

HARRAHS ENTERTAINMENT INC

Form 10-Q

November 10, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2008

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File No. 1-10410

HARRAH S ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: HARRAHS ENTERTAINMENT INC - Form 10-Q

Delaware
(State or other jurisdiction)

I.R.S. No. 62-1411755
(I.R.S. Employer

of incorporation or organization)

Identification No.)

One Caesars Palace Drive

Las Vegas, Nevada
(Address of principal executive offices)

89109
(Zip Code)

(702) 407-6000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2008, the Registrant had 10 shares of voting Common Stock and 40,747,287 shares of non-voting Common Stock outstanding.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited Consolidated Condensed Financial Statements of Harrah's Entertainment, Inc., a Delaware corporation, have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and notes necessary for complete financial statements in conformity with generally accepted accounting principles in the United States. The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of operating results.

Results of operations for interim periods are not necessarily indicative of a full year of operations. These Consolidated Condensed Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007.

HARRAHS ENTERTAINMENT, INC.**CONSOLIDATED CONDENSED BALANCE SHEETS****(UNAUDITED)**

(In millions, except share amounts)	Successor September 30, 2008	Predecessor December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,005.9	\$ 710.0
Receivables, less allowance for doubtful accounts of \$172.8 and \$126.2	405.3	476.4
Deferred income taxes	145.4	200.0
Income tax receivable	7.4	5.0
Prepayments and other	232.3	216.2
Inventories	70.3	70.3
Total current assets	1,866.6	1,677.9
Land, buildings, riverboats and equipment	18,718.8	18,753.5
Less: accumulated depreciation	(446.2)	(3,182.0)
	18,272.6	15,571.5
Assets held for sale	50.6	4.5
Goodwill (Note 4)	9,315.0	3,553.6
Intangible assets (Note 4)	6,272.1	2,039.5
Investments in and advances to nonconsolidated affiliates	32.9	18.6
Deferred costs and other	1,202.5	492.1
	\$ 37,012.3	\$ 23,357.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 403.1	\$ 442.0
Accrued expenses	1,547.4	1,351.2
Current portion of long-term debt (Note 6)	84.0	10.8
Total current liabilities	2,034.5	1,804.0
Liabilities held for sale	0.7	0.6
Long-term debt (Note 6)	24,130.2	12,429.6
Deferred credits and other	461.5	464.8
Deferred income taxes	4,513.0	1,979.6
	31,139.9	16,678.6
Minority interests	57.3	52.2
Commitments and contingencies (Notes 6, 8, 9 and 10)		
Preferred stock of Successor Entity; \$0.01 par value; 40,000,000 shares authorized; 19,930,196 shares issued and outstanding at September 30, 2008 (net of 5,338 shares held in treasury)	2,206.2	

Edgar Filing: HARRAHS ENTERTAINMENT INC - Form 10-Q

Stockholders' equity (Notes 5 and 6)

Common stock non-voting and voting of Successor Entity; \$0.01 par value; 80,000,020 shares authorized; 40,747,298 shares issued and outstanding at September 30, 2008 (net of 10,912 shares held in treasury)	0.4	
Common stock of Predecessor Entity; \$0.10 par value, authorized - 720,000,000 shares, outstanding -188,778,819 shares (net of 36,033,752 shares held in treasury) at December 31, 2007		18.9
Additional paid-in capital	3,876.5	5,395.4
Retained (deficit)/earnings	(314.2)	1,197.2
Accumulated other comprehensive income	46.2	15.4
	3,608.9	6,626.9
	\$ 37,012.3	\$ 23,357.7

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH S ENTERTAINMENT, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In millions)	Successor Third Quarter Sept. 30, 2008	Predecessor Third Quarter Sept. 30, 2007	Successor January 28, 2008 Through Sept. 30, 2008	Predecessor January 1, 2008 Through January 27, 2008	Predecessor Nine Months Ended Sept. 30, 2007
Revenues					
Casino	\$ 2,130.1	\$ 2,333.6	\$ 5,653.2	\$	614.6
Food and beverage	427.6	445.1	1,160.2		1,299.1
Rooms	316.7	341.6	894.2		1,035.9
Management fees	16.6	20.5	45.8		64.2
Other	181.9	184.8	462.4		525.1
Less: casino promotional allowances	(427.0)	(485.3)	(1,127.3)		(117.0)
Net revenues	2,645.9	2,840.3	7,088.5		8,197.7
Operating expenses					
Direct					
Casino	1,129.4	1,195.9	3,037.1		3,444.8
Food and beverage	178.1	194.3	486.1		553.7
Rooms	64.9	67.0	179.4		201.1
Property general, administrative and other	631.8	592.7	1,619.0		1,795.4
Depreciation and amortization	152.0	206.8	452.4		601.4
Write-downs, reserves and recoveries	46.8	(54.5)	(61.8)		(83.0)
Project opening costs	16.3	4.8	26.3		22.1
Corporate expense	34.7	37.6	95.9		97.7
Merger and integration costs	1.0	0.7	23.1		8.3
Loss/(income) on interests in nonconsolidated affiliates	2.5	0.1	1.3		(3.6)
Amortization of intangible assets	38.8	17.7	119.2		53.5
Total operating expenses	2,296.3	2,263.1	5,978.0		6,691.4
Income/(loss) from operations	349.6	577.2	1,110.5		1,506.3
Interest expense, net of interest capitalized	(533.4)	(216.1)	(1,469.4)		(578.4)
Gains/(losses) on early extinguishments of debt	7.4	(2.0)	(203.9)		(2.0)
Other income, including interest income	7.2	4.9	18.7		28.7
(Loss)/income from continuing operations before income taxes and minority interests	(169.2)	364.0	(544.1)		954.6
Benefit/(provision) for income taxes	46.0	(137.4)	147.7		(354.1)
Minority interests	(7.2)	(6.0)	(6.2)		(17.2)

Edgar Filing: HARRAHS ENTERTAINMENT INC - Form 10-Q

(Loss)/income from continuing operations	(130.4)	220.6	(402.6)	(101.0)	583.3
Discontinued operations					
Income from discontinued operations	0.7	39.0	141.6	0.1	133.3
Provision for income taxes		(15.2)	(53.2)		(49.4)

Cast film A plastic film that is extruded through a straight slot die as a flat sheet during its manufacturing process.

Coextruded film A multiple layer extruded plastic film.

Controlled atmosphere packaging A package which limits the flow of elements, such as oxygen or moisture, into or out of the package.

Graphic products Pressure sensitive materials used for decorative signage, promotional items, displays, advertisements and visual communication applications.

Flexible polymer film A non-rigid plastic film.

Flexographic printing The most common flexible packaging printing process in North America using a raised rubber or alternative material image mounted on a printing cylinder.

In-line overlaminating capability The ability to add a protective coating to a printed material during the printing process.

Labelstock Base material for pressure sensitive labels.

Modified atmosphere packaging A package in which the atmosphere inside the package has been modified by a gas such as nitrogen.

Monolayer film A single layer extruded plastic film.

Multiwall paper bag A package made from two or more layers of paper.

Polyolefin shrink film A packaging film consisting of polyethylene and/or polypropylene resins extruded via the blown process. The film can be irradiated in a second process to cross link the molecules for added strength, durability, and toughness. The product is characterized by thin gauge, high gloss, sparkle, transparency, and good sealing properties.

Pressure sensitive material A material with adhesive such that upon contact with another material it will stick.

Label products Pressure sensitive materials sold in roll and/or sheet form and used by label converters for product labeling and promotional applications.

Rotogravure printing A high quality, long run printing process utilizing a metal cylinder.

Stretch film A plastic film used to wrap pallets in the shipping process, which has significant ability to stretch.

Technical products Technically engineered pressure sensitive materials used primarily for fastening and mounting functions.

Thermoformed plastic packaging A package formed by applying heat to a film to shape it into a tray or cavity and then placing a flat film on top of the package after it has been filled.

UV inhibitors Chemicals which protect against ultraviolet rays.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk during the six-month period ended June 30, 2006. For additional information, refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

6

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, under the direction, supervision, and involvement of the Chief Executive Officer and the Chief Financial Officer, has carried out an evaluation, as of the end of the period covered by this report, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) of the Company. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that disclosure controls and procedures in place at the Company are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The material set forth in Note 10 of the Notes to Consolidated Financial Statements included in Exhibit 19 to this Form 10-Q is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company's 2006 Annual Meeting of Shareholders was held on May 4, 2006.

(b) (1) The shareholders voted for four director nominees for three-year terms. There were no abstentions and no broker non-votes. The vote was as follows:

Name of Candidate	Votes For	Votes Withheld
William J. Bolton	93,980,535	2,001,371
Barbara L. Johnson	93,923,421	2,058,485
Paul S. Percy	94,004,372	1,977,534
Gene C. Wulf	88,720,231	7,261,675

(2) The shareholders voted to approve the 2007 Stock Incentive Plan. The vote was 46,872,475 for, 33,557,449 against, and 1,726,741 abstentions. There were 13,825,240 broker non-votes.

(3) The shareholders voted to ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for the 2006 fiscal year. The vote was 93,885,056 for, 1,273,734 against, and 823,114 abstentions. There were no broker non-votes.

ITEM 6. EXHIBITS

The Exhibit Index is incorporated herein by reference.

7

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BEMIS
COMPANY, INC.

Date August 9,
2006

/s/ Gene C.
Wulf
Gene C. Wulf,
Senior Vice
President and
Chief Financial
Officer

Date August 9,
2006

/s/ Stanley
A. Jaffy
Stanley A. Jaffy,
Vice President
and Controller

8

EXHIBIT INDEX

Exhibit	Description	Form of Filing
2(a)	Dixie Toga S.A. Stock Purchase Agreement between Bemis Company, Inc. as buyer and the therein listed sellers. (1)	Incorporated by Reference
3(a)	Restated Articles of Incorporation of the Registrant, as amended. (2)	Incorporated by Reference
3(b)	By-Laws of the Registrant, as amended through May 6, 2004. (2)	Incorporated by Reference
4(a)	Form of Indenture dated as of June 15, 1995, between the Registrant and U.S. Bank Trust National Association (formerly known as First Trust National Association), as Trustee. (3)	Incorporated by Reference
4(b)	Certificate of Bemis Company, Inc. regarding Rights Agreement. (4)	Incorporated by Reference
4(c)	Rights Agreement, dated as of July 29, 1999, between the Registrant and Wells Fargo Bank Minnesota, National Association (formerly known as Norwest Bank Minnesota, National Association). (5)	Incorporated by Reference
10(m)	Bemis Company, Inc. 2007 Stock Incentive Plan. (6)	Incorporated by Reference
19	Reports Furnished to Security Holders.	Filed Electronically
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO.	Filed Electronically
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO.	Filed Electronically
32	Section 1350 Certification of CEO and CFO.	Filed Electronically

(1)
Incorporated by reference to the
Registrant's Current Report on
Form 8-K dated January 11, 2005
(File No. 1-5277).

(2)
Incorporated by reference to the
Registrant's Quarterly Report on
Form 10-Q for the quarter ended
June 30, 2004 (File No. 1-5277).

(3)
Incorporated by reference to the
Registrant's Current Report on
Form 8-K dated June 30, 1995
(File No. 1-5277).

(4)
Incorporated by reference to the
Registrant's Annual Report on
Form 10-K for the year ended
December 31, 2003 (File No.
1-5277).

(5)
Incorporated by reference to
Exhibit 1 to the Registrant's
Registration Statement on Form
8-A filed on August 4, 1999 (File
No. 1-5277).

(6)
Incorporated by reference to
Exhibit B to the Registrant's
Definitive Proxy Statement filed
with the Securities and Exchange
Commission on March 21, 2006
(File No. 1-5277).