

Managing Risk in the Casino Industry

Agenda

- Risk Management Approach – Large International Hospitality Enterprise
- Unique Attributes of Casino Operations
 - Multiple Businesses in One Location
 - Geographic Challenges – Floods and Hurricanes
 - Managing Risk and the Customer Experience
- Risk in Gaming
 - Law of Large Numbers and a Large Distribution System
 - How Casinos Protect Against Cheating/ Crime

Risk Management Paradigm *

Paradigm

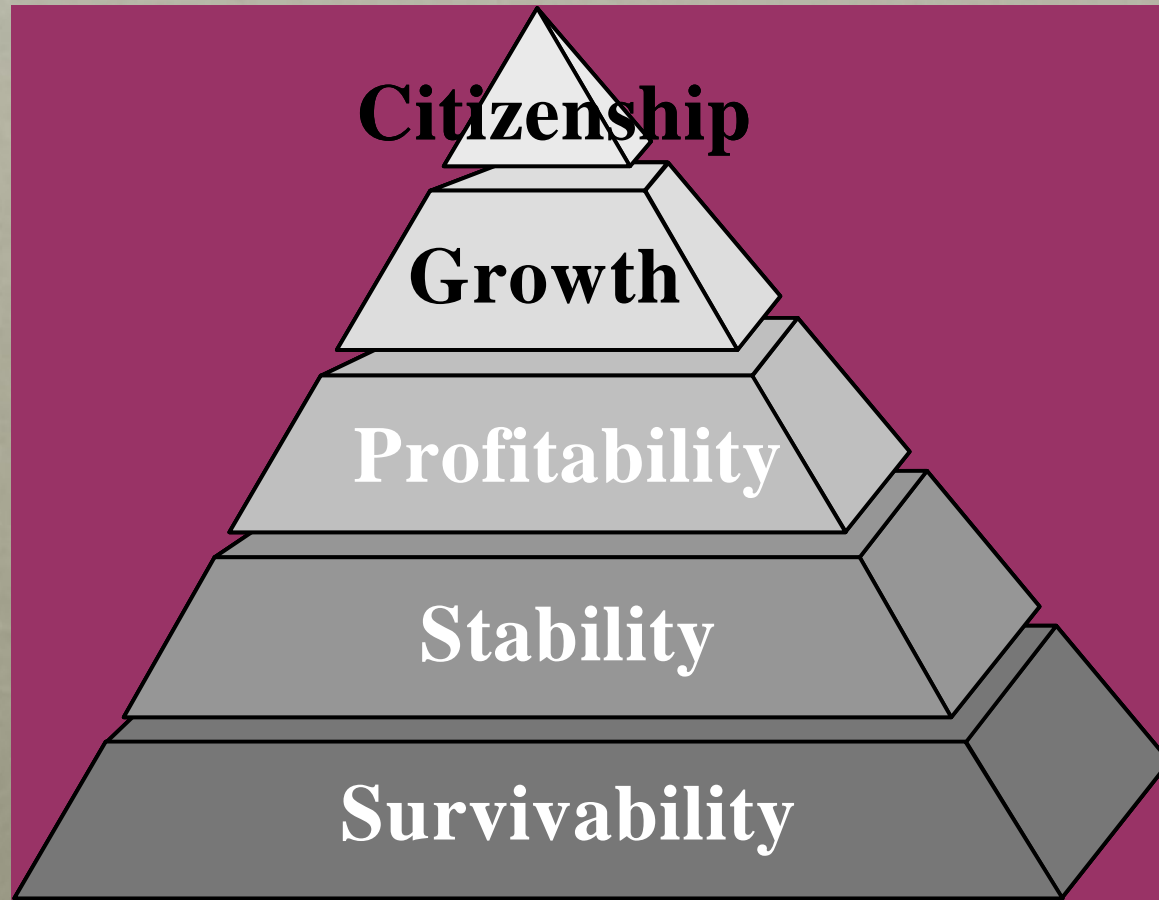
- **Integrated** –coordinated with senior-level oversight
- **Continuous** –process is ongoing
- **Broad Focus** – all business risks and opportunities considered.

* Source: Economist Intelligence Unit, Managing Business Risks, 10.

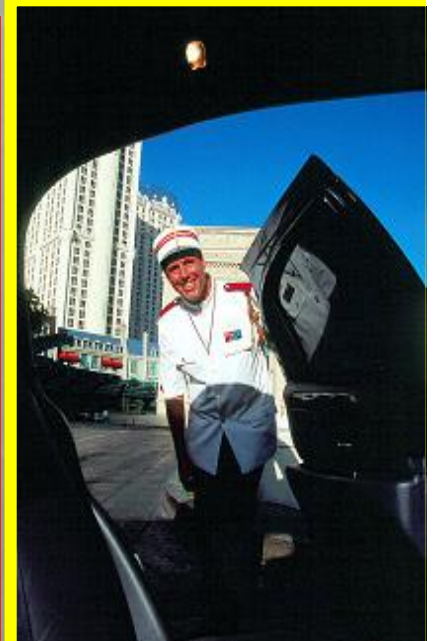
An Integrated View



The Risk Pyramid



Risks in Gaming & Entertainment



Confidential and Proprietary

Caesars Risk Management

- CEO, CFO, Audit Committee
- ERM—404/Sox
- Risk Management
- Regional
- Staffing (9)—plus 25 RCMs at properties
- Insurance, Risk Control, Risk Finance, Claims, Analysis, Captive, Contracts, OCIPs, Certificates, Environmental, BCP, Crisis Management Planning

Caesars Risk Management

Support from:

- Brokers—use a multiple broker system
- Carriers (loss prevention, claims, underwriting)
- Consultants (BCP, forensic accountant, training, appraisers, safety, remediation, international)
- TPA
- Actuaries (IBNR, captive, IBNE, structured settlements)
- Captive & Investments Managers
- Outside Counsel (insurance and uninsured litigation, marine, rail)

Caesars Entertainment Company Snapshot

- The world's largest and most diversified gaming companies
 - #1 or #2 market share in almost every major market in the U.S.
 - 52 casinos in six countries ⁽¹⁾
 - Approximately 39,000 hotel rooms and suites, 3 million square feet of casino gaming space and 2 million square feet of convention center space
- Industry leading loyalty program (Total Rewards) with over 40 million members

A Portfolio of Winning Brands



Market Leader with Unparalleled Scale

- Harrah's is the world's largest and most diversified gaming company
 - 52 casinos across six countries
 - #1 or #2 share in almost every major domestic market



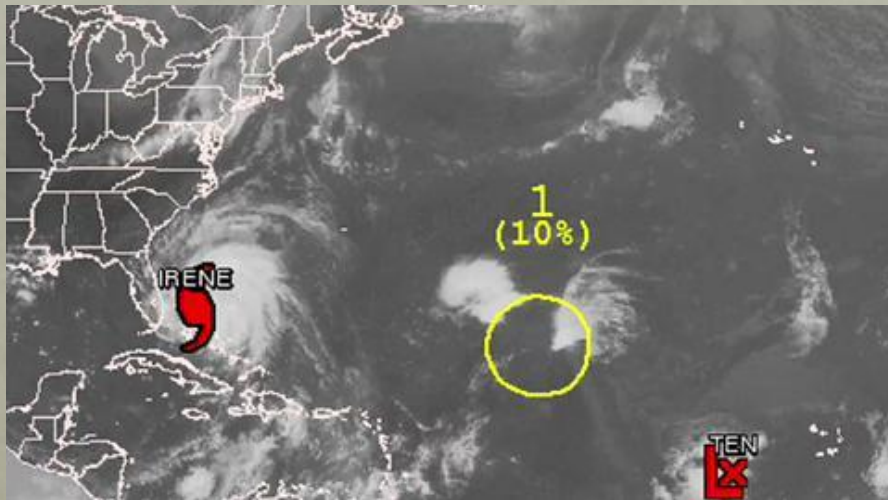
Unparalleled Scale and Diversification Drives Growth and Stability

(1) HOC owns or manages 46 casinos.

2011 Weather Challenges



2011 Weather



Gaming Risks

- **Law of Large Numbers**
 - **Large Distribution System**
 - **52 Casinos in Six Countries**
 - **40 Million Total Reward Members**
- **Controls for Games Integrity**
 - **Procedures**
 - **Surveillance**