

I. INTRODUCTION

On April 14, 2004, the Casino Control Commission (“Commission”) issued a casino license and a casino hotel alcoholic beverage (“CHAB”) license to Atlantic City Showboat, Inc. (“AC Showboat”) and Marina Associates (“Marina”), effective May 1, 2004, through April 30, 2008. Resolution No. 04-8-14A and Resolution No. 04-8-14B, respectively.

On May 12, 2004, the Commission issued a casino license and a CHAB license to Bally’s Park Place, Inc., (“BPP”) and Boardwalk Regency Corp. (“BRC”), effective June 30, 2004, through June 30, 2008. Resolution No.04-10-19A and Resolution No. 04-10-19C, respectively.

On May 24, 2005, the Commission approved the acquisition of Caesars Entertainment, Inc. (“Caesars”),¹ which wholly indirectly owned BPP and BRC, by Harrah’s Operating Company, Inc. (“HOC”), which wholly indirectly owned Marina and AC Showboat (“Caesars Acquisition”). Resolution No. 05-05-24. Following the completion of the Caesars Acquisition on June 13, 2005, HOC became the direct owner of BPP and the indirect owner of BRC in addition to Marina and AC Showboat.

On June 20, 2007, the Commission consolidated the proceedings regarding the renewal of the casino and CHAB licenses of Marina, AC Showboat, BPP and BRC by extending the licenses of Marina and AC Showboat until the earlier of the Commission’s final disposition of the consolidated proceedings or June 30, 2008, the expiration date the Commission imposed on the licenses of BPP and BRC in 2004.

¹Harrah’s Entertainment, Inc., has announced its intention to change its name to Caesars Entertainment Corporation, although, to date, that has not yet occurred. Accordingly, throughout this report, Harrah’s Entertainment, Inc., will be referred to as HEI, and Caesars Entertainment, Inc., will be referred to as Caesars.

On October 17, 2007, the Commission approved, among other things: (1) the merger of Hamlet Merger, Inc. (“Merger Sub”), with and into Harrah’s Entertainment, Inc. (“HEI”),² which wholly owned HOC, with HEI the surviving corporation (“Harrah’s Merger”); (2) the transfer of Marina’s casino and CHAB licenses to Harrah’s Atlantic City Operating Company, LLC (“Harrah’s OpCo”); (3) the transfer of AC Showboat’s casino and CHAB licenses to Showboat Atlantic City Operating Company, LLC (“Showboat OpCo”); (4) a corporate restructuring whereby HEI, through wholly owned subsidiaries other than HOC, would become the sole indirect owner of Harrah’s OpCo and Showboat OpCo. Resolution No. 07-10-17-17. HOC would continue to be the sole owner of BPP and BRC.

On January 28, 2008, the Harrah’s Merger was completed, and in accordance with the approved restructuring, HEI became the indirect owner of four Atlantic City casino licensees: BPP, BRC, Harrah’s OpCo and Showboat OpCo (“Petitioners”).

On April 30, 2008, the Commission approved HEI’s request for another restructuring whereby indirect ownership of Showboat OpCo would be transferred to a newly formed entity, Showboat Holding, Inc. (“Showboat Holding”), which would be wholly owned by HOC. Resolution No. 08-04-03-11. As a result, HEI would wholly own three of Petitioners, BPP, BRC and Showboat OpCo, through HOC. HEI would continue to own Harrah’s OpCo through a subsidiary other than HOC. On May 22, 2008, the restructuring was completed.

Harrah’s OpCo owns and operates a casino hotel complex located on 56.153 acres at Brigantine Boulevard and Rhode Island Avenue, Atlantic City, New Jersey (“Harrah’s Casino”). Harrah’s Casino is presently a facility with five hotel towers, one of which is the

²Throughout this report, HEI will refer to Harrah’s Entertainment, Inc., both before and after the merger with Hamlet Merger, Inc.

newly opened Waterfront Tower with 44 stories, one of which has 24 stories and three of which have 16 stories each, for a combined total of 2,070 hotel rooms and suites. The adjoining low rise buildings contain 163,231 square feet of casino space, a 25,000-square foot of convention and meeting space, a spa, a tropical-themed pool, a retail center, seven restaurants, parking for approximately 3,800 cars and various other amenities. The property also has a 63-slip marina.

Showboat OpCo owns and operates Showboat Casino & Hotel (“Showboat Casino”) located on approximately 12 acres at the eastern end of the Boardwalk in the Uptown Urban Renewal Tract on the city block bounded by Pacific and States Avenues, St. Charles Place and the Boardwalk, Atlantic City, New Jersey. Showboat AC is presently a facility with a four-story building, a 24-story, a 14-story and a 19-story hotel tower, with a total of 1,331 hotel rooms, and a nine-story self-park facility for approximately 1900 vehicles. Showboat Casino contains 120,062 square feet of casino space, 17,086 square feet of simulcasting space, approximately 22,500 square feet of convention space and various other amenities, including nine restaurants. Showboat OpCo also owns a nearby surface parking lot, which is approximately 5 acres.

BPP operates a casino hotel at Park Place and the Boardwalk, a casino at Michigan Avenue and the Boardwalk, and a casino hotel at Indiana Avenue and the Boardwalk. Its properties have been trading as Bally’s Atlantic City since September 2001, Bally’s Wild Wild West Casino since July 1996, and the Claridge Tower at Bally’s and the Claridge Casino at Bally’s (“Claridge Casino”) since January 2003. When all three casinos are combined, BPP has a total of 178,961 square feet of casino space, 47,937 square feet of simulcasting space, and 1,745 hotel rooms. On April 20, 2008, the Commission approved

BPP's request to cease all gaming operations on the entire first floor and the Garden Room on the third floor of the Claridge Casino and expand Bally's Atlantic City, thereby reducing BPP's casino square footage by 5,064 square feet to 173,897 square feet and BPP's simulcasting space by 10,959 square feet to 36,978 square feet. Resolution No. 08-04-30-16. BPP has advised that it intends to complete this reconfiguration on June 2, 2008. BPP also has more than 4,000 parking spaces and a bus terminal.

BRC owns and operates a hotel casino located at Missouri, Arkansas and Pacific Avenues and the Boardwalk ("Caesars Casino"). It has approximately 114,600 square feet of casino space, 30,374 square feet of simulcasting space and 1,139 hotel rooms. BRC also operates a transportation complex on Pacific Avenue directly across from the casino hotel that can accommodate approximately 2,400 vehicles.

On December 28, 2007, in accordance with the Casino Control Act ("Act"), N.J.S.A. 5:12-1 *et seq.*, Marina, AC Showboat, BPP and BRC applied to the Commission for renewal of their casino and CHAB licenses (PRN 3620722). On January 28, 2008, the Harrah's Merger was completed, and Showboat OpCo and Harrah's OpCo, as the then holders of the casino and CHAB licenses of AC Showboat and Marina, respectively, applied for renewal of those licenses. As a result, Petitioners now seek renewal of their licenses. The Division of Gaming Enforcement ("Division") is responding to Petitioners' applications in this and other reports filed on this and other dates.

On May 19, 2008, Petitioners filed a petition with the Commission seeking waivers of qualification for certain security holders. *Petition of Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Hamlet Holdings, LLC, Showboat Atlantic City Operating Company, LLC, Harrah's Atlantic City Operating Company, LLC, Boardwalk*

Regency Corporation and Bally's Park Place, Inc., for Waiver of Qualification of Certain Debtholders and Other Relief (PRN 1400801). The Division will respond to that petition later in this report.

As will be discussed more fully below, because 10½ acres of the land upon which the Showboat Casino is located had been leased from Showboat Land, L.L.C. ("Showboat Land"), Showboat Land had maintained a casino service industry ("CSI") license (#4772-70) that had run coterminous with AC Showboat's casino license. Shortly before the Harrah's Merger, Showboat Land was merged with and into AC Showboat, with AC Showboat the surviving entity, and as part of the Harrah's Merger, the real estate assets of AC Showboat were conveyed to Showboat Atlantic City PropCo, LLC ("Showboat PropCo"). Accordingly, Showboat Land has not filed an application for renewal of its CSI license. The CSI licensure of Showboat PropCo will be addressed in this report.

The Division has maintained an ongoing investigation of Petitioners in areas related to their continued qualification. *N.J.S.A. 5:12-71*; see *N.J.S.A. 5:12-80 et seq.* This report and other reports that are now and will be filed before the hearing set forth the results of the Division's investigations, summarize significant developments during the past four years and will respond to Petitioners' requests.

II. GENERAL INFORMATION

A. ENTITIES

1. Harrah's Atlantic City Operating Company, LLC

On November 19, 1981, effective November 23, 1981, Marina was issued plenary casino and CHAB licenses. Resolution No. 81-823. At that time, Marina and its respective holding and intermediary companies were determined to have met the qualification requirements. Marina's licenses and the qualification of its holding and intermediary companies have been renewed continuously since then, the most recent one occurring on April 14, 2004. Resolution No. 04-08-14B.

When Marina's casino license was last renewed, it was a New Jersey general partnership that had been formed in 1981. Its partnership interest was owned by Harrah's Atlantic City, Inc. ("Harrah's AC"), and Harrah's New Jersey, Inc. ("Harrah's NJ").

Harrah's OpCo, whose business office is located at 777 Harrah's Boulevard, Atlantic City, New Jersey, was formed on September 28, 2007, as a New Jersey limited liability company. Its sole purpose was to hold the gaming assets of and operate Harrah's Casino, in accordance with an operating lease agreement with Harrah's Atlantic City PropCo, LLC ("Harrah's PropCo"). On January 28, 2008, Marina conveyed its gaming assets to Harrah's OpCo and was dissolved. Marina's CHAB and casino licenses were concurrently transferred to Harrah's OpCo, which began operating Harrah's Casino. Exhibit 1.

The Certificate of Formation of Harrah's OpCo contains an article that includes the divestiture requirement for disqualified holders of securities. *N.J.S.A. 5:12-82d(10)*.

Since the Harrah's Merger, Harrah's OpCo has been wholly owned by Harrah's Atlantic City Holding, Inc. ("Harrah's Holding"). Harrah's OpCo has no subsidiaries.

At the time of the last renewal, Marina had a single wholly owned subsidiary, Reno Crossroads, L.L.C. (“Reno Crossroads”), a Delaware company formed on April 6, 1999. Currently Reno Crossroads is a direct, wholly owned subsidiary of HOC.

2. Showboat Atlantic City Operating Company, LLC

On March 27, 1987, effective April 2, 1987, AC Showboat was issued plenary casino and CHAB licenses. Resolution No. 87-216. At that time, AC Showboat and its respective holding and intermediary companies were determined to have met the qualification requirements. AC Showboat’s licenses and the qualification of its holding and intermediary companies have been renewed continuously since then, the most recent one occurring on April 14, 2004. Resolution No. 04-08-14A.

At the time of its last renewal, AC Showboat was a New Jersey corporation that had been formed on January 10, 1984, with authorization to issue 2,500 shares of common stock with no par value. All of its issued and outstanding 1,500 shares of stock were owned by Ocean Showboat, Inc. (“Ocean Showboat”).

Showboat OpCo, whose business office is located at 801 Boardwalk, Atlantic City, New Jersey, was formed on September 27, 2007, as a New Jersey limited liability company. Its sole purpose is to hold the gaming assets of and operate Showboat Casino, in accordance with an operating lease with Showboat PropCo. On January 28, 2008, AC Showboat conveyed its gaming assets to Showboat OpCo and was dissolved. AC Showboat’s casino and CHAB licenses were concurrently transferred to Showboat OpCo, which began operating Showboat Casino. Exhibit 1.

The Certificate of Formation of Showboat OpCo contains an article that includes the divestiture requirement for disqualified holders of securities. *N.J.S.A. 5:12-82d(10)*.

3. Ocean Showboat, Inc.

Ocean Showboat was incorporated as a New Jersey corporation on September 2, 1983, with authorization to issue 100,000,000 shares of common stock with \$1 par value. At the time of AC Showboat's last renewal, there were 10,000,000 shares issued and outstanding, all of which were owned by Showboat, Inc. ("Showboat"). Exhibit 1. Ownership of Ocean Showboat did not change at the time of the Harrah's Merger, and Showboat continued to be sole owner of Ocean Showboat. Ocean Showboat has its principal offices at 801 Boardwalk, Atlantic City.

Other than Showboat OpCo, Ocean Showboat wholly owns Showboat Atlantic City Mezz 9, LLC ("Showboat MezzCo 9").

Ocean Showboat held all of the issued and outstanding stock of AC Showboat until the Harrah's Merger. At that time, Ocean Showboat became the sole member of Showboat OpCo and as such remains a holding company of Showboat OpCo.

4. Showboat Holding, Inc.

At the time of the last renewal, Showboat was a Nevada corporation, formed on February 12, 1960, with authorization to issue 50,000,000 shares of common stock, which at that time were publicly traded, and 1,000,000 shares of preferred stock. From June 1, 1998, to January 28, 2008, 100 shares of Showboat stock had been issued to HOC. As part of the Harrah's Merger, those 100 shares of issued and outstanding stock were transferred to Harrah's Holding.

On March 18, 2008, Showboat Holding was incorporated in the State of Nevada with authority to issue 1,000 shares of stock with no par value. Showboat Holding was formed

for the purpose of holding all of the issued and outstanding shares of the stock of Ocean Showboat.

On April 30, 2008, the Commission approved, among other things, a forward triangular merger (“Post-merger Restructuring”), whereby Showboat would merge with and into Showboat Holding, with Showboat Holding the surviving corporation. Resolution 08-04-30-11. Following the completion of the Post-merger Restructuring on May 22, 2008, Showboat Holding became a wholly owned subsidiary of HOC, sole owner of Ocean Showboat and a holding company of Showboat OpCo that must meet the qualifications requirements. Exhibit 1.

The Certificate of Incorporation of Showboat Holding contains an article that includes the divestiture requirement for disqualified holders of securities. *N.J.S.A. 5:12-82d(10)*.

The principal address of Showboat Holding is 801 Boardwalk, Atlantic City, New Jersey. Its directors are Gary W. Loveman and Charles L. Atwood. Its officers are Jonathan Halkyard, President and Treasurer; Atwood, Senior Vice President; J. Carlos Tolosa, Senior Vice President; Stephen H. Brammell, Secretary; and Anthony D. McDuffie, Assistant Secretary. As will be discussed *infra*, all of these officers serve in qualifying positions with HEI and various other of HEI’s subsidiaries.

Showboat Holding is a newly formed corporation that does not have bonus, profit sharing, retirement, deferred compensation or other similar plans; all directors and officers are not separately compensated but are instead compensated through their primary employer, HEI. As a newly formed company, Showboat Holding does not at this time have financial arrangements with any banks. As a newly formed company, it denies having had a judgment, consent decree or consent order entered against it pertaining to a violation or

alleged violation of the federal anti-trust, trade regulation or securities regulation laws or related laws of any state of any country. It denies that it has ever been involved in a bankruptcy proceeding or that it has ever had a license or certificate of a government agency denied, suspended or revoked. It also denies that it ever made any illegal or questionable contributions or disbursements.

At the time of the last renewal, in addition to Ocean Showboat, Showboat directly owned 100% of four subsidiaries: (1) Showboat Operating Company (“Showboat Operating”), a Nevada corporation formed on April 10, 1973, which holds a gaming license in Nevada and previously owned the Las Vegas Showboat; (2) Showboat Development Company (“Showboat Development”), incorporated in the State of Nevada on June 9, 1983, through which Showboat owns and operates gaming facilities in jurisdictions throughout the United States other than New Jersey; (3) Showboat Nova Scotia Unlimited Liability Company (“Showboat Nova Scotia”), incorporated in Nova Scotia, Canada, on December 13, 2002, which is currently inactive, and (4) Showboat Land, a Nevada limited liability company formed on November 4, 1997, through which Showboat owned 10½ acres beneath the Showboat Atlantic City, which were leased to AC Showboat.

Currently, in addition to Ocean Showboat, Showboat Holding continues to own Showboat Development and Showboat Nova Scotia and a more recently formed company, Waterfront Entertainment and Development, Inc. The land previously owned by Showboat Land is now owned by Showboat PropCo, and will be discussed more fully below.

Showboat Holding’s financial statements are included in the consolidated financial statements of HEI. The Division has been monitoring HEI’s consolidated financial

statements throughout the license terms of the Petitioners and will report its findings more fully in its separately filed Financial Analysis Report.

Accordingly, assuming its directors and officers continue to meet the qualification standards and HEI continues to meet the financial stability requirements, the Division does not object to a finding that Showboat Holding is a qualified holding company of Showboat OpCo.

a. Showboat Land, L.L.C.

At the time of the last renewal, Showboat Operating was a 99% limited partner and Showboat Land Company ("Showboat Land") a 1% general partner of Showboat Land Holding, L.P. ("Land Holding"). Together, Land Holding and Showboat Operating owned Showboat Land, with Land Holding having a 99% and Showboat Operating a 1% interest. In January 1998, a 99-year lease agreement ("Land Lease"), originally executed in October 1983 between Ocean Showboat and Resorts International, Inc., was assigned to Showboat Land, and the land that was the underlying subject of the Land Lease was purchased by Showboat Land. As a result, Showboat Land had owned 10½ acres of real property upon which the Showboat Casino is situated and had leased this property to AC Showboat.

On January 28, 1998, in conjunction with its approval of Showboat Land's purchase of the property and the assignment of the Land Lease, the Commission granted Showboat Land, vendor identification number 51130, a nongaming CSI license number 4772-70, the term of which ran concurrent to the casino license term of AC Showboat. Resolution No. 98-2-7-A at ¶¶ 2 and 5. In conjunction with the subsequent renewals of Showboat AC's casino license, the Commission renewed Showboat Land's CSI license for terms running

concurrent to AC Showboat's license terms, the most recent renewal occurring on April 14, 2004. Resolution No. 04-8-14B at ¶ 14.

Showboat Land is in the process of being dissolved. On January 25, 2008, Showboat Land filed a Certificate of Merger/Consolidation with the New Jersey Department of the Treasury, Division of Revenue, stating that it would merge with and into AC Showboat, with AC Showboat the surviving entity. The New Jersey Division of Revenue has acknowledged the filing and advised Showboat Land that once its annual reports are current and the tax clearance is received from the Division of Taxation, the process will be completed. Accordingly, in the Division's view, Showboat Land no longer needs to maintain a CSI license.

5. Harrah's Atlantic City Holding, Inc.

At the time of its last renewal, Marina was wholly owned by Harrah's NJ and Harrah's AC. Harrah's NJ, a New Jersey corporation formed on September 13, 1978, as Bayfield Enterprises, Inc., changed its name to Harrah's NJ on December 29, 1981. Harrah's AC had originally been incorporated in the State of New Jersey on February 13, 1979, as Harrah's New Jersey, with authority to issue 25,000 shares of common stock. Its name was changed to Harrah's AC on November 30, 1983. At the time of Marina's last renewal, all 25,000 shares of stock were issued and outstanding and held by HOC.

On January 28, 2008, as part of the Harrah's Merger, Harrah's NJ was merged with and into Harrah's AC, which then changed its name to Harrah's Holding. Harrah's Holding still has 25,000 shares of voting stock issued and outstanding, but as part of Harrah's Merger, HEI acquired all of those 25,000 shares. Exhibit 1.

The principal address of Harrah's Holding is 777 Harrah's Boulevard, Atlantic City, New Jersey.

On or about July 26, 2006, Atlantic City Express Service, LLC ("AC Express") was formed, with Marina, BRC and Marina District Development Company, LLC, as three equal owners. Following the Harrah's Merger, Harrah's Holding became a one-third member of AC Express in place of Marina. AC Express was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan, New York, and Atlantic City. This project is currently in the development state and is expected to be operational by the third quarter of 2008.

Until May 22, 2008, Harrah's Holding's subsidiaries were Showboat, AC Express, Harrah's OpCo and Harrah's Atlantic City Mezz 9, LLC ("Harrah's MezzCo 9"). Since then, Harrah's subsidiaries are AC Express, Harrah's OpCo and Harrah's MezzCo 9.

6. Showboat Atlantic City PropCo, LLC and Harrah's Atlantic City PropCo, LLC, and Showboat Atlantic City Mezz 1-9, LLC and Harrah's Atlantic City Mezz 1-9, LLC

One method of financing the acquisition of the real estate assets of AC Showboat and Marina was through a \$4 billion commercial mortgage-backed securities Real Estate Financing ("CMBS Loan"). The CMBS Loan was secured by the real estate of six of HEI's wholly owned properties: Harrah's Las Vegas ("Harrah's LV"), Harrah's Lake Tahoe (Harvey's and Bill's), Rio Las Vegas, Flamingo Las Vegas and two of HEI's Atlantic City properties, Harrah's Casino and Showboat Casino. A limited liability company, referred to as a "PropCo," was formed to hold the real estate interest of each of the six properties, with a portion of the CMBS Loan allocated to each based upon 2007 earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") and the appraised value of each

property. As a result, the Commission determined that the PropCos that would hold the real estate of AC Showboat and Marina would be required to be licensed as CSIs. Resolution No. 07-10-17-17 at Findings and Rulings ¶ 20.

Harrah's PropCo owns the land upon which Harrah's Casino is located, approximately 174 acres of wetlands in the Marina area and parcels totaling approximately 6.2 acres in Atlantic City outside the Marina area.

Loveman and Atwood are Directors and Michelle A. Dreyer and William G. Popeo are Independent Directors of Showboat PropCo and Harrah's PropCo. As will be discussed more fully below, Loveman and Atwood are also qualifiers based upon their positions with HEI and various other of its subsidiaries.

Another method of securing the financing for the Harrah's Merger was the borrowing of an aggregate \$2.5 billion through several loans referred to as mezzanine loans ("Mezz Loans"). On September 27, 2007, 54 Delaware limited liability companies were formed, nine of which were created to secure loans for the purchase of the real estate of AC Showboat, and nine of which were created for the purchase of the real estate of Marina. In September 2007, each of these companies entered into a mezzanine loan, with JP Morgan Chase Bank as lead bank, and the amounts allocated to each based upon 2007 EBITDAR and the appraised value of each property. The Commission determined that the MezzCos would be holding companies of CSIs Harrah's PropCo and Showboat PropCo. Resolution No. 07-10-17-17.

The MezzCos created for the AC Showboat purchase were: Showboat Atlantic City MezzCo 1, LLC ("Showboat MezzCo 1"); Showboat Atlantic City Mezz 2, LLC ("Showboat MezzCo 2"); Showboat Atlantic City Mezz 3, LLC ("Showboat MezzCo 3"); Showboat

Atlantic City Mezz 4, LLC ("Showboat MezzCo 4"); Showboat Atlantic City Mezz 5, LLC ("Showboat MezzCo 5"); Showboat Atlantic City Mezz 6, LLC ("Showboat MezzCo 6"); Showboat Atlantic City Mezz 7, LLC ("Showboat MezzCo 7"); Showboat Atlantic City Mezz 8, LLC ("Showboat MezzCo 8"); and Showboat Atlantic City Mezz 9, LLC ("Showboat MezzCo 9" and together with Showboat MezzCos 1-8 "Showboat MezzCos"). Each MezzCo beginning with Showboat MezzCo 9 is the sole member of the lower numbered MezzCo, so that Showboat MezzCo 9 is the sole member of Showboat MezzCo 8, Showboat MezzCo 8 is the sole member of Showboat MezzCo 7, and so on down the chain until Showboat MezzCo 2 is the sole owner of Showboat MezzCo 1.

The MezzCos created to facilitate the purchase of Marina's real estate are: Harrah's Atlantic City Mezz 1, LLC ("Harrah's MezzCo 1"); Harrah's Atlantic City Mezz 2, LLC ("Harrah's MezzCo 2"); Harrah's Atlantic City Mezz 3, LLC ("Harrah's MezzCo 3"); Harrah's Atlantic City Mezz 4, LLC ("Harrah's MezzCo 4"); Harrah's Atlantic City Mezz 5, LLC ("Harrah's MezzCo 5"); Harrah's Atlantic City Mezz 6, LLC ("Harrah's MezzCo 6"); Harrah's Atlantic City Mezz 7, LLC ("Harrah's MezzCo 7"); Harrah's Atlantic City Mezz 8, LLC ("Harrah's MezzCo 8"), and Harrah's MezzCo 9 (together with Harrah's MezzCos 1-8 "Harrah's MezzCos"). Each MezzCo beginning with Harrah's MezzCo 9 is the sole member of the lower numbered MezzCo, so that Harrah's MezzCo 9 is the sole member of Harrah's MezzCo 8, Harrah's MezzCo 8 is the sole member of Harrah's MezzCo 7, and so on down the chain until Harrah's MezzCo 2 is the sole owner of Harrah's MezzCo 1.

Loveman and Atwood are Directors and Michelle A. Dreyer an Independent Director of all the Harrah's and Showboat MezzCos. Kari L. Johnson, is an Independent Director of both the Harrah's and Showboat MezzCo 1; Beth L. Peoples, an Independent Director

of Harrah's and Showboat MezzCo 2, Julia Ann McCollough, an Independent Director of Harrah's and Showboat MezzCo 3; Andrew T. Panaccione, an Independent Director of Harrah's and Showboat MezzCo 4; Suzanne Michelle Hay, an Independent Director of Harrah's and Showboat MezzCo 5, Lisa S. Forster, an Independent Director of Harrah's and Showboat MezzCo 6; Mary S. Stawikey, an Independent Director of Harrah's and Showboat MezzCo 7; John J. Koach, an Independent Director of Harrah's and Showboat MezzCo 8, and David M. Burke, an Independent Director of Harrah's and Showboat MezzCo 9. As will be discussed more fully below, Loveman and Atwood also serve in qualifying positions with HEI and various of its subsidiaries.

In sum, assuming the directors and officers of Harrah's MezzCos and Showboat MezzCos continue to meet the qualification standards and HEI continues to meet the financial stability requirements, the Division does not object to a finding that the Harrah's MezzCos and Showboat MezzCos meet the qualification requirements as holding companies of a CSI. Additionally, again assuming the directors and officers of Harrah's PropCo and Showboat PropCo continue to meet the qualification standards, HEI continues to meet the financial stability requirements, and Showboat MezzCos and Harrah's MezzCo are found to meet the requirements for qualification as holding companies, the Division recommends that the Commission find that Harrah's PropCo and Showboat PropCo be granted licensure as CSIs.

7. Boardwalk Regency Corp.

On October 25, 1980, effective that same date, the Commission issued a casino license and a CHAB license to BRC. At that time, BRC and its respective holding and intermediary companies were determined to have met the qualification requirements.

Resolution No. 87-528. BRC's licenses have been renewed continuously since then, the most recent one being on May 12, 2004. Resolution No. 04-10-19C.

On May 27, 1977, BRC was incorporated in the State of New Jersey with authority to issue 1,000 shares of common stock, no par value, 100 of which are currently held by Caesars NJ. Exhibit 1. Accordingly, at the time of the last renewal and continuing to date, BRC has been wholly owned by Caesars NJ.

BRC's principal business office is at 2100 Pacific Avenue, Atlantic City, New Jersey.

At the time of the last renewal, BRC owned one subsidiary, Atlantic HMO, Inc., which on December 31, 2007, was dissolved. Since then, as noted above, BRC has become a one-third owner of AC Express.

8. Caesar's New Jersey, Inc.

Caesars NJ was incorporated in the State of New Jersey on June 13, 1978. Until December 1990, it was publicly traded. At that time, as the result of a merger, Caesars NJ became wholly owned by Caesars World, Inc. ("Caesars World"). Caesars NJ currently has authorization to issue 30 million shares of common stock. Currently, all of the 100 issued and outstanding shares are owned by Caesars World. At the time of the last renewal and continuing to date, Caesars NJ has been wholly owned by Caesars World. Exhibit 1.

Caesars NJ's principal business address is 2100 Pacific Avenue, Atlantic City.

In addition to owning all of the outstanding stock of BRC, Caesars NJ currently wholly owns Martial Development Corporation.

9. Caesars World, Inc.

On June 4, 1958, Caesars World was incorporated in the State of Florida as Lum's Bar, Inc., on September 11, 1961, changed its name to Lum's, Inc., and on December 17, 1971, changed its name to its present form. It currently has authorized 50,000,000 shares of common stock, \$0.10 par value, and 1,000,000 shares of preferred stock, \$1 par value. At the time of the last renewal, Caesars World was wholly owned by Caesars. On June 13, 2005, the Caesars Acquisition was completed. As a result, Caesars World became a wholly owned subsidiary of HOC. Exhibit 1.

Caesars World's principal place of business is One Caesars Palace Drive, Las Vegas, Nevada.

Caesars World holds all of the issued and outstanding shares of Caesars NJ. Additionally, through other wholly owned subsidiaries, it also wholly owns casinos throughout the United States and the world, including Caesars Palace in Las Vegas, Nevada, Caesars Palace in Lake Tahoe, Nevada, Windsor Casino in Windsor, Canada, Caesars Gauteng in South Africa, Paris Las Vegas, Las Vegas, Nevada, Flamingo Las Vegas, Las Vegas, Nevada and O'Sheas Casino, Las Vegas, Nevada.

10. Bally's Park Place, Inc.

On December 19, 1980, effective that same date, BPP was issued casino and CHAB licenses. At that time, BPP and its respective holding and intermediary companies were determined to have met the qualification requirements. Resolution No. 80-565. BPP's licenses have been renewed continuously since then, the most recent one on May 12, 2004. Resolution No. 04-10-19A.

BPP was originally incorporated in the State of New Jersey on June 6, 1977, as Bally Manufacturing of New Jersey, Inc., with authorization to issue 2,500 shares of common stock with no par value, 100 of which are currently issued and outstanding and held by HOC. Exhibit 1. On September 7, 1977, it changed its name to Bally of New Jersey, Inc., On or about March 14, 1979, its name was changed to its current form.

BPP's principal address is at Park Place and the Boardwalk, Atlantic City, New Jersey.

Since its inception, BPP has owned and operated casinos in Atlantic City. At the time of its last renewal in 2004, Caesars held all of the issued and outstanding common stock. At that time, BPP had three wholly owned subsidiaries: (1) GNOC, a New Jersey casino licensee trading as Atlantic City Hilton, located at Boston and Pacific Avenues and the Boardwalk; (2) Bally's Land Ventures, Inc., which sold condominiums, and (3) Atlantic City Country Club, Inc., in Northfield, New Jersey.

On April 25, 2005, BPP sold the assets of GNOC to Colony Capital, LLC. BPP continues to own GNOC, but it is currently inactive. On December 31, 2007, Bally's Land Ventures, Inc., was dissolved. In October 2006, Atlantic City Country Club, Inc., merged with and into Atlantic City Country Club 1, LLC ("AC Country Club"), with AC Country Club the surviving entity. AC Country Club continues to maintain CSI license number 4926-70, which was most recently renewed on April 14, 2008.

On June 13, 2005, the Caesars Acquisition was completed. As a result, HOC became the direct holding company of BPP.

Currently, BPP operates Bally's Atlantic City Casino at Park Place, Michigan Avenue, Pop Lloyd Boulevard and the Boardwalk, Bally's Wild Wild West Casino at

Michigan Avenue and the Boardwalk, and the Claridge Casino at Bally's and the Claridge Tower at Bally's at Indiana Avenue and the Boardwalk.

11. Harrah's Operating Company, Inc.

HOC was incorporated as Embassy Suites, Inc., in the State of Delaware on August 8, 1983, with authority to issue 1,000 shares of common stock, par value \$1, all of which are currently owned by HEI. Exhibit 1. On June 30, 1995, it changed its name to its present form. On October 11, 1995, HOC authorized the issuance of 1,000,000 shares of preferred stock, \$.10 par value, none of which is presently outstanding. Since December 2000, its principal office has been located at One Caesars Palace Drive, Las Vegas, Nevada.

HOC holds, directly or indirectly through subsidiaries, many of the assets of Harrah's gaming business. As of May 2008, HOC directly or indirectly had ownership interests in numerous subsidiaries that are currently involved in the gaming business. One such subsidiary identified as an entity qualifier and financial source of Showboat OpCo, because it holds an intercompany note from Showboat OpCo, is Harrah's Entertainment Limited ("Harrah's Great Britain").

12. Harrah's Entertainment Limited

Harrah's Great Britain was incorporated in the United Kingdom on November 6, 2002, as PINCO 1850 Limited, with authority to issue 2,000 ordinary shares, £1 par value, 1,999 shares of which were issued to HOC and one share to the law firm of Pinsent Curtis Biddle Director Limited. On December 5, 2002, the law firm transferred its share to HOC, resulting in all of the issued and outstanding shares currently owned by HOC. On December 10, 2002, it changed its name to Gaming Entertainment Limited, and on

December 8, 2003, changed its name to its current form. Harrah's Great Britain has three wholly owned subsidiaries: Harrah's Activity Limited, Harrah's Interactive Limited and Harrah's Online Limited. Its principal address is 1 Park Row, Leeds, LS1 5AB, United Kingdom.

At the time of the last renewal Harrah's Great Britain was required to qualify as an entity qualifier and financial source in conjunction with AC Showboat's casino license, based upon HOC's assignment of an intercompany note from AC Showboat to Harrah's Great Britain. Similarly, the Commission determined that Harrah's Great Britain must qualify as an entity qualifier and a financial source in conjunction with Showboat OpCo's current application for a renewal of its casino license based upon HOC's assignment of a \$715 million note from Showboat OpCo to Harrah's Great Britain. Resolution No. 08-04-30-11.

13. Harrah's Entertainment, Inc.

HEI, a Delaware corporation, was formed on November 2, 1989, as The Promus Companies Incorporated ("Promus"), a publicly traded company. Following a second spin-off on June 30, 1995, Promus changed its corporate name to HEI. On June 13, 2005, HEI completed the Caesars Acquisition.

HEI, which was authorized to issue common, preferred and special stock, remained a publicly traded company until January 28, 2008, when Merger Sub merged with and into it, with HEI the surviving entity. HEI, then a non publicly traded corporation had authority to issue 120,000,020 shares of stock, 20 shares of which are voting common stock, par value \$.01 per share ("Voting Common Stock"), 80,000,000 shares of which are non-voting common stock, par value \$.01 per share ("Non-Voting Common Stock"), and 40,000,000

shares of which are non-voting perpetual preferred stock, par value \$.01 per share (“Preferred Stock”). The only securities registered pursuant to the Securities Exchange Act are the Voting Common Stock. The holders of Voting Common Stock have no economic rights or privileges and no right to receive dividends or other distributions, but are entitled to one vote per share on all matters to be voted on by the stockholders. See Division’s separately filed reports on the plenary qualifications of Apollo Global Management, LLC (“Apollo”) and TPG Capital, LP (“TPG”). As reported in HEI’s Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on February 29, 2008, as of February 25, 2008, HEI had 10 shares of Voting Common Stock, which are owned by Hamlet Holdings, and 40,709,745 shares of Non-voting Common Stock, which are owned by various other entities and individuals, outstanding.

The Harrah’s Merger was an all cash transaction that included the assumption of \$12.4 billion of debt. See Division’s separately filed Financial Analysis Report.

At the time of the last renewal, HEI had two direct, wholly owned subsidiaries: Aster Insurance, Ltd., which is incorporated in Bermuda, and HOC. Since then it has become the direct owner of several other entities, with the one directly relevant to this report being its direct, sole ownership of Harrah’s Holding. Consequently, since the last renewal of the Petitioners licenses and following the Harrah’s Merger and the Post-merger Restructuring, HEI has retained sole indirect ownership of Petitioners.

Through wholly owned subsidiaries including HOC, HEI presently owns and/or manages 51 casino entertainment complexes in six countries, but primarily in the United States and the United Kingdom.

Since December 2000, HEI's principal corporate headquarters are located at One Harrah's Drive, Las Vegas.

14. Summary

In addition to those identified in the Division's separate reports on the qualifications of Apollo and TPG and their affiliates as holding companies and/or entity qualifiers of Petitioners, the following entities are required to qualify in conjunction with their casino licenses: (1) Caesars NJ, Caesars World, HOC and HEI are required to qualify in conjunction with the casino license of BRC; (2) HOC and HEI are required to qualify in conjunction with the casino license of BPP; (3) Ocean Showboat, Showboat Holding, HOC and HEI are required to qualify in conjunction with the casino license of Showboat OpCo, and (4) Harrah's Holding and HEI are required to qualify in conjunction with the casino license of Harrah's OpCo.

The Division has been monitoring HEI's consolidated financial statements throughout the license terms of the Atlantic City Casinos and will report its findings more fully in its Financial Analysis Report.

Subject to the conditions set forth above, and assuming HEI continues to meet the financial stability requirements, the Division does not object to a finding that each of Petitioners' holding and intermediary companies currently meets the applicable qualification standards.

B. Natural Persons

In connection with the casino license renewal application for Harrah's OpCo, there are 59 natural persons, for Showboat OpCo there are 59 natural persons, for BPP there are 61 natural persons and for BRC 61 natural persons who must qualify to the standards

applicable to casino key employees as of the date of this report.³ See N.J.S.A. 5:12-85(c); N.J.S.A. 5:12-85(d). These natural person qualifiers are officers and directors of Petitioners, their holding and intermediary companies and/or their entity qualifiers.⁴ They and their positions with Petitioners, their holding and intermediary companies and their entity qualifiers are set forth on a list attached as an exhibit to this report. Exhibit 2.

On May 13, 1998, as a result of HOC's request to move data and application software from Atlantic City to an HEI facility outside of New Jersey, the Commission waived HOC's Vice President of Enterprise IT, then referred to as Vice President of Enterprise Systems Providers, from the qualification requirements but ordered that officer to obtain a casino key employee license. Order No. 98-10-6. The current Vice President of Enterprise IT, Linville, holds casino key employee license #7058-11. Effective April 7, 2008, the Vice President of Enterprise IT, among others, was named Vice President of Enterprise IT for HEI as well as HOC. The Division submits that the Commission's 1998 ruling is still appropriate and does not object to Linville being waived from the qualification requirements in conjunction with Petitioners' license renewal applications, provided, pursuant to the Commission's order, he continues to maintain a valid casino key employee license.

³It is expected that the number of natural person qualifiers will change prior to the issuance of Petitioners' casino license. As indicated on Exhibit 2, Brammell and Fetah plan to leave their positions on May 31, 2008. Also, Glenn is expected to transfer to a position requiring she qualify in connection with Petitioners' casino licenses, not just with BPP's and Showboat OpCo's casino licenses. Finally, Petitioners have represented that Kline and Lamb will become officers of HEI and will at that time become qualifiers of Harrah's OpCo in addition to BPP, BRC and Showboat OpCo.

⁴The Division notes it has filed a complaint alleging various notification reporting violations regarding qualifier matters, *i.e.* appointments, hirings, terminations and changes in position which have occurred since the Caesars Acquisition. As with all such complaints, it will be considered by the Commission in due course. See Section V. of this report.

At this time, pursuant to *N.J.A.C. 19:43-2.7(c)*, the Commission has granted the following officers permission to assume the duties and exercise the powers of their respective positions prior to being qualified: (1) Michael D. Cohen, Vice President, Associate General Counsel and Corporate Secretary for HOC and HEI, Resolution No. 08-04-30-19; (2) D'Ann Glenn, Vice President of Marketing, Atlantic City Operations, for Petitioners, temporary casino key employee license number 8933-11 on February 20, 2008; (3) Theodore Herzchel, II, Assistant General Manager - Gaming for Harrah's OpCo, temporary casino key employee license number 8934-11 on February 20, 2008; (4) Alyce Parker, Vice President of Public Relations, Atlantic City Operations, for Petitioners, temporary casino key employee license number 8912-11 on December 12, 2007; (5) Michael K. Pendergast, Vice President of Hotel Operations for Harrah's OpCo, temporary casino key employee license #8935-11 on February 20, 2008; and (6) Joseph Tyrrell, Regional Vice President of Governmental Affairs for HOC and HEI, Resolution No. 08-04-16-19. The Division will file separate reports on each prior to the Commission hearing on Petitioners' applications.

In sum, based upon the information gathered to date, for all natural person qualifiers except those about whom the Division has not yet reported, the Division submits that there is no impediment to licensure.

Petitioners have also requested that various officer positions at their holding and intermediary companies and/or entity qualifiers be waived from the qualification requirements. These positions and those currently serving in them are contained on a list attached to this report. Exhibit 3. Throughout the license term, the Commission has considered and granted such waivers. At this time, the Division concurs in continuing these

waivers, although it reserves its right to review the duties and responsibilities of each at any time and, if so warranted, withdraw its concurrence.

C. Security Holders

Each entity having a direct or indirect interest in Petitioners or any of their holding or intermediary companies must qualify in connection with Petitioners' pending application for renewal of their casino licenses. *N.J.S.A. 5:12-85c* and *N.J.S.A. 5:12-85d*. This includes all publicly traded and privately held entities.

As described more fully above, Harrah's OpCo is now the holder of the casino license formerly held by Marina, Harrah's OpCo is wholly directly owned by Harrah's Holding, which in turn is wholly directly owned by HEI.

Showboat OpCo is now the holder of the casino license formerly held by AC Showboat. Showboat OpCo is wholly directly owned by Ocean Showboat, which since the Post-merger Restructuring on May 22, 2008, is wholly directly owned by Showboat Holding. Showboat Holding is wholly directly owned by HEI.

BRC is wholly directly owned by Caesars NJ, which in turn is wholly directly owned by Caesars World. Caesars World and BPP are wholly directly owned by HOC.

All of the issued and outstanding equity securities of HOC are owned by HEI. As is fully described in the Division's separate reports, the Commission has made various rulings regarding the holding and intermediary companies of HEI. Their status and qualification will be fully addressed in the Division's separate reports to be filed simultaneously herewith.

Accordingly, in addition to any entities identified in the Division's other reports, all of the entities described in this section must qualify as security holders. Each is also a

holding and intermediary company in connection with the renewal applications of one or more of Petitioners and must meet the requisite standards for such companies. Accordingly, assuming each is deemed qualified as a holding or intermediary company, the Division submits that it, too, may be found qualified as a security holder.

All of the issued and outstanding equity securities of Harrah's Great Britain, which the Commission has determined to be a financial source and entity qualifier of Showboat OpCo, are also held by HEI. As an entity qualifier, it must meet the requisite standards for such companies. Accordingly, assuming its financial stability is established, the Division submits that it, too, may be found qualified as a security holder.

All persons who directly or indirectly hold any beneficial interest or ownership of debt securities, other than banks or licensed lending institutions, which are exempt, must also be qualified or waived. *N.J.S.A. 5:12-85c* and *N.J.S.A. 5:12-85d*.

In addition to approximately \$4.6 billion outstanding from debt securities issued prior to the Harrah's Merger ("Old Notes"), following the Harrah's Merger HOC issued and HEI guaranteed \$6.335 billion principal amount of Senior Notes, consisting of: (1) \$4.932 billion principal amount of 10¾% Senior Notes due February 1, 2016 ("Cash Pay Notes"), and (2) \$1.403 billion principal amount of 10¾%/11½% Senior Toggle Notes due February 1, 2018 ("PIK Notes").

CEDE is nominee for the Depository Trust Company ("DTC"), a limited purpose trust company. DTC is a member of the Federal Reserve System, is wholly owned by its participants, which are financial organizations, and is a "clearing corporation" pursuant to Section 8-102(3) of the Uniform Commercial Code. In order to effectuate the transfer and pledge of computerized book entries of securities deposited with it by its participants, all

securities that are deposited are registered in the name of its nominee, CEDE. Such deposits, however, do not alter beneficial ownership. Thus, although CEDE is the record owner, the individual customers are the beneficial owners.

CEDE currently holds all of the Senior Notes. CEDE position listings for the Senior Notes, dated April 28, 2008, identify Goldman Sachs as the only holder with 15% or more. Petitioners have requested that Goldman Sachs, holding 32.3%, file a certification that it is either an institutional investor or, alternatively, that it holds these securities as custodians and not for their own account and that no client account holds 15% or more. Provided an appropriate certification is received, the Division concurs in the waiver of Goldman Sachs from the qualification requirements based upon its holdings of the Senior Notes.

CEDE also holds all of the outstanding Old Notes. These are: 8.875% Senior Subordinated Notes due 2008; 7.5% Senior Notes due 2009; 7.5% Senior Notes due 2009, 7.875% Senior Subordinated Notes due 2010; 5.5% Senior Notes due 2010; 8% Senior Notes due 2011; 8.125% Senior Subordinated Notes due 2011; 5.375% Senior Notes due 2013; 7% Senior Notes due 2015; 5.625% Senior Notes due 2017; 6.5% Senior Notes due 2016, and Floating Rate Convertible Senior Notes due 2024.

CEDE position listings dated February 29, 2008, identify 11 entities that hold 15% or more of the following debt issues: (1) Northern Trust, 23% of the 7.5% Senior Notes and 51.9% of the 8.875% Senior Subordinated Notes; (2) JP Morgan, 24.9% of the 7.5% Senior Notes; (3) State Street Bank & Trust, 20.4% of the 7.5% Senior Notes and 18.98% of the 8.125% Senior Notes; (4) Bank of New York/London, 20.31% of the 8.125% Senior Subordinated Notes; (5) JP Morgan/Prudential, 15.27% of the 8% Senior Notes; (6) Bank of New York, 15.27% of the 8% Senior Notes, 17.08% of the 5.75% Senior Notes and 26%

of the 8.875% Senior Subordinate Notes; (7) JP Morgan Chase Bank, NA, 23.5% of the 8% Senior Notes, 20.8% of the 5.75% Senior Notes, 24.34% of the 7.875% Senior Subordinated Notes, 16.05% of the 7% Senior Notes and 16.34% of the 6.5% Senior Notes; (8) Wells Fargo Bank, 33.11% of the 7% Senior Notes; (9) Brown Brothers Harriman, 16% of the 7% Senior Notes and 99% of the Floating Rate Senior Notes; (10) Charles Schwab, 7.5% of the 7.5% Senior Notes, and (11) National Financial Services, 27.8% of the 7.5% Senior Notes. Petitioners have requested that each file a certification that either it is an institutional investor or, alternatively, that it holds its securities as a custodian and not for its own account and that no client account holds 15% or more. Provided appropriate certifications are received, the Division concurs in the waiver of the holders of all of the debt securities from the qualification requirements.

In sum, excepting any other security holders identified in the Division's separately filed reports and assuming all certifications are filed, as described above, it appears that no holder of either the equity or debt securities of Petitioners, Harrah's Holding, Ocean Showboat, Showboat Holding, Caesars NJ, Caesars World, HOC or HEI, except these same entities, needs to meet the qualification requirements for equity or debt security holders in connection with Petitioners' pending application for renewal of their casino licenses. As indicated above, each of these security holders must also meet the qualification requirements as holding and intermediary companies of Petitioners and, assuming they do, the Division concurs in their qualification as security holders.

D. Financial Sources

All sources of financing that bear any relation to the casino property, except banks or other licensed lending institutions, which are exempt, must either qualify or be waived as an institutional investor. *N.J.S.A. 5:12-84b*.

Currently, there is one intercompany note between Showboat OpCo and an HEI affiliate: a \$715 million note that Showboat OpCo originally owed to HEI but since HEI's assignment of the note to Harrah's Great Britain, now owes to that entity. The Commission has, therefore, deemed Harrah's Great Britain a financial source.

HEI's consolidated long-term debt resulting from the Harrah's Merger consists of a \$9.25 billion Senior Secured Credit Facility ("Credit Facility"), new senior notes and \$6.5 billion in Real Estate Financing ("Real Estate Facility"). The Credit Facility consists of a \$7.25 billion Term Loan ("Term Loan") and a \$2.0 billion revolver ("Revolver"). HOC issued and HEI guaranteed \$6.335 billion in principal amount of Senior Notes, consisting of: (1) \$4.932 billion principal amount of the Cash Pay Notes; and (2) \$1.403 billion principal amount of the PIK Notes.⁵ The Real Estate Financing consists of: (1) a \$4 billion CMBS Loan secured by a first-priority mortgage on the real property owned by, among others, Harrah's PropCo, and (2) a loan for each of the nine levels of MezzCos, consisting of \$300 million for the first level of MezzCos and \$275 million for each of the remaining eight levels of MezzCos.

⁵Additionally, there is approximately \$440 million remaining in unsecured interim loans, referred to as the Notes Bridge Loan. The Notes Bridge Loan will be discussed more fully in the Division's Financial Analysis Report.

The Commission determined that the Credit Facility and Real Estate Facility bear a relation to Petitioners and that each lender must qualify unless exempt or waived. Resolution No. 07-10-17-17, ¶ 7. Subsequently, the Commission modified its ruling so that holdings of less than 2% of the Term Loan or the Real Estate Facility would not bear a relation to the casino project and not be required to qualify as a financial source but that those lenders holding 2% or more must be qualified as financial sources unless exempt or waived. Resolution No. 08-01-16-08.

Based upon information provided to the Commission and the Division dated April 28, 2008, no participating lender in the Credit Facility holds 2% or more of either the Revolver or the Term Loan other than banks or other licensed lending institutions that are exempt. Accordingly, the Division submits that no lender in the Credit Facility need qualify as a financial source.

Holders of 2% or more of the Real Estate Financing must also be qualified as financial sources. Petitioners have identified nine lenders in the CMBS Loan that hold 2% or more. Each is a bank or licensed lending institution and is, therefore, exempt from having to qualify as a financial source. Those currently holding 2% or more of any one of the nine Mezz Loans is also a bank or licensed lending institution and, therefore, exempt.

Similarly, the Commission has determined that the two Senior Notes bear a relation to the Casino Licensees. Previously, the Commission has determined that holders of such notes that are widely distributed and freely traded and that have no ability to control the casino licensee will not be deemed financial sources and has generally accepted the guideline that any lender holding less than 15% of a note issue will not be deemed a financial source.

Petitioners have represented that they intend to “use ... commercially reasonable efforts to register” the 10¾% Notes with the SEC within the 365 days after the issue date, which was February 1, 2008, and will file a Form S-4 with the SEC offering to exchange the unregistered Cash Pay Notes for registered 10¾% Notes. Once this registration is effective, the Division submits that Harrah’s Operating should provide the Commission and the Division with a security position listing showing the holders of the Cash Pay Notes and seek appropriate waivers or qualifications.

The Division submits that the Old Notes, which are unsecured, do not bear a relation to the Casino Licensees and, therefore, the holders thereof are not financial sources and do not need to meet the qualification requirements as such.

In sum, based upon the gathered information, the Division submits that all financial sources will be either exempt or not required to meet the suitability requirements of the Act.

III. SIGNIFICANT EVENTS

A. EXPANSION OF ATLANTIC CITY CASINOS

In addition to projects involving construction and renovations of Harrah's Casino, which will be described more fully below, HEI has projected several projects for Petitioners' properties. See also the Division's Financial Analysis Report.

1. Harrah's OpCo

On December 31, 2004, Marina purchased 14.41 acres of land from MAC CORP. ("MAC"), at a cost of \$18 million. In the first quarter of 2006, Marina began a \$550 million expansion project, which included the construction of a new hotel tower upon the land it had purchased from MGM. The project also included retail stores, restaurants, an Elizabeth Arden Red Door Spa and a tropical-themed pool under a 90-foot high glass dome.

As part of its expansion project, Marina opened a new buffet and most of a retail center in February 2007. In March 2008, Harrah's OpCo opened 851 rooms in its new 44-story Waterfront Tower. Ultimately, when the remaining suites are opened, which is expected to occur by July 4, 2008, the Waterfront Tower will have 960 rooms.

2. Showboat OpCo

Construction to redesign the Boardwalk facade and entrance to AC Showboat that was in progress at the time of its last renewal was related to the development of the House of Blues expansion, which opened in June 2005. The work on the facade and entrance was not fully completed until early 2006.

On March 17, 2004, shortly before AC Showboat's the last renewal, Showboat Land and the Housing Authority and Urban Redevelopment Agency of the City of Atlantic City

("Redevelopment Agency") entered into a Real Estate Option Agreement ("Option Agreement") concerning a 2.9 acre parcel of the Uptown Urban Renewal Tract. The terms of the Option Agreement provide Showboat Land the option to purchase the property within 5½ years from March 15, 2004, for payments of \$100,000 on the date of execution of the Option Agreement, \$100,000 on March 15 of the next four years, and \$50,000 on March 15, 2009, until the option is exercised. The Option payments will not be applied against the purchase price of approximately \$5.5 million.

Showboat OpCo intends to purchase this parcel for approximately \$5.5 million. Thereafter, it intends to transfer ownership to Showboat PropCo.

On March 15, 2004, shortly before AC Showboat's last renewal, AC Showboat and the Redevelopment Authority had also entered into a Use and Occupancy Agreement ("Use Agreement") that granted AC Showboat the right to exclusive use a 4.1 acre parcel for temporary valet parking beginning on that date and continuing thereafter on a month-to-month basis for a period not greater than twelve months, at a cost of \$30,366.67 per month. In February 2005, AC Showboat purchased the full parcel for \$5.5 million.

3. Boardwalk Regency Corp.

On May 1, 2003, effective May 17, 2003, and amended on December 24, 2003, Boardwalk Regency Corp. and Pier Developers, Inc. ("Pier Developers"), a Delaware corporation, entered into an agreement for Pier Developers to lease 300,000 square feet of an area in the pier across the Boardwalk from the entrance to Caesars Casino ("Pier Lease") in order to develop a shopping, entertainment and food and beverage complex. The initial term of the lease is 75 years, expiring April 30, 2078, with an option to extend the term for an additional 25 years. Minimum annual rent is \$1 million or \$83,333.33 per

month. Annual rent shall be increased on the fifth anniversary and every five years thereafter in accordance with increases in the Consumer Price Index, as set forth in the agreement. Additionally, BRC shall pay Pier Developers 15% of the gross rents paid by the tenants of the Complex, with the amount of annual rent credited against the gross rents due. BRC is required to pay all taxes.

On January 28, 2005, a Second Amendment to the Lease (“Second Amendment”) was executed, whereby Pier Developers assigned the Pier Lease to Atlantic Pier Associates, LLC (“Atlantic Pier”), a Delaware limited liability company located in Greenwich, Connecticut. Thereafter, TRG The Pier, LLC, a Delaware limited liability company that is wholly owned by The Taubman Realty Group Limited Partnership, a Delaware limited partnership, will receive a 30% membership interest in Atlantic Pier.

The Pier at Caesars opened with its first few stores in June 2006. A water show opened in August 2006. Most of the restaurants opened in October 2006. A nightclub and restaurant are still being constructed and some retail space is not yet opened. Accordingly, approximately 75% of the project is opened. In accordance with the Second Amendment to the Pier Lease, BRC constructed a bridge from the second level of Caesars Casino to the complex, which was opened in June 2006, when the first retail outlets opened.

On November 28, 2005, an Asset Purchase Agreement was entered into between Harrah's Operating Company, Flamingo Laughlin, Inc., Boardwalk Regency Corp. and Martial Development Corp as sellers and AREP Laughlin Corp. and AREP Boardwalk LLC as buyers for the Flamingo Laughlin hotel casino and approximately seven acres of land bounded by the Boardwalk, Indiana Avenue, Pop Lloyd Boulevard and Kentucky Avenue, which is often referred to as the “Traymore Site,” because the old Traymore Hotel was

situated on approximately 4 acres of that parcel. Total consideration for both properties was \$170 million.

When the transaction closed on May 9, 2006, \$61 million was allocated to the Traymore site and the remaining \$109 million was allocated to the Flamingo Laughlin.

B. EXPANSION OF HEI GAMING PROPERTIES INTO OTHER JURISDICTIONS

During the past four-year license period, Harrah's has significantly expanded its presence in various gaming markets. It has accomplished this through purchasing established gaming companies whose assets included both land-based and riverboat casinos as well as race tracks that permitted slot machines, currently referred to as racinos, acquiring interests in gaming companies, entering in development and management contracts and constructing new facilities all together.

1. Horseshoe Gaming Holding Corp.

Pursuant to an agreement executed in September 2003, on July 1, 2004, HEI completed the acquisition of Horseshoe Gaming Holding Corp. ("Horseshoe") for \$1.45 billion, including assumption of \$533 million in debt. In addition to three casinos that Horseshoe operated, one in Hammond, Indiana, one in Tunica, Mississippi, and one in Shreveport-Bossier City, Louisiana, Harrah's obtained the rights to the Horseshoe brand throughout the United States except in Nevada. HEI is operating these Horseshoe properties under the Horseshoe brand.

2. Caesars Entertainment, Inc.

On June 13, 2005, HEI completed the Caesars Acquisition for approximately \$9.3 billion, \$1.9 billion of which was cash, \$3.3 billion of which was the issuance of approximately 67.9 million shares of HEI's common stock and \$4.0 billion of which was

assumed Caesars' debt. See Division's *Report to the Casino Control Commission on the Petition of Harrah's Entertainment, Inc., and Harrah's Operating Company, Inc., Seeking Declaratory Rulings Relating to the Acquisition of Caesars Entertainment, Inc. (PRN 3220401)*, dated May 2, 2005.

3. Imperial Palace Hotel & Casino

On December 23, 2005, HEI acquired the assets of Imperial Palace Hotel and Casino ("Imperial Palace") for approximately \$373.3 million. No debt was assumed in this transaction. The Imperial Palace is situated upon 18.5 acres located on Las Vegas Boulevard, Las Vegas, Nevada (often referred to as the "Las Vegas Strip"), between Harrah's Las Vegas and the Flamingo Casino and across from Caesars Palace.

4. Harrah's Chester

On October 18, 2002, Chester Downs and Marina, LLC ("Chester Downs"), reached an agreement with the Redevelopment Authority of the County of Delaware, and acquired a 61-acre former industrial site on the Delaware River in Chester, Pennsylvania, for development of a horse racing and slot machine facility. Harrah's owns 50% of Chester Downs and provided the financing for the project. Harrah's Chester Downs Management Company, LLC, entered into a Management Agreement with Chester Downs, dated as of July 20, 2004, and continuing through December 31, 2054, to provide management of operations of the facility.

Harrah's Chester opened for simulcasting and live harness racing on September 10, 2006. On January 22, 2007, it opened for slot play with 2,750 slot machines.

5. London Clubs

In November 2006, HEI acquired 29.6% of the ordinary shares of London Clubs International, PLC (“London Clubs”) in the United Kingdom and in December 2006, acquired all of the remaining ordinary shares at a total cost of approximately \$590.5 million including acquisition costs and assumption of approximately \$78.5 million of debt. As a result, HEI owns and/or manages 12 casinos. Five are located in London: the Sportsman, the Golden Nugget, the Rendezvous, Fifty and The Casino at the Empire. Four are found in other places in the United Kingdom: Alea Nottingham, Manchester 235, Rendezvous Brighton and Rendezvous Southend-on-Sea. Two casinos are in Cairo, Egypt, at the Nile Hilton and Ramses Hilton. Emerald Safari, which HEI manages but does not own, is located in the province of Gauteng in South Africa. Since the Harrah’s Merger, HEI has continued to own and manage all of these casinos in addition to Alea Glasgow, which opened on February 6, 2008. Additionally, London Clubs currently has one casino under developmen in Leeds, England.

6. Macau

On September 12, 2007, HEI acquired Macau Orient Golf in Macau, Special Administrative Region (“Macau”), Peoples’ Republic of China (“China”), and rights to a land concession contract from the Government of Macau for approximately \$577.7 million. The term of the land concession contract is 25 years, with rights to renew for additional periods until 2049. The land concession contract is necessary because the Government of Macau owns most of the land and private interests are obtained through leases and other grants of rights to use land from the Government. Current annual rental payments are approximately \$90,000 and are adjustable at five-year intervals.

Macau Orient Golf is one of only two golf courses in Macau and the only one that is semi-private. It is located on 175 acres on Cotai, the area located next to the Lotus Bridge, one of only two border crossings into Macau from China.

7. Bill's Gamblin' Hall & Saloon

On February 27, 2007, HEI exchanged real estate it owned on the Las Vegas Strip for the property then known as the Barbary Coast, located at the corner of the Strip and Flamingo Road. As a result of this exchange, the Caesars Acquisition and the purchase of Imperial Palace, HEI owns nearly 350 acres of land area between Paris Las Vegas to the south, Harrah's Las Vegas to the north, Koval Avenue to the east and the Rio to the west. On March 1, 2007, HEI renamed the property and began operating it as Bill's Gamblin' Hall & Saloon.

C. FUTURE GAMING OPPORTUNITIES

1. Spain

In November 2005, HEI and/or a subsidiary entered into an agreement with El Reino de Don Quijote de La Mancha, S.A. ("El Reino") to develop a Caesars brand casino and hotel in Ciudad Real, 118 miles south of Madrid, Spain. The joint venture is owned 60% by HEI and 40% by El Reino. The development is expected to include a hotel with 800 rooms, 800 square feet of casino space, a 3,000 seat entertainment venue, and 70,000 square feet of convention and meeting space, with an opening anticipated for mid-2010.

Before construction could begin, however, modification of certain laws and decrees that would allow for the ownership and operation of a Western-style casino project had to be obtained. Then the joint venture had to secure the necessary government approvals with respect to the gaming aspects of the project. Although the joint venture may still be

required to obtain some zoning and building permits relating to the entire project, preliminary construction has already begun.

2. Margaritaville Casino and Resort, Biloxi, Mississippi

HEI intends to develop a casino project in Biloxi, Mississippi, the Margaritaville Casino and Resort, with a targeted opening in 2011. Planning, however, is still in the preliminary stages. HEI is currently negotiating with Simon Property Group regarding the development and operation of the retail space at the proposed facility. Harrah's has an existing relationship with Simon Property Group, which developed and is the landlord of the Forum Shops at Caesars Palace, Las Vegas.

3. Bahamas

In January 2007, HEI and/or a subsidiary signed a subscription and contribution agreement with a subsidiary of Baha Mar Resort Holdings, Ltd. ("Baha Mar"), with the intent of developing a casino resort destination in the Bahamas. The joint venture was expected to be 57% owned by a subsidiary of Baha Mar and 43% by a subsidiary of HEI, provided the Bahamian Government approved the project. Both joint venture partners have management agreements with subsidiaries of Starwood Hotels & Resort Worldwide, Inc. The joint venture intended to construct a Caesars brand casino and hotel with approximately 1,100 rooms, a 100,000-square-foot casino and 100,000 square feet of convention and meeting space. Construction of the project was to begin in 2007 with an anticipated opening in early 2011.

On March 10, 2008, however, HEI announced that it had terminated its involvement in the project, because it no longer had the confidence that it could be successfully completed and felt it would not be in its best interests to move forward.

In March 2008, Caesars Bahamas Investment Corporation, an indirect, wholly owned subsidiary of HEI, has filed a Complaint in the Supreme Court of The State of New York, County of New York, alleging that Baha Mar failed to close on the transaction by the extended closing date of December 31, 2007, and, therefore, seeking termination of the subscription and contribution agreement. *Caesars Bahamas Investment Corporation v. Baha Mar Joint Venture Holdings, Ltd.*, Index No. 600740-2008,

D. SALES AND TERMINATIONS OF MANAGEMENT CONTRACTS

During the past licensure period, Harrah's sold or terminated its management contracts with eight casino complexes.

1. Binion's Horseshoe Hotel & Casino

On April 1, 2004, a subsidiary of HOC began managing Binion's Horseshoe, Las Vegas, Nevada, which is located on Fremont Street in downtown Las Vegas. In March 2005, HOC ceased management of the property.

2. Reno Hilton

Prior to the Caesars Acquisition on June 13, 2005, Caesars had reached an agreement to sell the Reno Hilton. In June 2006, HEI sold the hotel-casino to Grand Sierra Resort Corp. and certain assets to an affiliate of the Navegante Group.

3. Grand Casino Gulfport

Acquired on June 13, 2005, as part of the Caesars Acquisition, Grand Casino Gulfport sustained serious damage in August 2005, when Hurricane Rita caused extensive damage to the Gulf Coast. Thereafter, HEI determined to sell the facility. The sale to Gulfside Casino Partnership/Copa Group was completed in March 2006.

4. Flamingo Laughlin, Inc.

As part of the Caesars Acquisition on June 13, 2006, HEI acquired the Flamingo Laughlin Casino, Laughlin, Nevada. Subsequently, HEI determined to sell the facility. The sale to affiliates of American Real Estate Partners, L.P. was completed in May 2006.

5. Harrah's Lake Charles

On June 13, 2005, HEI had acquired a dockside casino facility from Players International, Inc. This facility sustained serious damage in August 2005, when Hurricane Rita caused extensive damage to the Gulf Coast. Thereafter, HEI determined to sell the facility and completed the sale to Pinnacle Entertainment, Inc., in November 2006.

6. Harrah's East Chicago

In the second quarter of 2003, HEI settled outstanding litigation relating to a 1999 buyout of former partners' interest in Harrah's East Chicago. In January 2004, HEI bought out the remaining minority partners. Thereafter, HEI determined to sell the property and completed the sale to an affiliate of Colony Capital, LLC, on April 26, 2005.

7. Harrah's Tunica

In April 1996, Harrah's Tunica, a dockside casino complex with a hotel, restaurants and a floating barge in Tunica, Mississippi, was opened. In 2004, HEI determined to sell the property and completed the sale to an affiliate of Colony Capital, LLC, on April 26, 2005.

8. Prairie Band Potawatomi Nation

HEI developed a casino complex, Harrah's Prairie Band, near Topeka, Kansas, for the Prairie Band of the Potawatomi Nation, which opened in January 1998. Pursuant to a

management contract, a wholly owned subsidiary of HOC managed Harrah's Prairie Band until July 1, 2007, when the contract was terminated.

IV. GAMING FACILITIES

As of September 30, 2007, HEI, through its various wholly owned subsidiaries, owns and/or manages 51 casino complexes in 10 states, including New Jersey. Thirty-six of these are land-based casino complexes, with four in Atlantic City, one in New Orleans, Louisiana, three on Indian reservations, one in Canada, one in Uruguay, ten in the United Kingdom, two in Egypt, one in South Africa, one in Reno, Nevada, three in Lake Tahoe, Nevada, one in Laughlin, Nevada, and the remaining eight in Las Vegas, Nevada. Twelve are cruising or dockside riverboat casino complexes in Illinois, Mississippi, Louisiana, Missouri, and Indiana. Three are racinos in Pennsylvania, Louisiana and Iowa. These facilities operate under the Harrah's, Rio, Showboat and Harveys brand names. The various state gaming boards and commissions have licensed and/or deemed suitable all appropriate entities relating to these gaming facilities, and the Division has gathered no information regarding them that would impede continued licensure.

V. REGULATORY MATTERS

A. Atlantic City

Since Petitioners' last renewals in 2004, the Division has conducted continuing reviews, audits and investigations of their casino operations. The areas examined have included rules of the games, slot machines, accounting and internal controls, compliance, gaming equipment, advertising, employee and vendor licensing requirements, and alcoholic beverage control. In the area of accounting and internal controls, Division agents have conducted regular and periodic reviews of wire transfer procedures, casino credit and front money activity, complimentary services, counter check issuance procedures, collection practices and slot operations accountability.

Since 2005, Petitioners have had slightly more than 50 warning letters issued for various regulatory violations because of such matters as, among others, employee non-compliance, failure to obtain approvals for beach bars, table inventory discrepancies and unsecured CHAB licensed outlets. No single Petitioner has received more than 5% of the total warnings letters issued to all of the Atlantic City casino licensees during a calendar year and in most instances have received less than 5%.

Four formal complaints are currently pending. One is against BRC and one against BPP, both alleging underage gambling. One is against Showboat, alleging a CHAB-EZ pour violation, and one against Petitioners and their holding and intermediary companies alleging violations regarding qualifier notifications. Additionally, there were seven significant formal complaints that have been concluded, four against Marina, two against Showboat, and one against BRC. The complaints against Marina alleged violations regarding recordkeeping and voucher requirements, as well as the self-exclusion list, and

resulted in fines aggregating \$72,500. The complaint filed against BRC that resulted in a \$185,000 fine is described in more detail below. The two complaints against Showboat that resulted in fines aggregating \$52,500 are also described in more detail below.

1. *State v. Boardwalk Regency Corp.*

In April 2005, the Division filed a complaint with the Commission, charging BRC and four employees of the surveillance department with using the surveillance system in ways that were not authorized by the Act and failing to perform those surveillance functions authorized by the Act. *State v. Boardwalk Regency Corp. et al.*, Commission Docket No. 05-0307-VC. The four employees were two surveillance supervisors, James Doherty and Robert Swan, both of whom held key licenses, and two surveillance officers, John Paul Arambulo and Donald Smith, both of whom held casino employee licenses.

During a strike on October 1, 2 and 3, 2004, it was alleged that the four used the surveillance system to watch young women in inappropriate ways, some of whom were employees of Caesars and some of whom were patrons. The Division identified three employees who were improperly surveilled but never identified the patrons.

Arambulo was a relatively new employee at the time of the violations and the least culpable. As a consequence, he was given the lightest penalty, a five-day suspension with no fine, after he admitted the violations. Donald Smith never responded to the notice of hearing and as a result was deemed to have constructively admitted the violations and given a five-day suspension, although at that time, he was no longer working in the industry.

The remaining two, Doherty and Swan, went to a hearing before the Commission in September and October 2005. Doherty was found guilty of the violations and given a suspension of 20 working days. Swan was found not guilty.

On the first day of the hearing Caesars entered into a Stipulation of Settlement admitting liability and agreeing to a \$185,000 fine. Notably, this was not the first time Caesars had been fined because of improper actions by personnel in its surveillance department. In 2004, the Commission had approved a stipulation of settlement and a \$95,000 fine as a result of improper surveillance activity and diversion of surveillance resources for unauthorized purposes by personnel in Caesars' surveillance department. *State v. Boardwalk Regency Corp. d/b/a Caesars Atlantic City, et al.*, Commission Docket No. 03-0149-VC.

2. *State v. Atlantic City Showboat, Inc.*

On August 7, 2006, the Division filed a complaint against AC Showboat, alleging that it and VendingData, an applicant for a gaming-related CSI, consummated a transaction without having first obtained Commission permission. *State v. Atlantic City Showboat, Inc., et al.* Commission Docket No. 07-0496-VC. On April 16, 2008, the Commission ordered Showboat OpCo, as successor in interest to AC Showboat, to pay a civil penalty of \$2,500 and VendingData a \$4,500 civil penalty for the parties conducting a gaming-related business transaction without obtaining prior Commission permission.

3. *State v. Atlantic City Showboat, Inc.*

On June 7, 2007, the Division filed a Complaint against AC Showboat, alleging recordkeeping violations and violations of Showboat's internal controls. *State v. Atlantic City Showboat, Inc.*, Dkt No. 07-321-VC. During its review of the physical security of the

computer which controls the progressive wagers of “Carribbean Stud Poker,” the Division compared copies of the Table Games Department Key Sign In/Out Log for November 15 through 30, 2006. One set of copies of the log was obtained from AC Showboat’s Accounting Department, while the other set was obtained from a Showboat Pit Manager. The Division’s review disclosed eleven discrepancies, all of which were enumerated in the Division’s Complaint. AC Showboat admitted the violations and entered into a Stipulation of Settlement that was filed with the Commission on August 16, 2007. On December 12, 2007, the Commission approved the Stipulation of Settlement and imposed a \$50,000 fine.

B. Las Vegas

1. Rio Casino Hotel Building Code Violations

In the summer of 2005, HEI began a renovation project at the Rio Casino Hotel (“Rio”), Las Vegas. As part of that project, floors 3 through 14 of the Cabana Tower were remodeled with completion in early 2006.

Beginning in July 2006, an electrician and a facilities engineer at Harrah’s LV, contacted the Harrah’s Compliance Program Hotline and the Clark County Department of Development Services (“County Development Services”), alleging that company managers had violated local, state and federal building construction laws while making the Rio renovations. Following an investigation, the County Development Services, which includes the building division, concluded that permits were required only for replacement of light fixtures, and in February 2007 closed the case.

From February to May 2007, the same electrician contacted various Harrah’s executives via e-mail messages, reiterating his allegations. On June 17, 2007, this

engineer was caught taking items off the property without authorization and, as a result, was terminated on July 2, 2007.

The County Development Services reopened its investigation. Between September 26, 2007, and January 24, 2008, the County Development Services issued 63 Notices of Violations against the Rio, alleging that it had not secured permits for the renovations completed on the Cabana Tower, the Ipanema Tower, and the Masquerade Tower suites. The State of Nevada, Clark County, Las Vegas Metropolitan Police ("LV Police") issued five misdemeanor citations against HEI for completing work without building, electrical, plumbing or mechanical permits, inspections or approvals for renovations on various floors of the Cabana Tower and the Rio's failure to fire coat and fire seal electrical conduit and drill holes that resulted from the running of new electrical and plumbing lines in the renovated rooms.

In October 2007, HEI engaged an independent structural engineering firm to investigate the cited violations at the Rio. The firm confirmed that concrete tendons in the floor slabs at the Rio had been broken, but that the firm's testing of the slabs indicated that they were adequate to support all code required loads, but did state that all exposed tendons required $\frac{3}{4}$ inch minimum cementitious material as fire cover.

On October 6, 2007, the certificates of occupancy for 140 rooms on floors 18 and 19 at the Rio were revoked. These floors remained closed until October 30, 2007, when the County Development Services issued a Temporary Certificate of Occupancy, applicable to floors 18 and 19 of the Ipanema Tower with the exception of nine rooms on floor 18 and 6 rooms on floor 19. Seven of the rooms on floor 18 were released on November 5, 2007. Two rooms on floor 18 are still not open for use as are 6 rooms on floor 19.

In a separate report to the HEI Audit Committee, a legal firm in Los Angeles, California, which had been contracted by HEI to investigate, concluded that: (1) the scope of the work completed at the Rio did require permits; (2) the Clark County Building Inspectors were not interested in fire caulking even though it was required by county and building codes; and (3) even though the concrete flooring was x-rayed before the work was started, the pretension cables were still cut. Based upon these findings, HEI's Internal Audit Department is now developing policies and procedures for the monitoring of construction and renovation projects to insure that there are no future issues with building code violations and occupancy revocations.

The Internal Audit Department is also conducting audits of the construction and development and design departments, purchasing and permitting processes and all issued building permits from 2000 to the present, including those issued to the Rio renovation project. The Internal Audit Department is expecting to present its findings to the Audit Committee in the near future.

In January 2008, the Clark County Fire Department sent its findings and recommendations regarding improper remodeling to the criminal division of the Clark County District Attorney's office. That Office filed misdemeanor criminal complaints to the chief engineers of Harrah's Las Vegas, Inc., and Rio Properties, Inc., based on the citations.

2. Harrah's Las Vegas Hotel Code Violations

At approximately the same time as the renovations of the Rio were being completed, a similar situation occurred at Harrah's LV. Harrah's LV was renovating hotel rooms, suites, offices, warehouses and a piano bar. Between October 11 and December 19, 2007,

the County Development Services issued approximately 100 Notices of Violations, asserting that the completion of the renovations was without approved plans, inspections or proper permits. On December 14, 2007, the LV Police issued 13 misdemeanor citations against an HEI employee, alleging that work was performed without appropriate permits, inspections or approvals. Based upon its Notices of Violation, Clark County closed 667 rooms at Harrah's LV for 25 days in October and November 2007.

As stated above, the Clark County District Attorney's office filed misdemeanor criminal complaints against the chief engineers of Harrah's Las Vegas, Inc., and Rio Properties, Inc., based on the citations.

VI. COMPLIANCE PROGRAM

In its continuing effort to protect its integrity and reputation, Harrah's has had a formal compliance system in place since April 1994, when a corporate Compliance Committee was formed, a corporate Compliance Officer appointed and a written policy formulated. In June 2005, in conjunction with the Caesars Acquisition, HEI adopted revisions to its Compliance Program. The Nevada Gaming Commission approved the revisions in November 2005.

Currently, each operating property, including Petitioners, has its own compliance officer and committee. The property committees provide copies of their meeting minutes to the corporate compliance officer along with any unusual or exceptional events. The corporate compliance function then reports any matters that warrant to the corporate Compliance Committee. The corporate compliance function is also a resource for the property compliance officers and committees.

The corporate Compliance Committee, which meets quarterly and more often if deemed necessary, reviews all matters brought to its attention and attempts to assist senior management in their efforts to review the practices and conduct of all employees and protect against questionable associations and associations with unsuitable persons. The Chief Regulatory and Compliance Officer attempts to insure that HEI and its subsidiaries adhere to all requirements of the regulatory agencies in the jurisdictions in which it has gaming and hospitality operations. Additionally, background investigations of lobbyists, consultants, outside attorneys and potential employees are conducted by the Corporate Security, Surveillance, Investigations Department and reported monthly to the Compliance

Committee, which then takes appropriate action. As casino properties are acquired or constructed, they become integrated into this program.

VII. LITIGATION

Throughout the licensure period, the Division has monitored various lawsuits. Based upon its analysis, the Division submits that none appears to impact negatively on the suitability of Petitioners for continued licensure.

A. LAWSUITS ABOUT WHICH THE DIVISION REPORTED IN CONJUNCTION WITH PETITIONERS' RENEWAL APPLICATIONS

1. *Poulos, etc., v. Caesars World, Inc., et al.*
Ahern, etc., v. Caesars World, Inc., et al.
Poulos, etc., v. Ambassador Cruise Lines, Inc., et al.
Schreier, etc., v. Caesars World, Inc., et al.

Approximately 40 major casino operators, including Petitioners, various cruise ship casino owners and operators, and manufacturers and distributors of video poker and electronic machines have been sued for, among other things, taking part in a scheme concerning video poker and electronic slot machines. The first of the suits was initiated in 1994, with several others filed in the following two years. In December 1996, all of them were consolidated in the United States District Court for the Southern District of Nevada ("Southern Nevada District Court"). CV-S-94-1126-DAE - BASE FILE ("Slot Machine Case").

In June 2002, the Southern Nevada District Court denied plaintiffs' motion for class certification, which was affirmed by the United States Court of Appeals for the Ninth Circuit ("Ninth Circuit") in August 2004. Thereafter, plaintiffs dismissed certain operator and cruise ship defendants, and the remaining defendants moved for summary judgment. In September 2005, the Southern Nevada District Court entered summary judgment and dismissed the case in its entirety and entered judgment in favor of defendants.

In October 2005, plaintiffs filed an appeal to the Ninth Circuit. The parties subsequently agreed to settle the matter and filed stipulations of settlements in the Ninth Circuit and the Southern Nevada District Court on June 26 and 30, 2006, respectively. Accordingly, this matter is now concluded.

2. *Mary Osgood et al. v. Harrah's Entertainment, Inc., et al.*

On or about January 19, 2000, Mary Osgood filed a class action lawsuit against HEI and Marina in United States District Court for the District of New Jersey ("NJ District Court"). The lawsuit alleges that the racial preferences contained in defendants' affirmative action plan violated federal and state discrimination laws. *Mary Osgood, on Behalf of Herself and All Similarly Situated Persons, v. Harrah's, Inc., Harrah's Atlantic City, Inc., and Harrah's OpCo Associates, Inc.*, Dkt. No. 00CV284 (SMO). Plaintiff alleges that she, a Caucasian, was demoted and replaced by an African-American employee. She alleges that other Caucasian employees were similarly discriminated against as a result of Marina's affirmative action plan and the racial preferences contained therein.

The NJ District Court allowed the matter to move forward as a class action in an attempt to seek declaratory and injunctive relief, but denied class action status to the demand for monetary damages because of the wide disparity of potential damages among plaintiffs. *Osgood, etc., v. Harrah's Entertainment, Inc., et al.*, 202 F.R.D. 115 (D.N.J. 2001).

Osgood filed another complaint in the NJ District Court after she was terminated by Marina, alleging not only reverse discrimination but also retaliation for filing the reverse discrimination suit. *Osgood v. Marina Associates, Inc., et al.*, Dkt. No. 1:02cv3553. The Court consolidated this case with the prior case.

The parties ultimately settled this matter. On April 27, 2005, the NJ District Court entered an Order of Dismissal without prejudice to reopen if, within 60 days, the settlement was not consummated. On April 28, 2005, the parties filed a Stipulation of Dismissal With Prejudice, thereby concluding the matter.

3. Tribal Litigation

a. Catskill Region, New York

As noted in the Division's report on BPP's and BRC's last application for renewal of their casino licenses in 2004, there have been a number of lawsuits regarding development of a casino hotel complex in the Catskills Region, Sullivan County, New York. See Division's 2004 Report at pp. 37 - 49. A brief discussion of some of that litigation follows.

b. St. Regis Mohawk Tribe

In April 2000, the Saint Regis Mohawk Tribe ("Mohawk Tribe") granted Caesars the exclusive rights to develop and manage a casino project in the Catskills Region. On April 26, 2000, certain individual dissident members of the Mohawk Tribe ("Mohawk Dissidents") empaneled a tribal court and commenced what they referred to as a class action proceeding in Hogsburg, New York, against Caesars, seeking to nullify Caesars' agreement with the Mohawk Tribe. *Arquette, et al., v. Park Place Entertainment Corp.,⁶ et al.*, Case No. CIO1336N. Caesars chose not to appear, and on March 20, 2001, the tribal court rendered a default judgment against Caesars in the amount of \$1,787 million.

This tribal court judgment led to three lawsuits. Caesars filed one in the United States District Court for the Northern District of New York ("NY Northern District Court") and

⁶Park Place Entertainment changed its name to Caesars in January 2004. Throughout this report, both Park Place Entertainment Corp. and Caesars Entertainment, Inc., will be referred to as Caesars.

one in New York State Supreme Court. The Dissident Mohawks filed in the NY District Court.

In June 2000, Caesars filed an action in the NY Northern District Court, seeking a ruling that the tribal court had no authority to adjudicate the claims asserted in the tribal litigation and, thus, wrongfully instituted the tribal litigation, and seeking to enjoin the Mohawk Dissidents from proceeding further in the tribal court. *Park Place Entertainment Corporation et al., v. Arquette et al.*, Dkt. No. 00-CV-0863. On or about September 18, 2000, the Court dismissed the case for lack of subject matter jurisdiction, Caesars appealed and the case was remanded.

In June 2001, the Mohawk Dissidents filed suit in NY Northern District Court against Caesars, seeking recognition and enforcement of the tribal court judgment. *Arquette et al. v. Park Place Entertainment et al.*, Dkt. No. 1058. Based on purported settlements that the parties believed had been reached, in this and the previous case, even though fully executed settlement documents were not provided, on March 31, 2003, the NY Northern District Court dismissed the two lawsuits, without prejudice, while retaining jurisdiction to reopen that litigation, if, within three months thereof, the settlement had not been completed.

Caesars commenced a lawsuit in the Supreme Court of the State of New York, which was subsequently moved to Franklin County, New York, against the Dissident Members, alleging malicious defamation in connection with the tribal court proceedings and the Mohawk Dissidents' publication of the judgment. *Park Place Entertainment Corporation et al. v. Arquette et al.*, Case No. RJI # 16-1-2002-0044.

The Mohawk Dissidents and several other groups involved in this litigation assigned their rights to the tribal court judgment to the Catskill Litigation Trust, created under Delaware Law. On June 22, 2007, the Catskill Litigation Trust filed a lawsuit against HEI in the United States District Court for the Northern District of New York, alleging that the Catskill Litigation Trust had been assigned the tribal court judgment and seeking to enforce it, with interest. According to a tribal court order, accrued interest through July 9, 2007, was approximately \$1,014 million. HEI filed a motion to dismiss, which was denied in December 2007 on procedural grounds, but HEI was granted leave to renew its request to summarily dismiss the case on a different procedural rule following limited discovery on the issues raised in the motion. The court granted HEI leave to file a summary judgment motion based upon the prior settlement and comity. Should that motion fail, the Court granted HEI leave to file another summary judgment motion on any other ground, such as invalidity of the tribal court and/or its judgment.

c. *Catskill Development LLC v. Park Place Entertainment Corporation, et. al.*

In November 2000, a group of development companies, Catskill Development, LLC, Mohawk Management, LLC, and Monticello Raceway Development Company, LLC (collectively “Catskill Developers”) filed suit against Caesars, alleging that Caesars’ agreements with the Mohawk Tribe wrongfully interfered with the contractual and business relationship between the developers and the Mohawk Tribe, which was to develop a slot parlor at Monticello Raceway in Sullivan County, New York. The Catskill Developers sought more than \$2 billion in compensatory damages and \$2 billion in punitive damages.

In November 2004, the United States District Court for the Southern District of New York (“NY Southern District Court”) entered summary judgment in favor of Caesars.

Plaintiffs appealed to the United States Court of Appeals for the Second Circuit (“Second Circuit”). The case, via stipulation, was dismissed and re-filed, so that subject matter jurisdiction was valid, with the prior court’s entire file, and decisions, becoming part of the new case. The Second Circuit ordered the case be remanded, and on November 20, 2006, the NY Southern District Court found, among other things, that federal jurisdiction was proper and New York law permitted third-party beneficiaries to recover damages for tortious interference with a contract and reinstated its previous judgment granting defendant’s motion for summary judgment on claims for tortious interference with contract and tortious interference with business advantage.

The Catskill Developers appealed to the Second Circuit. That appeal is pending.

d. *Scutti Enterprises, LLC v. Park Place Entertainment, Inc., et al.*

On or about October 15, 2001, Scutti Enterprises, LLC (“Scutti”) filed a complaint against Caesars in the Supreme Court of the State of New York, County of Monroe. *Scutti Enterprises v. Park Place Entertainment, Inc., et al*, No. 01-2267. The case was subsequently removed to the United States District Court for the Western District of New York (“NY Western District Court”). Scutti claimed that Caesars wrongfully interfered with its relationship with the Mohawks pertaining to a proposed redevelopment and management of the Mohawk’s Bingo Palace in Akwesasne, New York, and sought more than \$2 billion in compensatory damages and more than \$2 billion in punitive damages. On March 11, 2002, the NY Western District Court found that Scutti had failed to state a cause of action, granted summary judgment to Caesars and dismissed the complaint in its entirety.

Scutti appealed to the Second Circuit, which, on February 28, 2003, affirmed the dismissal of Scutti's claim for tortious interference with contractual relations and unfair competition, but vacated and remanded the dismissal of Scutti's claim for tortious interference with prospective business relations, because Scutti had stated a prima facie case on that claim.

On August 18, 2005, the court granted Caesars' motion for summary judgment on the single remanded claim of tortious interference with prospective business relations.

4. *Kentrisha Davis et al. v. Jazz Casino Company, L.L.C.*

Six former employees of Jazz Casino Company, LLC ("Jazz Casino") sued for breach of unilateral contract to employ them for at least four years after April 1, 2001, if they successfully lobbied the Louisiana State Legislature to secure tax relief for Harrah's New Orleans Casino. *Kentrisha Davis et al. v. Jazz Casino Company, LLC*, Civil District Court for the Parish of Orleans, Case No. 01-12680. In July 2001, the plaintiffs were six of 148 employees who were terminated. Plaintiffs sought certification as a class action, which on October 29, 2002, the court granted for the 148 former employees.

Jazz Casino appealed. On January 14, 2004, the Court of Appeal of Louisiana, Fourth Circuit, affirmed the lower court's ruling granting class certification. A motion for rehearing was denied on February 6, 2004. *Kentrisha Davis et al. v. Jazz Casino Company, L.L.C.*, 864 So. 2d 880 (La. App. 4 Cir. 2004), *reh'g denied* February 6, 2004.

The case has settled, pending class notification requirements and court approval. The terms of the settlement provide for an insurance carrier paying \$2 million and HEI paying \$6 million.

B. OTHER SIGNIFICANT LAWSUITS

1. Wally Barr, etc. v. Harrah's Entertainment, Inc.

Wally Barr was a Director, President and Chief Executive Officer of Caesars at the time of the Caesars Acquisition. Pursuant to Caesars 1998 Stock Incentive Plan ("Caesars Plan"), Barr had been granted options to purchase shares of Caesars common stock ("Caesars Options").

On October 21, 2005, Barr filed suit in the NJ District Court against HEI, the entity that assumed Caesars' obligations following the Caesars Acquisition, seeking class certification for holders of Caesars Options to purchase shares of Caesars' common stock ("Caesars Stock"), at the time of the Caesars Acquisition. *Barr, on behalf of himself and all others similarly situated, v. Harrah's Entertainment, Inc.*, Docket Number 1:05-CV-05056-JEI-AMD. Barr alleged that HEI failed to pay option holders "the highest price per share of Common Stock paid" in the Caesars Acquisition, in accordance with Caesars Plan, and sought to recover the \$1.91 per share, which is the difference between the amount paid to the option holders and the highest price paid for Caesars Stock in connection with the Caesars Acquisition. Barr personally sought \$1.91 per share for his 2,150,000 options.

On May 3, as amended on June 5, 2007, the court certified the matter as a class action and appointed Barr as Lead Plaintiff for holders of Caesars Options under the Caesars Plan who had exchanged their options for cash as a result of the Caesars Acquisition. The discovery process has been completed. Both parties have filed motions for summary judgment that are currently pending with the court.

2. NGV Gaming, Ltd. v. Upstream Point Molate, LLC, and Harrah's Operating Company, Inc.
Guidiville Band of Pomo Indians v. NGV Gaming, Inc.

On September 20, 2004, as amended on September 21 and November 16, 2004, NGV Gaming, Ltd. ("NGV"), initiated a lawsuit in the United States District Court for the Northern District of California ("Northern CA District Court") against Upstream Point Molate, LLC ("Upstream"), and HOC, alleging intentional interference with contractual relations. *NGV Gaming, Ltd., v. Upstream Point Molate, LLC, and Harrah's Operating Company, Inc.*, Dkt. No. C-05-3955-SC ("NGV Case"). NGV claimed that Upstream and HOC tortiously interfered with NGV's contract with the Guidiville Band of Pomo Indians ("Guidiville Band"), which related to the development and construction of a proposed gaming facility on land in Northern California, by inducing the Guidiville Band leaders to terminate their contractual relationship with NGV. NGV sought compensatory damages of \$200 million as well as punitive or exemplary damages of \$400 million for the "oppressive, fraudulent or malicious conduct."

On April 18, 2005, the Guidiville Band filed a lawsuit in the Northern CA District Court against NGV, seeking a declaratory ruling that the agreements between the Guidiville Band and NGV were invalid. *Guidiville Band of Pomo Indians v. NGV Gaming Ltd.*, Dkt No. C 05-1605-SC. This case was consolidated with the NGV Case.

On October 19, 2005, the Court granted the Guidiville Band's motion for declaratory relief, ordering, among other things, that the contracts between the Guidiville Band and NGV were invalid. Because the granting of the Guidiville Band's motion decided the central issue of the cases, *i.e.*, the validity of the contracts, it then dismissed the NGV Case. The

Court then entered judgment in favor of the Guidiville Band and against NGV and dismissed the NGV Case.

On October 26, 2005, NGV filed a Notice of Appeal with the Ninth Circuit. The appeal was argued on October 16, 2007. Thereafter the Ninth Circuit requested supplemental briefing, which was completed on February 12, 2008. The parties are currently awaiting the Ninth Circuit's decision.

3. *Pauma Band of Luiseno Mission Indians v. Caesars Entertainment, Inc.*

The Pauma Band of Luiseno Mission Indians ("Pauma Band") filed suit against HEI, alleging that it negotiated and reached an agreement with Caesars to build and manage a casino on the Pauma Band's reservation located within San Diego County and that the agreement was terminated by HEI after the Caesars Acquisition. More specifically, the Pauma Band claimed that HEI delayed and then terminated the agreement with the Pauma Band to avoid potential liability to the Rincon Tribe, which owns a casino located near the Pauma Band reservation that is managed by HEI. The Pauma Band seeks punitive and treble damages under California law.

A trial commenced on October 23, 2006, and lasted approximately six weeks. The jury found for HEI on all counts except the claim against HEI for intentional interference with prospective business advantage and awarded damages to the Pauma Band in the amount of \$8.0 million for lost profits and \$22 million for increased construction costs.

HEI has appealed this decision. Briefs are currently being filed.

4. Litigation Matters Relating to the Harrah's Merger

a. Delaware Lawsuits

On October 5, 2006, Henoeh Kaiman and Joseph Weiss filed a complaint in the Delaware Court Chancery, Civil Action No. 2453-N, against HEI, its board of directors and the Sponsors (collectively "Merger Defendants"), challenging the proposed transaction as inadequate and unfair to HEI public stockholders and seeking class certification. *Kaiman et al. v. Charles L. Atwood et al.*, Civil Action No. 2453-N. Two similar actions seeking class certification were subsequently filed in the Delaware Court of Chancery: (1) *Phillips v. Loveman, et al.*, Civil Action No. 2456-N; and (2) *Momentum Partners v. Atwood, et al.*, Civil Action No. 2455-N. On October 19, 2006, the Delaware Court of Chancery consolidated the three Delaware cases. *In Re Harrah's Entertainment, Inc., Shareholder Litigation*, C.A. No. 2453-N.

On December 22, 2006, Delaware plaintiffs' counsel filed an amended and consolidated complaint against Merger Defendants and added as defendants Apollo Management V, L.P. ("Apollo Management"), Hamlet Holdings and Merger Sub. The consolidated complaint alleged that HEI's board of directors breached their fiduciary duties and that the Sponsors aided and abetted the alleged breaches of fiduciary duty in entering into the merger agreement. The consolidated complaint sought, among other relief, class certification, an injunction against the proposed transaction, compensatory and/or rescissory damages to the class, and an award of attorneys' fees and expenses. On February 14, 2007, the Merger Defendants, Apollo Management, Hamlet Holdings and

Merger Sub began to produce documents in response to plaintiffs' initial discovery request.

b. Initial Nevada Lawsuits

On October 3, 2006, Natalie Gordon filed a lawsuit in the state District Court, Clark County, Nevada ("Clark District Court"), against the Merger Defendants, challenging the proposed transaction as inadequate and unfair to Harrah's public stockholders and seeking class certification. *Gordon v. Harrah's Entertainment, Inc., et al.*, Case No. A529183.

Eight similar actions, all seeking class certification were subsequently filed in the Clark District Court: *Phillips v. Harrah's Entertainment, Inc., et al.*, Case No. A529184; *Murphy v. Harrah's Entertainment, Inc., et al.*, Case No. A529246; *Shapiro v. Alexander et al.*, Case No. 529247; *Barnum v. Alexander et al.*, Case No. 529277; *Iron Workers Tennessee Valley Pension Fund v. Harrah's Entertainment, Inc., et al.*, Case No. A529449; *Staeher v. Harrah's Entertainment, Inc., et al.*, Case No. A529385; *Berliner v. Harrah's Entertainment, Inc., et al.*, Case No. A529508; and *Frechter v. Harrah's Entertainment, Inc., et al.*, Case No. A529680. All of the complaints named HEI and its current directors as defendants. Four of the complaints also named the Sponsors as defendants. One complaint further named two HEI former directors, Joe M. Henson and William Barron Hilton, as defendants.

On October 6, 2006, the Clark District Court consolidated these complaints and appointed liaison counsel for the consolidated action. *In Re Harrah's Shareholder Litigation*, Case No. 2:06-CV-1356-PMP-LRL.

On October 17, 2006, a consolidated complaint was filed naming the Merger Defendants as defendants. The consolidated complaint again alleged that HEI's board of directors breached their fiduciary duties and the Sponsors aided and abetted the alleged

breaches of fiduciary duty in connection with the proposed transaction. The consolidated complaint sought, among other relief, class certification, an injunction against the proposed transaction, declaratory relief, compensatory and/or rescissory damages to the class, and an award of attorneys' fees and expenses.

On October 25, 2006, Harrah's removed the consolidated action to the United States District Court for the District of Nevada ("NV District Court"). *In Re Harrah's Shareholder Litigation*, Case 2:06-CV-01356. This case was subsequently dismissed without prejudice.

c. Subsequent Nevada Lawsuits

On November 22, 2006, two lawsuits were filed in the Clark District Court against the Merger Defendants: *Eisenstein v. Harrah's Entertainment, Inc., et al.*, Case No. A531963, and *NECA-IBEW Pension Fund v. Harrah's Entertainment, Inc., et al.*, Case No. A531965. Both complaints alleged that HEI's board of directors breached their fiduciary duties in connection with the proposed Harrah's Merger. The complaints sought, among other things, class certification and declaratory and injunctive relief, but neither seeks damages.

On January 26, 2007, in accordance with the parties' January 25, 2007, stipulation, the Clark District Court ordered the consolidation of the *Eisenstein* and *NECA-IBEW Pension Fund* complaints and appointed lead and liaison counsel.

d. Settlement Procedures

On March 8, 2007, HEI, its board of directors, and the other named defendants in the Delaware and Nevada Lawsuits above entered into a Memorandum of Understanding ("MOU") with plaintiffs' counsel in those lawsuits. Under the terms of the MOU, HEI, its board of directors, the other named defendants, and the plaintiffs agreed in principle that

the Initial Nevada Lawsuits and the Delaware Lawsuit would be dismissed without prejudice and, subject to court approval, the Subsequent Nevada Lawsuits would be dismissed with prejudice. The parties subsequently entered into a Stipulation of Settlement (“Stipulation”) incorporating the terms of the MOU.

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

On April 2, 2007, the parties gave notice to the Court that they had an agreement regarding settlement. On January 31, 2008, a Stipulation of Settlement was executed and on February 4, 2008, the Stipulation was submitted to the Clark District Court. On April 21, 2008, a hearing was held. The Clark District Court certified the class as being those who were record or beneficial holders of HEI common stock at any time during the period of July 1, 2006, through the closing of the transaction, January 28, 2008, and dismissed the

cases with prejudice. On April 29, 2008, the Clark District Court entered an order and final judgment concluding the matter.

The Division is continuing to monitor litigation involving the Petitioners and their holding and intermediary companies and will report updates and other developments to the Commission if warranted.

VIII. FINANCIAL ANALYSIS

The Division has requested and reviewed forecast projections in conjunction with the Petitioners application for renewal of their casino licenses. The Division has prepared a separate Financial Analysis Report that is being filed simultaneously with this and other reports.

IX. CONCLUSION

Based upon the information contained in this report and all other reports separately filed and assuming each concludes Petitioners, their qualifiers and their holding and intermediary companies meet the requisite requirements, the Division has no objection to the Commission renewing the casino licenses of Harrah's OpCo, Showboat OpCo, BPP and BRC for periods of five years, subject to any and all conditions set forth herein and in any other report separately filed in conjunction with the petition of Harrah's OpCo, Showboat OpCo, BPP and BRC for renewal of their casino and CHAB licenses.

Respectfully submitted,

JOSH LICHTBLAU
DIRECTOR

By: _____
Dorothy G. Turi
Deputy Attorney General

Dated: May 28, 2008

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c: **Members of the Commission**
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