

Nevada Gambling Regulators Approve Harrah's Buyout

Carson City, Nevada – A USD 17.7 billion purchase of casino giant Harrah's Entertainment Inc. by private equity buyers Apollo Management and Texas Pacific Group – the world's largest casino buyout deal – won final approval Thursday from Nevada regulators.

The state Gaming Commission voted unanimously for the deal, already approved by Harrah's shareholders and by several other states in which Harrah's Entertainment operates. One last approval, from the National Indian Gambling Commission, is expected by the end of the month.

Commission members backed the big going-private deal after being assured by the buyers that they support Harrah's expansion plans – USD 4 billion in growth-related spending through 2012, including USD 2.1 billion in Nevada projects.

Apollo executive Marc Rowan and TPG executive Kelvin Davis also pointed to their investor strength, typically private and public pension funds, endowments and institutions, and noted successes in expanding successful companies like Harrah's and in reviving failing firms.

„It's always easier to start with something that in fact is not broken,“ said Rowan, referring to Harrah's, whose long and profitable history in Nevada dates to 1937 when Bill Harrah opened a bingo parlor in Reno.

The executives said they're planning on a long-term involvement in Harrah's, with Davis adding, „We're not cut-and-run guys.“

Under the deal, Harrah's stockholders are getting USD 90 a share and the company gets USD 6 billion in new equity. Its

debt load increases to USD 25 billion, but commissioners were told that compares favorably with other private-equity ventures.

Gary Loveman, chief executive of Harrah's, will stay on in that role. Loveman is in line for more than \$ 90 million in stock options and other rights under terms of the buyout.

Harrah's, with markets throughout the United States and in Britain, Canada, Uruguay, Egypt and elsewhere, will benefit from the strong „deal-making acumen“ of Apollo and TPG, Loveman told commissioners.

Responding to Commissioner Sue Wagner's questions, Loveman also expressed concern about possible Nevada ballot measures that would increase taxes on the casino industry – and said what's needed is a broader, stable tax base in the state.

Uncertainty over a states's tax structure and policies is „very destructive“ in the decision-making process of investors and developers on costly resort projects, Loveman said.

Loveman's comments echo what other top gambling industry leaders in Nevada have said about a broader tax base, although Gov. Jim Gibbons has said he's sticking with his no-new-taxes campaign pledge.

Apollo and TPG approached Harrah's separately in August 2006 about taking the company private before teaming up later and offering USD 81 a share. A year ago, as other companies joined in the bidding, Harrah's accepted the USD 90-a-share offer and the regulatory review process began.

The world's largest gambling company, Harrah's operates 50 casinos worldwide, including 38 in the United States. Four are in Atlantic City: The Showboat Casino-Hotel, Harrah's Atlantic City, Caesars Atlantic City and Bally's Atlantic City.