HARRAHS OPERATING CO INC
Form POS AM
May 17, 2010

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As filed with the Securities and Exchange Commission on May 17, 2010

Registration No. 333-163368

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Post-Effective Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

HARRAH S ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**7993**	**62-1411755**
(State or other jurisdiction of Incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

One Caesars Palace Drive

Las Vegas, NV 89109

(702) 407-6000

(Address, including zip code, and telephone number, including

area code, of Registrant s Principal Executive Offices)

HARRAH S OPERATING COMPANY, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**7993**	**75-1941623**
(State or other jurisdiction of	**(Primary Standard Industrial**	**(I.R.S. Employer**
Incorporation or organization)	**Classification Code Number)**	**Identification No.)**

One Caesars Palace Drive

Las Vegas, NV 89109

(702) 407-6000

(Address, including zip code, and telephone number, including

area code, of Registrant s principal executive offices)

Michael D. Cohen, Esq.

Vice President and Corporate Secretary

Harrah s Entertainment, Inc.

One Caesars Palace Drive

Las Vegas, NV 89109

(702) 407-6000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:

Monica K. Thurmond, Esq.

O Melveny & Myers LLP

7 Times Square

New York, New York 10036

(212) 326-2000

Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

(Calculation Table continued on next page)

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(4)
10.00% Second-Priority Senior Secured Notes due 2015	$22,206,000	100%	$22,206,000	$1,239
Guarantee of 10.00% Second-Priority Senior Secured Notes due 2015(3)				(4)
10.00% Second-Priority Senior Secured Notes due 2018	$31,765,000	100%	$31,765,000	$1,772
Guarantee of 10.00% Second-Priority Senior Secured Notes due 2018(3)				(4)
10.00% Second-Priority Senior Secured Notes due 2018	$291,146,000	100%	$291,146,000	$16,246
Guarantee of 10.00% Second-Priority Senior Secured Notes due 2018(3)				(4)
5.625% Senior Notes due 2015	$398,894,000	100%	$398,894,000	$22,258
Guarantee of 5.625% Senior notes due 2015(3)				(4)
6.50% Senior Notes due 2016	$224,520,000	100%	$224,520,000	$12,528
Guarantee of 6.50% Senior Notes due 2016(3)				(4)
5.75% Senior Notes due 2017	$335,561,000	100%	$335,561,000	$18,724
Guarantee of 5.75% Senior Notes due 2017(3)				(4)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended (the Securities Act).

(2) Harrah s Entertainment, Inc. unconditionally guarantees the 10.00% Second-Priority Senior Secured Notes due 2015, the 10.00% Second-Priority Senior Secured Notes due 2018(1); the 10.00% Second-Priority Senior Secured Notes due 2018(2), the 5.625% Senior Notes due 2015, the 6.50% Senior Notes due 2016 and the 5.75% Senior Notes due 2017 on a senior unsecured basis.

(3) Pursuant to Rule 457(n) of the rules and regulations under the Securities Act, no separate fee for the guarantee is payable.

(4) Previously paid on November 25, 2009.

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EXPLANATORY NOTE

This Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 of Harrah s Entertainment, Inc. (the Company) and Harrah s Operating Company, Inc. (HOC), as originally declared effective by the Securities and Exchange Commission (the SEC) on December 17, 2009, is being filed pursuant to the undertakings in Item 17 of the Registration Statement to include the information contained in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, that was filed with the Securities and Exchange Commission on March 9, 2010 and the Company s Quarterly Report on Form 10-Q for the period ended March 31, 2010, that was filed with the SEC on May 10, 2010.

The information included in this filing amends this Registration Statement and the Prospectus contained therein. No additional securities are being registered under this Post-Effective Amendment No. 1. All applicable registration fees were paid at the time of the original filing of the Registration Statement.

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PROSPECTUS

Harrah s Operating Company, Inc.

$22,206,000 10.00% Second-Priority Senior Secured Notes due 2015

$31,765,000 10.00% Second-Priority Senior Secured Notes due 2018

$291,146,000 10.00% Second-Priority Senior Secured Notes due 2018

$398,894,000 5.625% Senior Notes due 2015

$224,520,000 6.50% Senior Notes due 2016

$335,561,000 5.75% Senior Notes due 2017

This prospectus covers resales by holders of: (i) the 10.00% Second-Priority Senior Secured Notes due 2015 issued by Harrah s Operating Company, Inc. (HOC) on December 24, 2008 (the 2015 Second Lien Notes); (ii) the 10.00% Second-Priority Senior Secured Notes due 2018 issued by HOC on December 24, 2008 (the 2018(1) Second Lien Notes); (iii) the 10.00% Second-Priority Senior Secured Notes due 2018 issued by HOC on April 15, 2009 (the 2018(2) Second Lien Notes); (iv) the 5.625% Senior Notes due 2015 (the 2015 Senior Notes); (v) the 6.50% Senior Notes due 2016 (the 2016 Senior Notes); and (vi) the 5.75% Senior Notes due 2017 (the 2017 Senior Notes). We refer to the 2015 Second Lien Notes, the 2018(1) Second Lien Notes and 2018(2) Second Lien Notes collectively as the Second Lien Notes. We refer to the 2015 Senior Notes, the 2016 Senior Notes and the 2017 Senior Notes collectively as the Senior Notes. We refer to the Second Lien Notes and the Senior Notes offered in this prospectus collectively as the notes.

The 2015 Second Lien Notes mature on December 15, 2015, and the 2018(1) Second Lien Notes and 2018(2) Second Lien Notes mature on December 15, 2018. Interest on each series of the Second Lien Notes is payable in cash on June 15 and December 15 and accrues at a rate of 10.00% per annum. The 2015 Senior Notes mature on June 1, 2015, the 2016 Senior Notes mature on June 1, 2016, and the 2017 Senior Notes mature on October 1, 2017. Interest on the 2015 Senior Notes is payable in cash on June 1 and December 1 and accrues at a rate of 5.625% per annum. Interest on the 2016 Senior Notes is payable in cash on June 1 and December 1 and accrues at a rate of 6.50% per annum. Interest on the 2017 Senior Notes is payable in cash on April 1 and October 1 and accrues at a rate of 5.75% per annum.

At any time prior to December 15, 2012, HOC may redeem, in whole or in part, the 2015 Second Lien Notes at a price equal to 100% of the principal amount of the 2015 Second Lien Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium. Thereafter, HOC may redeem the 2015 Second Lien Notes, in whole or in part, at the redemption prices set forth in this prospectus. At any time prior to December 15, 2013, HOC may redeem, in whole or in part, the 2018(1) Second Lien Notes, in whole or in part, at a price equal to 100% of the principal amount of the 2018(1) Second Lien Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium and/or the 2018(2) Second Lien Notes, in whole or in part, at a price equal to 100% of the principal amount of the 2018(2) Second Lien Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium. Thereafter, HOC may redeem the 2018(1) Second Lien Notes and/or the 2018(2) Second Lien Notes, in whole or in part, at the redemption prices set forth in this prospectus. In addition, on or prior to December 15, 2011, HOC may redeem up to 35% of the aggregate principal amount of the 2015 Second Lien Notes, the 2018(1) Second Lien Notes and/or the 2018(2) Second Lien Notes with the net cash proceeds from certain equity offerings at the redemption prices set forth in this prospectus. At any time prior to their respective maturity dates, HOC may redeem, in whole or in part, any series of the Senior Notes at a price equal to 100% of the principal amount of such series of Senior Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium.

The notes are senior indebtedness of HOC, rank pari passu in right of payment with all of its existing and future senior indebtedness of HOC, are senior in right of payment to all of its existing and future subordinated indebtedness of HOC and are effectively subordinated in right of payment to all of the existing and future indebtedness and liabilities of its subsidiaries (in the case of the Senior Notes) and its subsidiaries that are not Subsidiary Pledgors (in the case of the Second Lien Notes). In addition, the Senior Notes are effectively subordinated to any senior secured indebtedness of HOC or Harrah s Entertainment, including the Second Lien Notes, as well as HOC s senior secured credit facilities and first lien notes, in each case to the extent of the assets securing such indebtedness. The notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment.

The Second Lien Notes will be secured by second-priority liens on certain assets of HOC and each wholly owned, domestic subsidiary of HOC that is a subsidiary pledgor with respect to the senior secured credit facilities (the Subsidiary Pledgors). The liens are junior in priority to the liens on substantially the same collateral securing the senior secured credit facilities and the first lien notes and to all other permitted prior liens, including liens securing certain derivative obligations and cash management obligations. While the collateral securing the senior secured credit facilities and the first lien notes includes the equity interests of HOC and substantially all of HOC s domestic subsidiaries and first-tier foreign subsidiaries, the collateral securing the Second Lien Notes does not include securities and other equity interests of HOC or its subsidiaries.

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

HOC will not receive any proceeds from the resale of the notes hereunder.

See Risk Factors beginning on page 24 of this prospectus for a discussion of certain risks that you should consider before participating in these exchange offers.

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

The date of this prospectus is May 17, 2010.

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We have not authorized anyone to give you any information or to make any representations about us or the transactions we discuss in this prospectus other than those contained in this prospectus. If you are given any information or representations about these matters that is not discussed in this prospectus, you must not rely on that information. This prospectus is not an offer to sell or a solicitation of an offer to buy securities anywhere or to anyone where or to whom we are not permitted to offer or sell securities under applicable law. The delivery of this prospectus does not, under any circumstances, mean that there has not been a change in our affairs since the date of this prospectus. Subject to our obligation to amend or supplement this prospectus as required by law and the rules of the Securities and Exchange Commission (the SEC) the information contained in this prospectus is correct only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of these securities.

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

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

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PROSPECTUS SUMMARY

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

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

Our Company

Harrah s Entertainment, Inc., a Delaware corporation, is one of the largest casino entertainment providers in the world. As of the date of this prospectus, we owned or managed, through various subsidiaries, 52 casinos in seven countries, but primarily in the United States and England. HOC owned or managed 46 of these casinos. Our casino entertainment facilities operate primarily under the Harrah s, Caesars and Horseshoe brand names in the United States. Our casino entertainment facilities include 33 land-based casinos, 12 riverboat or dockside casinos, three managed casinos on Indian lands in the United States, one managed casino in Canada, one combination greyhound racetrack and casino, one combination thoroughbred racetrack and casino and one harness racetrack and casino. Our 33 land-based casinos include one in Uruguay, eleven in the United Kingdom, two in Egypt and one in South Africa. As of the date of this prospectus, our facilities have an aggregate of approximately three million square feet of gaming space and approximately 39,000 hotel rooms. We have a customer loyalty program, Total Rewards, which has over 40 million members, that we use for marketing promotions and to generate play by our customers when they travel among our markets in the United States and Canada. We also own and operate the World Series of Poker tournament and brand.

Our History

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

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

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

The Acquisition

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

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

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

Recent Events

PHW Las Vegas Amended and Restated Loan Agreement

On February 19, 2010, Harrah s Operating, a wholly owned subsidiary of Harrah s Entertainment, acquired 100% of the equity interests of PHW Las Vegas, LLC (PHW Las Vegas), which owns and operates the Planet Hollywood Resort and Casino.

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In connection with this transaction, PHW Las Vegas assumed a $554.3 million, face value, senior secured loan, and a subsidiary of Harrah s Operating cancelled certain debt issued by PHW Las Vegas predecessor entities. In connection with the transaction and the assumption of debt, PHW Las Vegas entered into the Amended and Restated Loan Agreement (the Planet Hollywood Loan Agreement) with Wells Fargo Bank, N.A., as trustee for The Credit Suisse First Boston Mortgage Securities Corp. Commercial Mortgage Pass-Through Certificates, Series 2007-TFL2 (Lender). The $554.3 million outstanding under the Planet Hollywood Loan Agreement bears interest at a rate per annum equal to LIBOR plus 2.859%, is secured by assets of PHW Las Vegas, and is non-recourse to other subsidiaries of the Company. PHW Las Vegas is an unrestricted subsidiary of Harrah s Operating and therefore not a borrower under HOC s credit facilities.

On April 5, 2010, as required under the amended and restated loan agreement, we entered into an interest rate cap agreement to partially hedge the risk of future increases in the variable rate of the PHW Las Vegas senior secured loan. The interest rate cap agreement is for a notional amount of $554.3 million at LIBOR cap rate of 5%, and matures on December 9, 2011. Due to the prepayment requirements of the loan disclosed in note 5 to the unaudited condensed consolidated financial statements as of March 31, 2010, included elsewhere in this prospectus, we have designated $525 million of the $554.3 million notional amount of the interest rate cap as a cash flow hedging instrument for accounting purposes.

Issuance of 12.75% Notes and Redemptions

On April 16, 2010, Harrah s Operating Escrow LLC and Harrah s Escrow Corporation (the Escrow Issuers), wholly-owned subsidiaries of HOC, completed the offering of $750.0 million aggregate principal amount of 12.75% second-priority senior secured notes due 2018 (the 12.75% Notes).

In connection with the issuance of the 12.75% Notes, on April 16, 2010, HOC delivered notices of redemption (each, a Redemption Notice , and collectively, the Redemption Notices) to the holders of HOC s currently outstanding 5.50% Senior Notes due 2010 (the 5.50% Notes), 8.0% Senior Notes due 2011 (the 8.0% Notes) and 8.125% Senior Subordinated Notes due 2011 (the 8.125% Notes and, collectively with the 5.50% Notes and the 8.0% Notes, the 2010/2011 Notes). The Redemption Notices provide for HOC s redemption on May 20, 2010 (the Redemption Date), pursuant to the terms of the indentures relating to the 2010/2011 Notes, of all $17.6 million of 8.125% Notes, $191.6 million of 5.50% Notes and $13.2 million of 8.0% Notes at a redemption price of (a) in the case of the 8.125% Notes, 100% of the principal amount of the 8.125% Notes to be redeemed plus the Make-Whole Premium (as defined in the indenture relating to the 8.125% Notes), and (b) in the case of each of the 5.50% Notes and the 8.0% Notes, an amount equal to the greater of (x) 100% of the principal amount of such notes to be redeemed and (y) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of such Redemption Date) discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined in the applicable indenture), plus 25 basis points, as calculated by an Independent Investment Banker (as defined in the applicable indenture), plus, in the case of both (a) and (b), accrued and unpaid interest on the principal amount being redeemed to the Redemption Date.

Pursuant to an escrow agreement dated as of April 16, 2010, among U.S. Bank National Association, as escrow agent and securities intermediary, U.S. Bank National Association, as trustee under the indenture for the 12.75% Notes and the Escrow Issuers, the Escrow Issuers deposited the gross proceeds of the 12.75% Notes, together with additional amounts necessary to redeem the 12.75% Notes, if applicable, into a segregated escrow account until the date that certain escrow conditions are satisfied. The escrow conditions include, inter alia, the assumption Harrah s Operating of all obligations of the Escrow Issuers under the 12.75% Notes (the HOC Assumption), the expiration of the notice periods for the redemption (the Redemptions) of any and all of Harrah s Operating s currently outstanding 2010/2011 Notes and the application of the net proceeds from the issuance of the 12.75% Notes to the Redemptions.

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Upon the consummation of the HOC Assumption and the execution and delivery of security documents creating liens securing the 12.75% Notes, the 12.75% Notes will be secured by a second priority security interest in all of the collateral granted to the collateral agent for the benefit of the holders of the Second Lien Notes. The second priority security interest of the 12.75% Notes will be pari passu in priority to the liens on the collateral securing the Second Lien Notes and other future parity lien debt that may be issued in compliance with the terms of the indenture governing the 12.75% Notes. The second priority security interest of the 12.75% Notes will be junior in priority to the liens on substantially the same collateral securing the first lien notes and to all other permitted prior liens, including liens securing hedging obligations and cash management obligations.

The Sponsors

Apollo

Apollo is a leading global alternative asset manager with offices in New York, Los Angeles, London, Singapore, Frankfurt, Luxembourg and Mumbai. As of December 31, 2009, Apollo has assets under management in excess of $53 billion in private equity, hedge funds, distressed debt and mezzanine funds invested across a core group of industries where Apollo has considerable knowledge and resources.

TPG

TPG is a private investment partnership that was founded in 1992 and currently has more than $48 billion of assets under management. Through its investment platforms, TPG Capital and TPG Growth, the firm has extensive experience with global public and private investments executed through leveraged buyouts, recapitalizations, spinouts, joint ventures, growth investments and restructurings. The firm is headquartered in Fort Worth, and has offices in San Francisco, London, Hong Kong, New York, Melbourne, Moscow, Mumbai, Paris, Luxembourg, Beijing, Shanghai, Singapore and Tokyo.

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Organizational Structure

The chart below is a summary of the organizational structure of Harrah s Entertainment and HOC as of the date hereof and illustrates our long-term debt as of March 31, 2010 after giving effect to the issuance of the 12.75% Notes and the use of the proceeds therefrom.

Corporate Structure

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

(2) HET currently guarantees all of the debt securities set forth above. In addition, it has provided a payment guarantee of the operating leases under the CMBS Facilities (as defined in The Acquisition Transactions). The guarantee of HET of the obligations under all of the debt of HOC set forth above and the 12.75% Notes is structurally subordinated to the CMBS Facilities.

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

(4) Upon the closing of the Acquisition, we entered into the senior secured credit facilities, which include a $2,000 million revolving credit facility that was reduced to $1,630 million due to debt retirements subsequent to the closing of the Acquisition. At March 31, 2010, on an adjusted basis after giving effect to the offering of the 12.75% Notes and the Redemptions, $1,496.5 million of additional borrowing capacity was available under our revolving credit facility, with an additional $133.5 million committed to back outstanding letters of credit, all of which is secured on a first priority basis.

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(5) The CMBS Borrowers and their respective subsidiaries do not guarantee, or pledge their assets as security for, the notes, the senior secured credit facilities or any other indebtedness of HOC and are not directly liable for any obligations thereunder.

(6) Includes (a) the 12.75% Notes and (b) the Second Lien Notes. The 12.75% Notes are not fungible with the Second Lien Notes.

(7) Excludes senior notes currently held by Harrah s BC, Inc.

(8) Each of the wholly-owned domestic subsidiaries of HOC that pledged its assets to secure the senior secured credit facilities and the 11.25% senior secured notes due 2017 (collectively, the First Lien Indebtedness) has also pledged its assets to secure the Second Lien Notes, provided, however, that the equity interests of HOC and of HOC s subsidiaries that have been pledged to secure HOC s obligations under its First Lien Indebtedness have not been pledged to secure HOC s obligations under the Second Lien Notes.

(9) Includes a $230 million senior secured loan entered into in August 2009 by Chester Downs and Marina, LLC, which is not a Subsidiary Pledgor. While we consolidated Chester Downs in the HOC financials, HOC is not an obligor on the senior secured term loan.

(10) PHW Las Vegas is an unrestricted subsidiary of HOC and therefore not a borrower under HOC s senior secured credit facilities or a guarantor of, or pledgor with respect to, any other existing debt of HOC, and the Planet Hollywood Loan Agreement is non-recourse to HOC, HET or any other subsidiaries of HET.

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Summary of the Terms of the Notes

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

Issuer	Harrah s Operating Company, Inc.
2015 Second Lien Notes	$214,800,000 aggregate principal amount of our 10.00% Second-Priority Senior Secured Notes due 2015, of which $22,206,000 are offered hereby.
Maturity Date	The 2015 Second Lien Notes will mature on December 15, 2015.
Interest Rate	Interest on the 2015 Second Lien Notes is payable in cash and accrues at a rate of 10.00% per annum.
Interest Payment Date	June 15 and December 15.
Collateral	The 2015 Second Lien Notes are secured by a second priority security interest in the collateral granted to the collateral agent for the benefit of the holders of the notes and other future parity lien debt that may be issued in compliance with the terms of the indenture governing the 2015 Second Lien Notes. These liens are junior in priority to the liens on substantially the same collateral securing the senior secured credit facilities and the first lien notes and to all other permitted prior liens, including liens securing certain hedging obligations and cash management obligations. The liens securing first priority lien obligations are held by the collateral agent under the senior secured credit facilities.

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

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

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

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

Guarantee	The 2015 Second Lien Notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment.
Optional Redemption	Harrah s Operating may redeem the 2015 Second Lien Notes, in whole or part, at any time prior to December 15, 2012 at a price equal to 100% of the principal amount of the 2015 Second Lien Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium, as described in Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes Optional Redemption.

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

Optional Redemption After Certain Equity Offerings	At any time (which may be more than once) before December 15, 2011, Harrah s Operating may choose to redeem up to 35% of the principal amount of the 2015 Second Lien Notes at a redemption price equal to 110.00% of the face amount thereof with the net proceeds of one or more equity offerings to the extent such net cash proceeds are received by or contributed to Harrah s Operating and so long as at least 50% of the aggregate principal amount of the 2015 Second Lien Notes issued remains outstanding afterwards. See Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes Optional Redemption.
Mandatory Redemption	If the 2015 Second Lien Notes would otherwise constitute applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, as amended (the Code), at the end of each accrual period ending after the fifth anniversary of the 2015 Second Lien Notes issuance (each an AHYDO redemption date), we will be required to redeem for cash a portion of each applicable 2015 Second Lien Note then outstanding equal to the Mandatory Principal Redemption Amount (such redemption, a Mandatory Principal Redemption). The redemption price for the portion of each 2015 Second Lien Note redeemed pursuant to Mandatory Principal Redemption will be 100% of the principal amount of such portion plus any accrued interest thereon on the date of redemption. The Mandatory Principal Redemption Amount means the portion of a 2015 Second Lien Note that must be required to be redeemed to prevent such 2015 Second Lien Note from being treated as an applicable high yield discount obligation within the meaning of Section 163(i)(1) of the Code. No partial redemption or repurchase of the 2015 Second Lien Notes prior to the AHYDO redemption date pursuant to any other provision of the indenture alters our obligation to make the Mandatory Principal Redemption with respect to any 2015 Second Lien Notes that remain outstanding on an AHYDO redemption date.
Change of Control	If Harrah s Operating experiences a change of control (as defined in the indentures governing the notes), Harrah s Operating will be required to make an offer to repurchase the 2015 Second Lien Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes Change of Control.

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Certain Covenants	We issued the 2015 Second Lien Notes and the 2018(1) Second Lien Notes under a single indenture, which contains covenants limiting Harrah s Operating s ability and the ability of its subsidiaries to:

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

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

2018(1) Second Lien Notes	$847,621,000 aggregate principal amount of 10.00% Second-Priority Senior Secured Notes due 2018, of which $31,765,000 are offered hereby.
Maturity Date	The 2018(1) Second Lien Notes will mature on December 15, 2018.
Interest Rate	Interest on the 2018(1) Second Lien Notes is payable in cash and accrues at a rate of 10.00% per annum.
Interest Payment Date	June 15 and December 15.
Collateral	The 2018(1) Second Lien Notes are secured by a second priority security interest in the collateral granted to the collateral agent for the benefit of the holders of the notes and other future parity lien debt that may be issued in compliance with the terms of the indenture governing the 2018(1) Second Lien Notes. These liens are junior in priority to

the liens on substantially the same collateral securing the senior secured credit facilities and the first lien notes and to all other permitted prior liens, including liens securing certain hedging obligations and cash management obligations. The liens securing first priority lien obligations are held by the collateral agent under the senior secured credit facilities.

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

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

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

The 2018(1) Second Lien Notes have the benefit of a security interest in the collateral that is second in priority behind the senior secured credit facilities and the first lien notes, subject to permitted prior liens and exceptions described under Description of 2015 Second Lien

	Notes and 2018(1) Second Lien Notes Security for the Notes. Although none of HOC s subsidiaries guarantee the 2018(1) Second Lien Notes, all of HOC s domestic wholly owned subsidiaries that pledge their assets and property to secure the loans under the senior secured credit facilities, the first lien notes and other first priority lien obligations, if any, are Subsidiary Pledgors with respect to the 2018(1) Second Lien Notes, and their assets and property secure the 2018(1) Second Lien Notes to the extent described under Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes Security for the Notes.
Guarantee	The 2018(1) Second Lien Notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment.
Optional Redemption	Harrah s Operating may redeem the 2018(1) Second Lien Notes, in whole or part, at any time prior to December 15, 2013 at a price equal to 100% of the principal amount of the 2018(1) Second Lien Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium, as described in Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes Optional Redemption.

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

Optional Redemption After Certain Equity Offerings	At any time (which may be more than once) before December 15, 2011, Harrah s Operating may choose to redeem up to 35% of the principal amount of the 2018(1) Second Lien Notes at a redemption price equal to 110.00% of the face amount thereof with the net proceeds of one or more equity offerings to the extent such net cash proceeds are received by or contributed to Harrah s Operating and so long as at least 50% of the aggregate principal amount of the 2018(1) Second Lien Notes issued remains outstanding afterwards. See Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes Optional Redemption.
Mandatory Redemption	If the 2018(1) Second Lien Notes would otherwise constitute applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, as amended (the Code), at the end of each accrual period ending after the fifth anniversary of the 2018(1) Second Lien Notes issuance (each an AHYDO redemption date), we will be required to redeem for cash a portion of each applicable 2018(1) Second Lien Note then outstanding equal to the Mandatory Principal Redemption Amount (such redemption, a Mandatory Principal Redemption). The redemption price for the portion of each 2018(1) Second Lien Note redeemed pursuant to a Mandatory Principal Redemption will be

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	100% of the principal amount of such portion plus any accrued interest thereon on the date of redemption. The Mandatory Principal Redemption Amount means the portion of a 2018(1) Second Lien Note that must be required to be redeemed to prevent such 2018(1) Second Lien Note from being treated as an applicable high yield discount obligation within the meaning of Section 163(i)(1) of the Code. No partial redemption or repurchase of the 2018(1) Second Lien Notes prior to the AHYDO redemption date pursuant to any other provision of the indenture alters our obligation to make the Mandatory Principal Redemption with respect to any 2018(1) Second Lien Notes that remain outstanding on an AHYDO redemption date.
Change of Control	If Harrah s Operating experiences a change of control (as defined in the indentures governing the notes), Harrah s Operating will be required to make an offer to repurchase the 2018(1) Second Lien Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes Change of Control.
Certain Covenants	We issued the 2015 Second Lien Notes and the 2018(1) Second Lien Notes under a single indenture, which contains covenants limiting Harrah s Operating ability and the ability of its subsidiaries to: incur additional debt or issue certain preferred shares; pay dividends on or make distributions in respect of its capital stock or make other restricted payments; make certain investments; sell certain assets; create liens on certain assets to secure debt; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into certain transactions with its affiliates; and designate its subsidiaries as unrestricted subsidiaries. The covenants are subject to a number of important limitations and exceptions. In addition, the restrictive covenants do not apply to Harrah s Entertainment. See Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes. Certain covenants will cease to apply to the 2015 Second Lien Notes for so long as such notes have investment grade ratings from both Moody s Investors Service, Inc. and Standard & Poor s.

2018(2) Second Lien Notes	$3,705,498,000 aggregate principal amount of 10.00% Second-Priority Senior Secured Notes due 2018, of which $291,146,000 are offered hereby.
Maturity Date	The 2018(2) Second Lien Notes will mature on December 15, 2018.

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Interest Rate	Interest on the 2018(2) Second Lien Notes is payable in cash and accrues at a rate of 10.00% per annum.
Interest Payment Date	June 15 and December 15.
Collateral	The 2018(2) Second Lien Notes are secured by a second priority security interest in the collateral granted to the collateral agent for the benefit of the holders of the notes and other future parity lien debt that may be issued in compliance with the terms of the indenture governing the 2018(2) Second Lien Notes. These liens are junior in priority to the liens on substantially the same collateral securing the senior secured credit facilities and the first lien notes and to all other permitted prior liens, including liens securing certain hedging obligations and cash management obligations. The liens securing first priority lien obligations are held by the collateral agent under the senior secured credit facilities.

The collateral securing the 2018(2) Second Lien Notes is substantially all of Harrah s Operating s and the Subsidiary Pledgor s property and assets that secure the senior secured credit facilities, which excludes: (i) any property or assets owned by any foreign subsidiaries, (ii) certain real property and vessels, (iii) any vehicles, (iv) cash, deposit accounts and securities accounts (to the extent that a lien thereon must be perfected by any action other than the filing of customary financing statements), (v) subject to limited exceptions, any assets or any right, title or interest in any license, contract or agreement to the extent that taking a security interest in any of them would violate any applicable law or regulation (including gaming regulations) or any enforceable contractual obligation binding on the assets or would violate the terms of any such license, contract or agreement, and (vi) certain other limited exclusions. While the collateral securing the senior secured credit facilities and the first lien notes includes the equity interests of Harrah s Operating and substantially all of Harrah s Operating s domestic subsidiaries and first-tier foreign subsidiaries, the collateral securing the 2018(2) Second Lien Notes does not include securities and other equity interests of Harrah s Operating or its subsidiaries. For more information, see Description of 2018(2) Second Lien Notes Security for the Notes.

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

Ranking	The 2018(2) Second Lien Notes: • are senior indebtedness of Harrah s Operating; • rank pari passu in right of payment with all existing and future senior indebtedness of Harrah s Operating; • are senior in right of payment to all existing and future subordinated indebtedness of Harrah s Operating; and • are effectively subordinated in right of payment to all existing and future indebtedness and liabilities of subsidiaries of Harrah s Operating that are not Subsidiary Pledgors.

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

Guarantee	The 2018(2) Second Lien Notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment, subject to certain limitations. See Description of 2018(2) Second Lien Notes Parent Guarantee.
Optional Redemption	Harrah s Operating may redeem the 2018(2) Second Lien Notes, in whole or part, at any time prior to December 15, 2013 at a price equal to 100% of the principal amount of the Second Lien Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium, as described in Description of 2018(2) Second Lien Notes Optional Redemption. Harrah s Operating may redeem the 2018(2) Second Lien Notes, in whole or in part, on or after December 15, 2013 at the redemption prices set forth under Description of 2018(2) Second Lien Notes Optional Redemption.
Optional Redemption after Certain Equity Offerings and Mandatory Redemption	At any time (which may be more than once) before December 15, 2011, Harrah s Operating may choose to redeem up to 35% of the principal amount of 2018(2) Second Lien Notes at a redemption price equal to 110.00% of the face amount thereof with the net proceeds of one or more equity offerings to the extent such net cash proceeds are received by or contributed to Harrah s Operating and so long as at least 50% of the aggregate principal amount of the 2018(2) Second Lien Notes s outstanding afterwards. See Description of 2018(2) Second Lien Notes Optional Redemption.

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Change of Control	If Harrah s Operating experiences a change of control (as defined in the indentures governing the notes), Harrah s Operating will be required to make an offer to repurchase the 2018(2) Second Lien Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See Description of 2018(2) Second Lien Notes Change of Control.
Certain Covenants	We issued the 2018(2) Second Lien Notes under an indenture that contains covenants limiting Harrah s Operating s ability and the ability of its subsidiaries to: incur additional debt or issue certain preferred shares; pay dividends on or make distributions in respect of its capital stock or make other restricted payments; make certain investments; sell certain assets; create liens on certain assets to secure debt; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into certain transactions with its affiliates; and designate its subsidiaries as unrestricted subsidiaries. The covenants are subject to a number of important limitations and exceptions. In addition, the restrictive covenants do not apply to Harrah s Entertainment. See Description of 2018(2) Second Lien Notes. Certain covenants will cease to apply to 2018(2) Second Lien Notes for so long as such notes have investment grade ratings from both Moody s Investors Service, Inc. and Standard & Poor s.
2015 Senior Notes	$791,767,000 aggregate principal amount of 5.625% Senior Notes due 2015, of which $398,894,000 are offered hereby.
Maturity Date	The 2015 Senior Notes will mature on June 1, 2015.
Interest Rate	Interest on the 2015 Senior Notes is payable in cash and accrues at a rate of 5.625% per annum.

Interest Payment Dates	June 1, and December 1.
Ranking	The 2015 Senior Notes are unsecured senior obligations of Harrah s Operating and:

- rank equally and ratably with all existing and future unsecured and unsubordinated debt of Harrah s Operating;
- rank senior to all existing and any future subordinated debt of Harrah s Operating;

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- are effectively subordinated to any secured debt of Harrah s Operating and Harrah s Entertainment, including the First Lien Notes, the Second Lien Notes and the senior secured credit facilities; and
- are effectively subordinated to all existing and future debt and other liabilities of Harrah s Operating s subsidiaries.

Parent Guarantee	The 2015 Senior Notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment, subject to certain limitations. See Description of 2015 Senior Notes Guarantee of Notes.
Optional Redemption	Harrah s Operating may redeem some or all of the 2015 Senior Notes at any time prior to their maturity at the redemption price described in the Description of 2015 Senior Notes Optional Redemption section.
Covenants	The indenture governing the 2017 Senior Notes contains covenants that limit our ability and our subsidiaries ability to:

- enter into certain sale and lease-back transactions;
- incur liens on our assets to secure debt;
- merge or consolidate with another company; and
- transfer or sell substantially all of our assets.

For more details, see the Additional Covenants of Harrah s Operating and Merger, Consolidation or Sale of Assets sections under the heading Description of 2015 Senior Notes in this prospectus.

2016 Senior Notes	$573,165,000 aggregate principal amount of 6.50% Senior Notes due 2016, of which $224,520,000 are offered hereby.
Maturity Date	The 2016 Senior Notes will mature on June 1, 2016.
Interest Rate	Interest on the 2016 Senior Notes is payable in cash and accrues at a rate of 6.50% per annum.
Interest Payment Dates	June 1 and December 1.

Ranking	The 2016 Senior Notes are unsecured senior obligations of Harrah s Operating and:

- rank equally and ratably with all existing and future unsecured and unsubordinated debt of Harrah s Operating;
- rank senior to all existing and any future subordinated debt of Harrah s Operating;
- are effectively subordinated to any secured debt of Harrah s Operating and Harrah s Entertainment, including the First Lien Notes, the Second Lien Notes and the senior secured credit facilities; and

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	are effectively subordinated to all existing and future debt and other liabilities of Harrah s Operating s subsidiaries.
Parent Guarantee	The 2016 Senior Notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment, subject to certain limitations. See Description of 2016 Senior Notes Guarantee of Notes.
Optional Redemption	Harrah s Operating may redeem some or all of the 2016 Senior Notes at any time prior to their maturity at the redemption price described in the Description of 2016 Senior Notes Optional Redemption section.
Covenants	The indenture governing the 2016 Senior Notes contains covenants that limit our ability and our subsidiaries ability to:
	enter into certain sale and lease-back transactions;
	incur liens on our assets to secure debt;
	merge or consolidate with another company; and
	transfer or sell substantially all of our assets.

For more details, see the Additional Covenants of Harrah s Operating and Merger, Consolidation or Sale of Assets sections under the heading Description of 2016 Senior Notes in this prospectus.

2017 Senior Notes	$538,759,000 aggregate principal amount of 5.75% Senior Notes due 2017, of which $335,561,000 are offered hereby.
Maturity Date	The 2017 Senior Notes will mature on October 1, 2017.
Interest Rate	Interest on the 2017 Senior Notes is payable in cash and accrues at a rate of 5.75% per annum.
Interest Payment Dates	April 1 and October 1.
Ranking	The 2017 Senior Notes are unsecured senior obligations of Harrah s Operating and:
	rank equally and ratably with all existing and future unsecured and unsubordinated debt of Harrah s Operating;

rank senior to all existing and any future subordinated debt of Harrah s Operating;

are effectively subordinated to any secured debt of Harrah s Operating and Harrah s Entertainment, including the First Lien Notes, the Second Lien Notes and the senior secured credit facilities; and

are effectively subordinated to all existing and future debt and other liabilities of Harrah s Operating s subsidiaries.

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Parent Guarantee	The 2017 Senior Notes are irrevocably and unconditionally guaranteed by Harrah s Entertainment, subject to certain limitations. See Description of 2017 Senior Notes Guarantee of Notes.
Optional Redemption	Harrah s Operating may redeem some or all of the 2017 Senior Notes at any time prior to their maturity at the redemption price described in the Description of 2017 Senior Notes Optional Redemption section.
Covenants	The indenture governing the 2017 Senior Notes contains covenants that limit our ability and our subsidiaries ability to: enter into certain sale and lease-back transactions; incur liens on our assets to secure debt; merge or consolidate with another company; and transfer or sell substantially all of our assets.

For more details, see the Additional Covenants of Harrah s Operating and Merger, Consolidation or Sale of Assets sections under the heading Description of 2017 Senior Notes in this prospectus.

Use of Proceeds

The net proceeds from the sale of the securities by this prospectus will be received by the selling security holders. Harrah s Operating will not receive any of the proceeds from any sale by any selling security holder of the securities covered by this prospectus.

Book-Entry Form

The notes were issued in book-entry form and are represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of a nominee of DTC. Beneficial interests in any of the securities are shown on, and transfers are effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

Risk Factors

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

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Additional Information

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

Summary Historical Consolidated Financial Data

of Harrah s Entertainment, Inc.

The following table presents our summary historical financial information as of and for the periods presented. The summary historical financial information as of December 31, 2007, 2008 and 2009 and for the year ended December 31, 2007, for the periods from January 1, 2008 through January 27, 2008 and from January 28, 2008 through December 31, 2008 and the year ended December 31, 2009, have been derived from, and should be read in conjunction with, our audited consolidated financial statements included elsewhere in this prospectus.

The summary historical financial information as of and for the three months ended March 31, 2010, and as of and for the three months ended March 31, 2009, are derived from, and should be read in conjunction with, our unaudited condensed consolidated financial statements included elsewhere in this prospectus, and, except as otherwise described herein, have been prepared on a basis consistent with our annual audited financial statements and, in the opinion of management, include all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation of such data.

Please refer to Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited and unaudited consolidated financial statements and notes thereto included elsewhere in this prospectus. The audited consolidated financial statements as of December 31, 2009, 2008 and 2007 and for the year ended December 31, 2007, and for the periods from January 1, 2008 through January 27, 2008, and from January 28, 2008 through December 31, 2008, and for the year ended December 31, 2009 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm.

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Harrah s Entertainment, Inc.

Summary Historical Consolidated Financial Information

	Historical					
	Predecessor		Successor			
(Dollars in millions)	2007	Jan. 1, 2008 through Jan. 27, 2008	Jan. 28, 2008 through Dec. 31, 2008	2009	Three month Mar. 31, 2009	2010
Revenues						
Casino	$ 8,831.0	$ 614.6	$ 7,476.9	$ 7,124.3	$ 1,812.2	$ 1,750.0
Food and beverage	1,698.8	118.4	1,530.2	1,479.3	370.9	374.0
Rooms	1,353.6	96.4	1,174.5	1,068.9	274.7	268.4
Management fees	81.5	5.0	59.1	56.6	13.4	13.1
Other	695.9	42.7	624.8	592.4	139.5	131.0
Less: casino promotional allowances	(1,835.6)	(117.0)	(1,498.6)	(1,414.1)	(356.0)	(348.1)
Net revenues	10,825.2	760.1	9,366.9	8,907.4	2,254.7	2,188.4
Operating Expenses						
Direct						
Casino	4,595.2	340.6	4,102.8	3,925.5	993.3	987.6
Food and beverage	716.5	50.5	639.5	596.0	143.8	144.6
Rooms	266.3	19.6	236.7	213.5	52.0	59.2
Property general and administrative and other	2,421.7	178.2	2,143.0	2,018.8	504.3	503.3
Depreciation and amortization	817.2	63.5	626.9	683.9	172.4	169.7
Project opening costs	25.5	0.7	28.9	3.6	2.0	0.7
Write-downs, reserves and recoveries	(59.9)	4.7	16.2	107.9	27.4	12.5
Impairment of intangible assets	169.6		5,489.6	1,638.0		
(Income)/loss in non-consolidated affiliates	(3.9)	(0.5)	2.1	2.2	(0.2)	0.6
Corporate expense	138.1	8.5	131.8	150.7	30.3	34.5
Acquisition and integration costs	13.4	125.6	24.0	0.3	0.2	7.2
Amortization of intangible assets	73.5	5.5	162.9	174.8	43.8	42.7
Total operating expenses	9,173.2	796.9	13,604.4	9,515.2	1,969.3	1,962.6
Income/(loss) from operations	1,652.0	(36.8)	(4,237.5)	(607.8)	285.4	225.8
Interest expense, net of interest capitalized	(800.8)	(89.7)	(2,074.9)	(1,892.5)	(496.8)	(491.5)
(Losses)/gains on early extinguishments of debt	(2.0)		742.1	4,965.5	1.2	(47.4)
Other income, including interest income	43.3	1.1	35.2	33.0	8.5	14.6
Income/(loss) from continuing operations before income taxes	892.5	(125.4)	(5,535.1)	2,498.2	(201.7)	(298.5)
(Provision)/benefit for income taxes	(350.1)	26.0	360.4	(1,651.8)	74.3	104.9
Income/(loss) from continuing operations, net of tax	542.4	(99.4)	(5,174.7)	846.4	(127.4)	(193.6)
Income/(loss) from discontinued operations, net of tax	92.2	0.1	90.4		(0.1)	
Net income/(loss)	634.6	(99.3)	(5,084.3)	846.4	(127.5)	(193.6)
Less: net income attributable to non-controlling interests	(15.2)	(1.6)	(12.0)	(18.8)	(5.2)	(2.0)
Net income/(loss) attributable to Harrah s Entertainment, Inc.	$ 619.4	$ (100.9)	$ (5,096.3)	$ 827.6	$ (132.7)	$ (195.6)
Other Financial Data						
Capital expenditures, net of changes in construction payables	$ 1,376.7	$ 125.6	$ 1,181.4	$ 464.5	$ 144.0	$ 35.7
Ratio of earnings to fixed charges[(1)]	2.1x			2.3x		
Balance Sheet Data						

Cash and cash equivalents	$ 710.0	$ 650.5	$ 918.1	$ 1,759.4	$ 946.7
Working capital	(126.1)	(536.4)	(6.60)	539.5	(143.8)
Total assets	23,357.7	31,048.6	28,979.2	31,949.8	29,263.9
Total debt, book value	12,440.4	23,208.9	18,943.1	24,565.0	19,329.6
Total stockholders (deficit)/equity	6,679.1	(1,360.8)	(867.0)	(1,526.8)	1,533.3

(1) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes plus fixed charges and non-controlling interests, excluding equity in undistributed earnings of less-than-50%-owned investments. Fixed charges include interest, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense we deem to be representative of interest. Our earnings were insufficient to cover our fixed charges by $122.5 million, $5,475.3 million, $191.3 million, and $296.6 million for the Predecessor period from January 1, 2008 through January 27, 2008, the Successor period from January 28, 2008 through December 31, 2008, and the quarters ended March 31, 2009 and 2010, respectively. On a pro forma basis, after giving effect to the pro forma adjustments for (i) the Acquisition; and (ii) the Financing, our earnings were insufficient to cover our fixed charges by $5,475.3 million for the year ended December 31, 2008.

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Summary Pro Forma Consolidated Financial Data

of Harrah s Operating Company, Inc.

The following unaudited pro forma condensed consolidated financial data has been developed by applying pro forma adjustments to the historical audited consolidated financial statements of Harrah s Entertainment and subsidiaries. Set forth below is summary unaudited pro forma consolidated financial data of Harrah s Operating and its consolidated subsidiaries for the fiscal years as of December 31, 2007, 2008 and 2009, for the year ended December 31, 2007 for the periods from January 1, 2008 through January 27, 2008 and January 28, 2008 through December 31, 2008, for the year ended December 31, 2009, and for the three months ended March 31, 2009 and 2010.

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

The summary unaudited pro forma condensed consolidated financial data for the fiscal years ended December 31, 2007, for the periods from January 1, 2008 through January 27, 2008, from January 28, 2008 through December 31, 2008, for the year ended December 31, 2009 and for the three months ended March 31, 2010, have been prepared to give effect to the CMBS Transactions as if they had occurred on January 1, 2006. The summary unaudited pro forma consolidated financial data for the fiscal year ended December 31, 2008 have been prepared to give effect to the London Clubs Transfer from December 2006 (when the acquisition of London Clubs by Harrah s Entertainment was completed) and the remaining Transactions (including the CMBS Transactions) as if they had occurred on January 1, 2007, in the case of the summary unaudited pro forma consolidated statement of operations data. The pro forma adjustments are based upon available information and certain assumptions that are factually supportable and that we believe are reasonable. The summary unaudited pro forma consolidated financial data are for informational purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Harrah s Operating or Harrah s Entertainment actually would have been if the CMBS Transactions, the London Clubs Transfer or the other Transactions had occurred at any given date, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

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

The summary unaudited pro forma consolidated financial data should be read in conjunction with The Acquisition Transactions, Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited and unaudited consolidated financial statements and notes thereto included elsewhere in this prospectus.

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Harrah s Operating Company, Inc.

Summary Pro Forma Consolidated Financial Information

Pro Forma for the CMBS Transactions and London Clubs Transfer

(Dollars in millions)	**Predecessor** 2007	**Predecessor** Jan. 1, 2008 through Jan. 27, 2008	**Successor** Jan. 28, 2008 through Dec. 31, 2008	**Successor** 2009	**Successor** Three months ended Mar. 31, 2009	**Successor** Three months ended Mar. 31, 2010
Revenues						
Casino	$ 7,082.8	498.2	$ 5,962.6	$ 5,757.6	$ 1,470.6	$ 1,429.2
Food and beverage	1,076.9	77.3	971.6	946.3	237.0	251.4
Rooms	791.7	56.0	684.2	636.7	161.7	163.4
Management fees	81.5	5.0	59.1	56.6	13.4	13.1
Other	453.1	28.0	520.9	486.0	106.3	106.5
Less: casino promotional allowances	(1,342.2)	(87.0)	(1,080.7)	(1,010.0)	(255.2)	(252.7)
Net revenues	8,143.8	577.5	7,117.7	6,873.2	1,733.8	1,710.9
Operating Expenses						
Direct						
Casino	3,780.7	285.2	3,376.3	3,267.2	828.3	827.2
Food and beverage	415.4	30.3	371.4	345.0	83.6	88.4
Rooms	146.3	10.7	128.7	118.2	27.7	34.3
Property general and administrative and other	1,812.5	141.7	1,650.9	1,545.6	371.0	364.7
Depreciation and amortization	612.4	47.5	473.6	523.5	134.0	129.8
Project opening costs	23.6	0.7	27.6	3.4	1.8	0.7
Write-downs, reserves and recoveries	(82.4)	0.2	(60.1)	71.4	17.9	5.3
Impairment of intangible assets	169.6		3,745.2	1,178.9		
(Income)/loss on interests in non-consolidated affiliates	(4.0)	(0.5)	2.0	(0.4)	(0.9)	0.6
Corporate expense	99.1	(26.2)	106.3	74.5	23.1	27.0
Acquisition and integration costs	13.4	125.6	24.0	0.3	0.2	7.2
Amortization of intangible assets	73.0	5.5	108.2	115.2	28.9	27.8
Total operating expenses	7,059.6	620.7	9,954.1	7,242.8	1,515.6	1,513.0
Income/(loss) from operations	1,084.2	(43.2)	(2,836.4)	(369.6)	218.2	197.9
Interest expense, net of interest capitalized	(800.8)	(89.7)	(1,704.3)	(1,678.5)	(430.3)	(447.8)
(Losses)/gains on early extinguishments of debt	(2.0)		742.1	3,929.6	1.2	
Other income, including interest income	47.3	5.1	29.6	32.0	8.2	14.5
Income/(loss) from continuing operations before income taxes	328.7	(127.8)	(3,769.0)	1,913.5	(202.7)	(235.4)
(Provision)/benefit for income taxes	(152.6)	21.6	378.5	(1,287.2)	73.9	72.4
Income/(loss) from continuing operations, net of tax	176.1	(106.2)	(3,390.5)	626.3	(128.8)	(163.0)
Income/(loss) from discontinued operations, net of tax	92.2	0.1	90.4		(0.1)	
Net income/(loss)	268.3	(106.1)	(3,300.1)	626.3	(128.9)	(163.0)
Less: net income attributable to non-controlling interests	(9.3)	(1.4)	(6.4)	(13.5)	(3.9)	(2.1)
Net income/(loss) attributable to Harrah s Operating Company, Inc.	$ 259.0	$ (107.5)	$ (3,306.5)	$ 612.8	$ (132.8)	$ (165.1)
Other Financial Data						
Capital expenditures, net of changes in construction payables	$ 1,072.6	$ 93.0	$ 1,051.7	$ 437.8	$ 131.5	$ 27.3

Ratio of earnings to fixed charges(1)	1.4x		2.1x		
Balance Sheet Data					
Cash and cash equivalents		$ 447.4	$ 568.8	$ 1,314.1	$ 567.4
Working capital		(539.6)	(140.5)	286.2	(208.2)
Total assets		21,932.3	20,671.2	22,774.6	21,058.8
Total debt, book value		16,708.5	13,969.6	18,064.8	14,363.1
Total stockholders (deficit)/equity		(95.4)	588.4	(81.5)	453.7

(1) For the purpose of computing the pro forma ratio of earnings to fixed charges, earnings consist of income before income taxes plus fixed charges and non-controlling interests, excluding equity in undistributed earnings of less-than-50%-owned investments. Fixed charges include interest, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense we deem to be representative of interest. Our earnings were insufficient to cover our fixed charges by $125.0 million, $3,710.6 million, $214.5 million, and $233.6 million for the Predecessor period from January 1, 2008 through January 27, 2008, the Successor period from January 28, 2008 through December 31, 2008 and the quarters ended March 31, 2009 and 2010, respectively.

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RISK FACTORS

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

Risks Relating to the Notes and Our Indebtedness

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

The Second Lien Notes are structurally subordinated to indebtedness and other liabilities of Harrah s Operating s subsidiaries that are not Subsidiary Pledgors, and the claims of creditors of these subsidiaries, including trade creditors, will have priority as to the assets of these subsidiaries. As of March 31, 2010, on an as adjusted basis after giving effect to the issuance of the 12.75% Notes and the use of the proceeds therefrom, subsidiaries of Harrah s Operating that are not Subsidiary Pledgors had $792.7 million of outstanding indebtedness. In the event of a bankruptcy, liquidation or reorganization of any subsidiaries that are not Subsidiary Pledgors, these subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to Harrah s Operating. In addition, the guarantee of the Second Lien Notes by Harrah s Entertainment is structurally subordinated to the CMBS Facilities of $5,551.2 million, less any amounts purchased by Harrah s Entertainment pursuant to the purchase agreements described under Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Capital Resources, as well as any other indebtedness of subsidiaries of Harrah s Entertainment that are not also Subsidiary Pledgors. See note 22 to the audited consolidated financial statements as of December 31, 2009 and note 17 to the unaudited condensed consolidated financial statements as of March 31, 2010, included elsewhere in this prospectus for financial information regarding certain of Harrah s Operating s subsidiaries that are not subsidiary guarantors of certain other obligations of Harrah s Operating. As those subsidiary guarantors are identical to the Subsidiary Pledgors, information related to the assets and liabilities of the Subsidiary Pledgors and non-Subsidiary Pledgors can be found therein.

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

The Senior Notes are structurally subordinated to all liabilities of Harrah s Operating s and Harrah s Entertainment s Subsidiaries.

The notes are structurally subordinated to indebtedness and other liabilities of all subsidiaries of Harrah s Operating and Harrah s Entertainment, and the claims of creditors of these subsidiaries, including trade creditors, will have priority as to the assets of these subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of these subsidiaries, these subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us. In addition, the guarantee of the Senior Notes by Harrah s Entertainment is structurally subordinated to the CMBS Facilities of $5,551.2 million, as well as any other indebtedness of subsidiaries of Harrah s Entertainment other than Harrah s

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Operating. See note 22 to the audited consolidated financial statements as of December 31, 2009 and note 17 to the unaudited condensed consolidated financial statements as of March 31, 2010, included elsewhere in this prospectus for financial information regarding the subsidiaries of Harrah s Entertainment and Harrah s Operating.

The rights of holders to receive payments on the Senior Notes is effectively junior to the rights of lenders who have a security interest in our assets.

The obligations of Harrah s Operating under the Senior Notes and of Harrah s Entertainment under its guarantee are unsecured. As a result, the Senior Notes and the related guarantee are effectively subordinated to all secured indebtedness of Harrah s Operating and Harrah s Entertainment to the extent of the value of the assets securing such indebtedness. Harrah s Operating s obligations under the senior secured credit facilities, the first lien notes and the Second Lien Notes are secured by a pledge of substantially all of Harrah s Operating s and the Subsidiary Pledgors domestic tangible and intangible assets. In the event that Harrah s Operating or Harrah s Entertainment are declared bankrupt, become insolvent or are liquidated or reorganized, their obligations under the senior secured credit facilities, the first lien notes, the Second Lien Notes (in the case of Harrah s Operating) and any other secured obligations will be entitled to be paid in full from their assets pledged as security for such obligations before any payment may be made with respect to the Senior Notes. Holders of the Senior Notes would participate ratably in Harrah s Entertainment s and Harrah s Operating s remaining assets, with all holders of unsecured indebtedness that are deemed to rank equally with the Senior Notes based upon the respective amount owed to each creditor. In addition, if Harrah s Operating defaults under the senior secured credit facilities, first lien notes or Second Lien Notes, the lenders thereunder could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If Harrah s Operating were unable to repay such indebtedness, the lenders could foreclose on the pledged assets to the exclusion of holders of the Senior Notes, even if any event of default exists under the indentures governing the Senior Notes. In any such event, because the Senior Notes will not be secured by any of Harrah s Operating s assets, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they may be insufficient to satisfy your claims fully. See Description of Other Indebtedness.

As of March 31, 2010, on an as adjusted basis after giving effect to the issuance of the 12.75% Notes and the use of the proceeds therefrom Harrah s Operating had $17,029.9 million face value of outstanding indebtedness ($6,827.6 million of which was indebtedness under the senior secured credit facilities, $2,095.0 million of which was first lien notes and $5,517.9 million of which was Second Lien Notes), and had additional borrowing capacity of $1,496.5 million under the revolving credit facility, with an additional $133.5 million committed to back letters of credit. The indentures governing the Senior Notes will permit the incurrence of substantial additional indebtedness by Harrah s Operating in the future, including secured indebtedness. Any secured indebtedness incurred would rank senior to the Senior Notes to the extent of the value of the assets securing such indebtedness.

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

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

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

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

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

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

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

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

Substantially all the assets owned or acquired by Harrah s Operating and the Subsidiary Pledgors, and all proceeds therefrom, are subject to first-priority liens in favor of the lenders under our senior secured credit facilities and the holders of our first lien notes. The failure of Harrah s Operating to comply with the terms of the senior secured credit facilities or our first lien notes could entitle those lenders and holders to declare all

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

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

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

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

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

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

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

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

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

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

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

In addition, the security interest of the collateral agent will be subject to practical challenges generally associated with the realization of security interests in collateral. For example, the collateral agent may need to obtain the consent of third parties and make additional filings. If we are unable to obtain these consents or make

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these filings, the security interests may be invalid and the holders will not be entitled to the collateral or any recovery with respect thereto. We cannot assure you that the collateral agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the collateral agent may not have the ability to foreclose upon those assets and the value of the collateral may significantly decrease.

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

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

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

The collateral securing the Second Lien Notes may be diluted under certain circumstances.

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

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

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

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

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

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

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

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets; or
- if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

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

Delivery of security interests in collateral after the issue dates of the Second Lien Notes increases the risk that the other security interests could be avoidable in bankruptcy.

Certain collateral, including mortgages on real property, was, or will be, granted as security after the issue dates of the original Second Lien Notes. If the grantor of such security interest were to become subject to a

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

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

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

- the original issue price for the Second Lien Notes; and

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

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

Harrah s Operating may not be able to repurchase the Second Lien Notes upon a change of control.

Upon the occurrence of certain specific kinds of change of control events, Harrah s Operating will be required to offer to repurchase all outstanding Second Lien Notes at 101% of the principal amount thereof plus, without duplication, accrued and unpaid interest and additional interest, if any, to the date of repurchase. However, it is possible that Harrah s Operating will not have sufficient funds at the time of the change of control to make the required repurchase or that restrictions in our senior secured credit facilities will not allow such repurchases. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a Change of Control under the indentures. See Description of 2015 Second Lien Notes and 2018(1) Second Lien Notes Change of Control and Description of 2018(2) Second Lien Notes Change of Control.

The Second Lien Notes were issued with original issue discount for U.S. federal income tax purposes.

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

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

We are a highly leveraged company. As of March 31, 2010, after giving effect to the issuance of the 12.75% Notes and the use of proceeds therefrom, and excluding amounts related to PHW Las Vegas, we had $22,027.2 million face value of outstanding indebtedness and our current debt service obligation would be $1,738.8 million, which includes required interest payments of $1,662.0 million. As of March 31, 2010 after giving effect to the issuance of the 12.75% Notes and the use of proceeds therefrom, and excluding amounts related to PHW Las Vegas, HOC had $17,329.6 million face value of outstanding indebtedness, and Harrah s Operating s debt service obligations would be $1,606.7 million, which includes required interest payments of $1,529.8 million. The amounts above do not include $554.3 million of outstanding indebtedness of PHW Las Vegas, a recently acquired unrestricted subsidiary of HOC, since such subsidiary is not a borrower under HOC s credit facilities or a guarantor of or pledgor under any other existing debt of HOC. This indebtedness is non-recourse to HOC, HET or any other subsidiaries of HET.

Our substantial indebtedness could:

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

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

Our senior secured credit facilities, the real estate facility loans and the indentures governing most of Harrah s Operating s existing notes contain, and the indentures governing the 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.

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

We have pledged and will pledge a significant portion of our assets as collateral under our senior secured credit facilities, our real estate facility loans, our second lien notes and our first 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, our second lien notes and the notes could proceed against the collateral granted to them to secure that indebtedness.

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

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

We and our subsidiaries may be able to incur substantial indebtedness at any time from time to time, including in the near future. Although the terms of the agreements governing our indebtedness contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial.

For example, as of March 31, 2010, on an as adjusted basis after giving effect to the issuance of the 12.75% Notes and the use of the proceeds therefrom, we had $1,496.5 million available for additional borrowing under our senior secured revolving credit facility after giving effect to approximately $133.5 million in outstanding letters of credit thereunder, all of which would be secured. Our senior secured credit facilities allow for one or more future issuances of additional secured notes or loans, which may include, in each case, indebtedness secured on a pari passu basis with the obligations under the senior secured credit facilities and our first lien notes. This indebtedness could be used for a variety of purposes, including financing capital expenditures, refinancing or repurchasing our outstanding indebtedness, including existing unsecured indebtedness, or for general corporate purposes. We have, and will continue to, raise debt (including secured debt) to directly or indirectly refinance our outstanding unsecured debt on an opportunistic basis.

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

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

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

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

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

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

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

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

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

Any default under the agreements governing the indebtedness of Harrah s Operating, including a default under the senior secured credit facilities that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could leave Harrah s Operating unable to pay principal, premium, if any, or interest on the notes and could substantially decrease the market value of the notes. If Harrah s Operating is unable to generate sufficient cash flow and is otherwise unable to obtain funds necessary to meet required

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

Risks Related to Our Business

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

The gaming industry is highly competitive and our competitors vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, fina