

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD
ENDED JUNE 30, 1997

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)

Delaware
(State of Incorporation)

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

1023 Cherry Road
Memphis, Tennessee 38117
(Address of principal executive offices)
(901) 762-8600
(Registrant's telephone number, including area code)

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	X	No
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At June 30, 1997, there were outstanding 100,937,295 shares of the
Company's Common Stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited Consolidated Condensed Financial Statements of Harrah's Entertainment, Inc. ("Harrah's" or the "Company"), 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. The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) which 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 the Company's 1996 Annual Report to Stockholders.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

(In thousands, except share amounts)	June 30, 1997	Dec. 31, 1996
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 106,867	\$ 105,594
Receivables, less allowance for doubtful accounts of \$15,537 and \$14,064	38,008	41,203
Deferred income tax benefits	25,429	25,551
Prepayments and other	24,496	18,401
Inventories	11,397	10,838
	-----	-----
Total current assets	206,197	201,587
	-----	-----
Land, buildings, riverboats and equipment	2,112,841	1,977,960
Less: accumulated depreciation	(630,992)	(588,066)
	-----	-----
	1,481,849	1,389,894
Investments in and advances to nonconsolidated affiliates	242,413	215,539
Deferred costs and other	159,223	167,053
	-----	-----
	\$2,089,682	\$1,974,073
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 40,179	\$ 44,934
Construction payables	12,520	17,975
Accrued expenses	153,267	139,892
Current portion of long-term debt	1,838	1,841
	-----	-----
Total current liabilities	207,804	204,642
Long-term debt	1,012,565	889,538
Deferred credits and other	99,961	97,740
Deferred income taxes	40,950	45,443
	-----	-----
	1,361,280	1,237,363
	-----	-----
Minority interests	16,710	16,964
	-----	-----
Commitments and contingencies (Notes 3, 5, 6 and 7)		
Stockholders' equity		
Common stock, \$0.10 par value, authorized 360,000,000 shares, outstanding 100,937,295 and 102,969,699 shares (net of 2,950,977 and 771,571 shares held in treasury)	10,094	10,297
Capital surplus	386,075	385,941
Retained earnings	286,907	290,797
Unrealized gains on marketable equity securities	43,656	51,394
Deferred compensation related to restricted stock	(15,040)	(18,683)
	-----	-----
	711,692	719,746
	-----	-----
	\$2,089,682	\$1,974,073
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

(In thousands, except per share amounts)

	Second Quarter Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	1997	1996	1997	1996
	-----	-----	-----	-----
Revenues				
Casino	\$336,924	\$335,531	\$650,749	\$656,677
Food and beverage	48,751	46,921	94,442	90,835
Rooms	32,055	29,448	58,755	56,298
Management fees	7,259	4,501	12,865	8,110
Other	19,757	16,929	36,269	37,654
Less: casino promotional allowances	(35,853)	(32,264)	(70,088)	(65,625)
	-----	-----	-----	-----
Total revenues	408,893	401,066	782,992	783,949
	-----	-----	-----	-----
Operating expenses				
Direct				
Casino	172,024	169,168	337,176	328,101
Food and beverage	25,317	23,179	48,122	45,613
Rooms	10,203	8,917	18,757	17,403
Depreciation of buildings, riverboats and equipment	26,079	23,572	50,661	43,643
Development costs	2,733	2,111	4,689	5,439
Preopening costs	549	4,802	8,015	5,016
Other	96,766	85,887	183,864	173,363
	-----	-----	-----	-----
Total operating expenses	333,671	317,636	651,284	618,578
	-----	-----	-----	-----
Operating profit	75,222	83,430	131,708	165,371
Corporate expense	(8,085)	(8,442)	(15,677)	(15,713)
Equity in income (losses) of nonconsolidated affiliates	(3,223)	73	(5,371)	234
Project reorganization costs	(2,715)	(6,099)	(4,170)	(8,500)
	-----	-----	-----	-----
Income from operations	61,199	68,962	106,490	141,392
Interest expense, net of interest capitalized	(20,329)	(17,016)	(38,144)	(33,595)
Other income, including interest income	3,121	831	6,227	1,360
	-----	-----	-----	-----
Income before income taxes and minority interests	43,991	52,777	74,573	109,157
Provision for income taxes	(16,677)	(20,400)	(28,324)	(41,783)
Minority interests	(1,941)	(2,400)	(3,765)	(5,987)
	-----	-----	-----	-----
Income before extraordinary loss	25,373	29,977	42,484	61,387
Extraordinary loss on early extinguishment of debt, net of income tax benefit of \$4,477	(8,134)	-	(8,134)	-
	-----	-----	-----	-----
Net income	\$ 17,239	\$ 29,977	\$ 34,350	\$ 61,387
	=====	=====	=====	=====
Earnings per share before extraordinary loss	\$ 0.25	\$ 0.29	\$ 0.42	\$ 0.59
Extraordinary loss, net	(0.08)	-	(0.08)	-
	-----	-----	-----	-----
Earnings per share	\$ 0.17	\$ 0.29	\$ 0.34	\$ 0.59
	=====	=====	=====	=====
Average common shares outstanding	101,022	103,841	101,603	103,596
	=====	=====	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)

	Six Months Ended June 30, 1997	June 30, 1996
	-----	-----
Cash flows from operating activities		
Net income	\$ 34,350	\$ 61,387
Adjustments to reconcile net income to cash flows from operating activities		
Extraordinary loss, before income taxes	12,611	-
Depreciation and amortization	58,365	48,569
Other noncash items	7,554	17,884
Minority interests' share of net income	3,765	5,987
Equity in losses (income) of nonconsolidated affiliates	2,740	(234)
Net gains from asset sales	(943)	-
Net change in long-term accounts	(1,908)	(1,081)
Net change in working capital accounts	5,238	(4,416)
	-----	-----
Cash flows provided by operating activities	121,772	128,096
	-----	-----
Cash flows from investing activities		
Land, buildings, riverboats and equipment additions	(144,647)	(143,385)
(Decrease) increase in construction payables	(5,455)	5,444
Proceeds from asset sales	2,923	908
Investments in and advances to nonconsolidated affiliates	(39,030)	(42,066)
Other	(4,382)	(1,350)
	-----	-----
Cash flows used in investing activities	(190,591)	(180,449)
	-----	-----
Cash flows from financing activities		
Net borrowings under Revolving Credit Facility	324,467	57,500
Early extinguishment of 10 7/8% Notes	(200,000)	-
Scheduled debt retirements	(1,481)	(1,409)
Premiums paid on early extinguishment of debt	(9,666)	-
Purchases of treasury stock	(39,298)	-
Minority interests' distributions, net of contributions	(3,930)	(6,837)
	-----	-----
Cash flows provided by financing activities	70,092	49,254
	-----	-----
Net increase (decrease) in cash and cash equivalents	1,273	(3,099)
Cash and cash equivalents, beginning of period	105,594	96,345
	-----	-----
Cash and cash equivalents, end of period	\$ 106,867	\$ 93,246
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
JUNE 30, 1997
(UNAUDITED)

Note 1 - Basis of Presentation and Organization

Harrah's Entertainment, Inc. ("Harrah's" or the "Company" and including its subsidiaries where the context requires), a Delaware corporation, is one of America's leading casino companies. Harrah's casino entertainment facilities include casino hotels in all five major Nevada and New Jersey gaming markets: Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada; and Atlantic City, New Jersey. Harrah's riverboat and dockside casinos are in Joliet, Illinois; Shreveport, Louisiana; Tunica and Vicksburg, Mississippi; and North Kansas City and St. Louis, Missouri. During second quarter, the Company announced that it will sell its minority interest in and terminate the management contract for a casino in Auckland, New Zealand (see note 7). Harrah's manages casinos on Indian lands near Phoenix, Arizona and Seattle, Washington. Harrah's discontinued managing two limited stakes casinos in Colorado at the end of the first quarter 1997.

The Consolidated Condensed Financial Statements include the accounts of Harrah's and its majority-owned subsidiaries after elimination of all significant intercompany accounts and transactions. Investments in 20% to 50% owned companies and joint ventures are accounted for using the equity method. Harrah's reflects its share of net income of these nonconsolidated affiliates in Equity in income (losses) of nonconsolidated affiliates (see Note 7).

Certain amounts for the prior year second quarter and first six months have been reclassified to conform with the current year presentation.

Note 2 - Stockholders' Equity

In addition to its common stock, Harrah's has the following classes of stock authorized but unissued:

Preferred stock, \$100 par value, 150,000 shares authorized
Special stock, 2,000,000 shares authorized -
Series A, \$1.125 par value

In October 1996, Harrah's Board of Directors approved a plan which authorized the purchase in open market and other transactions of up to 10% of Harrah's outstanding shares of common stock. As of June 30, 1997, 2,864,400 shares had been purchased at an average price of \$17.97 per share. The repurchased shares are being held in treasury and are reflected in the Consolidated Condensed Balance Sheet as if they were retired.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 3 - Long-Term Debt

Early Extinguishment of 10 7/8% Notes

On May 27, 1997, Harrah's principal operating subsidiary, Harrah's Operating Company, Inc. ("HOC"), redeemed its \$200 million in 10 7/8% Senior Subordinated Notes due 2002 (the "Notes"), using proceeds from its revolving bank credit facility. As a result of the early extinguishment of this debt, the Company recorded an \$8.1 million extraordinary loss, net of tax, which includes a premium paid to holders of the Notes and the write-off of related deferred finance charges.

Interest Rate Agreements

To manage the relative mix of its debt between fixed and variable rate instruments, Harrah's enters into interest rate swap agreements to modify the interest characteristics of its outstanding debt without an exchange of the underlying principal amount. At June 30, 1997, Harrah's was a party to the following interest rate swap agreements pursuant to which it pays a variable interest rate in exchange for receiving a fixed interest rate. The average variable rate paid by Harrah's was 5.9% at June 30, 1997, and the average fixed interest rate received was 5.4%. The impact of these interest rate swap agreements on the effective interest rates of the associated debt was as follows:

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at June 30, 1997	Next Semi-Annual Rate Adjustment Date	Swap Maturity
-----	-----	-----	-----	-----
8 3/4% Notes				
\$50 million	3.42%	9.64%	November 15	May 1998
\$50 million	3.22%	8.95%	July 15	July 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on \$50 million of these swaps was adjusted on July 15, 1997 to 9.19%.

Harrah's also maintains seven additional interest rate swap agreements to effectively convert a total of \$350 million in variable rate debt to a fixed rate. Pursuant to the terms of these swaps, all of which reset

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 3 - Long-Term Debt (Continued)

quarterly, Harrah's receives variable payments tied to LIBOR in exchange for its payments at a fixed interest rate. The fixed rates to be paid by Harrah's and variable rates to be received by Harrah's are summarized in the following table:

Notional Amount	Swap Rate Paid (Fixed)	Swap Rate Received (Variable) at June 30, 1997	Swap Maturity
\$50 million	7.910%	5.840%	January 1998
\$50 million	6.985%	5.781%	March 2000
\$50 million	6.951%	5.781%	March 2000
\$50 million	6.945%	5.781%	March 2000
\$50 million	6.651%	5.844%	May 2000
\$50 million	5.788%	5.813%	June 2000
\$50 million	5.785%	5.813%	June 2000

In accordance with the terms of the swap which matures in January 1998, the variable interest rate was adjusted on July 8, 1997 to 5.719%.

The differences to be paid or received under the terms of the interest rate swap agreements are accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received by Harrah's pursuant to the terms of its interest rate agreements will have a corresponding effect on its future cash flows. These agreements contain a credit risk that the counterparties may be unable to meet the terms of the agreements. Harrah's minimizes that risk by evaluating the creditworthiness of its counterparties, which are limited to major banks and financial institutions, and does not anticipate nonperformance by the counterparties.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 4 - Supplemental Disclosure of Cash Paid for Interest and Taxes

The following table reconciles Harrah's interest expense, net of interest capitalized, per the Consolidated Condensed Statements of Income, to cash paid for interest:

	Six Months Ended	
	June 30, 1997	June 30, 1996
(In thousands)	-----	-----
Interest expense, net of amount capitalized	\$38,144	\$33,595
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	(3,823)	(5,009)
Amortization of deferred finance charges	(1,545)	(1,574)
Net amortization of discounts and premiums	(6)	(10)
	-----	-----
Cash paid for interest, net of amount capitalized	\$32,770	\$27,002
	=====	=====
Cash payments of income taxes, net of refunds	\$15,066	\$25,173
	=====	=====

Note 5 - Commitments and Contingent Liabilities

Contractual Commitments

Harrah's is pursuing additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Harrah's of third party debt and development completion guarantees. As of June 30, 1997, Harrah's had guaranteed third party loans and leases of \$100 million, which are secured by certain assets, and had commitments of \$80 million, primarily construction-related. In addition, definitive loan documents were completed subsequent to the end of the quarter pursuant to which Harrah's guarantees a \$37 million third party loan for a new development.

The agreements under which Harrah's manages casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled payments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 5 - Commitments and Contingent Liabilities (Continued)

this payment, Harrah's must pay the shortfall to the tribe. Such advances, if any, would be repaid to Harrah's in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of June 30, 1997, the aggregate monthly commitment pursuant to these contracts, which extend for periods of up to 84 months from opening date, was \$1.2 million, including commitments for two projects with contracts approved by the National Indian Gaming Commission that are under development but not yet open.

In addition to the amounts described above, as part of a transaction whereby Harrah's effectively secured an option to a site for a potential casino, Harrah's has extended its guarantee of a \$22.9 million third party variable rate bank loan pursuant to an agreement which expires February 28, 1998.

See Note 7 for discussion of the proposed completion guarantees issued by Harrah's related to development of the New Orleans' casino.

Severance Agreements

Harrah's has severance agreements with 36 of its senior executives, which provide for payments to the executives in the event of their termination after a change in control, as defined. These agreements provide, among other things, for a compensation payment of 1.5 or 2.99 times the average of the three highest years of annual compensation of the last five calendar years preceding the change in control, as well as for accelerated vesting of any compensation or awards payable to the executive under any of Harrah's incentive plans. The estimated amount, computed as of June 30, 1997, that would be payable under the agreements to these executives based on earnings and stock options aggregated approximately \$26.2 million.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 5 - Commitments and Contingent Liabilities (Continued)

Guarantee of Insurance Contract

Harrah's has guaranteed the value of a guaranteed investment contract with an insurance company held by Harrah's defined contribution savings plan. Harrah's has also agreed to provide non-interest-bearing loans to the plan to fund, on an interim basis, withdrawals from this contract by retired or terminated employees. Harrah's maximum exposure on this guarantee as of June 30, 1997, was \$6.2 million.

Tax Sharing Agreements

In connection with the 1995 spin-off of certain hotel operations (the "PHC Spin-off") to Promus Hotel Corporation ("PHC"), Harrah's entered into a Tax Sharing Agreement with PHC wherein each company is obligated for those taxes associated with their respective businesses. Additionally, Harrah's is obligated for all taxes for periods prior to the PHC Spin-off date which are not specifically related to PHC operations and/or PHC hotel locations. Harrah's obligations under this agreement are not expected to have a material adverse effect on its consolidated financial position or results of operations.

Harrah's is self-insured for various levels of general liability, workers' compensation and employee medical coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims.

Note 6 - Litigation

Harrah's is involved in various inquiries, administrative proceedings and litigation relating to contracts, sales of property and other matters arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, management believes that the final outcome of these matters will not have a material adverse effect upon Harrah's consolidated financial position or its results of operations.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 6 - Litigation (Continued)

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In addition to the matters described above, Harrah's and certain of its subsidiaries have been named as defendants in a number of lawsuits arising from the suspension of development of a land-based casino, and the closing of the temporary gaming facility, in New Orleans, Louisiana, by Harrah's Jazz Company, a partnership in which the Company owns an approximate 47% interest and which has filed for protection under Chapter 11 of the U.S. Bankruptcy Code (see Note 7). The ultimate outcomes of these lawsuits cannot be predicted at this time, and no provisions for the claims are included in the accompanying financial statements. The Company intends to defend these actions vigorously. In the event a bankruptcy reorganization plan is not consummated, the Company anticipates that such lawsuits, which are presently inactive, would become active, and additional lawsuits would be filed.

Note 7 - Nonconsolidated Affiliates

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Harrah's Jazz Company

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A Harrah's subsidiary owns an approximate 47% interest in Harrah's Jazz Company ("Harrah's Jazz"), a partnership formed for purposes of developing, owning and operating the exclusive land-based casino entertainment facility (the "Rivergate Casino") in New Orleans, Louisiana, on the site of the former Rivergate Convention Center. On November 22, 1995, Harrah's Jazz and its wholly-owned subsidiary, Harrah's Jazz Finance Corp., filed petitions for relief under Chapter 11 of the Bankruptcy Code. Harrah's Jazz filed a plan of reorganization with the Bankruptcy Court on April 3, 1996 and has filed several subsequent amendments to the plan (the "Plan"). On April 28, 1997, the Bankruptcy Court held a confirmation hearing and approved the Plan.

The confirmed Plan contemplated, among other things, that a newly formed corporation, Jazz Casino Corporation ("JCC"), would be responsible for completing construction of the Rivergate Casino, a subsidiary of the Company would receive approximately 40% of the equity in JCC's parent, and Harrah's would make a \$75 million equity investment in the project (less any debtor-in-possession financing provided to the project), guarantee \$120 million of a \$180 million bank credit facility, guarantee completion and opening of the Rivergate Casino and make an additional \$20 million subordinated loan to JCC to finance the Rivergate Casino.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 7 - Nonconsolidated Affiliates (Continued)

However, the most recent session of the Louisiana State Legislature concluded in June without legislative approval of a component of the confirmed Plan - a modified casino operating contract with the State's gaming board. As a consequence of this failure, it is likely the confirmed Plan will not be consummated and Harrah's Jazz filed a modified plan with the Bankruptcy Court on June 26, 1997. The modified plan contemplates, among other things, the assumption of the existing casino operating contract and relief from payment of any gaming taxes under the casino operating contract. Harrah's Jazz is seeking confirmation of the modified plan by the Bankruptcy Court despite significant objections to the modified plan by the State of Louisiana. The Bankruptcy Court has scheduled the confirmation hearing for late September. In light of the State's failure to approve the confirmed Plan and its objections to the modified plan, and other impediments, the prospects for the confirmation and consummation of the modified plan, or any plan of reorganization of Harrah's Jazz, are uncertain.

During the course of the bankruptcy of Harrah's Jazz, a subsidiary of the Company has made debtor-in-possession loans to Harrah's Jazz, totaling approximately \$25.0 million as of June 30, 1997, to fund certain payments to the City of New Orleans and other cash requirements of Harrah's Jazz. On July 10, 1997, the Company notified Harrah's Jazz that, at such time, the Company was not prepared to commit to provide debtor-in-possession financing to Harrah's Jazz beyond the earlier of September 30, 1997 and the provision of \$30 million of debtor-in-possession financing. The debtor-in-possession loans are super priority administrative claims in the bankruptcy, and are secured by a first lien on most Harrah's Jazz assets. If a plan of reorganization is consummated, it is expected that the principal amount of the debtor-in-possession loans to Harrah's Jazz would be repaid or converted into equity in the successor entity. However, if a plan of reorganization is not consummated and, thus, the debtor-in-possession loans are not repaid in full, it is likely that the value of the security will be inadequate to fund the full recovery by the Company of the debtor-in-possession loans.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 7 - Nonconsolidated Affiliates (Continued)

Other

Summarized balance sheet and income statement information of nonconsolidated gaming affiliates, which Harrah's accounted for using the equity method, as of June 30, 1997 and December 31, 1996, and for the second quarters and six months ended June 30, 1997 and 1996 is included in the following tables.

(In thousands)	June 30, 1997	Dec. 31, 1996
	-----	-----
Combined Summarized Balance Sheet Information		
Current assets	\$ 28,256	\$ 33,516
Land, buildings, and equipment, net	383,497	391,133
Other assets	164,180	171,748
	-----	-----
Total assets	575,933	596,397
	-----	-----
Current liabilities	111,852	129,114
Long-term debt	458,969	486,740
	-----	-----
Total liabilities	570,821	615,854
	-----	-----
Net assets	\$ 5,112	\$(19,457)
	=====	=====

(In thousands)	Second Quarter Ended		Six Months Ended	
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996
	-----	-----	-----	-----
Combined Summarized Statements of Operations				
Revenues	\$ 4,710	\$ 7,838	\$ 12,414	\$14,633
	=====	=====	=====	=====
Operating loss	\$ (9,016)	\$(4,675)	\$(17,030)	\$(7,594)
	=====	=====	=====	=====
Net loss	\$(14,366)	\$(5,843)	\$(20,748)	\$(8,967)
	=====	=====	=====	=====

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 7 - Nonconsolidated Affiliates (Continued)

Harrah's share of nonconsolidated affiliates' combined net operating results are reflected in the accompanying Consolidated Condensed Statements of Income as Equity in income (losses) of nonconsolidated affiliates. Harrah's investments in and advances to nonconsolidated affiliates are reflected in the accompanying Consolidated Condensed Balance Sheets as follows:

	June 30, 1997	Dec. 31, 1996
(In thousands)	-----	-----
Harrah's investments in and advances to nonconsolidated affiliates		
Accounted for under the equity method	\$137,915	\$ 98,356
Equity securities available-for-sale and recorded at market value	104,498	117,183
	-----	-----
	\$242,413	\$215,539
	=====	=====

In accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", Harrah's adjusts the carrying value of certain marketable equity securities to include unrealized gains. A corresponding adjustment is recorded in the Company's stockholders' equity and deferred income tax accounts.

Condensed financial information relating to the Company's minority ownership interest in a restaurant affiliate has not been presented since its operating results and financial position are not material to Harrah's.

Harrah's New Zealand

Harrah's owns a 12.5% equity interest in Sky City Limited, a New Zealand publicly-traded company which owns a casino entertainment facility in Auckland, New Zealand. Harrah's also manages the facility for a fee. During second quarter 1997, Harrah's announced that it had agreed to sell, subject to regulatory approvals, its equity interest in Sky City Limited for approximately NZ\$84 million. It was also announced that Sky City Limited will buy out Harrah's management contract. Harrah's will continue to manage the facility under its fee agreement until June 1998.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 8 - Summarized Financial Information

HOC is a wholly owned subsidiary and the principal asset of Harrah's. Summarized financial information of HOC as of June 30, 1997 and December 31, 1996 and for the second quarters ended June 30, 1997 and 1996 prepared on the same basis as Harrah's was as follows:

	June 30, 1997	Dec. 31, 1996
(In thousands)	-----	-----
Current assets	\$ 200,970	\$ 199,838
Land, buildings, riverboats and equipment, net	1,481,849	1,389,894
Other assets	401,554	382,516
	-----	-----
	2,084,373	1,972,248
	-----	-----
Current liabilities	194,354	191,689
Long-term debt	1,012,565	889,538
Other liabilities	141,120	143,705
Minority interests	16,710	16,964
	-----	-----
	1,364,749	1,241,896
	-----	-----
Net assets	\$ 719,624	\$ 730,352
	=====	=====

	Second Quarter Ended		Six Months Ended	
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996
(In thousands)	-----	-----	-----	-----
Revenues	\$408,842	\$401,176	\$782,904	\$784,238
	=====	=====	=====	=====
Income from operations	\$ 61,846	\$ 68,183	\$106,612	\$140,013
	=====	=====	=====	=====
Income before extraordinary loss	\$ 25,793	\$ 29,471	\$ 42,563	\$ 60,491
	=====	=====	=====	=====
Net income	\$ 17,659	\$ 29,471	\$ 34,429	\$ 60,491
	=====	=====	=====	=====

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1997
(UNAUDITED)

Note 8 - Summarized Financial Information (Continued)

The agreements governing the terms of the Company's debt contain certain covenants which, among other things, place limitations on HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments (other than for repurchases of Harrah's common stock), was approximately \$709.1 million at June 30, 1997. With respect to any payments by HOC to Harrah's for the purpose of providing funds to Harrah's for the repurchase of its common stock, the amount of HOC's restricted net assets under such covenant was approximately \$571.1 million at June 30, 1997.

Item 2. Management's Discussion and Analysis of Financial

Condition and Results of Operations

The following discussion and analysis of the financial position and operating results of Harrah's Entertainment, Inc., (referred to in this discussion, together with its consolidated subsidiaries where appropriate, as "Harrah's" or the "Company,") for second quarter and the first six months of 1997 and 1996 updates, and should be read in conjunction with, Management's Discussion and Analysis of Financial Position and Results of Operations presented in Harrah's 1996 Annual Report.

RESULTS OF OPERATIONS

Overall

Thus far in 1997, Harrah's financial results continue to reflect, as do the results of many of its competitors, the impact of increased supply and competition within the casino entertainment industry. Also impacting Harrah's 1997 financial results were construction disruptions during both quarters and weather-related business interruptions during first quarter 1997 at several of its properties. Though Harrah's revenues increased slightly for second quarter and are essentially even for the first six months as compared to the prior year periods, the impact of increased competition and business interruptions significantly impacted Harrah's operating profit and margins, as noted in the following table.

(in millions, except earnings per share)	Second Quarter		Percentage Increase/ (Decrease)	Six Months Ended		Percentage Increase/ (Decrease)
	1997	1996		1997	1996	
Revenues	\$408.9	\$401.1	1.9 %	\$783.0	\$783.9	(0.1)%
Operating profit	75.2	83.4	(9.8)%	131.7	165.4	(20.4)%
Income from operations	61.2	69.0	(11.3)%	106.5	141.4	(24.7)%
Income before extraordinary loss	25.4	30.0	(15.3)%	42.5	61.4	(30.8)%
Net income	17.2	30.0	(42.7)%	34.4	61.4	(44.0)%
Earnings per share						
Before extraordinary loss	0.25	0.29	(13.8)%	0.42	0.59	(28.8)%
Net income	0.17	0.29	(41.4)%	0.34	0.59	(42.4)%
Operating margin	15.0%	17.2%	(2.2)pts	13.6%	18.0%	(4.4)pts

The impact on Harrah's operations of these factors can also be seen in the following table, which summarizes contributions to operating profit (income from operations before corporate expense, equity in income (losses) of nonconsolidated affiliates and project reorganization costs) by major operating division for the twelve month periods ended June 30, 1997, 1996 and 1995 in millions of dollars and as a percent of the total for each of Harrah's divisions:

	Contribution for Twelve Months Ended June 30,					
	In Millions of Dollars			Percent of Total		
	1997	1996	1995	1997	1996	1995
Riverboat	\$121	\$168	\$142	39%	45%	41%
Atlantic City	78	80	84	25	22	24
Southern Nevada	51	74	74	16	20	21
Northern Nevada	54	61	73	17	17	22
Indian/Limited Stakes	12	5	6	4	1	2
Development costs	(12)	(13)	(24)	(4)	(4)	(7)
Other operations	7	(4)	(11)	3	(1)	(3)
Subtotal	311	371	344	100%	100%	100%
Project writedowns and reserves	(52)	(93)	-	==	==	==
Preopening costs	(9)	(6)	(10)			
Operating profit	\$250	\$272	\$334			

DIVISION OPERATING RESULTS AND DEVELOPMENT PLANS

Riverboat Division

(in millions)	Second Quarter		Percentage Increase/ (Decrease)	Six Months Ended		Percentage Increase/ (Decrease)
	1997	1996		1997	1996	
Casino revenues	\$158.7	\$157.9	0.5 %	\$306.7	\$303.2	1.2 %
Total revenues	169.5	165.8	2.2 %	326.8	317.9	2.8 %
Operating profit	32.2	40.2	(19.9)%	61.3	81.2	(24.5)%
Operating margin	19.0%	24.2%	(5.2)pts	18.8%	25.5%	(6.7)pts

Despite increased revenues for the Division in second quarter and the first six months of 1997 over the comparable prior year periods, operating profits and margins declined in the face of new and increased competition in several riverboat markets over the past year.

Revenues, operating profit and margin at Harrah's Joliet in Illinois declined compared to the prior year due to the introduction of riverboat casinos in neighboring Indiana which more than doubled regional supply since June 1996. Gaming volume at Harrah's Joliet for second quarter and the first six months of 1997 declined 26.6% and 26.3%, respectively, from the prior year periods, significantly impacting property revenues. Operating profit and margins were further impacted by higher marketing and promotional expenses that resulted from the increased competition. The Company has made certain operating adjustments, including a modification of the cruising schedule, which have helped stabilize operating results at Joliet and contributed to a 3.2% increase in operating profit from first quarter 1997 to second quarter 1997. Though management believes that the property's operating results have stabilized, revenues and operating profit at Harrah's Joliet are not expected to return to the levels achieved prior to the entrance of the Indiana riverboats into the regional market. Subject to the receipt of necessary approvals, the Company plans to begin construction during fourth quarter 1997 of an expansion at the Joliet property. The \$29.5 million project will include a 204-suite hotel and 9,000 square feet of meeting space. The project is scheduled to be completed in early 1999.

Combined second quarter performance by Harrah's Mississippi properties improved over the prior year as operating income increased 66.0% to \$1.7 million, primarily due to operating improvements in Tunica. The Tunica improvement is due in part to the second quarter 1997 closure of Harrah's original Tunica casino. The Company is now focusing all its efforts in the Tunica market on the newer Tunica Mardi Gras property, which opened in April 1996. The Company is continuing to explore its options for the ultimate disposition of the original Tunica property. A reserve for the impairment of the original Tunica property was recorded in fourth quarter 1996 and the Company believes such reserve remains adequate. However, the Company will continue to periodically review the adequacy of this reserve until the final disposition of the property. During second quarter 1997, the Company acquired its minority partner's interest in both Tunica properties. The cost of this acquisition was not material to Harrah's.

Harrah's North Kansas City achieved higher revenues in second quarter and the first six months of 1997 over the 1996 periods, due primarily to the Company's addition of a second riverboat casino in May 1996. However, operating profit for the second quarter and year-to-date declined 14.1% and 17.1%, respectively, from the comparable prior year periods due to increased marketing and promotional costs as a result of additional competition, including a major new property that opened in January 1997. Also contributing to the decline for the first six months was the decision during first quarter 1996 to discontinue the property's admission charge.

Harrah's Shreveport's operating profit declined 2.6% for second quarter 1997 compared to the prior year, reflecting the impact of the entrance in third quarter 1996 of a new competitor into the market. Harrah's is continuing its evaluation of various expansion opportunities for its Shreveport facility. Any expansion project is subject to the receipt of necessary regulatory approvals and reaching a definitive agreement with the City of Shreveport.

Harrah's St. Louis Riverport casinos reported an operating loss of approximately \$0.8 million for second quarter 1997. The St. Louis Riverport casino entertainment complex in Maryland Heights, Missouri, a suburb of St. Louis, opened on March 11, 1997. The facility includes four riverboat casinos, two of which are owned and operated by Harrah's, and shoreside facilities jointly-owned with another casino company. Harrah's pro-rata share of the operating losses of the shoreside facilities joint venture are reported separately from the results of its St. Louis casinos in the Consolidated Condensed Statements of Income and included in Equity in losses of nonconsolidated subsidiaries (see Other Factors Affecting Net Income).

Atlantic City

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	Second Quarter		Percentage	Six Months Ended		Percentage
	-----		Increase/	-----		Increase/
(in millions)	1997	1996	(Decrease)	1997	1996	(Decrease)
	-----	-----	-----	-----	-----	-----
Casino revenues	\$80.2	\$74.4	7.8 %	\$156.2	\$147.1	6.2 %
Total revenues	88.4	81.0	9.1 %	171.0	159.5	7.2 %
Operating profit	20.1	17.7	13.6 %	35.0	32.4	8.0 %
Operating margin	22.7%	21.9%	0.8 pts	20.5%	20.3%	0.2 pts

In Atlantic City, the property's financial results reflect the impact of gaming volume increases of 2.3% and 4.5% for the second quarter and first six months of 1997. These increases more than offset the higher than historical complimentary and promotional expenses incurred in order to maintain its relative competitive position in the market. A new 416-room hotel tower, the final phase of an expansion and enhancement project started last year, was opened in late second quarter 1997.

No decisions regarding whether or not to proceed with a possible second phase of the Atlantic City expansion have been made. Such decisions are dependent, in part, upon substantive progress on development of new casino hotel projects in the Marina area of Atlantic City by other companies.

Southern Nevada Division

	Second Quarter		Percentage	Six Months Ended		Percentage
	-----		Increase/	-----		Increase/
(in millions)	1997	1996	(Decrease)	1997	1996	(Decrease)
	-----	-----	-----	-----	-----	-----
Casino revenues	\$44.0	\$48.1	(8.6)%	\$ 87.7	\$ 98.4	(10.9)%
Total revenues	68.7	75.1	(8.5)%	133.3	150.7	(11.5)%
Operating profit	10.4	18.9	(45.0)%	21.3	38.4	(44.5)%
Operating margin	15.1%	25.2%	(10.1)pts	16.0%	25.4%	(9.5)pts

1997 second quarter results in Southern Nevada continued to be impacted by construction disruptions at Harrah's Las Vegas, where a \$200 million expansion and renovation project continues. The construction activity has often impeded access to the Las Vegas property, resulting in a 9.7% decrease in second quarter gaming volume compared with the prior year period. Operating profits and margins have been further impacted due to the difficulty in reducing certain fixed costs proportionately with the revenue declines, along with higher operating costs associated with the construction disruptions. Most of the facade and sidewalk renovations along the Strip were completed early in the third quarter, with the remainder to be finished before the end of the third quarter. The positive impact of the opening of rooms in the new hotel tower has been offset by the closing for major renovation of rooms in the original hotel tower. Renovation of these rooms is expected to be completed by early fourth quarter and completion of the property's overall renovation is expected to be virtually complete by year-end. As of June 30, 1997, approximately \$159 million had been spent on this project.

Harrah's Laughlin continues to be affected by competition from neighboring Arizona and California Indian casinos and from high profile new Las Vegas area casino developments. For the first six months of 1997, gaming volume declined 5.2% from the prior year period, resulting in lower revenues, operating profit and operating margin.

At the present time, no definitive plans have been completed related to Harrah's previously announced interest in the construction or acquisition of a second Las Vegas property, and there is no assurance the Company will construct or acquire such a property.

Northern Nevada Division

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	Second Quarter		Percentage	Six Months Ended		Percentage
	-----		Increase/	-----		Increase/
(in millions)	1997	1996	(Decrease)	1997	1996	(Decrease)
	-----	-----	-----	-----	-----	-----
Casino revenues	\$53.8	\$54.9	(2.0)%	\$ 99.9	\$107.7	(7.3)%
Total revenues	71.7	71.9	(0.3)%	132.9	142.3	(6.6)%
Operating profit	11.7	12.5	(6.4)%	16.9	22.9	(26.3)%
Operating margin	16.3%	17.4%	(1.1)pts	12.7%	16.1%	(3.4)pts

In Northern Nevada, the second quarter operating profit decline is due primarily to construction disruptions caused by an extensive casino renovation at Harrah's Tahoe. The resulting operating profit decline of 30.1% at Tahoe for the second quarter more than offset a 35.8% operating profit increase by Harrah's Reno. The improvement in Reno was due in part to higher demand generated by National Bowling Congress events. Operating results for the first six months of 1997 were significantly impacted by weather conditions occurring during first quarter 1997, when flooding in the region twice closed the primary access road to Lake Tahoe for a combined total of forty-five days, and closed Harrah's Reno for one day.

Indian and Limited Stakes

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Revenues and operating profit from Harrah's Indian and limited stakes casinos increased in second quarter and the first six months of 1997 over the 1996 period, due primarily to higher management fees from Harrah's Phoenix Ak-Chin casino.

On March 31, 1997, Harrah's discontinued its management of both Colorado casinos. This action did not have a material impact on Harrah's first quarter 1997 financial statements.

Harrah's continues to pursue additional development opportunities for casinos on Indian land and has received National Indian Gaming Commission ("NIGC") approval of development and management agreements with the Eastern Band of Cherokees for a casino development at Cherokee, North Carolina. Construction on this project is underway and the \$82 million facility, which will contain approximately 60,000 square feet of casino space, is expected to open during fourth quarter 1997. Though Harrah's is not funding this development, it has guaranteed the related bank financing, of which \$33.5 million was outstanding at June 30, 1997.

In early 1997, Harrah's received NIGC approval of development and management agreements with the Prairie Band of Potawatomi Indians for a development near Topeka, Kansas. Construction began during second quarter 1997 on a \$37 million casino facility that will include approximately 27,000 square feet of casino space. This facility, which is expected to be completed during first quarter 1998, will be managed by a Harrah's subsidiary and is being financed by loans which Harrah's has guaranteed.

Harrah's has also previously announced agreements with other Indian tribes, which are in various stages of negotiation and are subject to certain conditions, including approval from appropriate government agencies. If the necessary approvals for these projects are received, Harrah's would likely guarantee the related bank financing for the projects, which could be significant.

The agreements under which Harrah's manages casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, Harrah's must pay the shortfall to the tribe. Such advances, if any, would be repaid to Harrah's in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of June 30, 1997, the aggregate monthly commitment pursuant to these contracts which extend for periods of up to 84 months from opening date, was \$1.2 million, including commitments for two projects with contracts approved by the National Indian Gaming Commission that are under construction but not yet open.

See DEBT and LIQUIDITY section for further discussion of Harrah's guarantees of debt related to Indian projects.

Other Operations - - - - -

Other operations includes the management fees received by the Company from Harrah's Sky City in Auckland, New Zealand. During second quarter 1997, Harrah's announced that Sky City Limited, owner of the Sky City facility in Auckland, New Zealand, will buy-out Harrah's management contract. Harrah's will continue to manage the facility under its fee agreement until June 1998, when it will receive an estimated fee of US\$14 million to terminate the contract. Harrah's has also agreed to sell, subject to regulatory approvals, its remaining equity interest in Sky City Limited for approximately NZ\$84 million. If the necessary regulatory approvals are obtained, the sale of the equity interest is expected to close during third quarter 1997.

Other operations for second quarter and the first six months of 1997 also includes \$2.3 million in nonrecurring income received by Harrah's from Interactive Entertainment Limited (IEL) in consideration for the termination of Harrah's management contract which occurred in conjunction with IEL's transformation into a publicly traded company.

Development costs have decreased from prior year levels due to lower levels of development activity.

Other Factors Affecting Net Income

(Income)/Expense (in millions)	Second Quarter		Percentage Increase/ (Decrease)	Six Months Ended		Percentage Increase/ (Decrease)
	1997	1996		1997	1996	
	-----	-----	-----	-----	-----	-----
Preopening costs	\$ 0.5	\$ 4.8	N/M	\$ 8.0	\$ 5.0	N/M
Equity in (income) losses of nonconsolidated affiliates	3.2	(0.1)	N/M	5.4	(0.2)	N/M
Corporate expense	8.1	8.4	(3.6)%	15.7	15.7	-
Project reorganization costs	2.7	6.1	(55.7)%	4.2	8.5	(50.6)%
Interest expense, net	20.3	17.0	19.4 %	38.1	33.6	13.4
Other income	(3.1)	(0.8)	N/M	(6.2)	(1.4)	N/M
Effective tax rate	37.9%	38.7%	(0.8)pts	38.0%	38.3%	(0.3)pts
Minority interests	\$ 1.9	\$ 2.4	(20.8)%	\$ 3.8	\$ 6.0	(36.7)%
Extraordinary loss, net of income taxes	8.1	-	N/M	8.1	-	N/M

Preopening costs for 1997 include costs incurred in connection with the first quarter 1997 opening of Harrah's St. Louis Riverport casino property, along with ongoing costs related to the expansion at Harrah's Las Vegas property. 1996 preopening costs related to the second quarter opening of Tunica Mardi Gras and an expansion at Harrah's North Kansas City property.

Equity in (income) losses of nonconsolidated affiliates for second quarter and the first six months of 1997 consists primarily of losses from Harrah's share of the joint venture portion of the St. Louis development, including its \$1.6 million share of the joint venture's preopening costs, partially offset by Harrah's share of income from a restaurant affiliate. Harrah's previously reported its share of joint venture pre-interest operating results in Revenues-other, and its share of joint venture interest expense as Interest expense, net, from nonconsolidated affiliates. Prior year amounts have been restated to conform to the current year's presentation.

Corporate expense is essentially even with the prior year. Project reorganization costs represent Harrah's costs, including legal fees, associated with the on-going development of a reorganization plan

for the New Orleans casino (see Harrah's Jazz Company section). Interest expense increased in 1997 over 1996, primarily as a result of higher debt levels incurred to fund the stock repurchase program (see Equity Transactions section) and expansion projects. Other income increased in 1997 due to higher interest income earned by the Company on the cash surrender value of certain life insurance policies, the inclusion in 1997 of dividend income from Harrah's New Zealand investment and a gain on the sale of nonoperating property.

The effective tax rates for all years are higher than the federal statutory rate primarily due to state income taxes. Minority interests reflect joint venture partners' shares of income at joint venture riverboat casinos and decreased in 1997 from the prior year level as a result of lower Joliet earnings.

The extraordinary loss reported in second quarter 1997 is due to the early extinguishment of debt and includes the premium paid to holders of the debt retired and the write-off of related unamortized deferred finance charges. (See Debt and Liquidity Early Extinguishment of Debt.)

In fourth quarter 1997, Harrah's will adopt the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share", which establishes new standards for computing and presenting earnings per share. The following table presents actual earnings per share and pro forma earnings per share computed as if the provisions SFAS No. 128 been in effect for the second quarter and first six months:

	Second Quarter		First Six Months	
	1997	1996	1997	1996
Earnings per share				
As reported	\$0.17	\$0.29	\$0.34	\$0.59
Pro forma (basic)	0.17	0.29	0.34	0.60
Pro forma (diluted)	0.17	0.29	0.34	0.59

HARRAH'S JAZZ COMPANY

For an update of the status of the efforts to reorganize Harrah's Jazz Company, which filed a petition for relief under Chapter 11 of the Bankruptcy Code on November 22, 1995, see Note 7 to the accompanying Consolidated Condensed Financial Statements.

CAPITAL SPENDING AND DEVELOPMENT SUMMARY

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In addition to the specific development and expansion projects discussed above, Harrah's performs on-going refurbishment and maintenance at its casino entertainment facilities in order to maintain the Company's quality standards. Harrah's also continues to pursue development opportunities for additional casino entertainment facilities that meet its strategic and return on investment criteria. Prior to the receipt of necessary regulatory approvals, the costs of pursuing development projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Preopening costs incurred during the construction period are deferred and expensed at the respective property's opening.

The Company's planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects being pursued by Harrah's are expected to be made available from operating cash flows, the bank Facility (see Debt and Liquidity section), Harrah's existing shelf registration (see Debt and Liquidity section), joint venture partners, specific project financing, guarantees by Harrah's of third party debt and, if necessary, additional Harrah's debt and/or equity offerings. Harrah's capital spending for the first six months of 1997 totaled approximately \$188 million. Estimated total capital expenditures for 1997 are expected to be \$320 million to \$340 million, including the projects discussed in the Division Operating Results and Development Plans section, the refurbishment of existing facilities and other projects, but excluding the possible purchase or construction of a second Las Vegas property and the possible second phase of Harrah's Atlantic City expansion.

DEBT AND LIQUIDITY

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Early Extinguishment of Debt

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On May 27, 1997, Harrah's principal operating subsidiary, Harrah's Operating Company, Inc. ("HOC"), redeemed its \$200 million in 10 7/8% Senior Subordinated Notes due 2002 (the "Notes") at a call price of

104.833%, plus accrued and unpaid interest through the redemption date. The Company retired the Notes using proceeds from its bank facility. An extraordinary charge, net of tax, of approximately \$8.1 million was recorded during second quarter 1997 in conjunction with this early extinguishment of debt.

In connection with the early extinguishment of the Notes, the Company terminated certain interest rate swap agreements which had been associated with the debt. The gain realized upon the termination of these swap agreements was not material.

Bank Facility - - - - -

As of June 30, 1997, \$805.5 million in borrowings, including the funds drawn to retire the Notes, were outstanding under the Company's \$1.1 billion revolving credit facility (the "Bank Facility"), with an additional \$18.6 million committed to back letters of credit. After consideration of these borrowings, \$275.9 million of additional borrowing capacity was available to the Company as of June 30, 1997.

Interest Rate Agreements - - - - -

As of June 30, 1997, Harrah's was a party to the following interest rate swap agreements which effectively convert fixed rate debt to a variable rate:

Associated Debt (LIBOR+)	Swap Rate	Effective Rate at June 30, 1997	Next Semi- Annual Rate Adjustment Date	Swap Maturity

8 3/4% Notes				
\$50 million	3.42%	9.64%	November 15	May 1998
\$50 million	3.22%	8.95%	July 15	July 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on \$50 million of these swaps was adjusted on July 15, 1997, to 9.19%.

Harrah's also maintains the following interest rate swap agreements which effectively convert variable rate debt to a fixed rate:

Notional Amount	Swap Rate Paid (Fixed)	Swap Rate Received (Variable) at June 30, 1997	Swap Maturity
-----	-----	-----	-----
\$50 million	7.910%	5.840%	January 1998
\$50 million	6.985%	5.781%	March 2000
\$50 million	6.951%	5.781%	March 2000
\$50 million	6.945%	5.781%	March 2000
\$50 million	6.651%	5.844%	May 2000
\$50 million	5.788%	5.813%	June 2000
\$50 million	5.785%	5.813%	June 2000

All seven swap agreements reset on a quarterly basis. In accordance with the terms of the swap which matures in January 1998, the variable interest rate was adjusted on July 28, 1997, to 5.719%.

These agreements contain a credit risk that the counterparties may be unable to meet the terms of the agreements. Harrah's minimizes that risk by evaluating the creditworthiness of its counterparties, which are limited to major banks and financial institutions, and does not anticipate nonperformance by the counterparties.

Guarantees of Third Party Debt

As part of a transaction whereby Harrah's has retained an option to a site for a potential casino, Harrah's has extended its guarantee of a third party's \$22.9 million variable rate bank loan through February 28, 1998. In connection with this extension, Harrah's also agreed to fund the monthly interest payments to the lender on behalf of the third party, and is to be repaid from the proceeds from the sale of certain assets of the third party. The guaranty contains an element of risk that, should the borrower be unable to perform, the Company could become responsible for repayment of at least a portion of the obligation. Harrah's has reduced this exposure by obtaining a security interest in certain assets of the third party.

As described in the Division Operating Results and Development Plans -- Indian and Limited Stakes section, Harrah's may guarantee all or part of the debt incurred by Indian tribes with which Harrah's has entered a management contract to fund development of casinos on the Indian lands.

For all existing guarantees of Indian debt, Harrah's has obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, the value of such property would satisfy Harrah's obligations in the event these guarantees were enforced. Additionally, Harrah's has received limited waivers from the Indian tribes of their sovereign immunity to allow Harrah's to pursue its rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken.

Shelf Registration

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To provide for additional financing flexibility, Harrah's, together with its wholly-owned subsidiary HOC, have available until October 1997 an effective shelf registration statement with the Securities and Exchange Commission. The statement allows the issuance of up to \$200 million of Harrah's common stock or HOC preferred stock or debt securities. The issue price of the Harrah's common stock or the terms and conditions of the HOC preferred stock or debt securities, which would be unconditionally guaranteed by Harrah's, would be determined by market conditions at the time of issuance.

EQUITY TRANSACTIONS

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In October 1996, Harrah's Board of Directors approved a plan which authorizes the purchase in the open market of up to ten percent of Harrah's outstanding shares of common stock. As of June 30, 1997, 2,864,400 shares had been purchased at a cost of approximately \$51.5 million and are being held in treasury. The Company expects to acquire additional shares from time to time, in open market or privately negotiated transactions, subject to market conditions through the December 31, 1997 expiration of the approved plan.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

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Competitive Pressures

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As compared to the early 1990's, the number of new markets opening for development in the past year has been much more limited and existing markets have become much more competitive. The focus of many casino operators has shifted to investing in existing markets, in an effort both to attract new customers and to gain a greater market share of existing customers. As companies have completed these expansion projects, supply has grown at a faster pace than demand in some markets and competition

has increased significantly. Furthermore, several operators, including Harrah's, have announced plans for additional developments or expansions in some markets. The impact that these projects will have on Harrah's operations, if they are completed, cannot be determined at this time.

Harrah's properties in the traditional gaming markets of Nevada and New Jersey have generally reacted less significantly to the changing competitive conditions, as the amount of supply change within these markets has represented a smaller percentage change than that experienced in some riverboat markets. In Las Vegas, several major developments have opened within the past few years and numerous new developments and property expansions, including an expansion at Harrah's Las Vegas, are underway. Historically, the Las Vegas market has grown sufficiently to absorb these additions to its supply, but there can be no assurance that such growth will continue. In the Atlantic City market, additional casino space and hotel rooms have opened within the past year and several major developments are proposed. This activity has intensified competition during the last year, increasing promotional costs and reducing margins.

In riverboat markets, the recent additions to supply have had a more noticeable impact, due to the fact that competition was limited in the early stages of many of these markets. In Joliet, the opening in late second quarter 1996 of Indiana riverboats, more than doubled the Chicago area capacity, has resulted in a significant decline in Harrah's gaming volume from the 1996 first half. In Tunica, a major new property opened in June 1996, and several existing properties, including Harrah's, added hotel rooms and other amenities and more are planned. In response to competitive pressures in this market and in order to focus its efforts on Harrah's Tunica Mardi Gras Casino, Harrah's closed its original Tunica property in May 1997 and continues to evaluate its plans for that property's disposition. In October 1996, a fourth casino entered the Shreveport market, and in January 1997, a major new development opened in the Kansas City market. Thus far, the Shreveport development has not significantly impacted Harrah's operating results. In Kansas City, Harrah's operating profit declined 21% as a result of the increasing competition in that market.

Over the past several years, there has also been a significant increase in the number of casinos on Indian lands, made possible by the Indian Gaming Regulatory Act of 1988. Harrah's manages two such facilities and two additional properties are currently under development. The future growth potential from Indian casinos is also uncertain, however.

Although the short-term effect of these competitive developments on the Company has been negative, Harrah's is not able to determine the long-term impact, whether favorable or unfavorable, that these trends and events will have on its current or future markets. Management believes that the geographic diversity of Harrah's operations, its multi-market customer base and the Company's continuing efforts to establish Harrah's as a premier brand name have well-positioned Harrah's to face the challenges present within the industry. Harrah's has recently introduced WINet, a sophisticated nationwide customer database, and is scheduled to introduce later this year its national Gold Card, a nationwide frequent-player card, both of which it believes will provide competitive advantages, particularly with players who visit more than one market.

Political Uncertainties

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The casino entertainment industry is subject to political and regulatory uncertainty. In 1996, the U.S. government formed a federal commission to study gambling in the United States, including the casino gaming industry. At this time, the role of the commission and the ultimate impact that it will have on the industry is uncertain. From time to time, individual jurisdictions have also considered legislation which could adversely impact Harrah's operations, and the likelihood or outcome of similar legislation in the future is difficult to predict.

The casino entertainment industry represents a significant source of tax revenues to the various jurisdictions in which casinos operate. From time to time, various state and federal legislators and officials have proposed changes in tax laws, or in the administration of such laws, which would affect the industry. It is not possible to determine with certainty the scope or likelihood of possible future changes in tax laws or in the administration of such laws. If adopted, such changes could have a material adverse effect on Harrah's financial results.

INTERCOMPANY DIVIDEND RESTRICTION

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Agreements governing the terms of its debt require Harrah's to abide by covenants which, among other things, limit HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments (other than for the repurchase of Harrah's common stock) was approximately \$709.1 million at June 30, 1997. With respect to any payments by HOC to Harrah's

for the purpose of providing funds to Harrah's for the repurchase of its common stock, the amount of HOC's restricted net assets under such covenant was approximately \$571.1 million at June 30, 1997. Harrah's principal asset is the stock of HOC, a wholly-owned subsidiary which holds, directly and through subsidiaries, the principal assets of Harrah's businesses. Given this ownership structure, these restrictions should not impair Harrah's ability to conduct its business through its subsidiaries, to pursue its development plans or to complete the stock repurchase program.

PRIVATE SECURITIES LITIGATION REFORM ACT

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The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information included in this Form 10-Q and other materials filed or to be filed by the Company with the Securities and Exchange Commission ("SEC") (as well as information included in oral statements or other written statements made or to be made by the Company) contains statements that are forward looking. These include statements relating to the following activities, among others: (A) operations and expansions of existing properties, including future performance, anticipated scope and opening dates of expansions, and exit plans with respect to certain properties; (B) planned openings and development of Indian casinos that would be managed by the Company; (C) the plan of reorganization and its various facets for New Orleans; (D) implementation of the stock repurchase program and planned capital expenditures for 1997; (E) the possible acquisition/construction of a second property in Las Vegas, Nevada; and (F) the impact of the WINet and Gold Card programs. These activities involve important factors that could cause actual results to differ materially from those expressed in any forward looking statements made by or on behalf of the Company. These include, but are not limited to, the following factors as well as other factors described from time to time in the Company's reports filed with the SEC: construction factors, including zoning issues, environmental restrictions, soil conditions, weather and other hazards, site access matters and building permit issues; access to available and feasible financing; regulatory and licensing approvals, third party consents and approvals, and relations with partners, owners and other third parties; business and economic conditions; litigation, judicial actions and political uncertainties, including gaming legislation and taxation; and the effects of competition including locations of competitors and operating and marketing competition. Any forward looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On September 26, 1995, Harrah's New Orleans Investment Company ("HNOIC"), an indirect subsidiary of the Company, filed in the United States District Court for the Eastern District of Louisiana a suit styled Harrah's New Orleans Investment Company v. New Orleans Louisiana Development Corporation, Civil No. 95-3166. At issue in the suit is the percentage of ownership that New Orleans/Louisiana Development Corporation ("NOLDC") holds in Harrah's Jazz Company ("HJC"), a Louisiana partnership whose general partners are HNOIC, NOLDC and Grand Palais Casino, Inc. This declaratory judgment action seeks to confirm that, as of September 26, 1995, NOLDC's percentage interest in the Harrah's Jazz Company partnership was only 13.73% and, therefore, NOLDC is not a "Material Partner" in HJC. This case was put on "administrative hold" after the filing by NOLDC of a Chapter 11 bankruptcy petition on November 21, 1995. Should it be put back on the active list, HNOIC or the appropriate post-bankruptcy entity would vigorously prosecute it. At the time the case was put on "administrative hold," no discovery on the merits had been taken and no answer had been filed by NOLDC.

On September 28, 1995, NOLDC filed suit against the Company and various of its corporate affiliates in New Orleans Louisiana Development Corporation v. Harrah's Entertainment, formerly d/b/a The Promus Companies, Harrah's New Orleans Investment Company, Harrah's New Orleans Management Company, Harrah's Jazz Company, and Promus Hotels, formerly d/b/a Embassy Suites, Inc., Civil No. 95-14653, filed in the Civil District Court for the Parish of Orleans. The case was subsequently removed by defendants to the United States District Court for the Eastern District of Louisiana. In this suit, NOLDC seeks to realign ownership interests in HJC among HNOIC and NOLDC. NOLDC also seeks an unspecified dollar amount of damages sufficient to compensate it for the losses it alleges it has suffered as a result of actions of defendants. NOLDC has indicated that it intends to seek to remand the suit to the Civil District Court. The case was also put on "administrative hold" by the District Court Judge as a result of NOLDC's bankruptcy filing. The Company and other defendants intend to vigorously defend the action should it be put back on the active case list. At the time it was put on "administrative hold," no answer had been filed by any defendant and no discovery had been taken.

Beginning on November 28, 1995, eight separate class action suits were filed against the Company and various of its corporate affiliates, officers and directors in the United States District Court for the Eastern District of Louisiana. They are Ben F. D'Angelo, Trustee for Ben F. D'Angelo Revocable Trust v. Harrah's Entertainment Corp., Michael D. Rose, Philip G. Satre and Ron Lenczycki; Max Fenster v. Harrah's Entertainment, Inc., Harrah's New Orleans Investment Company, Grand Palais Casino, Inc., Philip G. Satre, Colin V. Reed, Michael N. Regan, Christopher B. Hemmeter, Donaldson, Lufkin & Jenrette Securities Corporation, Salomon Brothers, Inc., and BT Securities Corp.; Goldie Rosenbloom v. Harrah's Entertainment Corp., Michael D. Rose, Philip G. Satre and Ron Lenczycki; Barry Ross v. Harrah's New Orleans Investment Company, Philip G. Satre, Colin V. Reed, Lawrence L. Fowler, Michael N. Regan, Cezar M. Froelich, Ulric Haynes, Jr., Wendell Gauthier, T. George Solomon, Jr., Duplain W. Rhodes, III, Harrah's Entertainment, Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Salomon Brothers Inc., and BT Securities Corp.; Louis Silverman v. Harrah's Entertainment, Inc., Harrah's New Orleans Investment Company, Grand Palais Casino, Inc., Philip G. Satre, Colin V. Reed, Michael N. Regan, Christopher B. Hemmeter, and Donaldson, Lufkin & Jenrette Securities Corporation; Florence Kessler v. Philip G. Satre, Colin V. Reed, Charles A. Ledsinger, Jr., Michael N. Regan, Lawrence L. Fowler, Christopher B. Hemmeter, Cezar M. Froelich, Ulric Haynes, Jr., Wendell H. Gauthier, T. George Solomon, Jr., Duplain W. Rhodes, III, Donaldson, Lufkin & Jenrette Securities Corporation, Salomon Brothers Inc., and BT Securities Corporation; Warren Zeiller and Judith M.R. Zeiller v. Harrah's Entertainment Corp., Michael D. Rose, Philip G. Satre, and Ron Lenczycki; and Charles Zwerving and Helene Zwerving v. Harrah's Entertainment Corp., Philip G. Satre, Colin V. Reed, Christopher B. Hemmeter, and Donaldson, Lufkin & Jenrette Securities Corporation. Per Court Order of January 26, 1996, the above plaintiffs filed a consolidated complaint in the action numbered 95-3925 In Re Harrah's Entertainment, Inc. Securities Litigation. The consolidated complaint alleges that various misstatements and omissions were made in connection with the sale of Harrah's Jazz Company 14.25% First Mortgage Notes and thereafter, and seeks unspecified damages, as well as costs of legal proceedings. On April 25, 1997, the United States District Court preliminarily approved a settlement of this matter, which settlement is contingent upon the consummation of a Plan of Reorganization for HJC. A final fairness hearing was held on June 26, 1997. On July 31, 1997, the Court ruled that the settlement was fair to class members.

On December 6, 1995 Centex Landis, the general contractor for the permanent casino being developed by HJC, filed suit against the Company, among others, in the Civil District Court for The Parish of Orleans in Centex Landis Construction Co., Inc. v. Harrah's Entertainment, Inc. formally d/b/a The Promus Companies, Inc.; and Ronald A. Lenczycki, Civil No. 95-18101. Defendants removed the case to the United States District Court for the Eastern District of Louisiana and it was subsequently transferred to the Bankruptcy Court handling the HJC bankruptcy. A motion for remand is pending. This suit seeks to collect more than \$40 million allegedly owed to Centex Landis by HJC from the Company under guarantee, fraud, fraudulent advertising and unfair trade practice theories. The Company and the other defendant intend to vigorously defend the action and have filed an answer denying all of plaintiff's allegations. No discovery has been taken in the action.

Russell M. Swody, et al. v. Harrah's New Orleans Management Company and Harrah's Entertainment, Inc., Civil No. 95-4118, was filed against the Company on December 13, 1995 in the United States District Court for the Eastern District of Louisiana, and subsequently amended. Swody is a class action lawsuit under the Worker Adjustment and Retraining Notification Act ("WARN Act") and seeks damages for alleged failure to timely notify workers terminated by Harrah's New Orleans Management Company at the time of the HJC bankruptcy. Plaintiffs seek unspecified damages, as well as costs of legal proceedings, for themselves and all members of the class. An answer has been filed denying all of plaintiffs' allegations.

Swody was consolidated with Susan N. Poirier, Darlene A. Moss, et al. v. Harrah's Entertainment, Inc., Harrah's New Orleans Management Company, and Harrah's Operating Company, Civil No. 96-0215, which was filed in the United States District Court for the Eastern District of Louisiana on January 17, 1996, and subsequently amended. Poirier seeks not only damages under the WARN Act, but also under the Employee Retirement Income Security Act ("ERISA") for the alleged wrongful failure to provide severance to those terminated. Similar proofs of claims were filed by Ms. Poirier in the Bankruptcy Court for the Eastern District of Louisiana in the HJC, HNOIC and Harrah's Jazz Finance Corp. bankruptcy cases.

A settlement has been reached with the Swody and Poirier plaintiffs, which calls for a payment to be made by HJC in exchange for the dismissal of all actions, which settlement is contingent on the consummation of the Plan of Reorganization for HJC. That settlement has already been determined to be fair to all class members by the Bankruptcy Court.

On December 29, 1995 in the Civil District Court for The Parish of Orleans, the City of New Orleans filed suit against the Company and others in City of New Orleans and Rivergate Development Corporation v. Harrah's Entertainment, Inc. (f/k/a The Promus Companies, Inc.), Grand Palais Casino, Inc., Embassy Suites, Inc., First National Bank of Commerce and Ronald A. Lenczycki, Civil No. 95-19285. This suit seeks to require the Company, among others, to complete construction of the permanent casino being developed by HJC under theories of breach of completion guarantee contract, breach of implied duty of good faith, detrimental reliance, misrepresentation, and false advertising. Plaintiff seeks unspecified damages, as well as costs of legal proceedings. Defendants have removed the suit to the United States District Court for the Eastern District of Louisiana and it was then transferred to the Bankruptcy Court handling the HJC bankruptcy. A motion for remand is pending. The Company and the other defendants have filed an answer denying all of plaintiffs' allegations and intend to vigorously defend the action.

Louisiana Economic Development and Gaming Corporation v. Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc., Civil No. 424328, was filed on January 23, 1996 in the Nineteenth Judicial Court of the State of Louisiana, Parish of East Baton Rouge. On February 21, 1996, the Company and the other defendants removed the case to the Federal District Court for the Middle District of Louisiana and asked that it be transferred to the Bankruptcy Court handling the HJC bankruptcy. The case has been transferred. A motion for reconsideration has been filed by LEDGC. In this suit LEDGC seeks to require the Company and Harrah's Operating Company to complete construction of the permanent casino being developed by HJC under theories of breach of completion guarantee contract, breach of implied duty of good faith, detrimental reliance, misrepresentation and, in the alternative, seeks damages. The Company has filed an answer and counterclaim against LEDGC. LEDGC has moved to have that counterclaim dismissed and/or for summary judgment. No ruling has yet been made by the court. The defendants intend to vigorously defend the action and prosecute their counterclaim.

(a) Exhibits

- *EX-3.(ii) Bylaws of Harrah's Entertainment, Inc., amended July 25, 1997.
- *EX-4.1 Termination of Swap Agreement dated May 28, 1997 between The Sumitomo Bank, Limited and Harrah's Operating Company, Inc.
- *EX-4.2 Termination of Swap Agreement dated May 28, 1997 between The Bank of Nova Scotia and Harrah's Operating Company, Inc.
- *EX-4.3 Termination of Swap Agreement dated May 27, 1997 between The Nippon Credit Bank, Ltd. and Harrah's Operating Company, Inc.
- *EX-4.4 Consent to Credit Agreements dated as of April 11, 1997, among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Marina Associates, various lending institutions, and Bankers Trust Company, The Bank of New York, CIBC Inc., Credit Lyonnais, Atlanta Agency, Wells Fargo Bank, N.A., The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank, N.A. (South), Societe Generale, The Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent.
- *EX-4.5 Consent dated April 10, 1997 to Credit Agreement dated June 9, 1995, among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Marina Associates, various lenders, and Bankers Trust Company, The Bank of New York, CIBC Inc., Credit Lyonnais, Atlanta Agency, Wells Fargo Bank, N.A., The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank, N.A. (South), Societe Generale, The Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent.
- *EX-4.6 Letter to Stockholders dated July 23, 1997 regarding Summary of Rights To Purchase Special Shares As Amended Through April 25, 1997.

- *EX-10.1 Severance Agreement dated February 21, 1997 between Thomas J. Carr, Jr. and Harrah's Entertainment, Inc.
- *EX-10.2 Form of Amendment to Severance Agreement dated April 25, 1997 between Harrah's Entertainment, Inc. and John M. Boushy, Bradford W. Morgan, Ben C. Peterzell, Colin V. Reed, E. O. Robinson, Jr. and Philip G. Satre.
- *EX-10.3 Amendment dated April 24, 1997, to Harrah's Entertainment, Inc.'s Deferred Compensation Plan.
- *EX-10.4 Amendment dated April 24, 1997 to Harrah's Entertainment, Inc.'s Executive Deferred Compensation Plan.
- *EX-11 Computation of per share earnings.
- *EX-27 Financial Data Schedule.

*Filed herewith.

No reports on Form 8-K were filed during the quarter ended June 30, 1997.

Signature

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.

HARRAH'S ENTERTAINMENT, INC.

August 13, 1997

BY: COLIN V. REED

Colin V. Reed
Executive Vice President and
Chief Financial Officer
(Chief Accounting Officer)

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BYLAWS
OF
HARRAH'S ENTERTAINMENT, INC.
(Amended July 25, 1997)

ARTICLE I

OFFICES

SECTION 1. Registered Office. The registered office of Harrah's Entertainment, Inc. (the "Corporation") shall be at 1013 Centre Road, in the City of Wilmington, County of New Castle, State of Delaware.

SECTION 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors of the Corporation (the "Board of Directors") may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

SECTION 2. Annual Meetings. The annual meeting of stockholders shall be held on the first Friday in May in each year or on such other date and at such time as may be fixed by the Board of Directors and stated in the notice of the meeting, for the purpose of electing directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these Bylaws.

Written notice of an annual meeting stating the place, date and hour of the meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

To be properly brought before the annual meeting, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the annual meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting, provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by a stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. A stockholder's notice to the Secretary shall set forth (a) as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, and (ii) any material interest of the stockholder in such business, and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article II, Section 2. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance with the provisions of this Article II, Section 2, and if such officer should so determine, such officer shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted.

SECTION 3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, special meetings of stockholders, for any purpose or purposes, may only be called by a majority of the entire Board of Directors or by the Chairman or the President.

Written notice of a special meeting stating the place, date and hour of the meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

SECTION 4. Quorum. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote thereat, present in person or represented by proxy may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

SECTION 5. Voting. Unless otherwise required by law, the Certificate of Incorporation or these Bylaws, any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, unless otherwise provided by the Certificate of Incorporation. Such votes may be cast in person or by proxy but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

SECTION 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at

least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

SECTION 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

ARTICLE III

DIRECTORS

SECTION 1. Nomination of Directors. Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such meeting by or at the direction of the Board of Directors, by any committee or persons appointed by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Article III, Section 1. Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (d) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended; and (ii) as to the stockholder giving the

notice (a) the name and record address of the stockholder and (b) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The directors shall be elected at the annual meeting of the stockholders, except as provided in the Certificate of Incorporation, and each director elected shall hold office until his successor is elected and qualified; provided, however, that unless otherwise restricted by the Certificate of Incorporation or by law, any director or the entire Board of Directors may be removed, either with or without cause, from the Board of Directors at any meeting of stockholders by a majority of the stock represented and entitled to vote thereat.

SECTION 2. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board or the President or a majority of the entire Board of Directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

SECTION 3. Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 4. Actions of Board of Directors. Unless otherwise provided by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 5. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these Bylaws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 5 of Article III shall constitute presence in person at such meeting.

SECTION 6. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

SECTION 7. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

SECTION 8. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the shareholder entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the shareholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV

OFFICERS

SECTION 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose a Chairman of the Board of Directors (who must be a director) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these Bylaws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

SECTION 2. Election. The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation

shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers who are directors of the Corporation shall be fixed by the Board of Directors.

SECTION 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

SECTION 4. Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. Except where by law the signature of the President is required, the Chairman of the Board of Directors shall possess the same power as the President to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the President, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these Bylaws or by the Board of Directors.

SECTION 5. President. The President shall, subject to the control of the Board of Directors and, if there be one, the Chairman of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these Bylaws, the

Board of Directors or the President. In the absence or disability of the Chairman of the Board of Directors, or if there be none, the President shall preside at all meetings of the stockholders and the Board of Directors. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these Bylaws or by the Board of Directors.

SECTION 6. Vice Presidents. At the request of the President or in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors), the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

SECTION 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

SECTION 8. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 9. Assistant Secretaries. Except as may be otherwise provided in these Bylaws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

SECTION 10. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 11. Controller. The Controller shall establish and maintain the accounting records of the Corporation in accordance with generally accepted accounting principles applied on a consistent basis, maintain proper internal control of the assets of the Corporation and shall perform such other duties as the Board of Directors, the President or any Vice President of the Corporation may prescribe.

SECTION 12. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V

STOCK

SECTION 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

SECTION 2. Signatures. Any or all of the signatures on the certificate may be a facsimile, including, but not limited to, signatures of officers of the Corporation and countersignatures of a transfer agent or registrar. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise

the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued.

SECTION 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI

NOTICES

SECTION 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, such notice may be given by mail,

addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

SECTION 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

GENERAL PROVISIONS

SECTION 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

SECTION 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

SECTION 3. Fiscal Year. The fiscal year of the Corporation shall end on December 31 and the following fiscal year shall commence on January 1, unless the fiscal year is otherwise fixed by affirmative resolution of the entire Board of Directors.

SECTION 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

THE SUMITOMO BANK, LIMITED
NEW YORK BRANCH
277 PARK AVENUE
NEW YORK, N.Y. 10172

(212) 224-4000

May 28, 1997

Ms. Katherine M. Weien,
Director of Finance
Embassy Suites, Inc.
(Harrah's Entertainment, Inc.)
1023 Cherry Road
Memphis, TN 38117-5423
Telephone: 901-762-8838
Telefax: 901-762-8998

Re: Termination Agreement dated as of May 28, 1997 between The Sumitomo Bank, Limited, acting through its New York Branch ('SBL-NY') and Harrah's Operating Company, Inc., formerly known as Embassy Suites, Inc. ("Harrah's") (SBL-NY Ref. No 100513)

Dear Ms. Weien:

This letter agreement confirms the termination of the Swap Transaction between SBL-NY and Harrah's having a Trade Date of October 22, 1992 with a Notional Amount of USD 50,000,000.00 and an original Termination Date of October 15, 1997 (the "Original Swap"). A copy of the Confirmation evidencing the Original Swap is annexed hereto as Exhibit A. This letter agreement constitutes a Confirmation under the Interest Rate and Currency Exchange Agreement dated as of October 22, 1992 between The Sumitomo Bank, Limited, New York Branch and Embassy Suites, Inc. (the "Agreement"), and it supplements, forms a part of, and is subject to such Agreement. Capitalized terms used herein and not otherwise defined herein shall have their respective meanings as set forth in the Agreement.

1. Termination of Original Swap. The Original Swap and the rights and obligations of SBL-NY and Harrah's in respect thereof arising after May 28, 1997 (the "Effective Termination Date") are terminated. The Agreement and all other Swap Transactions between SBL-NY and Harrah's shall remain in full force and effect, except as set forth therein.

2. Payments. In consideration of the parties agreement to terminate the Original Swap, SBL-NY shall pay USD 7,060.56 to Harrah's on May 29, 1997 in immediately available funds as follows:

Payments to Harrah's of USD amounts:

Depository:	First Tennessee Bank
Address:	Memphis, TN ABA 084000026
In Favor Of:	Embassy Suites, Inc.
Account No.	841900

3. Representations and Warranties. Each party, with respect to itself, represents and warrants to the other party that: (i) it has the authority to enter into and perform this Termination Agreement; (ii) it has performed all actions and obtained all consents necessary to be performed and obtained by it in respect hereof; (iii) the officer who signed this Termination Agreement is a duly elected or appointed officer of the party, authorized to act on behalf of such party in respect hereof; (iv) it has not transferred or assigned (outright or as collateral security) any or all of its interests or obligations in respect of the Original Swap; and (v) no Event of Default or Potential Event of Default with respect to it or any of its Specified Entities has occurred and is continuing as of the date hereof or will have occurred and be continuing as of the Effective Termination Date.
4. Governing Law. This Termination Agreement is governed by and shall be construed in accordance with the laws of the State of New York without reference to choice of law doctrine.
5. Counterparts. This Termination Agreement may be executed in counterparts, each of which shall be deemed to be an original, and signatures evidenced by facsimile transmission shall be deemed effective as an original.
6. Complete Agreement. This Termination Agreement constitutes the entire agreement and understanding of the parties in respect of the termination of the Original Swap as of the Effective Date.

Please acknowledge receipt of this Termination Agreement and your acceptance of the terms, stated herein by returning (i) a signed, facsimile copy hereof to SBL-NY at facsimile number (212) 593-9522, and (ii) one originally executed copy of the Termination Agreement which is being sent to you in duplicate via regular mail.

Very truly yours,

The Sumitomo Bank, Limited,
New York Branch

By: /s/Suresh S. Tata

Name: Suresh S. Tata
Title: Senior Vice President

ACCEPTED AND CONFIRMED:

Harrah's Operating Company, Inc.

By: /s/Charles L. Atwood

Name:
Title:

EXHIBIT A
CONFIRMATION

Date: October 22, 1992

To: Embassy Suites, Inc.
Carol Champion
1023 Cherry Road
Memphis, TN 38117

From: Mr. Tokuhiko Ieki
The Sumitomo Bank, Limited,
New York Branch
One World Trade Center
Suite 9651
New York, NY 10048
Telephone: 212-323-0346
Telefax: 212-524-0612

Re: USD 50,000,000.00 Swap Transaction, dated as of October 22, 1992
between The Sumitomo Bank, Limited, acting through its New York
Branch ("Party A") and Embassy Suites, Inc. ("Party B").

Sumitomo Bank, Limited, New York Branch Reference Number: 100513

The purpose of this letter agreement is to set forth the terms and conditions of the Swap Transaction entered into between The Sumitomo Bank, Limited, New York Branch and Embassy Suites, Inc. on the Trade Date specified below (the "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Interest Rate and Currency Exchange Agreement specified below. This document supersedes all previous confirmations and amendments with respect to the above referenced transaction.

The definitions and provisions contained in the 1991 ISDA Definitions (as published by the International Swap Dealers Association, Inc.), without regard to any revision or subsequent edition thereof, are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. ISDA AGREEMENT:

This Confirmation supplements, forms a part of, and is subject to, the Interest Rate and Currency Exchange Agreement dated as of October 22, 1992 and the accompanying schedule dated as of October 22, 1992 (the "Agreement"), between The Sumitomo Bank, Limited, New York Branch and Embassy Suites, Inc.. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. TERMS OF SWAP TRANSACTION:

The terms of the particular Swap Transaction to which this Confirmation relates are as follows:

Notional Amount:	USD 50,000,000.00
Trade Date:	October 22, 1992
Effective Date:	October 26, 1992
Termination Date:	October 15, 1997
FIXED AMOUNTS:	(PARTY A)
Fixed Rate Payer:	Sumitomo Bank, Limited, New York Branch
Fixed Rate Payer Payment Dates:	April 15, October 15, in each year from and including April 15, 1993 to and including October 15, 1997; subject to adjustment in accordance with the Modified Following Business Day Convention with No Adjustment for Period End Dates
Fixed Rate:	6.13% (percent) per annum
Fixed Rate Day Count Fraction:	30/360
FLOATING AMOUNTS:	(PARTY B)
Floating Rate Payer:	Embassy Suites, Inc.
Floating Rate Payer Payment Dates:	April 15, October 15, in each year from and including April 15, 1993 to and including October 15, 1997; subject to adjustment in accordance with the Modified Following Business Day Convention
Floating Rate for Initial Calculation Period:	3.5625% (percent) per annum

Floating Rate Option: USD-LIBOR-BBA
Designated Maturity: 6 Months
Spread: Inapplicable
Floating Rate Day Count Fraction: Actual/360
Reset Dates: First day of each Calculation Period
Compounding: Inapplicable
Business Days For Payments By Both Parties: New York and London

3. CREDIT SUPPORT DOCUMENTS Inapplicable

4. PAYMENT INSTRUCTIONS:

Payments to Sumitomo Bank, Limited, New York Branch of USD amounts:

Depository: Morgan Guaranty Trust Co.
of New York Branch
Address: New York, NY
In Favor Of: Sumitomo Bank, Limited
New York
Account No.: 631-28-256

Payments to Embassy Suites Inc. of USD amounts:

Depository: First Tennessee Bank
Address: Memphis, TN ABA 084000026
In Favor Of: Embassy Suites, Inc.
Account No.: 841900
Attention: Josh Hirsberg

Please confirm that the foregoing correctly sets forth the terms of the agreement between you and us by executing this Confirmation and returning it to the documentation contact above.

Yours Sincerely,

Sumitomo Bank, Limited, New York Branch

By: /s/Eiji Sumino

Confirmed as of the date first written above:

Embassy Suites, Inc.

By: /s/William S. McCalmont

 William S. McCalmont
 Vice President and Treasurer

Scotiabank
The Bank of Nova Scotia

International Banking Division
Derivative Products
44 King Street West, 14th Floor,
Toronto, Ontario, Canada M5H 1H1

DATE: May 28, 1997

TELECOPY NO: (901) 762-8998

NAME OF COMPANY: HARRAH'S OPERATING COMPANY INC.

RE: USD 100MM Interest Rate Swap Transaction
Unwind dated May 28, 1997
Our Ref: S08781 (Previously SW3372)

ATTENTION: Katie Weien

FROM: Kathryn J. Iozzo - Swap Documentation Officer
DERIVATIVE PRODUCTS
(416) 866-5415 FAX# 866-6865/4975

Notice of Confidentiality

This message is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and exempt from disclosure. If you are not the intended recipient or the employee responsible for delivering the message to the intended recipient, you are notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, kindly notify us immediately by telephone (collect if necessary), and return the original message to us by mail or alternatively destroy this message.

Thank you

TOTAL NUMBER OF PAGES INCLUDING THIS COVERING PAGE: 1
COMMENTS:

This transaction was effected through Scotia Capital Markets (USA) Inc., a U.S. Broker-dealer subsidiary of The Bank of Nova Scotia (BNS), who acted as agent in the transaction.

This is to confirm that THE BANK OF NOVA SCOTIA, (the "Bank") did on or about the October 22, 1992 enter into a Swap Transaction having a Notional Principal Amount of USD 100,000,000.00 with HARRAH'S OPERATING COMPANY INC. whereby HARRAH'S OPERATING COMPANY INC. would make Floating Payments to THE BANK OF NOVA SCOTIA, in exchange for a series of Fixed Payments from THE BANK OF NOVA SCOTIA.

It is now the intention of both parties hereto to settle their respective obligations under the Swap Transaction and to terminate the Swap Transaction (Ref: S08781 - Previously SW3372) and to that end, it is agreed that in consideration of a payment of USD 25,150.00 for value May 29, 1997 from THE BANK OF NOVA SCOTIA to HARRAH'S OPERATING COMPANY INC., each party does hereby discharge and release the other party from all of its obligations under the Swap Transaction (Ref: S08781 - Previously SW3372). The Swap Transaction (Ref. S08781 - - Previously SW3372) shall be considered to be terminated as of May 28, 1997.

We request that HARRAH'S OPERATING COMPANY INC. confirm their agreement to the foregoing by return fax or telex. Please send your confirmation to the attention of Kathryn J. Iozzo - Swap Documentation Officer, Derivative Products, Fax No: (416) 866-6865/4975,

Regards,

/s/Kathryn J. Iozzo
Kathryn J. Iozzo
Senior Assistant Manager

HARRAH'S OPERATING COMPANY INC.

/s/Ben Dunne
Ben Dunne
Senior Manager
Derivative Products

By: /s/Charles L. Atwood

Name:
Title:

The Nippon Credit Bank, Ltd.
Los Angeles Agency
550 South Hope Street, Suite 2500
Los Angeles, CA 90071
Phone 215-243-5555

May 27, 1997

Ms. Katherine Weien
Director of Finance
Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, TN 38117-5423

Ref: Cancellation of \$50,000,000 swap your receiving 6.14% and
paying float (6 month Libor), trade date 10/22/92, Maturity
date 10/15/97 (Ref IRS09002600001)

Dear Ms. Weien,

This is to inform you of the cancellation of our swap with you as of today. The market value of your swap is \$9,774.71. Payment will take place two business days from today. Therefore, we will credit USD 9,774.71 to your account with First Tennessee Bank N.A., Memphis on May 29, 1997.

Thank you for your cooperation regarding this matter. If you have any questions and would like to discuss the cancellation, please contact me at 213-243-5561.

Sincerely,

/s/Carol S. Ito
Carol S. Ito
A.V.P. and Manager
Nippon Credit Bank, Ltd., Los Angeles

CONSENT TO CREDIT AGREEMENTS

CONSENT TO CREDIT AGREEMENTS (this "Consent"), dated as of April 11, 1997, among HARRAH'S ENTERTAINMENT, INC. ("Parent"), HARRAH'S OPERATING COMPANY, INC. (the "Company"), MARINA ASSOCIATES ("Marina"), the various lending institutions party to the Credit Agreements referred to below (the "Banks"), BANKERS TRUST COMPANY, THE BANK OF NEW YORK, CIBC INC., CREDIT LYONNAIS, ATLANTA AGENCY, WELLS FARGO BANK, N.A., THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED, NEW YORK BRANCH, NATIONS BANK, N.A. (SOUTH), SOCIETE GENERALE and THE SUMITOMO BANK, LIMITED, NEW YORK BRANCH, as Agents (the "Agents"), and BANKERS TRUST COMPANY, as Administrative Agent (the "Administrative Agent"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings provided such terms in the 5-Year Credit Agreement or the 364-Day Credit Agreement, as the case may be, referred to below.

W I T N E S S E T H :

WHEREAS, Parent, the Company, Marina, the Banks, the Agents and the Administrative Agent are parties to an Amended and Restated Credit Agreement, dated as of July 22, 1993 and amended and restated as of June 9, 1995 (as amended, modified or supplemented through the date hereof, the "5-Year Credit Agreement");

WHEREAS, Parent, the Company, Marina, the Banks, the Agents and the Administrative Agent are parties to a Credit Agreement, dated as of June 9, 1995 (as amended, modified or supplemented through the date hereof, the "364-Day Credit Agreement," and together with the 5-Year Credit Agreement, the "Credit Agreements"); and

WHEREAS, the parties hereto wish to consent to certain actions to be taken under the Credit Agreements as herein provided;

NOW, THEREFORE, it is agreed:

1. Notwithstanding anything to the contrary contained in Section 9.10 of the 5-Year Credit Agreement or in Section 8.10 of the 364-Day Credit Agreement, the Banks hereby agree that the Company also may use the proceeds of Loans incurred under each Credit Agreement to repurchase, redeem or otherwise retire outstanding 10-7/8% Senior Subordinated Notes.

2. Notwithstanding anything to the contrary contained in Section 9.04(xi)(v) of the 5-Year Credit Agreement or in Section 8.04(xi)(v) of the 364-Day Credit Agreement, the Banks hereby agree that the Company also may concurrently use the proceeds of any Additional Unsecured Senior Debt issued in accordance with the terms of such Sections to repay any outstanding Loans the proceeds of which were used to repurchase, redeem or otherwise retire outstanding 10-7/8% Senior Subordinated Notes as permitted by Section 1 of this Consent.

3. Notwithstanding anything to the contrary contained in the definition of "Permitted Designated Indebtedness" appearing in Section 11.01 of the 5-Year Credit Agreement and in Section 10.01 of the 364-Day Credit Agreement, the Banks hereby agree that the proceeds of any Subordinated Debt which are used to repay any outstanding Loans the proceeds of which were used to repurchase, redeem or otherwise retire outstanding 10-7/8% Senior Subordinated Notes as permitted by Section 1 of this Consent also shall not constitute Permitted Designated Indebtedness.

4. The Banks hereby consent to, and direct and authorize the Collateral Agent to effect, the release of all of the Collateral under all of the Collateral Documents, and authorize the Collateral Agent to execute and deliver such documentation (including UCC-3 termination statements and the like) deemed necessary or desirable by it in connection therewith.

5. In order to induce the Banks to enter into this Consent, Parent and each Borrower hereby represent and warrant that:

(x) as of the date hereof and as of the Consent Effective Date (as hereinafter defined), the Company's Indebtedness is, and shall be, rated at least BBB- Senior Implied by S&P or Baa3 Senior Implied by Moody's;

(y) no Default or Event of Default exists on the Consent Effective Date, both before and after giving effect to this Consent; and

(z) all of the representations and warranties contained in each Credit Agreement shall be true and correct in all material respects on and as of the Consent Effective Date, both before and after giving effect to this Consent, with the same effect as though such representations and warranties had been made on and as of the Consent Effective Date (it being understood that any representation or warranty made as of a specified date shall be required to be true and correct in all material respects only as of such specific date).

6. This Consent is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreements or any other Credit Document.

7. This Consent may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with Parent, the Company and the Administrative Agent.

8. This Consent and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of New York.

9. This Consent shall become effective on the date (the "Consent Effective Date") when Parent, the Borrowers, each other Credit Party, the Collateral Agent and the Required Banks under, and as defined in, each Credit Agreement shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of telecopier) the same to the Administrative Agent at the Notice Office.

10. From and after the Consent Effective Date, all references in the Credit Agreements and the other Credit Documents to each Credit Agreement shall be deemed to be references to each such Credit Agreement as modified hereby.

* * *

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Consent to be duly executed and delivered as of the date first above written.

HARRAH'S ENTERTAINMENT, INC.

By /s/Charles L. Atwood

Title: Vice President

HARRAH'S OPERATING COMPANY, INC.

By /s/Charles L. Atwood

Title: Vice President

MARINA ASSOCIATES

By: HARRAH'S ATLANTIC CITY, INC.,
a general partner

By /s/Stephen H. Brammell

Title: Assistant Secretary

By: HARRAH'S NEW JERSEY, INC.,
a general partner

By /s/Stephen H. Brammell

Title: Assistant Secretary

HARRAH'S RENO HOLDING COMPANY, INC.

By /s/Michael N. Regan

Title: VP, Treasurer

HARRAH'S LAS VEGAS, INC.

By /s/Michael N. Regan

Title: Treasurer

HARRAH'S LAUGHLIN, INC.

By /s/Michael N. Regan

Title: Treasurer

HARRAH'S ATLANTIC CITY, INC.

By /s/Stephen H. Brammell

Title: Assistant Secretary

HARRAH'S NEW JERSEY, INC.

By /s/Stephen H. Brammell

Title: Assistant Secretary

BANKERS TRUST COMPANY,
Individually,
as Administrative Agent,
as Collateral Agent
and as an Agent

By /s/Mary Kay Coyle

Title:

THE BANK OF NEW YORK,
Individually and as an
Agent

By /s/Gregory L. Batson

Title: Vice President

CIBC INC., Individually and
as an Agent

By /s/Paul J. Chakmak

Title: Managing Director, CIBC
Wood Gundy Securities
Corp., AS AGENT

CREDIT LYONNAIS, ATLANTA AGENCY,
Individually and as an Agent

By /s/David M. Cawrse

Title: First Vice President
& Manager

CREDIT LYONNAIS CAYMAN ISLAND
BRANCH

By /s/David M. Cawrse

Title: Authorized Signature

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, NEW YORK BRANCH,
Individually and as an Agent

By /s/John J. Sullivan

Title: Joint General Manager

NATIONSBANK, N.A. (SOUTH),
Individually and as an Agent,

By /s/Kimberly R. Dupuy

Title: Vice President

SOCIETE GENERALE, Individually and
as an Agent

By /s/Donald L. Schubert

Title: Vice President

THE SUMITOMO BANK, LIMITED,
ATLANTA AGENCY, Individually
and as an Agent

By /s/Gary Franke

Title: VP

WELLS FARGO BANK, N.A.,
Individually and as Agent

By /s/Maureen Klippenstein

Title: V.P.

ABN AMRO BANK N.V., SAN FRANCISCO
BRANCH

By /s/L. T. Osborne

Title: Group Vice President

By /s/Joseph M. Vitale

Title: Portfolio Officer

BANK OF AMERICA NATIONAL TRUST
AND SAVING ASSOCIATION

By /s/Scott Faber

Title: Vice President

THE BOATMEN'S NATIONAL BANK
OF ST. LOUIS

By /s/Kimberly R. Dupuy

Title: VP

COMMERZBANK AG, LOS ANGELES BRANCH

By /s/W. Schmidbauer

Title: Vice President

By /s/Karla Wirth

Title: Asst. Treasurer

DEPOSIT GUARANTY NATIONAL BANK

By /s/Larry C. Ratzlaff

Title: Vice President

FIRST AMERICAN NATIONAL BANK

By /s/Elizabeth H. Vaughn

Title: Senior Vice President

FIRST NATIONAL BANK OF COMMERCE

By /s/Stephen M. Valdes

Title: Vice President

FLEET BANK, N.A.

By /s/John Cullinan

Title: SVP

GIROCREDIT BANK A.G. DER
SPARKASSEN, GRAND CAYMAN
ISLAND BRANCH

By /s/John Redding

Title:

By /s/Richard Stone

Title:

HIBERNIA NATIONAL BANK

By /s/S. John Castellano

Title: Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED

By /s/Kazuo Iida

Title: General Manager

THE MITSUBISHI TRUST & BANKING
CORP.

By /s/Patricia Lorete DeMola

Title: Senior Vice President

THE NIPPON CREDIT BANK, LTD.,
LOS ANGELES AGENCY

By /s/Jay Schwartz

Title: Vice President &
Manager

THE SANWA BANK, LIMITED,
ATLANTA AGENCY

By /s/Dennis S. Losin

Title: Vice President

SUNTRUST BANK, NASHVILLE, N.A.

By /s/Renee D. Drake

Title: Vice President

THE TOKAI BANK, LIMITED,
NEW YORK BRANCH

By /s/Kaoru Oda

Title: Assistant General
Manager

UNITED STATES NATIONAL BANK
OF OREGON

By /s/Dale Parshall

Title: Assistant Vice
President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By /s/Ralph White

Title: Vice President

By /s/James Vineau

Title: Senior Analyst

CONSENT

April 10, 1997

Reference is hereby made to the Credit Agreement, dated as of June 9, 1995, among Harrah's Entertainment, Inc. ("Parent"), Harrah's Operating Company, Inc. (the "Company"), Marina Associates ("Marina"), the lenders from time to time party thereto (the "Banks"), Bankers Trust Company, The Bank of New York, CIBC Inc., Credit Lyonnais, Atlanta Agency, Wells Fargo Bank, N.A., The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank, N.A. (South), Societe Generale and The Sumitomo Bank, Limited, New York Branch, as Agents (the "Agents"), and Bankers Trust Company, as Administrative Agent (the "Administrative Agent") (as amended, modified or supplemented from time to time, the "364-Day Credit Agreement"). Unless otherwise defined herein, capitalized terms used herein shall have the respective meanings provided in the 364-Day Credit Agreement.

Pursuant to Section 2.04(a) of the 364-Day Credit Agreement, the Company has submitted to the Administrative Agent the attached written request (and accompanied officer's certificate) to extend the Final Maturity Date of the 364-Day Credit Agreement to May 27, 1998. In connection therewith, each of the undersigned Banks hereby agrees to extend its Maturity Date (and the Final Maturity Date) to May 27, 1998.

This Consent may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with Parent and the Administrative Agent.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Consent to be duly executed and delivered.

HARRAH'S ENTERTAINMENT, INC.

By /s/Charles L. Atwood

Title: Vice President

HARRAH'S OPERATING COMPANY, INC.

By /s/Charles L. Atwood

Title: Vice President

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By: HARRAH'S ATLANTIC CITY, INC.,
a general partner

By /s/Stephen H. Brammell

Title: Assistant Secretary

By: HARRAH'S NEW JERSEY, INC.,
a general partner

By /s/Stephen H. Brammell

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Individually and as
Administrative Agent
and as an Agent

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THE BANK OF NEW YORK,
Individually and as an
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Title: Managing Director, CIBC
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BRANCH

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Individually and as Agent

By /s/Maureen Klippenstein

Title: V.P.

THE LONG-TERM CREDIT BANK OF JAPAN,
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Individually and as an Agent

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Title: Joint General Manager

NATIONSBANK, N.A. (SOUTH),
Individually and as an Agent,

By /s/Kimberly R. Dupuy

Title: Vice President

SOCIETE GENERALE, Individually and
as an Agent

By /s/J. Blaine Shaum

Title: Regional Manager

THE SUMITOMO BANK, LIMITED,
ATLANTA AGENCY, Individually
and as an Agent

By /s/Masayuki Fukushima

Title: Joint General Manager

BANK OF AMERICA NATIONAL TRUST
AND SAVING ASSOCIATION

By /s/Scott Faber

Title: Vice President

THE BANK OF NOVA SCOTIA

By /s/A. S. Norsworthy

Title: Sr. Team Leader-
Loan Operations

GIROCREDIT BANK A.G. DER
SPARKASSEN, GRAND CAYMAN
ISLAND BRANCH

By /s/John Redding

Title:

By /s/Richard Stone

Title:

THE TOKAI BANK, LIMITED,
NEW YORK BRANCH

By /s/Stuart M. Schulman

Title: Deputy General Manager

THE BOATMEN'S NATIONAL BANK
OF ST. LOUIS

By /s/Kimberly R. Dupuy

Title: VP

FIRST AMERICAN NATIONAL BANK

By /s/Elizabeth H. Vaughn

Title: Senior Vice President

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

By /s/James G. Moore, Jr.

Title: Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED

By /s/Kazuo Iida

Title: General Manager

PNC BANK, NATIONAL ASSOCIATION
(success by merger to Midlantic
Bank, N.A.)

By /s/Denise D. Killen

Title: Vice President

THE SANWA BANK, LIMITED,
ATLANTA AGENCY

By /s/Dennis S. Losin

Title: Vice President

UNITED STATES NATIONAL BANK
OF OREGON

By /s/Dale Parshall

Title: Assistant Vice
President

DEPOSIT GUARANTY NATIONAL BANK

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By /s/Ralph White

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By /s/Renee D. Drake

Title: Vice President

FIRST NATIONAL BANK OF COMMERCE

By /s/Louis Ballero

Title: Sr. Vice President

FLEET BANK N.A.

By /s/John Cullinan

Title: SVP

Philip G. Satre
Chairman, President and
Chief Executive Officer

Telephone
901/762-8600

HARRAH'S ENTERTAINMENT, INC.
The Premier Name In Casino Entertainment

July 23, 1997

To Our Stockholders:

On April 25, 1997, Harrah's Entertainment, Inc. held its Annual Meeting of Stockholders. At the meeting, in addition to the election of three Class I directors and the appointment of the Company's independent public accountants, stockholders were asked to vote on a proposal sponsored by the HERE Union to amend the Company's bylaws to eliminate the Company's Stockholder Rights Plan. The proposal was opposed by the Board of Directors.

On behalf of the Board of Directors, I want to thank you for your participation in the proxy process and advise you of the final voting results from the 1997 stockholders meeting.

- o All Class I Directors were elected by over 98% of votes cast.
- o The appointment of Arthur Andersen LLP as the Company's independent public accounts for the 1997 calendar year was ratified.
- o The stockholder proposal to amend the bylaws to eliminate the Stockholder Rights Plan failed to pass. It received the affirmative vote of only 32.7% of outstanding shares rather than the affirmative vote of 75% of outstanding shares as required by the Company's Certificate of Incorporation.

As you know from the Company's proxy materials, the Board of Directors opposed the stockholder proposal because the Board believes the Rights Plan protects the interests of all stockholders and preserves the long-term value of their investments in the Company, and because we believe the proposed bylaw amendment was legally invalid under Delaware law.

I am taking this opportunity to enclose the current summary description that outlines the principal features of the Stockholder Rights Plan. The Board considers these Rights to be a valuable means of protecting both your right to retain your equity investment in the Company and the full value of that investment, while not foreclosing

a fair acquisition bid for the Company. The summary is for your information only, and no action by stockholders is required at this time. The Rights will be exercisable only if a person or group acquires 15% or more of the Company's common stock or announces a tender offer for 15% or more of the common stock.

We believe the overwhelming vote of the stockholders to elect the Company's directors reflects confidence in the Board of Directors to make decisions regarding the Company's future, and we thank you for that support. Our overriding objective is to build value for Harrah's stockholders.

Sincerely,

/s/Philip G. Satre
Philip G. Satre
Chairman, President &
Chief Executive Officer

As described in the Rights Agreement, Rights which are held by or have been held by Acquiring Persons or Associates or Affiliates thereof (as defined in the Rights Agreement) shall become null and void.

SUMMARY OF RIGHTS TO PURCHASE
SPECIAL SHARES
AS AMENDED THROUGH APRIL 25, 1997

On July 19, 1996 the Board of Directors of Harrah's Entertainment, Inc. (the "Company") declared a dividend of one Right for each share of common stock, \$0.10 par value (the "Common Shares"), of the Company outstanding at the close of business on October 5, 1996 (the "Record Date"). As long as the Rights are attached to the Common Shares, the Company will issue one Right (subject to adjustment) with each new Common Share so that all such shares will have attached Rights. When exercisable, each Right will entitle the registered holder to purchase from the Company one two-hundredth of a share of Series A Special Stock (the "Special Shares") at a price of \$130 per one two-hundredth of a Special Share, subject to adjustment (the "Purchase Price"). The description and terms of the Rights are set forth in a Rights Agreement, dated as of October 5, 1996, as the same may be amended from time to time (the "Rights Agreement"), between the Company and The Bank of New York, as Rights Agent (the "Rights Agent").

Until the earlier to occur of (i) ten (10) days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the Common Shares or (ii) ten (10) days (or such later date as may be determined by action of at least a majority of Continuing Directors (as defined below) prior to such time as any Person becomes an Acquiring Person) following the commencement or announcement of an intention to make a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the Common Shares (the earlier of (i) and (ii) being called the "Distribution Date," whether or not either such date occurs prior to the Record Date), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificate together with a copy of this Summary of Rights.

The Rights Agreement provides that, until the Distribution Date, the Rights will be transferred with and only with the Common Shares. Until the Distribution Date (or earlier redemption, exchange, termination or expiration of the Rights), new Common Share certificates

issued after the close of business on the Record Date upon transfer or new issuance of the Common Shares will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption, exchange, termination or expiration of the Rights), the surrender for transfer of any certificates for Common Shares, with or without a copy of this Summary of Rights, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and, thereafter, such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on October 5, 2006, subject to the Company's right to extend such date (the "Final Expiration Date"), unless earlier redeemed or exchanged by the Company or terminated.

Each Special Share purchasable upon exercise of the Rights will be entitled to a minimum preferential quarterly dividend payment of \$1.00 per share but will be entitled to an aggregate dividend of 200 times the dividend, if any, declared per Common Share. In the event of liquidation, the holders of the Special Shares will be entitled to a minimum preferential liquidation payment of \$200 per share but will be entitled to an aggregate payment of 200 times the payment made per Common Share. Each Special Share will have 200 votes and will vote together with the Common Shares. Finally, in the event of any merger, consolidation or other transaction in which Common Shares are exchanged, each Special Share will be entitled to receive 200 times the amount received per Common Share. These rights are protected by customary antidilution provisions. Because of the nature of the Special Share's dividend, liquidation and voting rights, the value of one two-hundredth of a Special Share purchasable upon exercise of each Right should approximate the value of one Common Share.

The Purchase Price payable, and the number of Special Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of the Special Shares, (ii) upon the grant to holders of the Special Shares of certain rights or warrants to subscribe for or purchase Special Shares or convertible securities at less than the current market price of the Special Shares or (iii) upon the distribution to holders of the Special Shares of evidences of indebtedness, cash, securities or assets (excluding regular periodic cash dividends at a rate not in excess of 125% of the rate of the last regular periodic cash dividend theretofore paid or, in case regular

periodic cash dividends have not theretofore been paid, at a rate not in excess of 50% of the average net income per share of the Company for the four quarters ended immediately prior to the payment of such dividend, or dividends payable in Special Shares (which dividends will be subject to the adjustment described in clause (i) above)) or of subscription rights or warrants (other than those referred to above).

In the event that a Person becomes an Acquiring Person (except pursuant to certain cash offers for all outstanding Common Shares approved by the Board) or if the Company were the surviving corporation in a merger with an Acquiring Person or any affiliate or associate of an Acquiring Person and the Common Shares were not changed or exchanged, each holder of a Right, other than Rights that are or were acquired or beneficially owned by the 15% stockholder (which Rights will thereafter be void), will thereafter have the right to receive upon exercise that number of Common Shares (or, in certain circumstances, cash, property or other securities of the Company) having a market value of two times the then current Purchase Price of the Right. With certain exceptions, in the event that (i) the Company is acquired in a merger or other business combination transaction in which the Company is not the surviving corporation or its Common Shares are changed or exchanged (other than a merger which follows certain cash offers for all outstanding Common Shares approved by the Board) or (ii) more than 50% of the Company's assets or earning power is sold, proper provision shall be made so that each holder of a Right (except Rights which previously have been voided as set forth above) shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the then current Purchase Price of the Right.

At any time after a Person becomes an Acquiring Person and prior to the acquisition by such Acquiring Person of 50% or more of the outstanding Common Shares, the Board of Directors may cause the Company to acquire the Rights (other than Rights owned by an Acquiring Person which have become void), in whole or in part, in exchange for that number of Common Shares having an aggregate value equal to the Spread (the excess of the value of the Common Shares issuable upon exercise of a Right after a Person becomes an Acquiring Person over the Purchase Price) per Right (subject to adjustment).

No adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional shares will be issued and in lieu thereof, a payment in cash will be made based on the market price of the Special Shares on the last trading date prior to the date of exercise.

The Rights may be redeemed in whole, but not in part, at a price of \$0.01 per Right (the "Redemption Price") by the Board of Directors at any time prior to the earlier of (i) the first date of public announcement that a Person has become an Acquiring Person or (ii) the Final Expiration Date. In the event that, pursuant to the last sentence of Section 1.1 of the Rights Agreement, the Board of Directors determines that a Person has become an Acquiring Person inadvertently, and such Person divests Common Shares in accordance with such sentence, then the Company's right of redemption shall be deemed to have not expired as a result of such inadvertent acquisition. Immediately upon the action of the Board of Directors of the Company electing to redeem the Rights, the Company shall make an announcement thereof, and upon such election, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The term "Continuing Directors" means any member of the Board of Directors of the Company who was a member of the Board prior to the time that any Person becomes an Acquiring Person, and any person who is subsequently elected to the Board if such person is recommended or approved by a majority of the Continuing Directors. Continuing Directors do not include an Acquiring Person, or an affiliate or associate of an Acquiring Person, or any representative of the foregoing.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company beyond those as an existing stockholder, including, without limitation, the right to vote or to receive dividends.

Any of the provisions of the Rights Agreement may be amended by the Board of Directors of the Company prior to the Distribution Date. After the Distribution Date, the Company and the Rights Agent shall, if the Company so directs, amend or supplement the Rights Agreement without the approval of any holders of Right Certificates to cure any ambiguity, to correct or supplement any provision contained therein which may be defective or inconsistent with any other provisions therein, to shorten or lengthen any time period under the Rights Agreement (so long as, under certain circumstances, a majority of Continuing Directors approve such shortening or lengthening) or, so long as the interests of the holders of Right Certificates (other than an Acquiring Person or an affiliate or associate of an Acquiring Person) are not adversely affected thereby, to make any other provisions in regard to matters or questions arising thereunder which the Company and the Rights Agent may deem necessary or desirable, including but not limited to extending the Final Expiration Date. The Company may at any time prior to such time as any Person becomes an Acquiring Person amend the Rights Agreement to lower the thresholds

described above to not less than the greater of (i) any percentage greater than the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any person or group of affiliated or associated persons and (ii) 10%.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is incorporated herein by reference.

HARRAH'S ENTERTAINMENT, INC.

February 21, 1997

Mr. Thomas J. Carr, Jr.
Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, Tennessee 38117

Re: Severance Agreement

Dear Mr. Carr:

Harrah's Entertainment, Inc. (the "Company") considers it essential to the best interest of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company, although no such change is now contemplated.

In order to induce you to remain in the employ of the Company and in consideration of your agreements set forth in Subsection 2(b) hereof, the Company agrees that you shall receive the severance benefits set forth in this letter agreement ("this Agreement") in the event your employment with the Company terminates subsequent to a "Change in Control of the Company" (as defined in Section 2 hereof) under the circumstances described below.

1. Term of Agreement. This Agreement shall commence on February 21, 1997 and shall continue in effect through December 31, 1997; provided, however, that commencing on January 1, 1998 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one

additional year unless, not later than September 30 of the preceding year, the Company shall have given notice that it does not wish to extend this Agreement; provided, further, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred.

2. Change in Control.

(a) No benefit shall be payable to you hereunder unless there shall have been a Change in Control of the Company, as set forth below. For purposes of this Agreement, a "Change in Control of the Company" shall be deemed to have occurred, subject to subparagraph (iv) hereof, if any of the events in subparagraphs (i), (ii) or (iii) occur:

(i) Any "person" (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 25% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board, regardless of comparative voting power of such voting securities, and regardless of whether or not the Board shall have approved such Change in Control; or

(ii) During any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clauses (i) or (iii) of this Subsection) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) The holders of securities of the Company entitled to vote thereon approve the following:

(A) A merger or consolidation of the Company with any other corporation regardless of which entity is the surviving company, other than a merger or consolidation which would result in the voting securities of the Company carrying the right to vote in elections of persons to the Board outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board, or such securities of such surviving entity outstanding immediately after such merger or consolidation, or

(B) A plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(iv) Notwithstanding the definition of a "Change in Control" of the Company as set forth in this Section 2(a), the Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred, and the date of the occurrence of such Change in Control and any incidental matters relating thereto, with respect to a transaction or series of transactions which have resulted or will result in a substantial portion of the assets or business of the Company (as determined immediately prior to the transaction or series of transactions by the Committee in its sole discretion which determination shall be final and conclusive) being held by a corporation at least 80% of whose voting securities are held, immediately following such transaction or series of transactions, by holders of the voting securities of the Company (determined immediately prior to such transaction or series of transactions). The Committee may exercise such discretionary authority without regard to whether one or more of the transactions in such series of transactions would otherwise constitute a Change in Control of the Company under the definition set forth in this Section 2(a).

(b) For purposes of this Agreement, a "Potential Change in Control of the Company" shall be deemed to have occurred if the following occur:

(i) The Company enters into an agreement or letter of intent, the consummation of which would result in the occurrence of a Change in Control of the Company;

(ii) Any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Company;

(iii) Any person, other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person on the date hereof; or

(iv) The Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control of the Company has occurred.

You agree that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control of the Company, you will remain in the employ of the Company (or the subsidiary thereof by which you are employed at the date such Potential Change in Control occurs) until the earliest of (x) a date which is six months from the occurrence of such Potential Change in Control of the Company, (y) the termination by you of your employment by reasons of Disability or Retirement (at your normal retirement age), as defined in Subsection 3(a), or (z) the occurrence of a Change in Control of the Company.

(c) Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Company of any of the following circumstances unless, in the case of paragraphs (i), (v), (vi), (vii) or (viii), such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3(e) and 3(d), respectively, given in respect thereof:

(i) The assignment to you of any duties inconsistent with your status as an executive officer of the Company or a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change in Control of the Company;

(ii) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all executives of the Company and all executives of any person in control of the Company;

(iii) The relocation of the Company's principal executive offices where you are working immediately prior to the Change in Control of the Company to a location more than 50 miles from the location of such offices immediately prior to the Change in Control of the Company or the Company's requiring you to be based anywhere other than the location of the Company's principal executive offices where you were working immediately prior to the Change in Control of the Company except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;

(iv) The failure by the Company, without your consent, to pay to you any portion of your current compensation except pursuant to an across-the-board compensation deferral similarly affecting all executives of the Company and all executives of any person in control of the Company, or to pay to you any portion of an installment of deferred compensation under any deferred compensation program of the Company, within thirty days of the date such compensation is due;

(v) The failure by the Company to continue in effect any compensation plan in which you are participating immediately prior to the Change in Control of the Company which is material to your total compensation, including but not limited to, the Company's Bonus Plan, Executive Deferred Compensation Plan, Restricted Stock Plan, or any substitute plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed immediately prior to the Change in Control of the Company;

(vi) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under any of the Company's pension, savings and retirement plan, life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change in Control of the Company, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control of the Company, or the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control of the Company;

(vii) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof; or

(viii) Any purported termination of your employment by the Company which is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3(d) hereof and the requirements of Subsection 3(b) above; for purposes of this Agreement, no such purported termination shall be effective.

Your right to terminate your employment pursuant to this Agreement for Good Reason shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

3. Termination Following Change in Control. If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, you shall be entitled to the benefits provided in Subsection 4(c) hereof upon the subsequent termination of your employment if such termination is (y) by the Company other than for Cause, or (z) by you for Good Reason, or by your Voluntary Termination as provided in Subsection 3(c)(ii) hereof.

(a) Disability; Retirement. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for six consecutive months, and within thirty days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) Cause. Termination by the Company of your employment for "Cause" shall mean termination upon your engaging in willful and continued misconduct, or your willful and continued failure to substantially perform your duties with the Company (other than due to physical or mental illness), if such failure or misconduct is materially damaging or materially detrimental to the business and operations of the Company, provided that you shall have received written notice of such failure or misconduct and shall have continued to engage in such failure or misconduct after 30 days following receipt of such notice from the Board, which notice specifically identifies the manner in which the Board believes that you

have engaged in such failure or misconduct. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of failure to substantially perform your duties or of misconduct in accordance with the first sentence of this Subsection, and of continuing such failure to substantially perform your duties or misconduct as aforesaid after notice from the Board, and specifying the particulars thereof in detail.

(c) Voluntary Resignation. After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder, provided such resignation is (i) by you for Good Reason or (ii) by you voluntarily without Good Reason if such voluntary termination occurs by written notice given by you to the Company during the thirty days immediately following the one year anniversary of the Change in Control (your "Voluntary Termination"), provided, however, for purposes of this Subsection 3(c)(ii) only, the language "25% or more" in Subsection 2(a)(i) hereof is changed to "a majority". Such resignation shall not be deemed a breach of any employment contract between you and the Company.

(d) Notice of Termination. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 6 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(e) Date of Termination, Etc. "Date of Termination" shall mean:

(i) If your employment is terminated for Disability, thirty days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty day period), and

(ii) If your employment is terminated pursuant to Subsection (b) or (c) above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection (b) above shall not be less than thirty days, and in the case of a termination pursuant to Subsection (c) above shall not be less than fifteen nor more than sixty days (thirty days in case of your Voluntary Termination), respectively, from the date such Notice of Termination is given);

provided that if within fifteen days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided further that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, bonus, benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. Compensation Upon Termination Following a Change of Control. Following a Change in Control of the Company, as defined in Subsection 2(a), upon termination of your employment, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to you under this Agreement.

(c) If your employment by the Company shall be terminated (y) by the Company other than for Cause or (z) by you for Good Reason, or by your Voluntary Termination as provided in Subsection 3(c)(ii), then you shall be entitled to the benefits provided below:

(i) The Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation or benefit plan of the Company, at the time such payments are due;

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 2.99 times the average of the Annual Compensation (as defined below) which was payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"), for the three highest calendar years in terms of Annual Compensation during the five calendar years preceding the calendar year in which the Change in Control occurred. If you were not employed by the Company or its affiliates during the entire five calendar years preceding the calendar year in which the Change in Control occurred, then such average shall be an average of the three highest years in terms of Annual Compensation during the complete calendar years (if any) and partial calendar year (if any) during which you were so employed provided that the amount for any such partial calendar year shall be an annualized amount based on the amount of Annual Compensation paid to you during the partial calendar year. If you were not employed by the Company or its affiliates for three complete or partial calendar years, the amount will be an average of your Annual Compensation during the complete calendar year(s) (if any) and partial calendar year(s) (if any) (annualized) you were so employed. If you were not employed by the Company or its affiliates during such preceding calendar year, then such average shall be an annualized amount based on the amount of Annual Compensation paid to you during the calendar year in which the Change of Control occurred. Annual

Compensation is your base salary and your annual bonus under the Annual Management Bonus Plan of the Company that was payable to you by the Company or any of its affiliates during a calendar year determined without any reduction for any deferrals of such salary or such bonus under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates.

(iii) The Company shall also pay to you the amounts of any compensation or awards payable to you or due to you in respect of any period preceding the Date of Termination under any incentive compensation plan of the Company (including, without limitation, the Company's Restricted Stock Plan and Stock Option Plan (the "Option Plan") and under any agreements with you in connection therewith, and shall make any other payments and take any other actions provided for in such plans and agreements.

(iv) In lieu of shares of common stock of the Company ("Company Shares") issuable upon exercise of outstanding options, if any ("Options") granted to you under the Option Plan (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of, the higher of the closing price of Company Shares as reported on the New York Stock Exchange on or nearest the Date of Termination (or, if not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable), times (z) the number of Company Shares covered by each such option.

(v) The Company shall also pay to you all legal fees and expenses incurred by you as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder).

(vi) In the event that you become entitled to the payments (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsections (d) and (e), below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Severance Payments and any federal (and state and local) income tax and Excise Tax upon the payment provided for by this paragraph, shall be equal to the amount of the Severance Payments. For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax the following will apply:

(A) Any other payments or benefits received or to be received by you in connection with a Change in Control of the Company or your termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a Change in Control of the Company or any person affiliated with the Company or such person) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Company's independent auditors and acceptable to you such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax;

(B) The amount of the Severance Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (y) the total amount of the Severance Payments or (z) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (A), above); and

(C) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with proposed, temporary or final regulations under Sections 280G(d)(3) and (4) of the Code or, in the absence of such regulations, in accordance with the

principles of Section 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the time of termination of your employment, you shall repay to the Company at the time that the amount of such reduction in Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and Federal (and state and local) income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a Federal (and state and local) income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax attributable to Severance Payments is determined to exceed the amount taken into account hereunder at the time of the termination of your employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional gross-up payment in respect of such excess (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made not later than the fifth day following the Date of Termination, provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount

subsequently determined to have been due, such excess shall constitute a loan by the Company to you payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(d) If your employment shall be terminated (y) by the Company other than for Cause, or (z) by you voluntarily for Good Reason or by your Voluntary Termination, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, disability, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In the event a Change in Control of the Company occurs after you and the Company have entered into any retirement agreement including an agreement providing for early retirement, then the present value, computed using a discount rate of 8% per annum, of the total amount of all unpaid deferred payments as payable to you in accordance with the payment schedule that you elected when the deferral was agreed to and using the plan interest rate applicable to your situation, or other payments payable or to become payable to you or your estate or beneficiary under such retirement agreement (other than payments payable pursuant to a plan qualified under Section 401(a) of the Internal Revenue Code) including, without limitation, any unpaid deferred payments under the Company's Executive Deferred Compensation Plan and the Company's other deferred compensation plans shall be paid to you (or your estate or beneficiary if applicable) in cash within five business days after the occurrence of the Change in Control of the Company. If you and the Company or its affiliates have executed a retirement agreement and if the Change in Control of the Company occurs before the effective date of your retirement, then you shall receive the Severance Payment payable under Subsection 4(c)(ii) herein in addition to the present value of your unpaid deferred retirement payments and other payments under the retirement agreement as aforesaid. All other benefits to which you or your estate or any beneficiary are entitled under such retirement agreement shall continue in effect notwithstanding the Change in Control of the Company. This Subsection 4(e) shall survive your retirement.

(f) Notwithstanding that a Change in Control shall not have yet occurred, if you so elect, by written notice to the Company given at any time after the date hereof and prior to the time such amounts are otherwise payable to you:

(i) The Company shall deposit with an escrow agent, pursuant to an escrow agreement between the Company and such escrow agent, a sum of money, or other property permitted by such escrow agreement, sufficient in the opinion of the Company's management to fund payment of the following amounts to you, as such amounts become payable:

(A) Amounts payable, or to become payable, to you or to your beneficiaries or your estate under the Company's Executive Deferred Compensation Plan and under any agreements related thereto in existence at the time of your election to make the deposit into escrow.

(B) Amounts payable, or to become payable, to you or to your beneficiaries or your estate by reason of your deferral of payments payable to you prior to the date of your election to make the deposit into escrow under any other deferred compensation agreements between you and the Company in existence at the time of your election to make the deposit into escrow, including but not limited to deferred compensation agreements relating to the deferral of salary or bonuses.

(C) Amounts payable, or to become payable, to you or to your beneficiaries or your estate under any agreement relating to your retirement from the Company (including payments described under Subsection 4(e) above) which agreement is in existence at the time of your election to make the deposit into escrow, other than amounts payable by a plan qualified under Section 401(a) of the Code.

(D) Subject to the approval of the Committee, amounts then due and payable to you, but not yet paid, under any other benefit plan or incentive compensation plan of the Company (whether such amounts are stock or cash) other than amounts payable to you under a plan qualified under Section 401(a) of the Code.

(ii) Upon the occurrence of a Potential Change of Control, the Company shall deposit with an escrow agent (which shall be the same escrow agent, if one exists, acting pursuant to clause (i) of this Subsection 4(f)), pursuant to an escrow agreement between the Company and such escrow agent, a sum of money, or other property permitted

by such escrow agreement, sufficient in the opinion of Company management to fund the payment to you of the amounts specified in Subsection 4(c) of this Agreement.

(iii) It is intended that any amounts deposited in escrow pursuant to the provisions of clause (i) or (ii) of this Subsection 4(f), be subject to the claims of the Company's creditors, as set forth in the form of such escrow agreement.

(g) You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise (except as specifically provided in this Section 4).

(h) In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all benefits payable to you under any benefit plan of the Company in which you participate to the extent such benefits are not paid under this Agreement.

5. Successors; Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment voluntarily for Good Reason following a Change in Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(b) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

6. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Memphis, Tennessee in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. Similar Provisions in Other Agreement. The Severance Payment under this Agreement supersedes and replaces any other severance payment to which you may be entitled under any previous agreement between you and the Company or its affiliates.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our binding agreement on this subject.

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/E.O. Robinson, Jr.

 E. O. Robinson, Jr.
 Senior Vice President

Agreed:

/s/Thomas J. Carr, Jr.
- -----
Thomas J. Carr, Jr.

HARRAH'S ENTERTAINMENT, INC.

April 25, 1997

[Name of Executive Officer]
Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, Tennessee 38117

Re: Amendment to Severance Agreement

Dear [Name]:

This letter agreement ('this Amendment') will amend the Severance Agreement dated [Date] (the "Agreement") between you and Harrah's Entertainment, Inc.

In consideration of the mutual covenants herein contained and for other good and valuable consideration, receipt of which is hereby acknowledged, it is agreed as follows:

1. Effective Date. This Amendment is effective April 25, 1997.
2. Amendment of Section 3, "Termination Following Change in Control".
 - (a) Subsection (y) of the first paragraph of Section 3 is amended to read as follows:

"(y) by the Company other than for Cause, or"
3. Amendment of Section 4, "Compensation Upon Termination or During Disability Following a Change in Control".
 - (a) The caption of Section 4 is amended to read as follows:

"Compensation Upon Termination Following a Change in Control".

(b) The first three lines of Section 4 ending in the word "benefits" is amended to read as follows:

"Following a Change in Control of the Company, as defined in Subsection 2(a), upon termination of your employment, you shall be entitled to the following benefits:"

(c) The language of subsection (a) of section 4 is deleted and the word "Deleted" is inserted in lieu thereof.

(d) Subsection (y) in subsection (c) of Section 4 is amended to read as follows:

"(y) by the Company other than for Cause or"

(e) Subsection (y) in subsection (d) of Section 4 is amended to read as follows:

"(y) by the Company other than for Cause, or"

4. Defined Terms. Unless otherwise defined herein, all terms used in this Amendment that are defined in the Agreement will have the meanings given to such terms in the Agreement.

5. No Other Modifications. Except as specifically modified herein, all terms and conditions of the Agreement will remain unchanged and in full force and effect.

If this letter sets forth our agreement on the subject matter hereof, please sign and return to the Company the enclosed copy of this letter which will then constitute our binding agreement on this subject.

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: _____

Agreed to:

[Name of Executive Officer]

Amendment dated April 24, 1997 to the
Harrah's Entertainment, Inc.
Deferred Compensation Plan ("Plan")

Pursuant to approval by the Human Resources Committee of the Harrah's Entertainment, Inc. Board of Directors, the following paragraph 5.3A is added to the Plan after paragraph 5.3:

5.3A Amendment of Form of Payment. Each Participant in the Plan as of April 25, 1997 (referred to in this paragraph 5.3A as "Active Participants" and excluding Participants who are not active employees of the Company or its direct or indirect subsidiaries on April 25, 1997, and excluding director Participants who are not actively serving on the Company's Board of Directors on April 25, 1997) will be offered a one-time opportunity (the "Amendment Opportunity") to amend his/her previously made elections as to the form of payment of benefits permitted under paragraphs 5.1 and 5.3 of the Plan, subject to the following terms and conditions:

(a) The Amendment Opportunity will be offered on or before May 31, 1997 to Active Participants by sending them an election form which they must complete in order to revise any or all of their previous distribution elections (the "Revised Elections").

(b) To be effective, a completed Revised Elections form must be received by the Company within a reasonable time period but not later than June 30, 1997.

(c) Revised Elections will only apply to distributions that will occur due to leaving the payroll on or after July 1, 1998 (or, in the case of director Participants, due to leaving active service on the Board of Directors on or after July 1, 1998). Accordingly, if an Active Participant leaves the payroll (or leaves active service on the Board of Directors) on or before June 30, 1998, any Revised Elections submitted by that individual will not be effective. In such case, the original elections for

that individual shall govern. For example, if an employee stops active employment on December 31, 1997 and is placed on salary continuation which lasts until June 30, 1998, then this individual's Revised Elections will not have any effect and his/her distributions will be governed by his/her original elections. However, if employment or salary continuation went through July 1, 1998 or later, the Revised Elections would be effective. If an Active Participant leaves the payroll or leaves active service on the Board before notice of the Amendment Opportunity is mailed, the Amendment Opportunity will not be offered to such individual.

(d) Pursuant to this paragraph 5.3A, an Active Participant will only be permitted to change a lump sum to annual installments or extend existing annual installments to a longer period, provided installments cannot be extended beyond a period of ten years from the commencement of payments. A participant will not be permitted to compress installments to a shorter period or to change installments to a lump sum.

IN WITNESS WHEREOF, this Amendment has been executed as of this 24th day of April, 1997.

Harrah's Entertainment, Inc.

By: /s/Neil F. Barnhart

Title: Vice President

Amendment dated April 24, 1997 to the
Harrah's Entertainment, Inc.
Executive Deferred Compensation Plan ("Plan")

Pursuant to approval by the Human Resources Committee of the Harrah's Entertainment, Inc. Board of Directors, the following paragraph 5.7A is added to the Plan after paragraph 5.7:

5.7A Amendment of Form of Payment. Each Participant in the Plan as of April 25, 1997 (referred to in this paragraph 5.7A as "Active Participants" and excluding Participants who are not active employees of the Company or its direct or indirect subsidiaries on April 25, 1997, and excluding director Participants who are not actively serving on the Company's Board of Directors on April 25, 1997) will be offered a one-time opportunity (the "Amendment Opportunity") to amend his/her previously made elections as to the form of payment of benefits permitted under paragraph 5.7 of the Plan, subject to the following terms and conditions:

(a) The Amendment Opportunity will be offered on or before May 31, 1997 to Active Participants by sending them an election form which they must complete in order to revise any or all of their previous distribution elections (the "Revised Elections").

(b) To be effective, a completed Revised Elections form must be received by the Company within a reasonable time period but not later than June 30, 1997.

(c) Revised Elections will only apply to distributions that will occur due to leaving the payroll on or after July 1, 1998 (or, in the case of director Participants, due to leaving active service on the Board of Directors on or after July 1, 1998). Accordingly, if an Active Participant leaves the payroll (or leaves active service on the Board of Directors) on or before June 30, 1998, any Revised Elections submitted by that individual will not be effective. In such case, the original elections for

that individual shall govern. For example, if an employee stops active employment on December 31, 1997 and is placed on salary continuation which lasts until June 30, 1998, then this individual's Revised Elections will not have any effect and his/her distributions will be governed by his/her original elections. However, if employment or salary continuation went through July 1, 1998 or later, the Revised Elections would be effective. If an Active Participant leaves the payroll or leaves active service on the Board before notice of the Amendment Opportunity is mailed, the Amendment Opportunity will not be offered to such individual.

(d) Pursuant to this paragraph 5.7A, an Active Participant will only be permitted to change a lump sum to installments or extend existing installments to a longer period, provided installments cannot be extended beyond a period of fifteen years from the commencement of payments. A participant will not be permitted to compress installments to a shorter period or to change installments to a lump sum.

IN WITNESS WHEREOF, this Amendment has been executed as of this 24th day of April, 1997.

Harrah's Entertainment, Inc.

By: /s/Neil F. Barnhart

Title: Vice President

HARRAH'S ENTERTAINMENT, INC.
COMPUTATIONS OF PER SHARE EARNINGS

	Second Quarter Ended		Six Months Ended	
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996
Income before extraordinary	-----	-----	-----	-----
loss	\$25,373,000	\$29,977,000	\$42,484,000	\$61,387,000
Extraordinary loss, net	(8,134,000)	-	(8,134,000)	-
Net income	=====	=====	=====	=====
Primary Earnings Per Share				
Weighted average number of common shares outstanding	100,549,789	102,720,947	101,125,128	102,656,047
Common stock equivalents				
Additional shares based on average market price for period applicable to:				
Restricted stock	19,902	47,349	964	52,981
Stock options	452,258	1,072,222	476,844	886,961
	-----	-----	-----	-----
Average number of primary common and common equivalent shares outstanding	101,021,949	103,840,518	101,602,936	103,595,989
	=====	=====	=====	=====
Primary earnings per common and common equivalent share				
Income before extraordinary				
loss	\$ 0.25	\$ 0.29	\$ 0.42	\$ 0.59
Extraordinary loss, net	(0.08)	-	(0.08)	-
Net income	=====	=====	=====	=====
Fully Diluted Earnings Per Share				
Average number of primary common and common equivalent shares outstanding	101,021,949	103,840,518	101,602,936	103,595,989
Additional shares based on period-end price applicable to:				
Restricted stock	2,940	-	-	-
Stock options	-	-	-	-
	-----	-----	-----	-----
Average number of fully diluted common and common equivalent shares outstanding	101,024,889	103,840,518	101,602,936	103,595,989
	=====	=====	=====	=====
Fully diluted earnings per common and common equivalent share				
Income before extraordinary				
loss	\$ 0.25	\$ 0.29	\$ 0.42	\$ 0.59
Extraordinary loss, net	(0.08)	-	(0.08)	-
Net income	=====	=====	=====	=====

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106,867
0
53,545
15,537
11,397
206,197
2,112,841
630,992
2,089,682
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0
10,094
701,598
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782,992
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42,484
0
8,134
0
34,350
0.34
0.34

2,089,682