrary in the foregoing Agreement or provided herein, each of the undersigned and each party to the foregoing Agreement agree, on behalf of itself and in its capacity as agent under the foregoing Agreement, that (i) the Company and the other Grantors shall not have any right to consent to or approve any amendment, modification or waiver of any provision of the foregoing Agreement except to the extent their rights are adversely affected (in which case the Company shall have the right to consent to or approve any such amendment, modification or waiver) and (ii) upon the Company's request in connection with a designation of additional obligations as Other First Priority Lien Obligations or Future Second Lien Indebtedness, any First Lien Agent and/or any Second Priority Agent shall enter into such supplemental agreements (which may each take the form of an amendment, an amendment and restatement or a supplement of the foregoing Agreement) to facilitate the designation of such additional obligations as contemplated by Section 8.22 of the foregoing Agreement as the Company may request.

Without limitation of the foregoing, the undersigned agree, at the Company's expense, to take such further action and to execute and deliver such additional documents and instruments (in recordable form, if requested) as any of the Company, the Credit Agreement Agent, the Trustee or any other First Lien Agent or Second Priority Agent may reasonably request to effectuate the terms of the foregoing Agreement.

For the purposes hereof, the address of the Company shall be as set forth in the Credit Agreement.

[Remainder of page intentionally left blank]

Harrah’s Operating Company, Inc.

By: ______________________________
Name:
Title:

Acknowledged and Agreed:

Bank of America, N.A.
as Credit Agreement Agent

By: ______________________________
Name:
Title:

U.S. Bank National Association
as Trustee

By: ______________________________
Name: Raymond S. Haverstock
Title: Vice President

Exhibit 10.16

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made as of January 28, 2008, and amended on March 13, 2009, between Harrah's Entertainment, Inc., with offices at One Caesars Palace Drive, Las Vegas, Nevada (the "Company"), and Gary W. Loveman ("Executive").

The Company and Executive agree as follows:

1. Introductory Statement. The Company desires to secure the services of Executive as Chief Executive Officer and President effective on the Closing Date of the merger (the "Effective Date") between Hamlet Merger Inc. and Harrah's Entertainment, Inc. (the "Merger"), as defined in the agreement and plan of merger (the "Merger Agreement") dated December 19, 2006, by and among Hamlet Holdings LLC, Hamlet Merger, Inc., and Harrah's Entertainment, Inc., and Executive is willing to execute this Agreement with respect to his employment. This Agreement supersedes the employment agreement between the Company and Executive dated September 4, 2002, as amended on October 31, 2005 (the "Prior Employment Agreement") and the Severance Agreement between the Company and Executive dated January 1, 2003 (the "Severance Agreement").

The Company hereby agrees to employ Executive, and Executive hereby agrees to be employed by the Company, subject to the terms and conditions of this Agreement, for a period beginning on the Effective Date and ending on the fifth anniversary thereof (the "Initial Term"); provided that, on the fifth anniversary and each anniversary of the Effective Date thereafter, the employment period shall be extended by one year unless at least sixty (60) days prior to such anniversary, the Company or Executive delivers a written notice (a "Notice of Non-Renewal") to the other party that the employment period shall not be so extended (the Initial Term as from time to time extended or renewed, the "Employment Term").

2. Agreement of Employment. Effective as of the Effective Date, the Company agrees to, and hereby does, employ Executive, and Executive agrees to, and hereby does accept, continued employment by the Company, in a full-time capacity as Chief Executive Officer and President pursuant to the provisions of this Agreement and of the bylaws of the Company, and subject to the control of the Board of Directors (the "Board"). It is understood that Executive's positions as Chief Executive Officer and President are subject to his yearly re-election to these positions by the Board. During the Employment Term, for so long as Executive remains Chief Executive Officer and President of the Company, the Company shall use its best efforts to cause the Board to appoint Executive as a member of the Board or cause Executive to be nominated for election to the Board by the shareholders of the Company, if applicable. (See Section 8 herein for Executive's rights if such re-election as Chief Executive Officer and President or appointment or election as a member of the Board does not occur during the term of this Agreement).

3. Executive's Obligations. During the period of his service under this Agreement, Executive shall devote substantially all of his time and energy during business hours, faithfully and to the best of his ability, to the supervision and conduct of the business and affairs of the Company and to the furtherance of its interests, and to such other duties as directed by the Board. (Executive may serve on the board of directors of other companies with Board approval (which

will not be unreasonably withheld), and may participate in civic and charitable endeavors of his choosing, in each case if such service or participation does not individually or in the aggregate substantially interfere with his primary duties or create a conflict of interest.)

4. Compensation.

4.1 Base Salary. As compensation for all services performed by Executive under and during the Employment Term, the Company shall pay to Executive a base salary at the rate of $2,000,000.00 per year, in equal bi-weekly installments in accordance with its customary payroll practices. The Compensation Committee of the Board (or any successor committee responsible for setting compensation levels for executives, the "Committee") shall, in good faith, review the salary of Executive, on an annual basis, with a view to consideration of appropriate merit increases (but not decreases) in such salary. Such base salary, as may be increased from time to time, is hereafter referred to as the "Base Salary"; provided that "Base Salary" shall mean the greater of (i) your then current base salary and (ii) $2,000,000 for purposes of Section 6.3 (Life Insurance), Section 8.2(b) (severance) and Section 11(d) (Disability). All payments will be subject to Executive's chosen benefit deductions and the deductions of payroll taxes and similar assessments as required by law.

4.2 Bonus. Executive will participate in the Company's annual incentive bonus program(s) applicable to Executive's position, in accordance with the terms of such program(s), shall have the opportunity to earn an annual bonus thereunder based on the achievement of performance objectives determined by the Board after consultation with Executive and shall include a minimum target bonus of at least 1.5 times Executive's annual Base Salary.

4.3 Aircraft. The Company shall provide Executive with the use of the Company's aircraft or charter aircraft for security purposes for himself and his family for business and personal travel (with standard charges for family members and for non-Company business usage consistent with past practice), including travel between Boston, Massachusetts and Las Vegas, Nevada or reimburse Executive for first class travel or charter aircraft travel expenses. The Company also will provide Executive, if he so chooses, with security arrangements at his residences in such a manner and at such levels as reasonably requested by Executive.

4.4 Accommodations. The Company shall make available accommodations for the exclusive use of Executive at one of the Company's properties in Las Vegas, Nevada, while Executive is in Las Vegas performing his normal duties. The parties recognize that the cost associated with providing Executive accommodations in Las Vegas may, under the governing tax laws, be deemed to be additional income to Executive. The Company agrees that should it be determined that the cost associated with providing Executive such accommodations amounts to additional income to Executive, the Company will (a) reimburse Executive for any additional tax Executive is required to pay; and (b) pay any additional taxes and costs incurred by Executive associated with such tax reimbursements. All reimbursements hereunder will be made no later than the end of Executive's taxable year next following Executive's taxable year in which the taxes (and any income or other related taxes or interest or penalties thereon) on such accommodations are remitted to the United States Internal Revenue Service or any other applicable taxing authority.

If Executive dies or resigns pursuant to this Agreement or pursuant to any other agreement between the Company and Executive providing for such resignation during the period of this Agreement, service for any part of the month in which any such event occurs shall be considered service for the entire month.

5. Equity Award. (a) As soon as reasonably practicable following the Effective Date and in no event later than fifteen business days following the Effective Date, the Company will grant Executive options (the "Options") to purchase shares of non-voting common stock of the Company (the "Option Shares") at an exercise price per Option Share equal to $100.00 per share. The specific terms and conditions governing all aspects of the Options shall be provided in separate grant agreements and any relevant plan documents (collectively, the "New Option Plan"). The Options shall be comprised of the following two tranches: (i) twenty percent (20%) of the Options (the "Time Based Options") will vest and become exercisable in equal annual installments of twenty percent (20%) over a five-year period, subject to Executive's continued employment with the Company through the applicable vesting date and (ii) eighty percent (80%) of the Options (the "Performance Based Options") will vest and become exercisable only upon the achievement by the Company of certain performance targets in accordance with the New Option Plan.

(b) The New Option Plan shall represent a minimum of 8.64% of the fully-diluted shares of non-voting common stock of the Company immediately after consummation of the Merger, with 5.4% in the form of Time Based Options and 3.24% in the form of Performance Based Options, provided, that, such percentages may be increased on a one time basis in the good faith discretion of the Company to reflect the dividend rate on the Company's non-voting preferred stock, consistent with the methodology for such adjustments previously provided to the Executive. Executive shall be granted in accordance with the foregoing provisions a number of Time Based Options equal to 20% of the total number of Time Based Options and a number of Performance Based Options equal to 39.23% of the total number of Performance Based Options. As a condition to Executive's receipt of the Options pursuant to this Section 5, Executive shall execute an acknowledgment in form and substance reasonably acceptable to the Company that the Company has satisfied its obligations pursuant to this Section 5.

(c) Executive has been permitted, on a tax-free basis, to rollover existing Company stock outstanding prior to the Effective Date into shares of non-voting common stock and non-voting preferred stock of the Company following the Effective Date on the same basis and subject the same terms and conditions as other investors, including, without limitation, the Sponsors (as defined in the Management Investor Rights Agreement, dated as of January 28, 2008 among the Company, Employee and the other parties specified therein (the "MIRA"). Executive has entered into a rollover option agreement that provides for the conversion of options to purchase shares of the Company prior to the Effective Date into Options exercisable with respect to Option Shares following the Effective Date with such conversion preserving the intrinsic "spread value" of the converted option.

(d) Executive shall execute the MIRA and such other related agreements that are in forms reasonably acceptable to Executive and the Company (such agreements, together with the rollover option agreement, option grant and stock incentive plan, the "Equity Agreements").

6. Benefits. During the Employment Term, except as otherwise provided herein, Executive shall be entitled to participate in any and all incentive compensation and bonus arrangements maintained by the Company for its senior officers and to receive benefits and perquisites at least as favorable to Executive as those presently provided to Executive by the Company, and as may be enhanced for all senior officers.

6.1 Health Insurance. Executive will receive the regular group health plan coverage(s) provided to senior officers, which coverage(s) may be subject to generally applicable changes during the Employment Term, provided that such changes are generally applicable to senior officers. Executive will be required to contribute to the cost of the basic plan in the same manner as other senior officers. Executive will receive coverage under no less favorable a health plan than other senior officers.

6.2 Long Term Disability Benefits. Executive will be eligible to receive long term disability coverage paid by the Company as follows: group plan providing $180,000 annual maximum benefit and a supplemental plan with an additional $60,000 annual maximum benefit. Executive will also receive, subject to Executive being able to comply with the medical and physical eligibility requirement of the policy (insurability) chosen by the Company, 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, both fully paid by the Company during the term of this Agreement.

6.3 Life Insurance. Executive will receive life insurance paid by the Company with a death benefit equal to at least three (3) times his then current Base Salary.

6.4 Retirement Plan. Executive will also be eligible during the Employment Term to participate in the Company's 401(k) Plan, as may be modified or changed, as well as its Executive Supplemental Savings Plan, as may be modified or changed from time to time, in the same manner as other senior officers of the Company.

6.5 Financial Counseling. During the Employment Term, Executive will also receive Fifty Thousand Dollars ($50,000.00) per year for financial counseling. Any unused portion of the yearly financial counseling stipend will not carry over to the following year.

6.6 Vacation. Executive will receive five (5) weeks of paid vacation per calendar year of the Agreement.

6.7 280G Gross-Up. In the event that any payments or benefits paid or provided to Executive in connection with the Merger will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company will provide Executive with the additional payments set forth on Exhibit A no later than the end of Executive's taxable year in which the Excise Tax is required to be paid by Executive.

6.8 Reimbursement of Expenses. The Company shall pay or will reimburse Executive for reasonable business expenses incurred in the performance of Executive's duties hereunder in accordance with Company policy.

6.9 D&O Insurance. The Company shall provide Executive with Director's and Officer's indemnification insurance coverage in amount and scope that is customary for a company of the Company's size and nature.

6.10 Reimbursements; In-Kind Benefits To the extent that any amount eligible for reimbursement or any in-kind benefit provided under this Agreement is deferred compensation subject to the requirements of Section 409A of the Code, the following rules shall apply:

(a) Payment of such reimbursements shall be made no later than the end of Executive's taxable year following the taxable year in which the expense is incurred;

(b) All such amounts eligible for reimbursement or any in-kind benefit provided under this Agreement in one taxable year shall not affect the amount eligible for reimbursement or in-kind benefits to be provided in any other taxable year; and

(c) The right to any such reimbursement or in-kind benefit hereunder shall not be subject to liquidation or exchange for any other benefit.

The parties intend that all reimbursements or in-kind benefits provided for hereunder will be made in a manner that makes such reimbursements and in-kind benefits consistent with or exempt from Section 409A of the Code.

7. Termination from Employment. After the date of Executive's termination from employment at any time, and for any reason or for no reason (including termination or resignation prior to the end of the Initial Term, if that should occur), Executive will be entitled to participate for his lifetime (the "Life Coverage Period") in the Company's group health insurance plans applicable to senior officers, including family coverage as applicable (medical, dental and vision coverage). Executive's group health insurance benefits after any termination of employment will not be less than those offered to the then-current senior officers of the Company, and Executive will be entitled to any later enhancements in such benefits (for the avoidance of doubt, any such amendment that adversely and disproportionately impacts inactive employees shall be null and void as to Executive). However, during the Life Coverage Period Executive shall pay twenty percent (20%) of the then applicable premium for current employees (revised annually) on an after-tax basis each quarter, and the Company shall pay eighty percent (80%) of said premium on an after-tax basis, which contribution will be imputed income to Executive to the extent required by the applicable provisions of the Code. As soon after the end of Executive's full-time active employment status and after Executive becomes eligible for Medicare coverage, the Company's group health insurance plan shall become secondary to Medicare. For the avoidance of doubt, the amount of health insurance benefits paid to Executive under this Section 7 shall be subject to the provisions of Section 6.10 herein.

8. Termination Without Cause or Resignation for Good Reason.

8.1 The Board reserves the right to terminate the Employment Term and Executive from his then current position without Cause at any time upon at least thirty (30) days prior written notice. The failure of the Board to elect Executive as Chief Executive Officer during the annual election of officers shall also be deemed termination without Cause for purposes of this Agreement unless, before the election, the Board has sent written notice initiating termination for Cause as provided in Section 13.1 hereof, and Executive is thereafter terminated for Cause. Executive reserves the right to terminate the Employment Term and resign his position for Good Reason (as defined in Section 13.2 herein) by giving the Company thirty (30) days written notice which states the basis for such Good Reason.

8.2 Upon Executive's termination without Cause or resignation from his position for Good Reason as described in Section 8.1 above:

(a) The Company shall pay Executive, within thirty (30) days following his termination of employment, Executive's accrued but unused vacation, unreimbursed business expenses and Base Salary through the date of termination (to the extent not theretofore paid) (the "Accrued Benefits");

(b) Subject to Executive executing and not revoking the release attached hereto as Exhibit B, the Company will pay Executive in approximately equal installments during the twenty-four (24) month period following such termination (the "Severance Period"), a cash severance payment in an amount equal to two (2) multiplied by the sum of (i) his Base Salary and (ii) target bonus as in effect on the date of termination (the "Severance Payment"). If applicable, Executive will be entitled to receive the benefits set forth on Exhibit C hereto during the Severance Period. The installments of the Severance Payment will be paid to Executive in accordance with the Company's customary payroll practices, and will commence on the first payroll date following the termination of Executive's employment; provided, that, if, as of the date of termination, Executive is a "specified employee" as defined in subsection (a)(2)(B)(i) of Section 409A of the Code ("Specified Employee"), such payments will not commence until the first business day after the date that is six months following Executive's "separation from service" within the meaning of subsection (a)(2)(A)(i) of Section 409A of the Code (the "Delayed Payment Date") and, on the Delayed Payment Date, the Company will pay to Executive a lump sum equal to all amounts that would have been paid during the period of the delay if the delay were not required plus interest on such amount at a rate equal to the short-term applicable federal rate then in effect, and will thereafter continue to make payments in installments in accordance with this Section 8.2(b);

(c) The Company will pay Executive in cash, at the time of such termination an amount equal to his target bonus for the year pro rated based on the number of days in the applicable bonus period preceding the date of Executive's termination of employment; provided, however, that if, as of the date of termination pursuant to this Section 8.2, Executive is a Specified Employee, such amount shall be paid on the Delayed Payment Date (plus interest on such amount from the date of termination through the date of payment at a rate equal to the short-term applicable federal rate then in effect).

(d) Executive’s Escrow Agreement (if then in force) and Indemnification Agreement will continue in force (subject to amendment or termination in accordance with their terms); and

(e) Executive’s Stock Options and Option Shares will be treated in accordance with the terms of the Equity Agreements.

Except as otherwise provided in this Agreement, and except for any vested benefits under any tax qualified pension plans of the Company and vested deferred compensation under any applicable deferred compensation plans, and continuation of health insurance benefits on the terms and to the extent required by Section 4980B of the Code and Section 601 of the Employee Retirement Income Security Act of 1974, as amended (which provisions are commonly known as “COBRA”), neither the Company nor Executive shall have any additional obligations under this Agreement.

9. Termination for Cause or Resignation Without Good Reason.

9.1 The Board will have the right to terminate the Employment Term and Executive’s employment with the Company at any time from his then-current positions for Cause (as defined in Section 13.1 herein). Executive shall resign from the Board promptly after the Company’s request, in the event Executive is so terminated or Executive resigns with or without Good Reason. A resignation by Executive without Good Reason shall not be a breach of this Agreement.

If the Employment Term and Executive’s employment is terminated for Cause, or if he resigns his position without Good Reason, then: (a) Executive’s employment shall be deemed terminated on the date of such termination or resignation; (b) he shall be entitled to receive all Accrued Benefits from the Company within thirty (30) days following such termination; (c) his rights with respect to his Stock Options and Option Shares will be as set forth in the Equity Agreements; (d) his Indemnification Agreement will continue in force; (e) the Escrow Agreement, if then in force, will continue in force, unless such agreement is thereafter amended or terminated pursuant to its terms; and (f) he will be entitled to the lifetime group insurance benefits described in Section 7 above, except that any future amendments to such benefits shall apply to him in the same manner as such amendments apply to active senior officers (for the avoidance of doubt, any such amendment that adversely and disproportionately impacts inactive employees shall be null and void). Except as otherwise provided in this Agreement, and except for any vested benefits under any tax qualified pension plans of the Company and vested deferred compensation under any applicable deferred compensation plans, and continuation of health insurance benefits on the terms and to the extent required by COBRA, neither the Company nor Executive shall have any additional obligations under this Agreement.

10. Death. In the event the Employment Term and Executive’s employment is terminated due to his death, his right to receive his Base Salary and benefits under this Agreement will terminate (except with respect to Accrued Benefits), and his estate and beneficiary(ies) will receive the benefits they are entitled to receive under the terms of the Company’s benefit plans and programs by reason of a participant’s death during active employment. Executive’s estate shall be entitled to receive (a) all Accrued Benefits from the

Company within thirty (30) days following such termination and (b) Executive's surviving family and spouse will be entitled to payment for the cost of twelve (12) months of COBRA coverage, or if longer, continuation of coverage under any applicable law. Executive's Stock Options and Option Shares will be treated in accordance with the terms of the Equity Agreements. The Escrow Agreement, if then in force, will continue in force (subject to its amendment or termination in accordance with its terms) for the benefit of Executive's beneficiaries until his deferred compensation accounts are paid in full, and Executive's Indemnification Agreement will continue in force for the benefit of his estate. For the avoidance of doubt, Executive's estate shall be an express third party beneficiary of this provision, with the right to enforce the provision for and on behalf of his beneficiaries.

If Executive dies during the Severance Period, all of the provisions of Section 8.2 (if applicable) will apply, except that any remaining Severance Payments will be paid in a lump sum to his estate.

Except as otherwise provided in this Agreement, and except for any vested benefits under any tax qualified pension plans of the Company and vested deferred compensation under any applicable deferred compensation plans, and continuation of health insurance benefits on the terms and to the extent required by COBRA, neither the Company nor Executive shall have any additional obligations under this Agreement.

11. Disability. If the Employment Term and Executive's employment are terminated by reason of Executive's disability (as defined below), he will be entitled to apply, at his option, for the Company's long-term disability benefits. If he is accepted for such benefits, then Executive's Stock Options and Option Shares will be treated in accordance with the terms of the Equity Agreements, and the terms and provisions of the Company's benefit plans and programs that are applicable in the event of such disability of an employee shall apply in lieu of the salary and benefits under this Agreement, except that:

(a) the Escrow Agreement (if then in force) and his Indemnification Agreement will continue in force (subject to amendment or termination in accordance with their terms);

(b) Executive will be entitled to the lifetime group insurance benefits described in Section 7;

(c) Executive will be paid his Accrued Benefits within thirty (30) days of termination; and

(d) Executive will receive two (2) years of Base Salary continuation ("Salary Continuation Payment"), offset by any long term disability benefits to which he is entitled during such period of salary continuation. In addition to payment of his Base Salary, Executive will be entitled to the benefits set forth on Exhibit C, if applicable, during the salary continuation period. Notwithstanding the foregoing, if, as of the date of termination pursuant to this Section 11, Executive is a Specified Employee, installments of the Salary Continuation Payment will not commence until the Delayed Payment Date and, on the Delayed Payment Date, the Company will pay to Executive a lump sum equal to all amounts that would have been paid during the period of the delay if the delay were not required plus interest on such amount at a rate equal to the short-term applicable federal rate then in effect, and will thereafter continue to pay Executive the Salary Continuation Payment in installments in accordance with this Section.

If Executive is disabled so that he cannot perform his duties, then the Board may terminate his duties under this Agreement after giving Executive thirty (30) days notice of such termination (during which period Executive shall not have returned to full time performance of his duties). For purposes of this Agreement, disability will be the inability of Executive, with or without a reasonable accommodation, to perform the essential functions of his job for one hundred and eighty (180) days during any three hundred and sixty five (365) consecutive calendar day period as reasonably determined by the Committee (excluding Executive) based on independent medical advice from a physician who has examined Executive (such physician to be selected by the Company and reasonably acceptable to Executive).

Except as otherwise provided in this Agreement, and except for any vested benefits under any tax qualified pension plans of the Company and vested deferred compensation under any applicable deferred compensation plans, and continuation of health insurance benefits on the terms and to the extent required by COBRA, neither the Company nor Executive shall have any additional obligations under this Agreement.

12. <u>Enhanced Benefits in Connection with a Change in Control after the Effective Date</u>.

(a) If a Change in Control, as defined in the New Option Plan, occurs after the Effective Date and (i) during the two (2) year period following such Change in Control, the Employment Term and Executive’s employment are terminated by the Company without Cause or by Executive for Good Reason, or (ii) the Employment Term and Executive’s employment are terminated by the Company without Cause within six months prior to the Change in Control and such termination was by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change in Control transaction (such a termination of employment pursuant to this Section 12(a)(ii), an “<u>Anticipatory Termination</u>”), then in either case, subject to Executive executing and not revoking the release attached hereto as <u>Exhibit B</u>, Executive will be entitled to receive the payments and benefits set forth in Section 8.2, except that (A) the multiplier in Section 8.2(b) for determining the amount of the Severance Payments will be increased from two (2) to three (3) and (B) the Severance Payment shall be paid in a lump sum on the eighth day following execution (and non-revocation) of the release attached hereto as <u>Exhibit B</u> rather than in installments over a twenty four (24) month period.

(b) Notwithstanding any provision in this Agreement to the contrary, in the event of an Anticipatory Termination, any payments that are deferred compensation within the meaning of Section 409A of the Code that the Company shall be required to pay pursuant to Section 12 of this Agreement shall be paid as follows: (i) if such Change in Control is a “change in control event” within the meaning of Section 409A of the Code and the provisions of Treas. Reg. §1.409A-3(i)(5)(i), (A) except as provided in clause (i)(B), on the date of such Change in Control, or (B) if Executive is a Specified Employee and the Delayed Payment Date is later than the Change in Control, on the Delayed Payment Date, and (ii) if such Change in Control is not a "change in control event" within the meaning of Section 409A of the Code and the provisions of Treas. Reg. §1.409A-3(i)(5)(i), on the first business day following the 6-month anniversary of the date of such Anticipatory Termination (plus interest on such amount at a rate equal to the short-term applicable federal rate then in effect). In the event of an Anticipatory Termination, any payments or benefits that are not deferred compensation within the meaning of Section 409A of the Code that the Company shall be required to pay or provide pursuant to Section 12 of this Agreement shall be paid or shall commence being provided on the date of the Change in Control.

(c) If after the Effective Date, there occurs a transaction that constitutes a "change of control" under regulation 1.280G of the Code and, immediately prior to the change of control transaction:

(i) the stock of the Company is not publicly traded and the exemption described in Section 280G(b)(5) of the Code would apply to payments by the Company to Executive in connection with a change in control (as defined in Section 280G of the Code), Executive shall consider whether he is willing to waive his rights to receive excess parachute payments in connection with the transaction in that amount that would cause excise taxes under Section 4999 of the Code to apply. If Executive advises the Company that he will waive his rights to receive excess parachute payments in connection with the transaction in that amount that would cause excise taxes under Section 4999 of the Code to apply, following such waiver the Company shall use reasonable best efforts to obtain the requisite shareholder approval of any such excess parachute payments. In the event such shareholder approval is obtained, Executive acknowledges and agrees that he is not entitled to share in any tax savings resulting from the Company's deduction of the excess parachute payments.

(ii) the stock of the Company is publicly traded, Executive shall be entitled to a Gross Up Payment in accordance with Exhibit A.

(d) If Section 12 of this Agreement applies to any termination of employment, the provisions of Section 8.2 will not be applicable.

13. Definitions of Cause and Good Reason.

13.1 For purposes of this Agreement, "Cause" shall mean:

(a) the willful failure of Executive to substantially perform Executive's duties with the Company (as described in Section 3) or to follow a lawful reasonable directive from the Board (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Executive by the Board which specifically identifies the manner in which the Board believes that Executive has willfully not substantially performed Executive's duties or has willfully failed to follow a lawful reasonable directive and Executive is given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure, if curable.

(b) (i) any willful act of fraud, or embezzlement or theft by Executive, in each case, in connection with Executive's duties hereunder or in the course of Executive's employment hereunder or (ii) Executive's admission in any court, or conviction of, or plea of *nolo contendere* to, a felony that could reasonably be expected to result in damage to the business or reputation of the Company.

(c) Executive 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.

(d) (i) Executive's willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to the Company, or (ii) a final judicial order or determination prohibiting Executive from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the New York Stock Exchange.

For purposes of this Section 13.1, no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith and without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. The cessation of employment of Executive shall not be deemed to be for Cause unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to Executive and Executive is given an opportunity, together with counsel for Executive, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive is guilty of the conduct described in Section 13.1(a) through (d) of this definition, and specifying the particulars thereof in detail; provided, that if Executive is a member of the Board, Executive shall not vote on such resolution nor shall Executive be counted in determining the "entire membership" of the Board.

13.2 Good Reason. "Good Reason" shall mean, without Executive'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 Executive notifying the Company of his resignation for Good Reason:

(a) The assignment to Executive 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 Executive report to anyone other than the Board;

(c) The failure of Executive to be elected/re-elected as a member of the Board;

(d) A reduction by the Company in Executive's annual base salary of Two Million Dollars ($2,000,000.00), as the same may be increased from time to time pursuant to Section 4 hereof;

(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 Executive 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 Executive'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 Executive any material portion of his current compensation, except pursuant to a compensation deferral elected by Executive, or deferral compensation required by this Agreement, or to pay to Executive 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) Except as permitted by this Agreement or as agreed by Executive, the failure by the Company to continue in effect compensation plans (and Executive'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 Executive's participation relative to other participants at Executive's grade level, to those in which Executive is participating on the date of this Agreement;

(h) The failure by the Company to continue to provide Executive 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 Executive is participating on the date of this Agreement, 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 on the date of this Agreement, except as permitted by this Agreement;

(i) Delivery of a written Notice of Non-Renewal by the Company to Executive; or

(j) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 19 hereof.

14. Non-Competition Agreement.

14.1 During the Employment Term (so long as Executive remains employed by the Company or its affiliates) and for a period of two (2) years following the termination of Executive's employment with the Company and its affiliates, he will not, directly or indirectly, engage in any activity, including development activity, whether as an employee, consultant, director, investor, contractor, or otherwise, directly or indirectly, in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico, except with the prior specific written approval of the Company. Notwithstanding anything herein to the contrary, this Section 14.1 shall not prevent Executive from: (a) acquiring securities representing not more than 1% of the outstanding voting securities of any entity the securities of which are traded on a national securities exchange or in the over the counter market; or (b) obtaining employment in the hotel/resort industry for an entity that does not engage in the casino business or for a division, subsidiary or affiliate of a hotel or resort that engages in the casino business, provided that (i) the casino business represents less than 20% of the revenues of any such entity on a consolidated basis, and (ii) Executive does not provide services (other than de minimis services) to, or have any responsibilities regarding, the division, subsidiary or affiliate that engages in the casino business.

Executive acknowledges that the restrictions are reasonable as to both time and geographic scope, as the Company competes for customers with all gaming establishments in these areas.

14.2 If Executive breaches any of the covenants in Section 14.1, then the Company may terminate any of his rights under this Agreement upon thirty (30) days written notice, whereupon all of the Company's obligations under this Agreement shall terminate (including, without limitation, the right to lifetime group insurance) without further obligation to him except for obligations that have been paid (except as otherwise provided in Section 14.6), accrued or are vested as of or prior to such termination date. In addition, the Company shall be entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief. Executive's Stock Options and Option Shares will be treated in accordance with the terms of the Equity Agreements.

14.3 During the Employment Term (so long as Executive remains employed by the Company or its affiliates) and for a period of two (2) years following the termination of Executive's employment with the Company and its affiliates, Executive will not, directly or indirectly hire, induce, persuade or attempt to induce or persuade, any salary grade M50 or higher employee of the Company or its subsidiaries, to leave or abandon employment with the Company, its subsidiaries or affiliates, for any reason whatsoever (other than Executive's personal secretary and/or assistants).

14.4 During the Employment Term (so long as Executive remains employed by the Company or its affiliates) and for a period of two (2) years following the termination of Executive's employment with the Company and its affiliates, Executive will not communicate with employees, customers, or suppliers of the Company, or any subsidiaries or affiliates of the Company or any principals or employee thereof, or any person or organization in any manner whatsoever that is detrimental to the business interests of the Company, its subsidiaries or affiliates. Executive further agrees from the end of Executive's full-time employment with the Company and its affiliates not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the Company, its subsidiaries, affiliates or employees without the express written prior authorization of the Company, and the Company agrees that it will not make statements to the press or general public with respect to Executive that are detrimental to him without the express written prior authorization of Executive. Notwithstanding the foregoing, Executive shall not be prohibited at the expiration of the non-competition period from pursuing his own business interests that may conflict with the interests of the Company.

14.5 Each of Executive and the Company intends and agrees that if, in any action before any court, agency or arbitration tribunal, legally empowered to enforce the covenants in this Section 14, any term, restriction, covenant or promise contained in this Section 14 is found to be unreasonable and, accordingly, unenforceable, then such terms, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court, agency or arbitral tribunal.

14.6 Should any court, agency or arbitral tribunal legally empowered to enforce the covenants contained in this Section 14 find that Executive has breached the terms, restrictions covenants or promises herein in any material respect (except if it has been modified to make it enforceable): (a) the Company will not be obligated to continue to pay Executive the salary or benefits provided for under the severance provisions contained in the Agreement (including all required benefits under benefit plans), and (b) Executive will also reimburse the Company any severance benefits received after the date of termination as well as any reasonable costs and attorney fees necessary to secure such repayments. For the avoidance of doubt, the Company shall be entitled to money damages and/or injunctive relief due to Executive's breach of the terms, restrictions covenants or promises contained in this Section 14 without regard to whether or not such breach is material, it being understood that the limiting effect of the phrase "in any material respect" in the immediately preceding sentence shall operate solely with respect to the remedies available pursuant to this Section 14.6.

14.7 For the avoidance of doubt, for purposes of this Section 14, "Executive's employment" shall not include any period of salary continuation hereunder.

15. Confidentiality.

15.1 Executive's position with the Company will or has resulted in his exposure and access to confidential and proprietary information which he did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by him, directly or indirectly, would be irreparably injurious and detrimental to the Company. During his term of employment and without limitation thereafter, Executive agrees to use his best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to third parties. Executive shall not at any time during and after the end of his full-time active employment, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any firm, corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Agreement, unless expressly authorized to do so by the Company in writing. Notwithstanding the above, Executive may provide such Confidential Information if ordered by a federal or state court, arbitrator or any governmental authority, pursuant to subpoena, or as necessary to secure legal and financial counsel from third party professionals or to enforce his rights under this Agreement. In such cases, Executive will use his reasonable best efforts to notify the Company at least five (5) business days prior to providing such information, and the nature of the information required to be provided.

15.2 For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries, affiliates, whether or not a "trade secret" within the meaning of applicable law, which is not generally known to the general public and which has been or is from time to time disclosed to or developed by Executive as a result of his employment with the Company. Confidential Information includes, but is not limited to the Company's product development and marketing programs, data, future plans, formula, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by him or others, and any other information or documents which Executive is told or reasonably ought to know that the Company regards as confidential.

15.3 Executive agrees that upon separation from employment for any reason whatsoever, he shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in his possession (and all copies thereof) containing any such Confidential Information created in whole or in part by Executive within the scope of his employment, even if the items do not contain Confidential Information.

15.4 Executive shall also be required to sign a non-disclosure or confidentiality agreement in the Company's customary form for senior executives (or in the customary form executed by senior executives of Harrah's Operating Company, Inc.) if Executive is not currently a party to such an agreement with the Company. Such an agreement shall also remain in full force and effect, provided that, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

15.5 This Section and any of its provisions will survive Executive's separation of employment for any reason.

16. Injunctive Relief. Executive acknowledges and agrees that the terms provided in Sections 14 and 15 are the minimum necessary to protect the Company, its affiliates and subsidiaries, its successors and assigns in the use and enjoyment of the Confidential Information and the good will of the business of the Company. Executive further agrees that damages cannot fully and adequately compensate the Company in the event of a breach or violation of the restrictive covenants (Confidential Information and Non-Competition) and that without limiting the right of the Company to pursue all other legal and equitable remedies available to it, the Company shall be entitled to seek injunctive relief, including but not limited to a temporary restraining order, preliminary injunction and permanent injunction, to prevent any such violations or any continuation of such violations for the protection of the Company. The granting of injunctive relief will not act as a waiver by the Company of its right to pursue any and all additional remedies.

17. Post Employment Cooperation. Executive agrees that upon separation for any reason from the Company, Executive will cooperate in assuring an orderly transition of all matters being handled by him. Upon the Company providing reasonable notice to him, he will also appear as a witness at the Company's request and/or assist the Company in any litigation,

bankruptcy or similar matter in which the Company or any affiliate thereof is a party or otherwise involved. The Company will defray any reasonable out-of-pocket expenses incurred by Executive in connection with any such appearance. In connection therewith, the Company agrees to indemnify Executive as prescribed in Article Tenth of the Certificate of Incorporation, as amended, of the Company.

18. Release. Upon the termination of Executive's active full-time employment, and in consideration of and as a condition to the actual receipt of all compensation and benefits described in this Agreement (including without limitation any severance payments set forth in Section 8 or Section 12), except for claims arising from the covenants, agreements, and undertakings of the Company as set forth herein and except as prohibited by statutory language, Executive and the Company will enter into an agreement which forever and unconditionally mutually waives, and releases Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., their subsidiaries and affiliates, and their officers, directors, agents, benefit plan trustees, and employees, on the one hand, and Executive and his heirs and estate (and the beneficiaries thereof), on the other hand, from any and all claims, whether known or unknown, and regardless of type, cause or nature, including but not limited to claims arising under all salary, vacation, insurance, bonus, stock, and all other benefit plans, and all state and federal anti-discrimination, civil rights and human rights laws, ordinances and statutes, including Title VII of the Civil Rights Act of 1964 and the Age Discrimination in Employment Act, concerning his employment with Harrah's Entertainment, Inc., its subsidiaries and affiliates, the cessation of that employment and his service as a stockholder, an employee, officer and director of the Company and its subsidiaries. The form of mutual release is set forth in Exhibit B.

19. Assumption of Agreement on Merger, Consolidation or Sale of Assets. In the event the Company agrees to (a) enter into any merger or consolidation with another company in which the Company is not the surviving company; or (b) sell or dispose of all or substantially all of its assets, and the company which is to survive fails to make a written agreement with Executive to either: (i) assume the Company's financial obligations to Executive under this Agreement; or (ii) make such other provision for Executive as is satisfactory to Executive, then Executive shall have the right to resign For Good Reason as defined under this Agreement.

20. Assurances on Liquidation. The Company agrees that until the termination of this Agreement as above provided, it will not voluntarily liquidate or dissolve without first making a full settlement or, at the discretion of Executive, a written agreement with Executive satisfactory to and approved by him in writing, in fulfillment of or in lieu of its obligations to him under this Agreement.

21. Amendments; Entire Agreement. This Agreement may not be amended or modified orally, and no provision hereof may be waived, except in a writing signed by the parties hereto. This Agreement and the Equity Agreements contain the entire agreement between the parties concerning the subject matter hereof and supersede all prior agreements and understandings, written and oral, between the parties with respect to the subject matter of this Agreement and the Equity Agreements, including without limitation the Prior Employment Agreement and the Severance Agreement.

22. Assignment.

22.1 Except as otherwise provided in Section 22.2, this Agreement cannot be assigned by either party hereto, except with the written consent of the other. Any assignment of this Agreement by either party shall not relieve such party of its or his obligations hereunder.

22.2 The Company may elect to perform any or all of its obligations under this Agreement through its wholly-owned subsidiary, Harrah's Operating Company, Inc., or another subsidiary, and if the Company so elects, Executive will be an employee of Harrah's Operating Company, Inc., or such other subsidiary. Notwithstanding any such election, the Company's obligations to Executive under this Agreement will continue in full force and effect as obligations of the Company, and the Company shall retain primary liability for their performance.

23. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the personal representatives and successors in interest of the Company.

24. Governing Law. This Agreement shall be governed by the laws of the State of Nevada as to all matters, including but not limited to matters of validity, construction, effect and performance.

25. Jurisdiction. Any judicial proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement or any agreement identified herein may be brought only in state or federal courts of the State of Nevada, and by the execution and delivery of this Agreement, each of the parties hereto accepts for themselves the exclusive jurisdiction of the aforesaid courts and irrevocably consents to the jurisdiction of such courts (and the appropriate appellate courts) in any such proceedings, waives any objection to venue laid therein and agrees to be bound by the judgment rendered thereby in connection with this Agreement or any agreement identified herein. The Company shall pay Executive all reasonable legal fees and expenses incurred by Executive in connection with any proceeding relating to the interpretation or enforcement of this Agreement instituted by Executive in good faith and in which Executive prevails on a material claim that is part of such proceeding.

26. Notices. Any notice to be given hereunder by either party to the other may be effected by personal delivery, in writing, or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses set forth below, but each party may change his or its address by written notice in accordance with this Section 26. Notices shall be deemed communicated as of the actual receipt or refusal of receipt.

If to Executive:	Gary W. Loveman [at the address listed in his employment file]
If to Company:	Harrah's Entertainment, Inc. One Caesars Palace Drive Las Vegas, Nevada 89109 Attn: General Counsel

27. Construction. This Agreement is to be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties.

28. Severability. If any provision of this Agreement shall be determined by a court to be invalid or unenforceable, the remaining provisions of this Agreement shall not be affected thereby, shall remain in full force and effect, and shall be enforceable to the fullest extent permitted by applicable law.

29. Withholding Taxes. Any payments or benefits to be made or provided to Executive pursuant to this Agreement shall be subject to any withholding tax (including social security contributions and federal income taxes) as shall be required by federal, state, and local withholding tax laws.

30. Counterparts. This Agreement may be executed by the parties in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

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IN WITNESS WHEREOF, Executive has hereunto set his hand and the Company has caused this Agreement to be executed in its name and on its behalf and its corporate seal to be hereunto affixed and attested by its corporate officers thereunto duly authorized.

/s/ GARY W. LOVEMAN
Gary W. Loveman

Harrah's Entertainment, Inc.

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

Exhibit 12

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

	Successor Jan. 28, 2008 through Dec. 31, 2008 (a)	Predecessor Jan. 1, 2008 through Jan. 27, 2008 (b)	2007(c)	2006(d)	2005(e)	2004(f)
Ratio of Earnings to Fixed Charges (g)						
(Loss)/income from continuing operations before income taxes and minority interests	$ (5,535.1)	$ (125.4)	$ 892.5	$ 834.8	$ 554.1	$513.0
Add/(subtract):						
Amortization of capitalized interest	1.4	0.5	5.7	4.0	3.3	0.5
Loss/(income) from equity investments	2.1	(0.5)	(3.9)	(3.6)	(1.2)	0.9
Fixed charges	2,114.6	93.3	843.4	706.6	508.6	291.8
Distributed income from equity investees	2.5	0.1	1.8	2.5	1.2	—
Capitalized interest	53.3	2.7	20.4	24.3	14.1	4.1
Minority interests of subsidiaries that have not incurred fixed charges	0.5	0.1	(1.2)	3.0	—	—
Earnings as defined	$ (3,360.7)	$ (29.2)	$1,758.7	$1,571.6	$1,080.1	$810.3
Fixed charges:						
Interest expense, net of interest capitalized	$ 2,074.9	$ 89.7	$ 800.8	$ 670.5	$ 479.6	$269.3
Interest included in rental expense	39.7	3.6	42.6	36.1	29.0	22.5
Total fixed charges	$ 2,114.6	$ 93.3	$ 843.4	$ 706.6	$ 508.6	$291.8
Ratio of earnings to fixed charges	—	—	2.1	2.2	2.1	2.8

(a) The Successor period of 2008 includes $5.5 billion in pretax charges for impairment of intangible assets (see Note 3), $16.2 million in pretax charges for other write-downs, reserves and recoveries, $24.0 million in pretax charges related to the sale of the Company, and $742.1 million in pretax credits for discounts related to, and write-offs associated with, debt retired before maturity.

(b) The Predecessor period of 2008 includes $4.7 million in pretax charges for write-downs, reserves and recoveries and $125.6 million in pretax charges related to the sale of the Company.

(c) 2007 includes a $59.9 million in net pretax credit 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 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.

(d) 2006 includes $62.6 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.

HARRAH'S ENTERTAINMENT, INC.
COMPUTATION OF RATIOS

(In thousands, except ratio amounts)

(e) 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.

(f) 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.

(g) 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: 2008, $— million; 2007, $—million; 2006, $11.3 million; 2005, $11.8 million; and 2004, $6.7 million. For the Predecessor and Successor periods of 2008 our earnings were insufficient to cover fixed charges by $122.5 million and $5.5 billion, respectively.

Exhibit 21

HARRAH'S ENTERTAINMENT, INC. SUBSIDIARIES

Name	Jurisdiction of Incorporation	Percentage of Ownership
Aster Insurance Ltd.	Bermuda	100%
CAESARS TREX, INC.	Delaware	100%
Romulus Risk and Insurance Company, Inc.	Nevada	100%
Harrah's Atlantic City Holding, Inc.	New Jersey	100%
Harrah's Atlantic City Operating Company, LLC	New Jersey	100%
Harrah's Atlantic City Mezz 9, LLC	Delaware	100%
Harrah's Atlantic City Mezz 8, LLC	Delaware	100%
Harrah's Atlantic City Mezz 7, LLC	Delaware	100%
Harrah's Atlantic City Mezz 6, LLC	Delaware	100%
Harrah's Atlantic City Mezz 5, LLC	Delaware	100%
Harrah's Atlantic City Mezz 4, LLC	Delaware	100%
Harrah's Atlantic City Mezz 3, LLC	Delaware	100%
Harrah's Atlantic City Mezz 2, LLC	Delaware	100%
Harrah's Atlantic City Mezz 1, LLC	Delaware	100%
Harrah's Atlantic City Propco, LLC	Delaware	100%
Atlantic City Express Services, LLC[1]	New Jersey	33.33%
Harrah's Las Vegas, Inc.	Nevada	100%
Harrah's Las Vegas Mezz 9, LLC	Delaware	100%
Harrah's Las Vegas Mezz 8, LLC	Delaware	100%
Harrah's Las Vegas Mezz 7, LLC	Delaware	100%
Harrah's Las Vegas Mezz 6, LLC	Delaware	100%
Harrah's Las Vegas Mezz 5, LLC	Delaware	100%
Harrah's Las Vegas Mezz 4, LLC	Delaware	100%
Harrah's Las Vegas Mezz 3, LLC	Delaware	100%
Harrah's Las Vegas Mezz 2, LLC	Delaware	100%
Harrah's Las Vegas Mezz 1, LLC	Delaware	100%
Harrah's Las Vegas Propco, LLC	Delaware	100%
Harrah's Laughlin, Inc.	Nevada	100%
Harrah's Laughlin Mezz 9, LLC	Delaware	100%
Harrah's Laughlin Mezz 8, LLC	Delaware	100%
Harrah's Laughlin Mezz 7, LLC	Delaware	100%
Harrah's Laughlin Mezz 6, LLC	Delaware	100%
Harrah's Laughlin Mezz 5, LLC	Delaware	100%
Harrah's Laughlin Mezz 4, LLC	Delaware	100%
Harrah's Laughlin Mezz 3, LLC	Delaware	100%
Harrah's Laughlin Mezz 2, LLC	Delaware	100%
Harrah's Laughlin Mezz 1, LLC	Delaware	100%
Harrah's Laughlin Propco, LLC	Delaware	100%
Rio Properties, Inc.	Nevada	100%
Rio Mezz 9, LLC	Delaware	100%
Rio Mezz 8, LLC	Delaware	100%
Rio Mezz 7, LLC	Delaware	100%
Rio Mezz 6, LLC	Delaware	100%
Rio Mezz 5, LLC	Delaware	100%
Rio Mezz 4, LLC	Delaware	100%
Rio Mezz 3, LLC	Delaware	100%
Rio Mezz 2, LLC	Delaware	100%
Rio Mezz 1, 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 9, LLC	Delaware	100%
Flamingo Las Vegas Mezz 8, LLC	Delaware	100%
Flamingo Las Vegas Mezz 7 LLC	Delaware	100%
Flamingo Las Vegas Mezz 6, LLC	Delaware	100%
Flamingo Las Vegas Mezz 5, LLC	Delaware	100%
Flamingo Las Vegas Mezz 4 LLC	Delaware	100%
Flamingo Las Vegas Mezz 3, LLC	Delaware	100%
Flamingo Las Vegas Mezz 2, LLC	Delaware	100%
Flamingo Las Vegas Mezz 1, LLC	Delaware	100%
Flamingo Las Vegas Propco, LLC	Delaware	100%
Paris Las Vegas Holding, Inc.	Nevada	100%
Paris Las Vegas Operating Company, LLC	Nevada	100%
Paris Las Vegas Mezz 9, LLC	Delaware	100%
Paris Las Vegas Mezz 8, LLC	Delaware	100%
Paris Las Vegas Mezz 7, LLC	Delaware	100%
Paris Las Vegas Mezz 6, LLC	Delaware	100%
Paris Las Vegas Mezz 5, LLC	Delaware	100%
Paris Las Vegas Mezz 4, LLC	Delaware	100%
Paris Las Vegas Mezz 3, LLC	Delaware	100%
Paris Las Vegas Mezz 2, LLC	Delaware	100%
Paris Las Vegas Mezz 1, LLC	Delaware	100%
Paris Las Vegas Propco, LLC	Delaware	100%
London Clubs South Africa Limited	England/Wales	100%
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%
DCH Lender, LLC	Nevada	100%
Dusty Corporation	Nevada	100%
Turfway Park, LLC[3]		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%
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[4]	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 License Company, LLC	Nevada	100%
Harrah's Management Company	Nevada	100%

2 50% Flamingo Las Vegas Operating Company, LLC; [50% Margaritaville Las Vegas, LLC]

3 50% Dusty Corporation, [50% non-affiliate]

4 80% Harrah's Illinois Corporation, [20% Des Plaines Development Corporation]

Name	Jurisdiction of Incorporation	Percentage of Ownership
Harrah's Marketing Services Corporation	Nevada	100%
Harrah's Maryland Heights LLC[5]	Delaware	54.45%
Harrah's Maryland Heights Operating Company	Nevada	100%
Harrah's MH Project, LLC	Delaware	100%
Harrah's NC Casino Company, LLC[6]	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[7]	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%
HTM Holding, Inc.	Nevada	100%
Harveys Tahoe Management Company, Inc.	Nevada	100%
Harrah South Shore Corporation	California	100%
Tahoe Garage Propco, LLC	Delaware	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%
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%

5 54.45% Harrah's Operating Company, Inc., .55% Harrah's Maryland Heights Operating Company, 45% Players Maryland Heights Nevada, LLC

6 99% Harrah's Operating Company, Inc., 1% Harrah's Management Company

7 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
Players Riverboat II, LLC[8]	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[9]	Nevada	99%
Horseshoe Entertainment[10]	Louisiana	91.92%
Robinson Property Group Corp.[11]	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[12]	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[13]	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[14]	Canada	50%
Caesars Entertainment Windsor Holding, Inc.	Canada	100%
Windsor Casino Limited[15]	Canada	50%
Caesars New Jersey, Inc.	New Jersey	100%
Boardwalk Regency Corporation	New Jersey	100%
Atlantic City Express Service, LLC[16]	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%

8 1% Players Riverboat Management, LLC, 99% Players Riverboat, LLC

9 99% Horseshoe Gaming Holding, LLC; 1% Horseshoe GP, LLC

10 91.92% New Gaming Capital Partnership; 8.08% Horseshoe Gaming Holding, LLC

11 99% Horseshoe Gaming Holding, LLC; 1% Horseshoe GP, LLC

12 88% Bally's Tunica, Inc., 11% Bally's Midwest Casino, Inc., 1% Bally's Operator, Inc.

13 1% Caesars Entertainment Canada Holding, Inc., 99% Harrah's Operating Company, Inc.

14 50% Caesars World, Inc.; [50% Conrad International Corporation]

15 50% Caesars Entertainment Windsor Holding, Inc.; [50% Conrad International Corporation]

16 33.33% Boardwalk Regency Corporation; 33.33% Marina Associates; [33.33% Marina District Development Company, LLC]

Name	Jurisdiction of Incorporation	Percentage of Ownership
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[17]	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%
Showboat Holding, Inc.	Nevada	100%
Ocean Showboat, Inc.	New Jersey	100%
Showboat Atlantic City Operating Company, LLC	New Jersey	100%
Showboat Atlantic City Mezz 9, LLC	Delaware	100%
Showboat Atlantic City Mezz 8, LLC	Delaware	100%
Showboat Atlantic City Mezz 7, LLC	Delaware	100%
Showboat Atlantic City Mezz 6, LLC	Delaware	100%
Showboat Atlantic City Mezz 5, LLC	Delaware	100%
Showboat Atlantic City Mezz 4, LLC	Delaware	100%
Showboat Atlantic City Mezz 3, LLC	Delaware	100%
Showboat Atlantic City Mezz 2, LLC	Delaware	100%
Showboat Atlantic City Mezz 1, LLC	Delaware	100%
Showboat Atlantic City Propco, LLC	Delaware	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 Limited	England/Wales	100%
Harrah's Online Poker Limited	Alderney	100%
Caesars Spain Holdings Limited	England/Wales	100%
Caesars Casino Castilla La Mancha S.A.[18]	Spain	60%
Caesars Hotel Castilla La Mancha S.L.	Spain	100%

17 82% Roman Holding Corporation of Indiana, 18% Harrah's Operating Company, Inc.

18 60% Caesars Spain Holdings Limited.; [40% El Reino De Don Quijote De La Mancha S.A.]

Name	Jurisdiction of Incorporation	Percentage of Ownership
B I Gaming Corporation	Nevada	100%
Baluma Holdings S.A.[19]	Bahamas	11.47%
Baluma S.A.[20]	Uruguay	0.11%
Baluma Cambio, S.A.	Uruguay	100%
Baluma Ltda.[21]	Brazil	99.99978%
HEI Holding Company One, Inc.	Nevada	100%
Caesars Bahamas Management Corporation[22]	Bahamas	50%
HEI Holding Company Two, Inc.	Nevada	100%
Harrah's International C.V.[23]	The Netherlands	99%
HEI Holding C.V.[24]	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 Holdings Limited	England/Wales	100%
LCI (Overseas) Investments Pty Ltd.	South Africa	100%
Emerald Safari Resort (Proprietary) Limited	South Africa	70%
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%

19 11.47% B I Gaming Corporation; 83.934% Harrah's International Holding Company, Inc.; [4.6% Third Parties]

20 0.11% B I Gaming Corporation; 99.89% Baluma Holdings S.A.

21 99.88878% Baluma S.A.; 0.00022 Baluma Holding S.A.

[22] 50% HEI Holding Company One, Inc.; 50% Harrah's Operating Company, Inc.

[23] 99% HEI Holding Company Two, Inc.; 1% HEI Holding Company One, Inc.

[24] 99% Harrah's International C.V.; 1% HEI Holding Company One, Inc.

Name	Jurisdiction of Incorporation	Percentage of Ownership
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%

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-148961 and 333-150476 on Form S-8 and in Registration Statement No. 333-154800-129 on Form S-4 of Harrah's Entertainment, Inc. of our reports dated March 16, 2009, relating to the consolidated financial statements and consolidated financial statement schedule of Harrah's Entertainment, Inc. and subsidiaries (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 effectiveness of Harrah's Entertainment, Inc.'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, 2008.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 16, 2009

Exhibit 31.1

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: March 16, 2009

By: /s/ GARY W. LOVEMAN
Gary W. Loveman
Chairman of the Board, Chief Executive Officer and President

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: March 16, 2009

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, 2008 (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: March 16, 2009

/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, 2008 (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: March 16, 2009

/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.

Supplemental Discussion of Pro forma Harrah's Operating Company Results

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," A substantial portion of the financing of the Merger is comprised of bank and bond financing obtained by Harrah's Operating Company, Inc. ("HOC"), a wholly-owned subsidiary of Harrah's Entertainment. This financing is neither secured nor guaranteed by Harrah's Entertainment's other wholly-owned subsidiaries, including certain subsidiaries that own properties that are secured under $6.5 billion of commercial mortgage-backed securities ("CMBS") financing. Therefore, we believe it is meaningful to provide pro forma information pertaining solely to the consolidated financial position and results of operations of HOC and its subsidiaries.

In connection with the CMBS financing for the Merger, HOC spun off to Harrah's Entertainment the following casino properties and related operating assets: Harrah's Las Vegas, Rio, Flamingo Las Vegas, Harrah's Atlantic City, Showboat Atlantic City, Harrah's Lake Tahoe, Harveys Lake Tahoe and Bill's Lake Tahoe. We refer to this spin-off as the "CMBS Spin-Off." Upon receipt of regulatory approvals that were requested prior to the closing of the Merger, in May 2008, Paris Las Vegas and Harrah's Laughlin and their related operating assets were spun out of HOC to Harrah's Entertainment and Harrah's Lake Tahoe, Harveys Lake Tahoe, Bill's Lake Tahoe and Showboat Atlantic City and their related operating assets were transferred to HOC from Harrah's Entertainment. We refer to this spin-off and transfer as the "Post-Closing CMBS Transaction."

We refer to the CMBS Spin-Off and the Post-Closing CMBS Transaction as the "CMBS Transactions."

Additionally, in connection with the CMBS Transactions and the Merger, London Clubs and its subsidiaries, with the exception of the subsidiaries related to London Clubs South Africa operations, became subsidiaries of HOC. The South African subsidiaries became subsidiaries of HOC in second quarter 2008. We refer to these transfers collectively as "the London Clubs Transfer."

OPERATING RESULTS AND DEVELOPMENT PLANS FOR HOC

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

Overall HOC Results

The following tables represent HOC's unaudited condensed combined balance sheet as of December 31, 2008, and its unaudited condensed pro forma combined statements of operations and statements of cash flows for the Successor period from January 28, 2008 through December 31, 2008, and the Predecessor period from January 1, 2008 through January 27, 2008, and the year ended December 31, 2007, taking into consideration the CMBS Transactions and the London Clubs Transfer.

Harrah's Operating Company, Inc.
Condensed Pro Forma Combined Balance Sheet
As of December 31, 2008
(Unaudited)

(In millions)	Harrah's Entertainment [(1)]	HET Parent and Other Harrah's Entertainment Subsidiaries and Accounts [(2)]	HOC [(3)]
ASSETS			
Current assets			
Cash and cash equivalents	$ 650.5	$ (203.1)	$ 447.4
Receivables, net of allowance for doubtful accounts	394.0	(90.1)	303.9
Deferred income taxes	157.6	(21.7)	135.9
Prepayments and other	221.9	(89.6)	132.3
Inventories	62.7	(14.2)	48.5
Total current assets	1,486.7	(418.7)	1,068.0
Land, buildings, riverboats and equipment, net of accumulated depreciation	18,267.1	(5,635.5)	12,631.6
Assets held for sale	49.3	—	49.3
Goodwill	4,902.2	(2,148.5)	2,753.7
Intangible assets	5,307.9	(677.3)	4,630.6
Deferred costs and other	1,035.4	(236.3)	799.1
	$ 31,048.6	$ (9,116.3)	$21,932.3
LIABILITIES AND STOCKHOLDERS' (DEFICIT)/EQUITY			
Current liabilities			
Accounts payable	$ 382.3	$ (106.7)	$ 275.6
Accrued expenses	1,532.7	(286.1)	1,246.6
Current portion of long-term debt	85.6	(0.2)	85.4
Total current liabilities	2,000.6	(393.0)	1,607.6
Long-term debt	23,123.3	(6,500.2)	16,623.1
Intercompany notes	—	160.6	160.6
Liabilities held for sale	—	—	—
Deferred credits and other	669.1	(20.4)	648.7
Deferred income taxes	4,327.0	(1,339.3)	2,987.7
	30,120.0	(8,092.3)	22,027.7
Minority interests	49.6	(4.8)	44.8
Preferred stock	2,289.4	(2,289.4)	—
Stockholders' deficit	(1,410.4)	1,270.2	(140.2)
	$ 31,048.6	$ (9,116.3)	$21,932.3

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

(2) Represents the removal of (i) the financial information of subsidiaries of Harrah's Entertainment that are not a component of HOC, namely, captive insurance companies and the CMBS properties, and (ii) account balances at Harrah's Entertainment.

(3) Represents the financial information of HOC.

Harrah's Operating Company, Inc. (Successor)
Condensed Pro forma Combined Statement of Operations
For the Period From January 28, 2008
Through December 31, 2008
(Unaudited)

(In millions)	Harrah's Entertainment (1)	HET Parent and Other Harrah's Entertainment Subsidiaries and Accounts (2)	HOC (3)
Revenues			
Casino	$ 7,476.9	$ (1,514.3)	$ 5,962.6
Food and beverage	1,530.2	(558.6)	971.6
Rooms	1,174.5	(490.3)	684.2
Management fees	59.1	—	59.1
Other	624.8	(103.9)	520.9
Less: casino promotional allowances	(1,498.6)	417.9	(1,080.7)
Net revenues	9,366.9	(2,249.2)	7,117.7
Operating expenses			
Direct			
Casino	4,102.8	(726.5)	3,376.3
Food and beverage	639.5	(268.1)	371.4
Rooms	236.7	(108.0)	128.7
Property general, administrative and other	2,143.0	(492.1)	1,650.9
Depreciation and amortization	626.9	(153.3)	473.6
Impairment of intangible assets	5,489.6	(1,744.4)	3,745.2
Other write-downs, reserves and recoveries	16.2	(76.3)	(60.1)
Project opening costs	28.9	(1.3)	27.6
Corporate expense	131.8	(25.5)	106.3
Acquisition and integration costs	24.0	—	24.0
Equity in losses of nonconsolidated affiliates	2.1	(0.1)	2.0
Amortization of intangible assets	162.9	(54.7)	108.2
Total operating expenses	13,604.4	(3,650.3)	9,954.1
Loss from operations	(4,237.5)	1,401.1	(2,836.4)
Interest expense, net of interest capitalized	(2,074.9)	370.6	(1,704.3)
Gain on early extinguishments of debt, net	742.1	—	742.1
Other income, including interest income	35.2	(5.6)	29.6
Loss from continuing operations before income taxes and minority interests	(5,535.1)	1,766.1	(3,769.0)
Benefit for income taxes	360.4	18.1	378.5
Minority interests	(12.0)	5.6	(6.4)
(Loss)/income from continuing operations	$ (5,186.7)	$ 1,789.8	$ (3,396.9)

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

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

(3) Represents the financial information of HOC.

Harrah's Operating Company, Inc. (Predecessor)
Condensed Pro Forma Combined Statement of Operations
For the Period from January 1, 2008
Through January 27, 2008
(Unaudited)

(In millions)	Harrah's Entertainment(1)	HET Parent and Other Harrah's Entertainment Subsidiaries and Accounts(2)	Historical HOC(3)	CMBS Transactions(4)	London Clubs Transfer(5)	HOC Restructured
Revenues						
Casino	$ 614.6	$ (29.5)	$ 585.1	$ (116.4)	$ 29.5	$ 498.2
Food and beverage	118.4	(4.7)	113.7	(41.1)	4.7	77.3
Rooms	96.4	(0.4)	96.0	(40.4)	0.4	56.0
Management fees	5.0	(0.1)	4.9	—	0.1	5.0
Other	42.7	(1.4)	41.3	(14.4)	1.1	28.0
Less: casino promotional allowances	(117.0)	1.8	(115.2)	30.0	(1.8)	(87.0)
Net revenues	760.1	(34.3)	725.8	(182.3)	34.0	577.5
Operating expenses						
Direct						
Casino	340.6	(24.5)	316.1	(55.4)	24.5	285.2
Food and beverage	50.5	(1.8)	48.7	(20.2)	1.8	30.3
Rooms	19.6	(0.2)	19.4	(8.9)	0.2	10.7
Property general, administrative and other	178.2	(2.0)	176.2	(42.0)	7.5	141.7
Depreciation and amortization	63.5	(1.6)	61.9	(16.0)	1.6	47.5
Write-downs, reserves and recoveries	4.7	—	4.7	(4.5)	—	0.2
Project opening costs	0.7	(0.7)	—	—	0.7	0.7
Corporate expense	8.5	—	8.5	(34.7)	—	(26.2)
Acquisition and integration costs	125.6	—	125.6	—	—	125.6
Equity in income of nonconsolidated affiliates	(0.5)	—	(0.5)	—	—	(0.5)
Amortization of intangible assets	5.5	(0.2)	5.3	—	0.2	5.5
Total operating expenses	796.9	(31.0)	765.9	(181.7)	36.5	620.7
Loss from operations	(36.8)	(3.3)	(40.1)	(0.6)	(2.5)	(43.2)
Interest expense, net of interest capitalized	(89.7)	—	(89.7)	—	—	(89.7)
Loss on early extinguishments of debt	—	—	—	—	—	—
Other income, including interest income	1.1	(3.3)	(2.2)	4.0	3.3	5.1
(Loss)/income from continuing operations before income taxes and minority interests	(125.4)	(6.6)	(132.0)	3.4	0.8	(127.8)
Income tax benefit	26.0	(4.1)	21.9	(1.2)	0.9	21.6
Minority interests	(1.6)	0.9	(0.7)	0.2	(0.9)	(1.4)
(Loss)/income from continuing operations	$ (101.0)	$ (9.8)	$ (110.8)	$ 2.4	$ 0.8	$ (107.6)

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

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

(3) Represents the historical financial information of HOC.

(4) Reflects the removal of the operating results of the CMBS properties, pursuant to the CMBS Transactions in which certain properties and operations of HOC were spun-off into a separate borrowing structure and held side-by-side with HOC under Harrah's Entertainment. The operating expenses of HOC include unallocated costs attributable to services that have been performed by HOC on behalf of the CMBS properties. These costs are primarily related to corporate functions such as accounting, tax, treasury, payroll and benefits administration, risk management, legal, and information management and technology. The CMBS Transactions reflect the push-down of corporate expense of $34.7 million that was unallocated at January 27, 2008. Following the Acquisition, many of these services continue to be provided by HOC pursuant to a shared services agreement with the CMBS properties.

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

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

(In millions)	Harrah's Entertainment(1)	HET Parent and Other Harrah's Entertainment Subsidiaries and Accounts(2)	Historical HOC(3)	CMBS Transactions(4)	London Clubs Transfer(5)	HOC Restructured
Revenues						
Casino	$ 8,831.0	$ (262.6)	$ 8,568.4	$ (1,748.2)	$ 262.6	$ 7,082.8
Food and beverage	1,698.8	(35.5)	1,663.3	(621.9)	35.5	1,076.9
Rooms	1,353.6	(2.8)	1,350.8	(561.9)	2.8	791.7
Management fees	81.5	(0.5)	81.0	—	0.5	81.5
Other	695.9	(10.3)	685.6	(239.1)	6.6	453.1
Less: casino promotional allowances	(1,835.6)	14.1	(1,821.5)	493.4	(14.1)	(1,342.2)
Net revenues	10,825.2	(297.6)	10,527.6	(2,677.7)	293.9	8,143.8
Operating expenses						
Direct						
Casino	4,595.2	(218.0)	4,377.2	(814.5)	218.0	3,780.7
Food and beverage	716.5	(13.5)	703.0	(301.1)	13.5	415.4
Rooms	266.3	(1.2)	265.1	(120.0)	1.2	146.3
Property general, administrative and other	2,421.7	(61.8)	2,359.9	(608.4)	61.0	1,812.5
Depreciation and amortization	817.2	(14.2)	803.0	(204.8)	14.2	612.4
Impairment of intangible assets	169.6	—	169.6	—	—	169.6
Other write-downs, reserves and recoveries	(59.9)	(109.2)	(169.1)	(22.5)	109.2	(82.4)
Project opening costs	25.5	(15.6)	9.9	(1.9)	15.6	23.6
Corporate expense	138.1	(0.2)	137.9	(38.8)	—	99.1
Merger and integration costs	13.4	—	13.4	—	—	13.4
Equity in (income)/losses of nonconsolidated affiliates	(3.9)	(0.5)	(4.4)	(0.1)	0.5	(4.0)
Amortization of intangible assets	73.5	(2.2)	71.3	(0.5)	2.2	73.0
Total operating expenses	9,173.2	(436.4)	8,736.8	(2,112.6)	435.4	7,059.6
Income/(loss) from operations	1,652.0	138.8	1,790.8	(565.1)	(141.5)	1,084.2
Interest expense, net of interest capitalized	(800.8)	15.5	(785.3)	—	(15.5)	(800.8)
Losses on early extinguishment of debt	(2.0)	2.0	—	—	(2.0)	(2.0)
Other income, including interest income	43.3	(12.4)	30.9	3.9	12.5	47.3
Income/(loss) from continuing operations before income taxes and minority interests	892.5	143.9	1,036.4	(561.2)	(146.5)	328.7
Income tax (provision)/benefit	(350.1)	(44.6)	(394.7)	195.7	46.4	(152.6)
Minority interests	(15.2)	(3.7)	(18.9)	5.9	3.7	(9.3)
Income/(loss) from continuing operations	$ 527.2	$ 95.6	$ 622.8	$ (359.6)	$ (96.4)	$ 166.8

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

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(3) Represents the historical financial information of HOC.

(4) Reflects the removal of the operating results of the CMBS properties, pursuant to the CMBS Transactions in which certain properties and operations of HOC were spun-off into a separate borrowing structure and held side-by-side with HOC under Harrah's Entertainment. The operating expenses of HOC include unallocated costs attributable to services that have been performed by HOC on behalf of the CMBS properties. These costs are primarily related to corporate functions such as accounting, tax, treasury, payroll and benefits administration, risk management, legal, and information management and technology. The CMBS Transactions reflect the push-down of corporate expense of $38.8 million that was unallocated at December 31, 2007. Following the Acquisition, many of these services continue to be provided by HOC pursuant to a shared services agreement with the CMBS properties.

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

Harrah's Operating Company, Inc. (Successor)
Condensed Pro Forma Combined Statement of Cash Flows
For the Period from January 28, 2008
Through December 31, 2008
(Unaudited)

(In millions)	Harrah's Entertainment [(1)]	HET Parent and Other Harrah's Entertainment Subsidiaries and Accounts [(2)]	HOC [(3)]
Cash flows provided by operating activities	$ 522.1	$ (154.7)	$ 367.4
Cash flows from investing activities			
Land, buildings, riverboats and equipment additions	(1,169.3)	139.5	(1,029.8)
Insurance proceeds for hurricane losses from asset recovery	181.4	—	181.4
Payment for Merger	(17,490.2)	17,490.2	—
Investments in and advances to nonconsolidated affiliates	(5.9)	—	(5.9)
Proceeds from other asset sales	5.1	(0.2)	4.9
Decrease in construction payables	(12.1)	10.5	(1.6)
Other	(23.2)	5.8	(17.4)
Cash flows used in investing activities	(18,514.2)	17,645.8	(868.4)
Cash flows from financing activities			
Proceeds from issuance of long-term debt, net of issue costs	21,313.4	(6,329.9)	14,983.5
Repayments under lending agreements	(6,760.5)	(0.2)	(6,760.7)
Early extinguishments of debt	(1,941.5)	—	(1,941.5)
Premiums paid on early extinguishments of debt	(225.9)	—	(225.9)
Scheduled debt retirements	(6.5)	—	(6.5)
Payment to bondholders for debt exchange	(289.0)	—	(289.0)
Equity contribution from buyout	6,007.0	(6,007.0)	—
Minority interests' contributions, net	(14.6)	5.8	(8.8)
Proceeds from the exercises of stock options	—	2.4	2.4
Excess tax benefit from stock equity plans	(50.5)	50.5	—
Other	(4.9)	0.2	(4.7)
Transfers from affiliates	—	(5,238.7)	(5,238.7)
Cash flows provided by financing activities	18,027.0	(17,516.9)	510.1
Cash flows from discontinued operations			
Cash flows from operating activities	4.7	—	4.7
Cash flows from investing activities	—	—	—
Cash flows used in discontinued operations	4.7	—	4.7
Net increase in cash and cash equivalents	39.6	(25.8)	13.8
Cash and cash equivalents, beginning of period	610.9	(177.3)	433.6
Cash and cash equivalents, end of period	$ 650.5	$ (203.1)	$ 447.4

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(3) Represents the financial information of HOC.

Harrah's Operating Company, Inc. (Predecessor)
Condensed Pro Forma Combined Statement of Cash Flows
For the Period from January 1, 2008
Through January 27, 2008
(Unaudited)

(In millions)	Harrah's Entertainment(1)	HET Parent and Other Harrah's Entertainment Subsidiaries and Accounts(2)	Historical HOC(3)	CMBS Transactions(4)	London Clubs Transfer(5)	HOC Restructured
Cash flows provided by/(used in) operating activities	$ 7.2	$ (69.3)	$ (62.1)	$ (1.7)	$ 14.0	$ (49.8)
Cash flows from investing activities						
Land, buildings, riverboats and equipment additions	(117.4)	18.3	(99.1)	26.6	(11.1)	(83.6)
Payments for businesses acquired, net of cash acquired	0.1	(0.1)	—	—	0.1	0.1
Proceeds from other asset sales	3.1	—	3.1	(3.0)	—	0.1
(Decrease)/increase in construction payables	(8.2)	—	(8.2)	10.9	—	2.7
Other	(1.7)	—	(1.7)	0.5	—	(1.2)
Cash flows (used in)/provided by investing activities	(124.1)	18.2	(105.9)	35.0	(11.0)	(81.9)
Cash flows from financing activities						
Proceeds from issuance of long-term debt, net of issue costs	11,316.3	—	11,316.3	—	—	11,316.3
Repayments under lending agreements	(11,288.8)	0.2	(11,288.6)	—	—	(11,288.6)
Early extinguishments of debt	(87.7)	—	(87.7)	—	—	(87.7)
Minority interests' distributions, net of contributions	(1.6)	—	(1.6)	—	—	(1.6)
Proceeds from exercises of stock options	2.4	(2.4)	—	—	—	—
Excess tax benefit from stock equity plans	77.5	(77.5)	—	—	—	—
Transfers (to)/from affiliates	—	112.2	112.2	10.2	10.9	133.3
Other	(0.8)	—	(0.8)	—	—	(0.8)
Cash flows provided by/(used in) financing activities	17.3	32.5	49.8	10.2	10.9	70.9
Cash flows from discontinued operations						
Cash flows from operating activities	0.5	—	0.5	—	—	0.5
Cash flows from investing activities	—	—	—	—	—	—
Cash flows provided by discontinued operations	0.5	—	0.5	—	—	0.5
Net (decrease)/increase in cash and cash equivalents	(99.1)	(18.6)	(117.7)	43.5	13.9	(60.3)
Cash and cash equivalents, beginning of period	710.0	(137.2)	572.8	(132.7)	53.8	493.9
Cash and cash equivalents, end of period	$ 610.9	$ (155.8)	$ 455.1	$ (89.2)	$ 67.7	$ 433.6

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

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(3) Represents the historical financial information of HOC.

(4) Reflects the removal of the operating results of the CMBS properties, pursuant to the CMBS Transactions in which certain properties and operations of HOC were spun-off into a separate borrowing structure and held side-by-side with HOC under Harrah's Entertainment. The operating expenses of HOC include unallocated costs attributable to services that have been performed by HOC on behalf of the CMBS properties. These costs are primarily related to corporate functions such as accounting, tax, treasury, payroll and benefits administration, risk management, legal, and information management and technology. Following the Acquisition, many of these services continue to be provided by HOC pursuant to a shared services agreement with the CMBS properties.

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

Harrah's Operating Company, Inc. (Predecessor)
Condensed Pro Forma Combined Statement of Cash Flows
For the Year Ended
December 31, 2007
(Unaudited)

(In millions)	Harrah's Entertainment[a]	HET Parent and Other Harrah's Entertainment Subsidiaries and Accounts (b)	Historical HOC (a) (b) (c)	CMBS Transactions (d)	London Clubs Transfer (e)	HOC Restructured (c) (d) (e)
Cash flows provided by/(used in) operating activities	$ 1,508.8	$ 616.0	$ 2,124.8	$ (566.0)	$ (633.4)	$ 925.4
Cash flows from investing activities						
Land, buildings, riverboats and equipment additions	(1,379.5)	83.0	(1,296.5)	384.3	(83.0)	(995.2)
Insurance proceeds for hurricane losses from asset recovery	29.1	—	29.1	—	—	29.1
Payment for businesses acquired, net of cash acquired	(584.3)	4.2	(580.1)	—	(4.2)	(584.3)
Investments in and advances to nonconsolidated affiliates	(1.8)	—	(1.8)	—	—	(1.8)
Proceeds from other asset sales	99.6	—	99.6	(2.4)	—	97.2
Increase/(decrease)/increase in construction payables	2.8	—	2.8	(11.4)	—	(8.6)
Other	(89.5)	—	(89.5)	4.7	—	(84.8)
Cash flows (used in)/provided by investing activities	(1,923.6)	87.2	(1,836.4)	375.2	(87.2)	(1,548.4)
Cash flows from financing activities						
Proceeds from issuance of long-term debt, net of issue costs	39,124.4	(52.1)	39,072.3	—	52.1	39,124.4
Repayments under lending agreements	(37,619.5)	1.9	(37,617.6)	—	(1.9)	(37,619.5)
Scheduled debt retirements	(1,001.7)	—	(1,001.7)	—	—	(1,001.7)
Early extinguishments of debt	(120.1)	120.1	—	—	(120.1)	(120.1)
Dividends paid	(299.2)	—	(299.2)	—	—	(299.2)
Proceeds from exercises of stock options	126.2	—	126.2	—	—	126.2
Excess tax benefit from stock equity plans	51.7	—	51.7	—	—	51.7
Minority interests' distributions, net	(20.0)	—	(20.0)	7.0	—	(13.0)
Other	(5.3)	—	(5.3)	0.1	—	(5.2)
Transfers (to)/from affiliates	—	(820.7)	(820.7)	209.2	820.7	209.2
Cash flows provided by/(used in) financing activities	236.5	(750.8)	(514.3)	216.3	750.8	452.8
Cash flows from discontinued operations						
Cash flows from operating activities	88.9	—	88.9	—	—	88.9
Cash flows from investing activities	(0.2)	—	(0.2)	—	—	(0.2)
Cash flows provided by discontinued operations	88.7	—	88.7	—	—	88.7
Net (decrease)/increase in cash and cash equivalents	(89.6)	(47.6)	(137.2)	25.5	30.2	(81.5)
Cash and cash equivalents, beginning of period	799.6	(89.6)	710.0	(158.2)	23.6	575.4
Cash and cash equivalents, end of period	$ 710.0	$ (137.2)	$ 572.8	$ (132.7)	$ 53.8	$ 493.9

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

(b) Represents the removal of (i) financial information of all subsidiaries of Harrah's Entertainment that are not a component of HOC, namely, captive insurance companies and London Clubs and its subsidiaries; and (ii) accounts at Harrah's Entertainment.

(c) Represents the historical financial information of HOC.

(d) Reflects the removal of the operating results of the CMBS properties, pursuant to the CMBS Transactions in which certain properties and operations of HOC were spun-off into a separate borrowing structure and held side-by-side with HOC under Harrah's Entertainment. The operating expenses of HOC include unallocated costs attributable to services that have been performed by HOC on behalf of the CMBS properties. These costs are primarily related to corporate functions such as accounting, tax, treasury, payroll and benefits administration, risk management, legal, and information management and technology. Following the Acquisition, many of these services continue to be provided by HOC pursuant to a shared services agreement with the CMBS properties.

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

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

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

OVERALL SUMMARY STATEMENT OF OPERATIONS INFORMATION FOR HOC

Year-to-Date Results

Overall (In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs 07	Percentage Increase/(Decrease) 07 vs 06
Casino revenues	$ 5,962.6	$ 498.2	$ 6,460.8	$7,082.8	$6,194.7	(8.8)%	14.3%
Total revenues	$ 7,117.7	$ 577.5	$ 7,695.2	$8,143.8	$7,137.9	(5.5)%	14.1%
Income/(loss) operations before impairment charges	$ 908.8	$ (43.2)	$ 865.6	$1,253.8	$1,019.3	(31.0)%	23.0%
Impairment of intangible assets	(3,745.2)	—	(3,745.2)	(169.6)	(20.7)	N/M	N/M
(Loss)/income from operations	$ (2,836.4)	$ (43.2)	$(2,879.6)	$1,084.2	$ 998.6	N/M	8.6%
(Loss)/income from continuing operations	$ (3,396.9)	$ (107.6)	$(3,504.5)	$ 166.8	$ 171.0	N/M	(2.5)%
Operating margin before impairment charges	12.8%	(7.5)%	11.2%	15.4%	14.3%	(4.2)pts	1.1pts

N/M=Not Meaningful

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

The increase in 2007 revenues 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.

REGIONAL RESULTS AND DEVELOPMENT PLANS

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

Las Vegas	Atlantic City	Louisiana/Mississippi	Iowa/Missouri
Caesars Palace	Bally's Atlantic City	Harrah's New Orleans	Harrah's St. Louis
Bally's Las Vegas	Caesars Atlantic City	Harrah's Louisiana Downs	Harrah's North Kansas City
Imperial Palace	Showboat Atlantic City	Horseshoe Bossier City	Harrah's Council Bluffs
Bill's Gamblin' Hall	Harrah's Chester[(1)]	Grand Biloxi	Horseshoe Council Bluffs/
		Harrah's Tunica[(2)]	Bluffs Run
		Horseshoe Tunica	
		Sheraton Tunica	

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

(1) Not wholly-owned by HOC.

(2) Re-branded from Grand Casino Tunica in May 2008.

(3) Re-branded from Caesars Indiana in July 2008.

(4) Managed, not owned.

(5) We have a 50 percent interest in Windsor Casino Limited, which manages this property. The province of Ontario owns the complex. The property was re-branded from Casino Windsor in June 2008.

(6) Operates 11 casino clubs in the United Kingdom, 3 in Egypt and 1 in South Africa.

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

We 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 projected performance, which reflects factors impacted by current market conditions, including lower valuation multiples for gaming assets; higher discount rates resulting from on-going turmoil in the credit markets; and the completion of our annual budget and forecasting process, our 2008 analysis indicated that certain of our goodwill and other intangible assets were impaired. A charge of $3.7 billion was recorded to our Condensed Pro Forma Combined Statement of Operations in fourth quarter 2008. Our 2007 analysis determined that, based on historical and projected performance, intangible assets at London Clubs and Caesars Indiana had been impaired, and we recorded impairment charges of $169.6 million in fourth quarter 2007. Our 2006 analysis indicated that, based on the historical performance and projected performance of Harrah's Louisiana Downs, intangible assets of that property had been impaired, and a charge of $20.7 million was recorded in fourth quarter 2006. Our 2008, 2007 and 2006 analyses of the tangible assets, applying the provisions of SFAS No. 144, indicated that the carrying value of the tangible assets was not impaired.

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

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006
Remediation costs	$ 2.5	$ —	$ 2.5	$ —	$ —
Impairment of long-term assets	38.3	—	38.3	—	20.0
Write-off of abandoned assets	30.6	0.6	31.2	10.2	—
Efficiency projects	28.6	—	28.6	21.5	5.2
Termination of contracts	14.4	—	14.4	—	—
Litigation awards and settlements	1.1	—	1.1	8.5	32.1
Demolition costs	8.0	0.1	8.1	5.7	7.2
Other	1.8	(0.5)	1.3	2.0	2.3
Insurance proceeds in excess of deferred costs	(185.4)	—	(185.4)	(130.3)	(10.2)
	$ (60.1)	$ 0.2	$ (59.9)	$ (82.4)	$ 56.6

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

Impairment of long-term assets in 2008 represents declines in the market value of certain assets that are held for sale and reserves for amounts that are not expected to be recovered for other non-operating assets. The impairment in 2006 resulted from an assessment of certain bonds classified as held-to-maturity and the determination that they were highly uncollectible.

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

Efficiency projects in 2006 and 2007 represents costs incurred to identify efficiencies and cost savings in our corporate organization. Expense in 2008 represents costs related to additional projects aimed at stream-lining corporate and operations functions to achieve further cost savings and efficiencies.

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

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

LAS VEGAS RESULTS

Year-to-Date Results

(In millions)	Successor Jan. 28, 2008 through Dec. 31, 2008	Predecessor Jan. 1, 2008 through Jan. 27, 2008	Combined 2008	Predecessor 2007	Predecessor 2006	Percentage Increase/(Decrease) 08 vs 07	Percentage Increase/(Decrease) 07 vs 06
Casino revenues	$ 677.5	$ 67.7	$ 745.2	$ 903.6	$ 700.0	(17.5)%	29.1%
Total revenues	$ 1,318.9	$ 118.5	$ 1,437.4	$1,626.7	$1,381.1	(11.6)%	17.8%
Income from operations before impairment charges	$ 252.1	$ 29.7	$ 281.8	$ 417.2	$ 341.9	(32.5)%	22.0%
Impairment of intangible assets	(1,121.4)	—	(1,121.4)	—	—	N/M	N/M
(Loss)/income from operations	$ (869.3)	$ 29.7	$ (839.6)	$ 417.2	$ 341.9	N/M	22.0%
Operating margin before impairment charges	19.1%	25.1%	19.6%	25.6%	24.8%	(6.0)pts	0.8pts

N/M=Not Meaningful

The declines in revenues and income from operations in 2008 reflect lower visitation and spend per trip as our customers reacted to higher travel costs, volatility in the financial markets and other economic concerns. Fewer hotel rooms available at Caesars Palace due to re-modeling also contributed to the 2008 decline. Income from operations for Las Vegas includes charges of $1.1 billion recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets. The impairment charge is included in Write-downs, reserves and recoveries in our Condensed Pro Forma Combined Statement of Operations for the Period from January 28, 2008, through December 31, 2008.

An expansion and renovation of Caesars Palace Las Vegas is underway, which will include a hotel tower with approximately 660 rooms, including 75 luxury suites, 110,000 square feet of additional meeting and convention space, three 10,000 square foot villas and an expanded pool and garden area. We have announced that we will defer completion of the hotel tower expansion as a result of current economic conditions impacting the Las Vegas tourism sector. The estimated total capital expenditures for the project, excluding the costs to complete the deterred rooms, are expected to be $681 million, $335.2 million of which had been spent as of December 31, 2008. This expansion is scheduled for completion in mid-summer 2009.

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 located at the northeast corner of Flamingo Road and Las Vegas Boulevard between Bally’s Las Vegas and Flamingo Las Vegas. We began operating the acquired property on March 1, 2007, as Bill’s Gamblin’ Hall & Saloon, and its results are included in our operating results from the date of its acquisition.

ATLANTIC CITY RESULTS

Year-to-Date Results

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

N/M=Not Meaningful

Combined 2008 revenues and income from operations for the Atlantic City region were down from 2007 due to reduced visitor volume and spend per trip, and higher operating costs, including utilities and employee benefits. Declines were partially offset by favorable results from Harrah's Chester. The Atlantic City market continues to be affected by the opening of three slot parlors in eastern Pennsylvania and one in Yonkers, New York, and smoking restrictions in Atlantic City. Income from operations for the Atlantic City region includes a charge of $514.5 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets. The impairment charge is included in Write-downs, reserves and recoveries in our Condensed Pro Forma Combined Statement of Operations for the Period from January 28, 2008, through December 31, 2008.

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

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

LOUISIANA/MISSISSIPPI RESULTS

Year-to-Date Results

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

N/M=Not Meaningful

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

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

In May 2008, Grand Casino Resort in Tunica, Mississippi, was re-branded to Harrah’s Tunica. In connection with the re-branding, renovations to the property costing approximately $30.3 million were completed. In conjunction with the renovation and re-branding project, a strategic alliance with Food Network star, Paula Deen, was formed, and a new Paula Deen Buffet also opened in May 2008.

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.

Construction began in third quarter 2007 on Margaritaville Casino & Resort in Biloxi. In 2008, we decided to slow construction of this project as we refine the design of the project and explore alternatives related to the project and its financing. We are adjusting our plan for development to better align with the economic environment, market conditions on the Gulf Coast and the current financing environment. We license the Margaritaville name from an entity affiliated with the singer/songwriter Jimmy Buffett. As of December 31, 2008, $175.2 million had been spent on this project.

IOWA/MISSOURI RESULTS

Year-to-Date Results

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

N/M=Not Meaningful

Combined 2008 revenues at our Iowa and Missouri properties were lower than last year, driven primarily by Harrah’s St. Louis, where the opening of a new facility by a competitor impacted results. Income from operations for Iowa/Missouri includes a charge of $49.0 million recorded in fourth quarter 2008 for the impairment of certain non-amortizing intangible assets. The impairment charge is included in Write-downs, reserves and recoveries in our Condensed Pro Forma Combined Statement of Operations for the Period from January 28, 2008, through December 31, 2008. Partially offsetting the impairment were favorable results due to cost savings and lower depreciation and amortization.

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.

In March 2006, following an $87 million renovation and expansion, the former Bluffs Run Casino became Horseshoe Council Bluffs. Horseshoe Council Bluffs was 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

Year-to-Date Results

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

N/M=Not Meaningful

Combined 2008 revenues and income from operations were lower than last year due to reduced overall customer volumes and spend per trip, the imposition of a smoking ban in Illinois and heavy rains and flooding,. Horseshoe Southern Indiana, formerly Caesars Indiana, was closed for four days in March 2008 due to flooding in the area. Combined revenues were boosted by the August opening of the $497.9 million renovation and expansion at Horseshoe Hammond, which includes a two-level entertainment vessel including a 108,000-square-foot casino. Income from operations for Illinois/Indiana includes a charge of $617.1 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets. The impairment charge is included in Write-downs, reserves and recoveries in our Condensed Pro Forma Combined Statement of Operations for the Period from January 28, 2008, through December 31, 2008.

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

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

OTHER NEVADA RESULTS

Year-to-Date Results

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

N/M=NotMeaningful

Combined 2008 revenues and income from operations from our Nevada properties outside of Las Vegas were lower than in 2007 due to lower customer spend per trip, the opening of an expansion at a competing property in Reno and higher costs aimed at attracting and retaining customers. Income from operations was also impacted by a charge of $217.5 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets. The impairment charge is included in Write-downs, reserves and recoveries in our 2008 Condensed Pro Forma Combined Statement of Operations for the Period from January 28, 2008, through December 31, 2008.

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.

MANAGED/INTERNATIONAL/OTHER

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

N/M=Not Meaningful

Managed

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, 2008.

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

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

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

International

Favorable International revenues for 2008 are due to the opening during 2008 of two new properties of London Clubs International Limited ("London Clubs") and a full year of revenues from two properties that opened during 2007, partially offset by the impact of a new smoking ban enacted in mid-2007. Income from operations was further impacted by a charge of $210.8 million recorded in fourth quarter 2008 for the impairment of certain goodwill and other non-amortizing intangible assets, and London Club's table game hold, higher gaming taxes imposed during 2007 and reserves for receivables due from a joint venture member that may not be collectible. The impairment charge and reserve for the receivable are included in Write-downs, reserves and recoveries in our 2008 Condensed Pro Forma Combined Statement of Operations for the Period from January 28, 2008, through December 31, 2008. As of December 31, 2008, London Clubs owns or manages eleven casinos in the United Kingdom, three in Egypt and one in South Africa.

Revenues from our international properties increased in 2007 due to the inclusion of London Clubs, which was acquired in 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 identified in our annual assessment for impairment of goodwill and other intangible assets that are not subject to amortization.

In September 2007, we acquired Macau Orient Golf, located on 175 acres on Cotai adjacent to the Lotus Bridge, one of the two border crossings into Macau from China, and rights to a land concession contract for a total consideration of approximately $577.7 million. The government of Macau owns most of the land in Macau, and private interests are obtained through long-term leases and other grants of rights to use land from the government. The term of the land concession is 25 years from its inception in 2001, with rights to renew for additional periods until 2049. Annual rental payments are approximately $90,000 and are adjustable at five-year intervals. Macau Orient Golf is one of only two golf courses in Macau and is the only course that is semi-private. In December 2008, we announced plans for Caesars Macau Golf, a five-star golf lifestyle destination, the centerpieces of which will be a redesigned par-72 golf course and the establishment of Asia's first Butch Harmon School of Golf, the first of Harmon's flagship teaching facilities outside of the United States. The redevelopment includes expansion of the existing clubhouse into a 32,000 square-foot golf lifestyle boutique, meeting facilities and VIP entertainment suites. In addition, plans call for the clubhouse to feature a fine-dining restaurant operated by Macau's leading restaurateur, G&L Group. The project is expected to cost approximately $32 million and is slated for completion in phases beginning in 2010.

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

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

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

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. In 2008, income from operations was impacted by a charge of $686.0 million recorded in fourth quarter for the impairment of certain non-amortizing trademarks and a charge of $12.6 million to recognize the remaining exposure under a lease agreement for office space no longer utilized by the Company. The impairment charge and reserve for the receivable are included in Write-downs, reserves and recoveries in our 2008 Condensed Pro Forma Combined Statement of Operations for the Period from January 28, 2008, through December 31, 2008.

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

OTHER FACTORS AFFECTING NET INCOME

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

N/M= Not Meaningful

Corporate expense was lower in 2008 due continued realization of cost savings and efficiencies identified in an on-going project that began in September 2006. Corporate expense for each year presented includes the impact of the implementation of SFAS No. 123(R), “Share-Based Payment,” in first quarter 2006. Our 2008, 2007 and 2006 financial results include $18.7 million, $53.0 million and $52.8 million, respectively, in expense due to the implementation of SFAS No. 123(R). 2006 also includes incremental corporate expense arising from the Caesars transaction and the cost of transforming our corporate centers to manage the combined company.

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

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

Interest expense increased in 2008 from the same periods in 2007 primarily due to increased borrowings in connection with the Merger. Also included in interest expense in 2008 is a charge of $84.4 million representing the changes in the fair values of our derivative instruments. Interest expense for 2007 included $45.4 million representing the losses from the change in the fair values of our interest rate swaps. A change in interest rates on variable-rate debt will impact our financial results. For example, assuming a constant outstanding balance for our variable-rate debt, excluding $6.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, for the next twelve months, a hypothetical 1% change in corresponding interest rates would change interest expense for the next twelve months by approximately $16.9 million. At December 31, 2008, our variable-rate debt, excluding $6.5 billion of variable-rate debt for which we have entered into interest rate swap agreements, represents approximately 10% of our total debt, while our fixed-rate debt is approximately 90% 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.)

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

Other income for all years presented included interest income on the cash surrender value of life insurance policies. 2008 also includes the receipt of a death benefit. Other income in 2007 and 2006 included gains on the sales of corporate assets.

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

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

Discontinued operations for 2008 reflects insurance proceeds of $87.3 million, after taxes, representing the final funds received that were in excess of the net book value of the impacted assets and costs and expenses that were reimbursed under our business interruption claims for Grand Casino Gulfport. 2007 Discontinued operations reflected insurance proceeds of $89.6 million, after taxes, for reimbursements under our business interruption claims related to Harrah’s Lake Charles and Grand Casino Gulfport, both of which were sold in 2006. Pursuant to the terms of the sales agreements, we retained all insurance proceeds related to those properties. Discontinued operations for 2006 also included Reno Hilton, Flamingo

Laughlin, Harrah's Lake Charles and Grand Casino Gulfport, all of which were sold in 2006. 2006 Discontinued operations reflect the results of Harrah's Lake Charles, Grand Casino Gulfport, Reno Hilton and Flamingo Laughlin through their respective sales dates and include any gain/loss on the sales. (See Notes 15 and 16 to Harrah's Entertainment's Consolidated Financial Statements.)

COST SAVINGS INITIATIVES

In light of the severe economic downturn and adverse conditions in the travel and leisure industry generally, Harrah's Entertainment has undertaken a comprehensive cost reduction study that began in August 2008 examining all areas of our business, including organizational restructurings at our corporate and property operations, reduction of travel and entertainment expenses, an examination of our corporate wide marketing expenses, and headcount reductions at property operations and corporate offices. To date, Harrah's Entertainment has identified $534.7 million in estimated costs savings from these initiatives, of which approximately $33.2 million had been realized as of December 31, 2008. In accordance with our shared services agreement with Harrah's Operating Company, Inc., $385.0 million of these estimated costs savings and $22.2 million of the realized costs savings have been allocated to Harrah's Operating Company, Inc. Harrah's Entertainment expects to implement most of the program directives and achieve approximately $500 million in annual savings (of which approximately $350 million will be allocated to Harrah's Operating Company, Inc.), on a run-rate basis, by the end of 2009.

CAPITAL SPENDING AND DEVELOPMENT

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

Our planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects pursued is expected to be made available from operating cash flows, established debt programs (see DEBT AND LIQUIDITY), joint venture partners, specific project financing, guarantees of third-party debt and additional debt offerings. Our capital spending for 2008 totaled approximately $1.14 billion. Estimated total capital expenditures for 2009 are expected to be between $465 million and $645 million.

DEBT AND LIQUIDITY

We generate substantial cash flows from operating activities, as reflected on the Consolidated Statements of Cash Flows. For the years ended December 31, 2008 and 2007, we reported cash flows from operating activities of $317.6 million and 925.4 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 new development 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 ability to fund our operations, pay our debt obligations and fund planned capital expenditures depend, in part, on economic and other factors that are beyond our control, and recent disruptions in capital markets and restrictive covenants related to our existing debt could impact our ability to secure additional funds through financing activities. We cannot assure you that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us to fund our liquidity needs and pay our indebtedness. If we are unable to meet our liquidity needs or pay our indebtedness when it is due, we may have to reduce or delay refurbishment and expansion projects, reduce expenses, sell assets or attempt to restructure our debt. In addition, we have pledged a significant portion of our assets as collateral under certain of our debt agreements, and if any of those lenders accelerate the repayment of borrowings, there can be no assurance that we will have sufficient assets to repay our indebtedness.

Our cash and cash equivalents totaled $447.4 million at December 31, 2008, compared to $493.9 million at December 31, 2007. The following provides a summary of our cash flows for the periods indicated .

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

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

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

(In millions)	Successor 2008	Predecessor 2007
Credit facilities		
Term loans, 4.46%–6.54% at December 31, 2008, maturities to 2015	$ 7,195.6	$ —
Revolving credit facility, 3.49%–4.75% at December 31, 2008, maturities to 2014	533.0	—
Revolving credit facility, 4.05%–6.25% at December 31, 2007, retired in 2008	—	5,768.1
Subsidiary guaranteed debt		
10.75% Senior Notes due 2016, including senior interim loans of $342.6, 9.25% at January 28, 2008	4,542.7	—
10.75%/11.5% Senior PIK Toggle Notes due 2018, including senior interim loans of $97.4, 10.0% at January 28, 2008	1,150.0	—
Secured Debt		
10.0% Second-Priority Senior Secured Notes, maturity 2018	542.7	—
10.0% Second-Priority Senior Secured Notes, maturity 2015	144.0	—
6.0%, maturity 2010	25.0	25.0
7.1%, maturity 2028	—	87.7
S. African prime less 1.5%, maturity 2009	—	10.5
4.25%–6.0%, maturities to 2035 at December 31, 2008	1.1	4.4
Unsecured Senior Notes		
Floating Rate Notes, maturity 2008	—	250.0
7.5%, maturity 2009	5.1	136.2
7.5%, maturity 2009	0.9	442.4
5.5%, maturity 2010	321.5	747.1
8.0%, maturity 2011	47.4	71.7
5.375%, maturity 2013	200.6	497.7
7.0%, maturity 2013	0.7	324.4
5.625%, maturity 2015	578.1	996.3
6.5%, maturity 2016	436.7	744.3
5.75%, maturity 2017	372.7	745.8
Floating Rate Contingent Convertible Senior Notes, maturity 2024	0.2	370.6
Unsecured Senior Subordinated Notes		
8.875%, maturity 2008	—	409.6
7.875%, maturity 2010	287.0	394.9
8.125%, maturity 2011	216.8	380.3
Other Unsecured Borrowings		
LIBOR plus 4.5%, maturity 2010	23.5	29.1
5.3% special improvement district bonds, maturity 2037	69.7	—
LIBOR plus 3.0%, maturity 2014	160.6	—
Other, various maturities	1.2	1.6
Capitalized Lease Obligations		
5.77%–10.0%, maturities to 2011	12.3	2.7
Total debt, net of unamortized discounts of $1,253.4 and premium of $77.4	16,869.1	12,440.4
Current portion of long-term debt	(85.4)	(10.8)
	$16,783.7	$12,429.6

$5.1 million, face amount, of our 7.5% Unsecured Senior Notes due in January 2009, and $0.8 million, face amount, of our 7.5% Unsecured Senior Notes due in September 2009, are classified as long-term in our Consolidated Balance Sheet as of December 31, 2008, because the Company has both the intent and the ability to refinance that portion of these notes.

As of December 31, 2008, aggregate annual principal maturities for the four years subsequent to 2009 were: 2010, $755.8 million; 2011, $376.6 million; 2012, $74.4 million; and 2013, $353.3 million.

In July 2008, HOC made the permitted election under the Indenture governing its 10.75%/11.5% Senior Toggle Notes due 2018 and the Senior Unsecured Interim Loan Agreement dated January 28, 2008, to pay all interest due on January 28, and February 1, 2009, for the loan in kind. A similar election was made in January 2009 to pay the interest due August 1, 2009, for the 10.75%/11.5% Senior Toggle Notes due 2018 in kind, and in March 2009, the election was made to pay the interest due April 28, 2009, on the Senior unsecured Interim Loan Agreement in kind. The Company intends to use the cash savings generated by this election for general corporate purposes, including the early retirement of other debt.

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

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

In connection with the 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

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

Debt Extinguished	Face Value (in millions)
5.5% Senior Notes due 2010	$ 32.3
7.875% Senior Subordinated Notes due 2010	12.1
8.125% Senior Subordinated Notes due 2011	21.7
10.75% Senior PIK Toggle Notes due 2018	350.0
10.75% Senior Notes due 2016	732.2
5.5% Senior Notes due 2010	371.3
8.0% Senior Notes due 2011	19.7
5.375% Senior Notes due 2013	221.4
5.75% Senior Notes due 2017	140.2
5.625% Senior Notes due 2015	136.0
6.5% Senior Notes due 2016	98.8
7.875% Senior Subordinated Notes due 2010	63.8
8.125% Senior Subordinated Notes due 2011	91.1

Included in the table above is approximately $2.2 billion, face amount, of HOC's debt that was retired in connection with private exchange offers in December 2008. Retired notes, maturing between 2010 and 2013, were exchanged for new 10.0% Second-Priority Senior Secured Notes due 2015, and retired notes maturing between 2015 and 2018 were exchanged for new 10.0% Second-Priority Senior Secured Notes due 2018 as reflected in the table below. Approximately $448 million, face amount, of the retired notes maturing between 2010 and 2011 and participating in the exchange offers elected to receive cash of approximately $289 million in lieu of new notes.

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

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

Senior Secured Credit Facility

Overview. HOC's senior secured credit facilities (the "Credit Facilities") provide for senior secured financing of up to $9.196 billion, consisting of (i) senior secured term loan facilities in an aggregate principal amount of up to $7.196 billion maturing through January 28, 2015 and (ii) a senior secured revolving credit facility in an aggregate principal amount of $2.0 billion, maturing January 28, 2014, including both a letter of credit sub-facility and a swingline loan sub-facility. The Credit Facilities require scheduled quarterly payments on the term loans of $18.125 million each for six years and three quarters, with the balance paid at maturity. Interest on the Credit Agreement is based on our debt ratings and leverage ratio and is subject to change. In addition, we may request one or more incremental term loan facilities and/or increase commitments under our revolving facility in an aggregate amount of up to $1.75 billion, subject to certain conditions and receipt of commitments by existing or additional financial institutions or institutional lenders. As of December 31, 2008, $7.73 billion in borrowings was outstanding under the Credit Facilities with an additional $0.2 billion committed to back letters of credit. After consideration of these borrowings and letters of credit, $1.29 billion of additional borrowing capacity was available to the Company under the Credit Facilities as of December 31, 2008. Subsequent to December 31, 2008, HOC borrowed the remaining amount available, except for amounts committed to back letters of credit, under the $2.0 billion senior secured revolving credit facility. The remaining amount available was borrowed in light of the continuing uncertainty in the credit market and general economic conditions. The funds will be used for general corporate purposes, including capital expenditures.

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

Proceeds from the term loan drawn on the closing date were used to repay extinguished debt in the table above and pay expenses related to the Merger. 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 Credit Facilities bear interest at a rate equal to the then-current LIBOR rate or at a rate equal to the alternate base rate, in each case plus an applicable margin. In addition, on a quarterly basis, we are required to pay each lender (i) a commitment fee in respect of any unused commitments under the revolving credit facility and (ii) a letter of credit fee in respect of the aggregate face amount of outstanding letters of credit under the revolving credit facility. As of December 31, 2008, the Credit Facilities bore interest based upon 300 basis points over LIBOR for the term loans, 200 basis points over the alternate base rate for the revolver loan and 150 basis points over LIBOR for the swingline loan and bore a commitment fee for unborrowed amounts of 50 basis points.

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

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

Illinois/Indiana	Other Nevada
Horseshoe Southern Indiana	Harrah's Reno
Harrah's Metropolis	Harrah's Lake Tahoe
Horseshoe Hammond	Harveys Lake Tahoe
	Bill's Lake Tahoe

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

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

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

HOC's 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.

10.0% Second-Priority Senior Secured Notes

In December 2008, HOC completed private exchange offers whereby approximately $2.2 billion, face amount, of HOC's debt maturing between 2010 and 2018 was exchanged for new 10.0% Second-Priority Senior Secured Notes with a face value of $214.8 million due 2015 and new 10.0% Second-Priority Senior Secured Notes with a face value of $847.6 million due 2018. Interest on the new notes will be payable in cash each June 15 and December 15 until maturity. The Second-Priority Senior Secured Notes will be secured by a second priority security interest in substantially all of HOC's and its subsidiary's property and assets that secure the senior secured credit facilities. These liens will be junior in priority to the liens on substantially the same collateral (including mortgages) securing the senior secured credit facilities.

On March 4, 2009, HOC announced private exchange offers to exchange up to $2.8 billion aggregate principal amount (subject to increase) of new 10.0% Second-Priority Senior Secured Notes due 2018 for its outstanding debt due between 2010 and 2018. The new notes will also be guaranteed by Harrah's Entertainment and will be secured on a second-priority lien basis by substantially all of HOC's and its subsidiary's property and assets that secure the senior secured credit facilities. In addition to the exchange offers, a subsidiary of Harrah's Entertainment is offering to spend up to $150 million to purchase for cash certain notes of HOC maturing between 2015 and 2017. Additionally, HOC is offering to spend up to $50 million to purchase for cash old notes from retail holders that are not eligible to participate in the exchange offers.

Concurrently with these transactions, affiliates of Apollo and TPG and certain other co-investors announced that they are commencing a $250 million cash tender offer for the outstanding 10.0% Second-Priority Senior Secured Notes due 2015 and 10.0% Second-Priority Senior Secured notes due 2018. Upon the closing of the exchange offers, this offer will be expanded to include the new 10% Second-Priority Senior Secured notes issued in the exchange offers.

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. Our derivatives are recorded at their fair values, adjusted for the credit rating of either the counterparty, if the derivative is an asset, or the Company, if the derivative is a liability.

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2008, we had ten interest rate swap agreements for a total notional amount of $6.5 billion. The difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreement will have a corresponding effect on future cash flows. The major terms of the interest rate swaps are as follows:

Effective Date	Notional Amount (In millions)	Fixed Rate Paid	Variable Rate Received as of December 31, 2008	Next Reset Date	Maturity Date
April 25, 2007	$ 200	4.898%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.896%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.925%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.917%	3.535%	January 26, 2009	April 25, 2011
April 25, 2007	200	4.907%	3.535%	January 26, 2009	April 25, 2011
September 26, 2007	250	4.809%	3.535%	January 26, 2009	April 25, 2011
September 26, 2007	250	4.775%	3.535%	January 26, 2009	April 25, 2011
April 25, 2008	1,000	4.172%	3.535%	January 26, 2009	April 25, 2012
April 25, 2008	2,000	4.276%	3.535%	January 26, 2009	April 25, 2013
April 25, 2008	2,000	4.263%	3.535%	January 26, 2009	April 25, 2013

Until February 15, 2008, none of our interest rate swap agreements were designated as hedging instruments; therefore, gains or losses resulting from changes in the fair value of the swaps were recognized in earnings in the period of the change. On February 15, 2008, eight of our interest rate swap agreements for notional amounts totaling $3.5 billion were designated as hedging instruments, and on April 1, 2008, the remaining swap agreements were designated as hedging instruments. Upon designation as hedging instruments, only any measured ineffectiveness is recognized in earnings in the period of change. Interest rate swaps increased our 2008 and 2007 interest expense by $161.9 million and $44.0 million, respectively.

Guarantees of Third-Party Debt and Other Obligations and Commitments

The following tables summarize our contractual obligations and other commitments as of December 31, 2008.

Contractual Obligations [a]	Payments due by Period Total	Less than 1 year	1-3 years	4-5 years	After 5 years
			(In millions)		
Debt, face value	$18,110.3	$ 86.5	$1,125.1	$ 427.7	$16,471.0
Capital lease obligations	12.3	5.0	7.3	—	—
Estimated interest payments [b]	9,228.9	1,364.1	2,518.2	2,389.6	2,957.0
Operating lease obligations	1,888.4	77.6	119.8	108.9	1,582.1
Purchase order obligations	31.6	31.6	—	—	—
Guaranteed payments to State of Louisiana	134.8	60.0	74.8	—	—
Community reinvestment	124.6	6.3	12.7	11.9	93.7
Construction commitments	682.8	682.8	—	—	—
Entertainment obligations	109.5	42.0	49.8	17.7	—
Other contractual obligations	319.5	48.1	47.6	25.4	198.4
	$30,642.7	$2,404.0	$3,955.3	$2,981.2	$21,302.2

(a) In addition to the contractual obligations disclosed in this table, we have unrecognized tax benefits that, based on uncertainties associated with the items, we are unable to make reasonably reliable estimates of the period of potential cash settlements, if any, with taxing authorities. (See Note 10 to our Consolidated Financial Statements.)

(b) Estimated interest for variable rate debt included in this table is based on rates at December 31, 2008. Estimated interest includes the estimated impact of our interest rate swap agreements.

Contractual Obligations	Amounts of Commitment Per Year Total amounts committed	Less than 1 year	1-3 years	4-5 years	After 5 years
			(In millions)		
Letters of credit	$ 159.0	$ 159.0	$ —	$—	$ —
Minimum payments to tribes	41.5	13.8	25.4	2.3	—

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 59 months from December 31, 2008, is $1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of its obligations, including its debt service.

DEBT COVENANT COMPLIANCE

Certain covenants contained in our credit agreement require the maintenance of a senior secured debt to last twelve months (LTM) Adjusted EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"), as defined in the agreements, ratio ("Senior Secured Leverage Ratio"). Certain covenants contained in the credit agreement governing our senior secured credit facilities, the indenture and other agreements governing our 10.75% Senior Notes due 2016, 10.75% Senior Toggle Notes due 2018 and senior interim loans restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet defined Adjusted EBITDA to Fixed Charges, senior secured debt to LTM Adjusted EBITDA and consolidated debt to LTM Adjusted EBITDA ratios. The covenants that restrict additional indebtedness and the ability to make future acquisitions require an LTM Adjusted EBITDA to Fixed Charges ratio (measured on a trailing four-quarter basis) of 2.0: 1.0. Failure to comply with these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions.

We believe we are in compliance with our credit agreement and indentures, including the Senior Secured Leverage Ratio, as of December 31, 2008. If our LTM Adjusted EBITDA were to decline significantly from the level achieved in 2008, it could cause us to exceed the Senior Secured Leverage Ratio and could be an Event of Default under our credit agreement. However, we could implement certain actions in an effort to minimize the possibility of a breach of the Senior Secured Leverage Ratio, including reducing payroll and other operating costs, deferring or eliminating certain maintenance, delaying or deferring capital expenditures, or selling assets. In addition, under certain circumstances, our credit agreement allows us to apply the cash contributions received by HOC as a capital contribution to cure covenant breaches. However, there is no guarantee that such contributions will be able to be secured.

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. LTM Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other adjustments required or permitted in calculating covenant compliance under the indenture and other agreements governing the 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 LTM 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 LTM Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

The following table reconciles (loss)/income from continuing operations and LTM Adjusted EBITDA of HOC for the twelve months ended December 31, 2008, and takes into consideration the CMBS Transactions and the London Clubs Transfer as if they had occurred at the beginning of the period.

(In millions)	Successor January 28, 2008 Through December 31, 2008	Predecessor January 1, 2008 Through January 27, 2008	Combined Last Twelve Months
(Loss)/income from continuing operations	$ (3,396.9)	$ (107.6)	$(3,504.5)
Interest expense, net	1,675.4	85.7	1,761.1
(Benefit)/provision for income taxes	(378.5)	(21.6)	(400.1)
Depreciation and amortization	597.2	56.7	653.9
EBITDA [(a)]	(1,502.8)	13.2	(1,489.6)
Project opening costs, abandoned projects and development costs [(b)]	30.0	0.9	30.9
Acquisition and integration costs	24.0	125.6	149.6
Gains on early extinguishments of debt [(c)]	(742.1)	—	(742.1)
Minority interests, net of distributions [(d)]	(7.2)	0.8	(6.4)
Impairment of goodwill and intangible assets	3,745.2	—	3,745.2
Non-cash expense for stock compensation benefits [(e)]	12.1	1.7	13.8
Income from insurance claims for hurricane losses [(f)]	(185.4)	—	(185.4)
Other non-recurring or non-cash items [(g)]	130.1	0.8	130.9
Pro forma adjustment for acquired, new or disposed properties [(h)]	8.0	—	8.0
Pro forma adjustment for yet-to-be realized cost savings [(i)]			361.1
LTM Adjusted EBITDA			$ 2,016.0

(a) Includes the impairment of goodwill and intangible assets.

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

(c) Represents (i) the difference between the net book value and cash paid for notes exchanged and retired for cash; (ii) the difference between the net book value of the old notes and the fair market value of new notes issued; and (iii) the write-off of historical unamortized deferred financing costs and premiums/discounts.

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

(e) Represents expense allocated by the parent related to stock option programs.

(f) Represents non-recurring insurance recoveries related to Hurricane Katrina.

(g) 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.

(h) Represents the full period estimated impact of newly completed construction projects.

(i) Represents the yet-to-be-realized cost savings from our profitability improvement program.

Exhibit 99.2

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. 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 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.