PARK PLACE ENTERTAINMENT CORP
Form S-4
April 29, 2003

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As filed with the Securities and Exchange Commission on April 29, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

PARK PLACE ENTERTAINMENT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**7011**	**88-0400631**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification Number)

**3930 Howard Hughes Parkway
Las Vegas, Nevada 89109
(702) 699-5000**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive office)

**Bernard E. DeLury, Jr.
Senior Vice President,
Secretary and General Counsel
Park Place Entertainment Corporation
3930 Howard Hughes Parkway
Las Vegas, Nevada 89109
(702) 699-5000**

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

Copies of all communications to:

**Brian D. Kilb
Gibson, Dunn & Crutcher LLP
333 South Grand Avenue
Los Angeles, California 90071
(213) 229-7000**

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

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. **/ /**

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
7% Series B Senior Notes due 2013	$300,000,000	100%	$300,000,000	$24,270

(1) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457.

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

The information in this prospectus is not complete and may be changed. We may not sell or offer these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 29, 2003

PROSPECTUS

Offer to Exchange Our 7% Senior Notes due 2013, Which Have Been Registered Under the Securities Act of 1933, for Any and All of Our Outstanding 7% Senior Notes due 2013

The Exchange Notes

The terms of the notes Park Place Entertainment Corporation is issuing will be substantially identical to the outstanding notes that we issued on April 11, 2003, except for the elimination of some transfer restrictions, registration rights and liquidated damages provisions relating to the outstanding notes.

Interest on the notes will accrue at the rate of 7% per year, payable semi-annually on each April 15 and October 15, beginning October 15, 2003, and the notes will mature on April 15, 2013.

The notes will be general unsecured obligations of Park Place and will rank equally with our other existing and future senior unsecured indebtedness and senior to all our existing and future senior subordinated indebtedness. The notes will effectively rank junior to all liabilities of our subsidiaries.

We may redeem the notes at any time prior to their maturity at the redemption prices described more fully in this prospectus.

Material Terms of the Exchange Offer

The exchange offer expires at 5:00 p.m., New York City time, on , 2003, unless extended.

Our completion of the exchange offer is subject to customary conditions, which we may waive.

Upon our completion of the exchange offer, all outstanding notes that are validly tendered and not withdrawn will be exchanged for an equal principal amount of notes that are registered under the Securities Act of 1933, as amended.

Tenders of outstanding notes may be withdrawn at any time prior to the expiration of the exchange offer.

The exchange of registered notes for outstanding notes will not be a taxable exchange for U.S. Federal income tax purposes.

We will not receive any proceeds from the exchange offer.

For a discussion of factors that you should consider before participating in this exchange offer, see "Risk Factors" beginning on page 8 of this prospectus.

Neither the Securities and Exchange Commission, any state securities commission, the Nevada Gaming Commission, the Nevada State Gaming Control Board, the Mississippi Gaming Commission, the New Jersey Casino Control Commission, the Delaware State Lottery Office, the Indiana Gaming Commission, the Louisiana Gaming Control Board nor any other gaming authority, has passed on the adequacy or accuracy of this prospectus or the investment merits of the notes offered hereby. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2003.

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus as if we had authorized it. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which it relates, nor does this prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

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DOCUMENTS INCORPORATED BY REFERENCE

The Securities and Exchange Commission (the "Commission") allows us to "incorporate by reference" the information we file with it, which means that we can disclose important information to you by referring to those documents. The information incorporated by reference is an important part of this prospectus. Any statement contained in the documents filed with the Commission prior to the date of this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus modifies or supersedes the statement. Information that we file later with the Commission will automatically update the information incorporated by reference and the information in this prospectus.

We incorporate by reference the following documents we have filed with the Commission:

1. Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the Commission on March 28, 2003;

2. Proxy Statement for our Annual Meeting of Stockholders, as filed with the Commission on April 21, 2003; and

3. All documents filed by us with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the date of this prospectus and before termination of the offering.

You may request a free copy of any of the documents incorporated by reference in this prospectus, other than exhibits, unless they are specifically incorporated by reference, through our website at *www.parkplace.com,* or by writing or telephoning us at the following address:

Investor Relations
Park Place Entertainment Corporation
3930 Howard Hughes Parkway
Las Vegas, Nevada 89109
(702) 699-5000

To obtain timely delivery of documents incorporated by reference in this prospectus, you must request the information no later than five business days prior to the expiration of the exchange offer. The exchange offer will expire on , 2003, unless extended.

You should rely only on the information incorporated by reference or provided in this prospectus and any supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the dates on the front of these documents.

AVAILABLE INFORMATION

This prospectus is part of a registration statement on Form S-4 that we have filed with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This prospectus does not contain all of the information set forth in the registration statement. For further information about us and the notes, you should refer to the registration statement. This prospectus summarizes material provisions of contracts and other documents to which we refer you. Since this prospectus may not contain all of the information that you may find important, you should review the full text of these documents. We have filed these documents as exhibits to our registration statement.

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 Commission. The reports, proxy and information statements and other information may be inspected and copied at the public reference facilities of the Commission, 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 Commission by mail at prescribed rates. You should direct requests to the Commission's Public Reference Section, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the Commission 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 "PPE." 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. 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.parkplace.com*.

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.

FORWARD-LOOKING STATEMENTS

Certain information included in this prospectus and other materials filed or to be filed by us with the Commission (as well as information included in oral statements or other written statements made or to be made by us or our representatives) contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. 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 the financial condition, results of operations, future performance and business of the Company, including:

- Statements relating to our business strategy;
- Expectations as to the performance, operations or results of the Company and/or a specific property or region; and
- Our current and future developments 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 sources 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 reflected in these forward-looking statements are reasonable, any or all of the forward-looking statements in this prospectus, our Annual Report on Form 10-K 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 or other public communications 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 subsequent reports filed with the Commission on Forms 10-K, 10-Q and 8-K should be consulted. The following discussion of risks, uncertainties and possible inaccurate assumptions relevant to the Company's 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.

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

- The Company's operations are affected by changes in local and national general economic, political and market conditions in the locations where those operations are conducted and where customers live, including the consequences of any future security alerts and any hostilities between the United States and Iraq.

- The Company's operations could be adversely affected by a prolonged economic downturn or a prolonged engagement in Iraq.

- Our ability to meet our debt service obligations will depend on our future performance, which will be subject to many factors that are beyond our control.

- Our properties are adversely affected by disruptions in air travel and adverse weather.

- As described under "Competition," below, the Company operates 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 the Company operates, 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, which increased sharply in recent years, and Atlantic City, which is currently undergoing the addition of a new hotel casino may negatively affect our operating results. Additionally, the establishment of new large-scale gaming operations on Native American lands in the states of New York and California could adversely affect the operations of the Company's properties in Atlantic City and Nevada.

- As discussed under "Regulation and Licensing," below, the Company's gaming operations are highly regulated by governmental authorities. We will also become subject to regulation in any other jurisdiction where the Company conducts gaming in the future.

- Our properties face a variety of risks which 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 of our properties could be considered at risk for terrorist or other hostile acts. 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 of 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 Company's properties are large consumers of electricity and other energy. Accordingly, recent increases in energy costs may continue to have a negative impact on our operating results.

Additionally, higher energy and gasoline prices which 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 and legal challenges. Changes may be made in the scope of a project's budgets and 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.

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 that exist 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 gaming is conducted. From time to time, various state and federal legislators and officials have proposed changes in tax laws, or in the administration of the laws affecting the gaming industry. Most recently, the governors of New Jersey and Nevada have recently proposed increases in gaming and other taxes. If enacted, such taxes will impact our cash flows and could impact our ability to meet debt service requirements and, depending on the level of taxation, would materially 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. See the further discussion under "Business and Properties Legal Proceedings," below.

There is intense competition to attract and retain management and key employees in the gaming industry. Our business could be adversely affected in the event of the inability to recruit or retain key personnel.

While Park Place from time to time communicates with securities analysts, it is against our policy to disclose to them any material non-public information or other confidential business information. It should not be assumed that we agree with any statement or report issued by any analysts, irrespective of the content of the statement or report.

SUMMARY

The following summary highlights selected information from this document and may not contain all the information that may be important to you. You should read this entire prospectus, including the financial data and related notes and the documents incorporated by reference in this prospectus, before making an investment decision. The terms "Park Place," "we," "our," and "us," as used in this prospectus, refer to Park Place Entertainment Corporation and its subsidiaries and/or affiliates as a combined entity, except where it is clear that the terms mean only Park Place Entertainment Corporation. The term "old notes" refers to our outstanding 7% Senior Notes due 2013 that we issued on April 11, 2003 and that have not been registered under the Securities Act. The term "exchange notes" refers to the 7% Senior Notes due 2013 offered pursuant to this prospectus. The term "notes" refers to the old notes and the exchange notes, collectively.

Park Place Entertainment Corporation

Park Place Entertainment Corporation was formed when Hilton Hotels Corporation split its lodging and gaming operations into two separate companies on December 31, 1998. This was accomplished through a tax-free distribution of Hilton's gaming division to its stockholders. Subsequent to the distribution we merged with the Mississippi gaming operations of Grand Casinos, Inc. ("Grand"). In December 1999, we acquired all of the outstanding stock of Caesars World, Inc. and interests in several other gaming entities ("Caesars") from Starwood Hotels & Resorts Worldwide, Inc. We are currently the only gaming company with a significant presence in Nevada, New Jersey and Mississippi, the three largest state gaming markets in the United States.

The following table presents selected statistics about our properties. Except where noted we have a 100% ownership interest in each of these properties:

	As of December 31, 2002			
Name and Location	**Approximate Casino Square Footage(1)**	**Approximate Number of Slots**	**Approximate Number of Tables**	**Approximate Number of Rooms/Suites**
Domestic Casinos				
Western Region				
Caesars Palace	149,000	1,753	99	2,423
Paris Las Vegas	85,000	1,712	90	2,916
Bally's Las Vegas	83,000	1,545	65	2,814
Flamingo Las Vegas	77,000	2,133	92	3,565
Las Vegas Hilton	74,000	1,426	52	2,953
Caesars Tahoe(2)	42,000	1,064	58	440
Reno Hilton	109,000	1,450	54	2,003
Flamingo Laughlin	57,000	1,512	51	1,907
Eastern Region				
Bally's Atlantic City(3)	224,000	6,041	207	1,748
Caesars Atlantic City	125,000	3,416	127	1,140
Atlantic City Hilton	60,000	2,004	85	804
Dover Downs(4)	80,000	2,000		232
Mid-South Region				
Grand Casino Biloxi	137,000	2,809	87	975
Grand Casino Gulfport	85,000	2,172	71	1,001
Grand Casino Tunica	118,000	2,522	93	1,356
Sheraton Casino & Hotel	33,000	1,372	37	134
Bally's Casino Tunica	47,000	1,305	42	238
Caesars Indiana(5)	93,000	2,501	144	503
Bally's Casino New Orleans(6)	30,000	1,221	30	

International Region				
Conrad Jupiters Gold Coast(7)	84,000	1,348	103	603

Conrad International Treasury Casino Brisbane(7)	71,000	1,321	88	130
Conrad Punta del Este Resort and Casino(8)	45,000	562	74	302
Casino Nova Scotia Halifax(9)	32,000	743	41	352
Casino Nova Scotia Sydney(9)	16,000	378	11	
Casino Windsor(10)	100,000	3,309	83	389
Caesars Gauteng(11)	56,000	1,500	50	196
S.S. Crystal Harmony(12)	3,000	87	8	
S.S. Crystal Symphony(12)	4,000	115	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) Includes the Claridge Casino, which we purchased in June 2001, and which was merged into our subsidiary that owns Bally's Atlantic City beginning in 2003.

(4) We provide management services to the casino at the Dover Downs racetrack in Delaware.

(5) We manage Caesars Indiana and own an 82 percent interest in a joint venture that owns this property.

(6) As of February 26, 2003, we own 100 percent of this property. We previously had a 49.9 percent ownership interest in and managed this property.

(7) We provide management services to these properties.

(8) We have a 46.4 percent ownership interest in and manage this property.

(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 two cruise ships owned by Crystal Cruises, Inc. We expect to begin operating the casino on a third Crystal cruise ship in 2003. In enumerating our properties, we consider all of these casinos on cruise ships to be one property.

Summary of the Exchange Offer

The Exchange Offer	We are offering to exchange $1,000 principal amount of our exchange notes for each $1,000 principal amount of old notes. As of the date of this prospectus, $300 million in aggregate principal amount of old notes are outstanding. We have registered the exchange notes under the Securities Act and they are substantially identical to the old notes, except for the elimination of some transfer restrictions, registration rights and liquidated damages provisions relating to the old notes.
Accrued Interest on the Exchange Notes and the Old Notes	Interest on the exchange notes will accrue from the last interest payment date on which interest was paid on the old notes or, if no interest was paid on the old notes, from the date of issuance of the old notes, which was on April 11, 2003. Holders whose old notes are accepted for exchange will be deemed to have waived the right to receive any interest accrued on the old notes.
No Minimum Condition	We are not conditioning the exchange offer on the tender of any minimum principal amount of old notes.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2003, unless we decide to extend the exchange offer.
Withdrawal Rights	You may withdraw your tender at any time prior to 5:00 p.m., New York City time, on the expiration date.
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, which we may waive. We currently anticipate that each of the conditions will be satisfied and that we will not need to waive any conditions. We reserve the right to terminate or amend the exchange offer at any time before the expiration date if any such condition occurs. For additional information, see "The Exchange Offer Certain Conditions to the Exchange Offer."
Procedures for Tendering Old Notes	If you are a holder of old notes who wishes to accept the exchange offer, you must: complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, and mail or otherwise deliver the letter of transmittal, together with your old notes, to the exchange agent at the address set forth under "The Exchange Offer Exchange Agent"; or arrange for The Depository Trust Company to transmit certain required information, including an agent's message forming part of a book-entry transfer in which you agree to be bound by the terms of the letter of transmittal, to the exchange agent in connection with a book-entry transfer.

By tendering your old notes in either manner, you will be representing among other things, that:

the exchange notes you receive pursuant to the exchange offer are being acquired in the ordinary course of your business;

you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the exchange notes issued to you in the exchange offer; and

you are not an "affiliate" of ours.

Special Procedures for Beneficial Owners	If you beneficially own old notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes in the exchange offer, you should contact the registered holder promptly and instruct it to tender on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your old notes, either arrange to have your old notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.
Guaranteed Delivery Procedures	If you wish to tender your old notes and time will not permit your required documents to reach the exchange agent by the expiration date, or the procedures for book-entry transfer cannot be completed on time, you may tender your old notes according to the guaranteed delivery procedures described in "The Exchange Offer Procedures for Tendering Old Notes."
Acceptance of Old Notes and Delivery of Exchange	We will accept for exchange all old notes which are properly tendered in the exchange offer prior to 5:00 p.m., New York City time, on the expiration date. The exchange notes issued in the exchange offer will be delivered promptly following the expiration date. For additional information, see "The Exchange Offer Acceptance of Old Notes for Exchange; Delivery of Exchange Notes."
Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes in the exchange offer. We will pay for our expenses incident to the exchange offer.
Federal Income Tax Consequences	The exchange of exchange notes for old notes in the exchange offer will not be a taxable event for federal income tax purposes. For additional information, see "Material Federal Income Tax Consequences of the Exchange."

Effect on Holders of Old Notes	As a result of this exchange offer, we will have fulfilled a covenant contained in the registration rights agreement dated as of April 11, 2003 among Park Place Entertainment Corporation and Banc of America Securities LLC and each of the other initial purchasers named in the agreement and, accordingly, there will be no increase in the interest rate on the old notes. If you do not tender your old notes in the exchange offer:

you will continue to hold the old notes and will be entitled to all the rights and limitations applicable to the old notes under the indenture governing the notes, except for any rights under the registration rights agreement that terminate as a result of the completion of the exchange offer; and

you will not have any further registration or exchange rights and your old notes will continue to be subject to restrictions on transfer. Accordingly, the trading market for untendered old notes could be adversely affected.

Exchange Agent	U.S. Bank National Association is serving as exchange agent in connection with the exchange offer.

Summary of the Exchange Notes

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Exchange Notes" section of this prospectus contains a more detailed description of the terms and conditions of the exchange notes.

Issuer	Park Place Entertainment Corporation.
Total Amount of Exchange Notes Offered	Up to $300,000,000 aggregate principal amount of 7% senior notes due 2013.
Maturity	April 15, 2013.
Interest	Annual rate: 7%. Payment frequency: every six months on April 15 and October 15. First payment: October 15, 2003.
Ranking	The exchange notes are our unsecured obligations. The exchange notes will rank senior to all of our subordinated debt and equally with all of our existing and future senior debt. The exchange notes will effectively rank junior to all liabilities of our subsidiaries. As of December 31, 2002, after giving effect to the offering of the old notes, we would have had $4.9 billion of total indebtedness, of which $2.6 billion would have been indebtedness ranking *pari passu* with the exchange notes, and approximately $5 million would have been indebtedness of our subsidiaries, which would effectively rank senior to the exchange notes.
Optional Redemption	We may redeem the exchange notes at any time at a redemption price equal to 100% of their principal amount plus a "make-whole" premium as described in the "Description of the Exchange Notes" section under the subheading "Optional Redemption," plus accrued and unpaid interest to the date of redemption.
Special Redemption	The exchange notes are subject to redemption requirements imposed by gaming laws and regulations of the state of Nevada and other gaming authorities in jurisdictions where we have operations. See "Description of the Exchange Notes Mandatory Disposition Pursuant to Gaming Laws."
Certain Covenants	The indenture governing the exchange notes will, among other things, limit our and our subsidiaries' ability to: enter into sale and lease-back transactions; incur liens on our assets to secure debt; merge or consolidate with another company; and transfer all or substantially all of our assets. These covenants are subject to a number of important qualifications and exceptions which are described in the "Description of the Exchange Notes" section under the heading "Additional Covenants of Park Place" in this prospectus.
Use of Proceeds	We will not receive any cash proceeds from the exchange offer.
Risk Factors	See "Risk Factors" for a discussion of the factors you should carefully consider before deciding to invest in the notes.

Summary Selected Historical Financial Information

We have derived the following historical information from our audited financial statements for 1998 through 2002.

	Fiscal Years Ended or as of December 31,				
	2002	2001	2000	1999	1998
	(dollars in millions, except per share amounts)				
Results of Operations(1):					
Total revenue(2)	$ 4,652	$ 4,581	$ 4,596	$ 3,001	$ 2,179
Total operating income	570	407	696	399	302
Income (loss) before cumulative effect of accounting change(3)	155	(24)	143	138	109
Income (loss) before cumulative effect of accounting change per share					
Basic	$ 0.51	$ (0.08)	$ 0.48	$ 0.46	$ 0.42
Diluted	$ 0.51	$ (0.08)	$ 0.46	$ 0.45	$ 0.42
Other Operating Data:					
Net cash provided by (used in)					
Operating activities	$ 706	$ 638	$ 763	$ 521	$ 318
Investing activities	(275)	(538)	(435)	(3,610)	(584)
Financing activities	(408)	(93)	(353)	3,053	449
Balance Sheet:					
Cash and equivalents	$ 351	$ 328	$ 321	$ 346	$ 382
Total assets	9,674	10,808	10,995	11,151	7,174
Total debt	4,910	5,308	5,398	5,624	2,472
Total stockholders' equity	2,957	3,767	3,784	3,740	3,608

(1) Operating results are significantly affected by the acquisition of the Grand Casino Mississippi properties (immediately following the spin-off of Park Place from Hilton) in December 1998 and the acquisition of Caesars World, Inc. in December 1999.

(2) During 2002, the Company reclassified equity in earnings of unconsolidated affiliates from other revenues to a separate component within operating income. Prior years have been reclassified to conform to the new presentation. This reclassification had no impact on previously reported operating income or net income (loss).

(3) Excludes charges for the cumulative effect of an accounting change of $979 million related to goodwill in 2002 and $2 million related to pre-opening expense in 1999. In accordance with the adoption of SFAS No. 142, on January 1, 2002, the Company no longer amortizes goodwill.

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.

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

At December 31, 2002, after giving effect to this offering, we had total consolidated indebtedness of approximately $4.9 billion, of which $2.6 billion would rank *pari passu* with the notes, and stockholders' equity of approximately $3.0 billion. After giving effect to this offering and the application of the use of proceeds, as of December 31, 2002, we would have had $1.1 billion outstanding under our $2.7 billion revolving credit facilities.

The notes will 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. In addition, our ability to borrow funds under our revolving 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 or that future borrowings will be available to us under our revolving 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 of our consolidated operations and own substantially all of our consolidated assets. Consequently, our cash flow and our ability to pay our debts depends 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 will 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 December 31, 2002, our subsidiaries had approximately $5 million of debt. The indenture governing the notes will not limit the ability of our subsidiaries to incur additional debt.

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

You are required to dispose of your notes or redeem your notes 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 Exchange Notes Mandatory Disposition Pursuant to Gaming Laws."

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 could have a negative impact on our business in that market.

A new 2,000-room hotel casino is currently under construction in Atlantic City, New Jersey with an announced completion date of Summer 2003. 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 is considering 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%. 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.

Several of our competitors in Las Vegas, Nevada are currently expanding their operations with additional hotel towers, which, if completed, will add a significant number of new hotel rooms to the Las Vegas market. In addition, another competitor is constructing a new 2,700-room hotel casino expected to be completed in April 2005.

Our businesses may be adversely impacted (i) by the additional gaming and room capacity generated by this increased competition in Las Vegas and Atlantic City and/or (ii) by other projects not yet announced in any of the other markets. In addition, our operations in Laughlin, Nevada and Northern Nevada have been adversely impacted and will continue to be adversely impacted by 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 Indian casinos in the State of New York three in Western New York and three in the Catskill Region and approved the use of video lottery terminals at racetracks and authorized the participation of New York

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State in a multi-state lottery. 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 significantly 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 video lottery terminals 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.

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") 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 which 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 2004. 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. 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 has been challenged. See also "Business and Properties Legal Proceedings Mohawk Litigation."

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.

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. For example, we have estimated

that if a new tax measure proposed by the Governor of New Jersey on February 4, 2003 is adopted in its current form, our current New Jersey tax burden of more than $200 million would increase by approximately $45 million a year, an increase of nearly 25 percent. We cannot predict whether this proposal or other 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 and the uncertainty of the outcome and duration of the war, as well as other factors affecting discretionary consumer spending, 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. The significant reduction in both business and leisure air travel following the 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 which 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.

On March 19, 2003, the United States and coalition forces commenced a war with Iraq. Due to travel advisories, the increased threat of terrorism both domestically and internationally, and concern of the war's affect on the domestic and international economies, the travel and tourism industries may be affected. The outcome and duration of this war are uncertain and could have a negative impact on our future operating results.

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.

An active trading market may not develop for these notes.

Prior to this offering, there was no public market for the notes. We have been informed by the initial purchasers that they intend to make a market in the notes after we complete this offering. However, the initial purchasers 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 exchange of the exchange notes for the old notes pursuant to the exchange offer. We used the aggregate net proceeds from the offering of the old notes, which were approximately $297 million, after deducting fees and expenses associated with the offering, to repay a portion of the outstanding debt under our existing revolving credit facilities. As of December 31, 2002, we had approximately $1.4 billion outstanding under our revolving credit facilities bearing an average interest rate of 2.52%.

CAPITALIZATION

The following table sets forth our cash and equivalents and capitalization at December 31, 2002:

- on a historical basis; and
- as adjusted after giving effect to the offering of the old notes and the application of the aggregate net proceeds therefrom.

You should read this information together with "Use of Proceeds" and the audited consolidated financial statements and related notes appearing elsewhere in this prospectus.

	December 31, 2002	
	Actual	As Adjusted
	($ in millions)	
Cash and Equivalents	$ 351	$ 351
Current Maturities of Long-Term Debt	$ 325	$ 325

	December 31, 2002	
Long-Term Debt:		
Revolving credit facilities(a)	$ 1,435	$ 1,138
7.95% senior notes due 2003	300	300
7.0% senior notes due 2004(b)	325	325
8.5% senior notes due 2006	397	397
7.5% senior notes due 2009	425	425
7.0% senior notes due 2013		300
7.875% senior subordinated notes due 2005	400	400
9.375% senior subordinated notes due 2007	500	500
8.875% senior subordinated notes due 2008	400	400
7.875% senior subordinated notes due 2010	375	375
8.125% senior subordinated notes due 2011	348	348
Other	5	5
Total Long-Term Debt	4,910	4,913
Less current maturities of long-term debt	325	325
Total long-term debt, net of current maturities	4,585	4,588
Total Stockholders' Equity	2,957	2,957
Total Capitalization	$ 7,542	$ 7,545

(a) We have two principal credit facilities. The first is a 364-day revolving facility expiring in August 2003 with total availability to us of $700 million. The second facility is a $2.0 billion multi-year facility, which matures December 2003, with a $1.4 billion two-year extension upon expiration or voluntary termination of the existing multi-year facility.

(b) In connection with our spin-off from Hilton, we assumed the payment obligations with respect to this outstanding Hilton note.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with the financial statements, including the related notes, the other financial information in this prospectus, and the risks involved in investing in the notes described in the "Risk Factors" section.

Results of Operations

Our results of operations include the following properties whose operations are fully consolidated except as noted:

Western Region	Eastern Region	Mid-South Region	International Region
Caesars Palace	Bally's Atlantic City(1)	Grand Casino Biloxi	Casino Nova
Paris Las Vegas	Caesars Atlantic City	Grand Casino Gulfport	Scotia-Halifax
Bally's Las Vegas	Atlantic City Hilton	Grand Casino Tunica	Casino Nova

Western Region	Eastern Region	Mid-South Region	International Region
Flamingo Las Vegas	Dover Downs(2)	Sheraton Casino Hotel	Scotia-Sydney
Las Vegas Hilton		Bally's Casino Tunica	Conrad Punta del Este(3)
Caesars Tahoe		Caesars Indiana	Casino Windsor(4)
Reno Hilton		Bally's Casino New Orleans	Caesars Gauteng(3)
Flamingo Laughlin			Conrad Jupiters(2)
			Conrad Treasury(2)
			Caesars Palace at Sea

(1) In December 2002, the New Jersey Casino Control Commission approved the merger of the Claridge Casino and Bally's Atlantic City.

(2) These are properties from which our sole source of income is management fees.

(3) These are properties which we manage and in which we have a 50 percent or less ownership interest. They are accounted for using the equity method. We exercise significant influence over these properties due to our ownership percentages, board representation and management agreements.

(4) This is a property in which we own 50 percent of a company that manages the hotel/casino complex and our investment in that management company is accounted for under the equity method.

Comparison of December 31, 2002 with December 31, 2001

A summary of our consolidated net revenue and earnings for the years ended December 31, 2002 and 2001 is as follows (dollars in millions, except per share amounts):

	2002	2001
Net revenue	$ 4,652	$ 4,581
Operating income	570	407
Income (loss) before cumulative effect of accounting change	155	(24)
Cumulative effect of accounting change goodwill	(979)	
Net loss	(824)	(24)
Basic and diluted earnings (loss) per share before cumulative effect of accounting change	0.51	(0.08)
Basic loss per share	(2.74)	(0.08)
Diluted loss per share	(2.71)	(0.08)
Other operating data:		
Cash provided by operating activities	$ 706	$ 638
Cash used in investing activities	(275)	(538)
Cash used in financing activities	(408)	(93)

We are in the business of operating casino/hotels. Our primary sources of revenue consist of casino operations, room rental, and food and beverage sales.

Casino revenue is derived primarily from patrons wagering on slot machines, table games and other gaming activities. Table games generally include Blackjack or Twenty One, Craps, Baccarat and Roulette. Other gaming activities include Keno, Poker and Race and Sports. Casino revenue is defined as the win from gaming activities, computed as the difference between gaming wins and losses, not the total amounts wagered. "Table game volume," "table game drop" (terms which are used interchangeably), and "slot handle" are casino industry specific terms that are used to identify the amount wagered by patrons for a casino table game or slot machine, respectively. "Table game hold" and "slot hold" represent the percentage of the total amount wagered by patrons that the casino has won. Hold is derived by dividing the amount won by the casino by the amount wagered by patrons. Casino revenue is recognized at the end of each gaming day.

Room revenues are derived from rooms and suites rented to guests. "Average daily rate" is an industry specific term used to define the average amount of revenue per rented room per day. "Occupancy percentage" defines the total percentage of rooms occupied, and is computed by dividing the number of rooms occupied by the total number of rooms available. Room revenue is recognized at the time the room is provided to the guest.

Food and beverage revenues are derived from food and beverage sales in the food outlets of our casino/hotels, including restaurants, room service and banquets. Food and beverage revenue is recognized at the time the food and/or beverage is provided to the guest.

We recorded income before a cumulative effect of accounting change of $155 million and diluted earnings per share of $0.51 for the year ended December 31, 2002 compared with a net loss of $24 million and diluted loss per share of $0.08 for the year ended December 31, 2001. With the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," we recognized an impairment charge of $979 million as a cumulative effect of an accounting change in the first quarter of 2002 (See Note 3 to the Consolidated Financial Statements for additional information). Including the cumulative effect of accounting change, we reported a net loss of $824 million or a diluted loss per share of $2.71 for the year ended December 31, 2002. The current year also includes a $7.5 million charge related to the voluntary cancellation of an energy contract with Enron Corporation; $2.5 million in damage costs caused by tropical storms to our Gulf Coast properties; $9 million in costs related to settling employment agreements with our former chief executive officer, who resigned in November 2002; a $43 million charge for the buyout of our partner, Metro Riverboat Associates, settlement of all outstanding litigation involving the partnership and the revaluation of the Bally's Casino New Orleans; and $4 million related to the settlement of litigation related to the failed agreement to sell the Las Vegas Hilton in 2000. Additionally, we recorded a gain of $44 million related to the sale of our equity interest in Jupiters Limited. The prior year results were negatively impacted by write-downs totaling $175 million associated with the Las Vegas Hilton asset impairment, the loss on sale of the Flamingo Reno, and the write-down of our investment in the Aladdin Gaming Holdings, LLC senior discount notes. In addition, prior year revenues declined significantly from year 2000 levels due to the impact on travel and leisure spending resulting from the events of September 11, 2001.

Our adoption of SFAS No. 142, on January 1, 2002, requires that we no longer amortize goodwill. Results for the year ended December 31, 2001 include $50 million of goodwill amortization. For comparative purposes, the net income for the year ended December 31, 2001 would have been $26 million, or diluted earnings per share of $0.09, excluding this goodwill amortization.

Casino

Consolidated casino revenues increased $66 million to $3.337 billion for the year ended December 31, 2002, compared to $3.271 billion for the year ended December 31, 2001. The Mid-South Region contributed $47 million of this increase primarily due to increased revenues at Caesars Indiana. The revenue increase at Caesars Indiana is due to increased volume in tables and slots related to the initiation of dockside gaming on August 1, 2002, and the benefit of the 500-room luxury hotel which opened in August 2001. The Eastern Region had a $90 million increase in casino revenues over the prior year due to increased slot and table win

at Bally's Atlantic City and Caesars Atlantic City. The Eastern Region results were also favorably impacted by having a full year of operations of the Claridge Casino which we acquired in June 2001. Those increases were offset by a $69 million decrease in casino revenue in the Western Region. This decline principally relates to reduced table and slot volumes at Caesars Palace, which continues to be negatively impacted by construction disruptions. The elimination of the revenues from the Flamingo Reno, which was sold in the fourth quarter of 2001, represented $22 million of the reduction of casino revenues for the Western Region in 2002.

Our consolidated casino operating margin increased to 47.7 percent for the year ended December 31, 2002 compared to 46.1 percent for the year ended December 31, 2001. The increase in casino margin was primarily attributable to our cost reduction program as well as the negative affects of September 11, 2001 on the prior year results.

Rooms

	Average Daily Rate	Occupancy Percentage
	Year ended December 31,	Year ended December 31,

	Average Daily Rate				Occupancy Percentage	
	2002		2001		2002	2001
Western Region	$	90	$	90	89%	89%
Eastern Region	$	88	$	91	97%	97%
Mid-South Region	$	59	$	57	89%	90%
International Region	$	78	$	82	68%	68%

Consolidated room revenues decreased $3 million to $551 million for the year ended December 31, 2002 compared to $554 million recorded for the year ended December 31, 2001. The decrease is mainly attributable to the Western Region where room revenue decreased due to lower occupancy and average daily rate at the Las Vegas Hilton and the disposition of the Flamingo Reno in the fourth quarter of 2001. Those decreases in the Western Region were partially offset by the increased room revenue at Paris Las Vegas and Bally's Las Vegas. The Mid-South Region offset the decreases in the Western Region with additional room revenues from Caesars Indiana which opened its hotel in August 2001.

Our consolidated room operating margin for the year ended December 31, 2002 was 66.4 percent compared to 66.6 percent for the year ended December 31, 2001.

Food and Beverage

Consolidated food and beverage revenues increased $13 million to $465 million for the year ended December 31, 2002. The increase is attributable to a $6 million increase in the Western Region, a $3 million increase in the Eastern Region, and a $4 million increase in the Mid-South Region. The Western Region experienced increased revenue compared to the prior year which included the negative effects of the events of September 11, 2001. The Eastern Region increase is primarily attributable to the inclusion of a full year of Claridge Casino operations. In the Mid-South region, Caesars Indiana increased its food and beverage revenues by $3 million, a 32.2 percent over the prior year due to increased guest volumes and convention sales as a result of dockside gaming and the opening of its hotel.

Other

Consolidated other revenues include retail sales, entertainment sales, telephone, management fee income and other miscellaneous income at our casino/hotels.

Consolidated other revenues decreased slightly to $299 million for the year ended December 31, 2002 as compared to $304 million for the year ended December 31, 2001. The decrease is principally due to decreased revenues at Caesars Palace, the disposition of the Flamingo Reno in the fourth quarter of 2001, and

reduced management fee income at the Conrad Punta del Este Resort and Casino in Uruguay. Those decreases were offset by an increase in entertainment revenues at Paris Las Vegas and Bally's Las Vegas.

Consolidated other expenses include costs associated with selling, general, administrative, property operations, retail, entertainment, telephone and other miscellaneous costs at our casino hotels. Consolidated other expenses increased $17 million for the year ended December 31, 2002 compared to the year ended December 31, 2001. The increase for the year ended December 31, 2002 was mainly attributable to a full year of operations of the Claridge Casino, as well as increases in other expenses such as insurance and real estate taxes.

Depreciation and Amortization

Consolidated depreciation and amortization expense decreased to $470 million for the year ended December 31, 2002 compared to $526 million for comparable period of 2001. This decrease was primarily due to goodwill amortization of $50 million for the year ended December 31, 2001, that we no longer recognize in accordance with SFAS No. 142. Depreciation for the year ended December 31, 2002 also decreased due to the asset write-down of the Las Vegas Hilton in the third quarter of 2001.

Impairment Losses and Other, Net

In September 2002, we recognized a $7.5 million charge related to the voluntary termination of an energy contract with Enron Corporation. We expect that this charge will be more than offset by future energy cost savings. Also in September 2002, tropical storms in the Gulf Coast caused $2.5 million in damage to the Grand Biloxi and Grand Gulfport properties. The losses do not exceed the deductibles under our various insurance policies.

In November 2002, our then President and Chief Executive Officer resigned. In fulfillment of obligations outlined in this executive's employment contract, which expires December 2005, we recognized a charge of approximately $9 million for salary and bonus commitments and certain other benefits.

In December 2002, we settled certain litigation regarding the Belle of Orleans, L.L.C. (the "Belle"), which is further described in "Business and Properties Legal Proceedings." The settlement provided for a cash payment of $21 million by our subsidiary, Bally's Louisiana, Inc., to purchase the equity of the Belle which it did not own and to dismiss all of the litigation with prejudice. In connection with this transaction, we recorded a $43 million charge for the buyout of our partner, Metro Riverboat Associates, the settlement of all outstanding litigation involving the partnership and the revaluation of the property. On February 5, 2003, the settlement and transfer were approved by the Louisiana Gaming Control Board. The transaction was completed in February 2003.

In July 2000, we entered into an agreement to sell the Las Vegas Hilton to Las Vegas Convention Hotel, LLC, which transaction was not completed on the date set for closing. Each party filed various complaints against the other due to the failure to close the transaction. In February 2003, the parties agreed to settle in their entirety all matters which were the subject of such litigation. Pursuant to the settlement agreement, we returned all deposits made by Las Vegas Convention Hotel, LLC and recorded a $4 million charge in the fourth quarter of 2002 related to this settlement. See Note 14 to the Consolidated Financial Statements for additional information.

During the third quarter of 2001, the Company recognized impairment losses on the Las Vegas Hilton and the sale of the Flamingo Reno totaling $143 million. See Note 14 to the Consolidated Financial Statements for additional information.

Corporate Expense

Corporate expense increased $12 million to $69 million for the year ended December 31, 2002 due primarily to the addition of programs and key personnel in the E-commerce, public relations, human resources and development departments.

Equity in Earnings of Unconsolidated Affiliates

Beginning with the third quarter of 2002, we reclassified our presentation of equity in earnings from unconsolidated affiliates. We previously reported equity in earnings of unconsolidated affiliates as a component of other revenues. We now report the results of our unconsolidated affiliates as a separate component of operating income on our consolidated statements of operations under a separate caption titled "Equity in Earnings of Unconsolidated Affiliates." This reclassification has no impact on operating income, net income (loss), or earnings (loss) per share as reflected on our consolidated statements of operations and no impact on our consolidated balance sheets or statements of cash flows. Prior periods have been reclassified to conform to the classification adopted in 2002.

The decrease in equity in earnings of unconsolidated affiliates for the year ended December 31, 2002, primarily relates to the sale of our equity interest in Jupiters Limited in April 2002. For the year ended December 31, 2001, we recognized $20 million in equity in earnings from Jupiters Limited as compared to $8 million in equity in earnings from Jupiters Limited during 2002 up to the date of the sale in April 2002. In addition, Casino Windsor and Conrad Punta del Este Resort and Casino experienced significantly reduced volumes in both table and slot play. Casino Windsor continues to be negatively affected by competition from the casinos in Detroit as well as by a decline in cross-border traffic that began after September 11, 2001. The Punta del Este property has been affected by the economic decline in Argentina and Brazil, from which the property draws most of its customers.

Net Interest Expense

Consolidated net interest expense decreased $35 million to $350 million for the year ended December 31, 2002 compared to the year ended December 31, 2001. The decrease in net interest expense was due primarily to a decline in the rates paid on variable-rate debt which is based on LIBOR and a reduction in average long-term debt outstanding. During 2002, we reduced our total debt balance by $398 million. Capitalized interest for the years ended December 31, 2002 and 2001 was $9 million and $13 million, respectively.

Investment Gain (Loss)

In April 2002, we sold our 19.9 percent equity interest in Jupiters Limited, received total gross proceeds of approximately $120 million and recorded an investment gain of $44 million. Although we have sold our equity interest in Jupiters Limited, we continue to manage Jupiters' two Queensland casino hotels.

During the third quarter of 2001, the Company recognized impairment losses on investments totaling $32 million primarily related to senior discount notes of Aladdin Gaming Holdings, LLC. See Note 5 to the Consolidated Financial Statements for additional information.

Income Taxes

The effective income tax rate for the year ended December 31, 2002 was 38.6 percent. Our effective income tax rate was favorably impacted by an effective rate lower than the statutory rate on the gain from the sale of our equity interest in Jupiters Limited and goodwill no longer being amortized in accordance with SFAS No. 142. Despite posting a pretax loss in 2001, we incurred tax expense of $12 million primarily due to non-deductible amortization of goodwill. The effective tax rates were impacted by the net losses experienced during these periods compounded by the non-deductible amortization of goodwill in 2001. Our effective income tax rate is determined by the level and composition of pretax income subject to varying federal, foreign, state, and local taxes.

Comparison of December 31, 2001 with December 31, 2000

A summary of our consolidated net revenue and earnings for the years ended December 31, 2001 and 2000 is as follows (dollars in millions, except per share amounts):

	2001	2000
Net revenue	$ 4,581	$ 4,596
Operating income	407	696
Net income (loss)	(24)	143
Basic earnings (loss) per share	(0.08)	0.48
Diluted earnings (loss) per share	(0.08)	0.46
Other operating data:		
Net cash provided by operating activities	638	763
Net cash used in investing activities	(538)	(435)
Net cash used in financing activities	(93)	(353)

For the year ended December 31, 2001, we recorded a net loss of $24 million or a diluted loss per share of $0.08 compared to net income of $143 million or diluted earnings per share of $0.46 for the year ended December 31, 2000. Our 2001 results were negatively impacted by asset write-downs and investment losses totaling $175 million consisting of a $124 million impairment loss on the Las Vegas Hilton, a $19 million impairment loss on sale of the Flamingo Reno, and investment losses totaling $32 million primarily related to senior discount notes of Aladdin Gaming Holdings, LLC. In addition, earnings declined significantly, especially in the Las Vegas market, due to the impact on travel and leisure spending resulting from the September 11, 2001 terrorist attacks. Results for 2000 were impacted by net impairment and other losses totaling $45 million consisting of an impairment loss of $55 million on the planned sale of the Las Vegas Hilton, a gain of $18 million on the sale of the Flamingo Kansas City Riverboat Casino, a gain of $7 million on the sale of certain trademark rights associated with the Bally name, and costs of $15 million related to fulfilling employment contract obligations with our deceased former president and chief executive officer.

Casino

Casino revenues increased $29 million to $3.271 billion for the year ended December 31, 2001 when compared to $3.242 billion for the year ended December 31, 2000. The Western Region experienced a decrease in casino revenues offset by an increase in Atlantic City primarily attributable to the addition of the Claridge Casino, which we acquired in June 2001. The terrorist attacks of September 11th negatively impacted an already slowing economy and disrupted air travel, which is the primary source of transportation for our Las Vegas guests. The Mid-South Region also experienced a decrease in casino revenues when compared to 2000. Casino revenue improvements at Caesars Indiana were offset by continued competitive pressures in the Tunica market and unfavorable results in Biloxi.

Our consolidated casino operating margin was 46.1 percent for the year ended December 31, 2001 compared to 48.9 percent for the year ended December 31, 2000. The decrease in operating margin was primarily attributable to the decreased casino revenues experienced by most properties after the events of September 11.

Rooms

	Average Daily Rate		Occupancy Percentage	
	Year ended December 31,		Year ended December 31,	
	2001	2000	2001	2000
Western Region	$ 90	$ 89	89%	92%
Eastern Region	$ 91	$ 94	97%	96%
Mid-South Region	$ 57	$ 53	90%	91%
International Region	$ 82	$ 89	68%	68%

Consolidated room revenues decreased $14 million to $554 million for the year ended December 31, 2001 compared to $568 million for the year ended December 31, 2000. The terrorist attacks on September 11th caused significantly lower visitation during the second half of 2001 which resulted in a decrease in room revenues across our regions especially in Las Vegas. The Western Region's year-over-year decline in occupancy in the third and fourth quarters of 2001 overshadowed the steady performance during the first two quarters of 2001. The average room rate in the Eastern Region decreased to $91 in 2001 from $94 in 2000 while occupancy improved to 97 percent from 96 percent. Additionally, the Eastern Region benefited from the acquisition of the Claridge Casino in June 2001, providing an offset to the room revenue decreases throughout the rest of the region. Room revenues for the Mid-South Region decreased slightly for the year ended 2001. Both Grand Biloxi and Grand Tunica experienced decreases in room revenues, offset by the room revenues from the 500 room hotel at Caesars Indiana which opened in August 2001. The average room rate for the Mid-South Region was $57 and occupancy was 90 percent for 2001 compared to an average room rate of $53 and occupancy of 91 percent for 2000. The impact of the September 11th terrorist attacks had a significant effect on our operating results in the Mid-South immediately following the attacks. By the end of the fourth quarter of 2001, operations at our Mid-South properties had returned to near pre-September 11th levels.

Our consolidated room operating margin for the year ended December 31, 2001 was 66.6 percent compared to 67.3 percent for the year ended December 31, 2000.

Food and Beverage

Consolidated food and beverage revenues decreased $8 million to $452 million for the year ended December 31, 2001. All regions, with the exception of the Eastern Region, experienced a decrease in food and beverage revenues. Decreases were attributable to the decline in visitation following the terrorist attacks of September 11th. The increase in the Eastern Region was primarily related to the addition of the Claridge Casino, which we acquired in June 2001. Caesars Indiana increased its food and beverage revenues with the addition of a new hotel which resulted in increased visitation.

Other

Consolidated other revenues include retail sales, entertainment sales, telephone, management fee income, and other miscellaneous income at our casino hotels.

Consolidated other revenues decreased $22 million to $304 million for the year ended December 31, 2001 compared to $326 million for the year ended December 31, 2000. The decreases experienced are primarily attributable to decreased management fees from Conrad Punta del Este Resort and Casino. Additionally, the Western Region showed a decrease in other revenues, as all Las Vegas properties experienced revenue decreases due to the attacks of September 11th.

Depreciation and Amortization

Depreciation and amortization increased $30 million to $526 million in 2001. The increase includes the impact from the continual upgrading of our properties as well as new capital projects, including the hotel at Caesars Indiana and the pool villas and high-limit gaming areas at Caesars Palace. In addition, depreciation and amortization for the year 2000 was lower than normal because of the elimination of depreciation on the Las Vegas Hilton for the second half of the year while it was being held for sale. As of the January 1, 2001, depreciation resumed as the sale of the Las Vegas Hilton did not occur, and the property was no longer held for sale.

Impairment Losses and Other, Net

During 2001, we recognized impairment losses on the Las Vegas Hilton and the sale of the Flamingo Reno totaling $143 million. During 2000, we recognized net impairment and other losses totaling $45 million

consisting of an impairment loss of $55 million on the planned sale of the Las Vegas Hilton, a gain of $18 million on the sale of the Flamingo Kansas City Riverboat Casino, a gain of $7 million on the sale of certain trademark rights associated with the Bally name, and costs of $15 million related to fulfilling employment contract obligations with our deceased former president and chief executive officer. See Note 14 of the Notes to the Consolidated Financial Statements for additional information.

Corporate Expense

Corporate expense increased $8 million to $57 million for the year ended December 31, 2001. The consolidation of corporate functions to the Las Vegas headquarters office and the addition of programs and key personnel were the primary components of the increase.

Equity in Earnings of Unconsolidated Affiliates

Beginning in 2002, we reclassified our presentation of equity in earnings from unconsolidated affiliates. We previously reported equity in earnings of unconsolidated affiliates as a component of other revenues. We now report the results of our unconsolidated affiliates as a separate component of operating income on our consolidated statements of operations under a separate caption titled "Equity in Earnings of Unconsolidated Affiliates." This reclassification has no impact on operating income, net income (loss), or earnings (loss) per share as reflected on our consolidated statements of operations and no impact on our consolidated balance sheets or statements of cash flows. Prior periods have been reclassified to conform to the classification adopted in 2002.

The decrease in equity in earnings of unconsolidated affiliates for the year ended December 31, 2001, primarily relates to the fourth quarter 2001 decline in revenues at the International properties resulting from travel reductions and restrictions and lower visitation to Canadian-based casinos due to tighter border controls after the terrorist attacks on September 11th, the political and economic turmoil in Argentina (one of the principal feeder markets for our casino in Uruguay) and the impact of adverse currency translation.

In April 2002, we sold our 19.9 equity interest in Jupiters Limited and recorded a gain of $44 million. Although we have sold our equity in Jupiter Limited, we will continue to manage Jupiters' two Queensland casino hotels.

Net Interest Expense

Consolidated net interest expense decreased $46 million to $385 million for 2001 compared to 2000. The decrease in net interest expense was due primarily to a decline in the rates paid on variable-rate debt and a reduction in average long-term debt outstanding, partially offset by changes in the mix of fixed-rate and variable-rate debt. During 2001, we issued $775 million of fixed-rate debt and used the proceeds to pay down variable-rate debt under our credit facilities. During 2001, we reduced outstanding debt by $90 million utilizing a portion of our operating cash flows. Capitalized interest in 2001 was $13 million compared to $7 million in 2000.

Investment Loss

During the third quarter of 2001, we recognized impairment losses on investments totaling $32 million primarily related to senior discount notes of Aladdin Gaming Holdings, LLC. (See Note 5 of the Notes to Consolidated Financial Statements for additional information.)

Income Taxes

Despite posting a pretax loss in 2001, we incurred tax expense of $12 million primarily due to the non-deductible amortization of goodwill. The effective income tax rate for 2000 was 45.7 percent. Our effective income tax rate is determined by the level and composition of pretax income subject to varying federal, foreign, state, and local taxes and exceeds the federal statutory rate due primarily to non-deductible amortization of goodwill.

Financial Condition

Liquidity

As of December 31, 2002, we had cash and cash equivalents of $351 million which is primarily cash in our casinos used to fund our daily operations. Net cash provided by operating activities was $706 million in 2002 and $638 million in 2001. We had availability under our credit facilities of $1.3 billion at December 31, 2002, subject to continuing compliance with existing covenant restrictions. We expect to finance our operations and capital expenditures through cash flow from operations, existing cash balances, borrowings under our credit facilities, and new issuances of debt securities. Cash flows from operations would be negatively impacted if our casino operations were affected by a downturn in the economy, increase in revenue or wagering taxes, acts of terrorism, war or other factors. If this were to occur, we would be required to adjust our capital spending plans as described below. We have two principal credit facilities. The first is a 364-day revolving credit facility expiring in August 2003 with total availability to us of $700 million. No amounts were outstanding under the 364-day facility at December 31, 2002. The second facility is a $2.0 billion five-year facility, which matures December 2003, with a $1.4 billion two-year extension upon expiration or voluntary termination of the existing five-year facility. We had $1.4 billion drawn on this facility at December 31, 2002.

Capital Spending and Acquisitions

Investing cash flow activities include maintenance capital expenditures, new construction, and improvement projects at existing facilities. For the year ended December 31, 2002, net cash used in investing activities included $397 million related to capital expenditures for normal maintenance and expansion projects. Our capital expenditures include maintenance capital expenditures which are those long-lived assets required to maintain our properties in good operating condition. Such capital items include new gaming equipment, room and restaurant refurbishments, computer hardware, furniture and office equipment, vehicles, and other similar items. Additionally, our capital expenditures include major expansion projects funded during the year, which were primarily the 4,100-seat performing arts Colosseum at Caesars Palace and The Gateway, a connector bridge linking the Claridge Casino and Bally's Atlantic City, which includes a new retail, dining and convention complex.

Capital expenditures for 2002, 2001 and 2000 were $397 million, $459 million, and $468 million, respectively.

At the end of 2002, the backlog of capital expenditure projects that we were then considering was $623 million. Of this amount, approximately $60 million associated with the Saint Regis Mohawk Casino project in Sullivan County, New York will not be spent unless the New York State Court of Appeals rules favorably in the pending case challenging the constitutionality of New York State's casino statute.

Of the $623 million total, $303 million is designated as maintenance capital and $320 million is new unit capital (including the $60 million set aside for the Mohawk casino project). Nearly $100 million of the maintenance capital backlog is slot-related, including the continued roll out of EZ Pay cashless slot technology. Nearly $75 million is related to room and public space refurbishments. Properties with significant new unit capital backlog include Caesars Palace ($130 million), Caesars Atlantic City ($55 million) and Flamingo Las Vegas ($32 million). We cannot predict with certainty how much of the $623 million in backlog we will ultimately authorize for activation and expenditure. As indicated above, total capital spending over the last three years has ranged from $397 million to $468 million.

Investing cash flow activities for 2002 include the gain on sale of our 19.9 percent equity interest in Jupiters Limited. Investing cash flow activities for 2001 include the acquisition of the Claridge Casino in

June 2001. This property is adjacent to Bally's Atlantic City and provides additional hotel rooms and parking for our Boardwalk complex guests.

Other Projects

In February 2003, we announced that we were considering the addition of an additional room tower and conference space at Caesars Palace in Las Vegas and the addition of a room tower at Caesars Atlantic City. Preliminary cost estimates at that time were $350 million for the Caesars Palace additions and $200 million for the Caesars Atlantic City additions. The amounts for these new projects are not included in the $623 million backlog discussed above. In February 2003, management also announced that further planning and expenditures on the Caesars Atlantic City additions, including a planned 3,000 space parking facility, have been suspended in view of a proposed increase of the New Jersey State gross gaming revenue tax and the proposal to permit nearly 10,000 video slot machines at the State's racetracks. A final commitment to undertake either or both of these projects is subject to approval by the Board of Directors.

During the second quarter of 2002, we announced a project to redevelop the Ocean One Mall in Atlantic City and connect it to Caesars Atlantic City. The Gordon Group will develop and finance the project which is expected to be completed in late 2004. At Caesars Palace, we announced the expansion of the Forum Shops to be developed and financed by the Simon Property Group. The expansion is scheduled to open by Fall of 2004 which will add 175,000 square feet to the 500,000 square foot mall.

At the Flamingo Las Vegas, we announced plans that we are teaming up with Jimmy Buffet to open Margaritaville Café and entertainment complex. The multi-level restaurant, bar and live music stage is scheduled to open in the Fall of 2003.

Saint Regis Mohawk Tribe

We entered into an agreement in April 2000 with the Saint Regis Mohawk Tribe in Hogansburg, New York. We paid $3 million for exclusive rights to develop a Class II or Class III casino project with the Tribe in the State of New York. In November 2001, the parties also entered into a seven-year definitive management agreement for Park Place to manage a casino to be located at Kutsher's Country Club in Monticello, New York in return for a management fee equal to 30 percent of ebitda, as defined in the agreement. The management agreement is subject to the approval of the National Indian Gaming Commission.

We have entered into a definitive agreement, as amended, to acquire approximately 66 acres of the Kutsher's Resort Hotel and Country Club in Sullivan County, New York, for approximately $10 million, with an option to purchase the remaining 1,450 acres for $40 million. Upon approval by the Bureau of Indian Affairs ("BIA"), approximately 66 acres will be transferred to be held in trust for the Saint Regis Mohawk Nation.

All of the agreements and plans relating to the development and management of this project are contingent upon various regulatory and governmental approvals, including execution of a compact between the Saint Regis Mohawk Tribe and the State of New York, and receipt of approvals from the BIA, National Indian Gaming Commission and local planning and zoning boards. There is no guarantee that the requisite regulatory approvals will be received.

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 and approved the use of video lottery terminals at racetracks and authorized the participation of New York State in a multi-state lottery. The legislation also gives the governor the authority to negotiate state compacts with the tribes without further approval by the legislature. The constitutionality of this legislation has been challenged. (For a discussion of such litigation, see *Mohawk Litigation* under "Business and Properties Legal Proceedings.")

Other

From time to time we become aware of potential acquisition or development opportunities and we may at any time be negotiating to engage in transactions or developments both domestically and internationally. Additionally, we regularly evaluate all of our assets within our portfolio and have and will continue to consider disposition of assets that, in our opinion, do not represent the best use of our capital.

We believe that our cash flow from operations, together with cash on hand and availability under our various credit facilities, will be adequate to fund the capital expenditures that we are reasonably likely to make over the foreseeable future. To the extent that our cash flow from operations is less than we anticipate or that our various credit instruments are not extended or renewed in adequate amounts, we may be required to reduce or suspend our capital investment activities.

Borrowings

At December 31, 2002, we had approximately $4.9 billion in long-term indebtedness outstanding. Of this amount, approximately $3.5 billion is borrowed under nine separate bond issues maturing at various dates from August 2003 to May 2011. The remaining $1.4 billion is drawn under our Credit Facilities.

We have two principal credit facilities, collectively known as the "Credit Facilities." The first is a 364-day revolving credit facility expiring in August 2003 with total availability to us of $700 million. The second facility is a $2.0 billion five-year facility, which matures December 2003, with a $1.4 billion two-year extension upon expiration or voluntary termination of the existing five-year facility.

The Credit Facilities contain financial covenants including a maximum leverage ratio (total debt to ebitda, as defined in the Credit Facilities) of 5.00 to 1.00 and a minimum interest coverage ratio (ebitda, as defined in the Credit Facilities, to interest expense) of 2.75 to 1.00 as of December 31, 2002. We are required to compute our actual leverage and interest coverage ratios on a rolling twelve-month basis as of the end of each calendar quarter. If we are not in compliance with the required covenant ratios, an event of default would occur, which if not cured could cause the entire outstanding borrowings under the Credit Facilities to become immediately due and payable as well as trigger the cross default provisions of our other debt issues. The maximum leverage ratio covenant adjusts to 4.75 to 1.00 for each of the quarterly testing periods ending March 31, 2003 and June 30, 2003, and 4.50 to 1.00, thereafter. The minimum interest coverage ratio will remain 2.75 to 1.00 for subsequent quarterly testing periods. As of December 31, 2002, the Company was in compliance with the applicable covenants.

Borrowings under the Credit Facilities bear interest at a floating rate and may be obtained, at our option, as LIBOR advances for varying periods, or as base rate advances, each adjusted for an applicable margin (as further described in the Credit Facilities), or as competitive bid loans. We have historically borrowed using LIBOR advances and expect to continue doing so for the foreseeable future. We pay a margin over LIBOR which is a function of both our leverage ratio and our credit rating; this margin is adjusted quarterly. At December 31, 2002, our effective all-in borrowing cost of LIBOR advances under the five-year credit facility was LIBOR plus 127.5 basis points. The maximum all-in borrowing cost for LIBOR loans is 1.75% under the 364-day facility and the five-year facility plus or minus pre-determined discounts based on our leverage ratios. The weighted average interest rate on outstanding borrowings under the Credit Facilities was 2.52% at December 31, 2002 and 3.14% at December 31, 2001.

As of December 31, 2002, our senior unsecured debt was rated Bal by Moody's and BBB- by Standard & Poor's. The margin above LIBOR is based on the higher of these two ratings. If our debt were downgraded one level by Standard & Poor's to BB+, the annual interest on our Credit Facilities would increase by approximately $4.2 million per year based on outstanding borrowings of $1.4 billion at December 31, 2002.

We have established a commercial paper program. To the extent that we incur debt under this program, we must maintain an equivalent amount of credit available under our Credit Facilities. We have borrowed

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under the program for varying periods during 2001. At December 31, 2002 and 2001, no amounts were outstanding under the commercial paper program.

In a program designed for short-term borrowings at lower interest rates than what are paid under our Credit Facilities, we have entered into an uncommitted line of credit agreement with a lender whereby we can borrow up to $50 million for periods of ninety days or less. At December 31, 2002, we had no borrowings outstanding under this agreement. Borrowings bear interest at current market rates. Interest rates on amounts borrowed under these agreements during the year 2002 ranged from 2.35 percent to 3.10 percent.

In March 2002, we issued $375 million of 7.875% senior subordinated notes due 2010 through a private placement offering to institutional investors. These notes were subsequently exchanged for notes registered under the Securities Act of 1933, as amended. The notes are redeemable at any time prior to their maturity at the "Make Whole" premiums described in the indenture governing such notes. The notes are unsecured obligations, rank equal with our other senior subordinated indebtedness and are junior to all of our senior indebtedness. Proceeds from this offering were used to reduce borrowings under the Credit Facilities.

Our indebtedness contains certain customary affirmative and negative covenants and also contains customary events of default, including without limitation, payment defaults, breaches of representations and warranties, covenant defaults, certain events of bankruptcy and insolvency and cross defaults to other material indebtedness. At December 31, 2002, we were in compliance with all debt covenants.

In January 1999, we filed a shelf registration statement with the Securities and Exchange Commission registering up to $1 billion in debt or equity securities. The terms of any securities offered pursuant to the shelf registration will be determined by market conditions at the time of issuance. In November 1999, $400 million of 8.5% senior notes were issued and in September 2000, $400 million of 8.875% senior subordinated notes were issued under this shelf registration statement. Availability under the shelf registration statement at December 31, 2002 was approximately $200 million.

We have structured our long-term debt to mature at various amounts and intervals throughout the next nine years. We issue debt as needed to maintain a flexible capital structure, subject to the availability of appropriate rates and terms. The actual maturities by year for our long-term debt and contractual obligations for our long-term leases as of December 31, 2002 are shown in the table below (amounts in millions):

Payments Due By Year

	Payments Due By Year						
	2003	2004	2005	2006	2007	Thereafter	Total
Long-term debt	$ 325	$ 325	$ 1,812	$ 398	$ 500	$ 1,550	$ 4,910
Operating leases	20	16	15	11	10	187	259
Total	$ 345	$ 341	$ 1,827	$ 409	$ 510	$ 1,737	$ 5,169

Share Repurchases

Our Board of Directors has approved the repurchase of up to 40 million shares under a common stock repurchase program. Cumulatively, through December 31, 2002, we had repurchased a total of 23.1 million shares of our common stock at an average price of $11.31 resulting in 16.9 million shares remaining available under the stock repurchase program. The amount and timing of any additional purchases will depend on market conditions and our financial position. We currently expect that excess free cash flow will be used primarily to reinvest in our properties and reduce debt outstanding.

Competition

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 could have a negative impact on our business in that market.

A new 2,000-room hotel casino is currently under construction in Atlantic City, New Jersey with an announced completion date of Summer 2003. 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 is considering 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%. If VLTs are approved, it would 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. For a further discussion see "Other Projects" under the Financial Condition section.

Several of our competitors in Las Vegas, Nevada are currently expanding their operations with additional hotel towers, which, if completed, will add a significant number of new hotel rooms to the Las Vegas market. In addition, another competitor is constructing a new 2,700-room hotel casino expected to be completed in April 2005.

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

The business at our hotel casinos 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 Indian casinos in the State of New York three in Western New York and three in the Catskill Region and approved the use of video lottery terminals at racetracks and authorized the participation of New York State in a multi-state lottery. 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 significantly 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 video lottery terminals or slot machines at racetracks in consideration of tax revenue from those operations. To the extent that these operations are conducted in states which we have properties, or in neighboring states, we could be adversely affected.

Uncertainties Due to Military Conflict

On March 19, 2003, the United States and coalition forces commenced a war with Iraq. Due to travel advisories, the increased threat of terrorism both domestically and internationally, and concern of the war's affect on the domestic and international economies, the travel and tourism industries may be affected. The outcome and duration of this war are uncertain and could have a negative impact on our future operating results.

Baluma Holdings, S.A.

Over the past several years, we have provided capital (in the form of loans) to Baluma Holdings, S.A. ("Holdings"), the ultimate parent of Baluma, S.A. ("Baluma," the entity that owns the Conrad Punta del Este Resort & Casino (the "Resort"), in Punta del Este, Uruguay). Two promissory notes (the "Baluma Loans"), aggregating $80 million in principal, matured on July 31, 2002; the principal, together with certain accrued and unpaid interest, was not repaid. The Baluma Loans are secured by a first priority lien on all of the assets comprising the Resort and on the stock of Baluma. We and Holdings are currently negotiating a restructuring of the Baluma Loans. In the event that we are unable to negotiate a restructuring acceptable to all affected parties, we may consider exercising our rights as secured creditor. We have not recorded any impairment losses against our investments in Baluma and Holdings. Only after a restructuring is completed will we be able to compare the value of our reorganized investments to their historical cost. Although we enjoy a very senior position as creditor, it is nevertheless possible that we will have to recognize an impairment loss upon reorganization. We intend to continue to operate the Resort pursuant to a management agreement. As described elsewhere in this report, the Resort is currently suffering the adverse effects of the economic turmoil in Argentina, Brazil and Uruguay.

Regulation and Taxes

The gaming industry is highly regulated and we must adhere to various regulations and maintain our licenses to continue our operations. The ownership, management, and operation of gaming facilities are subject to extensive federal, state, provincial, tribal and/or local laws, rules, and regulations, which are administered by the relevant regulatory agency or agencies in each jurisdiction. These laws, rules, and regulations vary from jurisdiction to jurisdiction, but generally concern the responsibility, financial stability, and character of the owners and managers of gaming operations as well as persons financially interested or involved in gaming operations. 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.

The gaming industry provides a significant source of tax revenue for the states, counties, and municipalities in which we operate. Occasionally, proposals are made by federal and state legislators to amend tax laws affecting the gaming industry. Changes in such laws, if any, would have a material effect on 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, including Nevada and New Jersey, 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. For example, we have estimated that if a new tax measure proposed by the Governor of New Jersey on February 4, 2003 were adopted in its originally proposed form, our current New Jersey tax burden of more than $200 million would increase by approximately $45 million a year, an increase of nearly 25 percent. We cannot predict whether this proposal or other 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.

Significant Accounting Policies

A summary of our significant accounting policies can be found in Note 2 of the Notes to the Consolidated Financial Statements. Our preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant among those estimates are the useful lives and potential impairment of long-term assets, such as investments, buildings, equipment and goodwill; the adequacy of our allowance for uncollectible receivables; and the amount of litigation and self-insurance reserves. These estimated amounts are based on our best judgments using both historical information and known trends in our company and in our industry. Because of the uncertainty inherent in any estimate, it is likely that the actual results could differ from the initial estimates, and the differences could be material. The policies and estimates discussed below are considered to be the most significant.

Long-Lived Assets

Property and equipment are stated at cost less accumulated depreciation. Judgments are made in determining if or when assets have been impaired and the estimated useful lives of assets. The accuracy of these estimates affects the depreciation expense recognized in our results of operations. We assign lives to our assets based on our standard policy, which we believe represents the useful life of each category of asset. We also maintain equity method investments in entities that own and operate casino hotel properties and entities that perform other activities related or incidental to the operation of casino hotels. The carrying values of our long-lived assets are reviewed when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management assesses the possibility of an asset impairment by using estimates of future cash flows which are affected by current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors.

Goodwill and Other Intangible Assets

On January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets," that requires an annual review of goodwill and other intangible assets for impairment. We completed our implementation analysis and recorded an impairment charge in the first quarter of 2002. We also completed our annual review of impairment and determined that goodwill has not been further impaired. The annual evaluation of goodwill requires the use of estimates about future operating results of each reporting unit to determine their estimated fair value. Changes in forecasted operations can materially affect these estimates.

Allowance for Doubtful Accounts

We allow for an estimated amount of receivables that may not be collected. We estimate our allowance for doubtful accounts using a specific formula applied to aged receivables as well as a specific review of large balances. Historical experience is considered, as are customer relationships, in determining specific reserves.

Litigation Reserves

The Company assesses its exposures to loss contingencies including legal matters and provides for an exposure if it is judged to be probable and estimable. If the actual loss from a contingency differs from management's estimate, operating results could be impacted.

Self-insurance Reserves

We are self-insured for various levels of general liability, workers' compensation, and employee medical insurance coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accrued estimates of incurred but not reported claims. In estimating these costs, we consider our historical claims experience and make judgments about the expected levels of costs per claim. Changes in health care costs, accident frequency and severity and other factors can materially affect the estimate for these liabilities.

Recently Issued Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and

reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of SFAS

No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The Company has determined that SFAS No. 146 will not have a material impact on its financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. Additionally, a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial liability recognition and measurement provisions of FIN No. 45 apply prospectively to guarantees issued or modified after December 31, 2002. The disclosure requirements in FIN No. 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has determined that FIN No. 45 will not have a material impact on its financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure." This Statement amends SFAS No. 123 "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. The Company has determined that SFAS No. 148 will not have a material impact on its financial position or results of operations.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss arising from changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We are exposed to market risk in the form of changes in interest rates and the potential impact such change may have on our variable-rate debt. We attempt to limit the impact of changes in interest rates by balancing the mix of our borrowings pursuant to our credit facilities and our long-term fixed-rate debt. At December 31, 2002, we had no investments in financial derivatives, including interest rate swaps.

Of our total outstanding long-term debt of $4.9 billion at December 31, 2002, $1.4 billion is subject to variable interest rates, which averaged 2.52% at December 31, 2002. Our variable-rate debt is affected by the general level of LIBOR interest rates. Therefore, our interest rates on the credit facilities will change as LIBOR changes. Based on our $1.4 billion of outstanding debt under the credit facilities at December 31, 2002, a hypothetical 100 basis point (1%) change in interest rates would result in an annual interest expense change of approximately $14 million.

The fair value of debt under the credit facilities approximates the carrying value. The total fair value of long-term debt at December 31, 2002 was $5.1 billion and the carrying value was $4.9 billion. The fair values are based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities.

BUSINESS AND PROPERTIES

We have assembled a portfolio of assets that generated approximately $4.7 billion in net revenues in 2002. Our strategy is to expand our core business and create value by:

- Driving profitable revenue growth through new product offerings and technological innovation;
- Increasing operational effectiveness through consolidation, cost control, and productivity enhancements;
- Developing profitable opportunities presented by new markets and new ventures.

In order to grow profitable revenues we intend to utilize our newly developed data warehouse and player recognition and rewards technology. This new technology will allow us to more efficiently market, track and reward our customer base which should enhance our customer loyalty. In addition, we are building new amenities at our properties to offer more attractions to our existing and prospective customers. We are also pursuing consolidation and cost savings initiatives to improve our operating efficiency. We expect that such improvements will allow our operating earnings to grow more rapidly than our revenues.

In the past, our properties have generated substantial cash flow, and we expect that they will continue to do so for the foreseeable future. Our first priority for the use of that cash flow is to reinvest in our properties through the maintenance and enhancement of existing amenities and the addition of new amenities. Our second priority is to reduce our debt leverage, and we intend to use cash flow in excess of what is reinvested in our properties to pay down debt. Our third priority for the use of cash flow is return of capital to stockholders, through share repurchases or dividends. Only to the extent that we have sufficient excess cash flow after reinvestment in our properties and reduction of debt will we be able to make meaningful returns of capital to stockholders.

From time to time we become aware of potential acquisition or development opportunities and we may at any time be negotiating to engage in transactions or developments both domestically and internationally. Additionally, we regularly evaluate all of our assets within our portfolio and have and will continue to consider disposition of assets that, in our opinion, do not represent the best use of our capital.

Western Region

We currently own and operate eight casino hotels in the state of Nevada. In Las Vegas, we own and operate Caesars Palace, Paris Las Vegas, Bally's Las Vegas, Flamingo Las Vegas, and the Las Vegas Hilton. In northern Nevada, we own and operate Caesars Tahoe and the Reno Hilton. In far southern Nevada, we own and operate the Flamingo Laughlin.

Each Nevada casino hotel is open 24 hours a day, seven days a week, and offers a variety of casino games, slot machines, race and sports books, hotel suites/rooms, restaurants, convention space, and various entertainment and shopping venues.

In Las Vegas, four of our five properties are clustered at three of the famous "Four Corners" intersection of Las Vegas Boulevard and Flamingo Road. We believe that our concentration at this location affords us a significant benefit, as we are well positioned to capture foot traffic at this heavily-traveled intersection as well as cross-property visits from guests staying at the nearly 15,000 hotel rooms at this intersection.

Caesars Palace

Caesars Palace is located on approximately 80 acres at the northwest corner of Flamingo Road and Las Vegas Boulevard on the Las Vegas Strip. Caesars Palace features 2,423 guest rooms and suites, approximately 149,000 square feet of gaming space and 11 restaurants. In addition, the property also offers a 4.5 acre swimming pool complex, a 23,000 square foot spa/fitness facility, a wedding chapel and 110,000 square feet

of meeting and convention space and a 49,000 square foot event/exhibit pavilion. Through a lease to Simon Property Group, Inc., Caesars Palace is also home to the Forum Shops, a highly themed shopping mall which features upscale boutiques, well known stores and dining. Caesars Palace markets to upscale individual leisure guests and convention groups.

Paris Las Vegas

Paris Las Vegas opened in September 1999. Located on approximately 24 acres, Paris Las Vegas features 2,916 spacious guest rooms, an 85,000 square foot casino, eight French-inspired restaurants, six lounges, 120,000 square feet of meeting and convention space, 31,000 square feet of retail space, a two-acre pool and a European health spa. This Parisian-themed resort also features authentic replicas of famous French landmarks including a 50-story half-scale Eiffel Tower. Paris Las Vegas is connected to Bally's Las Vegas by a retail mall. Marketing efforts for Paris Las Vegas are directed toward convention groups and the mid- to upper mid-market.

Bally's Las Vegas

Bally's Las Vegas is located on approximately 44 acres at the southeast corner of Las Vegas Boulevard and Flamingo Road. This property, which is connected to Paris Las Vegas, features 2,814 guest rooms, an 83,000 square foot casino, nine restaurants, five lounges, 115,000 square feet of meeting and convention areas, 48,000 square feet of retail space, an Olympic-sized pool, tennis courts and a spa. Bally's Las Vegas also has a 1,040-seat showroom which is home to one of the traditional Las Vegas shows, "Jubilee." Bally's Las Vegas caters to convention groups and the mid-market, including the group tour and travel segment.

Flamingo Las Vegas

The Flamingo Las Vegas is located on approximately 25 acres at the northeast corner of Las Vegas Boulevard and Flamingo Road. This property features 3,565 guest rooms and suites, approximately 77,000 square feet of casino space, nine restaurants, approximately 66,000 square feet of meeting and convention area, 800 showroom seats, multiple pools and lagoons, tennis courts, a spa and health club, and a wedding chapel. The Flamingo Las Vegas focuses primarily on mid-market customers, particularly the group tour and travel market segment.

Las Vegas Hilton

The Las Vegas Hilton is located on approximately 63 acres adjacent to the Las Vegas Convention Center. With this prominent convention location, the Las Vegas Hilton focuses its marketing toward convention groups. This property features 2,953 guest rooms and suites, approximately 74,000 square feet of casino space, 12 restaurants and 225,000 square feet of meeting and convention area. The property also includes a 1,600-seat showroom featuring top entertainers, a night club, and a spa and health club.

Caesars Tahoe

Caesars Tahoe is located on the south shore of Lake Tahoe in Stateline, Nevada. The property occupies approximately 21 acres which are leased pursuant to a long-term ground and structure lease. This lease expires in 2028 and is renewable for an additional 25-year period. This property features 440 guest rooms, a 42,000 square foot casino, five restaurants, a nightclub, a 1,500-seat showroom, a health spa, and approximately 16,000 square feet of meeting space. Caesars Tahoe benefits from the scenic beauty of the Lake Tahoe region and the many recreational facilities and activities in the area. Caesars Tahoe draws a significant portion of its mid- to high-end resort destination travelers from the northern California area.

Reno Hilton

The Reno Hilton, which is located on 144 acres, features 2,003 guest rooms and suites, a 109,000 square foot casino, nine restaurants, a lounge and approximately 190,000 square feet of meeting and convention space. This property is also complemented by recreational facilities including an outdoor golf driving range on a man-made lake, outdoor tennis courts, and a 24-hour bowling center. The Reno Hilton focuses primarily on the mid-market and convention groups, as well as the locals market.

Flamingo Laughlin

The Flamingo Laughlin is located on 19 acres on the west bank of the Colorado River, 90 minutes south of Las Vegas. This property offers 1,907 guest rooms and suites, approximately 57,000 square feet of gaming space, five restaurants, a 300-seat showroom, a 35,000 square foot ballroom and convention center, a swimming pool and lighted tennis courts. The Flamingo Laughlin targets the budget and mid-market customer segments.

Cascata

In addition to the Nevada casinos, we own and operate Cascata, a premier high-desert championship golf course in southern Nevada. This 18-hole Rees Jones designed course complements the amenities offered by our Las Vegas properties and is available to our resort guests.

Las Vegas Monorail

The Las Vegas Monorail Company, a Nevada nonprofit corporation, has commenced the construction of a monorail system in Las Vegas. When completed, the system will be approximately four miles long and will have seven stations directly connecting eight hotel casinos on the east side of the Las Vegas Strip to the Las Vegas Convention Center. Three of the seven planned station stops will be at the following of our properties: Bally's Las Vegas, Flamingo Las Vegas and the Las Vegas Hilton. Completion of the expanded monorail system is scheduled for early 2004.

Eastern Region

In Atlantic City, New Jersey, we own and operate three casino resorts along the famous Atlantic City Boardwalk.

Our Atlantic City casinos are open 24 hours a day, seven days a week, and feature table games, slot machines, hotel suites/rooms, convention space and entertainment similar to what is offered at our Nevada casino hotels. Atlantic City casinos are not permitted to operate sports books; however, Bally's Atlantic City and Caesars Atlantic City feature simulcast horse racing.

As in Las Vegas, the majority of our Atlantic City properties are clustered together at a high traffic density location. Our Caesars Atlantic City and Bally's Atlantic City properties (including the Claridge) are located at the center of the famous Atlantic City Boardwalk. A network of skybridges connects all of our facilities at the center Boardwalk location, offering our guests the opportunity to circulate in an enclosed environment among the variety of casino, restaurant, entertainment and room amenities that we offer across a five city block area. In a market where weather is often inclement or uncomfortable, we believe this is a significant advantage.

Bally's Atlantic City

Bally's Atlantic City is located on a 19-acre site with ocean frontage at the intersection of Park Place and the Boardwalk. With its strategic center location on the Boardwalk, over 2,800 parking spaces and a bus terminal, Bally's Atlantic City is positioned to attract significant walk-in and drive-in business and focuses on high-end players and the mid-market segment, including the mid- to upper mid-market slot player segment.

Including The Wild Wild West Casino and the Claridge Casino (separate casinos that are part of the Bally's Atlantic City complex), this property offers 1,748 guest rooms and suites, 224,000 square feet of casino space, 87,000 square feet of meeting and convention space, 19 restaurants and a 46,000 square foot health spa.

Beginning in 2003, the Claridge Casino, which we acquired in June 2001, was consolidated into Bally's Atlantic City with the approval of the New Jersey Casino Control Commission. Bally's Atlantic City now includes the 502 rooms, 59,000 square feet of gaming space and 1,100 parking spaces which were previously counted separately as the Claridge.

Caesars Atlantic City

Caesars Atlantic City is located on approximately ten acres at the center of the Boardwalk and features 1,140 guest rooms, approximately 125,000 square feet of casino space, ten restaurants, a 1,100-seat showroom and a health spa. Caesars Atlantic City also offers approximately 41,000 square feet of convention, meeting and banquet facilities, a multi-function grand ballroom and a four-story atrium to attract convention business as well as walk-in patrons from the Boardwalk. Marketing efforts for Caesars Atlantic City are directed toward the mid- to high-end casino customers.

Caesars Atlantic City also owns the Ocean One retail mall. The Ocean One mall is constructed on a pier that extends 900 feet over the Atlantic Ocean and is located directly in front of the Boardwalk entrance to Caesars Atlantic City. During the second quarter of 2002, we announced a project to redevelop the Ocean One mall in Atlantic City and connect it to Caesars Atlantic City. The Gordon Group, one of our original partners in the Forum Shops in Las Vegas, will develop and finance the project. The mall is currently closed for the renovations, with the opening set for late 2004. This project will include new retail shopping and dining.

Atlantic City Hilton

The Atlantic City Hilton is located on approximately 12 acres at the intersection of Boston and Pacific Avenues at the southern end of the Boardwalk in proximity to an exit off of the major highway leading into Atlantic City. This location gives the Atlantic City Hilton an advantage in attracting destination-oriented customers arriving by automobile or bus. This property features 804 guest rooms, approximately 60,000 square feet of casino space, seven restaurants, a 1,200-seat theater, and a spa. The Atlantic City Hilton primarily focuses on personalized service for high-end and mid-market casino customers.

Atlantic City Country Club

We also own and operate the historic Atlantic City Country Club in Northfield, New Jersey, approximately a 10-minute drive from our Atlantic City properties. This premier 18-hole golf course is one of the oldest courses in the nation, having been founded in 1897, and it was extensively renovated in 1999. This amenity is used exclusively for our casino guests.

Delaware Operations

We provide management services to the casino at the Dover Downs racetrack in Delaware, which has approximately 2,000 video lottery terminals (slot machines). The casino is part of the Dover Downs complex, which features live automobile racing, live harness racing November through April, fine dining, and entertainment. The Dover Downs Hotel and Conference Center, features 232 guest rooms and suites and 25,000 square feet of meeting space. Our management agreement with Dover Downs expires in 2005.

Mid-South Region

We own and operate five dockside casino hotels in Mississippi. On the Gulf Coast, we own and operate Grand Casino Biloxi and Grand Casino Gulfport. In Tunica County in northern Mississippi, we own and operate Grand Casino Tunica, Sheraton Casino & Hotel and Bally's Casino Tunica. In southern Indiana, we manage and own 82 percent of a riverboat casino on the Ohio River. In New Orleans, Louisiana, we own and operate a riverboat casino on Lake Pontchartrain.

Our Mid-South Region casinos feature table games, slot machines, hotel suites/rooms, convention space and entertainment similar to that offered at our Nevada casino hotels. Mississippi casinos are not permitted to operate race and sports books.

Grand Casino Biloxi

Grand Casino Biloxi is the largest dockside casino on the Mississippi Gulf Coast and is one of a few properties on the Mississippi Gulf Coast that is oriented east to west, thereby maximizing the property's visibility from the highway. The property is located on 29 acres of which 25 acres are leased. This location attracts both mid-market and budget travelers arriving for day trips or overnight stays via automobile and bus. It also draws the convention market with its 39,000 square feet of convention space. Grand Casino Biloxi features approximately 137,000 square feet of gaming space, ten restaurants, 975 hotel rooms, 3,500 parking spaces, a spa, a childcare entertainment center, and a 1,800-seat show theater.

Grand Casino Gulfport

Grand Casino Gulfport is a dockside casino located on 34 acres, of which 14 acres are leased, on the Mississippi Gulf Coast that includes approximately 85,000 square feet of gaming area. Other amenities at this beachside resort include seven restaurants, a childcare entertainment center, a tropical pool with a lazy river, an arcade, a 2,500-seat pavillion, a spa, and 1,001 hotel rooms. The customer base at this property is primarily comprised of the locals market arriving by automobile and bus.

Grand Bear Golf Course

We own and operate the Grand Bear Golf Course on the Mississippi Gulf Coast which is strategically situated between the Grand Biloxi and Grand Gulfport properties. This 18-hole course designed by Jack Nicklaus is considered the premier golf course in the region. The course is available exclusively to our hotel and gaming guests.

Grand Casino Tunica

Grand Casino Tunica is located on approximately 2,000 acres in Tunica County, Mississippi, approximately 15 miles south of the Memphis, Tennessee metropolitan area. Grand Casino Tunica is the largest dockside casino in Mississippi. Grand Casino Tunica is a 400,000 square foot, three-story, casino complex containing approximately 118,000 square feet of gaming space. Three hotels provide an aggregate of 1,356 rooms. To attract the mid-market, extended stay customers, Grand Casino Tunica is complemented by eight restaurants, an 18-hole Hale Irwin designed championship golf course and driving range, a spa, a recreational vehicle park and a sporting clays course. This property also has a 2,500-seat event center featuring headline entertainers and sporting events and approximately 28,000 square feet of convention space.

Other Mississippi Casinos

The Sheraton Casino & Hotel, also in Tunica County, Mississippi, is located on 23 acres and consists of 33,000 square feet of gaming space, an attached hotel with 134 rooms, and four restaurants and bars. Bally's Casino Tunica, primarily a "locals" casino, features a 47,000 square foot casino, a 238-room hotel, and an adjacent land-based facility with entertainment facilities and three restaurants. Bally's Casino Tunica is located on 75 acres of which 26 acres are leased.

Caesars Indiana

Caesars Indiana is located on 259 acres in southern Indiana, across the Ohio River from Louisville, Kentucky. We have an 82 percent equity interest in Caesars Indiana and operate the property. The resort's "Glory of Rome" riverboat casino is 450 feet long, 100 feet wide and four stories high. The riverboat is comprised of four decks offering 93,000 square feet of gaming space over seven separately themed casino areas. A 170,000 square foot pavilion houses retail space, eight restaurants, and 24,000 square feet of convention space, including a 1,250-seat sports and entertainment arena. In August 2001, Caesars Indiana opened a new 503-room hotel. In 2002, Caesars Indiana opened an 18-hole championship golf course, Chariot Run. Prior to August 1, 2002, Caesars Indiana was required to cruise the Ohio River. On August 1, 2002, new legislation allowed Caesars Indiana to begin dockside gaming in consideration of paying a higher graduated gaming tax. The previous gaming tax was a flat rate of 20 percent. The new tax rates are tiered and range from 15% to 35%.

Bally's Casino New Orleans

In Louisiana we own Bally's Casino New Orleans, a 30,000 square foot riverboat casino facility that operates out of South Shore Harbor on Lake Pontchartrain in Orleans Parish, which is approximately eight miles from the French Quarter of New Orleans. Metro Riverboat Associates, Inc. previously owned a 50.1 percent ownership interest in the Belle. In February 2003 we finalized an agreement to purchase this ownership interest.

International Region

We operate seven international casino resorts on four continents, Australia, North America, South America and South Africa, as well as two casinos on international cruise ships.

Australia

In Australia, we operate two casino resorts under management agreements with Jupiters Limited, an Australian public company. Jupiters Limited owns two casino resorts in Queensland, Australia: Conrad Jupiters Gold Coast and Conrad International Treasury Casino Brisbane. On March 5, 2003, TABCORP Holding Limited announced a proposed merger between TABCORP and Jupiters Limited. The merger, if consummated, would have no effect on the management agreements.

Conrad Jupiters is located in Broadbeach, Queensland. This property, which is open 24 hours a day, features 603 hotel rooms, approximately 84,000 square feet of gaming space, a convention center and a 1,000-seat showroom and is surrounded by lush tropical gardens. There is also a health center with a pool, spa, tennis and squash courts and a gym. Conrad Treasury is located in the central business district of Brisbane, Queensland's capital city. The casino is approximately 71,000 square feet and is located on three levels of the Victoria-era Treasury building. The Conrad International Treasury Casino Brisbane has the exclusive right to conduct casino gaming in Brisbane until 2005. Both Conrad Jupiters and Conrad Treasury attract a significant portion of their customers from the local as well as the interstate markets, while the individual premium players travel from various parts of Asia.

Uruguay

In South America we operate, under a management agreement, the Conrad Punta del Este Resort and Casino, a five-star resort located on the beach in Punta del Este, Uruguay. We also have a 46.4 percent ownership interest in Baluma Holdings S.A. that owns the resort. The Conrad Punta del Este features 302 rooms and suites, a 45,000 square foot casino offering slot machines and table games, convention and

meeting space, restaurants and shops, tennis courts, pools and a spa. The casino is open year round and 24 hours a day during the high season from December through February. A significant percentage of Conrad Punta del Este's customers travel from Brazil and Argentina and fluctuations in these countries' economies can affect this property's business.

Canada

Metropolitan Entertainment Group, of which we own 95 percent, operates Casino Nova Scotia Halifax in Halifax, Nova Scotia and Casino Nova Scotia Sydney in Sydney, Cape Breton, Nova Scotia. We operate these properties pursuant to an operating contract with the Nova Scotia Gaming Corporation which has an option to purchase the casino complexes in 2005, 2010, and 2015, as defined in the operating contract.

Casino Nova Scotia Halifax contains 32,000 square feet of casino space, 12,000 square feet of convention space, and three restaurants. We also own and operate the Casino Nova Scotia Hotel featuring 352 guest rooms, 18,000 square feet of additional convention facilities, and a restaurant. This hotel is linked via pedway to the Casino Nova Scotia Halifax. Marketing efforts at the hotel are focused toward convention and casino guests.

Casino Nova Scotia Sydney is attached to a local sports arena and features approximately 16,000 square feet of gaming space, a restaurant and a lounge. The customer base at this casino is comprised mostly of locals, with some junket play from Toronto and Montreal. We do not own or operate a hotel at Casino Nova Scotia Sydney.

We own 50 percent of Windsor Casino Limited, which operates Casino Windsor, a hotel/casino complex, under a management contract with its owner, the Ontario Lottery and Gaming Corporation of the Province of Ontario, Canada. This property features a 100,000 square foot casino, 389 guest rooms, an 11,000 square foot ballroom and meeting rooms. Casino Windsor is located on the river in Windsor, Ontario, directly across from Detroit, Michigan. This property competes with three casinos in Detroit. The majority of Casino Windsor's customer base comes from the United States, primarily from the Detroit area.

South Africa

We own a 50 percent interest in a joint venture which manages Caesars Gauteng casino resort in Johannesburg, South Africa. In addition, we have a 25 percent ownership interest in the joint venture that owns Caesars Gauteng. This property features a 56,000 square foot casino, two hotels with a total of 302 guest rooms, four restaurants, and 62,000 square feet of convention facilities.

Other

We operate the Caesars Palace at Sea casinos on two cruise ships, the Crystal Symphony and the Crystal Harmony, which are owned by Crystal Cruises, Inc. In 2003, we will begin operation of a third casino on the newly launched Crystal Serenity. The casinos operate only when the ships are in international waters.

Legal Proceedings

The Company and its subsidiaries are involved in various legal proceedings relating to its businesses. We believe that all the actions brought against us or our subsidiaries are without merit and will continue to vigorously defend against them. While any proceeding or litigation has an element of uncertainty, we believe that the final outcome of these matters is not likely to have a material adverse effect upon our results of operations or financial position.

Belle of Orleans

As of February 2003, the Company's wholly-owned subsidiary, Bally's Louisiana, Inc., owns 100% of the Belle of Orleans, L.L.C. The Belle owns and holds the riverboat gaming license to operate the Bally's Casino

in New Orleans. Metro Riverboat Associates, Inc. previously owned 50.1% of the Belle before we purchased their interest in February 2003. Since 1996, Metro had filed numerous lawsuits against Bally's Louisiana, Inc., its affiliates, and others. Cases were pending in the United States District Court for the Eastern District of Louisiana, the Louisiana Supreme Court, the Louisiana Fourth Circuit Court of Appeal, the Civil District Court for the Parish of Orleans, and the Nineteenth Judicial District Court for the Parish of East Baton Rouge, and administrative proceedings were pending before the Louisiana Gaming Control Board. In December, 2002, the parties agreed to settle all of the litigation. The settlement provided for Metro to sell its 50.1% interest in the Belle to Bally's Louisiana, Inc. and to dismiss all of the litigation with prejudice. The settlement also resulted in a complete termination of all agreements and relationships between Metro and its principal, Norbert Simmons on one side and the Company, Bally's Louisiana, Inc., and their affiliates on the other side. This included the termination of the Operating Agreement between Metro and Bally's Louisiana, Inc., termination of a Consulting Agreement between the Belle and Simmons, and an amendment to the Management Agreement to delete all references to Metro and Simmons. The settlement and transfer were approved by the Louisiana Gaming Control Board and completed in February 2003. See Note 14 of the Consolidated Financial Statements.

Slot Machine Litigation

In April 1994, William H. Poulos brought a purported class action in the United States District Court for the Middle District of Florida, Orlando Division captioned *William H. Poulos, et al. v. Caesars World, Inc., et al.* against 41 manufacturers, distributors and casino operators of video poker and electronic slot machines, including Park Place. In May 1994, another plaintiff filed a class action complaint in the United States District Court for the Middle District of Florida captioned *William Ahern, et al. v. Caesars World, Inc. et al.* alleging substantially the same allegations against 48 defendants, including Park Place. In September 1995, a third action was filed against 45 defendants, including Park Place, in the United States District Court for the District of Nevada captioned *Larry Schreier, et al. v. Caesars World, Inc,. et al.* The court consolidated the three actions in the United States District Court for the District of Nevada under the case caption *William H. Poulos, et al. v. Caesars World, Inc. et al.* The consolidated complaints allege that the defendants are involved in a scheme to induce people to play electronic video poker and slot machines based on the false beliefs regarding how such machines operate and the extent to which a player is likely to win on any given play. The actions included claims under the federal Racketeering Influence and Corrupt Organizations Act, fraud, unjust enrichment and negligent misrepresentation and seek unspecific compensatory damages. In July 2002, the United States District Court denied the plaintiff's motion to certify the case as a class action. The plaintiff has petitioned for permission to appeal the District Court's ruling.

Las Vegas Hilton Sale Litigation

In July 2000, the Company entered into an agreement to sell the Las Vegas Hilton to Las Vegas Convention Hotel, LLC, which failed to complete the transaction on the date set for closing. The Company filed a complaint in the Eighth Judicial District Court for the State of Nevada against Las Vegas Convention Hotel LLC, et al. seeking declaratory relief to retain the $20 million in deposits and recover additional damages for breach of contract. The Company also filed a complaint in the United States District Court for the District of Nevada for damages against Edward Roski, Jr. as guarantor of the transaction. The defendants filed actions against Park Place and Hilton Hotels Corporation in the Eighth Judicial District Court, which actions were consolidated with Park Place's action in that Court, alleging breach of contract and tortious interference with contract, and seeking non-specific general, special, and punitive damages, specific performance to compel the sale of the property to plaintiffs at a purchase price less than that required under the original contract, and injunctive relief to prevent the Company from selling the property to any other person. In February 2003, the parties agreed to settle all of the litigation. As a result of the settlement agreement, the Company agreed to return the deposits and recorded a $3.8 million charge in the fourth quarter of 2002. See Note 14 of the Consolidated Financial Statements.

Flixcorp Litigation

Bally Data Systems, Inc. and Bally Entertainment, Inc. are defendants in an action entitled *Flixcorp of America, Ltd. vs. Bally Data Systems, et al.* filed in the Circuit Court of Cook County, Illinois in 1987. The litigation involves a breach of contract claim arising out of a purported agreement to develop and manufacture videotape dispensing machines. In July 2002, the parties agreed, subject to certain conditions, to settle the litigation in its entirety. Pursuant to the parties' agreement, Bally Data Systems, Inc. will make a payment of $300,000 to the plaintiff. As this agreement represents a settlement of disputed claims, there was no admission of liability and any such liability was, and is, expressly denied.

Mohawk Litigation

In April 2000, we entered into an agreement with the Saint Regis Mohawk Tribe pursuant to which we obtained the exclusive rights to develop a Class II or Class III casino project in the State of New York with the Tribe. There are various parties alleging that the grant of rights to the Company infringed upon their rights. Such parties have commenced the various lawsuits discussed below.

On April 26, 2000, certain individual members of the Saint Regis Mohawk Tribe purported to commence a class action proceeding in a "Tribal Court" in Hogansburg, New York against the Company and certain of its executives. The proceeding sought to nullify the Company's agreement with the Saint Regis Mohawk Tribe to develop and manage gaming facilities in the State of New York. On March 20, 2001, the "Tribal Court" purported to render a default judgment against the Company and one of its executives in the amount of $1.787 billion, which judgment the Company refuses to recognize as valid. On June 2, 2000, the Company and certain of its executives filed an action captioned *Park Place Entertainment Corporation, et al. v. Arquette, et al.*, in the United States District Court for the Northern District of New York seeking to enjoin the dissident Tribal members from proceeding in the "Tribal Court" with an action that we believe has been unlawfully convened and is without merit. In September 2000, the District Court dismissed the action on the grounds that the Court lacked jurisdiction. In October 2000, the Company appealed the judgment to the United States Court of Appeals for the Second Circuit. In January 2002, the Second Circuit remanded the matter to the District Court for further development of the record. In April 2002, the District Court requested the United States Department of the Interior, Bureau of Indian Affairs ("BIA") to provide its current position with regard to the legitimacy of the Tribe's form of government and "Tribal Court". Following receipt of letters issued by the BIA, dated June 5, 2002, June 26, 2002 and July 12, 2002, this Court entered an Order on July 29, 2002, affirming that the BIA recognizes only the Three Chief system of government for the Saint Regis Mohawk Tribe (the "Tribal Council"), that the Tribal Council has, by Resolution having the force of law of the Tribe, invalidated the Tribal court system and that the Mohawk people have, by popular vote, determined that the purported "Tribal Court" is without authority to adjudicate matters of Tribal law. The parties are awaiting the Court's determination of whether the Court has subject matter jurisdiction, and, if so, whether the Court will refer the matter back to the appeals court, determine the Company's pending motion for a preliminary and permanent injunction, or take other action. The Company is pursuing all necessary actions to enjoin any efforts to enforce the purported judgment.

On June 6, 2000, President R.C.-St. Regis Management Company and its principal, Ivan Kaufman, filed an action captioned *President R.C.-St. Regis Management Co., et al. v. Park Place Entertainment Corporation, et al.* in the Supreme Court of the State of New York, County of Nassau, against the Company and certain of its executives seeking compensatory and punitive damages in the amount of approximately $550 million. The action alleges claims based on breach of a proposed letter agreement between plaintiffs, the Company, and the Saint Regis Mohawk Tribe concerning the tribe's existing casino in Hogansburg, New York, fraudulent inducement, tortious interference with contract, and defamation. Alternatively, plaintiffs seek specific performance and/or injunctive relief in connection with the proposed letter agreement. In September 2000, plaintiffs voluntarily dismissed three of the contract-related claims that had been brought against the individually named defendants.

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On November 13, 2000, Catskill Development, LLC, Mohawk Management, LLC and Monticello Raceway Development Company, LLC (collectively, "Catskill Development") filed an action captioned *Catskill Development L.L.C., et al. v. Park Place Entertainment Corporation, et al.*, against the Company in the United States District Court for the Southern District of New York. The action arises out of Catskill Development's efforts to develop land in Sullivan County as an Indian gaming facility in conjunction with the Saint Regis Mohawk Tribe. Catskill Development claims that the Company wrongfully interfered with several agreements between itself and the Tribe pertaining to the proposed gaming facility. The plaintiffs allege tortious interference with contract and prospective business relationships, unfair competition and state anti-trust violations and seek over $3 billion in damages. On May 14, 2001, the Court granted the Company's motion to dismiss three of the four claims made by Catskill Development. On May 30, 2001, Catskill Development moved for reconsideration of that ruling, and the District Court reinstated one of the dismissed claims, with Catskill Development's claims for tortious interference with contract and prospective business relationship remaining after such decision. On or about May 15, 2002, the Company filed a motion for summary judgment dismissing the complaint. On or about June 18, 2002, the Company filed a motion for reconsideration of the Court's decision reinstating plaintiffs' tortious interference with contract claim on the basis of intervening case law from a Federal Appeals Court. On August 22, 2002, the Court granted the Company's motion for summary judgment dismissing plaintiffs' remaining two claims for tortious interference with contractual relations and tortious interference with prospective business relations. Previously, on May 14, 2001, the Court dismissed plaintiffs other two claims. On August 26, 2002, the Court granted judgment to the Company dismissing plaintiffs' complaint in its entirety. Plaintiffs have appealed the dismissal of the complaint and various other rulings of the Court.

On March 29, 2001, the Company and its then general counsel, Clive Cummis sued thirty individual Tribal members in the Supreme Court of the State of New York in the case of *Park Place Entertainment Corp., et al. vs. Marlene Arquette, et al.,* alleging malicious defamation and *prima facie* tort in connection with the individuals' purported "Tribal Court" proceedings and media publication of their purported "default judgment" against the Company, all of which the Company believes has been injurious to the good name and reputation of the plaintiffs and seeks compensatory damages in an amount to be proved at trial (plus interest, costs and disbursements including reasonable attorney fees), as well as unspecified punitive damages. Defendants asserted a counterclaim alleging the action was commenced in violation of New York's Civil Rights Law. Defendant Michael Rhodes-Devey moved to change venue to Franklin County, New York and to dismiss the complaint. By order dated November 14, 2001, the Court granted the change of venue motion and denied without prejudice the motion to dismiss. Plaintiffs moved to dismiss the counterclaim for failure to state a cause of action. In February 2002, defendants cross-moved to dismiss the complaint. By Decision and Order dated September 9, 2002, the Court denied defendants' motion to dismiss the complaint and plaintiffs' cross-motion to dismiss the counterclaim.

On June 27, 2001, the individual members of the Saint Regis Mohawk Tribe that are plaintiffs in the Tribal Court action referenced above commenced an action in United States District Court for the Northern District of New York against the Company and one of its executives, seeking recognition and enforcement of the purported March 20, 2001 $1.787 billion "Tribal Court" default judgment against defendants, which judgment the Company refuses to recognize as valid. The Company has taken the position that the purported "Tribal Court" in which the proceeding has been invoked is an invalid forum and is not recognized by the lawful government of the Saint Regis Mohawk Tribe or by the United States Department of the Interior, Bureau of Indian Affairs ("BIA"). The parties have made cross-motions for summary judgment.

On October 15, 2001, Scutti Enterprises, LLC ("Scutti") filed an action against the Company in the Supreme Court of the State of New York, County of Monroe. The action arises out of Scutti's efforts to redevelop and manage the Mohawk Bingo Palace owned by the Saint Regis Mohawk Tribe on the Tribe's reserve in Akwesasne, New York. Scutti claims that the Company wrongfully interfered with its relationship with the Tribe pertaining to the proposed redevelopment and management of the Mohawk Bingo Palace. Scutti alleges tortious interference with contract and prospective business relationships, unfair competition and

state anti-trust violations and seeks over $82 million in damages. The action was removed to United States District Court for the Western District. The Company moved to dismiss the action and, in March 2002, the Court dismissed the action with prejudice. Plaintiff has appealed the dismissal and also moved for relief from judgment with respect to the Court's dismissal of plaintiff's claims for tortious interference with contractual relations. On November 26, 2002, the Court denied plaintiff's motion for relief from judgment. On February 28, 2003, the Second Circuit Court of Appeals affirmed in part and reversed in part the District Court's dismissal of the action, affirming the dismissal of Scutti's claim for tortious interference with contractual relations, and vacating the dismissal of Scutti's claim for tortious interference with prospective business relations and remanding the case to the District Court regarding only that claim.

On January 29, 2002, two substantially identical actions were filed in the Supreme Court of the State of New York, County of Albany, challenging legislation that, among other things, authorized the Governor of the State of New York to execute tribal-state gaming compacts, approved the use of slot machines as "games of chance," approved the use of video lottery terminals at racetracks and authorized the participation of New York State in a multi-state lottery. The matters are captioned *Dalton, et al. v. Pataki, et al.* and *Karr v. Pataki, et al.* Plaintiffs seek a declaratory judgment declaring the legislation unconstitutional and enjoining the implementation thereof. The Company intervened in the actions and moved to dismiss the first three causes of action thereof (relating to plaintiffs' claims to invalidate the Legislature's authorization of Indian gaming compacts). The State of New York moved to dismiss the actions in their entirety, while other defendants moved to dismiss certain causes of action. On October 30, 2002, the Court denied the motions to dismiss filed by the Company and all other defendants, and consolidated the two matters. The court has set a briefing schedule for cross-motions for summary judgment.

We have incurred substantial costs in pursuit of the Mohawk development and have capitalized most of those costs as we believe that we have a valid contractual development right. Should it be finally determined that we are unable to proceed with the Mohawk development, we would be required to expense all amounts previously capitalized to the project. At December 31, 2002, the total amount of costs capitalized to the Mohawk project was $21 million. Under the terms of our development agreement with the Tribe, we have the right to be reimbursed by the Tribe for some portion of those costs.

Other

For certain of our legal proceedings arising out of the ordinary course of our business, verdicts have been returned against us. We believe that we have a valid basis to appeal the verdicts and do not believe that the ultimate financial impact of these matters is currently both probable and estimable, and accordingly, no accruals for these matters have been recorded in the financial statements as of December 31, 2002. We may at any time consider it advantageous to negotiate a settlement of any of these matters, and we will record any financial impact of such settlements when the amount is probable and estimable.

REGULATION AND LICENSING

The gaming industry is highly regulated and we must maintain our licenses and pay gaming taxes in order to continue our operations. Each of our casinos is subject to extensive regulation under the laws, rules and regulations of the jurisdiction where 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.

Nevada Gaming Laws

The ownership and operation of casino gaming facilities in the State of Nevada are subject to the Nevada Gaming Control Act (the "Nevada Act") and the regulations promulgated thereunder and various local regulations. Our Nevada gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission, the Nevada State Gaming Control Board and, depending on the facility's location, the Clark County Liquor and Gaming Licensing Board, Douglas County or the City of Reno, which we refer to collectively as the "Nevada Gaming Authorities."

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;

- the establishment and maintenance of responsible accounting practices and procedures;

- the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;

- the prevention of cheating and fraudulent practices; and

- providing a source of state and local revenues through taxation and licensing fees.

Changes in such laws, regulations and procedures could have an adverse effect on our gaming operations.

Each of our subsidiaries that currently operates a casino in Nevada is required to be licensed by the Nevada Gaming Authorities. The gaming license requires the periodic payment of fees and taxes and is not transferable. We are required to be registered by the Nevada Gaming Commission as a publicly traded corporation and as such, are required periodically to submit detailed financial and operating reports to the Nevada Gaming Commission and furnish any other information that the Nevada Gaming Commission may require. No person may become a stockholder of, or receive any percentage of profits from, a licensed casino without first obtaining licenses and approvals from the Nevada Gaming Authorities. We and our licensed subsidiaries have obtained from the Nevada Gaming Authorities the various registrations, findings of suitability, approvals, permits, and licenses required to engage in gaming activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, us or any of our licensed subsidiaries in order to determine whether the individual is suitable or should be licensed as a business associate of a gaming licensee. The officers, directors and key employees of Park Place and our licensed subsidiaries must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing for any cause which they deem reasonable.

A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. An applicant for licensing or an applicant for a finding of suitability must pay for all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities and, in addition to their authority to deny an application for a finding of suitability or licensing, the Nevada Gaming Authorities have the jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with us or any licensed subsidiary, we and the licensed subsidiary would have to sever all relationships with that person. In addition, the Nevada Gaming Commission may require us or a licensed subsidiary to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or questions pertaining to licensing are not subject to judicial review in Nevada.

We and all licensed subsidiaries are required to submit detailed financial and operating reports to the Nevada Gaming Commission. Substantially all material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, the Nevada

Gaming Commission.

If the Nevada Gaming Commission determined that we or a licensed subsidiary violated the Nevada Act, it could limit, condition, suspend or revoke our gaming licenses. In addition, we, the licensed subsidiary, and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act at the discretion of the Nevada Gaming Commission. Further, a supervisor could be appointed by the Nevada Gaming Commission to operate a licensed subsidiary's gaming establishment and, under specified circumstances, earnings generated during the supervisor's appointment, except for the reasonable rental value of the premises, could be forfeited to the State of Nevada. Limitation, conditioning or suspension of any gaming license of a licensed subsidiary and the appointment of a supervisor could, or revocation of any gaming license would, have a material adverse effect on our gaming operations.

Any beneficial holder of our common stock, or any of our other voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have that person's suitability as a beneficial holder of our voting securities determined if the Nevada Gaming Commission has reason to believe that the ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of the investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires a beneficial ownership of more than 5 percent of our voting securities to report such acquisition to the Nevada Gaming Commission. The Nevada Act requires that beneficial owners of more than 10 percent of our voting securities apply to the Nevada Gaming Commission for a finding of suitability within thirty days after the Chairman of the Nevada Gaming Control Board mails the written notice requiring such filing. An "institutional investor," as defined in the Nevada Act, which acquires beneficial ownership of more than 10 percent, but not more than 15 percent, of our voting securities may apply to the Nevada Gaming Commission for a waiver of a finding of suitability if the institutional investor holds our voting securities for investment purposes only. An institutional investor will be deemed to hold our voting securities for investment purposes if it acquired and holds our voting securities in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly:

- the election of a majority of the members of the our board of directors;
- any change in our corporate charter, bylaws, management, policies or operations, or any of its gaming affiliates; or
- any other action which the Nevada Gaming Commission finds to be inconsistent with holding our voting securities for investment purposes only.

Activities which are not deemed to be inconsistent with holding voting securities for investment purposes only include:

- voting on all matters voted on by stockholders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and
- other activities as that the Nevada Gaming Commission may determine to be consistent with investment intent.

If the beneficial holder of our voting securities who must be found suitable is a corporation, partnership, limited partnership, limited liability company or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Gaming Commission or by the Chairman of the Nevada Gaming Control Board may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time as may be prescribed by the Nevada Gaming Commission may be guilty of a criminal offense. We will be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or a licensed subsidiary, we:

- pay that person any dividend or interest upon any of our voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to require such unsuitable person to relinquish the voting securities including, if necessary, the immediate purchase of such voting securities for cash at fair market value.

Additionally, the Clark County Liquor and Gaming Licensing Board has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming licensee.

The Nevada Gaming Commission may, in its discretion, require the holder of any debt security of a registered publicly traded corporation, to file applications, be investigated and be found suitable to own the debt security of the registered corporation. If the Nevada Gaming Commission determines that a person is unsuitable to own the security, then pursuant to the Nevada Act, the registered publicly traded corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Gaming Commission, it:

- pays to the unsuitable person any dividend, interest or any distribution whatsoever;
- recognizes any voting right by such unsuitable person in connection with such securities;
- pays the unsuitable person remuneration in any form; or
- makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation or similar transaction.

We are required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make the disclosure may be grounds for finding the record holder unsuitable. We are also required to render maximum assistance in determining the identity of the beneficial owner of any of our voting securities. The Nevada Gaming Commission has the power to require our stock certificates to bear a legend

indicating that the securities are subject to the Nevada Act. To date, the Nevada Gaming Commission has not imposed that requirement on us.

We may not make a public offering of our securities without the prior approval of the Nevada Gaming Commission if we intend to use the securities or the proceeds there from to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for those purposes. On December 19, 2002, the Nevada Gaming Commission granted us prior approval to make public offerings for a period of two years, subject to specified conditions, which we refer to as the "shelf approval." The shelf approval also applies to any company we wholly own that is a publicly traded corporation or would become a publicly traded corporation pursuant to a public offering. The shelf approval also includes approval for the licensed subsidiaries to guarantee any security issued by, and to hypothecate their assets to secure the payment or performance of any obligations issued by, us or an affiliate in a public offering under the shelf approval. The shelf approval also includes approval to place restrictions upon the transfer of and enter into agreements not to encumber the equity securities of the licensed subsidiaries, which we refer to as "stock restrictions." The shelf approval, however, may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Gaming Control Board. The shelf approval does not constitute a finding, recommendation or approval of the Nevada Gaming Authorities as to the accuracy or adequacy of any prospectus or the investment merits of the securities offered by the prospectus. Any representation to the contrary is unlawful. The stock restrictions in respect of traded notes will require the approval of the Nevada Gaming Commission to be effective, and we will file an application for such approval if all the old notes are not subsequently exchanged for the exchange notes registered pursuant to the Securities Act. This approval is required only in respect of such restrictions and agreements contained in indentures for notes that have not been registered under the Securities Act.

Prior approval of the Nevada Gaming Commission must be obtained with respect to a change in control of us through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby the person obtains control of us. Entities seeking to acquire control of a registered publicly traded corporation must satisfy the Nevada Gaming Control Board and Nevada Gaming Commission in a variety of stringent standards before assuming control of the registered corporation. The Nevada Gaming Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting Nevada gaming licenses, and registered publicly traded corporations that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Gaming Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to:

- assure the financial stability of corporate gaming operators and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

Approvals may be required from the Nevada Gaming Commission before we can make exceptional repurchases of voting securities above their current market price and before a corporate acquisition opposed by management can be consummated. The Nevada Act also requires prior approval of a plan of recapitalization proposed by our board of directors in response to a tender offer made directly to its stockholders for the purpose of acquiring control of us.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and to the counties and cities in which the licensed subsidiaries respective

operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon either:

- a percentage of the gross gaming revenues received;
- the number of gaming devices operated; or
- the number of table games operated.

A casino entertainment tax of 10 percent is also paid by casino operations where entertainment is furnished in connection with the selling or serving of food or refreshments or the selling of merchandise. Nevada corporate licensees that hold a license as an operator of a slot machine route, or a manufacturer's or distributor's license, also pay fees and taxes to the State of Nevada. The licensed subsidiaries currently pay monthly fees to the Nevada Gaming Commission equal to a maximum of 6.25 percent of gross gaming revenues.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with those persons (collectively, "licensees"), and who proposes to become involved in a gaming venture outside of Nevada, is required to deposit with the Nevada Gaming Control Board, and thereafter maintain, a revolving fund in the amount of $10,000 to pay the expenses of investigation of the Nevada Gaming Control Board of the licensee's participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Gaming Commission. Thereafter, licensees are required to comply with the reporting requirements imposed by the

Nevada Act. A licensee is also subject to disciplinary action by the Nevada Gaming Commission if it:

- knowingly violates any laws of the foreign jurisdiction pertaining to the foreign gaming operation;
- fails to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations;
- engages in activities or enters into associations that are harmful to the State of Nevada or its ability to collect gaming taxes and fees; or
- employs, contracts with or associates with a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of unsuitability.

The sale of alcoholic beverages at establishments operated by a licensed subsidiary is subject to licensing, control and regulation by applicable local regulatory agencies. All licenses are revocable and are not transferable. The agencies involved have full power to limit, condition, suspend or revoke any such license, and any such disciplinary action could, and revocation would, have a material adverse effect upon the operations of the licensed subsidiary.

New Jersey Gaming Laws

The ownership and operation of casino gaming facilities in Atlantic City are subject to the New Jersey Casino Control Act (the "New Jersey Act"), regulations of the New Jersey Casino Control Commission (the "New Jersey Commission") and other applicable laws. No casino may operate unless it obtains the required permits or licenses and approvals from the New Jersey Commission. The New Jersey Commission is authorized under the New Jersey Act to adopt regulations covering a broad spectrum of gaming and gaming related activities and to prescribe the methods and forms of applications from all classes of licensees. These laws and regulations concern primarily:

- the financial stability, integrity, responsibility, good character, honesty and business ability of casino service suppliers and casino operators, their directors, officers and employees, their security holders and others financially interested in casino operations;
- the nature of casino hotel facilities; and

- the operating methods and financial and accounting practices used in connection with the casino operations.

The State of New Jersey imposes taxes on gaming operations at the rate of 8 percent of gross gaming revenues. In addition, the New Jersey Act provides for an investment alternative tax of 2.5 percent of gross gaming revenues. This investment alternative tax may be offset by investment tax credits equal to 1.25 percent of gross gaming revenues, which are obtained by purchasing bonds issued by, or investing in housing or other development projects approved by, the Casino Reinvestment Development Authority.

The New Jersey Commission has broad discretion with regard to the issuance, renewal and revocation or suspension of casino licenses. A casino license is not transferable, is issued for a term of up to one year for the first two renewals and thereafter for a term of up to four years, subject to discretionary reopening of the licensing hearing by the New Jersey Commission at any time. A casino license must be renewed by filing an application which must be acted on by the New Jersey Commission before the license in force expires. At any time, upon a finding of disqualification or noncompliance, the New Jersey Commission may revoke or suspend a license or impose fines or other penalties.

The New Jersey Act imposes certain restrictions on the ownership and transfer of securities issued by a corporation that holds a casino license or is deemed a holding company, intermediary company, subsidiary or entity qualifier of a casino licensee. "Security" is defined by the New Jersey Act to include instruments that evidence either a beneficial ownership in an entity, such as common stock or preferred stock, or a creditor interest in an entity, such as a bond, note or mortgage. The New Jersey Act requires that the corporate charter of a publicly traded affiliate of a casino licensee must require that a holder of the company's securities who is disqualified by the New Jersey Commission dispose of the securities. The corporate charter of a casino licensee or any privately-held affiliate of the licensee must:

- establish the right of prior approval by the New Jersey Commission with regard to a transfer of any security in the company; and
- create the absolute right of the company to repurchase at the market price or purchase price, whichever is less, any security in the company if the New Jersey Commission disapproves a transfer of the security under the New Jersey Act.

The New Jersey Commission has approved our corporate charter. The corporate charters of our subsidiaries that operate Bally's Atlantic City, the Atlantic City Hilton, Claridge Casino and Caesars Atlantic City and their privately-held affiliates likewise conform to the New Jersey Act's requirements described above for privately-held companies. Claridge Casino surrendered its casino license effective as of December 30, 2002 in connection with the corporate merger of Claridge with and into Bally's Atlantic City. This merger was at our request and approved by the New Jersey Commission.

If the New Jersey Commission finds that an individual owner or holder of securities of a corporate licensee or an affiliate of the corporate licensee is not qualified under the New Jersey Act, the New Jersey Commission may propose remedial action, including divestiture of the securities held. If disqualified persons fail to divest themselves of the securities, the New Jersey Commission may revoke or suspend the license. However, if an affiliate of a casino licensee is a publicly traded company, and the New Jersey Commission makes a finding of disqualification with respect to any owner or holder of any security thereof, and the New Jersey Commission also finds that:

- the company has adopted the charter provisions;
- the company has made a good faith effort, including the prosecution of all legal remedies, to comply with any order of the New Jersey Commission requiring the divestiture of the security interest held by the disqualified owner or holder; and
- the disqualified owner or holder does not have the ability to control the corporate licensee or the affiliate, or to elect one or more members of the board of directors of the affiliate, the New Jersey

Commission will not take action against the casino licensee or its affiliate with respect to the continued ownership of the security interest by the disqualified owner or holder.

For purposes of the New Jersey Act, a security holder is presumed to have the ability to control a publicly traded corporation, or to elect one or more members of its board of directors, and thus require qualification, if the holder owns or beneficially holds 5 percent or more of any class of the equity securities of the corporation, unless the security holder rebuts the presumption of control or ability to elect by clear and convincing evidence. An "institutional investor," as that term is defined under the New Jersey Act, is entitled to a waiver of qualification if it holds less than 10 percent of any class of the equity securities of a publicly traded holding or intermediary company of a casino licensee and:

- the holdings were purchased for investment purposes only;
- there is no cause to believe the institutional investor may be found unqualified; and
- upon request by the New Jersey Commission, the institutional investor files a certified statement to the effect that it has no intention of influencing or affecting the affairs of the issuer, the casino licensee or its other affiliates. The New Jersey Commission may grant a waiver of qualification to an institutional investor holding 10 percent or more of the securities upon a showing of good cause and if the conditions specified above are met.

With respect to debt securities, the New Jersey Commission generally requires a person holding 15 percent or more of a debt issue of a publicly traded affiliate of a casino licensee to qualify under the New Jersey Act. We cannot assure you that the New Jersey Commission will continue to apply the 15 percent threshold, and the New Jersey Commission could at any time establish a lower threshold for qualification. The New Jersey Commission may make an exception to the qualification requirement for institutional investors, in which case the institutional holder is entitled to a waiver of qualification if the holder's position in the aggregate is not more than 20 percent of the total outstanding debt of the affiliate and not more than 50 percent of any outstanding publicly traded issue of the debt, and if the institutional investor meets the conditions specified in the above paragraph. As with equity securities, the New Jersey Commission may grant a waiver of qualification to institutional investors holding larger positions upon a showing of good cause and if the institutional investor meets all of the conditions specified in the above paragraph.

Generally, the New Jersey Commission would require each institutional holder seeking a waiver of qualification to execute a certificate stating that:

- the holder has reviewed the definition of institutional investor under the New Jersey Act and believes that it meets the definition of institutional investor;

- the holder purchased the securities for investment purposes only and holds them in the ordinary course of business;

- the holder has no involvement in the business activities of, and no intention of influencing or affecting the affairs of, the issuer, the casino licensee or any affiliate;

- if the holder subsequently determines to influence or affect the affairs of the issuer, the casino licensee or any affiliate, it will provide not less than 30 days' notice of its intent and will file with the New Jersey Commission an application for qualification before taking the action; and

- the holder acknowledges that it is subject to the jurisdiction of the New Jersey Commission and the requirements of the New Jersey Act and the regulations promulgated thereunder.

Beginning on the date the New Jersey Commission serves notice on a corporate licensee or an affiliate of the corporate licensee that a security holder of the corporation has been disqualified, it will be unlawful for the security holder to:

- receive any dividends or interest upon the securities;

- exercise, directly or through any trustee or nominee, any right conferred by the securities; or

- receive any remuneration in any form from the corporate licensee for services rendered or otherwise.

Persons who are required to qualify under the New Jersey Act because they hold debt or equity securities, and are not already qualified, are required to place the securities into an interim casino authorization trust pending qualification. Unless and until the New Jersey Commission has reason to believe that the investor may not qualify, the investor will retain the ability to direct the trustee how to vote, or whether to dispose of, the securities. If at any time the New Jersey Commission finds reasonable cause to believe that the investor may be found unqualified, it can order the trust to become "operative," in which case the investor will lose voting power, if any, over the securities but will retain the right to petition the New Jersey Commission to order the trustee to dispose of the securities.

Once an interim casino authorization trust is created and funded, and regardless of whether it becomes operative, the investor has no right to receive a return on the investment until the investor becomes qualified. Should an investor ultimately be found unqualified, the trustee would dispose of the trust property, and the proceeds would be distributed to the unqualified applicant only in an amount not exceeding the actual cost of the trust property. Any excess proceeds would be paid to the State of New Jersey. If the securities were sold by the trustee pending qualification, the investor would receive only actual cost, with disposition of the remainder of the proceeds, if any, to await the investor's qualification hearing.

If the New Jersey Commission determines that a licensee has violated the New Jersey Act or its regulations, then under certain circumstances, the licensee could be subject to fines or have its license suspended or revoked. In addition, if a person who is required to qualify under the New Jersey Act fails to qualify, including a security holder who fails to qualify and does not dispose of securities as may be required by the New Jersey Act, with the exception discussed above for publicly traded affiliates, the licensee could have its license suspended or revoked.

If a casino license is not renewed, is suspended for more than 120 days or is revoked, the New Jersey Commission can appoint a conservator. The conservator would be charged with the duty of conserving and preserving the assets so acquired and continuing the operation of the casino hotel of a suspended licensee or with operating and disposing of the casino hotel of a former licensee. The suspended licensee or former licensee would be entitled only to a fair return on its investment, to be determined under New Jersey law, with any excess to go to the State of New Jersey, if so directed by the New Jersey Commission. Suspension or revocation of any licenses or the appointment of a conservator by the New Jersey Commission would have a material adverse effect on the businesses of our Atlantic City casino hotels.

Mississippi Gaming Laws

The ownership and operation of casino facilities in the State of Mississippi, such as those at Grand Casino Biloxi, Grand Casino Gulfport, Grand Casino Tunica, Sheraton Casino & Hotel and Bally's Casino Tunica, are subject to extensive state and local regulation, but primarily the licensing and regulatory control of the Mississippi Gaming Commission (the "Mississippi Commission").

The Mississippi Gaming Control Act (the "Mississippi Act") is similar to the Nevada Gaming Control Act. The Mississippi Commission has adopted regulations which are also similar in many respects to the Nevada gaming regulations.

The laws, regulations and supervisory procedures of Mississippi and the Mississippi Commission are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices and procedures;

- the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Mississippi Commission;
- the prevention of cheating and fraudulent practices;
- providing a source of state and local revenues through taxation and licensing fees; and
- ensuring that gaming licensees, to the extent practicable, employ Mississippi residents.

The regulations are subject to amendment and interpretation by the Mississippi Commission. We believe that our compliance with the licensing procedures and regulatory requirements of the Mississippi Commission will not affect the marketability of our securities. Changes in Mississippi laws or regulations may limit or otherwise materially affect the types of gaming that may be conducted and such changes, if enacted, could have an adverse effect on us and our Mississippi gaming operations.

The Mississippi Act 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, certain anti-gaming groups proposed for adoption through the initiative and referendum process certain amendments to the Mississippi Constitution which would prohibit gaming in the state. The proposals were declared illegal by Mississippi courts on constitutional and procedural grounds. The latest ruling was appealed to the Mississippi Supreme Court, which affirmed the decision of the lower court. 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 is possible for the voters of Mississippi to consider such a proposal in November of 2004. 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.

As of January 1, 2003, dockside gaming was permissible in nine of the fourteen eligible counties in the state and gaming operations had commenced in Adams, Coahoma, Hancock, Harrison, Tunica, Warren and Washington counties. Under Mississippi law, gaming vessels must be located on the Mississippi River or on navigable waters in eligible counties along the Mississippi River or in the waters lying south of the counties along the Mississippi Gulf Coast. The Mississippi Act permits unlimited stakes gaming on permanently moored vessels on a 24-hour basis and does not restrict the percentage of space which may be utilized for gaming.

We and any subsidiary of ours that operates a casino in Mississippi (a "Mississippi Gaming Subsidiary") are subject to the licensing and regulatory control of the Mississippi Commission. We are registered under the Mississippi Act as a publicly traded corporation (a "Registered Corporation") of our Mississippi Gaming Subsidiaries. A Registered Corporation is required periodically to submit detailed financial and operating reports to the Mississippi Commission and furnish any other information which the Mississippi Commission may require. If we are unable to continue to satisfy the registration requirements of the Mississippi Act, we and the Mississippi Gaming Subsidiaries cannot own or operate gaming facilities in Mississippi. No person may become a stockholder of or receive any percentage of profits from a licensed subsidiary of a Registered Corporation without first obtaining licenses and approvals from the Mississippi Commission. We have obtained such approvals in connection with the licensing of the Mississippi Gaming Subsidiaries; however, no assurance can be given that we will continue to receive such approvals in the future.

Each Mississippi Gaming Subsidiary must maintain a gaming license from the Mississippi Commission to operate a casino in Mississippi. Such licenses are issued by the Mississippi Commission subject to certain conditions, including continued compliance with all applicable state laws and regulations. Gaming licenses are not transferable, are issued for a three-year period (and may be continued for two additional three-year periods) and must be renewed periodically thereafter. There are no limitations on the number of gaming

licenses which may be issued in Mississippi, and there can be no assurance that any subsequent application for a license will be approved.

Certain of our officers and employees and the officers, directors and certain key employees of our Mississippi Gaming Subsidiaries must be found suitable or be approved by the Mississippi Commission. We believe we have obtained or applied for all necessary findings of suitability with respect to such persons associated with us or the Mississippi Gaming Subsidiaries, although the Mississippi Commission, in its discretion, may require additional persons to file applications for findings of suitability. In addition, any person having a material relationship or involvement with us may be required to be found suitable, in which case those persons must pay the costs and fees associated with such investigation. The Mississippi Commission may deny an application for a finding of suitability for any cause that it deems reasonable. Changes in certain licensed positions must be reported to the Mississippi Commission. In addition to its authority to deny an application for a finding of suitability, the Mississippi Commission has jurisdiction to disapprove a change in a person's corporate position or title and such changes must be reported to the Mississippi Commission. The Mississippi Commission has the power to require us and our Mississippi Gaming Subsidiaries to suspend or dismiss officers, directors and other key employees or sever relationships with other persons who refuse to file appropriate applications or who the authorities find unsuitable to act in such capacities. Determinations of suitability or questions pertaining to licensing are not subject to judicial review in Mississippi.

At any time, the Mississippi Commission has the power to investigate and require a finding of suitability of any of our record or beneficial stockholders. The Mississippi Act requires any person who acquires more than 5 percent of any class of voting securities of a Registered Corporation, as reported to the Securities and Exchange Commission ("SEC"), to report the acquisition to the Mississippi Commission, and such person may be required to be found suitable. Also, any person who becomes a beneficial owner of more than 10 percent of any class of voting securities of a Registered Corporation, as reported to the SEC, must apply for a finding of suitability by the Mississippi Commission and must pay the costs and fees that the Mississippi Commission incurs in conducting the investigation. If a shareholder who must be found suitable is a corporation, partnership, or trust, it must submit detailed business and financial information, including a list of beneficial owners. The Mississippi Commission has generally exercised its discretion to require a finding of suitability of any beneficial owner of more than 5 percent of any class of voting securities of a Registered Corporation. However, under certain circumstances, an "institutional investor," as defined in the Mississippi Commission's regulations, which acquires more than ten percent but not more than fifteen percent of the voting securities of a Registered Corporation may apply to the Mississippi Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the board of directors of the Registered Corporation, any change in the corporate charter, bylaws, management, policies or operations, or any of its gaming affiliates, or any other action which the Mississippi Commission finds to be inconsistent with holding the voting securities for investment purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes include:

- voting on all matters voted on by stockholders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in our management, policies or operations; and
- such other activities as the Mississippi Commission may determine to be consistent with such investment intent.

Any person who fails or refuses to apply for a finding of suitability or a license within thirty 30 days after being ordered to do so by the Mississippi Commission may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any person

found unsuitable and who holds, directly or indirectly, any beneficial ownership of our securities beyond the time that the Mississippi Commission prescribes, may be guilty of a misdemeanor. We may be subject to disciplinary action if, after receiving notice that a person is unsuitable to be a stockholder or to have any other relationship with us or the Mississippi Gaming Subsidiaries, the company involved:

- pays the unsuitable person any dividend or other distribution upon such person's voting securities;
- recognizes the exercise, directly or indirectly, of any voting rights conferred by securities held by the unsuitable person;
- pays the unsuitable person any remuneration in any form for services rendered or otherwise, except in certain limited and specific circumstances; or
- fails to pursue all lawful efforts to require the unsuitable person to divest himself of the securities, including, if necessary, the immediate purchase of the securities for cash at fair market value.

We may be required to disclose to the Mississippi Commission upon request the identities of the holders of any of our debt or other securities. In addition, under the Mississippi Act, the Mississippi Commission may, in its discretion require the holder of any debt security of a Registered Corporation to file an application, be investigated and be found suitable to own the debt security if the Mississippi Commission has reason to believe that the ownership would be inconsistent with the declared policies of the State of Mississippi.

Although the Mississippi Commission generally does not require the individual holders of obligations such as notes to be investigated and found suitable, the Mississippi Commission retains the discretion to do so for any reason, including but not limited to a default, or where the holder of the debt instrument exercises a material influence over the gaming operations of the entity in question. Any holder of debt securities required to apply for a finding of suitability must pay all investigative fees and costs of the Mississippi Commission in connection with the investigation.

If the Mississippi Commission determines that a person is unsuitable to own a debt security, then the Registered Corporation may be sanctioned, including the loss of its approvals, if without the prior approval of the Mississippi Commission it:

- pays to the unsuitable person any dividend, interest, or any distribution whatsoever;

recognizes any voting right by the unsuitable person in connection with those securities;

pays the unsuitable person remuneration in any form; or

makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

Each Mississippi Gaming Subsidiary must maintain in Mississippi a current ledger with respect to ownership of its equity securities and we must maintain in Mississippi a current list of our stockholders which must reflect the record ownership of each outstanding share of any class of equity security issued by us. The ledger and stockholder lists must be available for inspection by the Mississippi Commission at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Mississippi Commission. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We must also render maximum assistance in determining the identity of the beneficial owner.

The Mississippi Act requires that the certificates representing securities of a Registered Corporation bear a legend indicating that the securities are subject to the Mississippi Act and the regulations of the Mississippi Commission. We have received from the Mississippi Commission a waiver of this legend requirement. The Mississippi Commission has the power to impose additional restrictions on the holders of securities at any time.

Substantially all material loans, leases, sales of securities and similar financing transactions by a Registered Corporation or a Mississippi Gaming Subsidiary must be reported to or approved by the Mississippi Commission. A Mississippi Gaming Subsidiary may not make a public offering of its securities, but may pledge or mortgage casino facilities. We may not make a public offering of our securities without the prior approval of the Mississippi Commission if any part of the proceeds of the offering is to be used to finance the construction, acquisition or operation of gaming facilities in Mississippi or to retire or extend obligations incurred for those purposes. Such approval, if given, does not constitute a recommendation or approval of the investment merits of the securities subject to the offering. We have received a waiver of the prior approval requirement with respect to our public securities offerings, subject to certain conditions, including the ability of the Mississippi Commission to issue a stop order with respect to any such offering if the staff determines it would be necessary to do so. Moreover, because the Mississippi Commission views the offering of securities such as the notes as a loan transaction, we will file a post-closing loan report in connection with this offering and in connection with any exchange offer for the notes offered hereby. If, after the filing of any loan report, the Mississippi Commission finds that the transaction is inimical to the public health, safety, morals, good order or general welfare of the people of Mississippi, or would reflect, or tend to reflect, discredit upon Mississippi or the gaming industry, the Mississippi Commission may order the transaction rescinded within such time and upon such terms and conditions as it may deem appropriate.

Under the regulations of the Mississippi Commission, none of our Mississippi Gaming Subsidiaries may guarantee a security issued by us or an affiliated company pursuant to a public offering, or pledge its assets to secure payment or performance of the obligations evidenced by the security issued by us or the affiliated company, without the prior approval of the Mississippi Commission. The pledge of the stock of a Mississippi Gaming Subsidiary and the foreclosure of such a pledge are ineffective without the prior approval of the Mississippi Commission. Moreover, restrictions on the transfer of an equity security issued by our Mississippi Gaming Subsidiaries and their holding companies and agreements not to encumber such securities are ineffective without the prior approval of the Mississippi Commission. We have obtained approvals from the Mississippi Commission for such guarantees, pledges and restrictions in connection with securities offerings, subject to certain restrictions.

Changes in control of us through merger, consolidation, acquisition of assets, management or consulting agreements or any act or conduct by a person by which he or she obtains control may not occur without the prior approval of the Mississippi Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Mississippi Commission in a variety of stringent standards prior to assuming control of the Registered Corporation. The Mississippi Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

The Mississippi legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and other corporate defense tactics that affect corporate gaming licensees in Mississippi and Registered Corporations may be injurious to stable and productive corporate gaming. The Mississippi Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Mississippi's gaming industry and to further Mississippi's policy to:

assure the financial stability of corporate gaming operations and their affiliates;

preserve the beneficial aspects of conducting business in the corporate form; and

promote a neutral environment for the orderly governance of corporate affairs.

In certain circumstances, approvals are required from the Mississippi Commission before a Registered Corporation may make exceptional repurchases of voting securities (such as repurchases that treat holders differently) in excess of the current market price and before a corporate acquisition opposed by management can be consummated. Mississippi's gaming regulations also require prior approval by the Mississippi Commission of a plan of recapitalization proposed by the Registered Corporation's Board of Directors in

response to a tender offer made directly to the Registered Corporation's stockholders for the purpose of acquiring control of the Registered Corporation.

Neither we nor any Mississippi Gaming Subsidiary may engage in gaming activities in Mississippi while also conducting gaming operations outside of Mississippi without approval of the Mississippi Commission. The Mississippi Commission may require determinations that, among other things, there are means for the Mississippi Commission to have access to information concerning the out-of-state gaming operations of us and our affiliates. We previously have obtained a waiver of foreign gaming approval from the Mississippi Commission for operations in other states in which we conduct gaming operations and will be required to obtain the approval or a waiver of such approval from the Mississippi Commission prior to engaging in any additional future gaming operations outside of Mississippi. There can be no assurance that any such approvals will be obtained.

If the Mississippi Commission were to determine that we or a Mississippi Gaming Subsidiary had violated a gaming law or regulation, the Mississippi Commission could limit, condition, suspend or revoke our approvals and the license of the Mississippi Gaming Subsidiary, subject to compliance with certain statutory and regulatory procedures. In addition, we, the Mississippi Gaming Subsidiary and the persons involved could be subject to substantial fines for each separate violation. Because of such a violation, the Mississippi Commission could seek to appoint a supervisor to operate the casino facilities. Limitation, conditioning or suspension of any gaming license or approval or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect us, our business and financial condition, and our results of operations.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Mississippi and to the counties or cities in which a Mississippi Gaming Subsidiary's operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon:

a percentage of the gross gaming revenues received by the casino operation,

the number of gaming devices operated by the casino, or

the number of table games operated by the casino.

The license fee payable to the State of Mississippi is based upon "gaming receipts" (generally defined as gross receipts less payouts to customers as winnings) and equals 4 percent of gaming receipts of $50,000 or less per month, 6 percent of gaming receipts that exceed $50,000 but do not exceed $134,000 per month, and 8 percent of gaming receipts that exceed $134,000 per month.

The foregoing license fees we pay are allowed to be used as a credit against our Mississippi income tax liability for the year paid. The gross revenue fee imposed by the Mississippi cities and counties in which our casino operations are located equals approximately 4 percent of the gaming receipts.

The Mississippi Commission's regulations require as a condition of licensure or license renewal that an existing licensed gaming establishment's plan include a 500-car parking facility in close proximity to the casino complex and infrastructure facilities which amount to at least 25 percent of the casino cost. The Mississippi Commission adopted amendments to the regulation that increase the infrastructure development requirement from 25 percent to 100 percent for new casinos (or upon acquisition of a closed casino) but grandfather existing licensees. We believe that our Mississippi Gaming Subsidiaries are in compliance with the previously existing infrastructure requirement and are not subject to the increased infrastructure requirement.

Both the local jurisdiction and the Alcoholic Beverage Control Division of the Mississippi State Tax Commission license, control and regulate the sale of alcoholic beverages by our Mississippi Gaming Subsidiaries. All of our Mississippi Gaming Subsidiaries operate in areas designated as special resort areas, which allow our Mississippi Gaming Subsidiaries to serve alcoholic beverages on a 24-hour basis. The

Alcoholic Beverage Control Division has the full power to limit, condition, suspend or revoke any license for the serving of alcoholic beverages or to place such a licensee on probation with or without conditions. Any disciplinary action could, and revocation would, have a material adverse effect upon us and our business, financial condition, and results of operations. Certain of our and our Mississippi Gaming Subsidiaries' key officers and managers must be investigated by the Alcoholic Beverage Control Division in connection with their liquor permits and changes in key positions must be approved by the Alcoholic Beverage Control Division.

Louisiana Gaming Laws

The ownership and operation of a riverboat gaming vessel in the State of Louisiana is subject to the Louisiana Riverboat Economic Development and Gaming Control Act. The Louisiana Gaming Control Board regulates gaming activities. The Louisiana Board is responsible for investigating the background of all applicants seeking a riverboat gaming license, issuing the license and enforcing the laws, rules and regulations relating to riverboat gaming activities.

The Louisiana Board must find suitable the applicant, its officers, directors, key personnel, partners and persons holding a 5 percent or greater interest in the holder of a gaming license. The Louisiana Board may, in its discretion, also review the suitability of other security holders as lenders of, or persons affiliated with, a licensee, including, without limitation, holders of the notes. This finding of suitability requires the filing of an extensive application to the Louisiana Board disclosing personal, financial, criminal, business and other information. We and certain of our subsidiaries affiliated with the Belle have filed the required forms with the Louisiana regulatory authorities with respect to a finding of suitability.

On March 24, 1994, the Louisiana Board's predecessor issued a riverboat gaming license to the Belle, a limited liability company in which, as of February 26, 2003, we own 100 percent of the equity. The Belle commenced riverboat gaming operations in New Orleans on July 9, 1995. Although we have settled all litigation regarding this property, (See "Business and Properties Legal Proceedings," for a description of this litigation), the litigation has postponed the Belle's application for renewal of this license. The renewal hearing is currently scheduled for May 19, 2003. Although we expect the renewal to be granted, no assurance can be given that the Louisiana Board will renew the Belle's license.

The Louisiana Act prohibits the transfer of a Louisiana gaming license. The Louisiana Board must approve the sale, assignment, transfer, pledge or disposition of securities which represent 5 percent or more of the total outstanding shares issued by a holder of a license and the Louisiana Board must find the transferee suitable. In addition, the Louisiana Board must approve certain contracts and leases entered into by a licensee and enterprises which transact business with the licensee must be licensed.

If a security holder of a licensee is found unsuitable, it will be unlawful for the security holder to:

- receive any dividend or interest with regard to the securities;
- exercise, directly or indirectly, any rights conferred by the securities; or
- receive any remuneration from the licensee for services rendered or otherwise.

The Louisiana Board may impose similar approval requirements on holders of securities of any intermediary or holding company of the licensee. Effective as of April 1, 2001, the State of Louisiana generally taxes riverboat gaming operations at the rate of 21.5 percent of net gaming proceeds. However, our riverboat at Bally's Casino New Orleans is subject to the following taxes on riverboat gaming operations effective as of April 1, 2001:

for any month in which the Belle receives net gaming proceeds of less than $6 million, the Belle must pay a tax equal to 18.5 percent of net gaming proceeds;

for any month in which the Belle receives net gaming proceeds of at least $6 million but less than $8 million, the Belle must pay a tax equal to 20.5 percent of net gaming proceeds for that month; and

for any month in which the Belle receives net gaming proceeds of $8 million or more, the Belle must pay a tax equal to 21.5 percent of net gaming proceeds for that month.

Additionally, effective as of April 1, 2001, the Belle is authorized to conduct dockside gaming activities, without the requirement to conduct cruises and excursions, provided that the Belle complies with the following restrictions:

the riverboat conducts gaming activities in an area not exceeding 30,000 square feet in the aggregate;

it does not participate directly or indirectly in the ownership, construction, operation, or subsidization of any hotel of a size exceeding 399 guest rooms within a distance of one mile from the berthing area of the licensed riverboat; and

it does not maintain or offer for patron or public use on the vessel or at its terminal, berthing area, or any hotel referred to above, more than 8,000 square feet of restaurant facilities in the aggregate, exclusive of food preparation and handling areas.

On April 19, 1996, the Louisiana legislature approved legislation mandating statewide local elections on a parish-by-parish basis to determine whether to prohibit or continue to permit three individual types of gaming. On November 5, 1996, Louisiana voters determined whether each of the following types of gaming would be prohibited or permitted in the following described Louisiana parishes:

the operation of video draw poker devices in each parish;

the conduct of riverboat gaming in each parish that is contiguous to a statutorily designated river or waterway; or

the conduct of land-based casino gaming operations in Orleans Parish.

In Orleans Parish, where our riverboat casino currently operates, a majority of the voters elected to continue to permit the three types of gaming described above. The current legislation does not provide for any moratorium on future local elections on gaming. Further, the current legislation does not provide for any moratorium that must expire before future local elections on gaming could be mandated or allowed. In addition, a change of berth by a licensee would require voter approval in the parish in which the new berth is located.

Delaware Gaming Laws

Video lottery operations in the State of Delaware are regulated by the Delaware State Lottery Office through the powers delegated to the Director of the Lottery pursuant to Title 29 of the Delaware Code. Under Delaware's video lottery program, video lottery machines are permitted at Delaware's licensed horse racing tracks.

Any person seeking to contract with the Delaware State Lottery Office for the provision of goods or services related to video lottery operations, including management services such as those we provide with respect to video lottery operation at the Dover Downs racetrack in Delaware, must be licensed by the Delaware State Lottery Office as a "technology provider." It is the ongoing duty of each technology provider licensee to notify the Director of the Lottery of any change in officers, partners, directors, key employees, video lottery operations employees or owners, collectively the "key individuals." An owner is a person who owns, directly or indirectly, 10 percent or more of an applicant or licensee. Key individuals are subject to a background investigation, and the failure of a key individual to satisfy a background investigation may constitute "cause" for the suspension or revocation of the technology provider's license. Our subsidiary has entered into an agreement to provide management services to the Lottery's agent that operates the video

lottery machines at Dover Downs racetrack. Our subsidiary and its key officers have been found qualified as a technology provider.

Indiana Gaming Laws

Our Indiana casino riverboat operations are subject to the provisions of Indiana Code 4-33 (the "Indiana Riverboat Act") and the licensing and regulatory control of the Indiana Gaming Commission, as well as various local, county, and state regulatory agencies.

The Indiana Riverboat Act authorizes the issuance of up to 11 riverboat gaming licenses on waterways located in Indiana. The Indiana Riverboat Act strictly regulates the facilities, persons, associations and practices related to gaming operations pursuant to the police powers of the State of Indiana, including comprehensive law enforcement provisions. The Indiana Riverboat Act vests the Indiana Gaming Commission with the power and duties of administering, regulating and enforcing the system of riverboat gaming in the State of Indiana. The Indiana Gaming Commission's jurisdiction extends to every person, association, corporation, partnership and trust involved in riverboat gaming operations in the State of Indiana.

The Indiana Riverboat Act requires the owner of a riverboat gaming operation to hold an owner's license issued by the Indiana Gaming Commission. Each license granted entitles the licensee to own and operate one riverboat and gaming equipment as part of the gaming operation. A licensee may own no more than a 10 percent interest in any other owner's license.

The Indiana Riverboat Act restricts the granting of the 11 owner's licenses by location, with five to be awarded for riverboats operating in specific cities on Lake Michigan, five to be awarded for riverboats operating on the Ohio River, and one to be awarded for a riverboat operating on Patoka Lake. The Indiana Gaming Commission has not considered applicants for the eleventh license since the Patoka Lake site has been determined by the U.S. Army Corps of Engineers to be unsuitable for a casino vessel project.

Each owner's license runs for a period of five years. Thereafter, the license is subject to renewal on an annual basis upon a determination by the Indiana Gaming Commission that the licensee continues to be eligible for an owner's license pursuant to the Indiana Riverboat Act and the rules and regulations adopted thereunder. All riverboat licensees have a continuing duty to maintain suitability for licensure and are required to notify the Indiana Gaming Commission of any material change in the information submitted in its application or any other matter which would render the licensee ineligible. An owner's license does not create a property right but is a revocable privilege contingent upon continuing suitability for licensure. A licensed owner undergoes a complete investigation every three years.

The Indiana Gaming Commission may revoke, restrict or suspend an owner's license at any time that the Indiana Gaming Commission determines the licensee is in violation of the Indiana Riverboat Act or the rules and regulations of the Indiana Gaming Commission or if the Indiana Gaming Commission determines revocation of the license is in the best interest of the State of Indiana and will protect and enhance the credibility and integrity of riverboat gambling operations. If the Indiana Gaming Commission determines that a licensee is in violation of the Indiana Riverboat Act or the rules and regulations promulgated by the Indiana Gaming Commission, the Indiana Gaming Commission may initiate a disciplinary proceeding to revoke, restrict or suspend the license or take such other action, including imposition of civil penalties, that the Indiana Gaming Commission deems necessary. If for any reason the license is terminated, the assets of the riverboat gambling operation must be secured and cannot be disposed of without the approval of the Indiana Gaming Commission and the licensee remains under the jurisdiction of the Indiana Gaming Commission until all matters related to the license have been resolved.

A licensed owner may apply for and may hold other licenses that are necessary for the operation of a riverboat, including licenses to sell alcoholic beverages, a license to prepare and serve food, and any other necessary licenses. Furthermore, the Indiana Riverboat Act requires that officers, directors and employees of a

gaming operation and suppliers of gaming equipment, devices, and supplies and certain other suppliers be licensed.

Applicants for licensure must submit comprehensive application and personal disclosure forms and undergo an exhaustive background investigation prior to the issuance of a license. The applicant must also disclose the identity of every stockholder or participant of the applicant and provide specific information with respect to certain stockholders holding significant interests, 5 percent or greater, in the applicant. The Indiana Gaming Commission has the authority to request specific information on any stockholder.

The Glory of Rome riverboat casino has been licensed to conduct gaming operations by the Indiana Gaming Commission pursuant to a license originally granted to RDI/Caesars Riverboat Casino, L.L.C., which we acquired from Starwood. An ownership interest in an owner's riverboat license may only be transferred after receiving approval from the Indiana Gaming Commission and upon compliance with the regulations issued under the Indiana Riverboat Act. The Indiana Gaming Commission approved the transfer of the interest in the riverboat owner's license to Park Place on March 30, 2000.

A riverboat owner licensee or any other person may not lease, hypothecate, borrow money against or loan money against an owner's riverboat gaming license.

The Indiana Riverboat Act does not limit the maximum bet or per patron loss. Minimum and maximum wagers on games are set by the licensee. Wagering may not be conducted with money or other negotiable currency. No person under the age of 21 is permitted to wager, and wagers may only be taken from a person present on a licensed riverboat.

Riverboats operating in Indiana must (1) have a valid certificate of inspection from the U.S. Coast Guard to carry at least 500 passengers; and (2) be at least 150 feet long. In addition, any riverboat that operates on the Ohio River must replicate, as nearly as possible, historic Indiana steamboat passenger vessels of the nineteenth century.

On June 22, 2002, the Indiana General Assembly passed significant legislation amending the Indiana Riverboat Act to allow the Indiana Gaming Commission to authorize the riverboats to implement a "flexible scheduling" plan, which essentially permits dockside gaming during all hours that a riverboat is open for operations. A riverboat that implements a "flexible scheduling" plan is no longer required to cruise, is no longer required to conduct time-limited gaming sessions, and is permitted to conduct gaming operations and allow the continuous ingress and egress of patrons onto the riverboat while the riverboat is docked.

A riverboat licensee that implements "flexible scheduling" must pay a $3.00 admission tax for each person admitted to the riverboat, and must pay a graduated wagering tax on adjusted gross receipts from gaming. In 2002, the graduated wagering tax is calculated on adjusted gross receipts received during the time period from August 1, 2002 through June 30, 2003; thereafter, the wagering tax will be calculated on adjusted gross receipts received during the period beginning July 1 of each year and ending June 30 of the following year. The wagering tax is calculated as follows:

fifteen percent (15%) of the first twenty-five million dollars ($25 million) of adjusted gross receipts.

twenty percent (20%) of adjusted gross receipts in excess of $25 million but not exceeding fifty million dollars ($50 million).

twenty five percent (25%) of adjusted gross receipts in excess of $50 million but not exceeding seventy-five million dollars ($75 million).

thirty percent (30%) of adjusted gross receipts in excess of $75 million but not exceeding one hundred fifty million dollars ($150 million).

thirty-five percent (35%) of adjusted gross receipts in excess of one hundred fifty million dollars ($150 million).

The tax imposed is to be paid to the Indiana Department of Revenue before the close of the business day following the day when the wagers are made. A riverboat license may be suspended for failure to pay such tax.

Caesars Indiana implemented "flexible scheduling" as of August 1, 2002, pursuant to authorization from the Indiana Gaming Commission.

After consultation with the U.S. Army Corps of Engineers, the Indiana Gaming Commission may determine the available navigable waterways that are suitable for the operation of riverboats under the Indiana Riverboat Act. If the U.S. Army Corps of Engineers rescinds an approval for the operation of riverboats on a waterway, a license issued under the Indiana Riverboat Act is void and the holder may not conduct or continue gaming operations under the Indiana Riverboat Act. The Indiana Gaming Commission requires employees working on a riverboat to have a valid merchant marine document from the U.S. Coast Guard.

The Indiana Gaming Commission also has promulgated regulations requiring riverboat owners to reimburse the Indiana Gaming Commission for the costs of inspectors and agents required to be present during the conduct of gambling operations. Further, the Indiana Gaming Commission may impose other fees and assessments. Riverboats are assessed for property tax purposes as real property and are taxed at rates determined by local taxing authorities. All Indiana state excise taxes, use taxes and gross retail taxes apply to sales on a riverboat.

The Indiana Gaming Commission may subject a licensee to fines, suspension or revocation of its license for any act that is in violation of the Indiana Riverboat Act, the rules and regulations of the Indiana Gaming Commission, or for an owner's license if the licensee has not begun regular riverboat excursions prior to the end of the twelve month period following receipt of a license from the Indiana Gaming Commission or if the Indiana Gaming Commission determines that the revocation of the license is in the best interests of the State of Indiana. A holder of a gaming license is required to post bond with the Indiana Gaming Commission in an amount that a local community will expend for infrastructure and other facilities associated with a riverboat operation.

The Indiana Riverboat Act places special emphasis upon minority and women's business enterprise participation in the riverboat industry. Any person issued a riverboat owner's license must establish goals of expending at least 10 percent of the total dollar value of the licensee's contracts for goods and services with minority business enterprises and 5 percent of the total dollar value of the licensee's contracts for goods and services with women's business enterprises. The Indiana Gaming Commission may suspend, limit or revoke the owner's license or fine or impose appropriate conditions on the licensee to ensure these goals are met. The Indiana Gaming Commission has indicated it will be vigilant in monitoring attainment of these goals.

An institutional investor that, individually or in association with others, acquires, directly or indirectly, 5 percent or more of any class of voting securities of a holding company of a licensee is required to notify the Indiana Gaming Commission and to provide additional information, including a certification that the voting securities were acquired and are held for investment purposes only, and may be subject to a finding of suitability. An institutional investor that, individually or in association with others, acquires, directly or indirectly, 15 percent or more of any class of voting securities of a holding company of a licensee is required to apply to the Indiana Gaming Commission for a finding of suitability. A person, other than an institutional investor, who acquires a direct or indirect beneficial ownership interest of 5 percent or more of any riverboat licensee, through any class of voting securities of the licensee or a holding company or intermediary company of the licensee, other than an institutional investor, is required to apply to the Indiana Gaming Commission for a finding of suitability.

A riverboat owner licensee may not enter into or perform any contract or transaction in which it transfers or receives consideration which is not commercially reasonable or which does not reflect the fair market value of the goods and services rendered or received. All contracts are subject to disapproval by the Indiana

Gaming Commission. The Indiana Gaming Commission has a rule requiring the reporting of certain currency transactions, which is similar to that required by Federal authorities.

A riverboat owner licensee or applicant (or affiliate thereof) may not enter into a debt transaction of $1.0 million or more without the prior approval of the Indiana Gaming Commission. The Indiana Gaming Commission rules require that:

- a written request for approval of the debt transaction, along with relevant information regarding the debt transaction, be submitted to the Indiana Gaming Commission at least ten days prior to a scheduled meeting of the Indiana Gaming Commission;

- a representative of the riverboat licensee or applicant be present at the meeting to answer any questions; and

- a decision regarding the approval of the debt transaction be issued by the Indiana Gaming Commission at the next following meeting. The Indiana Gaming Commission rules also authorize the Executive Director of the Indiana Gaming Commission to waive certain requirements.

The Indiana Gaming Commission has not approved the issuance of the exchange notes. However, we expect the Indiana Gaming Commission to waive the requirement that the issuance of the exchange notes pursuant to a registered public offering be approved prior to the commencement of the exchange offer.

Indiana Gaming Commission regulations also require a licensee or applicant (or affiliate) to conduct due diligence to ensure that each person with whom the licensee or applicant (or affiliate) enters into a debt transaction would be suitable for licensure under the Indiana Riverboat Act.

The Indiana Riverboat Act prohibits contributions to a candidate for a state, legislative, or local office, or to a candidate's committee or to a regular party committee by the holder of a riverboat owner's license or a supplier's license, by an officer of a licensee or by an officer of a person that holds at least a 1 percent interest in the licensee. The Indiana Gaming Commission has promulgated a rule requiring quarterly reporting by the holder of a riverboat owner's license or a supplier's license of officers of the licensee, officers of persons that hold at least a 1 percent interest in the licensee, and of persons who directly or indirectly own a 1 percent interest in the licensee.

The Indiana Gaming Commission adopted a rule which prohibits a distribution, except to allow payment of taxes, by a riverboat licensee to its partners, stockholders, itself, or any affiliated entity, if the distribution would impair the financial viability of the riverboat gaming operation. The Indiana Gaming Commission has adopted a rule which requires riverboat licensees to maintain, on a quarterly basis, a cash reserve in the amount of the actual payout for three days, and the cash reserve would include cash in the casino cage, cash in a bank account in Indiana, or cash equivalents not committed or obligated.

The study commission on the impact of legalized wagering in Indiana appointed by the Indiana governor has called for a limit on expansion of legalized wagering in Indiana.

Queensland, Australia Gaming Laws

Queensland, Australia, like the jurisdictions discussed above, has comprehensive laws and regulations governing the conduct of casino gaming. All persons connected with the ownership and operation of a casino, including us, our subsidiary that manages the Conrad Jupiters Gold Coast and the Conrad International Treasury Casino Brisbane and their principal stockholders, directors and officers, must be found suitable and/or licensed. A casino license once issued remains in force until surrendered or canceled. Queensland law defines the grounds for cancellation and, in that event, an administrator may be appointed to assume control of the casino hotel complex. The Queensland authorities have also conducted an investigation of, and have found suitable, us and our subsidiary BI Gaming Corp., which manages the Conrad Jupiters Gold Coast and Conrad International Treasure Casino Brisbane.

Queensland imposes taxes on gaming operations at the rate of 20 percent of gross gaming revenues, except that gaming revenues arising from persons or groups participating in special flight programs or "junkets" are taxed at a 10 percent rate. A casino community benefit levy of 1 percent of gross gaming revenues is also imposed.

Uruguay Gaming Laws

Uruguay also has laws and regulations governing the establishment and operation of casino gaming. The Internal Auditors Bureau of Uruguay, under the authority of the Executive Power of the Oriental Republic of Uruguay, is responsible for establishing the terms under which casino operations are conducted, including suitability requirements of persons associated with gaming operations, authorized games, specifications for gaming equipment, security, surveillance and compliance. The Executive Power of the Oriental Republic of Uruguay has granted a concession to Baluma S.A., a corporation duly organized and existing under the laws of the Oriental Republic of Uruguay, as owner of the Conrad Punta del Este Resort and Casino to conduct casino operations. Uruguay imposes a casino concession fee on gaming operations conducted by the Punta del Este Resort and Casino at a fixed amount per fiscal year. Changes to these laws and regulations could have an adverse effect on our casino gaming operations in Uruguay.

Ontario, Canada Gaming Laws

Our Ontario casino gaming operations are subject to the regulatory control of the Alcohol and Gaming Commission of Ontario pursuant to the Gaming Control Act and certain contractual obligations to the Ontario Lottery and Gaming Corporation, a provincial crown corporation owned by the Province of Ontario.

Our subsidiary, Caesars World, Inc., owns 50 percent of Windsor Casino Limited, which operates Casino Windsor in Windsor, Ontario, Canada, on behalf of the Ontario Lottery and Gaming Corporation, pursuant to an operating agreement with the Ontario Lottery and Gaming Corporation. The operating agreement imposes certain obligations on Windsor Casino Limited relating to the operation of Casino Windsor. Pursuant to a support agreement between the stockholders of Windsor Casino Limited and the Ontario Lottery and Gaming Corporation, the stockholders, including our subsidiary, Caesars World, Inc., have certain obligations relating to the operation of Casino Windsor.

Windsor Casino Limited is required under the Gaming Control Act to be registered as a casino operator with the Alcohol and Gaming Commission of Ontario and must operate in accordance with the terms and conditions of its registration.

Pursuant to the Gaming Control Act and the terms of Windsor Casino Limited's registration, the Registrar of Alcohol and Gaming must approve any change in the directors or officers of Windsor Casino Limited. The Gaming Control Act also provides that the Alcohol and Gaming Commission of Ontario may require the submission of disclosures and informational material from any person who has an interest in Windsor Casino Limited. This includes parent companies and their directors and officers.

The Registrar of Alcohol and Gaming has the power, subject to the Gaming Control Act, to grant, renew, suspend or revoke registrations. The Registrar is entitled to make such inquiries and conduct such investigations as are necessary to determine that applicants for registration meet the requirements of the Gaming Control Act and to require information or material from any person who has an interest in an applicant for registration. The criteria to be considered in connection with registration under the Gaming Control Act include the financial responsibility, integrity and honesty of the applicant and the public interest. The Registrar may, at any time, revoke, suspend or refuse to renew Windsor Casino Limited's registration for any reason that would have disentitled it to registration.

Changes to these laws and regulations could have an adverse effect on our casino gaming operations in Ontario.

Nova Scotia, Canada Gaming Laws

Our Nova Scotia casino gaming operations are subject to the regulatory control of the Nova Scotia Alcohol and Gaming Authority ("NSAGA") pursuant to the Nova Scotia Gaming Control Act and certain contractual obligations to the Nova Scotia Gaming Corporation ("NSGC"), a provincial crown corporation owned by the Province of Nova Scotia.

One of our subsidiaries owns a 95 percent partnership interest in a registered partnership known as Metropolitan Entertainment Group ("Metropolitan") that operates casinos in Halifax and Sydney, Nova Scotia, on behalf of NSGC, pursuant to an Operating Contract with NSGC. The Operating Contract imposes certain obligations on Metropolitan relating to the operation of the Halifax and Sydney casinos.

Metropolitan is required to maintain registration as a casino operator with the NSAGA.

Under the Gaming Control Act the NSAGA must be notified within 15 days of any change in the information contained in the application for the license including any change in the officers or directors of a partner of a casino operator or any change in the beneficial ownership of the casino operator.

The Gaming Control Act also provides that the Director of Registration may require information or material from Metropolitan and may conduct investigations concerning any person who has an interest in the casino. This includes parent companies and their directors and officers.

NSAGA has the power to suspend or to revoke Metropolitan's registration at any time for any reason that would have disentitled Metropolitan to obtain registration or renewal of registration. Grounds for suspension or revocation include the lack of financial responsibility, integrity and honesty of the casino operator, parent companies of the casino operator and their officers and directors, failure to act in the public interest and failure to disclose information required by the Director of Investigations.

Changes to these laws and regulations could have an adverse effect on our casino gaming operations in Nova Scotia.

South Africa Gaming Laws

Our South African operations are subject to the Gauteng Gambling and Betting Act No. 4 of 1995 and the regulations issued thereunder. If an entity has directly or indirectly procured a controlling or financial interest of 1 percent or more in a casino license holder in Gauteng, then the acquiring entity will have to apply for the consent of the Gauteng Gambling Board for the holding of such an interest. The acquiring entity must apply to the Gauteng Gambling Board for consent to hold such an interest within 14 days after the transaction closes and the interest is procured.

The application for the consent of the Gauteng Gambling Board must be made within a period and in a manner prescribed by the Gauteng Gambling Board. In making such an application, all the relevant provisions of the Gauteng Gambling and Betting Act relating to an application for a casino license apply. These include:

- the application itself;
- representations by interested persons;
- response by the applicant to such representations;
- further information and oral representations;
- public inspection of the application and representations;
- obtaining of a police report;
- the holding of a hearing which is open to members of the public, in which the applicant is afforded an opportunity to be heard, and where witnesses may be called; and

- a decision being given on the application and conditions being applied in the event of the application being granted.

The Gauteng Gambling Board may recover from the applicant all reasonable expenses incurred by the Gauteng Gambling Board in conducting the necessary investigation in respect of the application. Where consent is not granted, the acquiring entity shall, within the prescribed period and in the manner prescribed or determined by the Gauteng Gambling Board, dispose of the interest in question. In addition, the casino license holder must notify the Gauteng Gambling Board of the acquiring entity's identity and address as soon as practicable after it becomes aware of the procurement of an interest in it. The Gauteng Gambling Board has issued a permanent license subject to certain operating conditions to our casino gaming operations in South Africa.

Changes to these laws and regulations could have an adverse effect on our casino gaming operations in South Africa.

IRS Regulations

The Internal Revenue Code and Treasury Regulations require operators of casinos located in the United States to file information returns for U.S. citizens, including names and addresses of winners, for keno and slot machine winnings in excess of prescribed amounts. The Internal Revenue Code and Treasury Regulations also require operators to withhold taxes on some keno, bingo, and slot machine winnings of nonresident aliens. We are unable to predict the extent, to which these requirements, if extended, might impede or otherwise adversely affect operations of, and/or income from, the other games.

Regulations adopted by the Financial Crimes Enforcement Network ("FinCEN") of the Treasury Department and the gaming regulatory authorities in some of the domestic jurisdictions in which we operate casinos, or in which we have applied for licensing to operate a casino, require the reporting of currency transactions in excess of $10,000 occurring within a gaming day, including identification of the patron by name and social security number. This reporting obligation began in May 1985 and may have resulted in the loss of gaming revenues to jurisdictions outside the United States which are exempt from the ambit of these regulations. Effective March 25, 2003, there is a FinCEN regulation pertaining to the reporting of certain transactions deemed to be suspicious. This regulation requires our operating subsidiaries to develop and implement compliance and reporting programs. We believe our programs meet the requirements of the regulation and are effective to meet the requirements of the regulators.

Other Laws and Regulations

Each of the casino hotels and riverboat casinos described in this prospectus is subject to extensive state and local regulations and, on a periodic basis, must obtain various licenses and permits, including those required to sell alcoholic beverages. We believe that we have obtained all required licenses and permits and our businesses are conducted in substantial compliance with applicable laws.

Headquarters

Our principal executive offices are located at 3930 Howard Hughes Parkway, Las Vegas, Nevada 89109. Our telephone number is (702) 699-5000. Our website is *www.parkplace.com*.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a brief summary of important terms of our material indebtedness:

Revolving Credit Facilities. We have revolving bank credit facilities with a syndicate of financial institutions. At December 31, 2002, the total aggregate commitment was $2.7 billion, consisting of a $700 million 364-day revolving facility that matures in August 2003 and a $2.0 billion multi-year revolving facility, which matures December 31, 2003, with a $1.4 billion two-year extension upon expiration or voluntary termination of the existing multi-year facility. Based on the commitments of $2.7 billion, approximately $1.3 billion was available at December 31, 2002, subject to covenant restrictions.

Borrowings under the credit facilities bear interest at a floating rate and may be obtained at our option as LIBOR advances for varying periods, or as base rate advances, plus in each case an applicable margin (as further described in the credit facilities), or as competitive bid loans. As of April 8, 2003, our effective all-in borrowing costs of LIBOR advances bear interest at LIBOR plus 127.5 basis points, and that margin may be adjusted quarterly based on our leverage ratio or debt ratings. Base rate advances will bear interest at the base rate defined as the higher of:

- the federal funds rate plus 0.50%, or
- the reference rate as publicly announced by Bank of America as its prime rate

plus a margin equal to the applicable margin for LIBOR loans in effect from time to time minus 1.25%. Competitive bid loans shall bear interest either on an absolute rate bid basis or on the basis of a spread above or below LIBOR. The maximum all-in borrowing cost for LIBOR loans is 1.75% under the 364-day revolver and the five-year revolver, plus or minus pre-determined discounts based on our leverage ratios.

Hilton Debt. Concurrently with our spin-off from Hilton, we assumed primary liability for $625 million of Hilton's fixed rate debt. The payment terms of this debt assumption mirror the terms of Hilton's existing $300 million 7$^3/_8$% notes due 2002 (which we repaid at maturity) and its $325 million 7% notes due 2004. We entered into supplemental indentures with the trustee under these notes providing for our assumption of the payment obligations under the existing indentures.

7$^7/_8$% Senior Subordinated Notes due 2005. In December 1998, we issued $400 million of 7$^7/_8$% senior subordinated notes due December 2005 in a private placement offering. The notes were subsequently exchanged for registered notes. The 7$^7/_8$% notes are redeemable at any time prior to their maturity at the redemption prices described in the indenture governing the 7$^7/_8$% notes. The 7$^7/_8$% notes are unsecured senior subordinated obligations and are subordinated to all of our senior debt.

7.95% Senior Notes due 2003. In August 1999, we issued $300 million of 7.95% senior notes due August 2003 in a private placement offering. The notes were subsequently exchanged for registered notes. The 7.95% notes are redeemable at any time prior to their maturity at the redemption prices described in the indenture governing the 7.95% notes. The 7.95% notes are unsecured senior obligations and rank equally with all of our senior unsecured debt and are senior to all of our subordinated debt.

8$^1/_2$% Senior Notes due 2006. In November 1999, we issued $400 million of 8$^1/_2$% senior notes due November 2006 in a registered note offering. The 8$^1/_2$% notes are redeemable at any time prior to their maturity at the redemption prices described in the indenture governing the

$8^1/_2$% notes. The $8^1/_2$% notes are unsecured senior obligations and rank equally with all of our senior unsecured debt and are senior to all of our subordinated debt.

$9^3/_8$% Senior Subordinated Notes due 2007. In February 2000, we issued $500 million of $9^3/_8$% senior subordinated notes due February 2007 in a private placement offering. The notes were subsequently exchanged for registered notes. The $9^3/_8$% notes are redeemable at any time prior to their maturity at the

redemption prices described in the indenture governing the $9^3/_8$% notes. The $9^3/_8$% notes are unsecured senior subordinated obligations and are subordinated to all of our senior debt.

$8^7/_8$% Senior Subordinated Notes due 2008. In September 2000, we issued $400 million of $8^7/_8$% senior subordinated notes due September 2008 in a registered note offering. The $8^7/_8$% notes are redeemable at any time prior to their maturity at the redemption prices described in the indenture governing the $8^7/_8$% notes. The $8^7/_8$% notes are unsecured senior subordinated obligations and are subordinated to all of our senior debt.

$8^1/_8$% Senior Subordinated Notes due 2011. In May 2001, we issued $350 million of $8^1/_8$% senior subordinated notes due May 2011 in a private placement offering. The $8^1/_8$% notes were subsequently exchanged for registered notes. The notes are redeemable at any time prior to their maturity at the redemption prices described in the indenture governing the $8^1/_8$% notes. The $8^1/_8$% notes are unsecured senior subordinated obligations and are subordinated to all of our senior debt.

7.50% Senior Notes due 2009. In August 2001, we issued $425 million of 7.50% senior notes due September 2009 in a private placement offering. These notes were subsequently exchanged for registered notes. The 7.50% notes are redeemable at any time prior to their maturity at the redemption prices described in the indenture governing the 7.50% notes. The 7.50% notes are unsecured senior obligations and rank equally with all of our senior unsecured debt and are senior to all of our subordinated debt.

$7^7/_8$% Senior Subordinated Notes due 2010. In March 2002, we issued $375 million of $7^7/_8$% senior subordinated notes due March 2010 in a private placement offering. The $7^7/_8$% notes were subsequently exchanged for registered notes. The notes are redeemable at any time prior to their maturity at the redemption prices described in the indenture governing the $7^7/_8$% notes. The $7^7/_8$% notes are unsecured senior subordinated obligations and are subordinated to all of our senior debt.

THE EXCHANGE OFFER

General

As of the date of this prospectus, $300 million in aggregate principal amount of the old notes is outstanding. This prospectus, together with the letter of transmittal, is first being sent to holders on or about , 2003.

Purpose of the Exchange Offer

We issued the old notes on April 11, 2003 in a transaction exempt from the registration requirements of the Securities Act. Accordingly, the old notes may not be reoffered, resold, or otherwise transferred unless so registered or unless an applicable exemption from the registration and prospectus delivery requirements of the Securities Act is available.

In connection with the sale of the old notes, we entered into the registration rights agreement, which requires us to:

- file a registration statement with the Commission relating to the exchange offer not later than 90 days after the date of issuance of the old notes;

use our best efforts to cause the registration statement relating to the exchange offer to become effective under the Securities Act within 150 days after the date of issuance of the old notes; and

complete the exchange offer within 180 days from the original issuance of the old notes or, if obligated to file a shelf registration statement, to use our best efforts to cause the shelf registration statement to be declared effective by the 180th day after the original issuance of the old notes.

We have filed a copy of the registration rights agreement as an exhibit to the registration statement of which this prospectus is a part.

Notwithstanding the registration and effectiveness time periods set forth in the registration rights agreement, one or more of our gaming regulators may require us to meet these obligations on a shorter time frame.

We are making the exchange offer to satisfy our obligations under the registration rights agreement. Other than pursuant to the registration rights agreement, we are not required to file any registration statement to register any outstanding old notes. Holders of old notes who do not tender their old notes or whose old notes are tendered but not accepted in the exchange offer must rely on an exemption from the registration requirements under the securities laws, including the Securities Act, if they wish to sell their old notes.

We are making the exchange offer in reliance on the position of the staff of the Commission as set forth in interpretive letters addressed to third parties in other transactions. However, we have not sought our own interpretive letter and we can provide no assurance that the staff would make a similar determination with respect to the exchange offer as it has in interpretive letters to third parties. Based on these interpretations by the staff, we believe that the exchange notes issued in the exchange offer in exchange for old notes may be offered for resale, resold and otherwise transferred by a holder other than any holder who is a broker-dealer or an "affiliate" of ours within the meaning of Rule 405 of the Securities Act, without further compliance with the registration and prospectus delivery requirements of the Securities Act, provided that:

the exchange notes are acquired in the ordinary course of the holder's business;

the holder has no arrangement or understanding with any person to participate in the distribution of the exchange notes; and

the holder is not engaged in, and does not intend to engage in a distribution of the exchange notes.

For additional information, see " Resale of exchange notes." Each broker-dealer that receives exchange notes for its own account in exchange for old notes, where the broker-dealer acquired the old notes as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. For additional information, see "Plan of Distribution."

Terms of the Exchange

We are offering to exchange, subject to the conditions described in this prospectus and in the letter of transmittal accompanying this prospectus, $1,000 in principal amount of exchange notes for each $1,000 in principal amount of the old notes. The terms of the exchange notes are identical in all material respects to the terms of the old notes, except that the exchange notes will generally be freely transferable by holders of the exchange notes and will not be subject to the terms of the registration rights agreement. The exchange notes will evidence the same indebtedness as the old notes and will be entitled to the benefits of the indenture. For additional information, see "Description of the Exchange Notes."

The exchange offer is not conditioned upon the tender of any minimum principal amount of old notes.

We have not requested, and do not intend to request, an interpretation by the staff of the Commission as to whether the exchange notes issued in exchange for the old notes may be offered for sale, resold or otherwise transferred by any holder without compliance with the registration and prospectus delivery provisions of the Securities Act. Instead, based on an interpretation by the staff of the Commission set forth in a series of no-action letters issued to third parties, we believe that exchange notes issued in the exchange offer in exchange for old notes may be offered for sale, resold and otherwise transferred by any holder of exchange notes, other than any holder that is a broker-dealer or is an "affiliate" of ours within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

- the exchange notes are acquired in the ordinary course of the holder's business;
- the holder has no arrangement or understanding with any person to participate in the distribution of the exchange notes; and
- the holder is not engaged in, and does not intend to engage in a distribution of the exchange notes.

Since the Commission has not considered the exchange offer in the context of a no-action letter, we can provide no assurance that the staff of the Commission would make a similar determination with respect to the exchange offer. Any holder who is an affiliate of ours or who tenders old notes in the exchange offer for the purpose of participating in a distribution of the exchange notes cannot rely on the interpretation by the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of exchange notes. Each broker-dealer that receives exchange notes for its own account in exchange for old notes, where the broker-dealer acquired the old notes as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. For additional information, see "Plan of Distribution."

The exchange notes will accrue interest from the last interest payment date on which interest was paid on the old notes or, if no interest was paid on the old notes, from the date of issuance of the old notes, which was on April 11, 2003. Holders whose old notes are accepted for exchange will be deemed to have waived the right to receive any interest accrued on the old notes.

Tendering holders of the old notes will not be required to pay brokerage commissions or fees or, transfer taxes, except as specified in the instructions in the letter of transmittal, with respect to the exchange of the old notes in the exchange offer.

Expiration Date; Extension; Termination; Amendment

The exchange offer will expire at 5:00 p.m., New York City time, on   , 2003, unless we, in our sole discretion, have extended the period of time for which the exchange offer is open. The time and date, as it may be extended, is referred to herein as the "expiration date." The expiration date will be at least 20 business days after the commencement of the exchange offer in accordance with Rule 14e-1(a) under the Exchange Act. We expressly reserve the right, at any time or from time to time, to extend the period of time during which the exchange offer is open, and thereby delay acceptance for exchange of any old notes. We will extend the expiration date by giving oral or written notice of the extension to the exchange agent and by timely public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. During the extension, all old notes previously tendered will remain subject to the exchange offer unless properly withdrawn.

We expressly reserve the right to:

- terminate or amend the exchange offer and not to accept for exchange any old notes not previously accepted for exchange upon the occurrence of any of the events specified below under " Conditions to the Exchange Offer" which have not been waived by us; and
- amend the terms of the exchange offer in any manner which, in our good faith judgment, is advantageous to the holders of the old notes, whether before or after any tender of the old notes.

If any termination or amendment occurs, we will notify the exchange agent and will either issue a press release or give oral or written notice to the holders of the old notes as promptly as practicable.

For purposes of the exchange offer, a "business day" means any day other than Saturday, Sunday or a date on which banking institutions are required or authorized by New York State law to be closed, and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time. Unless we terminate the exchange offer prior to 5:00 p.m., New York City time, on the expiration date, we will exchange the exchange notes for the old notes promptly following the expiration date.

Procedures For Tendering Old Notes

Our acceptance of old notes tendered by a holder will constitute a binding agreement between the tendering holder and us upon the terms and subject to the conditions described in this prospectus and in the accompanying letter of transmittal. All references in this prospectus to the letter of transmittal are deemed to include a facsimile of the letter of transmittal.

A holder of old notes may tender the old notes by:

- properly completing and signing the letter of transmittal;
- properly completing any required signature guarantees;
- properly completing any other documents required by the letter of transmittal; and
- delivering all of the above, together with the certificate or certificates representing the old notes being tendered, to the exchange agent at its address set forth below on or prior to the expiration date; or
- complying with the procedure for book-entry transfer described below; or
- complying with the guaranteed delivery procedures described below.

The method of delivery of old notes, letters of transmittal and all other required documents is at the election and risk of the holders. If the delivery is by mail, it is recommended that registered mail properly insured, with return receipt requested, be used. In all cases, sufficient time should be allowed to ensure timely delivery. Holders should not send old notes or letters of transmittal to us.

The signature on the letter of transmittal need not be guaranteed if:

- tendered old notes are registered in the name of the signer of the letter of transmittal; and
- the exchange notes to be issued in exchange for the old notes are to be issued in the name of the holder; and
- any untendered old notes are to be reissued in the name of the holder.

In any other case, the tendered old notes must be:

- endorsed or accompanied by written instruments of transfer in form satisfactory to us;
- duly executed by the holder; and

the signature on the endorsement or instrument of transfer must be guaranteed by a bank, broker, dealer, credit union, savings association, clearing agency or other institution, each an "eligible institution" that is a member of a recognized signature guarantee medallion program within the meaning of Rule 17Ad-15 under the Exchange Act.

If the exchange notes and/or old notes not exchanged are to be delivered to an address other than that of the registered holder appearing on the note register for the old notes, the signature in the letter of transmittal must be guaranteed by an eligible institution.

The exchange agent will make a request within two business days after the date of receipt of this prospectus to establish accounts with respect to the old notes at The Depository Trust Company, the "book-entry transfer facility," for the purpose of facilitating the exchange offer. We refer to the Depository Trust Company in this prospectus as "DTC." Subject to establishing the accounts, any financial institution that is a participant in the book-entry transfer facility's system may make book-entry delivery of old notes by causing the book-entry transfer facility to transfer the old notes into the exchange agent's account with respect to the old notes in accordance with the book-entry transfer facility's procedures for the transfer. Although delivery of old notes may be effected through book-entry transfer into the exchange agent's account at the book-entry transfer facility, an appropriate letter of transmittal with any required signature guarantee and all other required documents, or an agent's message, must in each case be properly transmitted to and received or confirmed by the exchange agent at its address set forth below prior to the expiration date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under such procedures.

The exchange agent and DTC have confirmed that the exchange offer is eligible for the DTC Automated Tender Offer Program. We refer to the Automated Tender Offer Program in this prospectus as "ATOP." Accordingly, DTC participants may, in lieu of physically completing and signing the letter of transmittal and delivering it to the exchange agent, electronically transmit their acceptance of the exchange offer by causing DTC to transfer old notes to the exchange agent in accordance with DTCs ATOP procedures for transfer. DTC will then send an agent's message.

The term "agent's message" means a message which:

is transmitted by DTC;

received by the exchange agent and forming part of the book-entry transfer;

states that DTC has received an express acknowledgment from a participant in DTC that is tendering old notes which are the subject of the book-entry transfer;

states that the participant has received and agrees to be bound by all of the terms of the letter of transmittal; and

states that we may enforce the agreement against the participant.

If a holder desires to accept the exchange offer and time will not permit a letter of transmittal or old notes to reach the exchange agent before the expiration date or the procedure for book-entry transfer cannot be completed on a timely basis, the holder may effect a tender if the exchange agent has received at its address set forth below on or prior to the expiration date, a letter, telegram or facsimile transmission, and an original delivered by guaranteed overnight courier, from an eligible institution setting forth:

the name and address of the tendering holder;

the names in which the old notes are registered and, if possible, the certificate numbers of the old notes to be tendered; and

a statement that the tender is being made thereby and guaranteeing that within three business days after the expiration date, the old notes in proper form for transfer, or a confirmation of book-entry transfer of such old notes into the exchange agent's account at the book-entry transfer facility and an agent's message, will be delivered by the eligible institution together with a properly completed and duly executed letter of transmittal and any other required documents.

Unless old notes being tendered by the above-described method are deposited with the exchange agent, a tender will be deemed to have been received as of the date when:

- the tendering holder's properly completed and duly signed letter of transmittal, or a properly transmitted agent's message, accompanied by the old notes or a confirmation of book-entry transfer of the old notes into the exchange agent's account at the book-entry transfer facility is received by the exchange agent; or

- a notice of guaranteed delivery or letter, telegram or facsimile transmission to similar effect from an eligible institution is received by the exchange agent.

Issuances of exchange notes in exchange for old notes tendered pursuant to a notice of guaranteed delivery or letter, telegram or facsimile transmission to similar effect by an eligible institution will be made only against deposit of the letter of transmittal and any other required documents and the tendered old notes or a confirmation of book-entry and an agent's message.

All questions as to the validity, form, eligibility, including time of receipt, and acceptance of old notes tendered for exchange will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any and all tenders of any old notes not properly tendered or not to accept any old notes which acceptance might, in our judgment or the judgment of our counsel, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any old notes either before or after the expiration date, including the right to waive the ineligibility of any holder who seeks to tender old notes in the exchange offer. The interpretation of the terms and conditions of the exchange offer including the letter of transmittal and the instructions contained in the letter of transmittal, by us will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes for exchange must be cured within such reasonable period of time as we determine. Neither we, the exchange agent nor any other person has any duty to give notification of any defect or irregularity with respect to any tender of old notes for exchange, nor will any of us incur any liability for failure to give such notification.

If the letter of transmittal is signed by a person or persons other than the registered holder or holders of old notes, the old notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders appear on the old notes.

If the letter of transmittal or any old notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by us, such persons must submit proper evidence satisfactory to us of their authority to so act.

By tendering, each holder represents to us that, among other things:

- the exchange notes acquired pursuant to the exchange offer are being acquired in the ordinary course of business of the holder;

- the holder is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the exchange notes; and

- the holder is not an "affiliate," as defined under Rule 405 of the Securities Act, of ours.

Each broker-dealer that receives exchange notes for its own account in exchange for old notes, where the broker-dealer acquired the old notes as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. For additional information, see "Plan of Distribution."

Terms and Conditions of the Letter of Transmittal

The letter of transmittal contains, among other things, the following terms and conditions, which are part of the exchange offer.

The party tendering old notes for exchange exchanges, assigns and transfers the old notes to us and irrevocably constitutes and appoints the exchange agent as his agent and attorney-in-fact to cause the old notes to be assigned, transferred and exchanged. We refer to the party tendering notes herein as the "transferor." The transferor represents and warrants that it has full power and authority to tender, exchange, assign and transfer the old notes and to acquire exchange notes issuable upon the exchange of the tendered old notes, and that, when the same are accepted for exchange, we will acquire good and unencumbered title to the tendered old notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The transferor also warrants that it will, upon request, execute and deliver any additional documents deemed by the exchange agent or us to be necessary or desirable to complete the exchange, assignment and transfer of tendered old notes or transfer ownership of such old notes on the account books maintained by a book-entry transfer facility. The transferor further agrees that acceptance of any tendered old notes by us and the issuance of exchange notes in exchange for old notes will constitute performance in full by us of various of our obligations under the registration rights agreement. All authority conferred by the transferor will survive the death or incapacity of the transferor and every obligation of the transferor will be binding upon the heirs, legal representatives, successors, assigns, executors and administrators of the transferor.

The transferor certifies that it is not an "affiliate" of ours within the meaning of Rule 405 under the Securities Act and that it is acquiring the exchange notes offered hereby in the ordinary course of the transferor's business and that the transferor has no arrangement with any person to participate in the distribution of the exchange notes.

Each holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of exchange notes. Each transferor which is a broker-dealer receiving exchange notes for its own account must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Withdrawal Rights

Tenders of old notes may be withdrawn at any time prior to the expiration date.

For a withdrawal to be effective, a written notice of withdrawal sent by telegram, facsimile transmission, with receipt confirmed by telephone, or letter must be received by the exchange agent at the address set forth in this prospectus prior to the expiration date. Any notice of withdrawal must:

- specify the name of the person having tendered the old notes to be withdrawn;
- identify the old notes to be withdrawn, including the certificate number or numbers and principal amount of such old notes;
- specify the principal amount of old notes to be withdrawn;
- include a statement that the holder is withdrawing his election to have the old notes exchanged;
- be signed by the holder in the same manner as the original signature on the letter of transmittal by which the old notes were tendered or as otherwise described above, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee under the indenture register the transfer of the old notes into the name of the person withdrawing the tender; and
- specify the name in which any such old notes are to be registered, if different from that of the person who tendered the old notes.

The exchange agent will return the properly withdrawn old notes promptly following receipt of the notice of withdrawal. If old notes have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn old notes or otherwise comply with the book-entry transfer facility procedure.

All questions as to the validity of notices of withdrawals, including time of receipt, will be determined by us and our determination will be final and binding on all parties.

Any old notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any old notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder without cost to the holder. In the case of old notes tendered by book-entry transfer into the exchange agent's account at the book-entry transfer facility pursuant to the book-entry transfer procedures described above, the old notes will be credited to an account with the book-entry transfer facility specified by the holder. In either case, the old notes will be returned as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old notes may be retendered by following one of the procedures described under "Procedures for Tendering Old Notes" above at any time prior to the expiration date.

Acceptance of Old Notes for Exchange; Delivery of Exchange Notes

Upon satisfaction or waiver of all of the conditions to the exchange offer, we will accept, on the expiration date, all old notes properly tendered and will issue the exchange notes promptly after such acceptance. See " Conditions to the Exchange Offer" below for more detailed information. For purposes of the exchange offer, we will be deemed to have accepted properly tendered old notes for exchange when, and if, we have given oral or written notice of our acceptance to the exchange agent.

For each old note accepted for exchange, the holder of the old note will receive an exchange note having a principal amount equal to that of the surrendered old note.

In all cases, issuance of exchange notes for old notes that are accepted for exchange pursuant to the exchange offer will be made only after:

- timely receipt by the exchange agent of certificates for the old notes or a timely book-entry confirmation of the old notes into the exchange agent's account at the book-entry transfer facility;

- a properly completed and duly executed letter of transmittal, or a properly transmitted agent's message; and

- timely receipt by the exchange agent of all other required documents.

If any tendered old notes are not accepted for any reason described in the terms and conditions of the exchange offer or if old notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or nonexchanged old notes will be returned without expense to the tendering holder of the old notes. In the case of old notes tendered by book-entry transfer into the exchange agent's account at the book-entry transfer facility pursuant to the book-entry transfer procedures described above, the non-exchanged old notes will be credited to an account maintained with the book-entry transfer facility. In either case, the old notes will be returned as promptly as practicable after the expiration of the exchange offer.

Conditions to the Exchange Offer

Notwithstanding any other provision of the exchange offer, or any extension of the exchange offer, we will not be required to accept for exchange, or to issue exchange notes in exchange for, any old notes and may terminate or amend the exchange offer, by oral or written notice to the exchange agent or by a timely press release, if at any time before the acceptance of the old notes for exchange or the exchange of the exchange notes for such old notes, any of the following conditions exist:

- any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in our judgment would reasonably be expected to impair our ability to proceed with the exchange offer; or

- the exchange offer, or the making of any exchange by a holder, violates applicable law or any applicable interpretation of the staff of the Commission.

Regardless of whether any of the conditions has occurred, we may amend the exchange offer in any manner which, in our good faith judgment, is advantageous to holders of the old notes.

The conditions described above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to the condition or we may waive any condition in whole or in part at any time and from time to time in our sole discretion. Our failure at any time to exercise any of the rights described above will not be deemed a waiver of the right and each right will be deemed an ongoing right which we may assert at any time and from time to time.

If we waive or amend the conditions above, we will, if required by law, extend the exchange offer for a minimum of five business days from the date that we first give notice, by public announcement or otherwise, of the waiver or amendment, if the exchange offer would otherwise expire within the five business-day period. Any determination by us concerning the events described above will be final and binding upon all parties.

The exchange offer is not conditioned upon any minimum principal amount of old notes being tendered.

Exchange Agent

U.S. Bank National Association, has been appointed as the exchange agent for the exchange offer. All executed letters of transmittal should be directed to the exchange agent at one of the addresses set forth below:

By Registered or
Certified Mail:
U.S. Bank National Association
Attn: Specialized Finance Department
180 East Fifth Street
St. Paul, Minnesota 55101

By Facsimile:
(651) 244-1537

Confirm by
Telephone:
(800) 934-6802

By Hand or Overnight
Courier:
U.S. Bank National Association
Attn: Specialized Finance Department
180 East Fifth Street
St. Paul, Minnesota 55101

You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery to the exchange agent at the address and telephone number set forth in the letter of transmittal.

Delivery to an address other than as set forth on the letter of transmittal, or transmissions of instructions via a facsimile number other than the one set forth on the letter of transmittal, will not constitute a valid delivery.

Solicitation of Tenders; Fees and Expenses

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We, however, will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith. We will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this and other related documents to the beneficial owners of the old notes and in handling or forwarding tenders for their customers.

We will pay the estimated cash expenses to be incurred in connection with the exchange offer. We estimate the expenses to be approximately $250,000, which includes fees and expenses of the exchange agent, trustee, registration fees, accounting, legal, printing and related fees and expenses.

No person has been authorized to give any information or to make any representations in connection with the exchange offer other than those contained in this prospectus. If given or made, such information or representations should not be relied upon as having been authorized by us. Neither the delivery of this prospectus nor any exchange made pursuant to this prospectus, under any circumstances, create any implication that there has been no change in our affairs since the respective dates as of which information is given in this prospectus. The exchange offer is not being made to, nor will tenders be accepted from or on behalf of, holders of old notes in any jurisdiction in which the making of the exchange offer or the acceptance of the exchange offer would not be in compliance with the laws of the jurisdiction. However, we may, at our discretion, take such action as we may deem necessary to make the exchange offer in the jurisdiction and extend the exchange offer to holders of old notes in the jurisdiction. In any jurisdiction in which the securities laws or blue sky laws of which require the exchange offer to be made by a licensed broker or dealer, the exchange offer is being made on our behalf by one or more registered brokers or dealers which are licensed under the laws of the jurisdiction.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of old notes pursuant to the exchange offer. However, the transfer taxes will be payable by the tendering holder if:

- certificates representing exchange notes or old notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the old notes tendered; or

- tendered old notes are registered in the name of any person other than the person signing the letter of transmittal; or

- a transfer tax is imposed for any reason other than the exchange of old notes pursuant to the exchange offer.

We will bill the amount of the transfer taxes directly to the tendering holder if satisfactory evidence of payment of the taxes or exemption therefrom is not submitted with the letter of transmittal.

Accounting Treatment

For accounting purposes, we will not recognize gain or loss upon the exchange of the exchange notes for old notes. We will amortize expenses incurred in connection with the issuance of the exchange notes over the term of the exchange notes.

Consequences of Failure to Exchange

Holders of old notes who do not exchange their old notes for exchange notes pursuant to the exchange offer will continue to be subject to the restrictions on transfer of the old notes as described in the legend on the old notes. Old notes not exchanged pursuant to the exchange offer will continue to remain outstanding in accordance with their terms. In general, the old notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently anticipate that we will register the old notes under the Securities Act.

Participation in the exchange offer is voluntary, and holders of old notes should carefully consider whether to participate. Holders of old notes are urged to consult their financial and tax advisors in making their own decision on what action to take.

As a result of the making of, and upon acceptance for exchange of all validly tendered old notes pursuant to the terms of, this exchange offer, we will have fulfilled a covenant contained in the registration rights agreement. Holders of old notes who do not tender their old notes in the exchange offer will continue to hold the old notes and will be entitled to all the rights and limitations applicable to the old notes under the indenture, except for any rights under the registration rights agreement that by their terms terminate or cease to have further effectiveness as a result of the making of this exchange offer. All untendered old notes will continue to be subject to the restrictions on transfer described in the indenture. To the extent that old notes are tendered and accepted in the exchange offer, the trading market for untendered old notes could be adversely affected.

We may in the future seek to acquire, subject to the terms of the indenture, untendered old notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plan to acquire any old notes which are not tendered in the exchange offer.

Resale of Exchange Notes

We are making the exchange offer in reliance on the position of the staff of the Commission as set forth in interpretive letters addressed to third parties in other transactions. However, we have not sought our own

interpretive letter and we can provide no assurance that the staff would make a similar determination with respect to the exchange offer as it has in such interpretive letters to third parties. Based on these interpretations by the staff, we believe that the exchange notes issued pursuant to the exchange offer in exchange for old notes may be offered for resale, resold and otherwise transferred by a holder, other than any holder who is a broker-dealer or an "affiliate" of ours within the meaning of Rule 405 of the Securities Act, without further compliance with the registration and prospectus delivery requirements of the Securities Act, provided that:

- the exchange notes are acquired in the ordinary course of the holder's business; and
- the holder is not participating, and has no arrangement or understanding with any person to participate, in a distribution of the exchange notes.

However, any holder who is:

- an "affiliate" of ours;
- who has an arrangement or understanding with respect to the distribution of the exchange notes to be acquired pursuant to the exchange offer; or
- any broker-dealer who purchased old notes from us to resell pursuant to Rule 144A or any other available exemption under the Securities Act,

could not rely on the applicable interpretations of the staff and must comply with the registration and prospectus delivery requirements of the Securities Act. A broker-dealer who holds old notes that were acquired for its own account as a result of market-making or other trading activities may be deemed to be an "underwriter" within the meaning of the Securities Act and must, therefore, deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of exchange notes. Each such broker-dealer that receives exchange notes for its own account in exchange for old notes, where the broker-dealer acquired the old notes as a result of market-making activities or other trading activities, must acknowledge, as provided in the letter of transmittal, that it will deliver a prospectus in connection with any resale of such exchange notes. For more detailed information, see "Plan of Distribution."

In addition, to comply with the securities laws of various jurisdictions, if applicable, the exchange notes may not be offered or sold unless they have been registered or qualified for sale in the jurisdiction or an exemption from registration or qualification is available and is complied with. We have agreed, pursuant to the registration rights agreement and subject to specified limitations therein, to register or qualify the exchange notes for offer or sale under the securities or blue sky laws of the jurisdictions as any holder of the exchange notes reasonably requests. The registration or qualification may require the imposition of restrictions or conditions, including suitability requirements for offerees or purchasers, in connection with the offer or sale of any exchange notes.

Shelf Registration Statement

If:

any changes in law or the applicable interpretations of the staff of the Commission do not permit us to effect the exchange offer; or

for any reason the exchange offer is not consummated within 150 days following the date of original issuance of the old notes; or

any holder of the old notes, other than the initial purchasers, is not eligible to participate in the exchange offer; or

upon the request of any initial purchaser under specified circumstances,

we will, at our cost:

as promptly as practicable, file the shelf registration statement covering resales of the old notes;

use our best efforts to cause the shelf registration statement to be declared effective under the Securities Act by the 150th day after the original issuance of the old notes; and

use our best efforts to keep the shelf registration statement effective until two years after its effective date or until one year after the effective date if the shelf registration statement is filed at the request of any initial purchaser.

We will, in the event of the filing of a shelf registration statement, provide to each holder of the old notes copies of the prospectus which is a part of the shelf registration statement, notify each holder when the shelf registration statement for the old notes has become effective and take other actions as are required to permit unrestricted resales of the old notes. A holder of old notes that sells the old notes pursuant to the shelf registration statement generally:

will be required to be named as a selling securityholder in the related prospectus and to deliver a prospectus to purchasers;

will be subject to some of the civil liability provisions under the Securities Act in connection with the sales; and

will be bound by the provisions of the registration rights agreement which are applicable to the holder, including specified indemnification obligations.

In addition, each holder of the old notes will be required to deliver information to be used in connection with the shelf registration statement and to provide comments on the shelf registration statement within the time periods specified in the registration rights agreement in order to have their old notes included in the shelf registration statement and to benefit from the provisions regarding liquidated damages described below.

Liquidated Damages

If:

the exchange offer registration statement is not filed with the Commission on or prior to the 90th calendar day following the date of original issue of the old notes;

the exchange offer registration statement is not declared effective on or prior to the 150th calendar day following the date of original issue of the old notes; or the exchange offer is not consummated or a shelf registration statement is not declared effective, in either case, on or prior to the 180th calendar day following the date of original issue of the old notes,

the interest rate borne by the old notes will increase by .25% per year upon the occurrence of any of the events described in (a) through (c) above, each of which will constitute a registration default. The interest rate will increase by .25% each 90-day period that a registration default continues, provided that the maximum aggregate increase in the interest rate will in no event exceed one percent (1%) per year (such interest, "Additional Interest"). Following the cure of all registration defaults the accrual of this additional interest will cease and the interest rate will revert to the original rate.

DESCRIPTION OF THE EXCHANGE NOTES

You can find the definitions of certain terms used in this description under the subheading "Certain Definitions." In this description, the words "Park Place" refer only to Park Place Entertainment Corporation and not to any of its subsidiaries.

Park Place will issue the exchange notes under an indenture between itself and U.S. Bank National Association, as trustee. The terms of the exchange notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939. We refer to the exchange notes in this section as the "notes."

The following description is a summary of the material provisions of the indenture. It does not restate the indenture in its entirety. We urge you to read the indenture because the indenture, and not this description, defines your rights as holders of the notes. A copy of the indenture is filed as an exhibit to the registration statement of which this prospectus forms a part.

Ranking

The notes:

are unsecured general obligations of Park Place;

are equal in right of payment to all existing and future unsecured senior Debt of Park Place; and

are senior in right of payment to all existing and future subordinated indebtedness of Park Place.

The notes will effectively rank junior to secured indebtedness of Park Place, if any, and to all liabilities of Park Place's Subsidiaries, including trade payables.

As of December 31, 2002, after giving effect to the offering of the old notes, Park Place had total indebtedness of $4.9 billion, of which approximately $2.6 billion would rank *pari passu* with the notes, and Park Place's subsidiaries had approximately $5 million of indebtedness outstanding, which would effectively rank senior to the notes. The indenture will permit Park Place and its Subsidiaries to incur additional Debt. After giving effect to the offering of the old notes and the application of the aggregate net proceeds therefrom, as of December 31, 2002, we would have had $1.1 billion of outstanding indebtedness under our $2.7 billion revolving credit facilities.

Principal, Maturity and Interest

The notes initially issued will have an aggregate principal amount of $300 million. Park Place will issue the notes in denominations of $1,000 and integral multiples of $1,000. The notes will mature on April 15, 2013. The principal amount of notes that may be issued under the indenture is unlimited. Park Place may, without the consent of the holders of the notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the notes. Any additional notes having such similar terms, together with the notes, would, at our option, constitute a single series of notes under the indenture.

Interest on the notes will accrue at the rate of 7% per annum. Interest will be payable semi-annually in arrears on April 15 and October 15, commencing on October 15, 2003. Park Place will make each interest payment to the holders of record of the notes on the immediately preceding April 1 and October 1 of each year until maturity.

Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Optional Redemption

Upon not less than 30 nor more than 60 days' notice to the holders, Park Place may redeem the notes in whole but not in part at any time at a redemption price equal to 100% of the principal amount thereof plus the Make-Whole Premium, together with accrued and unpaid interest thereon, if any, to the applicable redemption date.

Selection and Notice

Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address.

Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes called for redemption.

Mandatory Redemption

Park Place will not be required to make any mandatory sinking fund payments in respect of the notes.

Mandatory Disposition Pursuant to Gaming Laws

Each holder, by accepting a note, shall be deemed to have agreed that if the gaming authority of any jurisdiction in which Park Place or any of its Subsidiaries conducts or proposes to conduct gaming requires that a Person who is a holder or the beneficial owner of notes be licensed, qualified or found suitable under applicable gaming laws, such holder or beneficial owner, as the case may be, shall 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, Park Place shall have the right, 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 Park Place's 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 or (2) 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the earlier of the redemption date or the date of the finding of unsuitability, which redemption may be less than 30 days following the notice of redemption if so requested or prescribed by the applicable gaming authority.

Park Place shall notify the trustee in writing of any such redemption as soon as practicable. Park Place shall 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.

Additional Covenants of Park Place

Limitation on Liens

Other than as provided below under " Exempted Liens and Sale and Lease-Back Transactions," neither Park Place nor any Restricted Subsidiary will create, assume or suffer to exist any Lien: (1) upon any Principal Property; (2) upon any shares of capital stock of any Restricted Subsidiary owned by Park Place or any Restricted Subsidiary; or (3) securing Debt of any Restricted Subsidiary, without equally and ratably securing the notes with (or prior to) the Debt secured by such Lien, for so long as such Debt shall be so secured, *provided, however*, that this limitation will not apply to: (a) Liens existing on the date of original issuance of the notes; (b) Liens existing: on property at the time of acquisition through a merger, a consolidation or otherwise by Park Place or a Restricted Subsidiary; or on property or securing Debt of, or Capital Stock of, any corporation, partnership or other entity at the time such corporation, partnership or other entity becomes a Restricted Subsidiary; (c) Liens to secure Debt with respect to all or any part of the acquisition cost or the cost of construction or improvement of property, provided such Debt is incurred and related Liens are created within 24 months of the acquisition, completion of construction or improvement or commencement of full operation, whichever is later, and such Debt does not exceed the aggregate amount of

the acquisition cost and/or the construction cost thereof; (d) Liens on shares of capital stock or property of a Restricted Subsidiary to secure Debt with respect to all or part of the acquisition cost of such Restricted Subsidiary, provided that such Debt is incurred and related Liens are created within 24 months of the acquisition of such Restricted Subsidiary and such Debt does not exceed the acquisition cost of such Restricted Subsidiary; (e) Liens to secure Debt incurred to construct additions to, or to make Capital Improvements to, properties of Park Place or any Restricted Subsidiary, provided such Debt is incurred and related Liens are created within 24 months of completion of construction or Capital Improvements and such Debt does not exceed the cost of such construction or Capital Improvements; (f) Liens in favor of Park Place or another Restricted Subsidiary; (g) Liens to secure Debt on which interest payments are exempt from Federal income tax under Section 103 of the Internal Revenue Code of 1986, as amended; (h) Liens on the equity interest of Park Place or any Restricted Subsidiary in any Joint Venture or any Restricted Subsidiary which owns an equity interest in such Joint Venture to secure Debt, provided the amount of such Debt is contributed and/or advanced solely to such Joint Venture; (i) any extension, renewal or replacement, in whole or in part, of any Liens referred to in the foregoing clauses (a) through (h) or of any Debt secured thereby, including premium, if any, provided that the aggregate principal amount secured does not exceed: the greater of (1) the principal amount secured thereby at the time of such extension, renewal or replacement, or, as the case may be, repayment or extinguishment and (2) 80% of the fair market value (in the opinion of Park Place's board of directors) of the properties subject to such extension, renewal or replacement plus any reasonable fees and expenses associated with such extension, renewal or replacement, and provided, further, that in the case of a replacement thereof, such Debt is incurred and related Liens are created within 24 months of the repayment or extinguishment of the Debt or Liens referred to in the foregoing clauses (a) through (h); (j) purchase money Liens on personal property; (k) Liens to secure payment of workers' compensation or insurance premiums, or relating to tenders, bids or contracts (except contracts for the payment of money); (l) Liens in connection with tax assessments or other governmental charges, or as security required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or right; (m) mechanic's, materialman's, carrier's or other like Liens, arising in the ordinary course of business; and (n) Liens in favor of any domestic or foreign government or governmental body in connection with contractual or statutory obligations.

Limitation on Sale and Lease-Back Transactions

Other than as provided below under " Exempted Liens and Sale and Lease-Back Transactions," neither Park Place nor any Restricted Subsidiary will enter into any arrangement with any lessor (other than Park Place or a Restricted Subsidiary), providing for the lease to Park Place or a Restricted Subsidiary for a period of more than three years (including renewals at the option of the lessee) of any Principal Property that has been or is to be sold or transferred by Park Place or any Restricted Subsidiary to such lessor or to any other Person, and for which funds have been or are to be advanced by such lessor or other Person on the security of the leased property ("Sale and Lease-Back Transaction"), unless either: (a) Park Place or such Restricted Subsidiary would be entitled, pursuant to the provisions described in clauses (a) through (n) under " Limitation on Liens" above, to create, assume or suffer to exist a Lien on the property to be leased without equally and ratably securing the notes, or (b) an amount equal to the greater of the net cash proceeds of such sale or the fair market value of such property (in the opinion of Park Place's board of directors) less the fair market value (in the opinion of Park Place's board of directors) of any noncash proceeds of the sale of such property (provided such noncash proceeds constitute "Principal Property," acquired on the date the property sold in the Sale and Lease-Back Transaction was acquired by Park Place or any of its Restricted Subsidiaries), is applied within 180 days to the retirement or other discharge of the notes or Debt ranking on a parity with the notes.

Exempted Liens and Sale and Lease-Back Transactions

Notwithstanding the restrictions set forth in " Limitation on Liens" and " Limitation on Sale and Lease-Back Transactions" above, Park Place or any Restricted Subsidiary may create, assume or suffer to

exist Liens or enter into Sale and Lease-Back Transactions not otherwise permitted as described above, provided that at the time of such event, and after giving effect thereto, the sum of outstanding Debt secured by such Liens (not including Liens permitted under " Limitation on Liens" above) plus all Attributable Debt in respect of such Sale and Lease-Back Transactions entered into (not including Sale and Lease-Back Transactions permitted under " Limitation on Sale and Lease-Back Transactions" above), measured, in each case, at the time any such Lien is incurred or any such Sale and Lease-Back Transaction is entered into, does not exceed 15% of Consolidated Net Tangible Assets.

Merger, Consolidation, or Sale of Assets

Park Place may not: (a) consolidate or merge with or into another Person; or (b) sell, assign, transfer or convey its properties and assets substantially in their entirety (computed on a consolidated basis) to any Person, unless: (1) either: (A) Park Place is the surviving entity; or (B) the Person formed by or surviving any such consolidation or merger (if other than Park Place) or to which such sale, assignment, transfer or conveyance shall have been made is an entity organized or existing under the laws of the United States, any state thereof or the District of Columbia; (2) the Person formed by or surviving any such consolidation or merger (if other than Park Place) or the Person to which such sale, assignment, transfer or conveyance shall have been made assumes all the obligations of Park Place under the notes and the indenture; and (3) immediately after such transaction no Default or Event of Default exists.

This "Merger, Consolidation, or Sale of Assets" covenant will not apply to a sale, assignment, transfer, conveyance or other disposition of properties or assets solely between or among Park Place and any of its wholly-owned Subsidiaries.

Gaming Approvals

Restrictions on the transfer of the equity securities of Park Place's licensed Nevada subsidiaries, and agreements not to encumber such equity securities, in each case in respect of the notes, will require the prior approval of the Nevada Gaming Commission in order to become effective. This approval is required only in respect of such restrictions and agreements contained in indentures for notes that have not been registered under the Securities Act. Similar approvals must be obtained from the Mississippi Gaming Commission and the Indiana Gaming Commission with respect to these restrictions, whether securities are issued in a private placement or a public offering. For more information, see "Regulation and Licensing Nevada Gaming Laws," " Mississippi Gaming Laws" and " Indiana Gaming Laws."

Events of Default and Remedies

Each of the following is an Event of Default: (a) default in the payment of any interest upon the notes when it becomes due and payable, and continuance of such default for a period of 30 days; (b) default in the payment of principal of (or premium, if any, on) the notes when due; (c) default in the performance, or breach, of any covenant or warranty of Park Place in the indenture which default continues uncured for a period of 60 days after written notice to Park Place by the trustee or to Park Place and the trustee by the holders of at least 25% in aggregate principal amount of the outstanding notes; (d) an acceleration of the maturity of Debt of Park Place (other than Non-recourse Debt), at any one time, in an aggregate amount in excess of the greater of $25 million and 5% of Consolidated Net Tangible Assets, if such acceleration is not annulled within 30 days after written notice to Park Place by the trustee and the holders of at least 25% in aggregate principal amount of the outstanding notes; (e) certain events of bankruptcy, insolvency or reorganization in respect of Park Place or any of its Significant Subsidiaries.

In the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization of Park Place, all outstanding notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in

aggregate principal amount of the then outstanding notes may declare all the notes to be due and payable immediately.

Holders of the notes may not enforce the indenture or the notes except as provided in the indenture. Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding notes may direct the trustee in its exercise of any trust or power. The trustee may withhold from holders of the notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal of, premium, if any, or interest on any note) if it determines in good faith that withholding notice is in their interest.

The holders of a majority in aggregate principal amount of the notes then outstanding by notice to the trustee may on behalf of the holders of all of the notes waive any existing Default or Event of Default and its consequences under the indenture except a Default or Event of Default in the payment of the principal of, premium, if any, or interest on the notes.

Park Place is required to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, Park Place is required to deliver to the trustee a statement specifying such Default or Event of Default.

Amendment, Supplement and Waiver

Park Place and the trustee may amend any provisions of the indenture or the notes with the consent of the holders of at least a majority in aggregate principal amount of the notes then outstanding. The holders of a majority in aggregate principal amount of the notes may waive compliance by Park Place with any such provision; provided, however that without the consent of each holder affected, an amendment or waiver may not: (1) reduce the principal amount of the notes whose holders must consent to an amendment, supplement or waiver; (2) reduce the principal of or change the fixed maturity of any note or alter the provisions with respect to the redemption of the notes in a manner adverse to the holders; (3) reduce the rate of or extend the time for payment of interest on any note; (4) make any note payable in money other than that stated in the notes; (5) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of holders of notes to receive payments of principal of or premium, if any, or interest on the notes; or (6) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder, Park Place and the trustee may amend or supplement the indenture or the notes: (1) to cure any ambiguity, defect or inconsistency; (2) to provide for uncertificated notes in addition to or in place of certificated notes; (3) to provide for the assumption of Park Place's obligations to holders of notes in the case of a merger or consolidation or sale of assets in accordance with the covenant "Merger, Consolidation, or Sale of Assets;" (4) to make any change that would provide any additional rights or benefits to the holders of notes or that does not adversely affect the legal rights under the indenture of any such holder; (5) to comply with requirements of the Commission in order to effect or maintain the qualification of the indenture under the Trust Indenture Act; or (6) to provide for a successor trustee.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, incorporator or stockholder of Park Place, as such, shall have any liability for any obligations of Park Place or any successor Person or any of Park Place's Affiliates under the notes or the indenture, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the Federal securities laws.

Reports

Whether or not required by the Commission, so long as any notes are outstanding, Park Place will file with the applicable trustee such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 or Section 15(d) of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations.

Legal Defeasance and Covenant Defeasance

Park Place may elect to have all of its obligations discharged with respect to the outstanding notes ("Legal Defeasance") except for: (1) the rights of holders of outstanding notes to receive payments in respect of the principal of, premium, if any, and interest on such notes when such payments are due from the trust referred to below; (2) Park Place's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust; (3) the rights, powers, trusts, duties and immunities of the trustee, and Park Place's obligations in connection therewith; and (4) the Legal Defeasance provisions of the indenture.

In addition, Park Place may, at its option, elect to have the obligations of Park Place released with respect to certain covenants that are described in the indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants shall not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance: (1) Park Place must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants or a nationally recognized investment banking firm, to pay the principal of, premium, if any, and interest on such outstanding notes on the stated maturity or on the applicable redemption date, as the case may be, and Park Place must specify whether such notes are being defeased to maturity or to a particular redemption date; (2) in the case of Legal Defeasance, Park Place must have delivered to the trustee an opinion of counsel in the United States reasonably acceptable to such trustee confirming that (A) Park Place has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of the indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the holders of such outstanding notes will not recognize income, gain or loss for Federal income tax purposes as a result of such Legal Defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; (3) in the case of Covenant Defeasance, Park Place must have delivered to the trustee an opinion of counsel in the United States reasonably acceptable to such trustee confirming that the holders of such outstanding notes will not recognize income, gain or loss for Federal income tax purposes as a result of such Covenant Defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; (4) no Default or Event of Default will have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and with respect to Legal Defeasance only, insofar as Events of Default from bankruptcy, insolvency or reorganization events are concerned, at any time in the period ending on the 91st day after the date of deposit; (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a Default under, the indenture or any other material agreement or instrument to which Park Place or any of its Restricted Subsidiaries is a party or by which Park Place or any of its Restricted Subsidiaries is bound; and (6) Park Place must deliver to the trustee an Officers' Certificate stating that the deposit was not

made by Park Place with the intent of preferring the holders of such notes over the other creditors of Park Place with the intent of defeating, hindering, delaying or defrauding creditors of Park Place or others.

Book-Entry; Delivery and Form

The exchange notes will be issued in the form of one or more global notes. The global notes will be deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of DTC or its nominee, who will be the global notes holder. Except as set forth below, the global notes may be transferred, in whole and not in part, only to DTC or another nominee of DTC. Investors may hold their beneficial interests in the global notes directly through DTC if they are participating organizations or "participants" in such system or indirectly through organizations that are participants in such system.

Global notes (including beneficial interests therein) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Notice to Investors." Regulation S notes will also bear the legend as described under "Notice to Investors." In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them from time to time. Park Place takes no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised Park Place that DTC is a limited-purpose trust company that was created to hold securities for its participants and to facilitate the clearance and settlement of transactions in such securities between participants through electronic book-entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies, which we refer to as "indirect participants," that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants.

Park Place expects that pursuant to procedures established by DTC (i) upon deposit of the global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the global notes and (ii) ownership of the notes evidenced by the global notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of the participants), the participants and the indirect participants.

Except as described below, owners of interest in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, and premium, if any, Additional Interest (as defined herein) if any, and interest on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, Park Place and the trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the trustee nor any agent of Park Place or the trustee has or will have any responsibility or liability for (1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interests in the global notes, or for maintaining,

supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes or (2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants. DTC has advised Park Place that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant participants with the payment on the payment date, in amounts proportionate to their respective holdings in the principal amount of beneficial interest in the relevant security as shown on the records of DTC unless DTC has reason to believe it will not receive payment on such payment date. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be the responsibility of DTC, the trustee or Park Place. Neither Park Place nor the trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and Park Place and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Interests in the global notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will, therefore, settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its participants. See " Same-Day Settlement and Payment."

Subject to the transfer restrictions set forth under "Notice to Investors," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same day funds.

DTC has advised Park Place that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the notes, DTC reserves the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to its participants.

Certificated Securities

If: (a) Park Place notifies the trustee in writing that DTC is not longer willing or able to act as a depositary and Park Place is unable to locate a qualified successor within 90 days, or (b) Park Place, at its option, notifies the trustee in writing that it elects to cause the issuance of notes in the form of certificated securities under the indenture,

then, upon surrender by the global notes holder of its global notes, notes in such form will be issued to each person that the global notes holder and DTC identify as being the beneficial owner of the related notes

Neither Park Place nor the trustee will be liable for any delay by the global notes holder or DTC in identifying the beneficial owners of notes and Park Place and the trustee may conclusively rely on, and will be protected in relying on, instructions from the global notes holder or DTC for all purposes.

Same-Day Settlement and Payment

The indenture requires that payments in respect of the notes represented by the global notes (including principal, premium, if any, interest and Additional Interest, if any) be made by wire transfer of immediately available funds to the accounts specified by the global notes holder. With respect to certificated securities, Park Place will make all payments of principal, premium, if any, interest and Additional Interest, if any, by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each such holder's registered address.

Methods of Receiving Payments on the Notes

If a holder has given wire transfer instructions to Park Place, Park Place will make all principal, premium and interest payments on those notes in accordance with those instructions. All other payments on these notes will be made at the office or agency of the payment agent and registrar within the City and State of New York unless Park Place elects to make interest payments by check mailed to the holders at their address set forth in the register of holders.

Paying Agent and Registrar for the Notes

The trustee will initially act as paying agent and registrar for the notes. Park Place may change the paying agent or registrar without prior notice to the holders of the notes, and Park Place or any of its subsidiaries may act as paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange notes in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and Park Place may require a holder to pay any taxes and fees required by law or permitted by the indenture. Park Place is not required to transfer or exchange any note selected for redemption. Also, Park Place is not required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed.

The registered holder of a note will be treated as the owner of it for all purposes.

Concerning the Trustee

If the trustee becomes a creditor of Park Place, the indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.

The holders of a majority in aggregate principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture provides that in case an Event of Default shall occur and be continuing, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless such holder shall have offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Certain Definitions

Set forth below are certain defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the term "controlling," "controlled by" and "under common control with") as used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by agreement or otherwise.

"*Attributable Debt*" with respect to any Sale and Lease-Back Transaction that is subject to the restrictions described under " Additional Covenants of Park Place Limitation on Sale and Lease-Back Transactions" means the present value of the minimum rental payments called for during the terms of the

lease (including any period for which such lease has been extended), determined in accordance with GAAP, discounted at a rate that, at the inception of the lease, the lessee would have incurred to borrow over a similar term the funds necessary to purchase the leased assets.

"*Capital Improvements*" means additions to properties or renovations or refurbishing of properties which are designed to substantially upgrade such properties or significantly modernize the operation thereof.

"*Capital Stock*" means with respect to any Person, any and all shares, interests, participations, rights in or other equivalents (however designated) of such Person's capital stock, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock.

"*Consolidated Net Tangible Assets*" means the total amount of assets (including investments in Joint Ventures) of Park Place and its Subsidiaries (less applicable depreciation, amortization and other valuation reserves) after deducting therefrom (a) all current liabilities of Park Place and its Subsidiaries (excluding (i) the current portion of long-term indebtedness, (ii) intercompany liabilities and (iii) any liabilities which are by their terms renewable or extendible at the option of the obligor thereon to a time more than 12 months from the time as of which the amount thereof is being computed) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and any other like intangibles, all as set forth on the most recent consolidated balance sheet of Park Place and computed in accordance with GAAP.

"*Credit Facilities*" means, with respect to Park Place, one or more debt facilities or commercial paper facilities, in each case with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"*Debt*" means notes, bonds, debentures, letters of credit or other similar evidences of Debt for borrowed money or any guarantee of any of the foregoing.

"*Default*" means any event that after notice or lapse of time, or both, would become an Event of Default.

"*GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under: (1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements; and (2) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"*Joint Venture*" means any partnership, corporation or other entity, in which up to and including 50% of the partnership interests, outstanding voting stock or other equity interest is owned, directly or indirectly, by Park Place and/or one or more Subsidiaries.

"*Lien*" means, with respect to any asset, any mortgage, pledge, lien, encumbrance or other security interest to secure payment of Debt.

"*Make-Whole Premium*" means, with respect to any note at any redemption date, the excess, if any, of (a) the present value of the sum of the principal amount and premium, if any, that would be payable on such note on its maturity date and all remaining interest payments (not including any portion of such payments of interest accrued as of the redemption date) to and including such maturity date, discounted on a semi-annual bond equivalent basis from such maturity date to the redemption date at a per annum interest rate equal to the sum of the Treasury Yield (determined on the Business Day immediately preceding the date of such redemption), plus 50 basis points, over (b) the aggregate principal amount of the note being redeemed.

"*Non-recourse Debt*" means Debt the terms of which provide that the lender's claim for repayment of such Debt is limited solely to a claim against the property which secures such Debt.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Debt.

"*Person*" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, estate, unincorporated organization or government or any agency or political subdivision thereof or any other entity.

"*Principal Property*" means any real estate or other physical facility or depreciable asset, the net book value of which on the date of determination exceeds the greater of $25 million or 2% of Consolidated Net Tangible Assets of Park Place.

"*Redeemable Capital Stock*" means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable by contract or otherwise, is or upon the happening of an event or passage of time would be, required to be redeemed prior to the stated maturity of the notes or is redeemable at the option of the holder thereof at any time prior to the stated maturity of the notes, or is convertible into or exchangeable for debt securities at any time prior to the stated maturity of the notes.

"*Restricted Subsidiary*" means any Subsidiary of Park Place organized and existing under the laws of the United States of America and the principal business of which is carried on within the United States of America (x) which owns, or is a lessee pursuant to a capital lease of, any Principal Property or (y) in which the investment of Park Place and all its Subsidiaries exceeds 5% of Consolidated Net Tangible Assets as of the date of such determination other than, in the case of either clause (x) or (y), (i) each Subsidiary whose business primarily consists of finance, banking, credit, leasing, insurance, financial services or other similar operations, or any combination thereof, and (ii) each Subsidiary formed or acquired after the date hereof for the purpose of developing new assets or acquiring the business or assets of another Person and which does not acquire any part of the business or assets of Park Place or any Restricted Subsidiary.

"*Significant Subsidiary*" of Park Place means any Restricted Subsidiary of Park Place that is a "significant subsidiary" as defined in Rule 1.02(v) of Regulation S-X under the Securities Act.

"*Subsidiary*" means any corporation of which at least a majority of the outstanding Capital Stock having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation is, at the time directly or indirectly, owned by Park Place or by one or more Subsidiaries thereof, or by Park Place and one or more Subsidiaries.

"*Treasury Securities*" mean any investment in obligations issued or guaranteed by the United States government or any agency thereof.

"*Treasury Yield*" means the yield to maturity at the time of computation of Treasury Securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two business days prior to the date fixed for redemption (or, if such Statistical Release is no longer published, any publicly available source of similar data)) most nearly equal to the then remaining average life of the notes, provided that if the average life of the notes is not equal to the constant maturity of a Treasury Security for which a weekly average yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of Treasury Securities for which such yields are given, except that if the average life of the notes is less than one year, the weekly average yield on actually traded Treasury Securities adjusted to a constant maturity of one year shall be used.

"*wholly owned*" with respect to any Subsidiary, means any Subsidiary of any Person of which at least 99% of the outstanding Capital Stock is owned by such Person or another wholly-owned Subsidiary of such Person. For purposes of this definition, any directors' qualifying shares or investments by foreign nationals mandated by applicable law shall be disregarded in determining the ownership of a Subsidiary.

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MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE EXCHANGE

The following is a summary of the material United States federal income tax considerations relating to the exchange of your old notes for exchange notes in the exchange offer, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change or differing interpretation possibly with retroactive effect. We have not sought any ruling from the Internal Revenue Service or an opinion of counsel with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the Internal Revenue Service will agree with such statements and conclusions.

This discussion only applies to you if you exchange your old notes for exchange notes in the exchange offer. This discussion also does not address the tax considerations arising under the laws of any foreign, state or local jurisdiction. In addition, this discussion does not address tax considerations applicable to your particular circumstances or if you are subject to special tax rules, including, without limitation, if you are:

- a bank;
- a holder subject to the alternative minimum tax;
- a tax-exempt organizations;

- an insurance company;
- a foreign person or entity;
- a dealer in securities or currencies;
- a person that will hold notes as a position in a hedging transaction, "straddle" or "conversion transaction" for tax purposes; or
- a person deemed to sell notes under the constructive sale provisions of the Internal Revenue Code.

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATION AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE FEDERAL ESTATE OR GIFT TAX RULES OR UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

The exchange of old notes for exchange notes will be treated as a "non-event" for federal income tax purposes because the exchange notes will not be considered to differ materially in kind or extent from the old notes. As a result, no material federal income tax consequences will result to you from exchanging old notes for exchange notes.

PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. Broker-dealers may use this prospectus, as it may be amended or supplemented from time to time, in connection with the resale of exchange notes received in exchange for old notes where the broker-dealer acquired the old notes as a result of market-making activities or other trading activities. To the extent a broker-dealer participates in the exchange offer and so notifies us, we have agreed to make this prospectus, as amended or supplemented, available to the broker-dealer for use in connection with any such resale. We will promptly send additional copies of this prospectus and any amendment or supplement to any broker-dealer that requests the documents in the letter of transmittal.

We will not receive any proceeds from any sale of exchange notes by broker-dealers or any other persons. Broker-dealers may sell exchange notes received by them for their own account pursuant to the exchange offer from time to time in one or more transactions:

- in the over-the-counter market;
- in negotiated transactions;
- through the writing of options on the exchange notes; or
- through a combination of the above methods of resale,

at market prices prevailing at the time of resale, at prices related to the prevailing market prices or negotiated prices. Broker-dealers may resell exchange notes directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer and/or the purchasers of the exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of the exchange notes may be deemed to be "underwriters" within the meaning of the Securities Act and any profit on any resale of exchange notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

We have agreed to pay all expenses incident to the exchange offer, other than commissions and concessions of any broker-dealer. We also will provide indemnification against specified liabilities, including liabilities that may arise under the Securities Act, to broker-dealers that make a market in the old notes and exchange old notes in the exchange offer for exchange notes.

By its acceptance of the exchange offer, any broker-dealer that receives exchange notes pursuant to the exchange offer agrees to notify us before using the prospectus in connection with the sale or transfer of exchange notes. The broker-dealer further acknowledges and agrees that, upon receipt of notice from us of the happening of any event which:

makes any statement in the prospectus untrue in any material respect;

requires the making of any changes in the prospectus to make the statements in the prospectus not misleading; or

may impose upon us disclosure obligations that my have a material adverse effect on us,

which notice we agree to deliver promptly to the broker-dealer, the broker-dealer will suspend use of the prospectus until we have notified the broker-dealer that delivery of the prospectus may resume and have furnished copies of any amendment or supplement to the prospectus to the broker-dealer.

LEGAL MATTERS

Gibson, Dunn & Crutcher LLP, Los Angeles, California, will pass upon various legal matters for us in connection with the exchange notes offered hereby.

EXPERTS

The consolidated financial statements and the related financial statement schedules as of December 31, 2002 and 2001, and for each of the three years in the period ended December 31, 2002, included and incorporated by reference in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports (which reports express an unqualified opinion and include an explanatory paragraph regarding the Company's adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets"), which are included and incorporated by reference herein, and have been so included and incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Park Place Entertainment Corporation:

We have audited the accompanying consolidated balance sheets of Park Place Entertainment Corporation (a Delaware corporation) and Subsidiaries (the "Company") as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule included at Item 14(a)(1). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Park Place Entertainment Corporation and Subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As described in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," as of January 1, 2002.

DELOITTE & TOUCHE LLP
Las Vegas, Nevada
February 6, 2003, except for
paragraph 4 of Note 14 and
paragraph 9 of Note 15, as to which
the date is February 28, 2003

PARK PLACE ENTERTAINMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in millions, except par value)

	December 31,	
	2002	**2001**
ASSETS		
Cash and equivalents	$ 351	$ 328
Accounts receivable, net	185	222
Inventories, prepaids, and other	138	141
Income taxes receivable	3	9
Deferred income taxes	100	111
Total current assets	777	811
Investments	143	201
Property and equipment, net	7,649	7,731
Goodwill	834	1,811

	December 31,	
Other assets	271	254
Total assets	$ 9,674	$ 10,808
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 53	$ 46
Current maturities of long-term debt	325	7
Accrued expenses	637	583
Total current liabilities	1,015	636
Long-term debt, net of current maturities	4,585	5,301
Deferred income taxes, net	1,023	1,021
Other liabilities	94	83
Total liabilities	6,717	7,041
Commitments and contingencies		
Stockholders' equity		
Common stock, $0.01 par value, 400.0 million shares authorized, 323.7 million and 322.4 million shares issued at December 31, 2002 and 2001, respectively	3	3
Additional paid-in capital	3,801	3,788
Retained earnings (accumulated deficit)	(569)	255
Accumulated other comprehensive loss	(16)	(35)
Common stock in treasury, at cost at December 31, 2002 and 2001, 23.1 million shares and 21.1 million shares, respectively	(262)	(244)
Total stockholders' equity	2,957	3,767
Total liabilities and stockholders' equity	$ 9,674	$ 10,808

See notes to consolidated financial statements

PARK PLACE ENTERTAINMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in millions, except per share amounts)

	Years ended December 31,		
	2002	**2001**	**2000**
Revenues			
Casino	$ 3,337	$ 3,271	$ 3,242
Rooms	551	554	568
Food and beverage	465	452	460
Other revenue	299	304	326

	Years ended December 31,		
	4,652	4,581	4,596
Expenses			
Casino	1,746	1,764	1,658
Rooms	185	185	186
Food and beverage	420	410	414
Other expense	1,154	1,137	1,111
Depreciation and amortization	470	526	496
Pre-opening expense	1	2	3
Impairment losses and other, net	66	143	45
Corporate expense	69	57	49
	4,111	4,224	3,962
Equity in earnings of unconsolidated affiliates	29	50	62
Operating income	570	407	696
Interest and dividend income	5	11	21
Interest expense	(347)	(385)	(441)
Interest expense, net from unconsolidated affiliates	(8)	(11)	(11)
Investment gain (loss)	44	(32)	
Income (loss) before income taxes, minority interest and cumulative effect of accounting change	264	(10)	265
Provision for income taxes	102	12	121
Minority interest, net	7	2	1
Income (loss) before cumulative effect of accounting change	155	(24)	143
Cumulative effect of accounting change, net of tax	(979)		
Net income (loss)	$ (824)	$ (24)	$ 143
Basic earnings (loss) per share			
Income (loss) before cumulative effect of accounting change	$ 0.51	$ (0.08)	$ 0.48
Cumulative effect of accounting change	(3.25)		
Net income (loss) per share	$ (2.74)	$ (0.08)	$ 0.48
Diluted earnings (loss) per share			
Income (loss) before cumulative effect of accounting change	$ 0.51	$ (0.08)	$ 0.46
Cumulative effect of accounting change	(3.22)		
Net income (loss) per share	$ (2.71)	$ (0.08)	$ 0.46

See notes to consolidated financial statements

PARK PLACE ENTERTAINMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(dollars in millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, December 31, 1999	$ 3	$ 3,635	$ 136	$ (5)	$ (29)	$ 3,740
Net income			143			143
Currency translation adjustment				(10)		(10)
Comprehensive income						133
Options exercised (including tax benefits)		59				59
Treasury stock acquired					(156)	(156)
Adjustment to spin-off of the Company		8				8
Balance, December 31, 2000	3	3,702	279	(15)	(185)	3,784
Net loss			(24)			(24)
Currency translation adjustment				(20)		(20)
Comprehensive loss						(44)
Options exercised (including tax benefits)		85				85
Treasury stock acquired					(59)	(59)
Stock-based compensation		1				1
Balance, December 31, 2001	3	3,788	255	(35)	(244)	3,767
Net loss			(824)			(824)
Currency translation adjustment				19		19
Comprehensive loss						(805)
Options exercised (including tax benefits)		11				11
Treasury stock acquired					(18)	(18)
Stock-based compensation		2				2
Balance, December 31, 2002	$ 3	$ 3,801	$ (569)	$ (16)	$ (262)	$ 2,957

See notes to consolidated financial statements

PARK PLACE ENTERTAINMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions)

	Years Ended December 31,		
	2002	2001	2000
Operating activities			
Net income (loss)	$ (824)	$ (24)	$ 143

	Years Ended December 31,		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	470	526	496
Impairment losses and other, net	22	143	37
Cumulative effect of accounting change	979		
Investment (gain)/loss	(44)	32	
Amortization of debt issue costs	13	10	10
Change in working capital components:			
Accounts receivable, net	37	34	35
Inventories, prepaids, and other	(5)	19	4
Accounts payable and accrued expenses	61	(76)	(7)
Income taxes payable/receivable	6	22	(45)
Change in deferred income taxes	4	(34)	73
Distributions from equity investments in excess of earnings	3	2	20
Other	(16)	(16)	(3)
Net cash provided by operating activities	706	638	763
Investing activities			
Capital expenditures	(397)	(459)	(468)
Proceeds from sale of investment	120		
Acquisitions, net of cash acquired		(48)	
Other	2	(31)	33
Net cash used in investing activities	(275)	(538)	(435)
Financing activities			
Change in Credit Facilities and commercial paper	(469)	(870)	(1,114)
Payments on debt	(300)		(12)
Proceeds from issuance of notes	375	772	900
Purchases of treasury stock	(18)	(59)	(156)
Proceeds from exercise of stock options	10	80	48
Other	(6)	(16)	(19)
Net used in financing activities	(408)	(93)	(353)
Increase (decrease) in cash and equivalents	23	7	(25)
Cash and equivalents at beginning of year	328	321	346
Cash and equivalents at end of year	$ 351	$ 328	$ 321
Supplemental Disclosures of Cash Flow Information			
Cash paid for:			
Interest, net of amounts capitalized	$ 338	$ 368	$ 392
Income taxes, net of refunds	$ 73	$ 2	$ 70

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation and Organization

Park Place Entertainment Corporation ("Park Place" or the "Company"), a Delaware corporation, was formed in June 1998. The Company is primarily engaged, through subsidiaries, in the ownership, operation, and development of gaming facilities. The operations of the Company currently are conducted under the Caesars, Bally's, Paris, Flamingo, Grand Casinos, Hilton, and Conrad brands. The Company operates and consolidates sixteen wholly owned casino hotels located in the United States; of which eight are located in Nevada; three are located in Atlantic City, New Jersey; and five are located in Mississippi. Additionally, the Company manages and consolidates an 82 percent owned riverboat casino in Harrison County, Indiana; manages and consolidates a 49.9 percent owned riverboat casino in New Orleans, Louisiana (the remaining 50.1 percent has been subsequently acquired by the Company see Note 14); manages the casino operations of Caesars Palace at Sea on two cruise ships; and manages two casinos in Nova Scotia, Canada and owns and consolidates a hotel operation at one of those casinos. The Company partially owns and manages two casinos internationally, one located in Johannesburg, South Africa and one located in Punta del Este, Uruguay which are accounted for under the equity method. In Windsor, Canada, the Company has a 50 percent interest in a company that provides management services to the Casino Windsor. The Company also provides management services to two casinos in Queensland, Australia and the slot operations at the Dover Downs racetrack in Delaware. The Company views each casino property as an operating segment and all such operating segments have been aggregated into one reporting segment. Each casino property derives its revenues primarily from casino operations, room rental and food and beverage sales.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries, and investments in unconsolidated affiliates, which are 50 percent or less owned, that are accounted for under the equity method. The Company exercises significant influence over those investments accounted for under the equity method due to ownership percentages, board representation, and management agreements. All material intercompany accounts and transactions are eliminated. Minority interests for consolidated entities that are less than 100 percent owned were $17 million and $14 million at December 31, 2002 and 2001, respectively, and are included in other liabilities on the consolidated balance sheets.

Cash and Equivalents

Cash and equivalents include investments with initial maturities of three months or less.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of short-term investments and receivables.

The Company extends credit to certain casino customers following an evaluation of the creditworthiness of the individual. The Company maintains an allowance for doubtful accounts to reduce the casino receivables to their estimated collectible amount. As of December 31, 2002, management believes that there are no concentrations of credit risk for which an allowance has not been established and recorded. The collectibility of foreign and domestic receivables could be affected by future economic or other significant events in the United States or in the countries in which such foreign customers reside.

Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at year-end exchange rates. Income accounts are translated at the average of exchange rates during the year. Gains and losses, net of applicable deferred income taxes, are reflected in stockholders' equity. Gains and losses from foreign currency transactions are included in the consolidated statements of operations.

Inventories

Inventories, prepaids, and other at December 31, 2002 and 2001, include inventories of $49 million for each period. Inventories consist primarily of food and beverage items and are stated at the lower of cost or market. Cost is determined by the weighted-average cost method.

Property and Equipment

Property and equipment are stated at cost. Interest incurred during construction of facilities or expansions is capitalized at the Company's weighted-average borrowing rate and amortized over the life of the related asset. Interest capitalization is ceased when a project is substantially completed or construction activities are no longer underway. Interest capitalized for the years ended December 31, 2002, 2001, and 2000 was $9 million, $13 million, and $7 million, respectively. Costs of improvements are capitalized. Costs of normal repairs and maintenance are charged to expense as incurred. Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in the consolidated statements of operations.

Depreciation is provided on a straight-line basis over the estimated useful life of the assets. Leasehold improvements are amortized over the shorter of the asset life or lease term. The service lives of assets are generally 30 to 40 years for buildings and riverboats and 3 to 10 years for furniture and equipment.

The carrying values of the Company's assets are reviewed when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. If it is determined that an impairment has occurred, then an impairment loss is recognized in the consolidated statements of operations.

Goodwill

As of January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." As a result of adopting SFAS No. 142, goodwill is no longer amortized, and intangible assets are to be tested at least annually for impairment. Goodwill amortization of $50 million in 2001 and 2000 is included in depreciation and amortization. (See Note 3 Goodwill and Other Intangible Assets.)

Unamortized Debt Issue Costs

Debt discount and issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense based on the related debt agreements using the straight-line method which approximates the effective interest method. The unamortized amounts are included in other assets on the consolidated balance sheets.

Self-Insurance

The Company is self-insured for various levels of general liability, workers' compensation, and employee medical and life insurance coverage. Self-insurance reserves are estimated based on the Company's claims experience and are included in accrued expenses on the consolidated balance sheets.

Revenue Recognition

Casino revenue is derived primarily from patrons wagering on slot machines, table games and other gaming activities. Table games generally include Blackjack or Twenty One, Craps, Baccarat and Roulette. Other gaming activities include Keno, Poker and Race and Sports. Casino revenue is defined as the win from gaming activities, computed as the difference between gaming wins and losses, not the total amounts wagered. Casino revenue is recognized at the end of each gaming day.

Room revenues are derived from rooms and suites rented to guests. Room revenue is recognized at the time the room is provided to the guest.

Food and beverage revenues are derived from food and beverage sales in the food outlets of our casino hotels, including restaurants, room service and banquets. Food and beverage revenue is recognized at the time the food and/or beverage is provided to the guest.

Consolidated other revenues include retail sales, entertainment sales, telephone, management fee income, and other miscellaneous income at our casino hotels.

The revenue components presented in the consolidated statements of operations exclude the retail value of rooms, food and beverage, and other goods or services provided to customers on a complimentary basis. Complimentary revenues which have been excluded from the accompanying consolidated statements of operations are as follows:

	2002	2001	2000
		(in millions)	
Rooms	$ 203	$ 206	$ 190
Food and beverage	331	330	312
Other	33	30	29
Total complimentary revenues	$ 567	$ 566	$ 531

The estimated departmental costs of providing these complimentaries are classified in the consolidated statements of operations as an expense of the department issuing the complimentary, primarily the casino department, and are as follows:

	2002	2001	2000
		(in millions)	
Rooms	$ 78	$ 79	$ 71
Food and beverage	276	276	259
Other	34	29	27
Total cost of promotional allowances	$ 388	$ 384	$ 357

Pre-Opening Expense

Pre-opening expense includes operating expenses and incremental salaries and wages directly related to a facility or project during its construction. Costs of start-up activities are expensed as incurred in accordance with Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities."

Earnings (Loss) Per Share ("EPS")

In accordance with the provisions of SFAS No. 128, "Earnings per Share," basic EPS is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. The weighted-average number of common shares outstanding for the years ended December 31, 2002, 2001 and 2000 was 301 million, 299 million and 301 million, respectively. Diluted EPS reflects the effect of potential common stock, which consists primarily of assumed stock option exercises. The dilutive effect of the assumed exercise of stock options increased the weighted-average number of common shares by 3 million and 7 million for the years ended December 31, 2002 and 2000, respectively. The dilutive effect of the assumed exercise of stock options would have increased the weighted-average number of common shares by 3 million for the year ended December 31, 2001; however, the additional shares were excluded from the EPS calculation because of the net loss experienced during that period.

Stock-Based Compensation

At December 31, 2002, the Company has Stock Incentive Plans, which are described more fully in Note 11. The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans using the intrinsic value method. Accordingly, no compensation expense is reflected in net income for stock options, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The compensation expense associated with the Supplemental Retention Plan, which is described in Note 12, was $1 million for the year ended December 31, 2002. Had compensation cost for the Company's

Stock Incentive Plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123 "Accounting for Stock-Based Compensation," the Company's net income (loss) and net income (loss) per share would have been reduced to the pro forma amounts indicated below:

	2002	2001	2000
	(in millions, except per share amounts)		
Net income (loss), as reported	$ (824)	$ (24)	$ 143
Add: Stock-based employee compensation expense included in reported net income, net of related taxes	2	1	
Deduct: Total stock-based employee compensation expense determined under the fair value method, net of related taxes	(15)	(12)	(29)
Pro forma net income	$ (837)	$ (35)	$ 114
Earnings per share:			
Basic, as reported	$ (2.74)	$ (0.08)	$ 0.48
Basic, pro forma	$ (2.78)	$ (0.12)	$ 0.38
Diluted, as reported	$ (2.71)	$ (0.08)	$ 0.46
Diluted, pro forma	$ (2.75)	$ (0.12)	$ 0.37

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2002, 2001 and 2000, respectively: dividend yield of zero percent for each of the three years; expected volatility of 40 percent for each of the three years; risk-free interest rates of 4.59, 4.92 and 6.45 percent and expected life of six years for each of the options granted. The weighted-average fair value per share of options granted was $4.61 for 2002, $5.19 for 2001 and $5.82 for 2000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Related Party Transactions

The Company's related party transactions generally fall into the following categories:

- Payments of professional fees to firms affiliated with certain members of our Board.
- Payments to Hilton Hotels Corporation, since the spin-off in 1998, for certain trade name usage, assignment, service and license agreements.

For the years ended December 31, 2002, 2001, and 2000 such transactions totaled $9 million, $8 million, and $7 million, respectively.

Reclassifications

During 2002, the Company changed its presentation of equity in earnings of unconsolidated affiliates. The results of unconsolidated affiliates were previously reported as a component of other revenues. The Company now reports the results of unconsolidated affiliates as a separate component of operating income on the consolidated statements of operations under a separate caption titled "Equity in Earnings of

Unconsolidated Affiliates." Prior years have been reclassified to conform with the new presentation. This reclassification had no impact on previously reported operating income or net income (loss).

The consolidated financial statements for prior years reflect certain other reclassifications to conform to classifications adopted in the current year. These reclassifications have no effect on previously reported net income (loss).

Recently Issued Accounting Standards

In June 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The

Company has determined that SFAS No. 146 will not have a material impact on its financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. Additionally, a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial liability recognition and measurement provisions of FIN No. 45 apply prospectively to guarantees issued or modified after December 31, 2002. The disclosure requirements in FIN No. 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has determined that FIN No. 45 will not have a material impact on its financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure." This Statement amends SFAS No. 123 "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. The Company has determined that SFAS No. 148 will not have a material impact on its financial position or results of operations.

Note 3. Goodwill and Other Intangible Assets Adoption of Statement of Financial Accounting Standards No. 142

On January 1, 2002, the Company adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life).

As of January 1, 2002, the Company had approximately $1.8 billion of unamortized goodwill. Approximately two-thirds of the total related to the acquisition of the Bally's properties in 1996, while the remainder related primarily to the Caesars acquisition in December 1999. In accordance with the initial adoption of SFAS No. 142, each property with assigned goodwill is to be valued as an operating entity. If the fair value of the operating entity is greater than the book value, including assigned goodwill, no further testing is required. However, if the book value, including goodwill, is greater than the fair value of the operating entity, the assets and liabilities of the operating entity will need to be valued. The difference between the fair value of the operating entity and the fair value of the assets is the implied fair value of goodwill. To the extent that the implied fair value of goodwill is less than the book value of goodwill, an impairment charge will be recognized as a cumulative effect of a change in accounting upon adoption.

The Company engaged an independent company to assist in the valuation of properties with a significant amount of assigned goodwill. The fair value of the operating entities was determined using a combination of a discounted cash flow model, a guideline company method using valuation multiples and similar transactions method. Based on this analysis and the tests noted above, the Company completed its implementation analysis of goodwill arising from prior acquisitions and recorded an impairment charge of $979 million which has been recorded as a cumulative effect of accounting change in the first quarter of 2002. During the fourth quarter of 2002, the Company completed the annual impairment testing of goodwill. The test resulted in no impairment recognition as of December 31, 2002.

As a result of the Belle of Orleans transaction (See Note 14), the Company recorded an additional $2 million of goodwill and $10 million in indefinite lived intangible assets. The indefinite lived intangible assets consist of the tradename and gaming license. There were no other additions or adjustments to goodwill during the year ended December 31, 2002.

For the years ended December 31, 2001 and 2000, the Company recorded goodwill amortization of $50 million in each period. If SFAS No. 142 had been in effect for the years ended December 31, 2001 and 2000, the Company would have reported the following (in millions, except per share amounts):

	2001	2000
Net income (loss) as reported	$ (24)	$ 143
Add back: Goodwill amortization	50	50
Adjusted net income	$ 26	$ 193
Net income (loss) per share as reported		
Basic	$ (0.08)	$ 0.48
Diluted	$ (0.08)	$ 0.46
Adjusted net income per share		
Basic	$ 0.09	$ 0.64
Diluted	$ 0.09	$ 0.63

Note 4. Accounts Receivable

Accounts receivable at December 31, 2002 and 2001 are as follows:

	2002	2001
	(in millions)	
Casino	$ 234	$ 282
Hotel and other	47	53
	281	335
Less allowance for doubtful accounts	(96)	(113)
Total	$ 185	$ 222

The provision for estimated uncollectible receivables, primarily included in casino expenses, was $52 million in 2002, $91 million in 2001, and $77 million in 2000.

Note 5. Investments

Investments in and notes from affiliates at December 31, 2002 and 2001 are as follows:

	2002	2001
	(in millions)	
Equity investments		
Casino hotels	$ 61	$ 119
Notes receivable	80	80
Other	2	2
Total	$ 143	$ 201

As of December 31, 2002, investments in casino hotels consist of investments in less than 50 percent owned unconsolidated affiliates which includes one casino hotel in Punta del Este, Uruguay, one casino management company in Windsor, Canada, and one casino and one casino management company in Johannesburg, South Africa.

Investment in Jupiters Limited

In April 2002, the Company completed the sale of its 19.9 percent equity interest in Jupiters Limited and received total gross proceeds of approximately $120 million. As a result of this transaction, the Company recorded a gain of $44 million in April 2002, net of the $16 million deferred currency translation adjustment. This gain has been recorded as an investment gain in the accompanying consolidated statement of operations for the year ended December 31, 2002. Although the Company sold its equity interest in Jupiters Limited, it continues to manage Jupiters' two Queensland casino hotels.

Investment in Aladdin Notes

During 2001, the Company recognized impairment losses on investments totaling $32 million primarily related to senior discount notes of Aladdin Gaming Holdings, LLC. In February 1999, the Company purchased approximately 30 percent of the senior discount notes of Aladdin Gaming Holdings, LLC, the parent company of Aladdin Gaming, LLC d.b.a. Aladdin Resort and Casino ("Aladdin") in the open market. The Aladdin is adjacent to Paris/Bally's on the Las Vegas Strip. During the next two years, the Company purchased an additional 3 percent of the senior discount notes for a total ownership of approximately one-third of the outstanding notes. These notes are subordinate to the Aladdin's senior bank debt and asset-secured bank financing. In September 2001, the Aladdin filed for bankruptcy. Based on that event and the property's poor operating results and general economic slow-down, the Company decided to write off its total investment in the Aladdin Gaming Holdings, LLC notes.

Investment in Baluma Holdings, S.A.

Over the past several years, the Company has provided capital (in the form of loans) to Baluma Holdings, S.A. ("Holdings"), the ultimate parent of Baluma, S.A. ("Baluma," the entity that owns the Conrad Punta del Este (the "Resort"), in Punta del Este, Uruguay). Two promissory notes (the "Baluma Loans"), aggregating $80 million in principal, matured on July 31, 2002. The principal, together with certain accrued and unpaid interest, was not repaid. The Baluma Loans are secured by a first priority lien on all the assets comprising the Resort and on the stock of Baluma. The Company and Holdings are currently negotiating a restructuring of the Baluma Loans. In the event that the Company is unable to negotiate restructuring acceptable to all affected parties, it may consider exercising its right as secured creditor. The Company has not recorded any impairment losses against its investments in Baluma and Holdings. Only after a restructuring

is completed will the Company be able to compare the value of its reorganized investments to their historical cost. Although the Company enjoys a very senior position as creditor, it is nevertheless possible that the Company will have to recognize an impairment loss upon reorganization. The Company intends to continue to operate the Resort pursuant to the Management Agreement. The Resort is currently suffering the adverse effects of the economic turmoil in Argentina, Brazil and Uruguay.

Note 6. Property and Equipment

Property and equipment at December 31, 2002 and 2001 are as follows:

	2002	2001
	(in millions)	
Land	$ 1,718	$ 1,714
Buildings, riverboats and leasehold improvements	6,091	5,932
Furniture and equipment	1,509	1,387
Construction in progress	93	82
	9,411	9,115
Less accumulated depreciation and amortization	(1,762)	(1,384)
Total	$ 7,649	$ 7,731

Note 7. Accrued Expenses

Accrued expenses at December 31, 2002 and 2001 are as follows:

	2002	2001
	(in millions)	
Compensation and benefits	$ 178	$ 170
Customer deposits	43	40
Outstanding casino chip liability	32	35
Gaming and property taxes	49	53
Interest	80	76
Other	255	209
Total	$ 637	$ 583

Note 8. Debt

Long-term debt at December 31, 2002 and 2001 consists of the following:

	2002	2001
	(in millions)	
Credit Facilities	$ 1,435	$ 1,904
7.375% Senior Notes, due 2002		300
7.95% Senior Notes, due 2003, net of unamortized discount of $1 million in 2001	300	299
7.0% Senior Notes, due 2004	325	325
8.5% Senior Notes, due 2006, net of unamortized discount of $3 million	397	397
7.5% Senior Notes, due 2009	425	425
7.875% Senior Subordinated Notes, due 2005	400	400
9.375% Senior Subordinated Notes, due 2007	500	500
8.875% Senior Subordinated Notes, due 2008	400	400
7.875% Senior Subordinated Notes, due 2010	375	
8.125% Senior Subordinated Notes, due 2011, net of unamortized discount of $2 million and $3 million in 2002 and 2001, respectively	348	347
Other	5	11

	2002	2001
	4,910	5,308
Less current maturities	(325)	(7)
Net long-term debt	$ 4,585	$ 5,301

Debt maturities during the next five years are as follows:

	(in millions)
2003	$ 325
2004	325
2005	1,812
2006	398
2007	500
Thereafter	1,550
	$ 4,910

The consolidated balance sheet as of December 31, 2001, excluded from current maturities the $300 million of 7.375% Senior Notes that matured in June 2002 because the Company had pre-funded the retirement of these Notes with the issuance of $375 million of 7.875% Senior Subordinated Notes in March 2002. As of December 31, 2002, the debt maturities schedule above and the consolidated balance sheet includes in current maturities the $300 million of 7.95% Senior Notes due in August 2003 because the Company has not pre-funded the retirement of the 7.95% Senior Notes due 2003.

The Company has two principal credit facilities, collectively known as the "Credit Facilities." The first is a 364-day revolving facility expiring in August 2003 with total availability of $700 million. No amounts were outstanding under the 364-day facility at December 31, 2002. The second facility is a $2.0 billion five-year facility, which matures December 2003, with a $1.4 billion two-year extension upon expiration or voluntary termination of the existing five-year facility.

The Credit Facilities contain financial covenants including a maximum leverage ratio (total debt to ebitda, as defined in the Credit Facilities) of 5.00 to 1.00 and a minimum interest coverage ratio (ebitda, as defined in the Credit Facilities, to interest expense) of 2.75 to 1.00 as of December 31, 2002. The Company is required to compute its actual leverage and interest coverage ratios on a rolling twelve-month basis as of the end of each calendar quarter. If the Company is not in compliance with the required covenant ratios, an event of default would occur, which if not cured could cause the entire outstanding borrowings under the Credit Facilities to become immediately due and payable as well as trigger the cross default provisions of other debt issues. The maximum leverage ratio covenant adjusts to 4.75 to 1.00 for each of the quarterly testing periods ending March 31, 2003 and June 30, 2003, and 4.50 to 1.00, thereafter. The minimum interest coverage ratio will remain 2.75 to 1.00 for subsequent quarterly testing periods. As of December 31, 2002, the Company was in compliance with the applicable covenants.

Borrowings under the Credit Facilities bear interest at a floating rate and may be obtained, at the Company's option, as LIBOR advances for varying periods, or as base rate advances, each adjusted for an applicable margin (as further described in the Credit Facilities), or as competitive bid loans. The Company has historically borrowed using LIBOR advances and expects to continue doing so for the foreseeable future. The Company pays a margin over LIBOR which is a function of both its leverage ratio and its credit rating; this margin is adjusted quarterly. At December 31, 2002, the effective all-in borrowing cost of LIBOR advances under the five-year credit facility was LIBOR plus 127.5 basis points. The maximum all in borrowing costs for LIBOR loans is 1.75% under the 364-day facility and the five-year facility plus or minus pre-determined discounts based on our leverage ratios. The weighted average interest rate on outstanding borrowings under the Credit Facilities was 2.52% at December 31, 2002 and 3.14% at December 31, 2001.

As of December 31, 2002, the Company's senior unsecured debt was rated Bal by Moody's and BBB- by Standard & Poor's. The margin above LIBOR is based on the higher of these two ratings. If the debt were downgraded one level by Standard & Poor's to BB+, the annual interest on the Company's Credit Facilities would increase by approximately $4.2 million per year based on outstanding borrowings of

$1.4 billion at December 31, 2002.

The Company has established a commercial paper program. To the extent that the Company incurs debt under this program, it must maintain an equivalent amount of credit available under its Credit Facilities. The Company has borrowed under the program for varying period during 2001. At December 31, 2002 and 2001, no amounts were outstanding under the commercial paper program.

In a program designed for short-term borrowings at lower interest rates than what are paid under the Company's Credit Facilities, the Company has entered into an uncommitted line of credit agreement with a lender whereby the Company can borrow up to $50 million for periods of ninety days or less. At December 31, 2002, the Company had no borrowings outstanding under this agreement. Borrowings bear interest at current market rates. Interest rates on amounts borrowed under these agreements during the year 2002 ranged from 2.35 percent to 3.10 percent.

In March 2002, the Company issued $375 million of 7.875% senior subordinated notes due 2010 through a private placement offering to institutional investors. The Company has completed an exchange of these notes for notes registered under the Securities Act of 1933, as amended. The notes are redeemable at any time prior to their maturity at the "Make-Whole" premiums described in the indenture governing such notes. The notes are unsecured obligations, rank equal with the Company's other senior subordinated indebtedness and are junior to all the Company's senior indebtedness. Proceeds from this offering were used to reduce borrowings under the Credit Facilities.

The estimated fair value of long-term debt (including current maturities) at December 31, 2002 and 2001 was $5.1 billion and $5.4 billion, respectively. The fair values are based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Note 9. Income Taxes

The provisions for income taxes for the three years ended December 31 are as follows:

	2002	2001	2000
		(in millions)	
Current			
Federal	$ 44	$ 21	$ 23
State, foreign, and local	45	31	30
	89	52	53
Deferred	13	(40)	68
Total	$ 102	$ 12	$ 121

The income tax effects of temporary differences between financial and income tax reporting that gave rise to deferred income tax assets and liabilities at December 31, 2002 and 2001 are as follows:

	2002	2001
	(in millions)	
Deferred tax assets		
Accrued expenses	$ 70	$ 72
Insurance and other reserves	42	44
Benefit plans	15	13
Pre-opening expense	19	4
Foreign tax credit carryovers (began expiring in 2001)	49	56

	2002	2001
Capital loss carryover (expires in 2002)		15
Other	51	50
	246	254
Valuation allowance	(19)	(32)
	227	222
Deferred tax liabilities		
Fixed assets, primarily depreciation	(993)	(972)
Other	(157)	(160)
	(1,150)	(1,132)
Net deferred tax liability	$ (923)	$ (910)

A reconciliation of the federal income tax rate to the Company's effective tax rate is as follows:

	2002	2001	2000
Federal income tax rate	35.0%	35.0%	35.0%
Foreign, state and local income taxes, net of federal tax benefits	10.0	(137.8)	6.1
Goodwill amortization	0.0	(192.2)	6.6
Tax return true-up and permanent items	(6.4)	175.0	(2.0)
Effective tax rate	38.6%	(120.0)%	45.7%

Pursuant to SFAS No. 142, goodwill amortization ceased on January 1, 2002.

Note 10. Stockholders' Equity

Four hundred million shares of common stock with a par value of $0.01 per share are authorized. As of December 31, 2002, 323.7 million shares were issued and 300.6 million shares were outstanding. As of December 31, 2001, 322.4 million shares were issued and 301.3 million were outstanding. One hundred million shares of preferred stock with a par value of $0.01 per share are authorized, of which no amounts have been issued.

The Board of Directors has approved an aggregate of 40 million shares under a common stock repurchase program. Cumulatively, through December 31, 2002, the Company repurchased a total of 23.1 million shares of its common stock at an average price of $11.31 resulting in 16.9 million shares remaining available under the stock repurchase program.

The Company has a Preferred Share Purchase Rights Plan under which a right is attached to each share of the Company's common stock. The Rights may only become exercisable under certain circumstances involving actual or potential acquisitions of the Company's common stock by a specified person or affiliated group. Depending on the circumstances, if the Rights become exercisable, the holder may be entitled to purchase units of the Company's junior participating preferred stock, shares of the Company's common stock or shares of common stock of the acquiror. The Rights remain in existence until 2008 unless they are terminated, exercised or redeemed.

Note 11. Stock Options

At December 31, 2002 and 2001, 55.6 million shares of common stock were reserved for the exercise of options under the Company's Stock Incentive Plans. Options may be granted to salaried officers, directors, and other key employees of the Company to purchase common stock at not less than the fair market value at the date of grant. Generally, options may be exercised in installments commencing one year after the date of grant. The Stock Incentive Plans also permit the granting of Stock Appreciation Rights ("SARs"). No SARs have been granted as of December 31, 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11. Stock Options (Continued)

The following table summarizes information for the stock option plans for the years ended December 31, 2002, 2001 and 2000:

	2002		2001		2000	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	27,267,851	$ 9.17	33,378,300	$ 8.97	35,773,113	$ 8.27
Granted	3,023,193	10.01	3,563,880	11.12	4,637,400	11.77
Exercised	(963,160)	6.86	(8,494,639)	8.98	(6,424,211)	7.07
Cancelled	(1,322,378)	9.39	(1,179,690)	10.65	(608,002)	9.45
Outstanding at end of year	28,005,506	9.34	27,267,851	9.17	33,378,300	8.97
Options exercisable at end of year	20,703,536	$ 8.92	17,984,474	$ 8.46	22,460,785	$ 8.58
Options available for grant at end of year	8,370,677		10,071,492		2,455,682	

The following table summarizes information about stock options outstanding at December 31, 2002:

		Options Outstanding			Options Exercisable	
Range of Exercise Price		Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 5.99	$ 6.50	9,244,841	3.98 years	$ 6.39	8,661,841	$ 6.38
6.87	9.94	7,060,380	5.72	9.00	4,414,597	8.60
10.38	12.44	8,583,185	7.28	11.50	5,561,048	11.65
12.76	14.44	3,117,100	4.01	12.93	2,066,050	12.92
$ 5.99	$14.44	28,005,506	5.43	$ 9.34	20,703,536	$ 8.92

Note 12. Employee Pension and Savings Plans

A significant number of the Company's employees are covered by union sponsored, collectively bargained, multi-employer pension plans. The Company contributed and charged to expense $21 million, $18 million, and $22 million in 2002, 2001, and 2000, respectively, for such plans. Information from the plans' administrators is not sufficient to permit the Company to determine its share, if any, of unfunded vested benefits.

The Company and its subsidiaries also sponsor several defined contribution plans (401(k) savings plans). These plans allow for pretax and after tax employee contributions and employer matching contributions. Such amounts contributed to the plans are invested at the participants' direction. The Company's matching contribution expense for such plans was $21 million in 2002, $22 million in 2001, and $19 million in 2000.

The Company also maintains a Non-qualified Deferred Compensation Plan for certain employees. This plan allows participants to defer a portion of their salary on a pretax basis and accumulate tax-deferred earnings plus interest. The Company provides a matching contribution of 50 percent of the employee contribution, subject to a maximum Company contribution of 5 percent of an employee's annual compensation. These deferrals are in addition to those allowed in the Company's 401(k) plans.

In November 2001, the Company established a Supplemental Retention Plan for selected executives. Participants in this non-qualified unfunded retirement plan are granted rights that vest over four years. At retirement or in other circumstances as defined, shares of Company common stock are distributed equal to the number of rights credited to a participant's account. The shares issued under the plan will be treasury shares and are limited to a maximum of 2.5 million shares. As of December 31, 2002 approximately 60 thousand shares have vested. No shares vested as of December 31, 2001. The Company recognizes compensation expense equal to the value of the rights granted over the vesting term based on the stock price on the date of grant. The compensation expense associated with this plan was $1 million for the year ended December 31, 2002.

The Company maintains an Employee Stock Purchase Plan by which the Company is authorized to issue up to five million shares of common stock to its full-time employees. Under the terms of the Plan, employees can elect to have a percentage of their earnings withheld to purchase the Company's common stock at 95 percent of the lower of the market price on the first day of the purchase period or the last day of the purchase period.

Pursuant to the Employee Benefits and Other Employment Matters Allocation Agreement by and between Hilton Hotels Corporation and the Company dated as of December 31, 1998, Park Place shall retain or assume, as applicable, all liabilities and excess assets, if any, related to the Hilton Hotels Retirement Plan based on the ratio of accrued benefits of Hilton employees and Park Place employees. The Hilton Hotels Retirement Plan is a defined benefit plan that provides benefits based on years of service and compensation, as defined. Since December 31, 1996, employees have not accrued additional benefits under this plan. The plan is administered by Hilton Hotels Corporation and is currently fully funded.

Note 13. Leases

The Company and its subsidiaries lease both real estate and equipment used in operations, which are classified as operating leases. Rental costs relating to operating leases and charged to expense were approximately $42 million in 2002, $40 million in 2001, and $41 million in 2000, including contingent rental payments of $18 million in 2002, $19 million in 2001, and $21 million in 2000.

The following is a schedule of future minimum lease commitments under noncancellable operating leases as of December 31, 2002 (in millions):

2003	$ 20
2004	16
2005	15
2006	11
2007	10
Thereafter	187
Total minimum lease payments	$ 259

The Company leases the land and building for the Caesars Tahoe facility. This lease expires in 2028 and is renewable for an additional 25-year period. The lease provides for a minimum rental payment of $4.7 million for 2002, increasing by 2.5 percent in each subsequent year, and for percentage rent of 1 percent of the casino hotel's gross revenue (as therein defined).

The Company has also entered into various operating leases for land adjacent to its dockside casinos in Mississippi. The lease for land adjacent to the Grand Casino Gulfport is for the period from July 1, 2002, through June 30, 2007, and contains renewal options for an additional 35 years. The Company is required to make annual rental payments of $1.3 million subject to adjustment as defined, plus 5 percent of gross annual gaming revenues in excess of $25 million and 3 percent of all non-gaming revenues. The lessor of the Grand Casino Gulfport site has the right to cancel the lease at any time for reason of port expansion, in which case the lessor will be liable to the Company for the depreciated value of improvements and other structures placed on the leased premises, as defined.

The lease for land adjacent to the Grand Casino Biloxi has an initial term of 99 years and provides for rental payments of 5 percent of casino revenues (as defined therein) with a minimum payment of $2.5 million per year. Park Place may cancel the lease by making a payment equal to six months of lease payments. The Company also entered into a 15-year lease for submerged land adjacent to the Grand Casino Biloxi with an option to extend the lease for five years after the expiration of the initial 15-year term in 2008. The lease provides for annual rental payments of $0.9 million and subsequent increases as defined in the agreement.

The lease for land adjacent to the Grand Casino Tunica provides for annual rental payments of $3.4 million in 2002, subject to adjustment as defined in each subsequent year. The initial term of the lease was for six years beginning in 1993 with nine six-year renewal options, for a total of 60 years.

Note 14. Impairment Losses and Other

2002 Transactions

In September 2002, the Company recognized a $7.5 million charge related to the voluntary cancellation of an energy contract with Enron Corporation. Also in September 2002, tropical storms in the Gulf Coast caused $2.5 million in damage to the Grand Biloxi and Grand Gulfport properties. The losses do not exceed the deductibles under the Company's various insurance policies.

In November 2002, the Company's president and chief executive officer resigned. In fulfillment of obligations outlined in this executive's employment contract, which expires December 2005, the Company recognized a charge of $9 million for salary commitments and certain other benefits.

In December 2002, the Company settled certain litigation regarding the Belle of Orleans, L.L.C. (the "Belle"), which is further described in Note 15. The settlement provides for a cash payment of $21 million for the Company's subsidiary, Bally's Louisiana, Inc., to purchase the 50.1% interest of the Belle which it does not own and to dismiss all outstanding litigation with prejudice. In connection with this transaction, the Company recorded a $43 million charge for the buyout of its partner, Metro Riverboat Associates, the settlement of all outstanding litigation involving the partnership and the revaluation of the property. On February 5, 2003, the settlement and transfer were approved by the Louisiana Gaming Control Board. The settlement and transfer were completed in February of 2003.

In February 2003, the Company settled all litigation related to the proposed sale of the Las Vegas Hilton. Pursuant to the settlement agreement, the Company returned all deposits made by the prospective buyer and recorded a $4 million charge in the fourth quarter of 2002 related to this settlement. See "2000 Transactions" below and Note 15.

2001 Transactions

Las Vegas Hilton

In July 2000, a definitive agreement was signed that would have resulted in the sale of the property, building and equipment of the Las Vegas Hilton for a base price of $300 million. The agreement provided that Park Place would retain receivables relating to high-end casino play, and would attempt to service high-end customers at other properties. As anticipated by the agreement, and once it was announced, high-end gaming customers gradually ceased play at the Las Vegas Hilton.

During the third and fourth quarters of 2000, revenues began to reflect the loss of the high-end play without incremental locals' play or increased convention business. Operating income was also negatively impacted as costs associated with the high-end play could not be reduced as quickly because the property continued to provide service to the remaining high-end market pending closing of the sale. Additionally, the held-for-sale status affected the property's ability to compete for other casino business.

In January 2001, the purchaser failed to further extend the closing date and did not complete the transaction, thereby breaching the terms of the agreement. The Company ceased its efforts to sell the property and continued to operate it in the normal course, but with a focus on locals' play and convention business. However, the facilities were originally designed to cater to and accommodate high-end play as well as convention patrons.

During 2001, revenues declined from $73 million in the first quarter to $48 million in the third quarter. Operating income during 2001 was $7 million in the first quarter, a loss of $3 million in the second quarter, and a loss of $14 million in the third quarter. The successive quarters of operating losses coupled with the significant reduction in convention and group visitation into Las Vegas resulting from the events of September 11 necessitated a review of the Las Vegas Hilton assets for impairment.

Based on an analysis of expected future cash flows, an impairment existed. An independent appraisal company using a combination of future cash flow analysis and market/sales comparison analysis made an appraisal of the Las Vegas Hilton resulting in a fair value that was $124 million less than the carrying value of the assets. A $124 million write-down of fixed assets was made in the third quarter of 2001.

Flamingo Reno

On October 5, 2001, the Company entered into an agreement to sell the Flamingo Reno. In anticipation of the sale, the facility was closed on October 23, 2001. The Company provided employees with 60 days of salary continuation from October 5, 2001 and health benefits through the end of 2001. The sale was completed in December 2001. As a result of the sales agreement, a $19 million loss was recognized in the third quarter of 2001. The loss includes the write-down of the assets to be sold and employee termination and other incremental costs of closing the property, net of the sales price.

2000 Transactions

In conjunction with the spin-off from Hilton in December 1998, the Company entered into a disposition agreement with Hilton with respect to the Flamingo Hilton Riverboat Casino located in Kansas City, Missouri. This asset was not part of the tax-free spin-off transaction at December 31, 1998 due to lack of regulatory approvals. However, the agreement provided for the Company to receive the equivalent economic value of this asset upon sale or other disposition. In June 2000, Hilton sold this asset to a third party. As a

result of this sale and in accordance with the disposition agreement, the Company recognized a gain of $18 million in 2000.

In July 2000, the Company entered into an agreement to sell the Las Vegas Hilton to an unrelated third party, subject to regulatory approvals. The Company was to receive $300 million for the property, building, and equipment plus an amount for net working capital (excluding certain gaming customer receivables to be retained by Park Place). In connection with this planned disposition, the Company recognized a non-cash impairment loss of $55 million in 2000. By November 2000, all regulatory approvals related to the transaction had been received. In January 2001, the purchaser did not complete the transaction thereby breaching the terms of the agreement. Legal actions regarding the failed transaction and the $20 million in letter of credit and escrow funds have been filed by the Company and the purchaser (see Note 15 for further discussion).

In connection with the purchase of Bally by Hilton in 1996 and the subsequent spin-off, Park Place obtained the rights to the "Bally" trademarks. In October 2000, the Company recognized a gain of $7 million in connection with the sale of certain trademark rights associated with the Bally name.

In October 2000, Arthur M. Goldberg, the Company's president and chief executive officer passed away. In fulfillment of this executive's employment contract obligations, the Company recognized a charge of approximately $15 million for salary commitments and certain life insurance benefits.

Note 15. Commitments and Contingencies

New Projects

Saint Regis Mohawk Tribe

Park Place entered into an agreement in April 2000 with the Saint Regis Mohawk Tribe in Hogansburg, New York. Park Place paid $3 million for exclusive rights to develop a Class II or Class III casino project with the Tribe in the State of New York. In November 2001, the parties also entered into a seven-year definitive management agreement for Park Place to manage a casino to be located at Kutsher's Country Club in Thompson, New York in return for a management fee equal to 30 percent of ebitda, as defined in the agreement. The management agreement is subject to the approval of the National Indian Gaming Commission.

The Company has entered into a definitive agreement, as amended, to acquire approximately 66 acres of the Kutsher's Resort Hotel and Country Club in Sullivan County, New York, for approximately $10 million, with an option to purchase the remaining 1,400 acres for $40 million. Upon approval by the Bureau of Indian Affairs ("BIA"), approximately 66 acres will be transferred to be held in trust for the Saint Regis Mohawk Tribe.

As currently planned, the facility will include a 750-room hotel, 165,000 square feet of gaming space, 15,000 square feet of meeting space, restaurants and a spa.

All of the agreements and plans relating to the development and management of this project are contingent upon various regulatory and governmental approvals, including execution of a compact between the Saint Regis Mohawk Tribe and the State of New York, and receipt of approvals from the BIA, National Indian Gaming Commission and local planning and zoning boards. There is no guarantee that the requisite regulatory approvals will be received.

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 Catskills Region, and approved the use of video lottery terminals at racetracks and authorized the participation of New York State in a multi-state lottery. The legislation also gives the governor the authority to negotiate state compacts with the tribes without further approval by the legislature. The constitutionality of this legislation has been challenged. As of December 31, 2002, the Company had $21 million invested in the development of this project, which is included in other assets on the consolidated balance sheets. In the event the project is not completed, these costs would be written off.

Litigation

The Company and its subsidiaries are involved in various legal proceedings relating to its businesses. The Company believes that all the actions brought against it or its subsidiaries are without merit and will continue to vigorously defend against them. While any proceeding or litigation has an element of uncertainty, the Company believes that the final outcome of these matters is not likely to have a material adverse effect upon its results of operations or financial position.

Belle of Orleans

The Company's wholly-owned subsidiary, Bally's Louisiana, Inc., owns 49.9% of the Belle of Orleans, L.L.C. The Belle owns and holds the riverboat gaming license to operate the Bally's Casino in New Orleans. Metro Riverboat Associates, Inc. owns the remaining 50.1% of the Belle. Management of the Belle is governed by an Operating Agreement between Metro and Bally's Louisiana, Inc., and management of the casino is governed by a Management Agreement between the Belle and Bally's Louisiana, Inc. Since 1996, Metro has filed numerous lawsuits against Bally's Louisiana, Inc., its affiliates, and others. Cases are pending in the United States District Court for the Eastern District of Louisiana, the Louisiana Supreme Court, the Louisiana Fourth Circuit Court of Appeal, the Civil District Court for the Parish of Orleans, and the Nineteenth Judicial District Court for the Parish of East Baton Rouge, and administrative proceedings are pending before the Louisiana Gaming Control Board. Metro's claims involve assignments of the Management Agreement, ultimately to Bally's Louisiana, Inc., as well as the effects of Hilton's merger with Bally Entertainment Corporation in 1996 and Hilton's subsequent spin-off of its gaming operations to Park Place in 1998. Metro asserts that Bally's Louisiana, Inc. is not entitled to manage the casino. Metro seeks injunctive relief and unspecified damages. The litigation also includes two civil R.I.C.O. lawsuits against certain of the Company's officers and directors. Metro and its principal, Norbert Simmons, allege civil racketeering and conspiracy activities among the named defendants and members of the Louisiana State Judiciary, the Louisiana Gaming Control Board, the Louisiana State Police, and an assistant Louisiana Attorney General. In December, 2002, the parties agreed to settle all of the litigation. The settlement provides for Metro to sell its 50.1% interest in the Belle to Bally's Louisiana, Inc. and to dismiss all of the litigation with prejudice. The settlement will also result in a complete termination of all agreements and relationships between Metro and Norbert Simmons on one side and the Company, Bally's Louisiana, Inc., and their affiliates on the other side. This will include termination of the Operating Agreement between Metro and Bally's Louisiana, Inc., termination of a Consulting Agreement between the Belle and Simmons, and an amendment to the Management Agreement to delete all references to Metro and Simmons. The settlement and transfer were approved on February 5, 2003 by the Louisiana Gaming Control Board. The transaction was completed in February 2003.

Slot Machine Litigation

In April 1994, William H. Poulos brought a purported class action in the United States District Court for the Middle District of Florida, Orlando Division captioned *William H. Poulos, et al. v. Caesars World, Inc., et al.* against 41 manufacturers, distributors and casino operators of video poker and electronic slot machines, including Park Place. In May 1994, another plaintiff filed a class action complaint in the United States District Court for the Middle District of Florida captioned *William Ahern, et al. v. Caesars World, Inc. et al.* alleging substantially the same allegations against 48 defendants, including Park Place. In September 1995, a third action was filed against 45 defendants, including Park Place, in the United States District Court for the District of Nevada captioned *Larry Schreier, et al. v. Caesars World, Inc,. et al.* The court consolidated the three actions in the United States District Court for the District of Nevada under the case caption *William H. Poulos, et al. v. Caesars World, Inc. et al.* The consolidated complaints allege that the defendants are involved in a scheme to induce people to play electronic video poker and slot machines based on the false beliefs regarding how such machines operate and the extent to which a player is likely to win on any given play. The actions included claims under the federal Racketeering Influence and Corrupt Organizations Act, fraud, unjust enrichment and negligent misrepresentation and seek unspecific compensatory damages. In July 2002, the United States District Court denied the plaintiff's motion to certify the case as a class action. The plaintiff has petitioned for permission to appeal the District Court's ruling.

Las Vegas Hilton Sale Litigation

In July 2000, the Company entered into an agreement to sell the Las Vegas Hilton to Las Vegas Convention Hotel, LLC, which failed to complete the transaction on the date set for closing. The Company filed a complaint in the Eighth Judicial District Court for the State of Nevada against Las Vegas Convention Hotel LLC, et al. seeking declaratory relief to retain the $20 million in deposits and recover additional damages for breach of contract. The Company also filed a complaint in the United States District Court for the District of Nevada for damages against Edward Roski, Jr. as guarantor of the transaction. The defendants filed actions against Park Place and Hilton Hotels Corporation in the Eighth Judicial District Court, which actions were consolidated with Park Place's action in that Court, alleging breach of contract and tortious interference with contract, and seeking non-specific general, special, and punitive damages, specific performance to compel the sale of the property to plaintiffs at a purchase price less than that required under the original contract, and injunctive relief to prevent the Company from selling the property to any other person. In February 2003, the parties agreed to settle all of the litigation. As a result of the settlement agreement, the Company agreed to return the deposits and recorded a $4 million charge in the fourth quarter of 2002 as partial payment of expenses. See Note 14 of the Consolidated Financial Statements.

Flixcorp Litigation

Bally Data Systems, Inc. and Bally Entertainment, Inc. are defendants in an action entitled *Flixcorp of America, Ltd. vs. Bally Data Systems, et al.* filed in the Circuit Court of Cook County, Illinois in 1987. The litigation involves a breach of contract claim arising out of a purported agreement to develop and manufacture videotape dispensing machines. In July 2002, the parties agreed, subject to certain conditions, to settle the litigation in its entirety. Pursuant to the parties' agreement, Bally Data Systems, Inc. will make a payment of $300,000 to the plaintiff. As this agreement represents a settlement of disputed claims, there was no admission of liability and any such liability was, and is, expressly denied.

Mohawk Litigation

In April 2000, the Company entered into an agreement with the Saint Regis Mohawk Tribe pursuant to which we obtained the exclusive rights to develop a Class II or Class III casino project in the State of New York with the Tribe. There are various parties alleging that the grant of rights to the Company infringed upon their rights. Such parties have commenced the various lawsuits discussed below.

On April 26, 2000, certain individual members of the Saint Regis Mohawk Tribe purported to commence a class action proceeding in a "Tribal Court" in Hogansburg, New York against the Company and certain of its executives. The proceeding sought to nullify the Company's agreement with the Saint Regis Mohawk Tribe to develop and manage gaming facilities in the State of New York. On March 20, 2001, the "Tribal Court" purported to render a default judgment against the Company and one of its executives in the amount of $1.787 billion, which judgment the Company refuses to recognize as valid. On June 2, 2000, the Company and certain of its executives filed an action captioned *Park*

Place Entertainment Corporation, et al. v. Arquette, et al., in the United States District Court for the Northern District of New York seeking to enjoin the dissident Tribal members from proceeding in the "Tribal Court" with an action that we believe has been unlawfully convened and is without merit. In September 2000, the District Court dismissed the action on the grounds that the Court lacked jurisdiction. In October 2000, the Company appealed the judgment to the United States Court of Appeals for the Second Circuit. In January 2002, the Second Circuit remanded the matter to the District Court for further development of the record. In April 2002, the District Court requested the United States Department of the Interior, Bureau of Indian Affairs ("BIA") to provide its current position with regard to the legitimacy of the Tribe's form of government and "Tribal Court". Following receipt of letters issued by the BIA, dated June 5, 2002, June 26, 2002 and July 12, 2002, this Court entered an Order on July 29, 2002, affirming that the BIA recognizes only the Three Chief system of government for the Saint Regis Mohawk Tribe (the "Tribal Council"), that the Tribal Council has, by Resolution having the force of law of the Tribe, invalidated the Tribal court system and that the Mohawk people have, by popular vote, determined that the purported "Tribal Court" is without authority to adjudicate matters of Tribal law. The parties are awaiting the Court's determination of whether the Court has subject matter jurisdiction, and, if so, whether the Court will refer the matter back to the appeals court, determine the Company's pending motion for a preliminary and permanent injunction, or take other action. The Company is pursuing all necessary actions to enjoin any efforts to enforce the purported judgment.

On June 6, 2000, President R.C.-St. Regis Management Company and its principal, Ivan Kaufman, filed an action captioned *President R.C.-St. Regis Management Co., et al. v. Park Place Entertainment Corporation, et al.* in the Supreme Court of the State of New York, County of Nassau, against the Company and certain of its executives seeking compensatory and punitive damages in the amount of approximately $550 million. The action alleges claims based on breach of a proposed letter agreement between plaintiffs, the Company, and the Saint Regis Mohawk Tribe concerning the tribe's existing casino in Hogansburg, New York, fraudulent inducement, tortuous interference with contract, and defamation. Alternatively, plaintiffs seek specific performance and/or injunctive relief in connection with the proposed letter agreement. In September 2000, plaintiffs voluntarily dismissed three of the contract-related claims that had been brought against the individually named defendants.

On November 13, 2000, Catskill Development, LLC, Mohawk Management, LLC and Monticello Raceway Development Company, LLC (collectively, "Catskill Development") filed an action captioned *Catskill Development L.L.C,. et al. v. Park Place Entertainment Corporation, et al.*, against the Company in the United States District Court for the Southern District of New York. The action arises out of Catskill Development's efforts to develop land in Sullivan County as an Indian gaming facility in conjunction with the

Saint Regis Mohawk Tribe. Catskill Development claims that the Company wrongfully interfered with several agreements between itself and the Tribe pertaining to the proposed gaming facility. The plaintiffs allege tortuous interference with contract and prospective business relationships, unfair competition and state anti-trust violations and seek over $3 billion in damages. On May 14, 2001, the Court granted the Company's motion to dismiss three of the four claims made by Catskill Development. On May 30, 2001, Catskill Development moved for reconsideration of that ruling, and the District Court reinstated one of the dismissed claims, with Catskill Development's claims for tortuous interference with contract and prospective business relationship remaining after such decision. On or about May 15, 2002, the Company filed a motion for summary judgment dismissing the complaint. On or about June 18, 2002, the Company filed a motion for reconsideration of the Court's decision reinstating plaintiffs' tortuous interference with contract claim on the basis of intervening case law from a Federal Appeals Court. On August 22, 2002, the Court granted the Company's motion for summary judgment dismissing plaintiffs' remaining two claims for tortuous interference with contractual relations and tortuous interference with prospective business relations. Previously, on May 14, 2001, the Court dismissed plaintiffs other two claims. On August 26, 2002, the Court granted judgment to the Company dismissing plaintiffs' complaint in its entirety. Plaintiffs have appealed the dismissal of the complaint and various other rulings of the Court.

On March 29, 2001, the Company and its then general counsel, Clive Cummis sued thirty individual Tribal members in the Supreme Court of the State of New York in the case of *Park Place Entertainment Corp., et al. vs. Marlene Arquette, et al.,* alleging malicious defamation and *prima facie* tort in connection with the individuals' purported "Tribal Court" proceedings and media publication of their purported "default judgment" against the Company, all of which the Company believes has been injurious to the good name and reputation of the plaintiffs and seeks compensatory damages in an amount to be proved at trial (plus interest, costs and disbursements including reasonable attorney fees), as well as unspecified punitive damages. Defendants asserted a counterclaim alleging the action was commenced in violation of New York's Civil Rights Law. Defendant Michael Rhodes-Devey moved to change venue to Franklin County, New York and to dismiss the complaint. By order dated November 14, 2001, the Court granted the change of venue motion and denied without prejudice the motion to dismiss. Plaintiffs moved to dismiss the counterclaim for failure to state a cause of action. In February 2002, defendants cross-moved to dismiss the complaint. By Decision and Order dated September 9, 2002, the Court denied defendants' motion to dismiss the complaint and plaintiffs' cross-motion to dismiss the counterclaim.

On June 27, 2001, the individual members of the Saint Regis Mohawk Tribe that are plaintiffs in the Tribal Court action referenced above commenced an action in United States District Court for the Northern District of New York against the Company and one of its executives, seeking recognition and enforcement of the purported March 20, 2001 $1.787 billion "Tribal Court" default judgment against defendants, which judgment the Company refuses to recognize as valid. The Company has taken the position that the purported "Tribal Court" in which the proceeding has been invoked is an invalid forum and is not recognized by the lawful government of the Saint Regis Mohawk Tribe or by the United States Department of the Interior, Bureau of Indian Affairs ("BIA"). The parties have made cross-motions for summary judgment.

On October 15, 2001, Scutti Enterprises, LLC ("Scutti") filed an action against the Company in the Supreme Court of the State of New York, County of Monroe. The action arises out of Scutti's efforts to redevelop and manage the Mohawk Bingo Palace owned by the Saint Regis Mohawk Tribe on the Tribe's reserve in Akwesasne, New York. Scutti claims that the Company wrongfully interfered with its relationship with the Tribe pertaining to the proposed redevelopment and management of the Mohawk Bingo Palace. Scutti alleges tortuous interference with contract and prospective business relationships, unfair competition and state anti-trust violations and seeks over $82 million in damages. The action was removed to United

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15. Commitments and Contingencies (Continued)

States District Court for the Western District. The Company moved to dismiss the action and, in March 2002, the Court dismissed the action with prejudice. Plaintiff has appealed the dismissal and also moved for relief from judgment with respect to the Court's dismissal of plaintiff's claims for tortuous interference with contractual relations. On November 26, 2002, the Court denied plaintiff's motion for relief from judgment. On February 28, 2003, the Second Circuit Court of Appeals affirmed in part and reversed in part the District Court's dismissal of the action, affirming the dismissal of Scutti's claim for tortuous interference with contractual relations, and vacating the dismissal of Scutti's claim for tortuous interference with prospective business relations and remanding the case to the District Court regarding only that claim.

On January 29, 2002, two substantially identical actions were filed in the Supreme Court of the State of New York, County of Albany, challenging legislation that, among other things, authorized the Governor of the State of New York to execute tribal-state gaming compacts, approved the use of slot machines as "games of chance," approved the use of video lottery terminals at racetracks and authorized the participation of New York State in a multi-state lottery. The matters are captioned *Dalton, et al. v. Pataki, et al.* and *Karr v. Pataki, et al.* Plaintiffs seek a declaratory judgment declaring the legislation unconstitutional and enjoining the implementation thereof. The Company intervened in the actions and moved to dismiss the first three causes of action thereof (relating to plaintiffs' claims to invalidate the Legislature's authorization of Indian gaming compacts). The State of New York moved to dismiss the actions in their entirety, while other defendants moved to dismiss certain causes of action. On October 30, 2002, the Court denied the motions to dismiss filed by the Company and all other defendants, and consolidated the two matters. The court has set a briefing schedule for cross-motions for summary judgment.

Other

For certain of our legal proceedings arising out of the ordinary course of our business, verdicts have been returned against us. We believe that we have a valid basis to appeal the verdicts and do not believe that the ultimate financial impact of these matters is currently both probable and estimable, and accordingly, no accruals for these matters have been recorded in the financial statements as of December 31, 2002. We may at any time consider it advantageous to negotiate a settlement of any of these matters, and we will record any financial impact of such settlements when the amount is probable and estimable.

Note 16. Quarterly Financial Data (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	(dollars in millions, except per share amounts)				
Year Ended December 31, 2002					

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Revenues(1)	$ 1,143	$ 1,192	$ 1,211	$ 1,106	$ 4,652
Operating income	159	190	162	59	570
Income (loss) before cumulative effect of accounting change	40	96	40	(21)	155
Net income (loss)(2)	(939)	96	40	(21)	(824)
Income (loss) before cumulative effect of accounting change per share					
Basic(3)	0.13	0.32	0.13	(0.07)	0.51
Diluted(3)	0.13	0.31	0.13	(0.07)	0.51
Income (loss) per share					
Basic(3)	(3.11)	0.32	0.13	(0.07)	(2.74)
Diluted(3)	(3.09)	0.31	0.13	(0.07)	(2.71)
Year Ended December 31, 2001					
Revenues(1)	$ 1,144	$ 1,158	$ 1,177	$ 1,102	$ 4,581
Operating income (loss)	184	179	(18)	62	407
Net income (loss)	45	48	(101)	(16)	(24)
Basic EPS(3)	0.15	0.16	(0.34)	(0.05)	(0.08)
Diluted EPS(3)	0.15	0.16	(0.34)	(0.05)	(0.08)

(1) As discussed in Note 2, the Company changed its presentation of equity in earnings of unconsolidated affiliates beginning with the third quarter of 2002. The revenues shown above differ from those previously reported on Form 10-Q because of this reclassification. Operating income (loss) and net income (loss) were not affected.

(2) In connection with the implementation of SFAS No. 142, the Company recorded an impairment charge of $979 million which was recorded as a cumulative effect of accounting change in the first quarter of 2002. Effective January 1, 2002, the Company no longer amortizes goodwill in accordance with SFAS No. 142

(3) The sum of Basic and Diluted EPS for the four quarters may differ from the annual EPS due to the required method of computing weighted average number of shares in the respective periods.

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Offer to Exchange up to $300,000,000 of Our
7% Senior Notes due 2013
Which Have Been Registered Under the Securities Act,

For up to $300,000,000 of Our
Outstanding 7% Senior Notes due 2013

PROSPECTUS

April , 2003

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers.

As permitted by Section 102 of the Delaware General Corporation Law (the "DGCL"), Section 11.1 of the Amended and Restated Certificate of Incorporation of the registrant (the "Certificate") eliminates the personal liability of its directors to the registrant or its stockholders for monetary damages for breach of fiduciary duty as a director, to the fullest extent permitted by the DGCL, as the same exists or may hereafter be amended.

Section 145 of the DGCL and Article VI of the Amended and Restated Bylaws of the registrant authorize and empower the registrant to indemnify its directors, officers, and employees against liabilities incurred in connection with, and related expenses resulting from, any claim, action or suit brought against any such person as a result of such person's relationship with the registrant, PROVIDED that such persons acted in accordance with a stated standard of conduct in connection with the acts or events on which such claim, action or suit is based. The finding of either civil or criminal liability on the part of such persons in connection with such acts or events is not necessarily determinative of the question of whether such persons have met the required standard of conduct and are, accordingly, entitled to be indemnified.

The registrant carries policies of insurance which cover the individual directors and officers of the registrant for legal liability and which would pay on behalf of the registrant for expenses of indemnification of directors and officers.

Item 21. Exhibits and Financial Statement Schedules.

(a) Exhibits

4.1	Indenture, dated as of April 11, 2003, by and among the Registrant and U.S. Bank National Association, with respect to the 7% Senior Notes due 2013
4.2	Registration Rights Agreement, dated as of April 11, 2003, by and among the Registrant and Banc of America Securities LLC, Deutsche Bank Securities, Inc., Scotia Capital (USA) Inc., Citigroup Global Markets Inc., J.P. Morgan Securities Inc., SG Cowen Securities Corporation, Wachovia Securities, Inc., BNY Capital Markets Inc., Commerzbank Capital Markets Corporation, Wells Fargo Brokerage Services, LLC, Fleet Securities, Inc. and Credit Suisse First Boston LLC
5	Opinion of Gibson, Dunn & Crutcher LLP
12	Computation of Ratio of Earnings to Fixed Charges
23.1	Consent of Gibson, Dunn & Crutcher LLP (included as part of Exhibit 5)
23.2	Consent of Deloitte & Touche LLP
24	Power of Attorney (included on Page II-4)
25	Statement of Eligibility and Qualification on Form T-1 of U.S. Bank National Association, as trustee of the 7% Senior Notes due 2013 of the Registrant

99.1 Form of Letter of Transmittal with respect to the Exchange Offer

99.2 Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9

99.3 Form of Notice of Guaranteed Delivery with respect to the Exchange Offer

99.4 Form of Letter to Beneficial Holders with respect to the Exchange Offer

Per Regulation S-K 601(b)(4)(iii)(A), the registrant agrees to file applicable agreements with the Commission upon request.

(b) Financial Statement Schedules

None.

Item 22. Undertakings.

(a) The undersigned registrant hereby undertakes that insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act"), may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into this prospectus pursuant to Item 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(c) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

(d) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) of the Act if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(e) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Las Vegas, State of Nevada, on April 29, 2003.

PARK PLACE ENTERTAINMENT CORPORATION

By: /s/ HARRY C. HAGERTY, III

Name: Harry C. Hagerty, III
Title: *Executive Vice President and Chief Financial Officer*

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Wallace R. Barr, Harry C. Hagerty, III and Bernard E. DeLury, Jr. and each of them, with full power to act without the other, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign this Registration Statement, and any and all amendments thereto (including pre- and post-effective amendments) or any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with exhibits and schedules thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their, his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement on Form S-4 has been signed below by the following persons in their capacities and on the dates indicated.

Signature	Title	Date
/s/ STEPHEN F. BOLLENBACH Stephen F. Bollenbach	Chairman of the Board	April 29, 2003
/s/ CLIVE S. CUMMIS	Vice Chairman	April 29, 2003

Signature	Title	Date
Clive S. Cummis		
/s/ WALLACE R. BARR Wallace R. Barr	President and Chief Executive Officer (Principal Executive Officer) and Director	April 29, 2003
/s/ BARBARA COLEMAN Barbara Coleman	Director	April 29, 2003
/s/ A. STEVEN CROWN A. Steven Crown	Director	April 29, 2003

/s/ PETER G. ERNAUT Peter G. Ernaut	Director	April 29, 2003
/s/ WILLIAM BARRON HILTON William Barron Hilton	Director	April 29, 2003
/s/ ERIC M. HILTON Eric M. Hilton	Director	April 29, 2003
/s/ P. X. KELLEY P. X. Kelley	Director	April 29, 2003
/s/ GILBERT L. SHELTON Gilbert L. Shelton	Director	April 29, 2003
/s/ HARRY C. HAGERTY, III Harry C. Hagerty, III	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 29, 2003

QuickLinks