

CAESARS ENTERTAINMENT INC  
Form 424B3  
November 08, 2004

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As Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-115641

**\$375,000,000**

## **Floating Rate Contingent Convertible Senior Notes due 2024**

This prospectus covers resales by holders of our Floating Rate Contingent Convertible Senior Notes due 2024 and shares of our common stock into which the notes are convertible. We will not receive any proceeds from the resale of the notes or the shares of common stock hereunder. The notes are convertible, at your option, prior to the maturity date into cash and shares of our common stock in the following circumstances:

during any fiscal quarter commencing after the date of original issuance of the notes, if the closing sale price of our common stock over a specified number of trading days during the previous quarter is more than 120% of the conversion price of the notes on the last trading day of the previous quarter;

if we have called the particular notes for redemption and the redemption has not yet occurred;

during the five trading day period immediately after any five consecutive trading day period in which the trading price of the notes per \$1,000 principal amount for each day of such period was less than 95% of the product of the closing sale price of our common stock on such day multiplied by the Conversion Rate on such day; or

upon the occurrence of specified corporate transactions.

Holders may convert any outstanding notes into cash and shares of our common stock at an initial Conversion Price per share of \$22.29. This represents a conversion rate of approximately 44.8632 shares of common stock per \$1,000 principal amount of notes. Subject to certain exceptions described in "Description of the Notes," at the time notes are tendered for conversion, the conversion value of the cash and shares of our common stock, if any, to be received by a holder converting \$1,000 principal amount of the notes will be determined by multiplying the conversion rate by the ten day average closing stock price, which equals the average of the closing per share prices of our common stock on the New York Stock Exchange on the ten consecutive trading days beginning on the second trading day following the day the notes are submitted for conversion. We will deliver the conversion value to holders as follows: (1) an amount in cash, which we call the Principal Return, equal to the lesser of (a) the aggregate conversion value of the notes to be converted and (b) the aggregate principal amount of the notes to be converted; and (2) if the aggregate conversion value of the notes to be converted is greater than the Principal Return, an amount in shares determined as set forth below, which we call the Net Shares, equal to the aggregate conversion value less the Principal Return. We will pay the Principal Return and deliver the Net Shares, if any, as promptly as practicable after determination of the difference between the conversion value and the Principal Return. The number of Net Shares to be paid will be determined by dividing the amount by which the conversion value exceeds the Principal Return by the ten day average closing stock price. Our common stock is listed on the New York Stock Exchange under the symbol "CZR." On November 2, 2004, the closing sale price of our common stock on the New York Stock Exchange was \$17.90 per share.

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On July 14, 2004, we signed a definitive agreement to merge with Harrah's Operating Company, Inc., a wholly owned subsidiary of Harrah's Entertainment, Inc. The proposed merger will have a number of effects on the notes. For information regarding the effects of the merger on the notes, please see "Description of the Notes Effect of the Harrah's Merger on the Notes."

The notes mature on April 15, 2024. We may redeem some or all of the notes at any time on or after April 20, 2009 at a redemption price, payable in cash, at an amount equal to 100% of the principal amount of the notes, plus accrued and unpaid interest and including liquidated damages, if any, up to but not including the date of redemption. Holders may require us to repurchase all or a portion of their notes on April 15, 2009, 2014 and 2019 at 100% of the principal amount of the notes, plus accrued and unpaid interest and including liquidated damages, if any, up to but not including the date of repurchase, payable in cash. Upon a change in control, holders may require us to repurchase all or a portion of their notes, payable in cash equal to 100% of the principal amount of the notes plus accrued and unpaid interest and liquidated damages, if any, up to but not including the date of repurchase.

The notes are our senior unsecured obligations and will rank equally in right of payment to all of our existing and future senior indebtedness and senior to any existing and future subordinated indebtedness. The notes are effectively subordinated to our future secured indebtedness, if any, to the extent of the value of the assets securing such indebtedness. The notes are structurally subordinated to all liabilities of our subsidiaries.

Prior to this offering, the notes were eligible for trading on the PORTAL Market of the Nasdaq Stock Market. The notes sold by means of this prospectus are not expected to remain eligible for trading on the PORTAL Market. We do not intend to list the notes for trading on any national securities exchange or on the Nasdaq National Market.

*Investing in the notes involves risks some of which are described in the "Risk Factors" section beginning on page 11 of this prospectus.*

**None of the Securities and Exchange Commission (the "SEC"), any state securities commission, the Nevada Gaming Commission, the Nevada State Gaming Control Board, the Mississippi Gaming Commission, the Louisiana Gaming Control Board, the Delaware State Lottery Office, the Indiana Gaming Commission, the New Jersey Casino Control Commission, the New Jersey Division of Gaming Enforcement or any other gaming authority has passed upon the adequacy or accuracy of this prospectus or the investment merits of the notes offered hereby. Any representation to the contrary is unlawful.**

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The date of this prospectus is November 8, 2004.

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In making your investment decision, you should rely on the information contained in this prospectus, including the information we are incorporating by reference, and your own examination of us and the terms of the notes. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. You should not assume that the information contained in this prospectus is accurate as of any date other than date on the front cover of this prospectus.

**DOCUMENTS INCORPORATED BY REFERENCE**

We are "incorporating by reference" into this prospectus certain information we file with the United States Securities and Exchange Commission (the "SEC"), which means that we are disclosing important information to you by referring you to those documents. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained directly in this prospectus. These documents contain important information about us and our finances. This prospectus incorporates by reference:

Our Annual Report on Form 10-K for the year ended December 31, 2003.

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004.

Our Current Reports on Form 8-K dated January 5, 2004, January 29, 2004, March 10, 2004, March 29, 2004, April 22, 2004, May 7, 2004, May 11, 2004, June 18, 2004, July 14, 2004, July 22, 2004, August 27, 2004, September 27, 2004, September 29, 2004 and October 21, 2004.

Our Joint Proxy Statement included in the Registration Statement on Form S-4 of Harrah's Entertainment, Inc. filed with the SEC on October 20, 2004.

Annual Report of Harrah's Entertainment, Inc. on Form 10-K for the year ended December 31, 2003.

Proxy Statement of Harrah's Entertainment, Inc. on Schedule 14A dated March 4, 2004.

Quarterly Reports of Harrah's Entertainment, Inc. on Form 10-Q for the quarters ended March 31 and June 30, 2004.

Current Reports of Harrah's Entertainment, Inc. on Form 8-K dated January 20, 2004, February 4, 2004, April 21, 2004, April 29, 2004, May 19, 2004, June 21, 2004, June 22, 2004, July 15, 2004, July 21, 2004, August 27, 2004, September 27, 2004 and October 20, 2004 (three reports).

All documents we file with the SEC or that Harrah's Entertainment, Inc. files with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") from the date of this prospectus to the end of the offering of the notes and common stock under this document shall also be deemed to be incorporated herein by reference and will automatically update information in this prospectus.

You may request a copy of the Caesars filings, at no cost, by writing or calling us at the following address or telephone number:

Investor Relations  
Caesars Entertainment, Inc.  
3930 Howard Hughes Parkway  
Las Vegas, NV 89109  
(702) 699-5000

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this document.

**AVAILABLE INFORMATION**

We are subject to the informational reporting requirements of the Exchange Act and in accordance therewith file reports, proxy and information statements and other information with the SEC. The reports, proxy and information statements and other information may be inspected and copied at the public reference facilities of the SEC, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the following Regional Office: 233 Broadway, New York, New York 10279. You may obtain copies of such material from the SEC by mail at prescribed rates. You should direct



requests to the SEC's Public Reference Section, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the SEC maintains a website (<http://www.sec.gov>) that contains the reports, proxy statements and other information filed by us. Our common stock is listed on the New York Stock Exchange under the symbol "CZR." You may inspect information filed by us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. In addition, for so long as any of the notes remain outstanding, we have agreed to make available to any prospective purchaser of the notes or beneficial owner of the notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the Securities Act of 1933, as amended (the "Securities Act"). You may obtain information, including the documents incorporated by reference, from us, 3930 Howard Hughes Parkway, Las Vegas, Nevada 89109, Attention: Investor Relations, telephone (702) 699-5000 or toll free (877) 773-6973 or through our website at [www.caesars.com](http://www.caesars.com).

#### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements that involve a number of risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. The forward-looking statements include statements that reflect management's beliefs, plans, objectives, goals, expectations, anticipations, intentions with respect to our financial condition, results of operations, future performance and business, including statements relating to our business strategy and our current and future development plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," or other words or expressions of similar meaning, may identify forward-looking statements. These statements reflect our judgment on the date they are made, and we undertake no duty to update such statements in the future. Such statements include information relating to plans for future expansion and other business development activities as well as capital spending, financing and the effects of regulation (including gaming and tax regulation) and competition. From time to time, oral or written forward-looking statements are also included in our periodic reports on Forms 10-K, 10-Q and 8-K, press releases and other materials released to the public.

Although we believe that the expectations in these forward-looking statements are reasonable, any or all of the forward-looking statements in this report and in any other public statements that are made may prove to be incorrect. This may occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. Many factors discussed in this report, such as the competitive environment and government regulation, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this prospectus that we might make as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in our reports filed with the SEC on Forms 10-K, 10-Q and 8-K should be consulted. The following discussion of risks, uncertainties and possible inaccurate assumptions relevant to our business includes factors that management believes could cause our actual results to differ materially from expected and historical results. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

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Presently known risk factors include, but are not limited to the following:

We may be unable to complete our proposed merger with Harrah's Operating Company, Inc., or Harrah's Operating, and Harrah's Operating may be unable to timely and cost-effectively integrate us into their operations.

Our operations are affected by changes in local and national general economic and market conditions in the locations where those operations are conducted and where customers live.

Our ability to meet our debt service obligations and to refinance existing debt will depend on our future performance and other conditions or events, which will be subject to many factors that are beyond our control.

Our Nevada properties are adversely affected by disruptions in air travel.

All of our Las Vegas properties are in close proximity to each other. Our Atlantic City properties are also in close proximity to each other. If a natural disaster or calamity occurs in either market that affects these properties, our results may be impacted.

We operate in very competitive environments, particularly Las Vegas, Atlantic City and Mississippi. To the extent that hotel and/or casinos are expanded by others in markets in which we operate, competition will increase, and the increased competition could adversely impact our future operations. The growth in the number of guest rooms and casino capacity in Las Vegas, including a new resort casino currently under construction, and Atlantic City, in which a new hotel casino has recently opened, may negatively affect our operating results. Additionally, the establishment of gaming operations on Native American lands in the states of New York, California, and Arkansas and any other states near our existing operations could adversely affect the operations of our properties. The expansion of state-owned or mandated racinos in our existing markets and adjoining states could also adversely affect our properties.

As discussed under the caption "Regulation and Licensing," our gaming operations are highly regulated by governmental authorities, and the gaming operations are subject to periodic reviews and audits by the governmental authorities. We will also become subject to regulation in any other jurisdiction where we conduct gaming in the future.

Our properties face a variety of risks that may result in loss. Specifically, several of our properties are located in coastal areas and are subject to wind and flood damage from storms. In addition, all our properties could be considered at risk for terrorist or other hostile acts, and our properties can be victims of criminal acts by patrons and others. Conditions in the insurance marketplace have made it more difficult to purchase insurance on economically reasonable terms. As a result, we are now subject to significantly higher self-insured retentions on virtually all our insurance coverages, and we do not carry insurance against terrorist acts. For all these reasons, we are at a greater risk of loss than we have been in the past.

Changes in applicable laws or regulations could have a significant effect on our operations. Our ability to comply with gaming regulatory requirements, as well as possible changes in governmental and public acceptance of gaming, could materially adversely affect our business.

The terrorist attacks of September 11, 2001 and the potential for future terrorist attacks or acts of war or hostility have created economic and political uncertainties that could adversely impact our business levels and results of operations. Leisure and business travel, especially travel by air to Las Vegas, is sensitive to global geopolitical events.

Our properties are large consumers of electricity and other energy. Accordingly, the recent increases in energy costs may continue to have a negative impact on our operating results.





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Additionally, higher energy and gasoline prices that affect our customers may adversely impact the number of customers who visit our properties and adversely impact our revenues.

Any future construction can be affected by a number of factors, including time delays in obtaining necessary governmental permits and approvals, legal challenges and the ability to obtain at reasonable rates appropriate insurance coverage for such projects. Changes may be made in a project's scope, budgets and/or schedules for competitive, aesthetic or other reasons, and these changes may also result from circumstances beyond our control. These circumstances include weather interference, shortages of materials and labor, work stoppages, labor disputes, unforeseen engineering, environmental or geological problems and unanticipated cost increases. Any circumstances could give rise to delays in the completion of any project we undertake and/or cost overruns.

Our development projects are subject to many factors, some of which are beyond our control. Development projects are dependent on factors such as reaching definitive agreements with third parties, securing sites and land, obtaining requisite governmental approvals and competing for such development projects with other gaming and resort companies. Further, while we are pursuing and will continue to pursue development opportunities, there can be no assurance that such opportunities will become operational.

Some of our properties are located in countries outside the United States where political and economic instability exposes us to additional risk. Such risks range from currency fluctuation risk, which could increase the volatility of our results from such operations, to outright expropriation. In addition, the system of laws in these jurisdictions may be different from the laws in the United States. As a result, we may be subject to outcomes in legal disputes that are different from what might be expected in the United States.

The gaming industry represents a significant source of tax revenues to the state, county and local jurisdictions in which our properties operate. From time to time, state and federal legislators and officials have proposed increasing tax rates and other charges and levies assessed against gaming operations, or in the administration of the laws affecting the gaming industry. If taxes are increased, such increase will negatively impact our cash flows and could impact our ability to meet debt service requirements and, depending on the level of taxation, would adversely affect our business.

Claims have been brought against us in various legal proceedings, and additional legal and/or regulatory claims may arise from time to time. While we believe that the ultimate disposition of current matters will not have a material impact on our financial condition or results of operations, it is possible that our cash flows and results of operations could be affected from time to time by the resolution of one or more of these contingencies.

### **MARKET DATA**

Market data used throughout this prospectus including information relating to our relative position in the casino and gaming industry is based on our good faith estimates, which estimates we based upon our review of internal surveys, independent industry publications and other publicly available information. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

**SUMMARY**

*The following summary highlights selected information from this document and may not contain all the information that may be important to you. Because it is a summary, it does not contain all of the information that you should consider before investing in our securities. You should read this entire prospectus and the documents incorporated by reference, including the section entitled "Risk Factors" and the financial statements and related notes included in the documents incorporated by reference. The terms "Caesars Entertainment," "we," "our," and "us," as used in this prospectus, refer to Caesars Entertainment, Inc. and its subsidiaries and/or affiliates as a combined entity, except where it is clear that the terms mean only Caesars Entertainment, Inc.*

**Caesars Entertainment, Inc.**

We are one of the largest casino/hotel operators in the United States, and we have a significant presence in Nevada, New Jersey and Mississippi, the three largest state gaming markets in the United States. We operate 28 properties with approximately 26,000 guest rooms and more than two million square feet of casino space. As discussed in "Recent Developments" below, on July 14, 2004 we signed a definitive agreement to merge with Harrah's Operating, a wholly owned subsidiary of Harrah's Entertainment, Inc., or Harrah's.

Our properties are operated under the following brands: Caesars, Bally's, Flamingo, Grand Casinos, Hilton, and Paris. We employ approximately 55,000 people worldwide and our corporate headquarters is located in Las Vegas, Nevada. We reported net revenue of \$4.5 billion in 2003.

In December 1998, we became a separate and independent public company when Hilton Hotels Corporation divested its gaming operations through a tax-free distribution of our common shares to Hilton's stockholders. At the same time, we acquired the Mississippi gaming operations of Grand Casinos, Inc. through a merger. In December 1999, we acquired all of the outstanding stock of Caesars World, Inc. and interests in several other gaming entities from Starwood Hotels & Resorts Worldwide, Inc.

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The following table presents selected statistics about our properties as of September 30, 2004. Except where noted, we own, through our subsidiaries, a 100% interest in each of these properties.

Name and Location	Approximate Casino Square Footage(1)	Approximate Number of Slots	Approximate Number of Tables	Approximate Number of Rooms/Suites
<b>Western Region:</b>				
Caesars Palace	166,000	1,913	120	2,418
Paris Las Vegas	85,000	1,425	98	2,916
Bally's Las Vegas	83,000	1,524	61	2,814
Flamingo Las Vegas	77,000	1,986	92	3,565
Caesars Tahoe(2)	42,000	1,075	57	440
Reno Hilton	107,000	1,135	51	1,995
Flamingo Laughlin	60,000	1,411	46	1,907
<b>Eastern Region:</b>				
Bally's Atlantic City	225,000	5,828	209	1,745
Caesars Atlantic City	125,000	3,344	117	1,144
Atlantic City Hilton(3)	60,000	2,043	85	804
Dover Downs(4)	91,000	2,500		232
<b>Mid-South Region:</b>				
Grand Casino Biloxi	134,000	2,645	77	975
Grand Casino Gulfport	102,000	2,069	72	1,001
Grand Casino Tunica	136,000	2,524	81	1,356
Sheraton Casino & Hotel	33,000	1,398	35	134
Bally's Casino Tunica(3)	40,000	1,221	30	235
Caesars Indiana(5)	93,000	2,408	146	503
Bally's Casino New Orleans(6)	30,000	1,221	30	
<b>International Region:</b>				
Conrad Jupiters Gold Coast(7)	68,000	1,403	103	594
Conrad Treasury Brisbane(7)	71,000	1,329	88	130
Conrad Punta del Este Resort and Casino(8)	45,000	552	71	302
Casino Nova Scotia-Halifax(9)	32,000	755	34	352
Casino Nova Scotia-Sydney(9)	16,000	375	10	
Casino Windsor(10)	100,000	3,298	85	389
Caesars Gauteng(11)	105,000	1,500	50	276
S.S. Crystal Harmony(12)	3,000	87	8	
S.S. Crystal Symphony(12)	4,000	115	8	
S.S. Crystal Serenity(12)	4,000	93	8	

- (1) Includes square footage attributable to race and sports books.
- (2) We lease the building that houses the hotel and casino and lease the underlying land pursuant to a long-term ground and structure lease.
- (3) In September 2004, we signed an agreement to sell the Atlantic City Hilton and Bally's Casino Tunica.
- (4) We provide management services to the casino at the Dover Downs racetrack in Delaware. Our management agreement with Dover Downs expires in December 2004.
- (5) We manage Caesars Indiana and own an 82 percent interest in a joint venture that owns this property.
- (6)

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In October 2004, we signed an agreement to sell Bally's Casino New Orleans.

(7)

We provide management services to these properties.

(8)

In September 2004, we completed a restructuring which increased our ownership from 46.4 percent to 85.5 percent. We also manage this property.

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- (9) We have a 95 percent interest in Metropolitan Entertainment Group, which operates the two properties on behalf of the Nova Scotia Gaming Corporation pursuant to an operating contract.
- (10) We have a 50 percent interest in Windsor Casino Limited, which operates Casino Windsor. The province of Ontario owns the complex.
- (11) We have a 25 percent interest in a joint venture that owns Caesars Gauteng and a 50 percent interest in a joint venture that manages Caesars Gauteng.
- (12) We operate the Caesars Palace at Sea casinos on three cruise ships owned by Crystal Cruises, Inc.

We were incorporated in Delaware in 1998, and our principal executive offices are located at 3930 Howard Hughes Parkway, Las Vegas, Nevada 89109. Our telephone number is (702) 699-5000. Our website address is [www.caesars.com](http://www.caesars.com). Information on our website does not constitute part of this prospectus.

### Recent Developments

#### Caesars' Financial Results for the Quarter and Nine Months ended September 30, 2004

On October 21, 2004, we announced our financial results for the quarter and nine months ended September 30, 2004. For the third quarter of 2004, we reported net income of \$58 million, or \$0.18 per fully diluted share, up 21% from net income of \$48 million, or \$0.16 per fully diluted share, recorded in the third quarter of 2003. For the first nine months of 2004, we reported net income of \$277 million, or \$0.88 per fully diluted share. That compares to net income of \$130 million, or \$0.43 per fully diluted share, for the nine month period ended on September 30, 2003. Net income for the nine months ended September 30, 2004 includes an \$87 million gain on the sale of the Las Vegas Hilton.

#### Pending Merger with Harrah's Operating Company, Inc.

On July 14, 2004, we signed a definitive agreement to merge with Harrah's Operating in a cash and stock transaction. Under the terms of the agreement, our stockholders will receive either \$17.75 in cash or 0.3247 shares of Harrah's common stock for each outstanding share of Caesars' common stock, subject to limitations on the aggregate amount of cash to be paid and the number of shares of stock to be issued. The total estimated transaction value, calculated as of July 14, 2004, was approximately \$9.4 billion, which includes the assumption by Harrah's Operating of our approximately \$4.6 billion in outstanding debt. The agreement also calls for a certain number of our current directors to join the Harrah's board. The transaction remains subject to approvals by our and Harrah's stockholders and regulatory agencies. For more information regarding the merger, including the pro forma financial statements of Harrah's that give effect to the merger, please see our Joint Proxy Statement included in the Registration Statement on Form S-4 of Harrah's filed with the SEC on October 20, 2004 (the "Merger Proxy Statement"), which is incorporated herein by reference.

In addition, both Caesars and Harrah's are obligated under the terms of the merger agreement to take specified actions, subject to certain limitations, including selling or otherwise divesting certain of their respective gaming properties and operations, in order to obtain the required consents or approvals in connection with antitrust regulations. On September 27, 2004, Harrah's and Caesars, by and through certain subsidiaries of each, entered into a definitive agreement whereby an affiliate of Colony Capital, LLC will acquire Harrah's East Chicago and Harrah's Tunica from Harrah's and the Atlantic City Hilton and Bally's Tunica from Caesars. Pursuant to the terms of the agreement, the purchaser will acquire substantially all of the operating assets and assume certain liabilities of Harrah's properties for approximately \$627 million and of Caesars' properties for approximately \$612 million. The transaction is subject to regulatory approval and other customary conditions. Harrah's and Caesars agreed to sell the four properties in connection with the merger described in this prospectus, although the sale is not conditioned on the closing of the merger.

On October 22, 2004, Caesars, by and through its subsidiaries, entered into a definitive agreement whereby an affiliate of Columbia Sussex will acquire the equity interests of Belle of Orleans, LLC,

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which does business as Bally's Casino New Orleans. Pursuant to the terms of the agreement, the purchase price will be approximately \$24 million. The transaction is subject to regulatory approval and other customary conditions.

Harrah's operates primarily under the Harrah's, Rio, Showboat, Horseshoe and Harveys brand names. Its portfolio includes eleven land-based casinos, eleven riverboat or dockside casinos, a greyhound racing facility, a thoroughbred racetrack and four casinos on Indian gaming reservations. These properties include 1.7 million square feet of gaming space and 16,180 hotel rooms.

On July 1, 2004 Harrah's consummated its acquisition of Horseshoe Gaming Holding Corp., or Horseshoe, for approximately \$1.6 billion, including the assumption of approximately \$535 million, face amount, in outstanding 8<sup>5</sup>/<sub>8</sub>% senior subordinated notes, plus reimbursements to Horseshoe for certain capital expenditures and acquisition-related costs. On July 1, 2004 Harrah's called for redemption of all \$535 million of the outstanding 8<sup>5</sup>/<sub>8</sub>% senior subordinated notes and completed the redemption of these notes on August 2, 2004. The addition of the Horseshoe properties included approximately 141,000 square feet of casino space, more than 5,800 slot machines and 190 gaming tables.

The following table presents selected statistics about Harrah's properties as of September 30, 2004, including casino square footage and the number of hotel rooms, slots and gaming tables.

Market/Property	Type of Casino	Casino Square Footage(1)	Hotel Rooms(1)	Slots(1)	Gaming Tables(1)
<i>Atlantic City, New Jersey</i>					
Harrah's Atlantic City	Land-based	126,000	1,630	4,130	75
Atlantic City Showboat	Land-based	116,000	1,310	3,980	55
<i>Las Vegas, Nevada</i>					
Harrah's Las Vegas	Land-based	88,000	2,530	1,380	90
Rio Suite Hotel & Casino	Land-based	107,000	2,550	1,200	90
Binion's Horseshoe Las Vegas(2)	Land-based	88,000	370	750	60
<i>Lake Tahoe, Nevada</i>					
Harrah's Lake Tahoe	Land-based	58,000	530	1,060	70
Bill's Casino	Land-based	18,000		470	15
Harveys Resort & Casino	Land-based	63,000	680	990	75
<i>New Orleans, Louisiana</i>					
Harrah's New Orleans	Land-based	100,000	(3)	2,020	125
<i>Reno, Nevada</i>					
Harrah's Reno	Land-based	57,000	930	1,090	60
<i>Laughlin, Nevada</i>					
Harrah's Laughlin	Land-based	47,000	1,560	950	40
<i>Lake Charles, Louisiana</i>					
Harrah's Lake Charles	Dockside	60,000	260	1,220	70
<i>Chicago, Illinois area</i>					
Harrah's Joliet (Illinois)	Dockside	39,000	200	1,210	20
Harrah's East Chicago (Indiana)(4)	Dockside	54,000	290	1,910	70
Horseshoe Hammond Casino (Indiana)	Dockside	48,000		2,010	50
<i>Metropolis, Illinois</i>					
Harrah's Metropolis	Dockside	30,000	120(5)	1,200	20
<i>Tunica, Mississippi</i>					

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<b>Market/Property</b>	<b>Type of Casino</b>	<b>Casino Square Footage(1)</b>	<b>Hotel Rooms(1)</b>	<b>Slots(1)</b>	<b>Gaming Tables(1)</b>
Harrah's Tunica(4)	Dockside	35,000	200	1,180	25
Horseshoe Tunica Casino	Dockside	63,000	510	2,110	75

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<i>Council Bluffs, Iowa</i>						
Harrah's Council Bluffs	Riverboat	28,000	250	1,190	40	
Bluffs Run Casino(6)	Dog Racing Facility	40,000		1,640		
<i>Bossier City, Louisiana</i>						
Harrah's Louisiana Downs(7)	Thoroughbred Racing Facility	15,000		1,400		
Horseshoe Bossier City Casino	Dockside	30,000	610	1,690	50	
<i>North Kansas City, Missouri</i>						
Harrah's North Kansas City	Dockside	60,000	200(8)	1,670	55	
<i>St. Louis, Missouri</i>						
Harrah's St. Louis	Dockside	120,000	500(9)	2,690	80	
<i>Phoenix, Arizona</i>						
Harrah's Phoenix Ak-Chin Casino(10)	Indian Reservation	48,000	150	820	20	
<i>Cherokee, North Carolina</i>						
Harrah's Cherokee Smoky Mountains Casino(10)	Indian Reservation	80,000	250(11)	3,130	30	
<i>Topeka, Kansas</i>						
Harrah's Prairie Band Casino-Topeka(10)	Indian Reservation	34,000	300(12)	1,060	30	
<i>San Diego, California</i>						
Harrah's Rincon Casino and Resort(10)	Indian Reservation	58,000	190(13)	1,530	50	
<b>Total</b>		<b>1,710,000</b>	<b>16,180</b>	<b>45,610</b>	<b>1,440</b>	

(1) Approximate.

(2) This property reopened in April 2004. Harrah's manages the Binion's Horseshoe on behalf of MTR Gaming. Harrah's management agreement is for one year with an option to extend the agreement for two additional years.

(3) Construction on a hotel tower with approximately 450 rooms is currently underway and is expected by Harrah's to be completed in mid-2006.

(4) In September 2004, Harrah's signed an agreement to sell the Harrah's East Chicago and the Harrah's Tunica.

(5) A hotel is adjacent to the Metropolis facility in which Harrah's owns a 12.5% special limited partnership interest. Planning is underway for a hotel with approximately 260 rooms that is expected by Harrah's to be completed in the first quarter of 2006.

(6) The property is owned by Harrah's, leased to the operator, and managed by Harrah's for the operator for a fee pursuant to an agreement that expires in October 2024.

(7) The new permanent casino facility with approximately 1,400 slot machines opened in the second quarter of 2004.



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- (8) Construction of a hotel addition with approximately 200 rooms is currently underway and is expected by Harrah's to be completed in the third quarter of 2005.
- (9) Includes 210 rooms in a second hotel tower that was completed in the third quarter of 2004.
- (10) These properties are owned by federally recognized Indian tribes. Harrah's has entered into management agreements with these tribes.
- (11) Construction on a hotel tower with approximately 320 rooms is currently underway at Harrah's Cherokee and is expected by Harrah's to be completed in the second quarter of 2005.
- (12) Includes the addition of approximately 200 hotel rooms completed in the third quarter of 2004.
- (13) Construction is underway to expand Harrah's Rincon, which will include a hotel tower with approximately 460 rooms and is expected by Harrah's to be completed by the end of 2004.

### The Notes

Issuer	Caesars Entertainment, Inc.
Securities Offered	\$375.0 million aggregate principal amount of Floating Rate Contingent Convertible Senior Notes Due 2024.
Maturity	April 15, 2024.
Ranking	<p>The notes are our senior unsecured obligations and rank equally in right of payment with our existing and future senior indebtedness and senior to any existing and future subordinated indebtedness. The notes are effectively subordinated to our future secured indebtedness, if any, to the extent of the value of the assets securing that secured indebtedness. As of June 30, 2004, we had outstanding no senior secured indebtedness, \$2.1 billion of senior unsecured indebtedness ranking <i>pari passu</i> with the notes and \$1.3 billion of additional availability under our credit agreement, which if drawn would rank <i>pari passu</i> with the notes. The notes are not guaranteed by our subsidiaries and are effectively subordinated to our subsidiaries' existing and future liabilities, including guarantees of our indebtedness. As of June 30, 2004, our subsidiaries had approximately \$3 million of indebtedness outstanding.</p>
Interest	The notes bear interest at an annual rate equal to 3-month LIBOR, adjusted quarterly. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, each an interest payment date, beginning July 15, 2004.
Conversion Rights	<p>Holders may surrender notes for conversion into cash and shares of our common stock prior to the maturity date in the following circumstances:</p> <ul style="list-style-type: none"> <li>during any fiscal quarter commencing after the date of original issuance of the notes, if the common stock price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the fiscal quarter preceding the quarter in which the conversion occurs is more than 120% of the Conversion Price in effect on that 30th trading day;</li> <li>if we have called the particular notes for redemption and the redemption has not yet occurred;</li> <li>during the five trading day period immediately after any five consecutive trading day period in which the trading price of \$1,000 principal amount of the notes for each day of such five consecutive trading day period was less than 95% of the product of the common stock price on such day multiplied by the Conversion Rate on such day; or</li> <li>upon the occurrence of specified corporate transactions described under "Description of the Notes Conversion Rights."</li> </ul>

Upon the occurrence of any of the circumstances described above, holders may convert any outstanding notes into cash and shares of our common stock at an initial "Conversion Price" per share of \$22.29. This represents a "Conversion Rate" of approximately 44.8632 shares of common stock per \$1,000 principal amount of notes. Subject to certain exceptions described in "Description of the Notes," once notes are tendered for conversion, the value (the "Conversion Value") of the cash and shares of our common stock, if any, to be received by a holder converting \$1,000 principal amount of the notes will be determined by multiplying the Conversion Rate by the Ten Day Average Closing Stock Price (as defined below). We will deliver the Conversion Value to holders as follows: (1) an amount in cash (the "Principal Return") equal to the lesser of (a) the aggregate Conversion Value of the notes to be converted and (b) the aggregate principal amount of the notes to be converted, (2) if the aggregate Conversion Value of the notes to be converted is greater than the Principal Return, an amount in whole shares (the "Net Shares"), determined as set forth below, equal to such aggregate Conversion Value less the Principal Return (the "Net Share Amount"), and (3) an amount in cash in lieu of any fractional shares of common stock. We will pay the Principal Return and cash in lieu of fractional shares and deliver the Net Shares, if any, as promptly as practicable after determination of the Net Share Amount. The number of Net Shares to be paid will be determined by dividing the Net Share Amount by the Ten Day Average Closing Stock Price. The Ten Day Average Closing Stock Price will be the average of the closing per share prices of our common stock on the New York Stock Exchange on the ten consecutive trading days beginning on the second trading day following the day the notes are submitted for conversion.

In certain circumstances the Conversion Price will be subject to adjustment. See "Description of the Notes Conversion Rights Conversion Price Adjustments."

If we declare a cash dividend or cash distribution to all or substantially all of the holders of our common stock, the Conversion Price shall be decreased to equal the price determined by multiplying the Conversion Price in effect immediately prior to the record date for such dividend or distribution by the following fraction:

$$\frac{(\text{Pre-Dividend Sale Price} - \text{Dividend Adjustment Amount})}{(\text{Pre-Dividend Sale Price})}$$

"Pre-Dividend Sale Price" means the average common stock price for the three consecutive trading days ending on the trading day immediately preceding the record date for such dividend or distribution. "Dividend Adjustment Amount" means the full amount of the dividend or distribution to the extent payable in cash applicable to one share of our common stock.

The "common stock price" on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date for our common stock as reported in composite transactions on the principal United States securities exchange on which our common stock is traded or, if our common stock is not listed on a United States national or regional securities exchange, as reported by The Nasdaq System.

A "trading day" means any regular or abbreviated trading day of the New York Stock Exchange.

Upon conversion of the notes, the holder will not receive any additional cash payment representing accrued but unpaid interest or liquidated damages, if any. See "Description of the Notes Conversion Rights."

Optional Redemption

Other than as may be required by applicable gaming regulations, we cannot redeem the notes before April 20, 2009. We may redeem some or all of the notes at any time on or after April 20, 2009, at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest (including liquidated damages), if any, up to but not including the date of redemption, payable in cash. See "Description of the Notes Optional Redemption of the Notes."

Repurchase of Notes at the Option of the Holder

Holders may require us to repurchase all or a portion of their notes on April 15, 2009, 2014 and 2019 for a repurchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest (including liquidated damages), if any, up to but not including the date of repurchase, payable in cash. See "Description of the Notes Repurchase of Notes at the Option of the Holder."

Change in Control

If a change in control, as that term is defined in "Description of the Notes Right to Require Repurchase of Notes upon a Change in Control," occurs, holders will have the right to require us to repurchase all or a portion of their notes for a period of time after the change in control. The repurchase price will be equal to 100% of the principal amount of the notes, plus accrued and unpaid interest (including liquidated damages), if any, up to but not including the date of repurchase, payable in cash.

Impact of Merger with Harrah's Operating

If we complete our merger with Harrah's Operating, for a period of time fixed by us that is not less than 30 days nor more than 45 days from the date of the merger, holders will have the right to require us to repurchase all or a portion of their notes at a repurchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest (including liquidated damages), if any, up to but not including the date of repurchase, payable in cash. See "Description of the Notes Effect of the Harrah's Merger on the Notes" and " Right to Require Repurchase of Notes Upon a Change in Control."

In addition, for a period of 15 days from the date of the merger, holders will have the right to convert their notes into the merger consideration received by holders of our common stock. See "Description of the Notes Effect of the Harrah's Merger on the Notes" and " Conversion Rights." In the merger, holders of our common stock will have the right to elect to receive either \$17.75 in cash or 0.3247 of a share of Harrah's common stock for each outstanding share of our common stock, subject to limitations on the aggregate amount of cash to be paid and the number of shares of stock to be issued by Harrah's. During the 15-day conversion period following the merger, holders of the notes who elect to convert their notes will have the right to determine whether they will receive the merger consideration paid to holders of our common stock who elected to receive cash or the merger consideration paid to holders of our common stock who elected to receive Harrah's common stock. For more information regarding the merger and the merger consideration, please see our Merger Proxy Statement, which is incorporated herein by reference.

After the merger is completed, the Conversion Rate, the Conversion Price and, subject to certain exceptions described in "Description of the Notes," the Conversion Value to be received by holders of the Notes upon subsequent conversion events, including the Net Share Amount, will be based upon the Harrah's common stock price. See "Description of the Notes Effect of the Harrah's Merger on the Notes."

In addition, upon completion of the merger, Harrah's will guarantee the notes on a joint and several, unconditional basis.

Sinking Fund

None.

Use of Proceeds

The net proceeds from the sale of the securities by this prospectus will be received by the selling securityholders. We will not receive any of the proceeds from any sale by any selling securityholder of the securities covered by this prospectus.

Book-Entry Form

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

Risk Factors

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

Listing of Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol "CZR."

## RISK FACTORS

*You should carefully consider the following factors in addition to the other information set forth in this prospectus and the documents incorporated by reference herein before making an investment in the notes. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case, you may lose all or part of your original investment.*

### Risks Related to Our Business

#### **The gaming industry is highly competitive.**

There is intense competition in the gaming industry. The construction of new properties or the enhancement or expansion of existing properties in any market in which we operate, or nearby our properties or where our customers live, would have a negative impact on our business in that market.

In Atlantic City, New Jersey, we compete with nine other hotel casinos on or near the Atlantic City Boardwalk. The Borgata, a new 2,000-room hotel casino opened in July 2003 in Atlantic City. This project represents a significant increase in capacity in that market. Other competitors in Atlantic City have recently completed expansions of their hotels, and others have announced expansion projects. The State of New Jersey has from time to time considered approving video lottery terminals ("VLTs") at the racetracks in the state and increasing certain taxes that may impact the gaming industry, including a proposed increase in the gross gaming tax from 8% to 10%. Current circumstances indicate a change in policy away from such considerations; however, if VLTs are approved, it could adversely affect our operations, and an increase in the gross gaming tax without a significant simultaneous increase in revenue would adversely affect our results of operations.

In Las Vegas, we compete with numerous other casino properties on or near the Las Vegas Strip. Several of our competitors in Las Vegas, Nevada have expanded or are currently expanding their operations with new hotel towers, adding a significant number of new hotel rooms to the Las Vegas market. In addition, Wynn Resorts is constructing a new 2,700-room hotel casino expected to be completed in 2005.

In Mississippi, we compete with ten other casino properties on or near the Mississippi Gulf Coast. In Biloxi, Mississippi, a new competitor has broken ground on a 306-room hotel casino, which will include 48,500 square feet of gaming space. The hotel casino is expected to be completed in late summer of 2005. This will be the first new casino to open on the Mississippi Gulf Coast since 1999. In northern Mississippi, we compete with six casino properties located in Tunica County, Mississippi.

Our businesses may be adversely impacted (i) by the additional gaming and room capacity generated by this increased competition in Atlantic City, Las Vegas and the Gulf Coast and/or (ii) by other projects not yet announced in any other markets. In addition, our operations in Laughlin, Nevada and Northern Nevada have been adversely impacted and will continue to be adversely impacted by the expansion of Native American gaming in California and Arizona.

The business at our casino hotels will also be adversely affected if gaming were to be newly legalized or expanded under the laws of any state or locale located near our existing properties. Particularly, the legalization of gaming operations in locations near Las Vegas, Atlantic City or Mississippi will negatively affect our properties located there. We understand that several states surrounding our existing operations, including Pennsylvania, Maryland, Delaware and Kentucky, are considering the legalization of some form of casino and/or slot gaming or the expansion of existing gaming activities. The legalization of any form of casino gaming in these or other states could adversely affect our operating results.

We also compete with legalized gaming from casinos located on Native American tribal lands. In October 2001, the New York State Legislature enacted a bill, which the governor signed, authorizing a

total of six Native American casinos in the State of New York three in Western New York and three in the Catskill Region and approved the use of VLTs at racetracks and authorized the participation of New York State in a multi-state lottery. The first operations of VLTs at racetracks opened in January 2004, with seven other operations scheduled to open in New York during the remainder of the year. This could adversely affect visitation of our Atlantic City properties from New York. In California, there has been a proliferation of casino-style gaming on tribal lands, and there is consideration by the governor of California of an initiative to increase the scope of such operations in exchange for tax revenue. The presence of Native American casinos in California has had a negative impact on the results of our Nevada casinos, and an increase in the capacity of those casinos in California can be expected to further impact our Nevada operations.

Several states are considering or have announced plans to allow VLTs or slot machines at racetracks in consideration of tax revenue from those operations. To the extent that these operations are conducted in states in which we have properties, or in neighboring states, we could be adversely affected.

**Our operations are seasonal and can cause our results to vary significantly from quarter to quarter.**

Our operations are seasonal. Specifically, the Las Vegas market and our properties in Las Vegas experience the highest business levels during the first and second calendar quarters, while our Atlantic City operations are adversely impacted by inclement weather, mostly in the first and fourth calendar quarters. Additionally, special events such as a sporting event or a concert, or visits by our premium players, and the timing of holidays can impact our results for the respective period. Overall, we experience the highest business levels in the third calendar quarter and the lowest business levels in the fourth calendar quarter.

**The adoption of referenda or the outcomes of litigation may restrict our ability to conduct gaming activities in some jurisdictions.**

In Mississippi, the Mississippi Act (as defined in "Regulation and Licensing Mississippi Gaming Laws" in our Annual Report on Form 10-K for the year ended December 31, 2003, which is incorporated by reference herein) provides for legalized dockside gaming at the discretion of the fourteen Mississippi counties that border the Gulf Coast or the Mississippi River, but only if the voters in the county have not voted to prohibit gaming in that county. In recent years, anti-gaming groups have proposed for adoption through the initiative and referendum process certain amendments to the Mississippi Constitution that would prohibit gaming in the state. The proposals were declared illegal by Mississippi courts. If another such proposal were to be offered, and if a sufficient number of signatures were to be gathered to place a legal initiative on the ballot, it would be possible for the voters of Mississippi to consider such a proposal in November of 2006. While we are unable to predict whether such an initiative will appear on a ballot or the likelihood of such an initiative being approved by the voters, if such an initiative were passed, it would have a significant adverse effect on us and on our Mississippi gaming operations.

In April 2000, we entered into an agreement with the Saint Regis Mohawk Tribe to develop and manage gaming facilities in the State of New York. In November 2001, we signed comprehensive development and management agreements that will govern the construction and operation of the Tribe's planned \$500 million casino and resort complex, which agreements were subsequently amended in November 2003. In October 2001, the New York State Legislature enacted a bill, which the governor signed, authorizing a total of six Indian casinos in the State of New York three in Western New York and three in the Catskill Region. The legislation also gives the governor the authority to negotiate state compacts with the tribes without further approval by the legislature. The constitutionality of the legislation was challenged, and on July 17, 2003, the Supreme Court of the State of New York granted defendants' summary judgment motions, upholding the constitutionality of the legislation and dismissing



plaintiffs' complaints in their entirety. The plaintiffs appealed this decision, and both sides were heard in December 2003. A decision on the appeal has not been issued.

**The gaming industry is highly regulated, and we must adhere to various regulations and maintain our licenses to continue our operations.**

Each of our casinos is subject to extensive regulation under the laws, rules and regulations of the jurisdiction where it is located or docked. These laws, rules and regulations generally concern the responsibility, financial stability and character of the owners, managers, and persons with financial interests in the gaming operations. Some jurisdictions, however, empower their regulators to investigate participation by licensees in gaming outside their jurisdiction and require access to and periodic reports concerning the gaming activities. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. For a summary of gaming regulations that affect our business, see "Regulation and Licensing." The regulatory environment in any particular jurisdiction may change in the future, and any such change could have a material adverse effect on our results of operations. We will also become subject to regulation in any other jurisdiction where we conduct gaming in the future.

**Increased state taxation of gaming and hospitality revenues could adversely affect our results of operations.**

The general economic downturn has increased the need for state and local governments to fund budget deficits in many of the states where we have operations. In partial response, several state legislatures are currently considering proposals to increase existing taxes and/or enact new taxes on businesses operating within the state, or in some cases by specifically targeting additional tax measures at hotel casinos. These taxes may be significant and could adversely affect our results of operations. We cannot predict whether tax proposals will be enacted, and if so, what final form such new legislation will take, nor can we predict whether other states will ultimately enact similar proposals.

**Energy price increases may adversely affect our costs of operations and our revenues.**

Our casino properties use significant amounts of electricity, natural gas and other forms of energy. While no shortages of energy have been experienced, substantial increases in the cost of electricity in the United States will negatively affect our operating results. The extent of the impact is subject to the magnitude and duration of the energy price increases, but this impact could be material. In addition, higher energy and gasoline prices which affect our customers may result in reduced visitation to our properties and a reduction in revenues.

**A downturn in general economic conditions may adversely affect our results of operations.**

Our business operations are affected by international, national and local economic conditions. A recession or downturn in the general economy, or in a region constituting a significant source of customers for our properties, could result in fewer customers visiting our properties and a reduction in spending by customers who do visit our properties, which would adversely affect our revenues.

**Acts of terrorism, as well as other factors affecting discretionary consumer spending and air travel, have impacted our industry and may harm our operating results and our ability to insure against certain risks.**

The terrorist attacks of September 11, 2001 had a significant impact on the travel and tourism industries in which we operate. In general, our Nevada properties are adversely affected by disruptions in air travel, regardless of cause. The significant reduction in both business and leisure air travel following the September 11th event significantly reduced visitation to our Las Vegas properties, with the result that our operating results declined significantly. Our properties in markets outside of

Las Vegas, which are not as dependent on air travel, did not experience as much business disruption. These events, the potential for future terrorist attacks, the national and international responses to terrorist attacks and other acts of war or hostility have created many economic and political uncertainties that could adversely affect our business and results of operations. Future acts of terror in the United States or an outbreak of hostilities involving the United States may again reduce our guests' willingness to travel, with the result that our operations will suffer.

Partly as a consequence of the events of September 11, 2001, and the threat of similar events in the future, premiums for a variety of insurance products have increased sharply, and some types of insurance coverage are simply no longer available. Although we endeavor to obtain and maintain insurance covering extraordinary events that would affect our properties, conditions in the marketplace have made it prohibitive for us to maintain insurance against losses and interruptions caused by terrorist acts and acts of war. If any such event were to affect part or all of one or more of our properties, we would likely suffer a substantial loss.

**Our properties face a variety of risks that may result in loss.**

All our Las Vegas properties are in close proximity to each other. Our Atlantic City properties are also in close proximity to each other. If a natural disaster or calamity occurs in either market that affects these properties, our results may be impacted. Specifically, several of our properties are located in coastal areas and are subject to wind and flood damage from storms. In addition, all our properties could be considered at risk for terrorist or other hostile acts, and our properties can be victims of criminal acts by patrons and others. Conditions in the insurance marketplace have made it more difficult to purchase insurance on economically reasonable terms. As a result, we are now subject to significantly higher self-insured retentions on virtually all our insurance coverages, and we do not carry insurance against terrorist acts. For all these reasons, we are at a greater risk of loss than we have been in the past.

**Our substantial and expanding international operations are subject to uncertainties that could affect our operating results.**

Certain of our properties are located in countries outside the United States where political and economic instability exposes us to additional risk. Such risks range from currency fluctuation risk, which could increase the volatility of our results from such operations, to outright expropriation. In addition, the system of laws in these jurisdictions may be different from the laws in the United States. As a result we may be subject to outcomes in legal disputes that are different from what might be expected in the United States.

**The completion of our development projects are subject to many factors, some of which are beyond our control.**

Development projects are dependent on factors such as reaching definitive agreements with third parties, securing sites and land, obtaining requisite governmental approvals and competing for such development projects with other gaming and resort companies. Further, while we are pursuing and will continue to pursue development opportunities, there can be no assurance that such opportunities will become operational. Changes may be made in a project's scope, budgets and/or schedules for competitive, aesthetic or other reasons, and these changes may also result from circumstances beyond our control. These circumstances include weather interference, shortages of materials and labor, work stoppages, labor disputes, unforeseen engineering, environmental or geological problems and unanticipated cost increases. Any circumstances could give rise to delays in the completion of any project we undertake and/or cost overruns.

**New construction and renovations of existing properties are subject to risks that may adversely affect timing and costs, many of which are beyond our control.**

We have various construction and renovation projects ongoing at any given time. Any existing or future construction can be affected by a number of factors, including time delays in obtaining necessary governmental permits and approvals, legal challenges, the ability to obtain appropriate insurance coverage at reasonable rates for such projects and other unanticipated costs.

**There are several risks related to our pending merger with Harrah's Operating.**

There are several risks associated with our pending merger with Harrah's Operating. Some of these risks are listed below:

The completion of our pending merger with Harrah's Operating is subject to the vote of both Harrah's and Caesars' stockholders and the review process of various governmental regulatory authorities. A delay in regulatory approvals could delay and possibly prevent the consummation of the merger.

Difficulties with our integration into Harrah's Operating could adversely affect our business.

The price of Harrah's common stock at the time of completion of the merger might be lower than the price when the merger was publicly announced, which would decrease the value of the stock portion of merger consideration to be received by certain of our stockholders in the merger.

Stock consideration or cash consideration in the merger may be different than what our stockholders elect.

After the consummation of the merger, Harrah's Operating will have more indebtedness, which would adversely affect its cash flows and business.

If Harrah's is unable to finance the merger through cash flow, borrowings under its bank facility and additional financings, the consummation of the merger may be jeopardized.

Harrah's may not realize all of the anticipated benefits of the merger.

Both Harrah's and Caesars will have incurred substantial costs that may adversely affect Harrah's and Caesars financial results and operations and the market price of both Harrah's and Caesars common stock.

For greater detail of the risks related to the pending merger, please see the section entitled "Risks Relating to the Merger" in our Merger Proxy Statement, which is incorporated herein by reference.

**Risks Related to Investment in the Notes and Our Common Stock**

**Our substantial indebtedness could adversely affect our financial results and prevent us from fulfilling our obligations under the notes.**

At June 30, 2004, we had total consolidated indebtedness of approximately \$4.5 billion, of which \$2.1 billion ranks *pari passu* with the notes, and stockholders' equity of approximately \$3.3 billion. As of June 30, 2004, we had \$700 million outstanding under our \$2.0 billion credit facility.

As of June 30, 2004, after giving effect to the merger of Caesars with Harrah's Operating, Harrah's Operating would have had total consolidated indebtedness of approximately \$11.7 billion, of which \$11.6 billion would be at the Harrah's Operating level.

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The notes do not restrict our ability to borrow additional funds in the future, nor do they provide holders any protection should we be involved in a highly leveraged transaction. If we add new

indebtedness to our anticipated debt levels following or prior to an acquisition, it could increase the related risks that we face.

Our substantial indebtedness could have important consequences to you. For example, it could:

limit our ability to satisfy our obligations with respect to the notes;

increase our vulnerability to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate activities;

limit our flexibility in planning for, or reacting to, changes in our business and industry;

place us at a competitive disadvantage compared to other less leveraged competitors; and

limit our ability to borrow additional funds.

**Servicing our indebtedness will require a significant amount of cash and our ability to generate sufficient cash depends on many factors beyond our control.**

Our ability to make payments on and to refinance our indebtedness, including the notes, and to fund planned capital expenditures depends on our ability to generate cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control. Historically, we have depended on the debt capital markets as a source of financing, as well as on availability under our credit facilities. Our ability to borrow funds under our credit facilities in the future will depend on our meeting the financial covenants in the agreements, including an interest coverage test and a leverage ratio test. We cannot assure you that our business will generate cash flow from operations, that we will continue to have access to the debt capital markets or that future borrowings will be available to us under our credit facilities in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs. As a result, we may need to refinance all or a portion of our indebtedness, including the notes, on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. Our inability to generate sufficient cash flow or refinance our indebtedness on commercially reasonable terms would have a material adverse effect on our financial condition, results of operations and ability to satisfy our obligations under the notes.

**We are a holding company and depend on the business of our subsidiaries to satisfy our obligations under the notes.**

We are a holding company. Our subsidiaries conduct substantially all our consolidated operations and own substantially all our consolidated assets. Consequently, our cash flow and our ability to pay our debts depend upon our subsidiaries' cash flow and their payment of funds to us. Our subsidiaries are not obligated to make funds available to us for payment on the notes or otherwise. In addition, our subsidiaries' ability to make any payments to us will depend on their earnings, the terms of their indebtedness, business and tax considerations, legal and regulatory restrictions and economic conditions. These payments may not be adequate to pay interest and principal on the notes when due. In addition, their ability to make payments to us depends on applicable law and debt instruments to which they or we are a party, which may include requirements to maintain minimum levels of working capital and other assets. The notes effectively rank junior to all existing and future liabilities of our subsidiaries, including trade payables. In the event of a bankruptcy, liquidation or dissolution of a subsidiary and following payment of its liabilities, the subsidiary might not have sufficient assets remaining to make any payments to us so that we can meet our obligations as the holding company, including our obligations to you under the notes. As of June 30, 2004, our subsidiaries had approximately \$3 million

of debt. The indenture governing the notes does not limit the ability of our subsidiaries to incur additional debt.

**You are required to dispose of your notes or shares or redeem your notes or shares if any gaming authority finds you unsuitable to hold them.**

By holding the notes, you may be required to be found suitable by the gaming regulatory authorities who have jurisdiction over us and our subsidiaries. Further, you are required to dispose of your notes or shares or redeem your notes or shares if any gaming authority finds you unsuitable to hold them or in order to otherwise comply with gaming laws to which we are subject, as more fully described in the sections entitled "Regulation and Licensing" and "Description of the Notes Mandatory Disposition Pursuant to Gaming Laws." In addition, by holding the notes, you may be deemed to be a beneficial owner of the shares into which the notes are convertible by certain of the gaming authorities even if none of the events triggering your conversion rights has occurred. As a result, you may be required to dispose of your notes if any gaming authority finds you unsuitable to hold the underlying shares or to otherwise comply with gaming laws to which we are subject if you are deemed to be a beneficial owner of such underlying shares.

**You may require us to repurchase the notes upon consummation of the merger with Harrah's Operating and we cannot assure you that after the merger there will be sufficient funds to repurchase the notes.**

Under the indenture governing the notes, the merger with Harrah's Operating will constitute a "change in control" of the Company. As a result, within thirty days following the merger, we are required to send you a notice offering to purchase all of the notes at a purchase price equal to 100% of the principal amount plus accrued and unpaid interest (including liquidated damages, if any). Within the specified amount of business days of that notice, you may inform us of your desire to tender the notes and we will be obligated to make such payment on the next interest record date.

We cannot assure you that, upon consummation of the merger, we will have sufficient funds to repurchase the notes or that we will be able to obtain financing on commercially reasonable terms to us. In addition, any indebtedness that we incur to refinance the notes which are tendered may not be subordinated to the outstanding notes and may take on the form of secured debt. Our inability to repurchase all the notes tendered would constitute an event of default under the indenture and could, in turn, result in an event of default under our other outstanding indebtedness.

**Upon conversion events subsequent to the right to convert that will be triggered by the proposed Harrah's merger, a conversion of the notes would be a taxable exchange.**

If the proposed merger with Harrah's Operating is consummated, the notes will become convertible based upon Harrah's common stock instead of our common stock. Therefore, if you convert your notes upon a conversion event subsequent to the right to convert triggered by the merger, the conversion should be a taxable exchange, and you should recognize gain or loss in the manner described under "Certain United States Federal Income Tax Considerations Effects of the Harrah's Merger U.S. Holders who do not Convert their Notes into Merger Consideration Pursuant to the Merger."

**Upon conversion of the notes, you may receive less proceeds than expected because the value of our common stock may decline between the day that you exercise your conversion right and the day the value of your shares is determined.**

The Conversion Value that you will receive upon conversion of your notes is in part determined by the average of the closing price per share of our common stock for the ten trading days beginning on

the second trading day after which the notes are tendered for conversion. Accordingly, if the price of our common stock decreases after you tender your notes for conversion, the Conversion Value you receive may be adversely affected.

**We may not have sufficient funds to pay the Principal Return on the notes.**

Upon conversion of the notes, we will be required to pay the Principal Return on such notes. If a significant number of holders were to tender their notes for conversion at any given time, we may not have the financial resources available to pay the Principal Return on all such notes tendered for conversion.

**Before conversion, holders of the notes will not be entitled to any stockholder rights, but will be subject to all changes affecting our shares.**

If you hold notes, you will not be entitled to any rights with respect to shares of our common stock, including voting rights and rights to receive dividends or distributions. However, the common stock you receive upon conversion of your notes will be subject to all changes affecting our common stock. Except for limited cases under the adjustments to the conversion price, you will be entitled only to rights that we may grant with respect to shares of our common stock if and when we deliver shares to you upon your election to convert your notes into shares. For example, if we seek approval from shareholders for a potential merger, or if an amendment is proposed to our certificate of incorporation or by-laws that requires shareholder approval, holders of notes will not be entitled to vote on the merger or amendment.

**The price of our common stock, and therefore the price of the notes, may fluctuate significantly, which may make it difficult for holders to resell the notes or the shares of our common stock issuable upon conversion of the notes when desired or at attractive prices.**

During 2003, the sale price of our common stock on the New York Stock Exchange ranged from \$6.50 to \$11.09 per share and from January 1, 2004 to November 2, 2004, the price has ranged from \$10.93 to \$18.20 per share. Our closing sale price on November 2, 2004 was \$17.90 per share. Our stock price may fluctuate in response to a number of events and factors, such as variations in operating results, actions by various regulatory agencies, litigation, market perceptions of our financial reporting, changes in financial estimates and recommendations by securities analysts, the actions of rating agencies, the operating and stock price performance of other companies that investors may deem comparable to us, and news reports relating to trends in our markets or general economic conditions.

Because the notes are convertible into shares of our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the notes. Holders who receive common stock upon conversion also will be subject to the risk of volatility and depressed prices of our common stock. In addition, the existence of the notes may encourage short selling in our common stock by market participants because the conversion of the notes could depress the price of our common stock.

After completion of the merger of Caesars with Harrah's Operating, our notes will be convertible based on Harrah's common stock price. During 2003, the sale price of Harrah's common stock on the New York Stock Exchange ranged from \$30.30 to \$49.64 per share, and from January 1, 2004 to November 2, 2004, the price has ranged from \$43.94 to \$59.40 per share. The closing sale price on Harrah's common stock on November 2, 2004 was \$58.38 per share. For many of the reasons set forth above, the price of Harrah's common stock may fluctuate significantly, as well, and therefore similar risks to those described above will continue to apply to the notes after the merger.

**Future issuances of our securities could dilute your ownership.**

A substantial number of shares of our common stock are subject to stock options, and these notes may be converted into shares of common stock. As of November 1, 2004, there were 12,934,061 shares of our common stock underlying vested stock options eligible for sale.

A substantial number of shares of Harrah's common stock are also subject to stock options. After completion of the merger of Caesars with Harrah's Operating, these notes may be convertible into shares of Harrah's common stock. As of November 1, 2004, there were 3,254,633 shares of Harrah's common stock underlying vested stock options eligible for sale.

We may also decide to raise additional funds through public or private debt or equity financing to fund our operations. If we raise funds by issuing equity securities, the percentage ownership of current stockholders will be reduced, and the new equity securities may have rights prior to those of the common stock issuable upon conversion of the notes. We cannot predict the effect, if any, that future sales of our common stock or notes, or the availability of shares of our common stock or notes for future sale, will have on the market price of our common stock or notes. Sales of substantial amounts of our common stock (including shares issued upon the exercise of stock options or warrants or the conversion of the notes), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock and notes.

**An active trading market may not develop for these notes.**

There is no public market for the notes. We have been informed that one or more broker-dealers makes a market in the notes. However, they may cease their market-making activity at any time. In addition, the liquidity of the trading market in these notes, and the market price quoted for these notes, may be adversely affected by changes in the overall market for these types of securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, you cannot be sure that an active trading market will develop for these notes.



**USE OF PROCEEDS**

We will not receive any proceeds from the resale of the notes or the shares of common stock offered by this prospectus.

**CAESARS PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY**

Our common stock trades on the New York Stock Exchange under the symbol "CZR." The following table sets forth, for the calendar quarters indicated, the high and low sale prices of our common stock on the New York Stock Exchange Composite Tape. On November 2, 2004, the closing price of our common stock was \$17.90 per share.

	Common Stock Price	
	High	Low
2002		
First Quarter	\$ 10.98	\$ 8.70
Second Quarter	12.93	9.50
Third Quarter	10.53	7.38
Fourth Quarter	8.79	6.06
2003		
First Quarter	8.64	6.50
Second Quarter	9.23	6.90
Third Quarter	10.00	8.22
Fourth Quarter	11.09	8.87
2004		
First Quarter	13.74	10.93
Second Quarter	15.22	12.01
Third Quarter	16.84	13.20
Fourth Quarter (through November 2, 2004)	18.20	16.68

As of November 1, 2004, there were 9,614 holders of record of our common stock.

We have not paid cash dividends in recent years, and we do not currently anticipate paying cash dividends.

**HARRAH'S PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY**

Harrah's common stock trades on the New York Stock Exchange under the symbol "HET." The following table sets forth, for the calendar quarters indicated, the high and low sale prices of Harrah's common stock on the New York Stock Exchange Composite Tape. On November 2, 2004, the closing price of Harrah's common stock was \$58.38 per share.

	Common Stock Price	
	High	Low
2002		
First Quarter	\$ 45.39	\$ 34.95
Second Quarter	51.35	41.70
Third Quarter	49.30	39.51
Fourth Quarter	50.60	37.65
2003		
First Quarter	40.75	30.30
Second Quarter	44.30	34.20
Third Quarter	44.11	38.65
Fourth Quarter	49.94	40.85
2004		
First Quarter	56.40	48.90
Second Quarter	57.50	50.86
Third Quarter	55.21	43.94
Fourth Quarter (through November 2, 2004)	59.40	52.78

As of November 1, 2004, there were 8,424 holders of record of Harrah's common stock.

The holders of Harrah's common stock receive dividends if and when declared by the Harrah's board of directors. In February 2004 and April 2004, the Harrah's board of directors declared dividends of \$0.30 per share of Harrah's common stock, which were paid on February 25, 2004, based on Harrah's stockholders of record on February 11, 2004, and May 26, 2004, based on Harrah's stockholders of record on May 12, 2004. In July 2004, the Harrah's board of directors declared dividends of \$0.33 per share of Harrah's common stock, which were paid on August 25, 2004 based on Harrah's stockholders of record on August 11, 2004. In October 2004, the Harrah's board of directors declared dividends of \$0.33 per share of Harrah's common stock, which are payable on November 24, 2004 based on Harrah's stockholders of record on November 10, 2004. In addition, quarterly cash dividends of \$0.30 per share of Harrah's common stock were also declared and paid in the third and fourth quarters of 2003.

**CAESARS RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our consolidated ratio of earnings to fixed charges for each of the last five years and the six months ended June 30, 2004 and 2003.

	<b>Six months Ended June 30,</b>		<b>Fiscal Year Ended December 31,</b>				
	<b>2004</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Ratio of earnings to fixed charges	2.4x	1.8x	1.4x	1.7x	1.3x	1.6x	2.1x

For purposes of calculating our ratio of earnings to fixed charges: (1) earnings represent income from continuing operations before income taxes, minority interest and equity in earnings of unconsolidated affiliates plus fixed charges (reduced by capitalized interest) and cash distributions from unconsolidated affiliates; and (2) fixed charges consist of interest expense, including capitalized interest, amortization of debt issuance costs and an estimate of the interest expense within rental expense.

**HARRAH'S RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth Harrah's consolidated ratio of earnings to fixed charges for each of the last five years and the six months ended June 30, 2004 and 2003.

	<b>Six months Ended June 30,</b>		<b>Fiscal Year Ended December 31,</b>				
	<b>2004</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Ratio of earnings to fixed charges	3.1x	2.9x	2.8x	2.9x	2.1x	2.2x	2.6x

The ratio of earnings to fixed charges of Harrah's is computed by dividing income/(loss) from continuing operations by fixed charges. For this purpose, "earnings" include net income (loss) before taxes and fixed charges. "Fixed charges" include interest, whether expensed or capitalized, amortization of debt expense and the portion of rental expense that is representative of the interest factor in these rentals.

**REGULATION AND LICENSING**

The gaming operations of each of Caesars and Harrah's are subject to extensive regulation, and each of Caesars, Harrah's and their respective subsidiaries hold registrations, approvals, gaming licenses or permits in each jurisdiction in which it operates gaming activities. In each of these jurisdictions, certain regulatory requirements must be complied with and/or certain approvals must be obtained in connection with the merger. Caesars' and Harrah's respective obligations to complete the merger are conditioned upon all material gaming regulatory approvals and authorizations having been obtained. For more information, see "The Merger Agreement Regulatory and Antitrust Approval" in our Merger Proxy Statement, which is incorporated herein by reference.

For a complete description of the regulatory requirements applicable to Harrah's and Caesars, see "Description of Governmental Regulation" filed at Exhibit 99.1 to Harrah's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and "Business Regulation and Licensing" in Caesars' Annual Report on Form 10-K for the fiscal year ended December 31, 2003. For a summary of the various applicable gaming regulatory requirements with respect to the merger, see "Regulatory Approvals Required for the Merger Gaming Regulation" in our Merger Proxy Statement, which is incorporated herein by reference.

## DESCRIPTION OF THE NOTES

We issued the notes under an indenture, dated as of April 7, 2004, U.S. Bank National Association, as trustee. The following description is only a summary of the material provisions of the notes and the related indenture. We urge you to read the indenture and the notes in their entirety because they, and not this description, define your rights as holders of the notes. You may obtain copies of these documents by visiting the SEC's website at [www.sec.gov](http://www.sec.gov) as set forth under the caption "Available Information," or you may request copies of these documents at our address shown under the caption "Available Information." The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended. For purposes of this section, references to the "we," "us," "our" and "Caesars" include only Caesars Entertainment, Inc. and not its subsidiaries. The proposed merger of Caesars with Harrah's Operating will have a number of effects on the notes. For information regarding the effects of the merger on the notes, see "Effect of the Harrah's Merger on the Notes."

### General

We issued the notes in this offering in an aggregate principal amount of \$375,000,000. The notes are our senior unsecured obligations and will mature on April 15, 2024, unless earlier redeemed at our option as described under "Optional Redemption of the Notes," repurchased by us at a holder's option on certain dates as described under "Repurchase of Notes at the Option of the Holder," or upon a change in control of Caesars as described under "Right to Require Repurchase of Notes Upon a Change in Control" or converted at a holder's option as described under "Conversion Rights."

The indenture does not contain any restriction on the payment of dividends, the incurrence of indebtedness or liens or the repurchase of our securities, and does not contain any financial covenants. Other than as described under "Right to Require Repurchase of Notes Upon a Change in Control," the indenture contains no covenants or other provisions that afford protection to holders of notes in the event of a highly leveraged transaction.

### Interest

The notes bear interest at a per annum rate equal to 3-month LIBOR, adjusted quarterly.

Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing on July 15, 2004. Interest on the notes accrues from April 7, 2004 or, if interest has already been paid, from the date on which it was most recently paid. We will make each interest payment to persons who are holders of record of the notes at the close of business on the immediately preceding January 1, April 1, July 1 and October 1, whether or not this day is a business day. Interest (including liquidated damages, if any) payable upon redemption or repurchase will be paid to the person to whom principal is payable unless the redemption or repurchase date is between the close of business on any record date for the payment of interest and the opening of business on the related interest payment date. Interest on the notes is computed on the basis of a 360-day year comprised of twelve 30-day months. We will pay the principal of, and interest (including liquidated damages, if any) on, the notes at the office or agency maintained by us with the trustee in the Borough of Manhattan in New York City. We reserve the right to pay interest to holders of any notes in certificated form by check mailed to the holders at their registered addresses. However, a holder of such notes with an aggregate principal amount in excess of \$1,000,000 may request payment by wire transfer in immediately available funds to an account in North America.

The interest rate will be determined by the trustee acting as calculation agent. The interest rate for each quarterly period (other than the period before the first interest payment date) will be reset on the first day of such quarterly period (which we refer to as the interest adjustment date), which will be the

interest payment date for the immediately preceding quarterly period. The adjusted interest rate will be based upon 3-month LIBOR, determined on the second preceding London banking day prior to the applicable interest adjustment date (the "Interest Determination Date") as described below.

The term "*3-month LIBOR*" means, with respect to any Interest Determination Date:

(a) the rate for 3-month deposits in United States dollars commencing on the second London banking day succeeding the Interest Determination Date, that appears on the Moneyline Telerate Page 3750 (as described below) as of 11:00 a.m., London time, on the Interest Determination Date; or

(b) if no rate appears on the particular Interest Determination Date on the Moneyline Telerate Page 3750, the rate calculated by the calculation agent as the arithmetic mean of at least two offered quotations obtained by the calculation agent after requesting the principal London offices of each of four major reference banks in the London interbank market to provide the calculation agent with its offered quotation for deposits in United States dollars for the period of three months, commencing on the second London banking day succeeding the Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Interest Determination Date and in a principal amount that is representative for a single transaction in United States dollars in that market at that time; or

(c) if fewer than two offered quotations referred to in clause (b) are provided as requested, the rate calculated by the calculation agent as the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York time, on the particular Interest Determination Date by three major banks in the City of New York selected by the calculation agent for loans in United States dollars to leading European banks for a period of three months commencing on the second London banking day succeeding the Interest Determination Date, and in a principal amount that is representative for a single transaction in United States dollars in that market at that time; or

(d) if the banks so selected by the calculation agent are not quoting as mentioned in clause (c), 3-month LIBOR in effect immediately prior to the particular Interest Determination Date (or 1.11% per annum in the case of the interest adjustment date on July 15, 2004).

"*Moneyline Telerate Page 3750*" means the display on Moneyline Telerate (or any successor service) on such page (or any other page as may replace such page on such service) or such other service or services as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying the London interbank rates of major banks for United States dollars.

"*London banking day*" means a day on which commercial banks are open for business, including dealings in United States dollars, in London, England.

The term "*business day*" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in The City of New York.

### **Conversion Rights**

Subject to the restrictions described in this "Description of the Notes," a holder may convert any outstanding notes into cash and, if applicable, shares of our common stock at an initial "Conversion Price" per share of \$22.29 in accordance with the conversion mechanism set forth below. This represents an initial "Conversion Rate" of approximately 44.8632 shares of our common stock per \$1,000 in principal amount of the notes. The Conversion Price and resulting Conversion Rate are, however, subject to adjustment as described below under "Conversion Price Adjustments." A holder may convert notes only in denominations of \$1,000 and integral multiples of \$1,000.

**General**

Holders may surrender notes for conversion into cash, and if applicable, shares of our common stock prior to the maturity date in the following circumstances:

during any calendar quarter commencing after the date of original issuance of the notes, if the common stock price (as defined below) for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter preceding the quarter in which the conversion occurs is more than 120% of the Conversion Price on that 30th trading day;

if we have called the particular notes for redemption and the redemption has not yet occurred;

during the five trading day period immediately after any five consecutive trading day period in which the average trading price of \$1,000 principal amount of the notes for each day of such five consecutive trading day period was less than 95% of the product of the common stock price on such day multiplied by the Conversion Rate on such day; or

upon the occurrence of specified corporate transactions.

Subject to certain exceptions described below under " Conversion Upon Satisfaction of Trading Price Condition" and " Conversion Upon Specified Corporate Transactions," once notes are tendered for conversion, holders tendering the notes will be entitled to receive, per \$1,000 principal amount of notes, cash and, if applicable, shares of our common stock, the aggregate value of which (the "*Conversion Value*") will be equal to the product of:

(1) the Conversion Rate then in effect; and

(2) the average of the common stock prices for the ten consecutive trading days (appropriately adjusted to take into account the occurrence during such period of stock splits and similar events) beginning on the second trading day immediately following the day the notes are tendered for conversion (the "*Ten Day Average Closing Stock Price*").

Subject to certain exceptions described below and under " Conversion Upon Satisfaction of Trading Price Condition" and " Conversion Upon Specified Corporate Transactions," we will deliver the Conversion Value of the notes surrendered for conversion to converting holders as follows:

(1) an amount in cash (the "*Principal Return*") equal to the lesser of (a) the aggregate Conversion Value of the notes to be converted and (b) the aggregate principal amount of the notes to be converted;

(2) if the aggregate Conversion Value of the notes to be converted is greater than the Principal Return, an amount in whole shares (the "*Net Shares*"), determined as set forth below, equal to such aggregate Conversion Value less the Principal Return (the "*Net Share Amount*"); and

(3) an amount in cash in lieu of any fractional shares of common stock.

The number of Net Shares to be paid will be determined by dividing the Net Share Amount by the Ten Day Average Closing Stock Price. The cash payment for fractional shares also will be based on the Ten Day Average Closing Stock Price.

The Conversion Value, Principal Return, Net Share Amount and the number of Net Shares will be determined by us at the end of the ten consecutive trading day period beginning on the second trading day immediately following the day the notes are tendered for conversion (the "*Determination Date*").

We will pay the Principal Return and cash in lieu of fractional shares and deliver the Net Shares, if any, as promptly as practicable after the Determination Date, but in no event later than four business days thereafter.





Delivery of the Principal Return, Net Shares and cash in lieu of fractional shares will be deemed to satisfy our obligation to pay the principal amount of the notes and accrued interest and any liquidated damages payable on the notes, except as described below. Accrued interest and any liquidated damages will be deemed paid in full rather than canceled, extinguished or forfeited. We will not adjust the Conversion Price to account for accrued interest.

Except as described in this paragraph, no holder of notes will be entitled, upon conversion of the notes, to any actual payment or adjustment on account of accrued but unpaid interest (including liquidated damages, if any) on a converted note, or on account of dividends or distributions on shares of our common stock issued in connection with the conversion. If notes are converted after a regular record date and prior to the opening of business on the next interest payment date, including the date of maturity, holders of such notes at the close of business on the regular record date will receive the interest (and liquidated damages, if any) payable on such notes on the corresponding interest payment date notwithstanding the conversion. In such event, when the holder surrenders the note for conversion, the holder must deliver payment to us of an amount equal to the interest payable on the interest payment date (including liquidated damages, if any) on the principal amount to be converted. The foregoing sentence will not apply to notes called for redemption on a redemption date within the period between the close of business on the record date and the opening of business on the interest payment date, or to notes surrendered for conversion on the interest payment date.

If you wish to exercise your conversion right, you must deliver an irrevocable conversion notice in accordance with the provisions of the indenture, together, if the notes are in certificated form, with the certificated security, to the trustee who will, on your behalf, convert the notes into cash and shares of our common stock. You may obtain copies of the required form of the conversion notice from the trustee. If a holder of a note has delivered notice of its election to have such note repurchased at the option of such holder on April 15, 2009, 2014 and 2019 or as a result of a change in control, such note may be converted only if the notice of election is withdrawn as described under " Repurchase of the Notes at the Option of the Holder" or " Right to Require Repurchase of Notes Upon a Change of Control."

The "*common stock price*" on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date for our common stock as reported in composite transactions on the principal United States securities exchange on which our common stock is traded or, if our common stock is not listed on a United States national or regional securities exchange, as reported by The Nasdaq System.

A "*trading day*" means any regular or abbreviated trading day of The New York Stock Exchange.

#### ***Conversion Upon Satisfaction of Common Stock Price Condition***

A holder may surrender any of its notes for conversion during any fiscal quarter commencing after the issuance of the notes, if the common stock price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the fiscal quarter preceding the quarter in which the conversion occurs is more than 120% of the Conversion Price on that 30th trading day.

#### ***Conversion Upon Notice of Redemption***

A holder may surrender for conversion any note called for redemption at any time prior to the close of business on the day that is two business days prior to the redemption date, even if the notes are not otherwise convertible at such time.

***Conversion Upon Satisfaction of Trading Price Condition***

A holder may surrender any of its notes for conversion during the five trading day period immediately after any five consecutive trading day period in which the trading price of \$1,000 in principal amount of the notes (as determined following a request by a holder of the notes in accordance with the procedures described below) for each day of such five consecutive trading day period was less than 95% of the product of the common stock price on such day multiplied by the number of shares issuable upon conversion of \$1,000 in principal amount of the notes (the "trading price condition"); provided that, if on the date of any conversion pursuant to the trading price condition, the common stock price on such date is greater than the Conversion Price on such date but less than 120% of the Conversion Price on such date, then the Conversion Value the holder will be entitled to receive will be equal to the principal amount of the notes surrendered plus accrued but unpaid interest (including liquidated damages, if any) as of the conversion date.

The "trading price" of the notes on any date of calculation means the average of the secondary market bid quotations per \$1,000 in principal amount of notes obtained by the trustee for \$5,000,000 in principal amount of the notes at approximately 3:30 p.m., New York City time, on such calculation date from three independent nationally recognized securities dealers we select, provided that if at least three such bids cannot reasonably be obtained by the trustee, but two such bids are obtained, then the average of the two bids will be used, and if only one such bid can reasonably be obtained by the trustee, this one bid will be used. If the trustee cannot reasonably obtain at least one bid for \$5,000,000 in principal amount of the notes from a nationally recognized securities dealer or, in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the notes, then the trading price of the notes will be determined in good faith by a member firm of the New York Stock Exchange selected by Caesars.

The trustee will have no obligation to determine the trading price of the notes unless we have requested such determination in writing, and we will have no obligation to make such request unless a holder provides us with reasonable evidence that the trading price of the notes on any date would be less than 95% of the product of the common stock price on such date and the Conversion Rate then in effect. At such time, we will instruct the trustee to determine the trading price of the notes beginning on the next trading day and on each successive trading day until the trading price of the notes is greater than or equal to 95% of the product of the common stock price and the Conversion Rate.

***Conversion Upon Specified Corporate Transactions***

If we elect to:

distribute to all holders of our common stock rights, warrants or options entitling them to subscribe for or purchase, for a period expiring not more than 60 days after the date of distribution, shares of our common stock at less than the average common stock price for the ten trading days immediately preceding the date that such distribution was first publicly announced; or

distribute to all holders of our common stock cash, other assets, debt securities or certain rights or warrants to purchase our securities, which distribution has a per share value exceeding 10% of the common stock price on the trading day immediately preceding the date that such distribution was first publicly announced,

we must notify the holders of notes at least 20 days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their notes for conversion until the earlier of the close of business on the business day prior to the ex-dividend date or our announcement that such distribution will not take place. This provision does not apply if the holder of a note otherwise

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participates in the distribution on an as-converted basis solely into shares of our common stock at the then applicable Conversion Price without conversion of such holder's notes.

In addition, if we are a party to a consolidation, merger, share exchange, sale of all or substantially all of our properties and assets or other similar transaction, in each case pursuant to which the shares of our common stock would be converted into cash, securities or other property, a holder may surrender its notes for conversion at any time from and after the effective date of such transaction until and including the date that is 15 days after the effective date of such transaction. If the transaction also constitutes a change in control, such holder can instead require us to repurchase all or a portion of its notes as described under " Right to Require Repurchase of Notes Upon a Change in Control."

### **Conversion Price Adjustments**

We will adjust the Conversion Price if (without duplication):

- (1) we issue shares of our common stock to all holders of shares of our common stock as a dividend or distribution on our common stock;
- (2) we subdivide or combine our outstanding common stock;
- (3) we issue to all holders of our common stock rights, warrants or options entitling them to subscribe for or purchase, for a period expiring not more than 60 days after the date of distribution, shares of our common stock at less than the average common stock price for the ten trading days immediately preceding the date that such distribution was first publicly announced; *provided* that no adjustment will be made if holders of the notes may participate in the transaction on a basis and with notice that our board of directors determines to be fair and appropriate;
- (4) we distribute to all holders of our common stock evidences of our indebtedness, shares of our capital stock (other than shares of our common stock), other securities or other assets, or rights, warrants or options, excluding (a) those rights, warrants or options referred to in clause (3) above; (b) any dividend or distribution paid in cash referred to in clause (5) below; and (c) those dividends and distributions referred to in clause (1) above; *provided* that no adjustment will be made if holders of the notes may participate in the transaction on a basis and with notice that our board of directors determines to be fair and appropriate;
- (5) we declare a cash dividend or cash distribution to all of the holders of our common stock. If we declare such a cash dividend or cash distribution, the Conversion Price shall be decreased to equal the price determined by multiplying the Conversion Price in effect immediately prior to the record date for such dividend or distribution by the following fraction:

$$\frac{(\text{Pre-Dividend Sale Price} - \text{Dividend Adjustment Amount})}{(\text{Pre-Dividend Sale Price})}$$

*provided* that no adjustment to the Conversion Price or the ability of a holder of a note to convert will be made if we provide that holders of notes will participate in the cash dividend or cash distribution without conversion; *provided further*, that if the numerator of the foregoing fraction is less than \$1.00 (including a negative amount), then in lieu of any adjustment under this clause (5), we shall make adequate provision so that each holder of notes shall have the right to receive upon conversion, in addition to the cash and shares of common stock issuable upon such conversion, the amount of cash such holder would have received had such holder converted its notes immediately prior to the record date for such cash dividend or cash distribution at the Conversion Rate and for the Conversion Value in effect at such time. "*Pre-Dividend Sale Price*" means the average common stock price for the three consecutive trading days ending on the trading day immediately preceding the record date for such dividend or distribution. "*Dividend Adjustment Amount*" means the full amount of the cash dividend or cash distribution applicable to one share of our common stock; or

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(6) we or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer, other than an odd-lot offer, for our common stock to the extent that the offer involves aggregate consideration that, together with any cash and the fair market value of any other consideration payable in respect of any tender or exchange offer by us or any of our subsidiaries for shares of our common stock consummated within the preceding 12 months not triggering a Conversion Price adjustment, exceeds an amount equal to 12.5% of the market capitalization of our common stock on the expiration date of the tender offer.

If the rights provided for in our rights agreement, dated as of December 29, 1998, have separated from our common stock in accordance with the provisions of our rights plan so that the holders of the notes would not be entitled to receive any rights in respect of shares of our common stock issuable upon conversion of the notes, the Conversion Price will be adjusted as provided in clause (4) above, subject to readjustment in the event of expiration, termination or redemption of the rights. In lieu of any such adjustment, we may amend our rights plan to provide that upon conversion of the notes, the holders will receive, in addition to the cash and shares of our common stock issuable upon such conversion, the rights that would have attached to such shares of our common stock issuable upon conversion of the notes solely into shares of our common stock at the then applicable Conversion Price, if the rights had not become separated from our common stock under our rights agreement. See "Description of Capital Stock Preferred Stock Purchase Rights." Our existing rights plan expires on December 29, 2008. To the extent that we adopt any future rights plan, upon conversion of the notes, you will receive, in addition to the cash and the shares of our common stock issuable upon such conversion, the rights under the future rights plan in respect of the shares of our common stock issuable upon conversion of the notes solely into shares of our common stock at the then applicable Conversion Price, whether or not the rights have separated from our common stock at the time of conversion, and no adjustment to the Conversion Price will be made in connection with any distribution of rights thereunder.

If we reclassify our common stock or we are a party to a consolidation, merger, share exchange, sale of all or substantially all of our properties and assets or other similar transaction, in each case pursuant to which the shares of our common stock are converted into cash, securities, or other property, then at the effective time of the transaction, a holder's right to convert its notes into cash and shares of our common stock will be changed into a right to convert such notes into the kind and amount of cash, securities and other property that such holder would have received if such holder had converted such notes solely into shares of our common stock at the then applicable Conversion Price immediately prior to the effective date of such transaction.

The Conversion Price will not be adjusted for the issuance of our common stock (or securities convertible into or exchangeable for our common stock), except as described above. For example, the Conversion Price will not be adjusted upon the issuance of shares of our common stock:

under any present or future employee benefit plan or program of ours; or

pursuant to the exercise of any option, warrant or right to purchase our common stock, the exchange of any exchangeable security for our common stock or the conversion of any convertible security into our common stock, in each case so long as such option, warrant, right to purchase, exchangeable security or convertible security is outstanding as of the date the notes are first issued.

We will not issue fractional shares of common stock to a holder who converts a note. In lieu of issuing fractional shares, we will pay cash based on the Ten Day Average Closing Stock Price.

If we make a distribution of property to our shareholders that would be taxable to them as a dividend for United States federal income tax purposes and the Conversion Price is decreased, this decrease will generally be deemed to be the receipt of taxable income by U.S. holders (as defined in

"Certain United States Federal Income Tax Considerations") of the notes and would generally result in withholding taxes for non-U.S. holders (as defined in "Certain United States Federal Income Tax Considerations"). Because this deemed income would not give rise to any cash from which any applicable withholding tax could be satisfied, we may set-off any such withholding tax against cash payments of interest payable on the notes. See "Certain United States Federal Income Tax Considerations Consequences to U.S. Holders Constructive Dividends" and "Consequences to Non-U.S. Holders Dividends."

We may from time to time reduce the Conversion Price if our board of directors determines that this reduction would be in the best interests of Caesars. Any such determination by our board of directors will be conclusive. Any such reduction in the Conversion Price must remain in effect for at least 20 trading days or such longer period as may be required by law. In addition, we may from time to time reduce the Conversion Price if our board of directors deems it advisable to avoid or diminish any income tax to holders of our common stock resulting from any stock or rights distribution on our common stock.

#### **Effect of the Harrah's Merger on the Notes**

Our proposed merger with Harrah's Operating will affect both the "Change in Control" and "Conversion Rights" provisions of the indenture. Upon consummation of the merger, Harrah's Operating will be the surviving corporation and the obligor on the notes, and the conversion provisions of the notes will be based upon Harrah's common stock price. In addition, Harrah's will guarantee the notes on a joint and several, unconditional basis. In accordance with the requirements of the indenture, prior to completion of the merger, Caesars, Harrah's and Harrah's Operating will execute and deliver a supplemental indenture that will provide for the assumption of Caesars' obligations under the notes and the indenture by Harrah's Operating and amend the conversion provisions in the indenture to allow for the conversion of the notes to be based upon Harrah's common stock rather than Caesars common stock.

The merger with Harrah's Operating will constitute a change in control. As such, each holder of the notes will have the right to require Harrah's Operating, as the company surviving the merger and the new obligor on the notes, to repurchase all or a portion of the holder's notes on the date fixed by Harrah's Operating that is not less than 30 days nor more than 45 days after Harrah's Operating gives notice of the change in control. Harrah's Operating will repurchase the notes for an amount of cash equal to 100% of the principal amount of the notes, plus accrued and unpaid interest (including liquidated damages, if any) up to but not including the date of repurchase. See "Right to Require Repurchase of Notes Upon a Change in Control."

The merger with Harrah's Operating will also trigger the right of holders of the notes to convert their notes into the merger consideration received by holders of our common stock for a period of 15 days following the completion of the merger. See "Conversion Rights Conversion Upon Specified Corporate Transactions." In the merger, holders of our common stock will have the right to elect to receive either \$17.75 in cash or 0.3247 of a share of Harrah's common stock for each outstanding share of our common stock, subject to limitations on the aggregate amount of cash to be paid and the number of shares of Harrah's stock to be issued.

The merger has been structured, and adjustments to the elections of Caesars stockholders will be made, so that the aggregate number of shares of Caesars common stock to be converted into shares of Harrah's common stock in the merger will equal 66.42% of the number of shares of Caesars common stock outstanding immediately prior to the merger, which amount is referred to as the "stock cap." Therefore, the aggregate number of shares of Harrah's common stock that will be issued to Caesars stockholders and the aggregate amount of cash which will be paid to Caesars stockholders will each be fixed, with the fixed amount of cash to be paid to Caesars stockholders being referred to as the "cash

cap." The stock elections in the merger are subject to proration to preserve this fixed number of shares of Harrah's common stock to be issued and cash to be paid in the merger. If the aggregate number of shares held by Caesars stockholders electing to receive Harrah's common stock exceeds the stock cap, then a sufficient amount of cash consideration instead of stock consideration will be allocated to those stockholders so that the aggregate number of shares of Caesars common stock to be converted into shares of Harrah's common stock in the merger equals the stock cap, subject to rounding and the adjustment provisions of the merger agreement. If the aggregate number of shares held by Caesars stockholders who are deemed to have elected to receive cash exceeds the aggregate amount of cash that will be paid to Caesars stockholders in the merger, then a sufficient amount of stock consideration instead of cash consideration will be allocated to those stockholders so that the aggregate amount of cash to be paid by Harrah's in the merger equals the cash cap, subject to rounding and the adjustment provisions of the merger agreement.

During the 15-day conversion period following the merger, holders of the notes that elect to convert their notes will have the right to determine whether they will receive the merger consideration paid to holders of our common stock who elected to receive cash or the merger consideration paid to holders of our common stock who elected to receive Harrah's common stock. For more information regarding the merger and the merger consideration, please see our Merger Proxy Statement, which is incorporated herein by reference.

After the merger is completed, the Conversion Rate, the Conversion Price and, subject to certain exceptions described above under " Conversion Upon Satisfaction of Trading Price Condition" and " Conversion Upon Specified Corporate Transactions," the Conversion Value holders of the notes will receive upon subsequent conversion events, including the Net Share Amount, will be based upon the Harrah's common stock price. Therefore, the initial Conversion Price after the merger would be \$68.65 per share of Harrah's common stock, and the Conversion Rate would be approximately 14,5666 shares of Harrah's common stock per \$1,000 principal amount of notes, assuming a ratio of 0.3247 of a share of Harrah's common stock for one share of Caesars common stock and that there are no adjustments to the merger consideration prior to the completion of the merger and assuming no events took place between the date of this prospectus and the date of the merger that would require an adjustment to the Conversion Price pursuant to " Conversion Price Adjustments." The Conversion Value holders tendering the notes would be entitled to receive upon a subsequent conversion event, per \$1,000 principal amount of notes, would be equal to the product of (a) the Conversion Rate then in effect and (b) the Ten Day Average Closing Stock Price of Harrah's common stock.

Harrah's has paid cash dividends on its common stock in each of its last five fiscal quarters. Most recently, the Harrah's board of directors declared dividends of \$0.33 per share of Harrah's common stock in October 2004, which are payable on November 24, 2004 based on Harrah's stockholders of record on November 10, 2004. As set forth above in clause (5) under " Conversion Price Adjustments," the Conversion Price is to be adjusted for the declaration or payment of cash dividends. After the merger is completed, if Harrah's continues to pay these cash dividends, the Conversion Price for the notes would be subject to adjustment for such dividends as provided under " Conversion Price Adjustments."

### **Ranking**

The notes are our senior unsecured obligations and rank equally in right of payment with our existing and future senior indebtedness and senior to any existing and future subordinated indebtedness. The notes are effectively subordinated to our future secured indebtedness, if any, to the extent of the value of the assets securing such secured indebtedness. As of June 30, 2004, we had no senior secured indebtedness and \$2.1 billion of senior unsecured indebtedness ranking *pari passu* with the notes. In addition, we had \$1.3 billion of additional availability under our credit facilities, all of which is unsecured indebtedness ranking *pari passu* with the notes. The notes are structurally

subordinated to all liabilities of our subsidiaries. As of June 30, 2004, our subsidiaries had approximately \$3 million of indebtedness outstanding.

#### **Optional Redemption of the Notes**

Beginning on April 20, 2009, we may redeem the notes, in whole at any time, or in part from time to time, for cash at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest (including liquidated damages, if any) up to but not including the date of redemption. We will give not less than 30 days' nor more than 60 days' notice of redemption by mail to holders of the notes.

If we opt to redeem less than all of the notes at any time, the trustee will select or cause to be selected the notes to be redeemed by any method that it deems fair and appropriate. In the event of a partial redemption, the trustee may select for redemption portions of the principal amount of any note in principal amounts of \$1,000 and integral multiples thereof.

#### **Repurchase of Notes at the Option of the Holder**

A holder has the right to require us to repurchase all or a portion of its notes on April 15, 2009, 2014 and 2019. We will repurchase the notes tendered pursuant to any of these put rights for an amount of cash equal to 100% of the principal amount of the notes on the date of repurchase, plus accrued and unpaid interest (including liquidated damages, if any) up to but not including the date of repurchase.

We are required to give notice on a date not less than 30 business days prior to each date of repurchase to the trustee and all holders at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, stating among other things, the procedures that holders must follow to require us to repurchase their notes.

The repurchase notice given by a holder electing to require us to repurchase its notes may be withdrawn by the holder by a written notice of withdrawal delivered to the paying agent prior to the close of business on the date of repurchase.

Payment of the repurchase price for the notes will be made promptly following the later of the date of repurchase and the time of delivery of the notes.

If the paying agent holds money sufficient to pay the repurchase price of the note on the business day following the date of repurchase in accordance with the terms of the indenture, then, immediately after the date of repurchase, the note will cease to be outstanding, whether or not the note is delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the repurchase price upon delivery of the note.

The repurchase notice given by a holder electing to require that we repurchase the holder's notes may be withdrawn by the holder by a written notice of withdrawal delivered to the paying agent prior to the close of business on the repurchase date. The notice of withdrawal shall state:

the principal amount being withdrawn;

the principal amount, if any, not being withdrawn; and

if certificated notes have been issued, the certificate numbers of the notes being withdrawn.

Our ability to repurchase notes may be limited by the terms of our then existing indebtedness or financing agreements. If we are obligated to repurchase the notes, there can be no assurance that we will be able to obtain all required consents under our then existing indebtedness or have available funds sufficient to repay indebtedness that restricts the repurchase of the notes under this provision, if any, and to pay the repurchase price for all the notes we may be required to repurchase. Our ability to

pay cash to holders electing to require us to repurchase the notes also may be limited by our then existing financial resources. We cannot assure you that sufficient funds will be available when necessary to make any required repurchases. We would need to seek third-party financing to the extent we do not have available funds to meet our repurchase obligations. However, there can be no assurance that we would be able to obtain any such financing. See "Risk Factors Risks Relating to an Investment in the Notes and our Common Stock."

No notes may be repurchased at the option of holders if there has occurred and is continuing an event of default with respect to the notes, other than a default in the payment of the repurchase price with respect to such notes.

#### **Mandatory Disposition Pursuant to Gaming Laws**

Each holder, by accepting a note, is deemed to have agreed that if the gaming authority of any jurisdiction in which Caesars or any of its subsidiaries conducts or proposes to conduct gaming operations requires that a person who is a holder or the beneficial owner of notes (or an affiliate of such holder or beneficial owner) be licensed, qualified or found suitable under applicable gaming laws, such holder or beneficial owner, as the case may be, apply for a license, qualification or a finding of suitability within the required time period. If such person fails to apply or become licensed or qualified or is found unsuitable, Caesars has the right, at any time, at its option:

(a) to require such person to dispose of its notes or beneficial interest therein within 30 days of receipt of notice of Caesars' election or such earlier date as may be requested or prescribed by such gaming authority, or

(b) to redeem such notes at a redemption price equal to the lesser of (1) such Person's cost, (2) 100% of the principal amount thereof, plus accrued and unpaid interest (including liquidated damages, if any), to the earlier of the redemption date or the date of the finding of unsuitability, which redemption date may be less than 30 days following the notice of redemption if so requested or prescribed by the applicable gaming authority or (3) such lesser amount as may be required by an applicable gaming authority.

Immediately upon a determination by a gaming authority that a holder or beneficial owner of notes (or an affiliate thereof) will not be licensed, qualified or found suitable or is denied license, qualification or finding of suitability, the holder or beneficial owner will not have any further right with respect to the notes to:

(a) exercise, directly or indirectly, through any person, any right conferred by the notes; or

(b) receive any interest (including liquidated damages, if any), or any other distribution or payment with respect to the notes, or any remuneration in any form from Caesars for services rendered or otherwise, except for the redemption of the notes.

Caesars will notify the trustee in writing of any such redemption as soon as practicable. Caesars will not be responsible for any costs or expenses any such holder or beneficial owner may incur in connection with its application for a license, qualification or a finding of suitability.

#### **Mandatory Redemption**

Except as described in this prospectus under " Right to Require Repurchase of Notes Upon a Change in Control", " Repurchase of Notes at the Option of the Holder" and " Mandatory Disposition Pursuant to Gaming Laws," we are not required to repurchase or redeem the notes. There are no sinking fund payments.



**Right to Require Repurchase of Notes Upon a Change in Control**

If a change in control (as defined below) occurs, each holder of notes may require that we repurchase all or a portion of the holder's notes on the date fixed by us that is not less than 30 days nor more than 45 days after we give notice of the change in control. We will repurchase the notes for an amount of cash equal to 100% of the principal amount of the notes, plus accrued and unpaid interest (including liquidated damages, if any) up to but not including the date of repurchase.

"*Change in control*" means the occurrence of one or more of the following events:

any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of our properties and assets, to any person or group of related persons, as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended (a "*Group*");

the approval by the holders of our capital stock of any plan or proposal for our liquidation or dissolution, whether or not otherwise in compliance with the provisions of the indenture;

any person or Group, other than Caesars, any of our subsidiaries, or any employee benefit plan of Caesars or any of our subsidiaries, becomes the beneficial owner, directly or indirectly, of shares of our capital stock entitling such person or Group to exercise more than 50% of the aggregate ordinary voting power of all shares of our voting stock; or

the first day on which a majority of the members of our board of directors are not continuing directors.

The definition of "*change in control*" includes a phrase relating to the sale, lease, exchange or other transfer of "all or substantially all" of our properties and assets. Although there is a developing body of