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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

or

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

Commission File No. 1-10410

HARRAH'S ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware	**62-1411755**
(State of incorporation)	(I.R.S. Employer Identification No.)
One Harrah's Court **Las Vegas, Nevada**	**89119**
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code:
(702) 407-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	**Name of each exchange on which registered**
Common Stock, Par Value $0.10 per share	NEW YORK STOCK EXCHANGE CHICAGO STOCK EXCHANGE PACIFIC EXCHANGE PHILADELPHIA STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2004, based upon the closing price of $54.10 for the Common Stock on the New York Stock Exchange on that date, was $5,994,497,266.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No o

As of January 31, 2005, the Registrant had 112,985,228 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2005 Annual Meeting of Stockholders, which will be filed within 120 days after the end of the fiscal year, are incorporated by reference into Part III hereof.

PART I

ITEM 1. Business.

Overview

Harrah's Entertainment, Inc., a Delaware corporation, is one of the largest casino entertainment providers in the world. Our business is conducted through a wholly-owned subsidiary, Harrah's Operating Company, Inc., which owns or manages through various subsidiaries 28 casinos in the United States. Our principal asset is the stock of Harrah's Operating Company, Inc., which together with its direct and indirect subsidiaries hold substantially all of the assets of our businesses. Our casino entertainment facilities operate primarily under the Harrah's, Rio, Showboat, Horseshoe and Harveys brand names, and include eleven land-based casinos, eleven riverboat or dockside casinos, four casinos on Indian reservations, a combination greyhound racing facility and casino and a combination thoroughbred racetrack and casino. Our facilities have an aggregate of approximately 1.7 million square feet of gaming space and 17,100 hotel rooms. We were incorporated on November 2, 1989, and prior to such date operated under predecessor companies. Our principal executive offices are located at One Harrah's Court, Las Vegas, Nevada 89119, telephone (702) 407-6000. Our common stock is traded on the New York Stock Exchange under the symbol "HET."

2004 Business Development

This is a summary of material business developments in 2004. For more information about business developments in 2004, including expansion projects at our facilities, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this report.

On July 1, 2004, we completed the acquisition of Horseshoe Gaming Holding Corp. for approximately $1.62 billion, including the assumption of debt and acquisition costs. In connection with this acquisition and a separate acquisition, we also acquired the rights to the Horseshoe brand in the United States, including rights to the World Series of Poker brand and tournament. Also in connection with this acquisition, we sold Harrah's Shreveport in the second quarter of 2004 for approximately $190 million.

On July 14, 2004, we signed a definitive agreement to acquire Caesars Entertainment, Inc. ("Caesars") in a cash and stock transaction (the "merger"). Under terms of the agreement, Caesars stockholders may elect to receive either 0.3247 of a share of Harrah's Entertainment common stock or $17.75 in cash for each share of Caesars common stock they own, subject to proration and adjustment. As a result, the Company will issue an aggregate of approximately $1.87 billion in cash and 67.7 million shares of Harrah's Entertainment common stock based on the number of shares of Caesars common stock outstanding on January 18, 2005. On January 24, 2005, a definitive joint proxy statement/prospectus containing more detailed information about the merger was filed with the Securities and Exchange Commission. This joint proxy statement/prospectus has been mailed to the stockholders of Caesars and Harrah's Entertainment and Special Meetings of their stockholders to approve the merger are scheduled for March 11, 2005. The merger is expected to be completed in the second quarter of 2005, subject to stockholder approval of both companies, receipt of the necessary regulatory and antitrust approvals, and other conditions provided in the merger agreement. For more information on the Company's pending merger with Caesars, see the definitive joint proxy statement/prospectus that is part of the Registration Statement on Form S-4/A filed by the Company with the Securities and Exchange Commission on January 24, 2005.

In connection with the merger, on September 27, 2004, we agreed to sell Harrah's East Chicago and Harrah's Tunica for a sales price of approximately $627 million, and Caesars agreed to sell its Atlantic City Hilton and Bally's Tunica properties for a sales price of approximately $612 million. Additionally, on October 22, 2004, Caesars agreed to sell interests in Bally's Casino in New Orleans for

$24 million, and on November 19, 2004, its Caesars Tahoe casino for $45 million. The closing of these transactions is subject to regulatory approvals and other customary conditions. The transactions are not subject to the closing of the merger.

In 2004, we received regulatory approval for extension of the following Indian casinos we manage under management agreements:

Harrah's Ak-Chin—extended to December 2009

Harrah's Cherokee—extended to November 2011

We suspended the operation of LuckyMe, our online gaming initiative in the United Kingdom, in October 2004. We do not expect material adverse charges as a result of this action. Losses related to LuckyMe were approximately $9.3 million in 2004.

Our Fast Cash coinless gaming system or a similar coinless system was installed on approximately 85% of games in our casinos by the end of 2004.

Harrah's Chester Downs Casino & Racetrack ("Harrah's Chester") is a harness racetrack and casino now under development in Chester, Pennsylvania, approximately six miles south of Philadelphia International Airport. Harrah's Chester is being built at the former site of the Sun Ship shipbuilding facility. Harrah's Chester will feature a $^{5}/_{8}$-mile harness racetrack, a 1,500-seat grandstand and simulcast facilities, a slot casino with approximately 2,000 games, and a variety of food and beverage offerings, including a buffet, a 24-hour restaurant, lounge and 300-seat clubhouse dining area. Racing and simulcasting is scheduled to begin in April 2006 and the casino is tentatively scheduled to open in the third quarter of 2006, subject to receipt of a gaming license and all other regulatory approvals. We own a 50% interest in Harrah's Chester and will guarantee or provide financing for the project.

Description of Business

Our casino business commenced operations in 1937. We own or manage casino entertainment facilities in more areas throughout the United States than any other participant in the casino industry. In addition to casinos, our facilities typically include hotel and convention space, restaurants and non-gaming entertainment facilities. Two of our properties are racetracks at which we have installed slot machines.

In southern Nevada, Harrah's Las Vegas and Rio All-Suite Hotel & Casino are located in Las Vegas, and draw customers from throughout the United States. Harrah's Laughlin is located near both the Arizona and California borders and draws customers primarily from the southern California and Phoenix metropolitan areas and, to a lesser extent, from throughout the U.S. via charter aircraft.

In northern Nevada, Harrah's Lake Tahoe, Harveys Resort & Casino and Bill's Casino are located near Lake Tahoe and draw customers primarily from California. Harrah's Reno, located in downtown Reno, draws customers primarily from Northern California, the Pacific Northwest and Canada.

Our Atlantic City casinos, Harrah's Atlantic City, located in the Marina area, and the Showboat Atlantic City, located on the Boardwalk, draw customers primarily from Philadelphia, New York and New Jersey.

Our Chicagoland dockside casinos, Harrah's Joliet in Joliet, Illinois, and Horseshoe Hammond in Hammond, Indiana, draw customers primarily from the greater Chicago metropolitan area.

In Louisiana, we own Harrah's New Orleans, a land-based casino located in downtown New Orleans, which attracts customers from the New Orleans metropolitan area and from throughout the United States. In the southwest part of the state, Harrah's Lake Charles, a dockside casino, serves southwestern Louisiana and eastern Texas, including the Houston metropolitan area. In the northwest part of the state, Horseshoe Bossier City, a dockside casino, and Louisiana Downs, a thoroughbred

racetrack with slot machines, located in Bossier City, cater to customers in northwestern Louisiana and east Texas, including the Dallas/Fort Worth metropolitan area.

Harrah's North Kansas City and Harrah's St. Louis, both dockside casinos, draw customers from the Kansas City and St. Louis metropolitan areas, the largest markets in Missouri. Harrah's Metropolis is a dockside casino located in Metropolis, Illinois, on the Ohio River, drawing customers from southern Illinois, western Kentucky and central Tennessee. Horseshoe Tunica, a dockside casino complex located in Tunica, Mississippi, is approximately 30 miles from Memphis, Tennessee and draws customers primarily from the Memphis area.

Harrah's Council Bluffs Casino Hotel, a dockside casino facility, and Bluffs Run Casino, a combination greyhound racing facility and land-based casino, with approximately 2,880 slot machines combined, are located in Council Bluffs, Iowa, across the Missouri River from Omaha, Nebraska. At Bluffs Run, we own the assets other than gaming equipment, and lease these assets to the Iowa West Racing Association, or IWRA, a nonprofit corporation, and we manage the facility for the IWRA under a management agreement expiring in October 2024. Iowa law requires that a qualified nonprofit corporation hold Bluffs Run's gaming and pari-mutuel licenses and its gaming equipment. We are rebranding the casino at Bluffs Run to the Horseshoe brand with a target completion date of first quarter 2006.

In addition to the casinos that we own, we also earn fees through our management of four casinos for Indian tribes:

- Harrah's Phoenix Ak-Chin, located near Phoenix, Arizona, which we manage for the Ak-Chin Indian Community under a management agreement that expires December 2009. Harrah's Phoenix Ak-Chin draws customers from the Phoenix metropolitan area;

- Harrah's Rincon Casino and Resort, located near San Diego, California, which we manage for the Rincon San Luiseno Band of Mission Indians under a management agreement that expires in November 2011. Harrah's Rincon draws customers from the San Diego metropolitan area and Orange County, California;

- Harrah's Cherokee Smoky Mountains Casino, which we manage for the Eastern Band of Cherokee Indians on their reservation in Cherokee, North Carolina under a management contract that expires November 2011. Harrah's Cherokee draws customers from eastern Tennessee, western North Carolina, northern Georgia and South Carolina; and

- Harrah's Prairie Band Casino-Topeka, located near Topeka, Kansas, which we manage for the Prairie Band Potawatomi Nation under a management contract expiring in January 2008. Harrah's Prairie Band draws customers from the Topeka and Wichita, Kansas areas.

We own and operate Bluegrass Downs, a harness racetrack located in Paducah, Kentucky, and own a one-third interest in Turfway Park LLC, which is the owner of the Turfway Park thoroughbred racetrack in Boone County, Kentucky. Turfway Park LLC owns a minority interest in Kentucky Downs LLC, which is the owner of the Kentucky Downs racetrack located in Simpson County, Kentucky.

Additional information about our casino entertainment properties as of December 31, 2004 is set forth below in Item 2, "Properties," along with information concerning the status of expansions and improvements at certain properties during 2004.

Sales and Marketing

We believe that our nationwide distribution system of 28 casino entertainment facilities provides us the ability to generate play by our customers when they travel among markets, which we refer to as cross-market play. We believe our customer loyalty program, Total Rewards, in conjunction with this

nationwide distribution system, allows us to capture a growing share of our customers' gaming budget and generate increased same-store sales.

Under Total Rewards, our customers may earn reward credits and redeem those credits at most of our casino entertainment facilities. Total Rewards is currently installed in all of our casinos with the exception of the Horseshoe properties. Integration of the Horseshoe brand casino facilities into Total Rewards is in process and is targeted for completion in mid-2005. Total Rewards is structured in tiers, providing customers an incentive to consolidate their play at our casinos. Depending on their level of play with us, customers may be designated as either Gold, Platinum, Diamond, or Seven Stars customers. Customers who do not participate in Total Rewards are encouraged to join, and those with a Total Rewards card are encouraged to consolidate their play through targeted promotional awards as they graduate to higher tiers.

Through our Total Rewards program, we developed a database containing information about millions of customers and aspects of their casino gaming play. We use this information for marketing promotions, including through direct mail campaigns and the use of electronic mail and our website.

Patents and Trademarks

We own the following trademarks used in this document: Harrah's®; LuckyMe℠; Fast Cash®; Rio®; Showboat®; Bill's®; Harveys®; Total Rewards®; Bluffs Run®; Louisiana Downs®; Reward Credits®; Horseshoe®; Seven Stars™; and World Series of Poker®. Trademark rights are perpetual provided that the mark remains in use by the Company. We consider all of these marks, and the associated name recognition, to be valuable to our business.

We hold five U.S. patents covering the technology associated with our Total Rewards program-U.S. Patent No. 5,613,912 issued March 25, 1997, expiring April 5, 2015 (which is the subject of a license agreement with Mikohn Gaming Corporation); U.S. Patent No. 5,761,647 issued June 2, 1998, expiring May 24, 2016; U.S. Patent No. 5,809,482 issued September 15, 1998, expiring September 15, 2015; U.S. Patent No. 6,003,013 issued December 14, 1999, expiring May 24, 2016; and U.S. Patent No. 6,183,362, issued February 6, 2001, expiring May 24, 2016. In 2001, we sued a competitor casino company in Federal Court seeking to enforce three of these patents. In June 2004, the trial court ruled against us on the competitor's motion for summary judgment, holding that Patent Nos. 5,761,647 and 6,183,362 and portions of Patent No. 6,003,013 were invalid. We have appealed this lower court decision; however, we agreed to the dismissal of our remaining claims under Patent No. 6,003,013. While we expect to ultimately prevail in the litigation, we do not believe that an unfavorable finding in the litigation would adversely affect our business or operations.

Competition

We own or manage land-based, dockside, riverboat and Indian casino facilities in most U.S. casino entertainment jurisdictions. We compete with numerous casinos and casino hotels of varying quality and size in the market areas where our properties are located. We also compete with other non-gaming resorts and vacation areas, and with various other casino and other entertainment businesses. The casino entertainment business is characterized by competitors that vary considerably by their size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. In certain areas, such as Las Vegas, we compete with a wide range of casinos, some of which are significantly larger and offer substantially more non-gaming activities to attract customers.

In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas. In some markets, we face competition from nearby markets in addition to direct competition within our market areas.

In recent years, with fewer new markets opening for development, competition in existing markets has intensified. Many casino operators, including us, have invested in expanding existing facilities, developing new facilities, and acquiring established facilities in existing markets, such as our acquisition of the casinos owned by Rio, Showboat, Players, Harveys and Horseshoe, and our planned acquisition of Caesars. This expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of our competitors has increased competition in many markets in which we compete, and this intense competition can be expected to continue. These competitive pressures have adversely affected our financial performance in certain markets and, we believe, have also adversely affected the financial performance of certain competitors operating in these markets.

We believe we are well-positioned to take advantage of any further legalization of casino gaming, the continued positive consumer acceptance of casino gaming as an entertainment activity, and increased visitation to casino facilities. However, the expansion of casino entertainment into new markets, such as the recent expansion of tribal casino opportunities in New York and California and the authorization of slot machines at horse racing tracks in Louisiana, could also present competitive issues for us. At this time, the ultimate impact that these events may have on the industry and on our Company is uncertain.

Moreover, the casino entertainment industry is subject to political and regulatory uncertainty. See also Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Effects of Current Economic and Political Conditions" and portions of "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overall Operating Results" and "—Regional Results and Development Plans."

Governmental Regulation

The gaming industry is highly regulated, and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our casinos is subject to extensive regulation under the laws, rules and regulations of the jurisdiction where it is located. These laws, rules and regulations generally concern the responsibility, financial stability and character of the owners, managers, and persons with financial interests in the gaming operations. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. A more detailed description of the regulations to which we are subject is contained in Exhibit 99 to this Annual Report on Form 10-K, which Exhibit is incorporated herein by reference.

Our businesses are subject to various federal, state and local laws and regulations in addition to gaming regulations. These laws and regulations include, but are not limited to, restrictions and conditions concerning alcoholic beverages, environmental matters, employees, currency transactions, taxation, zoning and building codes, and marketing and advertising. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our operating results.

Employee Relations

We have approximately 46,600 employees through our various subsidiaries. Despite a strike in Atlantic City in 2004 that was successfully settled, we consider our labor relations with employees to be good. Approximately 6,850 employees are covered by collective bargaining agreements with certain of our subsidiaries, relating to certain casino, hotel and restaurant employees at Harrah's Atlantic City, Harrah's Las Vegas, Rio, Harrah's East Chicago, Showboat Atlantic City and Harrah's New Orleans.

Available Information

Our Internet address is *www.harrahs.com.* We make available free of charge on or through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or SEC. We also make available through our website all filings of our executive officers and directors on Forms 3, 4 and 5 under Section 16 of the Exchange Act. These filings are also available on the SEC's website at *www.sec.gov.* Our Corporate Governance Guidelines, the charters of our Audit Committee, Human Resources Committee, and Nominating/Corporate Governance Committee, our Code of Conduct and our Code of Business Conduct and Ethics for Principal Officers are available on our website under the "Investor Relations" link. We will provide a copy of these documents to any stockholder upon receipt of a written request addressed to Harrah's Entertainment, Inc., Attn: Corporate Secretary, One Harrah's Court, Las Vegas, Nevada 89119. Reference in this document to our website address does not constitute incorporation by reference of the information contained on the website.

ITEM 2. Properties.

The following table sets forth information about our casino entertainment facilities:

Summary of Property Information*

Property	Type of Casino	Casino Space– Sq. Ft.(a)	Slot Machines(a)	Table Games(a)	Hotel Rooms & Suites(a)
Las Vegas, Nevada					
Harrah's Las Vegas	Land-based	87,700	1,380	90	2,530
Rio	Land-based	107,000	1,190	100	2,550
Binion's Horseshoe(b)***	Land-based	88,000	650	60	370
Laughlin, Nevada					
Harrah's Laughlin	Land-based	55,000	950	50	1,560
Reno, Nevada					
Harrah's Reno	Land-based	57,000	1,050	60	930
Lake Tahoe, Nevada					
Harrah's Lake Tahoe	Land-based	57,600	1,010	70	530
Harveys Lake Tahoe	Land-based	63,300	950	80	740
Bill's Lake Tahoe	Land-based	18,000	440	20	–
Atlantic City, New Jersey					
Harrah's Atlantic City	Land-based	131,800	3,870	80	1,630
Showboat Atlantic City	Land-based	115,700	3,970	60	1,300
Chicago, Illinois area					
Harrah's Joliet (Illinois)	Dockside	39,200	1,210	20	200
Harrah's East Chicago (Indiana)**	Dockside	54,000	1,970	70	290
Horseshoe Hammond (Indiana)	Dockside	48,300	2,010	50	–
Metropolis, Illinois					
Harrah's Metropolis	Dockside	29,800	1,200	20	120(c)
Council Bluffs, Iowa					
Harrah's Council Bluffs	Dockside	28,000	1,230	40	250
Bluffs Run Casino(d)	Greyhound Racing Facility and land-based casino	40,300	1,650	–	–
Tunica, Mississippi					
Harrah's Tunica**	Dockside	35,000	1,180	20	200
Horseshoe Tunica	Dockside	63,000	2,110	80	510
St. Louis, Missouri					
Harrah's St. Louis	Dockside	120,000	2,770	80	500
North Kansas City, Missouri					
Harrah's North Kansas City	Dockside	60,100	1,800	60	200(e)
New Orleans, Louisiana					
Harrah's New Orleans	Land-based	100,000	1,980	130	–(f)
Lake Charles, Louisiana					
Harrah's Lake Charles	Dockside	60,000	1,250	70	260

Bossier City, Louisiana					
Louisiana Downs	Thoroughbred Racing Facility and land-based casino	15,000	1,400	–	–
Horseshoe Bossier City	Dockside	30,000	1,690	50	610
Phoenix, Arizona					
Harrah's Ak-Chin(b)	Indian Reservation	48,000	820	20	150
Topeka, Kansas					
Harrah's Prairie Band(b)	Indian Reservation	34,900	1,060	30	890
Cherokee, North Carolina					
Harrah's Cherokee(b)	Indian Reservation	80,000	3,050	30	250(g)
San Diego, California					
Harrah's Rincon(b)	Indian Reservation	69,900	1,560	90	650

* As of December 31, 2004.

** Subject to sale agreement.

*** We will cease management on March 10, 2005.

(a) Approximate.

(b) Managed.

(c) A hotel, in which the Company owns a 12.5% special limited partnership interest, is adjacent to the Metropolis facility. A new 258-room hotel to be owned by the Company is under development, subject to receipt of regulatory approvals.

(d) The property is owned by the Company, leased to the operator, and managed by the Company for the operator for a fee pursuant to an agreement that expires in October 2024.

(e) Construction of a hotel addition with approximately 206 rooms is currently underway at Harrah's North Kansas City and is expected to be completed in the fourth quarter of 2005.

(f) Construction is currently underway on a 450-room hotel tower at Harrah's New Orleans which is expected to be completed in first quarter 2006.

(g) Construction of a hotel tower with approximately 320 additional rooms for this property is currently underway at Harrah's Cherokee and is expected to be completed in the second quarter of 2005.

ITEM 3. Legal Proceedings.

The Company is party to ordinary and routine litigation incidental to our business. We do not expect the outcome of any pending litigation to have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

PART II

ITEM 5. Market for the Company's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange and traded under the ticker symbol "HET." The stock is also listed on the Chicago Stock Exchange, the Pacific Exchange and the Philadelphia Stock Exchange.

The following table sets forth the high and low prices per share of our common stock, as reported by the New York Stock Exchange, for the last two years:

	High	Low
2004		
First Quarter	$ 56.40	$ 48.90
Second Quarter	57.50	50.86
Third Quarter	55.21	43.94
Fourth Quarter	67.25	52.78
2003		
First Quarter	$ 40.75	$ 30.30
Second Quarter	44.30	34.20
Third Quarter	44.10	38.65
Fourth Quarter	49.94	40.85

The approximate number of holders of record of our common stock as of February 28, 2005, was 8,418.

During 2004, the Company declared the following cash dividends per share:

Amount	Record Date	Paid On
$0.30	February 11, 2004	February 25, 2004
0.30	May 12, 2004	May 26, 2004
0.33	August 11, 2004	August 25, 2004
0.33	November 10, 2004	November 24, 2004

ITEM 6. Selected Financial Data.

The selected financial data set forth below for the five years ended December 31, 2004, should be read in conjunction with the Consolidated Financial Statements and accompanying notes thereto.

(In millions, except common stock data and financial percentages and ratios)	2004(a)	2003(b)	2002(c)	2001(d)	2000(e)	Compound Growth Rate
OPERATING DATA						
Revenues	$ 4,548.3	$ 3,948.9	$ 3,747.9	$ 3,317.4	$ 2,977.8	11.2%
Income from operations	791.1	678.8	708.7	521.8	188.2	43.2%
Income/(loss) from continuing operations	329.5	261.1	282.2	173.8	(46.4)	N/M
Net income/(loss)	367.7	292.6	235.0	209.0	(12.1)	N/M
COMMON STOCK DATA						
Earnings/(loss) per share-diluted						
Income from continuing operations	2.92	2.36	2.48	1.50	(0.40)	N/M
Net income/(loss)	3.26	2.65	2.07	1.81	(0.10)	N/M
Cash dividends declared per share	1.26	0.60	–	–	–	N/M
FINANCIAL POSITION						
Total assets	8,585.6	6,578.8	6,350.0	6,128.6	5,166.1	13.5%
Long-term debt	5,151.1	3,671.9	3,763.1	3,719.4	2,835.8	16.1%
Stockholders' equity	2,035.2	1,738.4	1,471.0	1,374.1	1,269.7	12.5%
FINANCIAL PERCENTAGES AND RATIOS						
Return on revenues-continuing	7.2%	6.6%	7.5%	5.2%	(1.6)%	
Return on average invested capital						
Continuing operations	8.2%	8.0%	8.9%	7.5%	2.4 %	
Net income/(loss)	8.0%	7.6%	6.9%	7.3%	2.9 %	
Return on average equity						
Continuing operations	17.5%	16.0%	19.3%	12.9%	(3.2)%	
Net income/(loss)	19.5%	18.0%	16.1%	15.5%	(0.8)%	
Ratio of earnings to fixed charges(f)	2.7	2.6	2.7	2.0	2.0	

N/M=Not Meaningful

Note references are to our Notes to Consolidated Financial Statements. See Item 8.

(a) 2004 includes $9.6 million in pretax charges for write-downs, reserves and recoveries (see Note 9) and $2.3 million in pretax charges related to our pending acquisition of Caesars Entertainment, Inc. (see Note 2). 2004 also includes the financial results of Horseshoe Gaming Holding Corporation from its July 1, 2004, date of acquisition.

(b) 2003 includes $10.5 million in pretax charges for write-downs, reserves and recoveries (see Note 9) and $19.1 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity. 2003 results have been reclassified to reflect Harrah's East Chicago and Harrah's Tunica as discontinued operations.

(c) 2002 includes $4.5 million in pretax charges for write-downs, reserves and recoveries (see Note 9), a $6.1 million pretax charge for our exposure under a letter of credit issued on behalf of National Airlines, Inc., and a charge of $91.2 million, net of tax benefits of $2.8 million, related to a change in accounting principle (see Note 4). 2002 also includes the financial results of Jazz Casino Company LLC from the date of our acquisition of a majority ownership interest on June 7, 2002. 2002 results have been reclassified to reflect Harrah's East Chicago and Harrah's Tunica as discontinued operations.

(d) 2001 includes $17.2 million in pretax charges for write-downs, reserves and recoveries and $26.2 million of pretax income from dispositions of nonstrategic assets and the settlement of a contingency related to a former affiliate. 2001 also includes the financial results of Harveys Casino Resorts from its July 31, 2001, date of acquisition. 2001 results have been reclassified to reflect Harrah's East Chicago and Harrah's Tunica as discontinued operations.

(e) 2000 includes $220.0 million in pretax reserves for receivables not expected to be recovered from JCC Holding Company and its subsidiary, Jazz Casino Company LLC, $6.1 million in pretax charges for other write-downs, reserves and recoveries and $39.4 million in pretax write-offs and reserves for our investment in, loans to and net estimated exposure under letters of credit issued on behalf of National Airlines, Inc. 2000 also includes the financial results of Players International, Inc., from its March 22, 2000, date of acquisition. 2000 results have been reclassified to reflect Harrah's East Chicago and Harrah's Tunica as discontinued operations.

(f) Ratio computed based on Income/(loss) from continuing operations. For details of the computation of this ratio, see Exhibit 12 to our Form 10-K for the year ended December 31, 2004.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Harrah's Entertainment, Inc., a Delaware corporation, was incorporated on November 2, 1989, and prior to such date operated under predecessor companies. As of December 31, 2004, we operated 28 casinos in 12 states under the Harrah's, Horseshoe, Rio, Showboat and Harveys brand names. Our casinos include land-based casinos and casino hotels, dockside and riverboat casinos, a greyhound racetrack, a thoroughbred racetrack and managed casinos on Indian lands.

In this discussion, the words "Harrah's Entertainment," "Company," "we," "our," and "us" refer to Harrah's Entertainment, Inc., together with its subsidiaries where appropriate.

STRATEGIC ACQUISITIONS

Harrah's Entertainment's strategy for sustainable growth draws on the combined strength of our broad geographic diversification, customer rewards program, financial strength, innovative technology and focus on superior customer service. As part of our growth strategy and to further enhance our geographic distribution, strengthen our access to valued customers and leverage our technological and centralized services infrastructure, in the past seven years we have acquired five casino companies, the remaining interest in the New Orleans casino and a thoroughbred racetrack. Our growth strategy will be taken to the next level in 2005 with the planned acquisition of Caesars Entertainment, Inc. ("Caesars"), which we announced on July 14, 2004.

Under the terms of the agreement, Caesars' shareholders will receive either $17.75 in cash or 0.3247 shares of Harrah's Entertainment's common stock for each outstanding share of Caesars' common stock, subject to limitations on the aggregate amount of cash to be paid and shares of stock to be issued. Caesars' shareholders will be able to elect to receive solely shares of Harrah's Entertainment's common stock or cash, to the extent available pursuant to the terms of the agreement. The aggregate estimated purchase price, calculated as of July 14, 2004, was approximately $9.4 billion. The purchase price will fluctuate until closing due to changes in the number of outstanding shares of Caesars' stock and the balance of Caesars' outstanding debt. Caesars operates 27 casinos with about two million square feet of gaming space and approximately 26,000 hotel rooms and has significant presence in Las Vegas, Atlantic City and Mississippi. The transaction is subject to regulatory and shareholders' approvals and is expected to close during the second quarter of 2005. Separate special meetings will be held on March 11, 2005, by stockholders of Harrah's Entertainment and Caesars to vote on proposals to approve the agreement.

In anticipation of the Caesars acquisition, we have engaged consultants and dedicated internal resources to plan for the merger and integration of Caesars into Harrah's Entertainment. These costs are reflected in Merger and integration costs for Caesars acquisition in our Consolidated Statements of Income.

The following table provides an overview of our acquisition activities over the past seven years. Following the table is a brief review of our acquisitions completed during the three years ended December 31, 2004. All of our acquisition transactions were accounted for as purchases.

Company	Date Acquired	Total Purchase Price(a)	Goodwill Assigned	Number of Casinos	Geographic Location
(Dollars in millions)					
Showboat, Inc.	June 1998	$ 1,045	$ 322	4(b)	Atlantic City, New Jersey East Chicago, Indiana
Rio Hotel & Casino, Inc.	January 1999	987	93(c)	1	Las Vegas, Nevada
Players International, Inc.	March 2000	439	204	3	Lake Charles, Louisiana Metropolis, Illinois St. Louis, Missouri
Harveys Casino Resorts	July 2001	712	265	4	Central City, Colorado(d) Council Bluffs, Iowa (2 properties) Lake Tahoe, Nevada
JCC Holding Company(e)	June 2002 December 2002	149	–	1	New Orleans, Louisiana
Louisiana Downs, Inc.	December 2002	94	36	1(f)	Bossier City, Louisiana
Horseshoe Club Operating Company(g)	March 2004	37	–	1(h)	Las Vegas, Nevada
Horseshoe Gaming Holding Corp.	July 2004	1,625	565	3	Bossier City, Louisiana Hammond, Indiana Tunica, Mississippi

(a) Total purchase price includes the market value of debt assumed determined as of the acquisition date and of assets that were subsequently sold.

(b) Interests in two casinos that were included in the acquisition were subsequently sold, and an agreement was reached in 2004 to sell another casino that was included in this acquisition.

(c) This goodwill was determined to be impaired and was written off in 2002.

(d) This property was sold in 2003.

(e) Acquired additional 14% interest in June 2002 and remaining 37% interest in December 2002.

(f) Acquired a thoroughbred racetrack that was expanded to include slot machines in 2003.

(g) This acquisition was for certain intellectual property assets, including the rights to the Horseshoe brand in Nevada and to the World Series of Poker brand and tournament.

(h) This casino is owned by another gaming company, and we operate it jointly with that company. See the discussion below regarding Las Vegas Horseshoe Hotel and Casino.

Horseshoe Gaming

On July 1, 2004, we acquired 100 percent of the equity interests of Horseshoe Gaming Holding Corp. ("Horseshoe Gaming") for approximately $1.62 billion, including assumption of debt valued at approximately $558 million and acquisition costs. A $75 million escrow payment made in 2003 was applied to the purchase price. We issued a redemption notice on July 1, 2004, for all $558 million of Horseshoe Gaming's outstanding 8^{5}/8% Senior Subordinated Notes due July 2009 and retired that debt on August 2, 2004. We financed the acquisition and the debt retirement through working capital and established debt programs. The results of the Horseshoe properties are included with our operating results subsequent to their acquisition on July 1, 2004.

In anticipation of our acquisition of Horseshoe Gaming, we sold our Harrah's brand casino in Shreveport, Louisiana. After consideration of the sale of Harrah's Shreveport, the Horseshoe Gaming acquisition added a net 113,300 square feet of casino space and approximately 4,580 slot machines and 150 table games to our existing portfolio. Taken together with our acquisition of intellectual property rights from Horseshoe Club Operating Company ("Horseshoe Club") (see discussion below), this acquisition gave us rights to the Horseshoe brand in all of the United States. We intend to expand the Horseshoe brand into additional gaming markets, as evidenced by our recent announcement to re-brand our Bluffs Run casino to the Horseshoe brand.

Las Vegas Horseshoe Hotel and Casino

In March 2004, we acquired certain intellectual property assets, including the rights to the Horseshoe brand in Nevada and to the World Series of Poker brand and tournament, from Horseshoe Club. MTR Gaming Group, Inc. ("MTR Gaming") acquired the assets of the Binion's Horseshoe Hotel and Casino ("Las Vegas Horseshoe") in Las Vegas, Nevada, including the right to use the name "Binion's" at the property, from Horseshoe Club. We operate Las Vegas Horseshoe jointly with a subsidiary of MTR Gaming for a one-year period, with options to extend the agreement for two additional years; however, we have notified MTR Gaming that we do not intend to extend the agreement. The property, which had closed in January 2004, reopened April 1, 2004. Since its reopening, the operating results for Las Vegas Horseshoe have been consolidated with our results and will continue to be consolidated until the operating agreement is terminated on March 10, 2005. Las Vegas Horseshoe's results have not been material to our operating results.

We paid approximately $37.4 million for the intellectual property assets, including assumption and subsequent payment of certain liabilities of Las Vegas Horseshoe (which included certain amounts payable to a principal of Horseshoe Gaming) and approximately $5.1 million of acquisition costs. The intangible assets acquired in this transaction have been deemed to have indefinite lives and, therefore, are not being amortized. We financed the acquisition with funds from various sources, including cash flows from operations and borrowings from established debt programs.

Harrah's Shreveport and Louisiana Downs—Buyout of Minority Partners

In the first quarter of 2004, we paid approximately $37.5 million to the minority owners of the company that owned Louisiana Downs and Harrah's Shreveport to purchase their ownership interest in that company. The excess of the cost to purchase the minority ownership above the capital balances was assigned to goodwill. As a result of this transaction, Harrah's Shreveport and Louisiana Downs became wholly owned by the Company. Harrah's Shreveport was subsequently sold to another gaming company.

Chester Downs & Marina

In July 2004, after receiving Pennsylvania regulatory and certain local approvals, we acquired a 50% interest in Chester Downs & Marina, LLC ("CD&M"), an entity licensed to develop a harness-racing facility in southeastern Pennsylvania. Harrah's Entertainment and CD&M have agreed to

develop Harrah's Chester Downs Casino and Racetrack ("Harrah's Chester"), a 5/8-mile harness racetrack facility approximately six miles south of Philadelphia International Airport. Plans for the facility also include a 1,500-seat grandstand and simulcast facility, a slot casino with approximately 2,000 games and a variety of food and beverage offerings. We have commenced site work and demolition at the property and expect racing and simulcasting to begin in the second quarter of 2006 and the casino to open in the third quarter of 2006, pending receipt of a gaming license and other regulatory approvals. This Project is expected to cost $392 million, $3.8 million of which had been spent at December 31, 2004. We will guarantee or provide financing for the project and we are consolidating Harrah's Chester in our financial statements.

Harrah's East Chicago—Buyout of Minority Partners

In the second quarter of 2003, we paid approximately $28.8 million to former partners in the Harrah's East Chicago property to settle outstanding litigation with the partners relating to a buyout in 1999 of the partners' interest in the property and to terminate the contractual rights of the partners to repurchase an 8.55% interest in the property. The two remaining minority partners in our East Chicago property owned, in aggregate, 0.45% of this property. In December 2003 and January 2004, we acquired these ownership interests for aggregate consideration of approximately $0.8 million. As a result of these transactions, the East Chicago property is now wholly owned.

In September 2004, we entered into an agreement to sell the assets and certain related liabilities of Harrah's East Chicago to an unrelated third party. The sale, which is subject to regulatory approvals, is expected to close in the first quarter of 2005.

Louisiana Downs

On December 20, 2002, we acquired a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana. The agreement gave Harrah's Entertainment a 95% ownership interest in a company that owned both Louisiana Downs and Harrah's Shreveport. In the first quarter of 2004, we purchased the ownership interest of the minority owners. The excess of the cost to purchase the minority ownership above the capital balances was assigned to goodwill. In May 2003, approximately 900 slot machines were put into service and Louisiana Downs became the only land-based gaming facility in northern Louisiana. We opened a new, permanent facility with approximately 1,400 slot machines during second quarter 2004.

Jazz Casino Company

On June 7, 2002, we acquired additional shares of JCC's common stock, which increased our ownership from 49% to 63% and required a change in our accounting treatment for our investment in JCC from the equity method to consolidation of JCC in our financial statements. We began consolidating JCC in our financial results on June 7, 2002. On December 10, 2002, we acquired all of the remaining shares of JCC's stock to increase our ownership to 100%.

CAPITAL SPENDING AND DEVELOPMENT

Part of our plan for growth and stability includes disciplined capital improvement projects, and 2004, 2003 and 2002 were all years of significant capital reinvestment.

In addition to the specific development and expansion projects discussed in REGIONAL RESULTS AND DEVELOPMENT PLANS, we perform on-going refurbishment and maintenance at our casino entertainment facilities to maintain our quality standards. We also continue to pursue development and acquisition opportunities for additional casino entertainment facilities that meet our 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. Project opening costs are expensed as incurred.

Our capital spending for 2004 totaled approximately $702.9 million, excluding the cost of our acquisition of Horseshoe Gaming, the intangible assets from Horseshoe Club and the purchase of partnership interests. 2003 capital spending was approximately $427.0 million and 2002 capital spending was $376.0 million, excluding the costs of our acquisitions of Louisiana Downs and the remaining interest in JCC. Estimated total capital expenditures for 2005 are expected to be between $800 million and $900 million and do not include estimated expenditures for our announced acquisition of Caesars or for unidentified development opportunities.

Our 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 the Caesars acquisition and projects currently under development as well as additional projects being pursued is expected to be made available from operating cash flows, established debt programs (see DEBT AND LIQUIDITY), joint venture partners, specific project financing, guarantees of third-party debt and additional debt and/or equity offerings.

DEBT AND LIQUIDITY

We generate substantial cash flows from operating activities, as reflected on the Consolidated Statements of Cash Flows. These cash flows reflect the impact on our consolidated operations of the success of our marketing programs, our strategic acquisitions, on-going cost containment focus and favorable variable interest rates. For 2004, we reported cash flows from operating activities of $791.0 million, a 18.6% increase over the $666.8 million reported in 2003. The 2003 amount reflected a 3.2% increase over the 2002 level.

We use the cash flows generated by the Company to fund reinvestment in existing properties for both refurbishment and expansion projects, to pursue additional growth opportunities via strategic acquisitions of existing companies and new development opportunities and to return capital to our shareholders in the form of stock repurchase programs and dividends. When necessary, we supplement the cash flows generated by our operations with funds provided by financing activities to balance our cash requirements.

Our cash and cash equivalents totaled approximately $489.0 million at December 31, 2004, compared to $397.9 million at December 31, 2003. The following provides a summary of our cash flows for the years ended December 31.

(In millions)	2004	2003	2002
Cash provided by operating activities	$ 791.0	$ 666.8	$ 646.2
Capital investments	(618.9)	(381.8)	(355.5)
Payments for business acquisitions	(1,616.9)	(75.0)	(162.4)
Minority interest buyout	(37.5)	–	–
Investments in affiliates	(0.3)	(4.2)	–
Proceeds from asset/investment sales	3.8	4.8	34.6
Other investing activities	(26.8)	(14.9)	(7.2)
	(1,505.6)	195.7	155.7
Cash provided by/(used in) financing activities	1,356.5	(248.0)	(173.3)
Cash provided by assets held for sale	240.1	65.9	77.0
Net increase in cash and cash equivalents	$ 91.0	$ 13.6	$ 59.4

We believe that our cash and cash equivalents balance, our cash flows from operations and the financing sources discussed herein, will be sufficient to meet our normal operating requirements during the next twelve months and to fund additional acquisitions, including our announced acquisition of Caesars, or investments. In addition, we may consider issuing additional debt or equity securities in the future to fund potential acquisitions or growth or to refinance existing debt. We continue to review additional opportunities to acquire or invest in companies, properties and other investments that meet our strategic and return on investment criteria. If a material acquisition or investment is completed, our operating results and financial condition could change significantly in future periods.

The majority of our debt is due in December 2005 and beyond. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, joint venture partners or, if necessary, additional debt and/or equity offerings.

With the planned acquisition of Caesars, we will assume approximately $4.2 billion of Caesars' outstanding debt and incur approximately $1.9 billion in debt to fund the acquisition. We plan to secure the funds for the acquisition by borrowing under our amended credit agreement (see Credit Agreement below).

Credit Agreement

At December 31, 2004, we had credit facilities (the "Credit Agreement") that provided for up to $2.5 billion in borrowings, maturing on April 23, 2009. The Credit Agreement contains a provision that would allow an increase in the borrowing capacity to $3.0 billion, if mutually acceptable to the Company and the lenders. Interest on the Credit Agreement is based on our debt ratings and leverage ratio and is subject to change. As of December 31, 2004, the Credit Agreement bore interest based upon 90 basis points over LIBOR and bore a facility fee for borrowed and unborrowed amounts of 20 basis points, a combined 110 basis points. At our option, we may borrow at the prime rate under the Credit Agreement. As of December 31, 2004, $1.58 billion in borrowings were outstanding under the Credit Agreement with an additional $59.8 million committed to back letters of credit. After consideration of these borrowings, but before consideration of amounts borrowed under the commercial paper program, $860.2 million of additional borrowing capacity was available to the Company as of December 31, 2004.

In January 2005, an agreement was reached to amend the Credit Agreement, which will increase our borrowing capacity from $2.5 billion to $4.0 billion. The amendment also contains a provision that will allow a further increase in the borrowing capacity to $5.0 billion, if mutually acceptable to the Company and the lenders, and lowers the interest rate from LIBOR plus 110 basis points to LIBOR plus 87.5 basis points. The amended agreement becomes effective upon the satisfaction of various closing conditions, including the closing of our acquisition of Caesars. Other significant terms and conditions of the Credit Agreement, including the maturity date of April 2009, did not change.

Derivative Instruments

We account for derivative instruments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," and all amendments thereto. SFAS No. 133 requires that all derivative instruments be recognized in the financial statements at fair value. Any changes in fair value are recorded in the income statement or in other comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair values of our derivative instruments are based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts.

Our derivative instruments contain a credit risk that the counterparties may be unable to meet the terms of the agreements. We minimize that risk by evaluating the creditworthiness of our counterparties, which are limited to major banks and financial institutions, and we do not anticipate nonperformance by the counterparties.

Interest Rate Swaps

We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2004, we were a party to four interest rate swaps for a total notional amount of $500 million. These interest rate swaps serve to manage the mix of our debt between fixed and variable rate instruments by effectively converting fixed rates associated with long-term debt obligations to floating rates. The differences to be paid or received under the terms of 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 pursuant to the terms of interest rate swap agreements will have a corresponding effect on future cash flows. The major terms of the interest rate swaps are as follows.

Swap Effective Date	Notional Amount	Fixed Rate Received	Variable Rate Paid as of Dec. 31, 2004	Next Reset Date	Swap Expiration Date
	(In millions)				
Dec. 29, 2003	$ 50	7.875%	8.433%	June 15, 2005	Dec. 15, 2005
Dec. 29, 2003	150	7.875%	8.437%	June 15, 2005	Dec. 15, 2005
Jan. 30, 2004	200	7.125%	6.853%	June 1, 2005	June 1, 2007
Feb. 2, 2004	100	7.875%	8.455%	June 15, 2005	Dec. 15, 2005

The Company's interest rate swaps qualify for the "shortcut" method allowed under SFAS No. 133, which allows for an assumption of no ineffectiveness. As such, there is no income statement impact from changes in the fair value of the hedging instruments. The net effect of the above swaps reduced our 2004 interest expense by $4.0 million. The effect of the swaps to 2003 interest expense was immaterial.

Treasury Rate Lock Agreements

We expect to issue between $750 million and $1 billion of new debt in the first half of 2005. To partially hedge the risk of future increases to the treasury rate, we have entered into agreements to lock in existing ten-year rates to hedge against such increases. The major terms of the treasury rate lock agreements are as follows.

Effective Date	Type of Hedge	Treasury Lock Rate	Notional Amount	Termination Date
			(In millions)	
Nov. 22, 2004	Cash flow	4.373%	$ 200	May 20, 2005
Dec. 16, 2004	Cash flow	4.239%	50	May 20, 2005
Dec. 16, 2004	Cash flow	4.239%	50	May 20, 2005
Dec. 16, 2004	Cash flow	4.239%	100	May 23, 2005

The Company has determined that the treasury rate lock agreements qualify for hedge accounting and are perfectly effective. As such, there is no income statement impact from changes in the fair value of the hedging instruments. The fair values of our treasury rate lock agreements are carried as assets or liabilities in our Consolidated Balance Sheet, and changes in the fair values are recorded as a component of other comprehensive income and will be reclassified to earnings over the life of the debt to be issued.

In January 2005, we hedged an additional $100 million notional amount with terms identical to the treasury locks existing as of December 31, 2004, at a rate of 4.242% and a termination date of May 20, 2005.

Commercial Paper

To provide the Company with cost-effective borrowing flexibility, we have a $200 million commercial paper program that is used to borrow funds for general corporate purposes. Although the debt instruments are short-term in tenor, they are classified as long-term debt because the commercial paper is backed by our Credit Agreement and we have committed to keep available capacity under our Credit Agreement in an amount equal to or greater than amounts borrowed under this program. At December 31, 2004, $157.8 million was outstanding under this program.

Issuance of New Debt

In addition to our Credit Agreement, we have issued debt and entered into credit agreements to provide the Company with cost-effective borrowing flexibility and to replace short-term, floating-rate debt with long-term, fixed-rate debt. The table below summarizes the face value of debt obligations entered into during the last three years and outstanding at December 31, 2004.

Debt	Issued	Matures	Face Value Outstanding at December 31, 2004
			(In millions)
Commercial Paper	2004	2005	$ 157.8
5.5% Senior Notes	June 2004	2010	750.0
5.375% Senior Notes	December 2003	2013	500.0

Subsequent to the end of 2004, we issued $250 million of Senior Floating Rate Notes due in 2008 in a Rule 144A private placement. We agreed to, upon the request by holders of a majority in aggregate principal amount of the Senior Floating Rate Notes then outstanding, to exchange the private placement offering with fully registered Senior Floating Rate Notes. If the exchange offer does not provide the holders of the Senior Floating Rate Notes freely transferable securities, we may be required to file a shelf registration statement that would allow them to resell the Senior Floating Rate Notes in the open market, subject to certain restrictions.

Extinguishments of Debt

Funds from the new debt discussed above, as well as proceeds from our Credit Agreement, were used to retire certain of our outstanding debt, in particular those debt obligations assumed in our acquisition transactions, to reduce our effective interest rate and/or lengthen maturities. The following table summarizes the debt obligations, in addition to our previous credit and letter of credit facilities that we have retired over the last three years:

Issuer	Date Retired	Debt Extinguished	Face Value Retired
			(In millions)
Horseshoe Gaming	August 2004	Senior Subordinated Notes due 2009	$ 534.1
Harrah's Operating Co	December 2003	Senior Subordinated Notes due 2005	147.1
Harrah's Operating Co	August 2003	Senior Subordinated Notes due 2005	12.4
JCC	December 2002	Senior Notes due 2008	28.2

In July 2003, our Board of Directors authorized the Company to retire, from time to time through cash purchases, portions of our outstanding debt in open market purchases, privately negotiated

transactions or otherwise. These repurchases will be funded through available cash from operations and borrowings from our established debt programs. Such repurchases will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. As of December 31, 2004, $159.5 million of our 7 7/8% Senior Subordinated Notes had been retired under this authorization.

Charges of $19.1 million representing premiums paid and write-offs of unamortized deferred financing costs associated with the early retirement of portions of our 7 7/8% Senior Subordinated Notes and of our previous credit and letter of credit facilities were recorded in 2003. In compliance with SFAS No. 145, these charges no longer qualify for presentation as extraordinary items and are, therefore, included in Income from continuing operations in our Consolidated Statements of Income.

Subsequent to the end of 2004, we retired an additional $58.3 million of our 7 7/8% Senior Subordinated Notes due in December 2005. The loss on the early extinguishment of this debt, expected to be $2.2 million, will be reported in our first quarter 2005 results.

Equity Repurchase Programs

During the past four years, our Board of Directors has authorized plans whereby we have purchased shares of the Company's common stock in the open market from time to time as market conditions and other factors warranted. The table below summarizes the plans in effect during the last four years.

Plan Authorized	Number of Shares Authorized	Number of Shares Purchased as of December 31, 2004	Average Price Per Share
July 2001	6.0 million	6.0 million	$ 37.15
July 2002	2.0 million	1.4 million	39.24
November 2002	3.0 million	1.5 million	47.54
November 2004	2.0 million	–	N/A

In November 2004, our Board of Directors authorized the purchase of 3.5 million shares of common stock in the open market and negotiated purchases through the end of 2005. The 3.5 million shares includes 1.5 million shares available to be purchased pursuant to the authorization that was to expire December 31, 2004, plus an additional 2.0 million shares. The repurchases were funded through available operating cash flows and borrowings from our established debt programs.

Guarantees of Third-Party Debt and Other Obligations and Commitments

The following tables summarize our contractual obligations and other commitments as of December 31, 2004.

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
(In millions)					
Debt	$ 5,152.4	$ 589.5	$ 501.5	$ 2,985.0	$ 1,076.4
Capital lease obligations	0.5	0.3	0.2	–	–
Operating lease obligations	567.6	43.1	95.6	55.0	373.9
Purchase orders obligations	18.2	18.2	–	–	–
Guaranteed payments to State of Louisiana	134.8	60.0	74.8	–	–
Community reinvestment	102.9	2.1	15.3	10.4	75.1
Construction commitments	323.6	323.6	–	–	–
Other contractual obligations	49.8	19.2	19.5	6.9	4.2
	$ 6,349.8	$ 1,056.0	$ 706.9	$ 3,057.3	$ 1,529.6

	Amount of Commitment Expiration Per Period				
Other Commitments	**Total amounts committed**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
(In millions)					
Guarantees of loans	$ 292.0	$ 26.4	$ 104.7	$ 160.9	$ –
Letters of credit	59.8	59.8	–	–	–
Minimum payments to tribes	96.1	14.4	42.6	27.0	12.1

The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us 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. Our aggregate monthly commitment for the minimum guaranteed payments pursuant to the contracts for the four managed Indian-owned facilities now open, which extend for periods of up to 83 months from December 31, 2004, is $1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of their obligations, including their debt service.

We may guarantee all or part of the debt incurred by Indian tribes with which we have entered a management contract to fund development of casinos on the Indian lands. For all existing guarantees of Indian debt, we have obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, that the value of such property would satisfy our obligations in the event these guarantees were enforced. Additionally, we have received limited waivers from the Indian tribes of their sovereign immunity to allow us to pursue our rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken. The aggregate outstanding balance of such debt as of December 31, 2004, was $246.7 million.

Some of our guarantees of the debt for casinos on Indian lands were modified during 2003, triggering the requirement under Financial Accounting Standards Board ("FASB") Interpretation

No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," to recognize a liability for the estimated fair value of those guarantees. Liabilities, representing the fair value of our guarantees, and corresponding assets, representing the portion of our management fee receivable attributable to our agreements to provide the related guarantees, were recorded and are being amortized over the lives of the related agreements. We estimate the fair value of the obligation by considering what premium would have been required by us or by an unrelated party. The amounts recognized represent the present value of the premium in interest rates and fees that would have been charged to the tribes if we had not provided the guarantees. The balance of the liability for the guarantees and of the related assets at December 31, 2004 and 2003, was $5.5 million and $7.0 million, respectively.

OVERALL OPERATING RESULTS

On September 27, 2004, we reached an agreement to sell the assets and certain related current liabilities of Harrah's East Chicago and Harrah's Tunica to another gaming company. The sale, which is subject to regulatory approvals, is expected to close in the first quarter of 2005. We present these properties in Assets/Liabilities held for sale and as part of our discontinued operations in our Consolidated Financial Statements. The carrying value of the net assets of these properties at December 31, 2004, is $491.9 million, and they contributed $38.2 million, net of taxes of $18.4 million, to our 2004 net income. We ceased depreciation of their assets in September 2004. Had we not ceased depreciation of these assets, additional depreciation expense of $6.9 million would have been recorded. We expect to report a gain on the sale of these two properties in the quarter in which the transaction closes. The discussion that follows is related to our continuing operations.

				Percentage Increase/(Decrease)	
(In millions, except earnings per share)	2004	2003	2002	04 vs 03	03 vs 02
Casino revenues	$ 4,077.7	$ 3,458.4	$ 3,285.9	17.9 %	5.2 %
Total revenues	4,548.3	3,948.9	3,747.9	15.2 %	5.4 %
Income from operations	791.1	678.8	708.7	16.5 %	(4.2)%
Income from continuing operations	329.5	261.1	282.2	26.2 %	(7.5)%
Net income	367.7	292.6	235.0	25.7 %	24.5 %
Earnings per share–diluted					
From continuing operations	2.92	2.36	2.48	23.7 %	(4.8)%
Net income	3.26	2.65	2.07	23.0 %	28.0 %
Operating margin	17.4%	17.2%	18.9%	0.2 pt	(1.7)pts

In 2004, total revenues increased for the seventh consecutive year and were 15.2% higher than in 2003, primarily as a result of the acquisition of Horseshoe Gaming on July 1, 2004, strong results from our properties in Southern Nevada and organic growth at most of our properties. We define organic growth as year-over-year increase in gaming revenues for properties that we have owned for both periods.

Our 2004 income from operations was 16.5% higher than in 2003, driven by the increased revenues and lower gaming taxes at our Bluffs Run property as a result of legislation that settled an issue related to gaming taxes for casinos at racetracks. Net income increased 25.7% and diluted earnings per share increased 23.0% over our 2003 results.

REGIONAL RESULTS AND DEVELOPMENT PLANS

The executive decision makers of our Company review operating results, assess performance and make decisions related to the allocation of resources on a property-by-property basis. We, therefore,

believe that each property is an operating segment and that it is appropriate to aggregate and present the operations of our Company as one reportable segment. In order to provide more detail in a more understandable manner than would be possible on a consolidated basis, our properties have been grouped as follows to facilitate discussion of our operating results:

West	East	North Central	South Central	Managed
Harrah's Reno	Harrah's Atlantic City	Harrah's Joliet	Harrah's Lake Charles	Harrah's Ak-Chin
Harrah's/Harveys Lake Tahoe	Showboat Atlantic City	Harrah's North Kansas City	Harrah's New Orleans (after June 7, 2002)	Harrah's Cherokee
Bill's		Harrah's Council Bluffs	Harrah's Louisiana Downs	Harrah's Prairie Band
Harrah's Las Vegas		Bluffs Run	Horseshoe Bossier City	Harrah's Rincon
Rio		Harrah's St. Louis	Horseshoe Tunica	Harrah's New Orleans (prior to June 7, 2002)
Harrah's Laughlin		Harrah's Metropolis		
Las Vegas Horseshoe		Horseshoe Hammond		

In addition to the properties listed above, our discontinued operations reflect the results of Harrah's East Chicago and Harrah's Tunica for all periods presented. For 2003 and 2002, discontinued operations also included the results of properties in Vicksburg, Mississippi and Central City, Colorado, both of which were sold in 2003.

West Results

				Percentage Increase/(Decrease)	
(In millions)	2004	2003	2002	04 vs 03	03 vs 02
Casino revenues	$ 1,040.8	$ 904.7	$ 847.7	15.0%	6.7%
Total revenues	1,514.9	1,346.7	1,265.5	12.5%	6.4%
Income from operations	306.0	220.8	193.9	38.6%	13.9%
Operating margin	20.2%	16.4%	15.3%	3.8 pts	1.1 pts

Southern Nevada

Our West properties posted record revenues and income from operations in 2004, driven by results from our Southern Nevada properties where strong cross-market play at, and cross-property play between, Harrah's Las Vegas and the Rio, room pricing trends in Las Vegas, record revenues at Harrah's Laughlin and revenues from Las Vegas Horseshoe, which opened on April 1, 2004, helped Southern Nevada revenues increase by 18.1% over 2003 levels. We define cross-market play as gaming by customers at Harrah's Entertainment properties other than their "home" casino. 2004 income from operations for our Southern Nevada properties was 48.7% higher than in 2003 as a result of the higher revenues and improved operating margins.

Construction began in second quarter 2004 on a 60,000-square-foot expansion of the Rio Pavilion and Convention Center in Las Vegas. The approximate $39 million expansion will increase the overall size of the Rio's convention center to 160,000 square feet and is scheduled for completion in mid-2005. As of December 31, 2004, $22.5 million had been spent on this project.

In 2003, strong cross-market and retail play, effective marketing and air charter programs and effective cost control measures drove record revenues and income from operations in Southern Nevada. We define retail play as Total Rewards customers who typically spend up to $50 per visit. 2003 revenues at our Southern Nevada properties were 9.1% higher than in 2002, and income from operations was up 24.5% over 2002.

Northern Nevada

Revenues from our Northern Nevada properties were 1.2% higher than in 2003, and income from operations was 8.3% higher than last year. With the expectation of continued expansion of Indian gaming in California, we believe that achieving growth at our Northern Nevada properties, particularly in Reno, will be a challenge.

In 2003, Northern Nevada revenues were 1.4% higher than in 2002, but income from operations was down 9.3%. Our Northern Nevada properties faced the challenge of increased competition from Indian casinos in California and weak retail and unrated play (play by customers without a Total Rewards card). Increased utilization of air charter programs and targeted marketing programs helped maintain revenues, but the costs of these programs resulted in some margin erosion.

In our 2003 annual assessment of goodwill and other nonamortizing intangible assets, we determined that the remaining goodwill associated with our Reno property was impaired. A charge of approximately $6.3 million, representing the remaining unamortized goodwill at Reno, was taken in the fourth quarter of 2003 for this impairment.

East Results

				Percentage Increase/(Decrease)	
(In millions)	**2004**	**2003**	**2002**	**04 vs 03**	**03 vs 02**
Casino revenues	$ 832.6	$ 817.1	$ 808.7	1.9 %	1.0 %
Total revenues	780.9	781.3	777.6	(0.1)%	0.5 %
Income from operations	199.8	217.3	216.9	(8.1)%	0.2 %
Operating margin	25.6%	27.8%	27.9%	(2.2)pts	(0.1)pt

2004 revenues at our East properties were level with 2003 and income from operations was down by 8.1% from last year. Showboat's revenues and income from operations, which were 2.8% and 7.7%, respectively, higher than in 2003, were aided by a new hotel tower that opened in second quarter 2003 and 450 slot machines that were added in third quarter 2003. Harrah's Atlantic City's revenues and income from operations were 2.4% and 18.0%, respectively, lower than in 2003. Harrah's Atlantic City has been more directly affected than Showboat by the new competitor in the Atlantic City market, but marketing programs to address the aggressive customer acquisition campaign of the new competitor are having some success. In addition, results at both of our Atlantic City properties were impacted by a month-long union strike during fourth quarter 2004.

Construction began in fourth quarter 2004 on a House of Blues Club at our Showboat property in Atlantic City. This approximate $61 million project will add a range of amenities to the property, including a concert hall, nightclub and restaurant, and a private member "Foundation Room." The project is scheduled for completion in late June 2005. As of December 31, 2004, $6.6 million had been spent on this project.

In 2003, contributions from recent investments at our Atlantic City properties and execution of a highly targeted marketing program helped offset the impact of a new competitor in the Atlantic City market. At Showboat Atlantic City, where a new hotel tower opened in second quarter 2003 and 450 slot machines were added in third quarter 2003, revenues were up 2.2% and income from operations was 10.1% higher than in 2002. Harrah's Atlantic City's revenues and income from operations declined 0.9% and 5.2%, respectively, from 2002 levels, as that property was more affected by the opening of the first new competitor in Atlantic City in more than a decade. An additional 500 slot machines were added at this property in December 2002.

North Central Results

(In millions)	2004	2003	2002	Percentage Increase/(Decrease) 04 vs 03	03 vs 02
Casino revenues	$ 1,323.0	$ 1,089.2	$ 1,150.6	21.5%	(5.3)%
Total revenues	1,299.9	1,070.4	1,140.8	21.4%	(6.2)%
Income from operations	249.3	189.6	254.1	31.5%	(25.4)%
Operating margin	19.2%	17.7%	22.3%	1.5pts	(4.6)pts

An agreement has been reached to sell Harrah's East Chicago; therefore, this property is no longer included in our North Central grouping. Results of Harrah's East Chicago have been classified as discontinued operations for all periods presented.

In 2004, the increases in revenues and income from operations at our North Central properties were driven by the acquisition of Horseshoe Hammond on July 1, 2004, and lower gaming taxes at our Bluffs Run property as a result of legislation that settled an issue related to gaming taxes for casinos at racetracks.

In 2003, higher gaming taxes and competitive pressures led to declines from 2002 revenues and income from operations at our North Central properties.

Chicagoland/Illinois

Combined revenues for 2004 were 50.4% higher than combined revenues for 2003, and combined income from operations was 38.3% higher than last year due to results from Horseshoe Hammond subsequent to its acquisition. Excluding results of Horseshoe Hammond, combined revenues were up 3.1% and income from operations was down 11.1% from last year as a result of increases in state gaming taxes, admission taxes and increased marketing costs.

Combined 2003 revenues and income from operations at our Chicagoland/Illinois properties were 12.1% and 34.3%, respectively, below 2002. Higher gaming and admission taxes, heightened competition and winter storms during the first quarter of 2003 were responsible for the declines. New tax legislation in Illinois in 2003 raised the maximum gaming tax rate to 70% and impacted our income from operations by $16.2 million in 2003. In order to sustain profitability under the higher tax scheme, operational changes were implemented at Joliet in the third quarter, and revenues declined as a result of these changes.

Missouri

2004 revenues at our Missouri properties were 3.9% higher than in 2003, due to higher revenues at our St. Louis property, but income from operations was 5.8% below last year. Gains at our St. Louis property, driven by recent capital investments including a new hotel tower, our Total Rewards program and improvements made to the slot floor, were more than offset by declines at our North Kansas City property where recent capital improvements by two competitors impacted results.

Construction was completed in third quarter 2004 on an $80 million expansion of Harrah's St. Louis, which included a second hotel tower, redesign of the hotel lobby, new valet parking areas, the addition of parking garage express ramps and the expansion of two restaurants and other amenities.

A $126 million expansion and property enhancement project at Harrah's North Kansas City broke ground in second quarter 2004. This project, which will add a 206-room hotel addition, new restaurants and other amenities, is scheduled for completion in the third quarter of 2005. As of December 31, 2004, $33.8 million had been spent on this project.

In 2003, combined revenues for our Missouri properties declined 4.1% from 2002 and income from operations was down 20.9% due primarily to heightened competition in both the St. Louis and North Kansas City markets. Harrah's St. Louis' rebound from the increased competition began in fourth quarter 2003, driven by our Total Rewards program and improvements made to the slot floor. In the Kansas City market, a competitor opened its expanded facility in third quarter 2003 and another competitor opened its new barge facility in fourth quarter 2003.

Iowa

2004 revenues for our Iowa properties were 6.4% higher than in 2003, and income from operations more than doubled 2003 due to lower gaming taxes in 2004 following the resolution of the gaming tax rate issues discussed below.

Casinos at racetracks in Iowa historically had been taxed at a higher rate (36% in 2004) than the casinos on riverboats operating in Iowa (20%). The Iowa Supreme Court issued an opinion in June 2002 that this disparity was unconstitutional. The State appealed the Iowa Supreme Court's decision to the United States Supreme Court and in June 2003, the United States Supreme Court overturned the ruling and remanded the case back to the Iowa Supreme Court for further consideration. In February 2004, the Iowa Supreme Court ruled that the disparity violates the Iowa Constitution, a ruling the State appealed to the United States Supreme Court in April 2004. The United States Supreme Court has declined to hear this case.

In April 2004, the Iowa legislature passed legislation to effectively settle the issues regarding the gaming tax rates. The new legislation provides for a tax rate of 22% for both riverboats and racetracks effective July 1, 2004. However, racetracks have the option to conduct table games and video games that simulate table games by paying a $10 million fee to the State and a gaming tax rate of 24%. 20% of the $10 million fee could be used to offset wagering taxes for each of the five fiscal years beginning July 1, 2008. We plan to add table games to the Bluffs Run facility in conjunction with the rebranding, renovation and expansion of that facility (see discussion below). Also, for the period July 1, 2002, to June 30, 2004, racetracks had to make a lump sum non-refundable payment to the State to enable the State to receive a total amount of taxes for that period based on a 24% tax rate. Bluffs Run paid approximately $8.9 million for this lump sum payment. During that period we had paid taxes at the 20% rate for Bluffs Run, following the State's instructions. However, given the uncertainty of this situation, we continued to accrue gaming taxes at the higher rate (between 32% and 36%) and accrued approximately $20.3 million, after consideration of the lump sum payment, in state gaming taxes that we did not have to pay. Accruals related to Iowa gaming taxes were adjusted in second quarter 2004, with $3.7 million, representing the adjustment for first quarter 2004, credited to the property's income from operations and $16.6 million, representing the adjustment for prior periods, credited to write-downs, reserves and recoveries.

In accordance with previous agreements and as additional purchase price consideration, a payment of approximately $73 million was made to Iowa West Racing Association ("Iowa West"), the entity holding the pari-mutuel and gaming license for the Bluffs Run Casino and with whom we have a management agreement to operate that property. The additional payment to Iowa West increased goodwill attributed to the Bluffs Run property. The payment to Iowa West assumed we will operate table games at Bluffs Run and pay a 24% tax rate; however, Iowa West has taken the position that the purchase price adjustment should be based on a tax rate of 22%, which would result in an additional $12 million payment to Iowa West. If an additional payment is required, it will increase goodwill attributed to this property. We anticipate that the issue will be resolved by arbitration during 2005.

In fourth quarter 2004, we announced plans to rebrand the Bluffs Run Casino under the Horseshoe brand as part of an $85 million renovation and expansion of that property. The property's

greyhound racetrack will remain in operation and retain the Bluffs Run brand. Construction began in February 2005 with completion scheduled for the first quarter of 2006.

Combined 2003 revenues from our Iowa properties were 0.9% above 2002 revenues, but income from operations was 10.5% below 2002 due, in part, to higher gaming taxes at our Bluffs Run property, where gaming taxes increased in accordance with a predetermined rate increase.

South Central Results

(In millions)	2004	2003	2002	Percentage Increase/(Decrease) 04 vs 03	03 vs 02
Casino revenues	$ 880.7	$ 647.0	$ 478.4	36.1%	35.2%
Total revenues	875.9	659.9	488.2	32.7%	35.2%
Income from operations	123.1	92.3	78.7	33.4%	17.3%
Operating margin	14.1%	14.0%	16.1%	0.1pt	(2.1)pts

An agreement has been reached to sell Harrah's Tunica; therefore, this property is no longer included in our South Central grouping. Results of Harrah's Tunica have been classified as discontinued operations for all periods presented.

Combined 2004 revenues and income from operations were higher by 32.7% and 33.4%, respectively, than in 2003 due to results from Horseshoe Bossier City and Horseshoe Tunica subsequent to their July 1, 2004, acquisition and increased revenues from Louisiana Downs, Harrah's New Orleans and Harrah's Lake Charles and partially offset by the loss of revenues in 2004 due to the sale of Harrah's Shreveport. The permanent facility at Louisiana Downs opened in second quarter 2004 with 1,400 slot machines. 900 slot machines had been in service since second quarter 2003 at Louisiana Downs.

Combined 2003 revenues at our South Central properties were up 35.2% and combined income from operations was up 17.3%, driven by a full year of consolidation of New Orleans' results subsequent to the acquisition of a controlling interest in that property in early June 2002 and results from Louisiana Downs, which was acquired in December 2002. Harrah's New Orleans contributed $285.4 million in revenues and $46.8 million in income from operations in 2003 compared to $154.5 million in revenues and $16.0 million in income from operations subsequent to its consolidation in 2002. The opening of an expanded buffet and new steakhouse at Harrah's New Orleans in 2003 attracted new business to that property. Prior to our acquisition of a controlling interest in that property, we had limited ability to invest in amenities, and we are now actively pursuing such opportunities. Construction began in second quarter 2004 on a 26-story, 450-room, $150 million hotel tower at Harrah's New Orleans. The property does not currently operate a hotel, although it does utilize rooms at third-party hotels. The hotel is expected to open in the first quarter of 2006. $23.8 million had been spent on this project as of December 31, 2004.

On December 20, 2002, we completed our acquisition of a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana, and in May 2003, 900 slot machines were placed in service there. Construction was completed during second quarter 2004 on Phase II of the expansion of Louisiana Downs, which included a new, permanent facility with approximately 1,400 slot machines. Our renovation and expansion of Louisiana Downs cost approximately $110 million. Louisiana Downs contributed $56.9 million in revenues in 2003, but preopening costs related to the introduction of slot machines at the facility drove a loss from operations of $1.4 million.

Our Lake Charles property has faced increasing competition over the last several years, including the addition of slot machines at a racetrack located closer than our property to one of our Texas feeder markets and additional Indian casino offerings. Approximately $56.1 million of goodwill is allocated to

the Lake Charles property. The operating results for the property did improve in 2004 over the prior year; however, a new competitor is expected to open in the Lake Charles market in mid-2005. Should the opening of the new competitor negatively impact operating results at our Lake Charles property, it could impact the analysis for the impairment of goodwill for that operating unit.

Due to a decision to sell Harrah's Shreveport, which was completed in second quarter 2004, we classified that property in Assets held for sale on our Consolidated Balance Sheets and ceased depreciating its assets. Since the Horseshoe Gaming acquisition gave us a continued presence in the Shreveport-Bossier City market, Harrah's Shreveport's operating results were not classified as discontinued operations. No gain or loss was recorded on this sale.

On June 30, 2003, we announced an agreement to sell Harrah's Vicksburg and that sale was completed on October 27, 2003. 2003 results for Harrah's Vicksburg were presented as discontinued operations and results for 2002 were reclassified to conform to the 2003 presentation. A loss of $0.5 million, net of tax, resulted from this sale.

Managed Casinos and Other

				Percentage Increase/(Decrease)	
(In millions)	**2004**	**2003**	**2002**	**04 vs 03**	**03 vs 02**
Revenues	$ 76.7	$ 90.6	$ 75.7	(15.3)%	19.7%
Income/(loss) from operations	(16.7)	11.4	21.6	N/M	(47.2)%

N/M = Not meaningful

With the acquisition of the remaining interest in the New Orleans casino in 2002, our managed casinos now consist of four tribal casinos. The table below gives the location and expiration date of the current management contracts for our Indian properties as of December 31, 2004.

Casino	Location	Expiration of Management Agreement
Harrah's Cherokee	Cherokee, North Carolina	November 2011
Harrah's Ak-Chin	near Phoenix, Arizona	December 2009
Harrah's Rincon	near San Diego, California	November 2011
Harrah's Prairie Band	near Topeka, Kansas	January 2008

Our 2004 managed casinos and other results were lower than in 2003 due to lower fee structures at some of our managed casinos where management agreements have been extended. New contracts may provide for reductions in management fees; however, expansions at the properties are expected to increase the fee base and keep the overall income stream stable.

Also included in managed casinos and other are our development expenses, brand marketing costs, losses from nonconsolidating subsidiaries and other costs that are directly related to our casino operations and development but are not property specific.

We recently suspended operation of LuckyMe, our on-line gaming initiative in the United Kingdom. No material charges were recorded as a result of this action. Losses related to LuckyMe were approximately $9.3 million for 2004.

Revenues from our managed properties were higher in 2003 than in the previous year due to a full year of management fees from Harrah's Rincon Casino and Resort, owned by the Rincon San Luiseno Band of Mission Indians ("Rincon") in Southern California, which opened in August 2002. The increased fees from Rincon were partially offset by changes in fee structures provided by extended

management agreements and by the elimination of management fees from Harrah's New Orleans subsequent to its consolidation with our financial results in June 2002.

Construction began in January 2004 on a $60 million expansion of Harrah's Cherokee Smoky Mountains Casino in Cherokee, North Carolina, that will add a 15-story hotel tower with approximately 320 rooms, which is scheduled for completion in second quarter 2005. A 252-room hotel and 30,000-square-foot conference center opened at that property in second quarter 2002, and in fourth quarter 2002, an expansion project was completed that added approximately 22,000 square feet of casino space.

A $165 million expansion of the Harrah's Rincon property was completed in December 2004. The expansion added a 21-story hotel tower with approximately 460 rooms, a spa, a new hotel lobby, additional meeting space, additional casino space and a 1,200-space parking structure.

Construction was completed in August 2004 on a $55 million expansion project at Harrah's Prairie Band. The expansion includes the addition of approximately 200 hotel rooms, a 12,000-square-foot convention center and a new restaurant.

Construction costs of Indian casinos and hotels have been funded by the tribes or by the tribes' debt, some of which we guarantee. See DEBT AND LIQUIDITY for further discussion of our guarantees of debt related to Indian projects.

Other Factors Affecting Net Income

				Percentage Increase/(Decrease)	
(Income)/Expense	**2004**	**2003**	**2002**	**04 vs 03**	**03 vs 02**
(In millions)					
Development costs	$ 18.5	$ 19.6	$ 9.5	(5.6)%	N/M
Write-downs, reserves and recoveries	9.6	10.5	4.5	(8.6)%	N/M
Project opening costs	9.5	7.4	1.7	28.4%	N/M
Corporate expense	66.8	52.6	56.6	27.0%	(7.1)%
Merger and integration costs for Caesars acquisition	2.3	–	–	N/M	N/M
Amortization of intangible assets	9.4	4.8	4.5	95.8%	6.7%
Interest expense, net	271.8	234.4	240.2	16.0%	(2.4)%
Losses on early extinguishments of debt	–	19.1	–	N/M	N/M
Other income	(9.5)	(2.9)	(2.1)	N/M	38.1%
Effective tax rate	36.1%	36.3%	37.1%	(0.2)pt	(0.8)pt
Minority interests	$ 8.6	$ 11.6	$ 14.0	(25.9)%	(17.1)%
Discontinued operations, net of income taxes	(38.2)	(31.6)	(44.0)	20.9%	(28.2)%
Change in accounting principle, net of income taxes	–	–	91.2	N/M	N/M

N/M = Not meaningful

Development costs for 2004 were lower than in 2003 due to changes in or timing of development activities in jurisdictions, including Rhode Island, Pennsylvania and the United Kingdom, that are considering allowing development and operation of casinos or casino-like operations. Subsequent to the end of 2004, we dissolved the joint venture formed in 2003 with Gala Group, a United Kingdom ("UK") based gaming operator, to develop regional casinos in the UK in response to the UK government's proposal to restrict development of regional casinos. We will focus on opportunities to

develop large-scale destination casino resorts with more than 50,000 square feet of gaming space, as well as hotel rooms, restaurants and entertainment venues.

Write-downs, reserves and recoveries include various pretax charges to record asset impairments, contingent liabilities reserves, project write-offs, demolition costs and recoveries at time of sale and of previously recorded reserves and other nonroutine transactions. In 2004, we began tracking demolition costs separate from project opening costs. The components of Write-downs, reserves and recoveries were as follows:

(In millions)	2004	2003	2002
Contribution to The Harrah's Foundation	$ 10.0	$ –	$ –
Demolition costs	5.8	–	–
Write-off of abandoned assets and other costs	4.9	2.6	6.3
Settlement of litigation	3.5	–	–
Termination of contracts	2.0	–	0.2
Reversal of prior year Iowa gaming tax accrual	(16.6)	–	–
Impairment of goodwill	–	6.3	–
Impairment of long-lived assets	–	2.5	1.5
Settlement of sales tax contingency	–	(0.9)	(6.5)
Charge for structural repairs at Reno	–	–	5.0
Recoveries from previously impaired assets and reserved amounts	–	–	(2.0)
	$ 9.6	$ 10.5	$ 4.5

Project opening costs for each of the three years presented include costs incurred in connection with the integration of acquired properties into Harrah's Entertainment's systems and technology and costs incurred in connection with expansion and renovation projects at various properties.

Corporate expense increased 27.0% in 2004 from 2003, primarily due to higher incentive compensation plan expenses, on-going costs related to Sarbanes-Oxley compliance and increased depreciation expense.

Merger and integration costs for the Caesars acquisition include costs for consultants and dedicated internal resources to plan for the merger and integration of Caesars into Harrah's Entertainment.

Amortization of intangible assets increased in 2004 due to amortization of intangible assets acquired from Horseshoe Gaming on July 1, 2004, based on the preliminary purchase price allocation for that acquisition.

Interest expense was higher in 2004 than in 2003 due to additional debt related to our acquisition of Horseshoe Gaming on July 1, 2004. For our fixed-rate debt subject to interest rate swap agreements, the average interest rate received was 7.6%. The average interest rate on our variable-rate debt, excluding the impact of our swap agreements, was 3.2% at December 31, 2004, compared to 2.3% at December 31, 2003. A change in interest rates will impact our financial results. For example, assuming a constant outstanding balance for our variable-rate debt for the next twelve months, a hypothetical 1% change in corresponding interest rates would change interest expense for the next twelve months by approximately $22.4 million. Our variable-rate debt, including $500 million of fixed-rate debt for which we have entered into interest rate swap agreements, represents approximately 43% of our total debt, while our fixed-rate debt is approximately 57% of our total debt. (For discussion of our interest rate swap agreements, see DEBT AND LIQUIDITY, Derivative Instruments, Interest Rate Swaps.)

Losses on early extinguishments of debt in 2003 represent premiums paid and write-offs of unamortized deferred financing costs associated with debt retired before maturity. In compliance with

SFAS No. 145 these losses on early extinguishments of debt no longer qualify for presentation as extraordinary items. (See DEBT AND LIQUIDITY, Extinguishments of Debt.)

2004 Other income includes interest income on the cash surrender value of life insurance policies, benefits from a life insurance policy, interest income related to the sale of land and other miscellaneous non-operating items. 2003 Other income included interest income on the cash surrender value of life insurance policies and settlement of a litigation claim, partially offset by benefits from a life insurance policy. 2002 Other income included interest income on the cash surrender value of life insurance policies, net proceeds from litigation settlements and other miscellaneous items.

The effective tax rate for 2004, as well as for 2003 and 2002, is higher than the federal statutory rate primarily due to state income taxes. Our effective tax rate is affected by the mix of taxable income among the various states.

Minority interests reflect minority owners' shares of income from our majority owned subsidiaries.

Discontinued operations reflect the results of Harveys Wagon Wheel Hotel/Casino in Central City, Colorado, Harrah's Vicksburg, Harrah's East Chicago and Harrah's Tunica. Harveys Colorado and Harrah's Vicksburg were sold in 2003. 2003 and 2002 results for these properties have been reclassified to conform to the 2004 presentation. (See Note 3 to our Consolidated Financial Statements.)

The change in accounting principle represents the first quarter 2002 charge for the impairment of Rio's goodwill and trademark recorded in connection with the implementation of SFAS No. 142. (See Note 4 to our Consolidated Financial Statements.)

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

Competitive Pressures

Due to the limited number of new markets opening for development in recent years, many casino operators are reinvesting in existing markets to attract new customers, thereby increasing competition in those markets. As companies have completed expansion projects, supply has typically grown at a faster pace than demand in some markets and competition has increased significantly. Furthermore, several operators, including Harrah's Entertainment, have announced plans for additional developments or expansions in some markets.

The Louisiana legislature has authorized the use of slot machines at horse racing tracks in four parishes in Louisiana. We operate casinos in three of these markets. In first quarter 2002, a horse racing facility, located in one of those parishes where the use of slot machines has been authorized and near our property in Lake Charles, Louisiana, opened with approximately 1,500 machines. The horse racing facility is approximately 25 miles closer to one of our major feeder markets than our property. Revenues and income from operations at our Lake Charles property have been negatively impacted by the addition of this new competitor. In fourth quarter 2002, we acquired a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana, which is in another of the parishes where the use of slot machines has been authorized. In Orleans Parish, where Harrah's New Orleans is located, voters approved the use of slot machines at a racetrack in October 2003.

In the third quarter of 2001, the State of Louisiana selected a competitor to receive the fifteenth and final riverboat gaming license to be issued by the State, under the legislation legalizing riverboat gaming in that State. The competitor's project is for a riverboat casino in Lake Charles. Construction of that facility began in September 2003, and it is anticipated to open by mid-2005. We believe that the new riverboat competition in the Lake Charles area will have a negative impact on our operations there.

In Atlantic City, a competitor opened a 2,000-room hotel and casino in July 2003 and in 2004, announced plans to expand gaming and nongaming amenities, including a new hotel tower, at that

property. A competitor in Missouri completed a large casino expansion in third quarter 2002 that is located near our St. Louis property, a competitor in the Joliet market completed a new barge facility in second quarter 2002 and another competitor in the Chicagoland market replaced its boats with barges in second quarter 2003. In the Kansas City market, a competitor opened its expanded facility in third quarter 2003 and another competitor opened its new barge facility in fourth quarter 2003. The short-term impact of increased competition in these markets has been negative.

A competitor is scheduled to open a new property in Las Vegas in the second quarter of 2005, which could impact our properties there.

In October 2001, the legislature of the State of New York approved a bill authorizing six new tribal casinos in that state and video lottery terminals at tracks. The measure allows the governor of New York to negotiate gaming compacts with American Indian tribes to operate three casinos in the Catskills and three casinos in western New York.

In September 1999, the State of California and approximately 60 Indian tribes executed Class III Gaming Compacts, which other California tribes can join. The Compacts will allow each tribe to operate, on tribal trust lands, two casinos with up to 2,000 slot machines per tribe and unlimited house-banked card games. Our own agreements with Rincon are a result of these events (see REGIONAL RESULTS AND DEVELOPMENT PLANS, Managed Casinos and Other).

Other states are also considering legislation enabling the development and operation of casinos or casino-like operations.

Although the short-term effect of such competitive developments on our Company generally has been negative, we are not able to determine the long-term impact, whether favorable or unfavorable, that these trends and events will have on current or future markets. We believe that the geographic diversity of our operations; our focus on multi-market customer relationships; our service training, our rewards and customer loyalty programs; and our continuing efforts to establish our brands as premier brands upon which we have built strong customer loyalty have well-positioned us to face the challenges present within our industry. We utilize the capabilities of WINet, a sophisticated nationwide customer database, and Total Rewards, a nationwide loyalty program that allows our customers to earn cash, comps and other benefits for playing at Harrah's Entertainment casinos. We believe these sophisticated marketing tools provide us with competitive advantages, particularly with players who visit more than one market.

Political Uncertainties

The casino entertainment industry is subject to political and regulatory uncertainty. From time to time, individual jurisdictions have also considered legislation or referendums, which could adversely impact our operations. The likelihood or outcome of similar legislation and referendums in the future cannot be predicted.

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 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 our financial results.

Addition of International Operations

The planned acquisition of Caesars will include certain properties located in countries outside the United States. International operations are subject to inherent risks including variation in local economies, currency fluctuation, greater difficulty in accounts receivable collection, trade barriers, burden of complying with a variety of international laws and political and economic instability.

In addition, Caesars has announced plans to develop and operate a casino in the United Kingdom, partnering with Quintain Estates and Development Group. Development in the United Kingdom is dependent on passage of proposed legislative reform in the United Kingdom gaming laws and regulations and on receipt of a gaming license.

Economic Conditions

Historically, economic conditions have had little effect on our operations, but we believe that adverse economic conditions could affect future results. We feel that our marketing programs, use of our technology to change the mix of slot machines and table games and our cost management programs have helped, in the past, to offset the impact of a sluggish economy.

National Defense and Homeland Security Matters

The September 11, 2001, terrorist attacks, the potential for future terrorist attacks, the national and international responses to terrorist attacks and other acts of war or hostility have created many economic and political uncertainties, which could adversely affect our business and results of operations in ways that cannot presently be predicted. For example, the United States Coast Guard is considering regulations designed to increase homeland security, which, if passed, could affect some of our properties and require significant expenditures to bring such properties into compliance. Furthermore, given current conditions in the global insurance markets, we are predominantly uninsured for losses and interruptions caused by terrorist acts and acts of war.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies, including the estimated lives assigned to our assets, the determination of bad debt, asset impairment, fair value of self-insurance reserves and the calculation of our income tax liabilities, require that we apply significant judgment in defining the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. Our judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. There can be no assurance that actual results will not differ from our estimates. The policies and estimates discussed below are considered by management to be those in which our policies, estimates and judgments have a significant impact on issues that are inherently uncertain.

Property and Equipment

We have significant capital invested in our property and equipment, which represents approximately 55% of our total assets. Judgments are made in determining the estimated useful lives of assets, salvage values to be assigned to assets and if or when an asset has been impaired. The accuracy of these estimates affects the amount of depreciation expense recognized in our financial results and whether we have a gain or loss on the disposal of the asset. We assign lives to our assets based on our standard policy, which is established by management as representative of the useful life of each category of asset. We review the carrying value of our property and equipment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the operating unit level, which for most of our assets is the individual casino.

Goodwill and Other Intangible Assets

We have approximately $2.2 billion in goodwill and other intangible assets in our Consolidated Balance Sheets resulting from our acquisition of other businesses. The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. To the extent that the purchase price exceeds the fair value of the net identifiable tangible and intangible assets aquired, such excess is allocated to goodwill.

An accounting standard adopted in 2002 requires a review at least annually of goodwill and other nonamortizing intangible assets for impairment. We completed our initial assessment for impairment of goodwill and other nonamortizing intangible assets and recorded an impairment charge in first quarter 2002. We complete our annual assessment for impairment in fourth quarter each year, and in fourth quarter 2003, we determined that, except for the goodwill associated with Harrah's Reno, goodwill and intangible assets with indefinite lives have not been impaired. A charge was recorded in fourth quarter for the impairment of Reno's remaining goodwill. The annual evaluation of goodwill and other nonamortizing intangible assets requires the use of estimates about future operating results of each reporting unit to determine their estimated fair value. Changes in forecasted operations can materially affect these estimates. Once an impairment of goodwill or other intangible assets has been recorded, it cannot be reversed.

Total Rewards Point Liability Program

Our customer rewards program, Total Rewards, offers incentives to customers who gamble at our casinos throughout the United States. Prior to 2003, customers received cash-back and other offers made in the form of coupons that were mailed to the customer and were redeemable on a subsequent visit to one of our properties. The coupons generally expired 30 days after they were issued. Given the requirement of a return visit to redeem the offer and the short-term expiration date, with no ability to renew or extend the offer, we recognized the expense of these offers when the coupons were redeemed.

In fourth quarter 2002, a decision was made to change our Total Rewards program in 2003 to give our customers greater flexibility and control over the rewards they receive for playing at our casinos. Under the new program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. As a result of the ability of the customer to bank the Reward Credits under the revised program, our accounting for the Total Rewards program changed and we accrue the expense of Reward Credits, after consideration of estimated breakage, as they are earned. To implement this change in the program, an initial bank of Reward Credits was offered to our existing customers. The amount of credits offered for this initial bank was calculated based upon 2002 tracked play at our casinos. As a result of the decision to extend this initial offer, an accrual of $6.9 million was recorded in 2002 to recognize our estimate of the expense of this implementation offer. Under the current program, the value of the cost to provide Reward Credits is expensed as the Reward Credits are earned. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. We use historical data to assist in the determination of estimated accruals. At December 31, 2004 and 2003, $36.2 million and $25.7 million, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions. The Company is planning to integrate the properties acquired from Horseshoe Gaming in 2004 into our Total Rewards Program during 2005.

Our Horseshoe properties have a customer rewards program in which customers earn points based on their play. These points are primarily redeemable for cash and expire after one year. The liability

related to the outstanding points, which is based on historical redemption activity, was $3.0 million at December 31, 2004.

Bad Debt Reserves

We reserve an estimated amount for receivables that may not be collected. Methodologies for estimating bad debt reserves range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. At December 31, 2004 and 2003, we had $48.6 million and $51.5 million, respectively, in our bad debt reserve. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating our reserves for bad debts.

Self-Insurance Accruals

We are self-insured up to certain limits for costs associated with general liability, workers' compensation and employee health 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. At December 31, 2004 and 2003, we had total self-insurance accruals reflected in our Consolidated Balance Sheets of $97.6 million and $89.3 million, respectively. In estimating these costs, we consider historical loss experience and make judgments about the expected levels of costs per claim. We also rely on independent consultants to assist in the determination of estimated accruals. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals; however, changes in health care costs, accident frequency and severity and other factors can materially affect the estimate for these liabilities. We continually monitor the potential for changes in estimates, evaluate our insurance accruals and adjust our recorded provisions.

Income Taxes

We account for income taxes under SFAS No. 109, "Accounting for Income Taxes," whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or income tax returns. The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets and liabilities are determined based on differences between financial statement carrying amounts of existing assets and their respective tax bases using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We are unaware of any circumstances that would cause the deferred tax assets to not be realizable, except as indicated in Note 10 to our Consolidated Financial Statements where the Company has provided a valuation allowance on certain state net operating losses and other deferred state tax assets. Although the Company consistently generates taxable income on a consolidated basis, these assets were not deemed realizable because they are attributable to subsidiaries that are not expected to produce future taxable earnings. Additionally, certain of the Company's prior year returns are under exam by the Internal Revenue Service as well as other taxing authorities. In the event that the taxing authorities ultimately sustain adjustments to the Company's previously reported taxable income, the Company will remit payments accordingly. Although the additional tax payments coupled with the expiration of bonus depreciation provisions in 2005 could cause total payments to exceed the reported amount of income tax expense, we do not expect these items to have a material impact on the Company's liquidity.

RECENTLY ISSUED AND PROPOSED ACCOUNTING STANDARDS

The following are accounting standards adopted or issued in 2004 that could have an impact to our Company.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as "special-purpose entities." Companies were required to apply the provisions of FIN 46 prospectively for all variable interest entities created after January 31, 2003. In December 2003, the FASB issued a revision to FIN 46 to clarify some of the provisions of the original interpretation and to exempt certain entities from its requirements. The additional guidance explains how to identify variable interest entities and how an enterprise should assess its interest in an entity to decide whether to consolidate that entity. Application of revised FIN 46 was required for public companies with interests in "special- purpose entities" for periods ending after December 15, 2003. Application for public entities for all other types of entities was required in financial statements for periods ending after March 15, 2004. The adoption of FIN 46 did not have a significant impact on our results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment." Public companies (other than those filing as small business issuers) will be required to apply SFAS No. 123(R) as of the first interim or annual reporting period that begins after June 15, 2005. SFAS No. 123(R) requires that we recognize an expense for our equity-based compensation programs, including stock options. We are currently evaluating the provisions of SFAS No. 123(R) to determine its impact on our future financial statements.

RISK FACTORS RELATING TO OUR BUSINESS

The Company is subject to extensive governmental regulation and taxation policies, the enforcement of which could adversely impact our business, financial condition and results of operations.

We are subject to extensive gaming regulations and political and regulatory uncertainty. Regulatory authorities at the U.S. federal, state and local levels have broad powers with respect to the licensing of casino operations and may revoke, suspend, condition or limit our gaming or other licenses, impose substantial fines and take other actions, any one of which could adversely impact our business, financial condition and results of operations. From time to time, individual jurisdictions have also considered legislation or referendums, which could adversely impact our operations. The likelihood or outcome of similar legislation and referendums in the future cannot be predicted.

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, including increases in tax rates, which would affect the industry. If adopted, such changes could adversely impact Harrah's business, financial condition and results of operations.

The development and construction of new hotels, casinos and gaming venues and the expansion of existing ones are susceptible to delays, cost overruns and other uncertainties, which could have an adverse effect on the Company's business, financial condition and results of operations.

We may decide to develop, construct and open new hotels, casinos and other gaming venues in response to opportunities that may arise. If the Caesars merger is consummated, we will also continue to develop the projects that are currently being undertaken by Caesars. Future development projects and acquisitions may require significant capital commitments and could result in potentially dilutive issuances of equity securities, the incurrence of additional debt, guarantees of third party-debt, the

incurrence of contingent liabilities and an increase in amortization expense related to intangible assets, which could have an adverse effect upon our business, financial condition and results of operations. The development and construction of new hotels, casinos and gaming venues and the expansion of existing ones are susceptible to various risks and uncertainties, such as:

- the existence of acceptable market conditions and demand for the completed project;
- general construction risks, including cost overruns, change orders and plan or specification modification, shortages of equipment, materials or skilled labor, labor disputes, unforeseen environmental, engineering or geological problems, work stoppages, fire and other natural disasters, construction scheduling problems and weather interferences;
- changes and concessions required by governmental or regulatory authorities;
- delays in obtaining, or inability to obtain, all licenses, permits and authorizations required to complete the project; and
- disruption of our existing operations and facilities.

Our failure to complete any new development or expansion project as planned, on schedule, within budget or in a manner that generates anticipated profits, could have an adverse effect on our business, financial condition and results of operations.

Servicing our indebtedness will require a significant amount of cash, and our ability to generate cash depends on many factors beyond its control.

Our ability to make payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. Harrah's Entertainment, Inc. is a holding company and Harrah's Operating Company conducts substantially all of its operations through its subsidiaries. As a result, our ability to meet our debt service obligations substantially depends upon our subsidiaries' cash flow and payments of funds to us by our subsidiaries. This ability, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. An economic downturn in a region in which we operate, or will operate after the merger, may adversely impact our business, results of operations and financial condition.

Based on Harrah's Entertainment's current level of operations and recent acquisitions, including the pending acquisition of Caesars, we believe our cash flow from operations, available cash and available borrowings under our credit facility will be adequate to meet our liquidity needs for the foreseeable future. There can be no assurances, however, that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our credit facility in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. There can be no assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Acts of terrorism and war may negatively impact the Company's future profits.

Terrorist attacks and other acts of war or hostility have created many economic and political uncertainties. We cannot predict the extent to which terrorism, security alerts or war, or hostilities in Iraq will continue to directly or indirectly impact our business and operating results. For example, the United States Coast Guard is considering regulations designed to increase homeland security, which, if passed, could affect some of our properties and require significant expenditures to bring such properties into compliance. In addition, as a consequence of the threat of terrorist attacks and other acts of war or hostility in the future, premiums for a variety of insurance products have increased, and some types of insurance are no longer available. Given current conditions in the global insurance

markets, we are predominately uninsured for losses and interruptions caused by terrorist acts and acts of war. If any such event were to affect our properties, we would likely be adversely impacted.

Work stoppages and other labor problems could negatively impact the Company's future profits.

Some of our employees are represented by labor unions. A lengthy strike or other work stoppage at one of our casino properties or construction projects could have an adverse effect on our business and results of operations. From time to time we have also experienced attempts to unionize certain of our non-union employees. While these efforts have achieved only limited success to date, we cannot provide any assurance that we will not experience additional and more successful union activity in the future.

The Company may not realize all of the anticipated benefits of the merger with Caesars.

Our ability to realize the anticipated benefits of the merger will depend, in part, on our ability to integrate the businesses of Caesars with our businesses. The combination of two independent companies is a complex, costly and time-consuming process. This process may disrupt the business of either or both of the companies, and may not result in the full benefits expected by us and Caesars. The difficulties of combining the operations of the companies include, among others:

- coordinating marketing functions;
- unanticipated issues in integrating information, communications and other systems;
- unanticipated incompatibility of purchasing, logistics, marketing and administration methods;
- retaining key employees;
- consolidating corporate and administrative infrastructures;
- the diversion of management's attention from ongoing business concerns; and
- coordinating geographically separate organizations.

There is no assurance that the combination of Caesars with the Company will result in the realization of the full benefits anticipated from the merger.

PRIVATE SECURITIES LITIGATION REFORM ACT

This Annual Report on Form 10-K contains or may contain "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. Further, statements that include words such as "may," "will," "project," "might," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue" or "pursue," or the negative of these words or other words or expressions of similar meaning may identify forward-looking statements. These forward-looking statements are found at various places throughout the report. These forward-looking statements, including, without limitation, those relating to future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings and future financial results, wherever they occur in this report, are necessarily estimates reflecting the best judgment of the management of the Company and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors set forth from time to time in the Company's reports filed with the Securities and Exchange Commission.

In addition to the risk factors identified elsewhere, important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation:

- the effects of local and national economic, credit and capital market conditions on the economy in general, and on the gaming and hotel industry in particular;
- construction factors, including delays, increased costs for labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues;
- the effects of environmental and structural building conditions relating to our properties;
- the ability of the Company to complete the merger with Caesars and to timely and cost-effectively integrate Caesars and Horseshoe into the Company's operations;
- access to available and feasible financing, including financing for the merger of Caesars into the Company, on a timely basis;
- the ability of purchasers of any of our assets subject to sale agreements to close the purchases on a timely basis;
- changes in laws, including increased tax rates, regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies;
- litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;
- the ability of our customer-tracking, customer loyalty and yield-management programs to continue to increase customer loyalty and same store or hotel sales;
- the ability to recoup costs of capital investments through higher revenues;
- acts of war or terrorist incidents;
- abnormal gaming holds; and
- the effects of competition, including locations of competitors and operating and market competition.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report. The Company undertakes no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events, except as required by law.

ITEM 7A. Quantitative and Qualitative Disclosure About Market Risk.

We are exposed to market risk, primarily changes in interest rates. We attempt to limit our exposure to interest rate risk by managing the mix of our debt between fixed rate and variable rate obligations. Of our approximate $5.2 billion total debt at December 31, 2004, $2.2 billion, including the fixed-rate debt for which we have entered into interest rate swap agreements, is subject to variable interest rates. The average interest rate on our variable-rate debt, excluding the impact of our swap agreements, was 3.2% at December 31, 2004. Assuming a constant outstanding balance for our variable rate debt for the next twelve months, a hypothetical 1% change in interest rates would change interest expense for the next twelve months by approximately $22.4 million. We utilize interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. We also utilize treasury rate

locks to hedge the risk of future treasury rate increases for certain forecasted debt issuances. We do not purchase or hold any derivative financial instruments for trading purposes.

The table below provides information as of December 31, 2004, about our financial instruments that are sensitive to changes in interest rates, including debt obligations, interest rate swaps and treasury rate locks. For debt obligations, the table presents notional amounts and weighted average interest rates by contractual maturity dates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract and weighted average variable rates are based on implied forward rates in the yield curve as of December 31, 2004. For treasury rate locks, notional amounts are presented by contractual maturity dates, and average lock rates are based on contractual terms.

(In millions)	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
Liabilities:								
Long-term debt								
Fixed rate	$ 589.8	$ 1.7	$ 498.2	$ 1.8	$ 501.0	$ 1,822.6	$ 3,415.1	$ 3,676.9(1)
Average interest rate	7.9%	7.3%	7.1%	7.1%	7.5%	6.2%	6.8%	
Variable rate	$ –	$ –	$ –	$ –	$ 1,737.8	$ –	$ 1,737.8	$ 1,737.8(1)
Average interest rate	–%	–%	–%	–%	3.2%	–%	3.2%	
Interest Rate Derivatives:								
Interest rate swaps								
Fixed to variable	$ 300.0	$ –	$ 200.0	$ –	$ –	$ –	$ 500.0	$ (5.1) (2)
Average pay rate	8.1%	7.9%	8.2%	–%	–%	–%	8.1%	
Average receive rate	7.6%	7.1%	7.1%	–%	–%	–%	7.6%	
Treasury rate locks								
Notional amount	$ 400.0	$ –	$ –	$ –	$ –	$ –	$ 400.0	$ 1.9(2)
Average lock rate	4.3%	–%	–%	–%	–%	–%	4.3%	

(1) The fair values are based on the borrowing rates currently available for debt instruments with similar terms and maturities and market quotes of the Company's publicly traded debt.

(2) The fair values are based on market prices obtained from dealer quotes.

Our long-term variable rate debt reflects borrowings under revolving credit and letter of credit facilities provided to us by a consortium of banks with a total capacity of $2.5 billion. The interest rates charged on borrowings under these facilities are a function of the London Inter-Bank Offered Rate, or LIBOR and prime rate and are based on the rates as of December 31, 2004. As such, the interest rates charged to us for borrowings under the facilities are subject to change as LIBOR changes.

Foreign currency translation gains and losses were not material to our results of operations for the year ended December 31, 2004. Although we are pursuing development opportunities in the United Kingdom, we currently have no material ownership interests in businesses in foreign countries. Accordingly, we are not currently subject to material foreign currency exchange rate risk from the effects that exchange rate movements of foreign currencies would have on our future operating results or cash flows.

ITEM 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Harrah's Entertainment, Inc.
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Harrah's Entertainment, Inc. and subsidiaries (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Harrah's Entertainment, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 4 to the Consolidated Financial Statements, the Company changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, in 2002 and recorded a cumulative effect of a change in accounting principle in the first quarter of 2002.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
February 28, 2005

HARRAH'S ENTERTAINMENT, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	December 31,	
	2004	2003
Assets		
Current assets		
Cash and cash equivalents	$ 488,960	$ 397,942
Receivables, less allowance for doubtful accounts of $48,589 and $51,466	130,520	90,991
Deferred income taxes (Note 10)	30,073	68,323
Income tax receivable	46,032	36,166
Prepayments and other	66,000	55,929
Inventories	25,573	22,546
Total current assets	787,158	671,897
Land, buildings, riverboats and equipment		
Land and land improvements	881,031	729,441
Buildings, riverboats and improvements	3,788,375	3,217,386
Furniture, fixtures and equipment	1,648,961	1,361,963
Construction in progress	202,271	111,219
	6,520,638	5,420,009
Less: accumulated depreciation	(1,775,661)	(1,581,134)
	4,744,977	3,838,875
Assets held for sale (Note 3)	502,602	688,106
Goodwill (Notes 2 and 4)	1,354,738	701,133
Intangible assets (Notes 2 and 4)	861,355	315,019
Investments in and advances to nonconsolidated affiliates (Note 15)	6,150	6,537
Escrow deposit for Horseshoe acquisition (Note 2)	–	75,000
Deferred costs and other	328,634	282,277
	$ 8,585,614	$ 6,578,844
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 174,532	$ 117,941
Accrued expenses (Note 6)	577,706	463,466
Current portion of long-term debt (Note 7)	1,788	1,632
Total current liabilities	754,026	583,039
Liabilities held for sale (Note 3)	809	10,796
Long-term debt (Note 7)	5,151,121	3,671,889
Deferred credits and other	198,485	194,017
Deferred income taxes (Note 10)	413,461	330,674
	6,517,902	4,790,415
Minority interests	32,515	49,989
Commitments and contingencies (Notes 2, 3, 8, 10 and 12 through 15)		
Stockholders' equity (Notes 5, 7, 14 and 15)		
Common stock, $0.10 par value, authorized—360,000,000 shares, outstanding—112,732,285 and 110,889,294 shares (net of 36,130,542 and 35,078,478 shares held in treasury)	11,273	11,089
Capital surplus	1,394,519	1,277,903
Retained earnings	638,437	466,662
Accumulated other comprehensive income	963	151
Deferred compensation related to restricted stock	(9,995)	(17,365)
	2,035,197	1,738,440
	$ 8,585,614	$ 6,578,844

The accompanying Notes to Consolidated Financial Statements
are an integral part of these consolidated balance sheets.

HARRAH'S ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Year Ended December 31,		
	2004	**2003**	**2002**
Revenues			
Casino	$ 4,077,694	$ 3,458,396	$ 3,285,877
Food and beverage	665,515	596,772	572,775
Rooms	390,077	339,037	317,914
Management fees	60,651	72,149	66,888
Other	217,195	190,092	148,635
Less: casino promotional allowances	(862,806)	(707,581)	(644,223)
Net revenues	4,548,326	3,948,865	3,747,866
Operating expenses			
Direct			
Casino	2,061,642	1,748,698	1,602,544
Food and beverage	278,107	255,193	240,622
Rooms	66,965	65,340	67,243
Property general, administrative and other	924,756	830,296	780,788
Depreciation and amortization	327,188	294,336	278,935
Write-downs, reserves and recoveries (Note 9)	9,567	10,476	4,537
Project opening costs	9,526	7,352	1,703
Corporate expense	66,818	52,602	56,626
Merger and integration costs for Caesars acquisition	2,331	–	–
Losses on interests in nonconsolidated affiliates (Note 15)	879	999	1,670
Amortization of intangible assets (Note 4)	9,439	4,798	4,493
Total operating expenses	3,757,218	3,270,090	3,039,161
Income from operations	791,108	678,775	708,705
Interest expense, net of interest capitalized (Note 11)	(271,802)	(234,419)	(240,220)
Losses on early extinguishments of debt (Note 7)	–	(19,074)	–
Other income, including interest income	9,483	2,913	2,137
Income from continuing operations before income taxes and minority interests	528,789	428,195	470,622
Provision for income taxes (Note 10)	(190,641)	(155,568)	(174,445)
Minority interests	(8,623)	(11,563)	(13,965)
Income from continuing operations	329,525	261,064	282,212
Discontinued operations (Note 3)			
Income from discontinued operations (including loss on disposal of $1,766 in 2003)	56,644	48,552	67,670
Provision for income taxes	(18,460)	(16,993)	(23,684)
Income from discontinued operations	38,184	31,559	43,986
Income before cumulative effect of change in accounting principle	367,709	292,623	326,198
Cumulative effect of change in accounting principle, net of income tax benefits of $2,831 (Note 4)	–	–	(91,169)
Net income	$ 367,709	$ 292,623	$ 235,029
Earnings per share—basic			
Income from continuing operations	$ 2.97	$ 2.40	$ 2.54
Discontinued operations, net	0.34	0.29	0.39
Cumulative effect of change in accounting principle, net	–	–	(0.82)
Net income	$ 3.31	$ 2.69	$ 2.11
Earnings per share—diluted			
Income from continuing operations	$ 2.92	$ 2.36	$ 2.48
Discontinued operations, net	0.34	0.29	0.39
Cumulative effect of change in accounting principle, net	–	–	(0.80)
Net income	$ 3.26	$ 2.65	$ 2.07
Dividends declared per share	$ 1.26	$ 0.60	$ –
Weighted average common shares outstanding	111,162	108,972	111,212
Additional shares based on average market price for period applicable to:			
Restricted stock	490	454	631
Stock options	1,215	977	1,691
Weighted average common and common equivalent shares outstanding	112,867	110,403	113,534

The accompanying Notes to Consolidated Financial Statements
are an integral part of these consolidated statements.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(In thousands)
(Notes 5, 7, 14 and 15)

	Common Stock							
	Shares Outstanding	Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Deferred Compensation Related to Restricted Stock	Total	Comprehensive Income
Balance—December 31, 2001	112,322	$ 11,232	$ 1,143,125	$ 248,098	$ (1,449)	$ (26,893)	$ 1,374,113	
Net income				235,029			235,029	$ 235,029
Unrealized loss on available-for-sale securities, less deferred tax benefit of $239					(442)		(442)	(442)
Other					1,476		1,476	1,476
Treasury stock purchases	(5,275)	(527)		(222,830)			(223,357)	
Net shares issued under incentive compensation plans, including income tax benefit of $23,970	2,662	266	81,683			2,240	84,189	
2002 Comprehensive Income								$ 236,063
Balance—December 31, 2002	109,709	10,971	1,224,808	260,297	(415)	(24,653)	1,471,008	
Net income				292,623			292,623	$ 292,623
Unrealized gain on available-for-sale securities, less deferred tax provision of $215					397		397	397
Realization of loss on available-for-sale securities, net of tax benefit of $10					18		18	18
Foreign currency translation adjustments, net of tax provision of $81					151		151	151
Treasury stock purchases	(500)	(50)		(17,887)			(17,937)	
Cash dividends				(66,219)			(66,219)	
Net shares issued under incentive compensation plans, including income tax benefit of $15,537	1,680	168	53,095	(2,152)		7,288	58,399	
2003 Comprehensive Income								$ 293,189
Balance—December 31, 2003	110,889	11,089	1,277,903	466,662	151	(17,365)	1,738,440	
Net income				367,709			367,709	$ 367,709
Net gain on derivatives qualifying as cash flow hedges, net of tax provision of $392					717		717	717
Reclassification of loss on derivative instrument from other comprehensive income to net income, net of tax benefit of $23					42		42	42
Foreign currency translation adjustments, net of tax provision of $28					53		53	53
Treasury stock purchases	(1,000)	(100)		(53,275)			(53,375)	
Cash dividends				(141,319)			(141,319)	
Net shares issued under incentive compensation plans, including income tax benefit of $26,838	2,843	284	116,616	(1,340)		7,370	122,930	
2004 Comprehensive Income								$ 368,521
Balance—December 31, 2004	112,732	$ 11,273	$ 1,394,519	$ 638,437	$ 963	$ (9,995)	$ 2,035,197	

The accompanying Notes to Consolidated Financial Statements
are an integral part of these consolidated statements.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Note 11)

	Year Ended December 31,		
	2004	**2003**	**2002**
Cash flows from operating activities			
Net income	$ 367,709	$ 292,623	$ 235,029
Adjustments to reconcile net income to cash flows from operating activities			
Earnings from discontinued operations, before income taxes	(56,644)	(48,552)	(67,670)
Cumulative effect of change in accounting principle, before income taxes	–	–	94,000
Losses on early extinguishments of debt	–	19,074	–
Depreciation and amortization	361,564	319,694	304,620
Write-downs, reserves and recoveries	195	10,476	4,537
Deferred income taxes	82,428	104,287	89,886
Tax benefit from stock equity plans	26,838	15,537	23,970
Other noncash items	16,044	18,825	26,213
Minority interests' share of net income	8,623	11,563	13,965
Losses on interests in nonconsolidated affiliates	879	999	1,670
Net losses from asset sales	2,305	125	1,695
Net change in long-term accounts	(51,262)	(32,173)	(27,871)
Net change in working capital accounts	32,319	(45,696)	(53,862)
Cash flows provided by operating activities	790,998	666,782	646,182
Cash flows from investing activities			
Payments for businesses acquired, net of cash acquired	(1,616,874)	–	(162,431)
Escrow payment for Horseshoe acquisition	–	(75,000)	–
Purchase of minority interest in subsidiary	(37,500)	–	–
Land, buildings, riverboats and equipment additions	(654,197)	(383,600)	(349,102)
Investments in and advances to nonconsolidated affiliates	(333)	(4,228)	–
Increase/(decrease) in construction payables	35,202	1,764	(6,396)
Proceeds from other asset sales	3,820	3,960	34,601
Proceeds from sale of interests in nonconsolidated affiliates	–	897	–
Other	(26,773)	(14,948)	(7,162)
Cash flows used in investing activities	(2,296,655)	(471,155)	(490,490)
Cash flows from financing activities			
Proceeds from issuance of senior notes, net of discount and issue costs of $12,001 and $6,919	737,999	493,081	–
Borrowings under lending agreements, net of financing costs of $6,211, $15,342 and $655	4,157,929	3,368,947	2,772,671
Repayments under lending agreements	(3,424,140)	(2,526,189)	(2,728,126)
Loss on derivative instrument	(775)	–	–
Borrowings under retired bank facility	–	161,125	–
Repayments under retired bank facility	–	(1,446,625)	–
Other short-term repayments	–	(60,250)	–
Early extinguishments of debt	–	(159,476)	(28,210)
Premiums paid on early extinguishments of debt	–	(16,125)	–
Scheduled debt retirements	(1,577)	(1,583)	(1,659)
Dividends paid	(141,319)	(66,219)	–
Proceeds from exercises of stock options	89,970	34,085	48,695
Purchases of treasury stock	(53,375)	(17,937)	(223,357)
Minority interests' distributions, net of contributions	(8,890)	(10,639)	(12,153)
Other	715	(178)	(1,135)
Cash flows provided by/(used in) financing activities	1,356,537	(247,983)	(173,274)
Cash flows from assets held for sale			
Proceeds from sales of assets held for sale	197,561	48,640	–
Net transfers from assets held for sale	42,577	17,293	77,018
Cash flows provided by assets held for sale	240,138	65,933	77,018
Net increase in cash and cash equivalents	91,018	13,577	59,436
Cash and cash equivalents, beginning of year	397,942	384,365	324,929
Cash and cash equivalents, end of year	$ 488,960	$ 397,942	$ 384,365

The accompanying Notes to Consolidated Financial Statements
are an integral part of these consolidated statements.

In these footnotes, the words "Company," "Harrah's Entertainment," "we," "our" and "us" refer to Harrah's Entertainment, Inc., a Delaware corporation, and its wholly-owned subsidiaries, unless otherwise stated or the context requires otherwise.

Note 1—Summary of Significant Accounting Policies

BASIS OF PRESENTATION AND ORGANIZATION. As of December 31, 2004, we operated 28 casinos in 12 states. Our operations include 11 land-based casinos, 11 riverboat or dockside casinos, a combination greyhound racetrack and casino, a combination thoroughbred racetrack and casino and four managed casinos on Indian lands. We view each property as an operating segment and aggregate all operating segments into one reporting segment.

On July 14, 2004, we signed a definitive agreement to acquire Caesars Entertainment, Inc. ("Caesars") in a cash and stock transaction. Under the terms of the agreement, Caesars shareholders will receive either $17.75 in cash or 0.3247 shares of Harrah's Entertainment's common stock for each outstanding share of Caesars' common stock, subject to limitations on the aggregate amount of cash to be paid and shares of stock to be issued. Caesars operates 27 casinos with about two million square feet of gaming space and approximately 26,000 hotel rooms and has significant presence in Las Vegas, Atlantic City and Mississippi. The transaction is subject to regulatory and shareholders' approvals and is expected to close in the second quarter of 2005.

On September 27, 2004, we reached an agreement to sell the assets and certain related current liabilities of Harrah's East Chicago and Harrah's Tunica to another gaming company. The sale, which is subject to regulatory approvals, is expected to close in the first quarter of 2005. These properties are classified in Assets/Liabilities held for sale on our Consolidated Balance Sheets, and we ceased depreciating their assets in September 2004. Results for Harrah's East Chicago and Harrah's Tunica are presented as Discontinued operations for all periods presented. During 2003, we sold properties in Central City, Colorado, and Vicksburg, Mississippi. For periods prior to their sales, the operating results of those properties, including the losses recorded on the sales, are presented in our Consolidated Statements of Income as Discontinued operations. (See Note 3.)

In conjunction with our plans to acquire Horseshoe Gaming Holding Corp. ("Horseshoe Gaming") (see Note 2), in May 2004, we sold Harrah's Shreveport to avoid overexposure in that market. Prior to the sale, we classified this property in Assets/Liabilities held for sale on our Consolidated Balance Sheets and we ceased depreciating its assets in September 2003. Since we had a continued presence in the Shreveport-Bossier City market, Harrah's Shreveport's operating results were not classified as Discontinued operations. (See Note 3.)

PRINCIPLES OF CONSOLIDATION. Our Consolidated Financial Statements include the accounts of Harrah's Entertainment and its subsidiaries after elimination of all significant intercompany accounts and transactions.

CASH AND CASH EQUIVALENTS. Cash includes the minimum cash balances required to be maintained by state gaming commissions or local and state governments, which totaled approximately $22.0 million and $24.2 million at December 31, 2004 and 2003, respectively. Cash equivalents are highly liquid investments with an original maturity of less than three months and are stated at the lower of cost or market value.

ALLOWANCE FOR DOUBTFUL ACCOUNTS. We reserve an estimated amount for receivables that may not be collected. Methodologies for estimating the allowance for doubtful accounts range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves.

INVENTORIES. Inventories, which consist primarily of food, beverage, retail merchandise and operating supplies, are stated at average cost.

LAND, BUILDINGS, RIVERBOATS AND EQUIPMENT. Land, buildings, riverboats and equipment are stated at cost. Land includes land held for future development or disposition, which totaled $119.5 million at December 31, 2004 and 2003. We capitalize the costs of improvements and repairs that extend the life of the asset. We expense maintenance and repairs cost as incurred. Gains or losses on the dispositions of land, buildings, riverboats or equipment are included in the determination of income. Interest expense is capitalized on internally constructed assets at our overall weighted average borrowing rate of interest. Capitalized interest amounted to $4.1 million, $2.3 million and $3.5 million in 2004, 2003 and 2002, respectively.

We depreciate our buildings, riverboats and equipment using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Buildings and improvements	10 to 40 years
Riverboats and barges	30 years
Furniture, fixtures and equipment	2 to 15 years

We review the carrying value of land, buildings, riverboats and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the operating unit level, which for most of our assets is the individual casino.

GOODWILL AND OTHER INTANGIBLE ASSETS. We have approximately $2.2 billion in goodwill and other intangible assets on our balance sheet resulting from our acquisitions of other businesses. Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," adopted on January 1, 2002, requires a review, at least annually, of goodwill and other nonamortizing intangible assets for impairment. Once an impairment of goodwill or other nonamortizing intangible asset has been recorded, it cannot be reversed. We completed our initial assessment for impairment of goodwill and other nonamortizing intangibles and recorded an impairment charge in first quarter 2002. We perform our annual assessment of goodwill and intangible assets with indefinite lives for impairment during the fourth quarter of each year. (See Note 4.)

The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. To the extent that the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired, such excess is allocated to goodwill. With the

adoption of SFAS No. 142 in 2002, we no longer amortize goodwill or intangible assets that are determined to have an indefinite life. Prior to 2002, we amortized goodwill and other intangibles, including trademarks, on a straight-line basis over periods up to 40 years. Intangible assets determined to have a finite life are amortized on a straight-line basis over the determined useful life of the asset (see Note 4).

We use the interest method to amortize deferred financing charges over the term of the related debt agreements.

TOTAL REWARDS POINT LIABILITY PROGRAM. Our customer rewards program, Total Rewards, offers incentives to customers who gamble at our casinos throughout the United States. Prior to 2003, customers received cash-back and other offers made in the form of coupons that were mailed to the customer and were redeemable on a subsequent visit to one of our properties. The coupons generally expired 30 days after they were issued. Given the requirement of a return visit to redeem the offer and the short-term expiration date, with no ability to renew or extend the offer, we recognized the expense of these offers when the coupons were redeemed.

In fourth quarter 2002, a decision was made to change our Total Rewards program in 2003 to give our customers greater flexibility and control over the rewards they receive for playing at our casinos. Under the new program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. As a result of the ability of the customer to bank the Reward Credits under the revised program, our accounting for the Total Rewards program changed, and we accrue the expense of Reward Credits, after consideration of estimated breakage, as they are earned. To implement this change in the program, an initial bank of Reward Credits was offered to our existing customers. The amount of credits offered for this initial bank was calculated based upon 2002 tracked play at our casinos. As a result of the decision to extend this initial offer, an accrual of $6.9 million was recorded in 2002 to recognize our estimate of the expense of this implementation offer. Under the current program, the value of the cost to provide Reward Credits is expensed as the Reward Credits are earned. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. We use historical data to assist in the determination of estimated accruals. At December 31, 2004 and 2003, $36.2 million and $25.7 million, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions. The Company is planning to integrate the properties acquired from Horseshoe Gaming in 2004 into our Total Rewards program during 2005.

Our Horseshoe properties have a customer rewards program in which customers earn points based on their play. These points are primarily redeemable for cash and expire after one year. The liability related to the outstanding points, which is based on historical redemption activity, was $3.0 million at December 31, 2004.

SELF-INSURANCE ACCRUALS. We are self-insured up to certain limits for costs associated with general liability, workers' compensation and employee health 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. At December 31, 2004 and 2003, we had total self-insurance accruals reflected on our Consolidated Balance Sheets of $97.6 million and $89.3 million, respectively. In estimating those costs, we consider historical loss experience and make judgments about the expected

levels of costs per claim. We also rely on independent consultants to assist in the determination of estimated accruals. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals; however, changes in health care costs, accident frequency and severity and other factors can materially affect the estimate for these liabilities. We continually monitor the potential for changes in estimates, evaluate our insurance accruals and adjust our recorded provisions.

TREASURY STOCK. The shares of Harrah's Entertainment common stock we hold in treasury are reflected in our Consolidated Balance Sheets and our Consolidated Statements of Stockholders' Equity and Comprehensive Income as if those shares were retired.

REVENUE RECOGNITION. Casino revenues consist of net gaming wins. Food and beverage and rooms revenues include the aggregate amounts generated by those departments at all consolidated casinos and casino hotels.

Casino promotional allowances consist principally of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of coupons redeemed for cash at our properties. The estimated costs of providing such complimentary services, which we classify as casino expenses for continuing operations through interdepartmental allocations, were as follows:

	2004	2003	2002
Food and beverage	$ 240,752	$ 204,820	$ 199,972
Rooms	82,932	77,436	71,364
Other	50,168	25,663	20,556
	$ 373,852	$ 307,919	$ 291,892

EARNINGS PER SHARE. In accordance with the provisions of SFAS No. 128, "Earnings Per Share," we compute our Basic earnings per share by dividing Net income by the number of Weighted average common shares outstanding during the year. Our Diluted earnings per share is computed by dividing Net income by the number of Weighted average common and common equivalent shares outstanding during the year. For each of the three years ended December 31, 2004, common stock equivalents consisted solely of net restricted shares of 489,958, 453,592 and 631,532, respectively, and stock options outstanding of 1,215,060, 977,263 and 1,691,000, respectively, under our employee stock benefit plans. (See Note 14.)

STOCK-BASED EMPLOYEE COMPENSATION. As allowed under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," we apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations to account for our stock option plans and, accordingly, do not recognize compensation expense. Furthermore, no stock option-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation expense for the stock option plans been determined in accordance with SFAS No. 123, total stock-based employee compensation expense, net of tax effects, would have been $29.9 million, $23.5 million, and $20.2 million for the years ended

December 31, 2004, 2003, and 2002, respectively, and our pro forma Net income and Earnings per share for the indicated periods would have been:

	2004		2003		2002	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income	$ 367,709	$ 337,768	$ 292,623	$ 269,086	$ 235,029	$ 214,828
Earnings per share						
Basic	3.31	3.04	2.69	2.47	2.11	1.93
Diluted	3.26	2.99	2.65	2.44	2.07	1.89

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2004	2003	2002
Expected dividend yield	2.5%	2.8%	0.0%
Expected stock price volatility	37.9%	37.0%	32.0%
Risk-free interest rate	3.7%	2.5%	3.7%
Expected average life of options (years)	5	6	6

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004), "Share-Based Payment," which we are required to apply as of the first interim or annual reporting period that begins after June 15, 2005. SFAS No. 123(R) requires that we recognize an expense for our equity-based compensation programs, including stock options. We are currently evaluating the provisions of SFAS No. 123(R) to determine its impact on our future financial statements.

ADVERTISING. The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense for continuing operations was $129.7 million, $116.0 million and $106.0 million for the years 2004, 2003 and 2002, respectively.

INCOME TAXES. We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. We account for income taxes under SFAS 109, "Accounting for Income Taxes," whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or income tax returns. Deferred tax assets and liabilities are determined based on differences between financial statement carrying amounts of existing assets and their respective tax bases using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on the income tax provision and deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. As indicated in Note 10 to our Consolidated Financial Statements, the Company has provided a valuation allowance on certain state net operating losses ("NOLs") and other deferred state tax assets. Although the Company consistently generates taxable income on a consolidated basis, these assets were not deemed realizable because they are attributable to subsidiaries that are not expected to produce future taxable earnings. Other than this exception, we are unaware of any circumstances that would cause the remaining deferred tax assets to not be realizable.

Our income tax returns are subject to examination by the Internal Revenue Service ("IRS") and other tax authorities. While positions taken in tax returns are sometimes subject to uncertainty in the tax laws, we do not take such positions unless we have "substantial authority" to do so under the Internal Revenue Code and applicable regulations. We may take positions on our tax returns based on substantial authority that are not ultimately accepted by the IRS.

We assess such potential unfavorable outcomes based on the criteria of SFAS No. 5, "Accounting for Contingencies." We establish a tax reserve if an unfavorable outcome is probable and the amount of the unfavorable outcome can be reasonably estimated. In determining whether the probable criterion of SFAS No. 5 is met, we presume that the taxing authority will focus on the exposure and we assess the probable outcome of a particular issue based upon the relevant legal and technical merits. We also apply our judgment regarding the potential actions by the tax authorities and resolution through the settlement process.

We maintain required tax reserves until such time as the underlying issue is resolved. When actual results differ from reserve estimates, we adjust the income tax provision and our tax reserves in the period resolved. For tax years that are examined by taxing authorities, we adjust tax reserves in the year the tax examinations are settled. For tax years that are not examined by taxing authorities, we adjust tax reserves in the year that the statute of limitations expires. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental, and we believe we have adequately provided for any reasonable and foreseeable outcomes related to uncertain tax matters. In the event that the taxing authorities ultimately sustain adjustments to the Company's previously reported taxable income, the Company will remit payments accordingly.

We classify reserves for tax uncertainties within "accrued expenses" and "deferred credits and other" in the accompanying Consolidated Balance Sheets, separate from any related income tax payable or deferred income taxes. Reserve amounts may relate to the deductibility of an item, as well as potential interest associated with those items.

USE OF ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Our actual results could differ from those estimates.

Note 2—Acquisitions

In the three-year period ended December 31, 2004, we acquired one casino company, certain intellectual property rights, a thoroughbred racetrack facility and the remaining interest in a nonconsolidated subsidiary. For each of these acquisitions, the purchase price is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. For each transaction, the allocation of the purchase price was, or will be, completed within one year from the date of the acquisition. To the extent that the purchase price exceeded the fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill. With the adoption of SFAS No. 142 in 2002, we no longer amortize goodwill or intangible assets that are determined to have an indefinite life.

The table below summarizes our acquisition transactions completed in the three-year period ending December 31, 2004.

Company	Date Acquired	Total Purchase Price(a)	Goodwill Assigned	Number of Casinos	Geographic Location
Horseshoe Gaming	July 2004	$1.62 billion	$565 million	3	Bossier City, Louisiana Hammond, Indiana Tunica Mississippi
Horseshoe Club Operating Company(b)	March 2004	$37 million	–	1(c)	Las Vegas, Nevada
JCC Holding Company(d)	June 2002 and December 2002	$149 million	–	1	New Orleans, Louisiana
Louisiana Downs, Inc.	December 2002	$94 million	$36 million	1(e)	Bossier City, Louisiana

(a) Total purchase price includes the market value of debt assumed determined as of the acquisition date.

(b) This acquisition was for certain intellectual property assets, including the rights to the Horseshoe brand in Nevada and to the World Series of Poker brand and tournament.

(c) This casino is owned by another gaming company, and we operate it jointly with that company.

(d) Acquired additional 14% interest in June 2002 and the remaining 37% interest in December 2002.

(e) Acquired a thoroughbred racetrack that was expanded to include slot machines in 2003.

HORSESHOE GAMING. On July 1, 2004, we acquired 100 percent of the equity interests of Horseshoe Gaming for approximately $1.62 billion, including assumption of debt valued at approximately $558 million and acquisition costs. A $75 million escrow payment made in 2003 was applied to the purchase price. We issued a redemption notice on July 1, 2004, for all $558 million of Horseshoe Gaming's outstanding $8^5/8$% Senior Subordinated Notes due July 2009 and retired that debt August 2, 2004. We financed the acquisition and the debt retirement through working capital and established debt programs. We purchased Horseshoe Gaming to acquire casinos in Hammond, Indiana; Tunica, Mississippi; and Bossier City, Louisiana and with the intention of growing and developing the Horseshoe brand.

In anticipation of our acquisition of Horseshoe Gaming, we sold our Harrah's brand casino in Shreveport, Louisiana. (See Note 3.) After consideration of the sale of Harrah's Shreveport, the Horseshoe Gaming acquisition added a net 113,300 square feet of casino space and approximately 4,580 slot machines and 150 table games to our existing portfolio. Taken together with our acquisition of intellectual property rights from Horseshoe Club Operating Company ("Horseshoe Club") (see discussion below), this acquisition gave us rights to the Horseshoe brand in all of the United States. The results of the Horseshoe properties are included with our operating results subsequent to their acquisition on July 1, 2004.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The purchase price allocation is in process and will be completed within one year of the acquisition; thus, the allocation of the purchase price is subject to refinement.

(In millions)	At July 1, 2004
Current assets	$ 109.1
Land, buildings, riverboats and equipment	579.8
Long-term assets	17.7
Intangible assets	494.0
Goodwill	565.2
Total assets acquired	1,765.8
Current liabilities	(83.0)
Deferred income taxes	(57.9)
Long-term debt	(558.1)
Total liabilities assumed	(699.0)
Net assets acquired	$ 1,066.8

Of the estimated $494.0 million of acquired intangible assets, $295.0 million has been assigned to gaming rights and $89.0 million has been assigned to trademarks, both of which are not subject to amortization. The remaining intangible assets include customer relationships estimated at $100.0 million (15-year weighted-average useful life) and contract rights estimated at $10.0 million (four-year estimated life). The weighted average useful life of all amortizing intangible assets is approximately 14 years.

We anticipate that all of the goodwill related to the Horseshoe Gaming acquisition will be deductible for tax purposes.

The following pro forma consolidated financial information has been prepared assuming that the acquisition of Horseshoe Gaming and the extinguishment of Horseshoe Gaming's debt had occurred on the first day of the respective periods.

	Year ended December 31,	
(In millions, except per share amounts)	2004	2003
Net revenues	$ 4,905.9	$ 4,598.0
Income from operations	$ 857.2	$ 801.1
Income from continuing operations	$ 348.6	$ 293.7
Net income	$ 386.8	$ 325.3
Earnings per share—diluted		
Income from continuing operations	$ 3.09	$ 2.66
Net income	$ 3.43	$ 2.95

These unaudited pro forma results are presented for comparative purposes only. The pro forma results are not necessarily indicative of what our actual results would have been had the acquisition been completed as of the beginning of these periods, or of future results.

LAS VEGAS HORSESHOE HOTEL AND CASINO. In March 2004, we acquired certain intellectual property assets, including the rights to the Horseshoe brand in Nevada and to the World Series of Poker brand and tournament, from Horseshoe Club. MTR Gaming Group, Inc. ("MTR Gaming") acquired the assets of the Binion's Horseshoe Hotel and Casino ("Las Vegas Horseshoe") in Las Vegas, Nevada, including the right to use the name "Binion's" at the property, from Horseshoe Club. We will operate Las Vegas Horseshoe jointly with a subsidiary of MTR Gaming for one year, with options to extend the agreement for two additional years; however, we have notified MTR Gaming that we do not intend to extend the agreement. The property, which had been closed since January 2004, reopened April 1, 2004. Since its reopening, the operating results for Las Vegas Horseshoe have been consolidated with our results and will continue to be consolidated until the operating agreement is terminated on March 10, 2005. Las Vegas Horseshoe's results have not been material to our operating results.

We paid approximately $37.4 million for the intellectual property assets, including assumption and subsequent payment of certain liabilities of Las Vegas Horseshoe (which included certain amounts payable to a principal of Horseshoe Gaming) and approximately $5.1 million of acquisition costs. The intangible assets acquired in this transaction have been deemed to have indefinite lives and, therefore, are not being amortized. We financed the acquisition with funds from various sources, including cash flows from operations and borrowings from established debt programs.

JAZZ CASINO COMPANY. On June 7, 2002, we acquired additional shares of the common stock of JCC Holding Company, which, together with its subsidiary, Jazz Casino Company LLC (collectively, "JCC"), owns and operates the Harrah's casino in New Orleans, Louisiana. The acquisition of these shares increased our ownership in JCC from 49% to 63% and required a change of our accounting treatment for our investment in JCC from the equity method to consolidation of JCC in our financial statements. We began consolidating JCC in our financial results on June 7, 2002. On December 10, 2002, we acquired all remaining shares of JCC's stock to increase our ownership to 100%.

LOUISIANA DOWNS. On December 20, 2002, we acquired a controlling interest in Louisiana Downs, Inc. ("Louisiana Downs") a thoroughbred racetrack in Bossier City, Louisiana. The agreement gave Harrah's Entertainment a 95% ownership interest in a company that owned both Louisiana Downs and Harrah's Shreveport. In May 2003, approximately 900 slot machines were put into service and Louisiana Downs became the only land-based gaming facility in northern Louisiana. In the second quarter of 2004, we opened a new, permanent facility with approximately 1,400 slot machines. The results of Louisiana Downs' operations have been included in our Consolidated Financial Statements since the date of acquisition.

HARRAH'S SHREVEPORT AND LOUISIANA DOWNS—BUYOUT OF MINORITY PARTNERS. In the first quarter of 2004, we paid approximately $37.5 million to the minority owners of the company that owned Louisiana Downs and Harrah's Shreveport to purchase their ownership interest in that company. The excess of the cost to purchase the minority ownership above the capital balances was assigned to goodwill. As a result of this transaction, Harrah's Shreveport and Louisiana Downs became wholly-owned by the Company. Harrah's Shreveport was subsequently sold to another gaming company.

CHESTER DOWNS & MARINA. In July 2004, after receiving Pennsylvania regulatory and certain local approvals, we acquired a 50% interest in Chester Downs & Marina, LLC ("CD&M"), an entity licensed to develop a harness-racing facility in southeastern Pennsylvania. Harrah's Entertainment and CD&M have agreed to develop Harrah's Chester Downs Casino and Racetrack ("Harrah's Chester"), a 5/8-mile harness racetrack facility approximately six miles south of Philadelphia International Airport. Plans for the facility also include a 1,500-seat grandstand and simulcast facilities, a slot casino with approximately 2,000 games and a variety of food and beverage offerings. We have commenced site work and demolition at the property and expect racing and simulcasting to begin in the second quarter of 2006 and the casino to open in the third quarter of 2006. We will guarantee or provide financing for the project and we are consolidating Harrah's Chester in our financial statements.

HARRAH'S EAST CHICAGO—BUYOUT OF MINORITY PARTNERS. In the second quarter of 2003, we paid approximately $28.8 million to former partners in the Harrah's East Chicago property to settle outstanding litigation with the partners relating to a buyout in 1999 of the partners' interest in the property and to terminate the contractual rights of the partners to repurchase an 8.55% interest in the property. The two remaining minority partners in our East Chicago property owned, in aggregate, 0.45% of this property. In December 2003 and January 2004, we acquired these ownership interests for aggregate consideration of approximately $0.8 million. As a result of these transactions, the East Chicago property became wholly-owned by the Company. (See Note 3.)

In addition to these completed transactions, we have announced the following planned acquisition.

CAESARS ENTERTAINMENT. On July 14, 2004, we signed a definitive agreement to acquire Caesars Entertainment, Inc. ("Caesars") in a cash and stock transaction. Under the terms of the agreement, Caesars shareholders will receive either $17.75 in cash or 0.3247 shares of Harrah's Entertainment's common stock for each outstanding share of Caesars' common stock, subject to limitations on the aggregate amount of cash to be paid and shares of stock to be issued. Caesars shareholders will be able to elect to receive solely shares of Harrah's Entertainment's common stock or cash, to the extent available pursuant to the terms of the agreement. The aggregate estimated purchase price, calculated as of July 14, 2004, was approximately $9.4 billion. The purchase price will fluctuate until closing due to changes in the number of outstanding shares of Caesars' stock and the balance of Caesars' outstanding debt. Caesars operates 27 casinos with about two million square feet of gaming space and approximately 26,000 hotel rooms and has significant presence in Las Vegas, Atlantic City and Mississippi. The transaction is subject to regulatory and shareholders' approvals and is expected to close in the second quarter of 2005.

In anticipation of the Caesars merger, we have engaged consultants and dedicated internal resources to plan for the merger and integration of Caesars into Harrah's Entertainment. These costs are reflected in Merger and integration costs for Caesars acquisition in our Consolidated Statements of Income.

Note 3—Dispositions

HARRAH'S SHREVEPORT. In May 2004, we sold Harrah's Shreveport to another gaming company. Prior to the sale, we classified this property in Assets/Liabilities held for sale on our Consolidated Balance Sheets and we ceased depreciating its assets in September 2003. The assets sold consisted primarily of inventories, property and equipment. We received cash proceeds of $190 million and recorded no gain or loss on this sale. Since we had a continued presence in the Shreveport-Bossier City market, Harrah's Shreveport's operating results were not classified as Discontinued operations.

The following properties were sold during 2003. The operating results of these properties and the losses recorded on these sales are presented in our Consolidated Statements of Income as Discontinued operations and prior year results have been reclassified to conform to the 2003 presentation.

HARVEYS COLORADO. In May 2003, we sold Harveys Colorado, which we had concluded was a nonstrategic asset for us. The assets sold consisted primarily of inventories, property and equipment. The buyer also assumed certain accrued liabilities. We received cash proceeds of $17.6 million and recorded a pretax loss of $1.0 million on this sale.

Revenues at Harveys Colorado, reported in discontinued operations for December 31, 2003 and 2002 were $12.2 million and $35.7 million, respectively. Harveys Colorado's pretax loss, including the loss on the sale, for the year ended December 31, 2003, was $1.4 million and its pretax income for the year ended December 31, 2002, was $2.4 million.

HARRAH'S VICKSBURG. In June 2003, we announced an agreement to sell Harrah's Vicksburg, and that sale was completed on October 27, 2003. The assets sold consisted primarily of land, buildings, equipment and inventories. We received cash proceeds of $28.6 million and recorded a pretax loss of $0.7 million on this sale.

Revenues at Harrah's Vicksburg, which were reported in discontinued operations, were $29.0 million for the year ended December 31, 2003, and $37.9 million for the year ended December 31, 2002. Harrah's Vicksburg's pretax income, after consideration of the loss on the sale, was $2.4 million for the year ended December 31, 2003, and $2.2 million for the year ended December 31, 2002.

In addition to these completed sales, we also have announced the following planned sale.

HARRAH'S EAST CHICAGO AND HARRAH'S TUNICA. In September 2004, we entered into an agreement to sell the assets and certain related current liabilities of Harrah's East Chicago and Harrah's Tunica to an unrelated third party. The sale, which is subject to regulatory approvals, is expected to close in the first quarter of 2005. We believe that the sale of these two properties may help facilitate the closing of the Caesars transaction.

Harrah's East Chicago and Harrah's Tunica are classified in Assets/Liabilities held for sale on our Consolidated Balance Sheets, and we ceased depreciating their assets in September 2004. Had we not ceased depreciation of these assets, additional depreciation expense of $6.9 million would have been recorded. Results for Harrah's East Chicago and Harrah's Tunica are classified as discontinued operations for all periods presented. We expect to report a gain on the sale of these two properties in the quarter in which the transaction closes.

Summary operating results for the discontinued operations are as follows:

	2004	2003	2002
Net revenues	$ 379,700	$ 373,857	$ 350,661
Pretax income from discontinued operations	$ 56,644	$ 47,523	$ 63,112
Discontinued operations, net of tax	$ 38,184	$ 30,890	$ 41,023

Assets held for sale and liabilities related to assets held for sale for Harrah's East Chicago and Harrah's Tunica as of December 31 are as follows:

	2004	2003
Cash and cash equivalents	$ 12,000	$ 12,000
Inventories	861	741
Property and equipment, net	271,396	257,020
Goodwill	206,536	206,372
Investments in and advances to nonconsolidated affiliates	1,219	1,464
Deferred costs and other	183	198
Total assets held for sale	$ 492,195	$ 477,795
Accrued expenses	$ 313	$ (76)
Total liabilities related to assets held for sale	$ 313	$ (76)

Note 4—Goodwill and Other Intangible Assets

We adopted SFAS No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002. SFAS No. 142 provides guidance regarding the recognition and measurement of intangible assets, eliminates the amortization of certain intangibles and requires assessments for impairment of intangible assets that are not subject to amortization at least annually.

As a result of our implementation review of the goodwill and other intangible assets arising from our prior acquisitions, we determined that impairment charges of $91.2 million, net of tax benefits of $2.8 million, were required. These charges, which were recorded in first quarter 2002 and are reported in our Consolidated Statements of Income as a change in accounting principle, relate to goodwill and the trademark acquired in our 1999 acquisition of Rio Hotel and Casino, Inc. ("Rio"). Since the acquisition of Rio, competition had intensified in the market and Rio had greatly reduced its emphasis on international high-end table games play, a significant component of its business at the time of the acquisition. We determine the fair value of an operating unit as a function, or multiple, of earnings before interest, taxes, depreciation and amortization ("EBITDA"), a common measure used to value and buy or sell cash intensive businesses such as casinos. Our analysis for Rio indicated that the fair value of the property fell short of the carrying value, and recognition of an impairment of $86.0 million of goodwill was appropriate. The fair value of the Rio trademark was assessed by applying a "relief from royalty" methodology, which ascribed a value to the trademark derived as the present value of a percentage of forecasted future revenues. Because the Rio had not sustained the level of revenues assumed in the original computation to assign a value to the trademark, future revenue assumptions were reassessed and it was determined that the fair value of the trademark was $5.2 million, net of tax benefits of $2.8 million, less than the carrying value. Rio's tangible assets were assessed for impairment applying the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and our analysis indicated that the carrying value of the tangible assets was not impaired.

Based on our annual assessment for impairment as of September 30, 2004, we determined that goodwill and intangible assets with indefinite lives had not been further impaired. Based on our annual assessment for impairment of as September 30, 2003, it was determined that the remaining goodwill associated with Harrah's Reno was impaired, and a fourth quarter 2003 charge of $6.3 million was recorded. Operating trends reflected the weak market conditions in the Reno area and increased levels of competition from Indian casinos in the Northern California area. We determined the fair value of

Reno as a multiple of EBITDA, and our analysis for Reno indicated that the fair value of that operating unit was less than the carrying value. Reno has no remaining intangible assets that will be subject to the annual impairment assessment. Reno's tangible assets were assessed for impairment applying the provisions of SFAS No. 144, and our analysis indicated that the carrying value of the tangible assets was not impaired. Based on our annual assessment as of September 30, 2002, we determined that goodwill and intangible assets with indefinite lives were not impaired.

The following table sets forth changes in goodwill for the years ended December 31, 2003 and December 31, 2004.

Balance at December 31, 2002	$	735,615
Additions or adjustments:		
Finalization of purchase price allocation for Louisiana Downs		(27,349)
Adjustments for taxes related to acquisitions		(818)
Impairment losses		(6,315)
Balance at December 31, 2003		701,133
Additions or adjustments:		
Acquisition of Horseshoe Gaming		565,245
Additional payment related to Bluffs Run		72,820
Buyout of minority partners at Louisiana Downs		13,532
Adjustments for taxes related to acquisitions		2,008
Balance at December 31, 2004	$	1,354,738

The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets.

	December 31, 2004			December 31, 2003		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amoritizing intangible assets:						
Contract rights	$ 73,590	$ 10,600	$ 62,990	$ 63,590	$ 6,572	$ 57,018
Customer relationships	113,100	10,434	102,666	13,100	5,023	8,077
	$ 186,690	$ 21,034	165,656	$ 76,690	$ 11,595	65,095
Nonamortizing intangible assets:						
Trademarks			273,065			146,624
Gaming rights			422,634			103,300
			695,699			249,924
Total			$ 861,355			$ 315,019

The increase in the gross carrying value of intangible assets is due to the acquisition of Horseshoe Gaming (see Note 2). The aggregate amortization expense for the years ended December 31, 2004, 2003 and 2002 for those assets that continue to be amortized under provisions of SFAS No. 142 was $9.4 million, $4.8 million and $4.5 million, respectively. Estimated annual amortization expense for

those assets for the years ending December 31, 2005, 2006, 2007, 2008 and 2009 is $14.0 million, $13.7 million, $13.0 million, $11.4 million and $9.8 million, respectively.

Note 5—Stockholders' Equity

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

Preferred stock, $100 par value, 150,000 shares authorized

Special stock, $1.125 par value, 5,000,000 shares authorized–

Series A Special Stock, 2,000,000 shares designated

Harrah's Entertainment's Board of Directors has authorized that one special stock purchase right (a "Right") be attached to each outstanding share of common stock. The Rights are not separable from the shares. These Rights are exercisable only if a person or group acquires 15% or more of Harrah's Entertainment common stock or announces a tender offer for 15% or more of the common stock. Each Right entitles stockholders to buy one two-hundredth of a share of Series A Special Stock of the Company at an initial price of $130 per Right. If a person acquires 15% or more of the Company's outstanding common stock, each Right entitles its holder to purchase common stock of the Company having a market value at that time of twice the Right's exercise price. Under certain conditions, each Right entitles its holder to purchase stock of an acquiring company at a discount. Rights held by the 15% holder will become void. The Rights will expire on October 5, 2006, unless earlier redeemed by the Board at one cent per Right.

During the past four years, our Board of Directors has authorized plans whereby we have purchased shares of the Company's common stock in the open market from time to time as market conditions and other factors warranted. The table below summarizes the plans in effect during the last four years.

Plan Authorized	Number of Shares Authorized	Number of Shares Purchased as of December 31, 2004	Average Price Per Share
July 2001	6.0 million	6.0 million	$ 37.15
July 2002	2.0 million	1.4 million	39.24
November 2002	3.0 million	1.5 million	47.54
November 2004	2.0 million	–	–

In November 2004, our Board of Directors authorized the purchase of 3.5 million shares of common stock in the open market and negotiated purchases through the end of 2005. The 3.5 million shares includes 1.5 million shares available to be purchased pursuant to the authorization that was to expire December 31, 2004, plus an additional 2.0 million shares. The repurchases were funded through available operating cash flows and borrowings from our established debt programs.

Under the terms of our equity incentive award programs, we have reserved shares of Harrah's Entertainment common stock for issuance under the 2004 Executive Incentive Award Plan, the 2001 Broad-based Incentive Plan and the 1996 Non-Management Directors Stock Incentive Plan. (See Note 14 for a description of the plans.) The 2004 Executive Incentive Award Plan and the 1996 Non-Management Directors Stock Incentive Plan are equity compensation plans approved by our stockholders and the 2001 Broad-based Incentive Plan is an equity compensation plan not approved by our stockholders. The shares held in reserve for issuance or grant under the Harrah's

Entertainment, Inc. 2001 Executive Stock Incentive Plan and the 1996 Non-Management Directors Stock Incentive Plan are now available under the 2004 Executive Incentive Award Plan in 2004. As of December 31, 2004, 4,276,342 shares were authorized and unissued under the 2004 Executive Incentive Award Plan and 30,216 shares were authorized and unissued under the 2001 Broad-based Incentive Plan. No additional shares will be authorized under the 2001 Broad-based Incentive Plan.

Quarterly cash dividends of 30 cents per share were declared and paid in the first and second quarters of 2004 and in the third and fourth quarters of 2003. In the third and fourth quarters of 2004, the Company declared and paid quarterly cash dividends of 33 cents per share.

In connection with the Caesars acquisition, at a special meeting to be held in March 2005, our stockholders will be asked to vote upon a proposal to approve an amendment to Harrah's Entertainment's certificate of incorporation to increase the number of authorized shares of Harrah's Entertainment common stock from 360 million to 720 million.

Note 6—Detail of Certain Balance Sheet Accounts

Accrued expenses consisted of the following as of December 31:

	2004	2003
Payroll and other compensation	$ 150,125	$ 106,421
Insurance claims and reserves	97,582	89,349
Accrued interest payable	65,576	45,084
Accrued taxes	78,769	67,180
Other accruals	185,654	155,432
	$ 577,706	$ 463,466

Note 7—Debt

Long-term debt consisted of the following as of December 31:

	2004	2003
Credit facilities		
3.07%-4.25% at December 31, 2004, maturities to 2009	$ 1,580,000	$ 947,800
Secured Debt		
7.1%, maturity 2028	92,377	93,622
3.71%-6.95%, maturities to 2033	1,348	607
Unsecured Senior Notes		
5.5%, maturity 2010	744,034	–
5.375%, maturity 2013	496,773	496,504
7.125%, maturity 2007	496,504	498,780
7.5%, maturity 2009	499,109	498,926
8.0%, maturity 2011	496,506	496,079
Unsecured Senior Subordinated Notes		
7.875%, maturity 2005	587,988	590,524
Other Unsecured Borrowings		
Commercial Paper, maturities to 2005	157,800	50,000
Capitalized Lease Obligations		
7.6%-10.0%, maturities to 2006	470	679
	5,152,909	3,673,521
Current portion of long-term debt	(1,788)	(1,632)
	$ 5,151,121	$ 3,671,889

$590.5 million, face amount, of our 7.875% Senior Subordinated Notes due December 2005, are classified as long-term in our Consolidated Balance Sheet as of December 31, 2004, because the Company has both the intent and the ability to refinance these notes.

As of December 31, 2004, aggregate annual principal maturities for the four years subsequent to 2005 were: 2006, $1.7 million; 2007, $498.2 million; 2008, $60.1 million; and 2009, $2.8 billion.

CREDIT AGREEMENT. At December 31, 2004, we had credit facilities (the "Credit Agreement") that provided for up to $2.5 billion in borrowings, maturing on April 23, 2009. The Credit Agreement contains a provision that would allow an increase in the borrowing capacity to $3.0 billion, if mutually acceptable to the Company and the lenders. Interest on the Credit Agreement is based on our debt ratings and leverage ratio and is subject to change. As of December 31, 2004, the Credit Agreement bore interest based upon 90 basis points over LIBOR and bore a facility fee for borrowed and unborrowed amounts of 20 basis points, a combined 110 basis points. At our option, we may borrow at the prime rate under the new Credit Agreement. As of December 31, 2004, $1.58 billion in borrowings were outstanding under the Credit Agreement with an additional $59.8 million committed to back letters of credit. After consideration of these borrowings, but before consideration of amounts borrowed under the commercial paper program, $860.2 million of additional borrowing capacity was available to the Company as of December 31, 2004.

In January 2005, an agreement was reached to amend the Credit Agreement, which increased our borrowing capacity from $2.5 billion to $4.0 billion. The amendment also contains a provision that will allow a further increase in the borrowing capacity to $5.0 billion, if mutually acceptable to the Company and the lenders, and lowers the interest rate from LIBOR plus 110 basis points to LIBOR plus 87.5 basis points. The amended agreement becomes effective upon the satisfaction of various closing conditions, including the closing of our acquisition of Caesars. Other significant terms and conditions of the Credit Agreement, including the maturity date of April 2009, did not change.

DERIVATIVE INSTRUMENTS. We account for derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and all amendments thereto. SFAS No. 133 requires that all derivative instruments be recognized in the financial statements at fair value. Any changes in fair value are recorded in the income statement or in other comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair values of our derivative instruments are based on market prices obtained from dealer quotes. Such quotes represent the estimated amounts we would receive or pay to terminate the contracts.

Our derivative instruments contain a credit risk that the counterparties may be unable to meet the terms of the agreements. We minimize that risk by evaluating the creditworthiness of our counterparties, which are limited to major banks and financial institutions, and we do not anticipate nonperformance by the counterparties.

Interest Rate Swap Agreements. We use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. As of December 31, 2004, we were a party to four interest rate swaps for a total notional amount of $500 million. These interest rate swaps serve to manage the mix of our debt between fixed and variable rate instruments by effectively converting fixed rates associated with long-term debt obligations to floating rates. The differences to be paid or received under the terms of 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 pursuant to the terms of interest rate swap agreements will have a corresponding effect on future cash flows. The major terms of the interest rate swaps are as follows:

Effective Date	Type of Hedge	Fixed Rate Received	Variable Rate Paid as of Dec. 31, 2004	Notional Amount (In millions) 2004	Notional Amount (In millions) 2003	Maturity Date
Dec. 29, 2003	Fair value	7.875%	8.433%	$ 50	$ 50	Dec. 15, 2005
Dec. 29, 2003	Fair value	7.875%	8.437%	150	150	Dec. 15, 2005
Jan. 30, 2004	Fair value	7.125%	6.853%	200	–	June 1, 2007
Feb. 2, 2004	Fair value	7.875%	8.455%	100	–	Dec. 15, 2005

The Company's interest rate swaps qualify for the "shortcut" method allowed under SFAS No. 133, which allows for an assumption of no ineffectiveness. As such, there is no income statement impact from changes in the fair value of the hedging instruments. The net effect of the above swaps reduced our 2004 interest expense by $4.0 million. The effect of the swaps to 2003 interest expense was immaterial. As of December 31, 2004, the fair value of the interest rate swap agreements was a liability of approximately $5.1 million, which is included in Deferred credits and other on our Consolidated Balance Sheet.

Treasury Rate Lock Agreements. We expect to issue between $750 million and $1 billion of new debt in the first half of 2005. To partially hedge the risk of future increases to the treasury rate, we have entered into agreements to lock in existing ten-year rates to hedge against such increases. The major terms of the treasury rate lock agreements are as follows:

Effective Date	Type of Hedge	Treasury Lock Rate	Notional Amount	Termination Date
			(In millions)	
Nov. 22, 2004	Cash flow	4.373%	$ 200	May 20, 2005
Dec. 16, 2004	Cash flow	4.239%	50	May 20, 2005
Dec. 16, 2004	Cash flow	4.239%	50	May 20, 2005
Dec. 16, 2004	Cash flow	4.239%	100	May 23, 2005

We have determined that the treasury rate lock agreements qualify for hedge accounting and are perfectly effective. As such, there is no income statement impact from changes in the fair value of the hedging instruments. The fair values of our treasury rate lock agreements are carried as assets or liabilities in our Consolidated Balance Sheet, and changes in the fair values are recorded as a component of other comprehensive income and will be reclassified to earnings over the life of the debt to be issued. The amount that is expected to be reclassified to earnings within the next 12 months is not material. The fair value of the treasury rate lock agreements as of December 31, 2004, was a receivable of approximately $1.9 million. This amount is included in Prepayments and other on our Consolidated Balance Sheet. The net amount of deferred gains included in other comprehensive income at December 31, 2004, is $1.2 million.

In January 2005, we hedged an additional $100 million notional amount with terms identical to the treasury locks existing as of December 31, 2004, at a rate of 4.242% and a termination date of May 20, 2005.

COMMERCIAL PAPER. To provide the Company with cost-effective borrowing flexibility, we have a $200 million commercial paper program that is used to borrow funds for general corporate purposes. Although the debt instruments are short-term in tenor, they are classified as long-term debt because the commercial paper is backed by our Credit Agreement and we have committed to keep available capacity under our Credit Agreement in an amount equal to or greater than amounts borrowed under this program. At December 31, 2004, $157.8 million was outstanding under this program.

ISSUANCE OF NEW DEBT. In addition to our Credit Agreement, we have issued debt and entered into credit agreements to provide the Company with cost-effective borrowing flexibility and to replace short-term, floating-rate debt with long-term, fixed-rate debt. The table below summarizes the face value of debt obligations entered into during the last three years and outstanding at December 31, 2004.

Debt	Issued	Matures	Face Value Outstanding at December 31, 2004
			(In millions)
Commercial Paper	2004	2005	$ 157.8
5.5% Senior Notes	June 2004	2010	750.0
5.375% Senior Notes	December 2003	2013	500.0

Subsequent to the end of 2004, we issued $250 million of Senior Floating Rate Notes due in 2008 in a Rule 144A private placement. We agreed to, upon the request by holders of a majority in aggregate principal amount of the Senior Floating Rate Notes then outstanding, to exchange the private placement offering with fully registered Senior Floating Rate Notes. If the exchange offer does not provide the holders of the Senior Floating Rate Notes freely transferable securities, we may be required to file a shelf registration statement that would allow them to resell the Senior Floating Rate Notes in the open market, subject to certain restrictions.

EXTINGUISHMENTS OF DEBT. Funds from the new debt discussed above, as well as proceeds from our Credit Agreement, were used to retire certain of our outstanding debt, in particular those debt obligations assumed in our acquisition transactions, to reduce our effective interest rate and/or lengthen maturities. The following table summarizes the debt obligations, in addition to our previous credit and letter of credit facilities that we have retired over the last three years:

Issuer	Date Retired	Debt Extinguished	Face Value Retired
			(In millions)
Horseshoe Gaming	August 2004	Senior Subordinated Notes due 2009	$ 534.1
Harrah's Operating Co	December 2003	Senior Subordinated Notes due 2005	147.1
Harrah's Operating Co	August 2003	Senior Subordinated Notes due 2005	12.4
JCC	December 2002	Senior Notes due 2008	28.2

In July 2003, our Board of Directors authorized the Company to retire, from time to time through cash purchases, portions of our outstanding debt in open market purchases, privately negotiated transactions or otherwise. These repurchases will be funded through available cash from operations and borrowings from our established debt programs. Such repurchases will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. As of December 31, 2004, $159.5 million of our 7$^{7}/_{8}$% Senior Subordinated Notes had been retired under this authorization.

Charges of $19.1 million representing premiums paid and write-offs of unamortized deferred financing costs associated with the early retirement of portions of our 7$^{7}/_{8}$% Senior Subordinated Notes and of our previous credit and letter of credit facilities were recorded in 2003. In compliance with SFAS No. 145, these charges no longer qualify for presentation as extraordinary items and are, therefore, included in Income from continuing operations in our Consolidated Statements of Income.

Subsequent to the end of 2004, we retired an additional $58.3 million of our 7$^{7}/_{8}$% Senior Subordinated Notes due in December 2005. The loss on the early extinguishment of this debt, expected to be $2.2 million, will be reported in our first quarter 2005 results.

PARENT COMPANY GUARANTEE OF SUBSIDIARY DEBT. Harrah's Operating Company, Inc. ("HOC"), a 100% owned subsidiary and the principal asset of Harrah's Entertainment, is the issuer of certain debt securities that have been guaranteed by Harrah's Entertainment. Due to the comparability of HOC's consolidated financial information with that of Harrah's Entertainment, separate financial statements and other disclosures regarding HOC have not been presented. Management has determined that such information is not material to holders of HOC's debt securities. Harrah's Entertainment has no independent assets or operations, its guarantee of HOC's debt securities is full and unconditional and its only other subsidiary is minor. There are no significant restrictions on

Harrah's Entertainment's ability to obtain funds from its subsidiaries by dividends or loans. In addition, the amount of consolidated retained earnings representing undistributed earnings of 50-percent-or-less owned persons accounted for under the equity method is less than 0.5 percent and there are no significant restrictions on the payment of dividends by the Company.

FAIR MARKET VALUE. Based on the borrowing rates available as of December 31, 2004, for debt with similar terms and maturities and market quotes of our publicly traded debt, the fair value of our long-term debt at December 31 was as follows:

	December 31,			
	2004		2003	
	Carrying Value	Market Value	Carrying Value	Market Value
	(In millions)			
Outstanding debt	$ (5,152.9)	$ (5,414.7)	$ (3,673.5)	$ (3,977.8)
Interest rate swaps (used for hedging purposes)	(5.1)	(5.1)	0.2	0.2

CAESARS ACQUISITION. In connection with the pending acquisition of Caesars, we will assume approximately $4.2 billion of Caesars' outstanding debt. (See Note 2.)

Note 8—Leases

We lease both real estate and equipment used in our operations and classify those leases as either operating or capital leases following the provisions of SFAS No. 13, "Accounting for Leases." At December 31, 2004, the remaining lives of our operating leases ranged from one to 40 years, with various automatic extensions totaling up to 60 years.

Rental expense associated with operating leases for continuing operations is charged to expense in the year incurred and was included in the Consolidated Statements of Income as follows:

	2004	2003	2002
Noncancelable			
Minimum	$ 39,008	$ 40,252	$ 32,866
Contingent	2,895	3,898	4,726
Sublease	(99)	(201)	(287)
Other	26,922	15,643	37,058
	$ 68,726	$ 59,592	$ 74,363

Our future minimum rental commitments as of December 31, 2004, were as follows:

	Noncancelable Operating Leases
2005	$ 43,150
2006	33,683
2007	31,360
2008	30,552
2009	28,291
Thereafter	400,607
Total minimum lease payments	$ 567,643

In addition to these minimum rental commitments, certain of these operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts.

Note 9—Write-downs, Reserves and Recoveries

Our operating results include various pretax charges to record asset impairments, contingent liability reserves, project write-offs, demolition costs and recoveries of previously recorded reserves and other non-routine transactions. In 2004, we began tracking demolition costs separate from project opening costs. The components of Write-downs, reserves and recoveries for continuing operations were as follows:

	2004	2003	2002
Contribution to The Harrah's Foundation	$ 10,000	$ –	$ –
Demolition costs	5,785	–	–
Write-off of abandoned assets and other costs	4,815	2,615	6,300
Settlement of litigation	3,525	–	–
Termination of contracts	2,000	–	168
Reversal of prior year Iowa gaming tax accrual	(16,558)	–	–
Impairment of goodwill	–	6,315	–
Impairment of long-lived assets	–	2,469	1,501
Settlement of sales tax contingency	–	(923)	(6,464)
Charge for structural repairs at Reno	–	–	5,000
Recoveries from previously impaired assets and reserved amounts	–	–	(1,968)
	$ 9,567	$ 10,476	$ 4,537

We account for the impairment of long-lived assets to be held and used by evaluating the carrying value of the long-lived assets in relation to the operating performance and future undiscounted cash flows of the underlying operating unit when indications of impairment are present. Long-lived assets to be disposed of are evaluated in relation to the estimated fair value of such assets less costs to sell.

Note 10—Income Taxes

Our federal and state income tax provision/(benefit) allocable to our Consolidated Statements of Income and our Consolidated Balance Sheets line items was as follows:

	2004	2003	2002
Income from continuing operations before income taxes and minority interests	$ 190,641	$ 155,568	$ 174,445
Discontinued operations	18,460	16,993	23,684
Cumulative effect of change in accounting principle	–	–	(2,831)
Stockholders' equity			
Unrealized gain/(loss) on available-for-sale securities	–	215	(239)
Unrealized gain/(loss) on derivatives qualifying as cash flow hedges	415	–	–
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(26,838)	(15,537)	(23,970)
Other	–	–	800
	$ 182,678	$ 157,239	$ 171,889

Income tax expense attributable to Income from continuing operations before income taxes and minority interests consisted of the following:

	2004	2003	2002
United States			
Current			
Federal	$ 100,723	$ 112,325	$ 122,923
State	12,345	15,221	23,369
Deferred	75,880	29,715	28,153
Other countries			
Current	–	–	–
Deferred	1,693	(1,693)	–
	$ 190,641	$ 155,568	$ 174,445

The differences between the statutory federal income tax rate and the effective tax rate expressed as a percentage of Income from continuing operations before income taxes and minority interests were as follows:

	2004	2003	2002
Statutory tax rate	35.0%	35.0%	35.0%
Increases/(decreases) in tax resulting from:			
State taxes, net of federal tax benefit	1.9	2.7	3.0
Goodwill amortization	–	0.5	–
Tax credits	(0.4)	(0.5)	(0.4)
Political contributions/lobbying expenses	0.3	0.1	0.1
Officers' life insurance/insurance proceeds	(0.9)	(1.1)	0.2
Meals and entertainment	0.1	0.1	0.3
Minority interests in partnership earnings	(0.6)	(1.0)	(1.0)
Other	0.7	0.5	(0.1)
Effective tax rate	36.1%	36.3%	37.1%

The components of our net deferred tax balance included in our Consolidated Balance Sheets were as follows:

	2004	2003
Deferred tax assets		
Compensation programs	$ 72,829	$ 64,343
Bad debt reserve	18,134	19,225
Self-insurance reserves	16,072	7,960
Deferred income	757	512
Project opening costs and prepaid expenses	–	9,746
Net operating losses	54,232	58,377
Other	41,661	44,962
Valuation allowance	(52,886)	(55,688)
	150,799	149,437
Deferred tax liabilities		
Property	(397,750)	(286,201)
Management and other contracts	(20,214)	(20,782)
Intangibles	(91,103)	(92,822)
Investments in nonconsolidated affiliates	(3,060)	(11,983)
Project opening costs and prepaid expenses	(22,060)	–
	(534,187)	(411,788)
Net deferred tax liability	$ (383,388)	$ (262,351)

The Company anticipates that state NOLs valued at $1,172 (subject to a full valuation allowance) will expire in 2005. The remaining state NOLs and other deferred tax assets subject to a valuation allowance will expire between 2006 and 2023. In the event the valuation allowance of $52,886 for 2004 is ultimately unnecessary, $18,432 of this total would reduce goodwill, and the remaining $34,454 would

reduce tax expense. The Company has adjusted the individual deferred tax asset and liability amounts previously reported for 2003 to the amounts stated above to conform to the presentation for 2004. The previously reported amounts did not included those NOLs as well as additional deferred state tax assets and liabilities that were unlikely to ever be realized. As the net increase to these deferred tax assets was offset by a corresponding increase to the valuation allowance, there was no change to the overall net deferred tax liability.

Note 11—Supplemental Cash Flow Information

The increase in Cash and cash equivalents due to the changes in long-term and working capital accounts was as follows:

	2004	2003	2002
Long term accounts			
Deferred costs and other	$ (43,763)	$ (71,068)	$ (36,737)
Deferred credits and other	(7,499)	38,895	8,867
Net change in long-term accounts	$ (51,262)	$ (32,173)	$ (27,870)
Working capital accounts			
Receivables	$ (14,844)	$ (8,005)	$ 14,295
Inventories	379	(1,311)	869
Prepayments and other	6,255	50,355	82,415
Accounts payable	11,030	5,910	(2,308)
Accrued expenses	29,499	(92,645)	(149,133)
Net change in working capital accounts	$ 32,319	$ (45,696)	$ (53,862)

SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR INTEREST AND TAXES. The following table reconciles our Interest expense, net of interest capitalized, as reported in the Consolidated Statements of Income, to cash paid for interest.

	2004	2003	2002
Interest expense, net of interest capitalized	$ 271,802	$ 234,419	$ 240,220
Adjustments to reconcile to cash paid for interest			
Net change in accruals	(28,329)	(9,201)	(6,825)
Amortization of deferred finance charges	(7,397)	(6,185)	(5,573)
Net amortization of discounts and premiums	(1,671)	(1,141)	(1,596)
Cash paid for interest, net of amount capitalized	$ 234,405	$ 217,892	$ 226,226
Cash payments for income taxes, net of refunds	$ 116,562	$ 114,289	$ 145,873

Note 12—Commitments and Contingencies

CONTRACTUAL COMMITMENTS. We continue to pursue 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 Entertainment of third-party debt and development completion guarantees.

We may guarantee all or part of the debt incurred by Indian tribes, with which we have entered into a management contract, to fund development of casinos on the Indian lands. For all existing guarantees of Indian debt, we have obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, that the value of such property would satisfy our obligations in the event these guarantees were enforced. Additionally, we have received limited waivers from the Indian tribes of their sovereign immunity to allow us to pursue our rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken. The aggregate outstanding balance as of December 31, 2004, of Indian debt that we have guaranteed was $246.7 million. The outstanding balance of all of our debt guarantees at December 31, 2004 is $251.2 million. Our maximum obligation under all of our debt guarantees is $292.0 million. Our obligations under these debt guarantees extend through April 2009.

Some of our guarantees of the debt for casinos on Indian lands have been modified since January 1, 2003, triggering the requirements under Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," to recognize a liability for the estimated fair value of those guarantees. Liabilities, representing the fair value of our guarantees, and corresponding assets, representing the portion of our management fee receivable attributable to our agreements to provide the related guarantees, were recorded and are being amortized over the lives of the related agreements. We estimate the fair value of the obligation by considering what premium would have been required by us or by an unrelated party. The amounts recognized represent the present value of the premium in interest rates and fees that would have been charged to the tribes if we had not provided the guarantees. The balance of the liability for the guarantees and of the related assets at December 31, 2004 and 2003, was $5.5 million and $7.0 million, respectively.

In February 2005, we entered into an agreement with the State of Louisiana whereby we extended our guarantee of an annual payment obligation of JCC, our wholly-owned subsidiary, of $60 million owed to the State of Louisiana. The guarantee was extended for one year to March 31, 2008.

Excluding the guarantees discussed above, as of December 31, 2004, we had commitments and contingencies of $536.0 million, including construction-related commitments.

The agreements under which we manage 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 and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations of the Indian-owned properties to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us 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 December 31, 2004, the aggregate monthly commitment for the minimum guaranteed

payments pursuant to these contracts, which extend for periods of up to 83 months from December 31, 2004, is $1.2 million. The maximum exposure for the minimum guaranteed payments to the tribes is unlikely to exceed $96.1 million as of December 31, 2004.

SEVERANCE AGREEMENTS. As of December 31, 2004, the Company has severance agreements with 28 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 to 3.0 times the executive's average annual compensation, as defined, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Harrah's Entertainment's incentive plans. The estimated amount, computed as of December 31, 2004, that would be payable under the agreements to these executives based on the compensation payments and stock awards aggregated approximately $166.8 million. The estimated amount that would be payable to these executives does not include an estimate for the tax gross-up payment, provided for in the agreements, that would be payable to the executive if the executive becomes entitled to severance payments which are subject to a federal excise tax imposed on the executive.

SELF-INSURANCE. We are 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 13—Litigation

We are involved in various inquiries, administrative proceedings and litigation relating to contracts, acquisitions and 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 on our consolidated financial position or our results of operations.

Note 14—Employee Benefit Plans

We have established a number of employee benefit programs for purposes of attracting, retaining and motivating our employees. The following is a description of the basic components of these programs.

EQUITY INCENTIVE AWARDS. Under the Harrah's Entertainment, Inc. 2004 Equity Incentive Award Plan (the "2004 Plan"), non-qualified stock options, restricted stock, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock based awards and performance-based awards may be granted to employees, consultants of the Company and members of our Board of Directors. Shares available under the 2001 Executive Stock Incentive Plan were deregistered and are now available under the 2004 Plan. Non-management members of the Company's Board of Directors may be granted shares under the 1996 Non-Management Directors Stock Incentive Plan, which has been amended to provide that grants of shares after May 1, 2005, shall be made under the 2004 Plan. Unissued shares under the 1996 Non-Management Directors Stock Incentive Plan are now available under the 2004 Plan. Our employees may also be granted options to purchase shares of common stock under the Harrah's Entertainment 2001 Broad-based Incentive Plan (the "2001 Plan").

A summary of activity of the 2004 Plan and the Company's former plans, which are equity compensation plans approved by our stockholders, for 2002, 2003 and 2004 is as follows:

	Weighted Avg. Exercise Price (Per Share)	Number of Common Shares	
		Options Outstanding	Available For Grant
Balance—December 31, 2001	$ 22.65	8,683,778	7,219,214
Restricted shares issued	N/A	–	(221,931)
Restricted shares canceled	N/A	–	78,091
Granted	46.80	2,910,560	(2,910,560)
Exercised	19.40	(2,510,678)	–
Canceled	30.96	(267,063)	267,063
Rio plans cancellations	18.88	(2,000)	–
Balance—December 31, 2002	31.30	8,814,597	4,431,877
Restricted shares issued	N/A	–	(60,061)
Restricted shares canceled	N/A	–	101,934
Granted	43.18	2,968,175	(2,968,175)
Exercised	20.65	(1,754,901)	–
Canceled	40.06	(409,309)	409,309
Rio plans cancellations	12.44	(3,400)	–
Balance—December 31, 2003	36.54	9,615,162	1,914,884
Additional shares authorized	N/A	–	5,000,000
Shares transferred from Directors plan	N/A	–	10,065
Restricted shares issued	N/A	–	(22,000)
Restricted shares canceled	N/A	–	17,761
Granted	52.33	3,197,832	(3,197,832)
Exercised	31.44	(2,817,965)	–
Canceled	45.45	(553,464)	553,464
Balance—December 31, 2004	42.89	9,441,565	4,276,342

200,000 shares were authorized for issuance under the 2001 Plan, which is an equity compensation plan not approved by stockholders. No additional shares will be authorized under the 2001 Plan. A summary of activity of this plan is as follows:

	Weighted Average Exercise Price (Per Share)	Number of Common Shares	
		Options Outstanding	Available For Grant
Balance—December 31, 2002	$ 47.03	189,675	10,325
Granted	43.50	22,367	(22,367)
Canceled	46.73	(35,814)	35,814
Balance—December 31, 2003	46.64	176,228	23,772
Restricted shares issued	N/A	–	(495)
Granted	58.74	6,000	(6,000)
Exercised	46.87	(57,888)	–
Canceled	46.33	(12,939)	12,939
Balance—December 31, 2004	47.20	111,401	30,216

STOCK OPTIONS. Stock options grants typically vest in equal installments over a three-year period and allow the option holder to purchase stock over specified periods of time, generally seven to ten years from the date of grant, at a fixed price equal to the market value at the date of grant.

The following tables summarize additional information regarding the options, which were granted under the 2004 Plan and Harrah's Entertainment's former plans and were outstanding at December 31:

	2004	2003	2002
Options exercisable at December 31	2,585,747	2,910,617	2,344,106
Weighted average fair value per share of options granted per year	$34.99	$28.63	$17.34

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$13.84–$32.65	2,350,134	4.6 years	$ 26.81	1,396,217	$ 25.85
40.33– 46.14	2,740,991	5.2 years	44.24	451,032	43.56
47.03– 59.16	4,350,440	5.8 years	50.73	738,498	47.03
	9,441,565			2,585,747	

The following tables summarize additional information regarding the options, which were granted under the 2001 Plan and were outstanding at December 31:

	2004	2003	2002
Options exercisable at December 31	50,242	54,918	–
Weighted average fair value per share of options granted per year	$ 46.77	$ 47.03	N/A

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$43.50–$44.89	14,254	5.5 years	$ 43.50	3,687	$ 43.50
44.90– 58.74	97,147	4.6 years	47.75	46,555	47.03
	111,401			50,242	

RESTRICTED STOCK. Employees may also be granted restricted stock under the 2004 Plan. Restricted shares granted have restrictions that may include, but not be limited to, the right to vote, receive dividends on or transfer the restricted stock. Restricted shares may be subject to forfeiture during a specified period or periods prior to vesting. The shares generally vest in equal installments over a period of three years. The compensation arising from a restricted stock grant is based upon the market price at the grant date. Such expense is deferred and amortized to expense over the vesting period.

Members of the Board of Directors can receive either 50% or 100% of his or her director fees in restricted shares. Shares issued to Board members as director fees cannot be disposed of until the recipient is no longer a member of the Board of Directors.

The Company has issued Time Accelerated Restricted Stock Award Plan ("TARSAP") awards to certain key executives. The initial TARSAP program was completed in January 2002. During 2002, 2003 and 2004, additional TARSAP awards were issued to certain key executives, which will vest on January 1, 2007, if the executive continues in active employment until that date. These shares are eligible for earlier annual vesting beginning in 2003 over two years (three years for shares awarded in 2002) based on the Company's financial performance in each of the years 2002 through 2005, and the remaining unvested shares will vest on January 1, 2007. The expense arising from TARSAP awards is being amortized to expense over the periods in which the restrictions lapse.

The number and weighted average grant-date fair value of restricted shares granted, and the amortization expense recognized, during 2004, 2003 and 2002, including the TARSAP awards but excluding issues to our Board of Directors, were as follows:

	2004	2003	2002
Number of shares granted	22,495	60,061	221,931
Weighted average grant price per share	$ 54.00	$ 45.29	$ 43.77
Amortization expense (in millions)	$ 6.7	$ 8.0	$ 7.8
Unvested shares as of December 31	923,389	1,021,720	1,458,617

SAVINGS AND RETIREMENT PLAN. We maintain a defined contribution savings and retirement plan, which, among other things, allows pretax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 20% of their eligible earnings. Through 2003, the Company fully matched the first six percent of employees' contributions; however, effective January 1, 2004, the Company match is 50% for the first six percent of employees' contributions. Amounts contributed to the plan are invested, at the participant's direction, in up to 14 separate funds, including a Harrah's company stock fund. Participants become vested in the matching contribution over five years of credited service. Our contribution expense for this plan was $14.8 million, $30.1 million and $29.2 million in 2004, 2003 and 2002, respectively.

Employees of Horseshoe Gaming continue to participate in Horseshoe Gaming Holding Corp. 401(k) Plan until January 1, 2006, when they will be eligible to participate in Harrah's Entertainment's plan. Under the Horseshoe Gaming plan, employees may elect to make pretax contributions of up to 50% of their eligible earnings (five percent for certain executives). The Company fully matches the first two percent of employees' contributions and 50% of the next four percent of the employees' contributions. Amounts contributed to the plan are invested, at the participant's direction, in up to 12 separate funds plus, effective January 2005, a Harrah's company stock fund. Participants become vested in the matching contributions over four years of credited service. Harrah's Entertainment's contribution expense for the six months of 2004 that we owned Horseshoe Gaming was $1.8 million.

DEFERRED COMPENSATION PLANS. Harrah's maintains deferred compensation plans, (collectively, "DCP") and an Executive Supplemental Savings Plan ("ESSP") under which certain employees may defer a portion of their compensation. Amounts deposited into these plans are unsecured liabilities of the Company. Amounts deposited into DCP earn interest at rates approved by the Human Resources Committee of the Board of Directors. The ESSP is a variable investment plan, which allows employees to direct their investments by choosing from several investment alternatives. The total liability included in Deferred credits and other for these plans at December 31, 2004 and 2003 was $113.0 million and $104.3 million, respectively. In connection with the administration of one of these plans, we have purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

An additional deferred compensation plan, Executive Supplemental Savings Plan II ("ESSPII") will be available, beginning in 2005, to certain executive officers, directors and other key employees of the Company. Eligible employees may elect to defer a percentage of their salary and/or bonus under ESSPII, and the Company may make matching contributions with respect to deferrals of salary to those participants who are eligible to receive matching contributions under the Company's 40l(k) plan and discretionary contributions. Employees vest in matching and discretionary contributions over five years or, under certain conditions, employees may immediately vest.

MULTI-EMPLOYER PENSION PLAN. We have approximately 6,850 employees covered under collective bargaining agreements, and the majority of those employees are covered by union sponsored, collectively bargained multi-employer pension plans. We contributed and charged to expense $8.2 million, $7.2 million and $4.7 million in 2004, 2003 and 2002, respectively, for such plans. The plans' administrators do not provide sufficient information to enable us to determine our share, if any, of unfunded vested benefits.

Note 15—Nonconsolidated Affiliates

As of December 31, 2004, our investments in nonconsolidated affiliates consisted primarily of interests in a horse-racing facility and in a joint venture that was pursuing development of casinos in the United Kingdom. We also own an interest in a golf course near Harrah's Tunica. Harrah's Tunica, including our investment in the golf course, is currently held for sale (see Note 3).

Our Investments in and advances to nonconsolidated affiliates are reflected in our accompanying Consolidated Balance Sheets as follows:

	2004	2003
Investments in and advances to nonconsolidated affiliates		
Accounted for under the equity method	$ 5,973	$ 6,360
Accounted for at historical cost	177	177
	$ 6,150	$ 6,537

Note 16—Quarterly Results of Operations (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In thousands, except per share amounts)				
2004(1)					
Revenues	$ 1,012,394	$ 1,037,210	$ 1,309,657	$ 1,189,065	$ 4,548,326
Income from operations	176,273	192,060	257,816	164,959	791,108
Income from continuing operations	74,838	84,136	110,679	59,872	329,525
Net income	81,731	90,237	118,785	76,956	367,709
Earnings per share—basic(3)					
From continuing operations	0.68	0.75	1.00	0.54	2.97
Net income	0.74	0.81	1.07	0.69	3.31
Earnings per share—diluted(3)					
From continuing operations	0.67	0.74	0.99	0.53	2.92
Net income	0.73	0.79	1.06	0.68	3.26
2003(2)					
Revenues	$ 964,976	$ 990,256	$ 1,043,412	$ 950,221	$ 3,948,865
Income from operations	175,134	176,674	203,228	123,739	678,775
Income from continuing operations	70,323	73,619	89,029	28,093	261,064
Net income	81,080	76,684	99,483	35,376	292,623
Earnings per share—basic(3)					
From continuing operations	0.65	0.68	0.82	0.25	2.40
Net income	0.75	0.71	0.91	0.32	2.69
Earnings per share—diluted(3)					
From continuing operations	0.64	0.66	0.80	0.25	2.36
Net income	0.74	0.69	0.90	0.32	2.65

(1) 2004 First Quarter includes $2.0 million in pretax charges for project opening costs and $3.3 million in pretax charges for write-downs, reserves and recoveries; Second Quarter includes $3.9 million in pretax charges for project opening costs and $5.0 million in pretax credits for write-

downs, reserves and recoveries, including $16.6 million in credits for an adjustment of prior year's gaming tax accrual and charges of $10.0 million for contribution to The Harrah's Foundation; Third Quarter reflects the acquisition of Horseshoe Gaming and includes $2.0 million in pretax charges for project opening costs and $3.8 million in pretax charges for write-downs, reserves and recoveries; and Fourth Quarter includes $1.7 million in pretax charges for project opening costs and $7.5 million in pre-tax charges for write-downs, reserves and recoveries, including pretax charges of $3.5 million for a litigation settlement accrual; and $2.3 million in pretax charges for expense related to the Caesars acquisition and merger. 2004 results reflect Harrah's Tunica and Harrah's East Chicago as discontinued operations.

(2) 2003 Second Quarter includes $4.1 million in pretax charges for project opening costs and $2.1 million in pretax charges for early retirement of debt; Third Quarter reflects a reclass of a $0.1 million charge for loss on sale of ownership interests in a nonconsolidated affiliate to Income from operations; and Fourth Quarter includes $15.9 million pretax charges for early retirement of a portion of the $7^{7}/_{8}$% Senior Subordinated Notes and a $6.3 million pretax charge for goodwill impairment at our Reno property. 2003 results reflect Harrah's Vicksburg, Harveys Colorado, Harrah's Tunica and Harrah's East Chicago as discontinued operations.

(3) The sum of the quarterly per share amounts may not equal the annual amount reported, as per share amounts are computed independently for each quarter and for the full year.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

ITEM 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of December 31, 2004. Based on such evaluation, they have concluded that, as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms.

Internal Control over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management is responsible for establishing and maintaining adequate internal control over our financial reporting.

We have evaluated the effectiveness of our internal control over financial reporting as of December 31, 2004. This evaluation was performed using the internal control evaluation framework

developed by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, management has concluded that, as of such date, our internal control over financial reporting was effective.

Deloitte and Touche LLP has issued an attestation report on management's assessment of our internal control over financial reporting. This report follows this Item 9A.

(b) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Harrah's Entertainment, Inc.
Las Vegas, Nevada

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that Harrah's Entertainment, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2004 of the Company and our report dated February 28, 2005 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
February 28, 2005

ITEM 9B. Other Information.

Not applicable.

PART III

ITEM 10. Directors and Executive Officers.

Executive Officers

Name and Age	Positions and Offices Held and Principal Occupations or Employment During Past 5 Years
Gary W. Loveman (44)	Director since 2000; Chairman of the Board since January 1, 2005; Chief Executive Officer since January 2003; President since April 2001; Chief Operating Officer from May 1998 to January 2003; member of the three-executive Office of the President from May 1999 to April 2001; Executive Vice President from May 1998 to May 1999; Associate Professor of Business Administration, Harvard University Graduate School of Business Administration from 1994 to 1998; Director of Coach, Inc., a designer and marketer of high-quality handbags and women's and men's accessories traded on the New York Stock Exchange.
Charles L. Atwood (56)	Senior Vice President and Chief Financial Officer since April 2001; Treasurer from October 1996 to November 2003; Vice President from October 1996 to April 2001; Director, Equity Residential, an owner and operator of multi-family properties traded on the New York Stock Exchange, since July 2003.
Jerry L. Boone (50)	Senior Vice President, Human Resources since February 2004; Vice President, Human Resources, Harrah's New Orleans from April 2000 to February 2004; Vice President, Gaming Operations, Harrah's New Orleans from September 1998 to April 2000.
John M. Boushy (50)	Senior Vice President and Chief Integration Officer since July 2004; Senior Vice President, Operations Products & Services from February 2001 to July 2004; Senior Vice President, Information Technology from February 2001 to February 2004; Chief Information Officer from February 2001 to January 2003; Senior Vice President Brand Operations and Information Technology from 1999 to 2001; Senior Vice President Information Technology and Marketing Services from 1993 to 1999.
Stephen H. Brammell (47)	Senior Vice President and General Counsel since July 1999; Secretary since June 2004, from November 2002 to July 2003 and from May 2000 to February 2001; Vice President and Associate General Counsel from 1997 to 1999; Associate General Counsel from 1993 to 1997.
Janis L. Jones (55)	Senior Vice President, Communications/Government Relations since November 1999; Mayor of Las Vegas, Nevada, from 1991 to 1999.
Anthony D. McDuffie (44)	Vice President since November 1999; Controller and Chief Accounting Officer since November 2001; Assistant Controller from 1994 to 2001.

Richard E. Mirman (38)	Senior Vice President, Business Development since April 2003; Senior Vice President, New Business Development and Chief Marketing Officer from January 2003 to April 2003; Senior Vice President, Marketing from April 2000 to January 2003; Vice President, Relationship Marketing from 1998 to 2000.
David W. Norton (36)	Senior Vice President, Retention Marketing since November 2003; Senior Vice President, Relationship Marketing from January 2003 to November 2003; Vice President, Loyalty Marketing from October 1998 to January 2003.
Virginia E. Shanks (44)	Senior Vice President, Acquisition Marketing since November 2003; Western Division Senior Vice President—Marketing from January 2003 to November 2003; Western Division Vice President—Marketing from July 1998 to January 2003.
Timothy S. Stanley (39)	Senior Vice President, Information Technology and Chief Information Officer since February 2004; Vice President—Information Technology and Chief Information Officer from January 2003 to February 2004; Vice President—Information Technology from February 2001 to January 2003; Managing Partner, Las Vegas, for USWeb Corporation, an e-Business consulting firm since acquired by marchFIRST, Inc., from December 1999 to February 2001; Vice President—Information Technology, National Airlines, Inc., from August 1998 to January 2000. National Airlines, Inc. filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in December 2000 and ceased operations in November 2002.
Kenneth M. Weil (44)	Senior Vice President, Slots since November 2004; Executive Vice President, Victoria's Secret Direct, from October 1998 to October 2004.
Timothy J. Wilmott (46)	Chief Operating Officer since January 2003; Eastern Division President from 1997 to January 2003.

Code of Ethics

In February 2003, our Board adopted a Code of Business Conduct and Ethics that applies to our Chairman, Chief Executive Officer and President, Chief Operating Officer, Chief Financial Officer and Chief Accounting Officer and is intended to qualify as a "code of ethics" as defined by rules recently adopted by the Securities and Exchange Commission. This Code, filed as Exhibit 14 to this Report, is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting to an appropriate person or persons identified in the Code of violations of the Code; and

- accountability for adherence to the Code.

The remaining information required by this Item is incorporated by reference to our definitive proxy statement for our 2005 Annual Meeting to be filed with the Securities and Exchange Commission pursuant to regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 11. Executive Compensation.

The information required by this Item is incorporated by reference to our definitive proxy statement for our 2005 Annual Meeting to be filed with the Securities and Exchange Commission pursuant to regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management.

Equity Compensation Plan Information

	(a)	(b)	(c)
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans(1)**
Equity compensation plans approved by stockholders(2)	9,441,565	$ 42.89	4,276,342
Equity compensation plans not approved by stockholders(3)	111,401	47.20	30,216
Total	9,552,966	42.94	4,306,558

(1) Excluding securities reflected in column (a).

(2) Includes the Company's 2004 Equity Incentive Award Plan, 2001 Executive Stock Incentive Plan, 1996 Non-Management Directors Stock Incentive Plan, 1990 Restricted Stock Plan, and the 1990 Stock Option Plan.

(3) Includes the Harrah's Entertainment, Inc. 2001 Broad-Based Stock Incentive Plan, a description of which is set forth in Note 14 to the consolidated financial statements set forth elsewhere in this Annual Report on Form 10-K in Part II, Item 8, Financial Statements and Supplementary Data. The 2001 Broad-Based Stock Incentive Plan is intended to qualify as a "broadly-based" plan under Section 312.03 of the New York Stock Exchange Listed Company Manual.

The remaining information required by this Item is incorporated by reference to our definitive proxy statement for our 2005 Annual Meeting to be filed with the Securities and Exchange Commission pursuant to regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 13. Certain Relationships and Related Transactions.

The information required by this Item is incorporated by reference to our definitive proxy statement for our 2005 Annual Meeting to be filed with the Securities and Exchange Commission pursuant to regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated by reference to our definitive proxy statement for our 2005 Annual Meeting to be filed with the Securities and Exchange Commission pursuant to regulation 14A within 120 days after the end of the fiscal year covered by this report.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules.

(a) 1. Financial statements of the Company (including related notes to consolidated financial statements) filed as part of this report are listed below:

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of December 31, 2004 and 2003.

Consolidated Statements of Income for the Years Ended December 31, 2004, 2003 and 2002.

Consolidated Statements of Stockholders' Equity and Comprehensive Income for the Years Ended December 31, 2004, 2003 and 2002.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2004, 2003 and 2002.

2. Schedules for the years ended December 31, 2004, 2003 and 2002, are as follows:

Schedule II—Consolidated valuation and qualifying accounts.

Schedules I, III, IV, and V are not applicable and have therefore been omitted.

3. Exhibits

No.	
2(1)	Stock Purchase Agreement, dated as of September 10, 2003, by and among Harrah's Entertainment, Inc., Horseshoe Gaming Holding Corp., and each of the stockholders of Horseshoe Gaming Holding Corp. (Incorporated by reference from the Company's Current Report on Form 8-K, filed September 17, 2003, File No. 1-10410.)
2(2)	Amendment No. 1 to Stock Purchase Agreement, dated June 25, 2004, by and between Harrah's Operating Company, Inc., Horseshoe Gaming Holding Corp. and Jack B. Binion (as Sellers' Representative). (Incorporated by reference from Company's Current Report on Form 8-K, filed July 16, 2004, File No. 1-10410.)
2(3)	Partnership Interest Purchase Agreement dated as of January 20, 2004 by and among Harrah's Shreveport/Bossier City Investment Company, LLC, Harrah's Bossier City Investment Company, LLC Red River Entertainment of Shreveport Partnership in Commendam, Boyd Shreveport, L.L.C., Boyd Red River, L.L.C., and Boyd Gaming Corporation. (Incorporated by reference to the exhibit filed with the Company's Current Report on Form 8-K, filed January 23, 2004, File No. 1-10410.)
2(4)	Agreement and Plan of Merger, dated July 14, 2004, by and among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and Caesars Entertainment, Inc. (Incorporated by reference from the Company's Current Report on Form 8-K filed July 15, 2004, File No. 1-10410.)
2(5)	Asset Purchase Agreement, dated September 28, 2004, by and among Showboat Marina Casino Partnership, Tunica Partners II L.P., GNOC Corporation, Bally's Olympia Limited Partnership, Bally's Park Place, Inc., Land Ventures Realty, LLC and Resorts International Holdings, LLC. (Incorporated by reference from the Company's Current Report on Form 8-K filed September 27, 2004, File No. 1-10410.)

3(1) Certificate of Incorporation of The Promus Companies Incorporated; Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated April 29, 1994; Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated May 26, 1995; and Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated June 30, 1995, changing its name to Harrah's Entertainment, Inc. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, filed March 6, 1996, File No. 1-10410.)

3(2) Bylaws of Harrah's Entertainment, Inc., as amended November 12, 2002. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003, File No. 1-10410.)

4(1) Rights Agreement dated as of October 5, 1996, between Harrah's Entertainment, Inc. and The Bank of New York, which includes the form of Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc. as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Special Shares as Exhibit C. (Incorporated by reference from the Company's Current Report on Form 8-K, filed August 9, 1996, File No. 1-10410.)

4(2) First Amendment, dated as of February 21, 1997, to Rights Agreement between Harrah's Entertainment, Inc. and The Bank of New York. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)

4(3) Second Amendment, dated as of April 25, 1997, to Rights Agreement, dated as of October 25, 1996, between Harrah's Entertainment, Inc. and The Bank of New York. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed May 13, 1997, File No. 1-10410.)

4(4) Letter to Stockholders dated July 23, 1997 regarding Summary of Rights To Purchase Special Shares As Amended Through April 25, 1997. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, filed August 13, 1997, File No. 1-10410.)

4(5) Certificate of Elimination of Series B Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)

4(6) Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. F1-10410.)

4(7) Indenture, dated as of December 9, 1998, among Harrah's Operating Company, Inc. as Issuer, Harrah's Entertainment, Inc., as Guarantor and IBJ Schroder Bank & Trust Company, as Trustee relating to the $7^{7}/_{8}$% Senior Subordinated Notes Due 2005. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)

4(8) Indenture, dated as of December 18, 1998, among Harrah's Operating Company, Inc. as obligor, Harrah's Entertainment, Inc., as Guarantor, and IBJ Schroder Bank & Trust Company, as Trustee relating to the 7 1/2% Senior Notes Due 2009. (Incorporated by reference from the Company's Registration Statement on Form S-3 of Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc., File No. 333-69263, filed December 18, 1998.)

4(9) Indenture, dated as of January 29, 2001, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Bank One Trust Company, N.A., as Trustee, relating to the 8.0% Senior Notes Due 2011. (Incorporated by reference from the Company's Annual Report on Form 10-K filed on March 28, 2001, File No. 1-10410.)

4(10) Indenture, dated as of June 14, 2001, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Firstar Bank, N.A., as Trustee, relating to the 7 1/8% Senior Notes due 2007. (Incorporated by reference from the Company's Registration Statement on Form S-4 of Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc., File No. 333-68360, filed August 24, 2001.)

4(11) Indenture, dated as of December 11, 2003, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.375% Senior Notes due 2013. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed March 4, 2004, File No. 1-10410.)

4(12) Registration Rights Agreement dated December 11, 2003 among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Citigroup Global Markets Inc., as Initial Purchasers, relating to the 5.375% Senior Notes due 2013. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed March 4, 2004, File No. 1-10410.)

4(13) Indenture, dated as of June 25, 2004, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5.50% Senior Notes due 2010. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, filed August 9, 2004, File No. 1-10410.)

4(14) Form of Exchange Note (included in Exhibit 4(13)).

4(15) Registration Rights Agreement, dated June 25, 2004, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and J.P. Morgan Securities, Inc., as Representative of the Initial Purchasers, relating to the 5.50% Senior Notes due 2010. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, filed August 9, 2004, File No. 1-10410.)

*10(1) Amended and Restated Credit Agreement dated as of June 24, 2004, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Borrower, The Lenders, Syndication Agent, Co-Documentation Agents named therein, and Bank of America, N.A., as Administrative Agent, Banc of America Securities LLC and Wells Fargo Bank, N.A., Joint Lead Arrangers and Joint Book Managers.

10(2)	Second Amended and Restated Credit Agreement, dated as of January 31, 2005 among Harrah's Entertainment, Inc. as Guarantor, Harrah's Operating Company, Inc. as Borrower, The Lenders, Syndication Agent and Co-Documentation Agents Herein Named and Bank of America, N.A., as Administrative Agent, and Banc of America Securities LLC and Wells Fargo Bank, National Association, as Joint Lead Arrangers and Joint Book Managers. (Incorporated by reference from the Company's Current Report on Form 8-K, filed February 4, 2005, File No. 1-10410.)
10(3)	Purchase Agreement, dated June 22, 2004, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and J. P. Morgan Securities Inc., as representative of the initial purchasers relating to the 5.50% Senior Notes due 2010. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, filed August 9, 2004, File No. 1-10410.)
10(4)	Issuing and Paying Agent Agreement, dated as of May 19, 2000, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Bank One, National Association, as issuing and paying agent; Corporate Commercial Paper Master Note in favor of Cede & Co., as nominee of The Depository Trust Company, by Harrah's Operating Company, Inc., as Issuer, and Bank One, N.A., as Paying Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
10(5)	Commercial Paper Dealer Agreement, dated as of May 3, 2000, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Banc of America Securities LLC, as Dealer. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
10(6)	Commercial Paper Dealer Agreement, dated as of May 3, 2000, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Credit Suisse First Boston Corporation, as Dealer. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
10(7)	Form of Interest Rate Swap Agreements with BNP Paribas, JP Morgan Chase Bank, and The Royal Bank of Scotland PLC. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, filed May 7, 2004, File No. 1-10410.)
10(8)	Tax Sharing Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, filed August 14, 1995, File No. 1-10410.)
†10(9)	Form of Indemnification Agreement entered into by The Promus Companies Incorporated and each of its directors and executive officers. (Incorporated by reference from the Company's Registration Statement on Form 10, File No. 1-10410, filed on December 13, 1989.)
†10(10)	Financial Counseling Plan of Harrah's Entertainment, Inc. as amended January 1996. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, filed March 6, 1996, File No. 1-10410.)
†10(11)	The Promus Companies Incorporated 1996 Non-Management Director's Stock Incentive Plan dated April 5, 1995. (Incorporated by reference from the Company's Proxy Statement for the May 26, 1995 Annual Meeting of Stockholders, filed April 25, 1995.)

†10(12)	Amendment dated February 20, 1997 to 1996 Non-Management Director's Stock Incentive Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed May 13, 1997, File No. 1-10410.)
†10(13)	Amendment dated as of November 15, 2000 to the 1996 Non-Management Directors Stock Incentive Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K filed on March 28, 2001, File No. 1-10410.)
10(14)	Summary Plan Description of Executive Term Life Insurance Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
†10(15)	Executive Supplemental Savings Plan dated February 21, 2001. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed May 11, 2001, File No. 1-10410.)
†10(16)	First Amendment, dated May 2, 2001, to the Executive Supplemental Savings Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 13, 2001, File No. 1-10410.)
†10(17)	2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan, amended and restated effective April 1, 2001. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.)
†10(18)	Second Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan approved November 13, 2001. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 filed March 8, 2002, File No. 1-10410.)
†10(19)	Third Amendment dated January 1, 2003 to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003, File No. 1-10410.)
†10(20)	Fourth Amendment dated August 19, 2004 to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, filed November 8, 2004, File No. 1-10410.)
†10(21)	Fifth Amendment dated December 16, 2004 to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan. (Incorporated by reference from the Company's Current Report on Form 8-K, filed December 17, 2004, File No. 1-10410.)
†10(22)	Executive Supplemental Savings Plan II effective as of January 1, 2005. (Incorporated by reference from the Company's Current Report on Form 8-K, filed December 17, 2004, File No. 1-10410.)
*†10(23)	First Amendment to the Executive Supplemental Savings Plan II effective as of January 25, 2005
*†10(24)	Second Amendment to the Executive Supplemental Savings Plan II effective as of February 11, 2005
†10(25)	Employment Agreement dated as of September 4, 2002, between Harrah's Entertainment, Inc. and Philip G. Satre. (Incorporated by reference from the Company's Annual Report on Form 10-Q filed November 12, 2002, File No. 1-10410.)

†10(26) Severance Agreement dated January 1, 2003, entered into with Philip G. Satre. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003, File No. 1-10410.)

†10(27) Amendment, dated as of May 9, 2001, to Deferred Compensation Agreement dated October 1, 1986, between Philip G. Satre and Harrah's Operating Company, Inc. successor to Harrah's Club, as amended January 1, 1987 and December 13, 1993. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 13, 2001, File No. 1-10410.)

†10(28) Employment Agreement dated as of September 4, 2002, between Harrah's Entertainment, Inc. and Gary W. Loveman. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 2002, File No. 1-10410.)

†10(29) Severance Agreement dated January 1, 2003 entered into with Gary W. Loveman (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003, File No. 1-10410.)

*†10(30) Employment Agreement effective as of July 26, 2004, between Harrah's Operating Company, Inc. and John M. Boushy.

†10(31) Form of Employment Agreement between Harrah's Operating Company, Inc. and Charles L. Atwood, Stephen H. Brammell, Jerry Boone, Janis L. Jones, Anthony D. McDuffie, Richard E. Mirman, David W. Norton, Virginia E. Shanks, Timothy S. Stanley, Kenneth M. Weil, and Timothy J. Wilmott. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed March 5, 2004, File No. 1-10410.)

†10(32) Form of Severance Agreement entered into with Charles L. Atwood, Jerry Boone, John M. Boushy, Stephen H. Brammell, Janis L. Jones, Anthony D. McDuffie, Richard E. Mirman, David W. Norton, Virginia E. Shanks, Timothy S. Stanley, Kenneth M. Weil, and Timothy J. Wilmott. (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed March 5, 2004, File No. 1-10410.)

†10(33) The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, filed August 11, 1994, File No. 1-10410.)

†10(34) Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Stock Option Plan as adjusted on December 12, 1996. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)

†10(35) Amendment, dated February 26, 1998, to the Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 1998, filed May 14, 1998, File No. 1-10410.)

†10(36) Amendment, dated April 30, 1998, to the Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, filed August 7, 1998, File No. 1-10410.)

†10(37) Amendment, dated October 29, 1998, to the Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)

†10(38) The Promus Companies Incorporated 1990 Restricted Stock Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1989, filed March 28, 1990, File No. 1-10410.)

†10(39) Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Restricted Stock Plan. (Incorporated by reference from the Company's Proxy Statement for the May 26, 1995 Annual Meeting of Stockholders, filed April 25, 1995.)

†10(40) Amendment, dated February 26, 1998, to the Harrah's Entertainment, Inc. 1990 Restricted Stock Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 1998, filed May 14, 1998, File No. 1-10410.)

†10(41) Amendment, dated April 30, 1998, to the Harrah's Entertainment, Inc. 1990 Restricted Stock Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, filed August 7, 1998, File No. 1-10410.)

†10(42) Amendment, dated October 29, 1998, to the Harrah's Entertainment, Inc. 1990 Restricted Stock Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)

†10(43) Deferred Compensation Plan dated October 16, 1991. (Incorporated by reference from Amendment No. 2 to the Company's and Embassy's Registration Statement on Form S-1, File No. 33-43748, filed March 18, 1992.)

†10(44) Amendment, dated May 26, 1995, to The Promus Companies Incorporated Deferred Compensation Plan. (Incorporated by reference from the Company's Current Report on Form 8-K, filed June 15, 1995, File No. 1-10410.)

†10(45) Amendment dated April 24, 1997, to Harrah's Entertainment, Inc.'s Deferred Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, filed August 13, 1997, File No. 1-10410.)

†10(46) Amendment dated as of November 15, 2000 to the Harrah's Entertainment, Inc. Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K filed on March 28, 2001, File No. 1-10410.)

†10(47) Amendment dated as of February 26, 2003 to the Harrah's Entertainment, Inc. Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003, File No. 1-10410.)

†10(48) Amended and Restated Executive Deferred Compensation Plan dated as of October 27, 1995. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, filed March 6, 1996, File No. 1-10410.)

†10(49) Amendment dated April 24, 1997 to Harrah's Entertainment, Inc.'s Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, filed August 13, 1997, File No. 1-10410.)

†10(50) Amendment dated April 30, 1998 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, filed August 7, 1998, File No. 1-10410.)

†10(51) Amendment dated October 29, 1998 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)

†10(52) Restated Amendment, dated July 18, 1996, to Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)

†10(53) Amendment dated as of November 15, 2000 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K filed on March 28, 2001, File No. 1-10410.)

†10(54) Amendment dated as of February 21, 2001 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed May 11, 2001, File No. 1-10410.)

†10(55) Amendment dated as of January 1, 2003 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003, File No. 1-10410.)

†10(56) Letter Agreement with Wells Fargo Bank Minnesota, N.A., dated August 31, 2000, concerning appointment as Escrow Agent under Escrow Agreement for deferred compensation plans. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)

†10(57) Amendment to Escrow Agreement, dated April 26, 2000, between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A., Successor to Bank of America, N.A. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)

10(58) Trust Agreement dated June 20, 2001 by and between Harrah's Entertainment, Inc. (the "Company") and Wells Fargo Bank Minnesota, N.A. (the "Trustee"). (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.)

†10(59) Time Accelerated Restricted Stock Award Plan ("TARSAP") program dated December 12, 1996. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)

†10(60) Amendment to Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, File No. 1-10410.)

†10(61) Amendment to Harrah's Entertainment, Inc. 1990 Stock Option Plan, dated as of February 23, 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)

†10(62) Harrah's Entertainment, Inc. 2000 Senior Executive Incentive Plan (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)

†10(63) TARSAP Deferral Plan dated July 28, 1999. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 1999, Filed No. 1-10410.)

†10(64) Time Accelerated Restricted Stock Award Plan II (TARSAP II) dated April 26, 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)

†10(65)	Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan. (Incorporated by reference from the Company's Registration Statement on Form S-8 of Harrah's Entertainment, Inc., File No. 333-63856, filed June 26, 2001.)
†10(66)	Amendment dated as of January 1, 2003 to the Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003, File No. 1-10410.)
†10(67)	Harrah's Entertainment, Inc. 2004 Equity Incentive Award Plan. (Incorporated by reference from Annex B to the Company's Proxy Statement, filed March 4, 2004.)
†10(68)	Harrah's Entertainment, Inc. 2005 Senior Executive Incentive Plan. (Incorporated by reference from Annex C to the Company's Proxy Statement, filed March 4, 2004.)
*12	Computations of ratios.
14	Harrah's Entertainment, Inc. Code of Business Conduct and Ethics for Principal Officers, adopted February 26, 2003. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 10, 2003, File No. 1-10410.)
*21	List of subsidiaries of Harrah's Entertainment, Inc.
*23	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
*31(1)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 1, 2005.
*31(2)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 1, 2005.
*32(1)	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 1, 2005.
*32(2)	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 1, 2005
*99	Description of Governmental Regulation.

* Filed herewith.

† Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form pursuant to Item 15(c) of Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 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.

March 1, 2005

By: /s/ GARY W. LOVEMAN

Gary W. Loveman
Chairman of the Board,
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ BARBARA T. ALEXANDER Barbara T. Alexander	Director	March 1, 2005
/s/ FRANK J. BIONDI, JR. Frank J. Biondi, Jr.	Director	March 1, 2005
/s/ JOE M. HENSON Joe M. Henson	Director	March 1, 2005
/s/ RALPH HORN Ralph Horn	Director	March 1, 2005
/s/ GARY W. LOVEMAN Gary W. Loveman	Director, Chairman of the Board, Chief Executive Officer and President	March 1, 2005
/s/ R. BRAD MARTIN R. Brad Martin	Director	March 1, 2005
/s/ GARY G. MICHAEL Gary G. Michael	Director	March 1, 2005

/s/ ROBERT G. MILLER Robert G. Miller	Director	March 1, 2005
/s/ BOAKE A. SELLS Boake A. Sells	Director	March 1, 2005
/s/ CHRISTOPHER J. WILLIAMS Christopher J. Williams	Director	March 1, 2005
/s/ CHARLES L. ATWOOD Charles L. Atwood	Senior Vice President and Chief Financial Officer	March 1, 2005
/s/ ANTHONY D. MCDUFFIE Anthony D. McDuffie	Vice President, Controller and Chief Accounting Officer	March 1, 2005

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
YEAR ENDED DECEMBER 31, 2004					
Allowance for doubtful accounts					
Current	$ 51,466	$ 13,442	$ 7,277(d)	$ (23,596)(a)	$ 48,589
Long-term	$ 80	$ –	$ –	$ (80)	$ –
Liability to sellers under acquisition agreement(b)	$ 24,494	$ –	$ –	$ (847)	$ 23,647
Reserve for structural repairs(c)	$ 3,083	$ –	$ –	$ (2,413)	$ 670
YEAR ENDED DECEMBER 31, 2003					
Allowance for doubtful accounts					
Current	$ 55,860	$ 4,950	$ 81	$ (9,425)(a)	$ 51,466
Long-term	$ 155	$ –	$ –	$ (75)	$ 80
Liability to sellers under acquisition agreement(b)	$ 25,641	$ –	$ –	$ (1,147)	$ 24,494
Reserve for structural repairs(c)	$ 5,000	$ –	$ 147	$ (2,064)	$ 3,083
YEAR ENDED DECEMBER 31, 2002					
Allowance for doubtful accounts					
Current	$ 60,149	$ (2,521)	$ 8,225(d)	$ (9,993)(a)	$ 55,860
Long-term	$ 24,989	$ –	$ –	$ (24,834)(e)	$ 155
Liability to sellers under acquisition agreement(b)	$ 26,220	$ –	$ –	$ (579)	$ 25,641
Reserve for structural repairs(c)	$ –	$ 5,000	$ –	$ –	$ 5,000

(a) Uncollectible accounts written off, net of amounts recovered.

(b) We acquired Players International, Inc., ("Players") in March 2000. In 1995, Players acquired a hotel and land adjacent to its riverboat gaming facility in Lake Charles, Louisiana, for cash plus future payments to the seller based on the number of passengers boarding the riverboat casinos during a defined term. In accordance with the guidance provided by APB 16 regarding the recognition of liabilities assumed in a business combination accounted for as a purchase, Players estimated the net present value of the future payments to be made to the sellers and recorded that amount as a component of the total consideration paid to acquire these assets. Our recording of this liability in connection with the purchase price allocation process following the Players acquisition was originally reported in 2000. The long-term portion of this liability is included in Deferred credits and other on our Consolidated Balance Sheets; the current portion of this obligation is included in Accrued expenses on our Consolidated Balance Sheets.

(c) During 2002, we discovered that water leaks had caused considerable damage to a hotel tower at our property in Reno, Nevada. Following an initial assessment of the extent of the damage, our design and construction department (assisted by third-party experts) estimated that the costs to repair the damage would total approximately $5 million.

(d) 2004 Charged to Other Accounts consists primarily of the balance acquired from our acquisition of Horseshoe Gaming Holding Corp. on July 1, 2004. 2002 Charged to Other Accounts consists primarily of the balance acquired from our acquisition and consolidation of JCC Holding Company in our financial statements and re-established accounts that had been previously deemed uncollectible.

(e) In 2000, National Airlines, Inc., ("NAI") filed for Chapter 11 Bankruptcy, and we recorded write-offs and reserves for our investment in and loans to NAI and our estimated net exposure under letters of credit issued on behalf of NAI. In June 2001, we abandoned all rights to our equity ownership interest in NAI and removed the investment balance and associated reserves from our balance sheet. Since we no longer held an equity investment in NAI, we

transferred our reserve balance related to NAI to a long-term receivable and an associated allowance for doubtful accounts. In 2002, we removed the receivable and associated allowance from our general ledger.

HARRAH'S ENTERTAINMENT, INC.
RECONCILIATION OF NET INCOME/(LOSS) TO TOTAL EBITDA AND PROPERTY EBITDA
(In thousands)

	Year Ended December 31,				
	2004	2003	2002	2001	2000
Net income/(loss)	**$ 367,709**	**$ 292,623**	**$ 235,029**	**$ 208,967**	**$ (12,060)**
Add/(less):					
Cumulative effect of change in accounting principle, net of tax benefits of $2,831	–	–	91,169	–	–
Income from discontinued operations, net of tax provision of $18,460, $16,993, $23,684, $18,977 and $18,505	(38,184)	(31,559)	(43,986)	(35,179)	(34,368)
Provision for income taxes	190,641	155,568	174,445	107,747	(3,478)
Interest expense	271,802	234,419	240,220	255,801	227,130
Depreciation and amortization (property)	327,188	294,336	278,935	260,616	211,659
Corporate depreciation and amortization (included in Corporate expense)	15,869	13,234	14,023	15,930	21,110
Amortization of intangible assets	9,439	4,798	4,493	23,333	20,112
Total EBITDA	**1,144,464**	**963,419**	**994,328**	**837,215**	**430,105**
Add/(less):					
Minority interests	8,623	11,563	13,965	12,616	13,768
Other income, including interest income	(9,483)	(2,913)	(2,137)	(28,219)	(3,866)
Losses on early extinguishments of debt	–	19,074	–	36	1,104
Corporate expense	66,818	52,602	56,626	52,746	50,472
Less: Corporate depreciation and amortization (included in Corporate expense)	(15,869)	(13,234)	(14,023)	(15,929)	(21,110)
Project opening costs	9,526	7,352	1,703	12,421	8,190
Write-downs, reserves and recoveries	9,567	10,476	4,537	17,225	226,094
Losses on interests in nonconsolidated affiliates	879	999	1,670	4,614	99,329
Merger and integration costs for Caesars acquisition	2,331	–	–	–	–
Headquarters relocation costs	–	–	–	–	2,983
Venture restructuring costs	–	–	–	2,524	400
Property EBITDA	**$ 1,216,856**	**$ 1,049,338**	**$ 1,056,669**	**$ 895,249**	**$ 807,469**

This Reconciliation should be read in conjunction with our Consolidated Financial Statements and Notes thereto included in our 2004 Form 10-K.

QuickLinks

Exhibit 10(1)

Published CUSIP Number: 413626AAO

EXECUTION

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of June 24, 2004

among

HARRAH'S ENTERTAINMENT, INC.

as Guarantor

HARRAH'S OPERATING COMPANY, INC.

as Borrower

The Lenders, Syndication Agent

And Co-Documentation Agents Herein Named

and

BANK OF AMERICA, N.A.,

as Administrative Agent

BANC OF AMERICA SECURITIES LLC

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,

Joint Lead Arrangers and Joint Book Managers

TABLE OF CONTENTS

AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT ("*Agreement*"), dated as of June 24, 2004, is entered into among Harrah's Operating Company, Inc., a Delaware corporation ("*Company*"), each of the Subsidiaries that becomes a borrower pursuant to Section 2.9 hereof (the Company and each such borrower are individually a "*Borrower*" and collectively the "*Borrowers*"), as Borrowers, Harrah's Entertainment, Inc., a Delaware corporation (the "*Parent*"), as Guarantor, Bank of America, N.A. and each lender whose name is set forth on the signature pages of this Agreement and each other lender which may hereafter become a party to this Agreement pursuant to Section 11.8 (collectively, the "*Lenders*" and individually, a "*Lender*"), Deutsche Bank Trust Company Americas, as Syndication Agent, Citicorp USA, Inc., JPMorgan Chase Bank, Wells Fargo Bank, N.A., and The Royal Bank of Scotland, PLC as Co-Documentation Agents**,** and Bank of America, N.A., as Administrative Agent. While not party to this Agreement, Banc of America Securities LLC and Wells Fargo Bank, National Association have served as Joint Lead Arrangers and Joint Book Managers.

RECITALS

A. Parent and Borrowers have requested that the Lenders provide the credit facilities described herein to provide for their common working capital needs and for the refinancing of certain existing Indebtedness of Borrower, including without limitation the Existing Credit Agreement, all as further set forth in Section 5.7.

B. The parties to this Agreement agree that the Company shall be jointly and severally liable for all of the Obligations hereunder, as more particularly set forth in Section 11.23, notwithstanding any allocation of the Obligations to the nominal account of any other Borrower.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE 1
DEFINITIONS AND ACCOUNTING TERMS

1.1 *Defined Terms*. As used in this Agreement, the following terms shall have the meanings set forth below:

"*Administrative Agent*" means Bank of America, when acting in its capacity as the Administrative Agent under any of the Loan Documents, or any successor Administrative Agent.

"*Administrative Agent's Office*" means the Administrative Agent's address as set forth on the signature pages of this Agreement, or such other address as the Administrative Agent hereafter may designate by written notice to Borrowers and the Lenders.

"*Administrative Questionnaire*" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"*Advance*" means any advance made or to be made by any Lender to a Borrower as provided in Article 2, and includes each Base Rate Advance, Eurodollar Rate Advance, Committed Advance and Swing Line Advance.

"*Affiliate*" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (and the correlative terms, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise); provided that, in any event, any Person that owns, directly or indirectly, 5%

or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation that has more than 100 record holders of such securities, or 5% or more of the partnership or other ownership interests of any other Person that has more than 100 record holders of such interests, will be deemed to control such corporation or other Person.

"*Aggregate Commitments*" means the Commitments of all of the Lenders. As of the Closing Date, the Aggregate Commitments are $2,500,000,000.

"*Aggregate Sublimit*" means with respect to each Subsidiary of Parent which hereafter becomes a Borrower, such aggregate amount as shall be established in accordance with Section 2.9.

"*Agreement*" means this Credit Agreement, either as originally executed or as it may from time to time be supplemented, modified, amended, restated or extended.

"*Applicable Percentage*" means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Commitments held by that Lender at such time. If the commitment of each Lender to make Loans and the obligation of the Issuing Lender to make L/C Credit Extensions have been terminated pursuant to Section 9.2 or if the Commitments have expired, then the Applicable Percentage of each Lender shall be determined based on the Applicable Percentage of such Lender most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 1.1 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

"*Applicable Rates*" means, as of each date of determination, the following percentages per annum, based upon the then prevailing Pricing Level:

Pricing Level	Base Rate Margin	Facility Fee	Letter of Credit Fee Eurodollar Margin
I	0.000%	0.125%	0.375%
II	0.000%	0.150%	0.550%
III	0.000%	0.175%	0.725%
IV	0.000%	0.200%	0.900%
V	0.000%	0.250%	1.050%
VI	0.015%	0.300%	1.400%

"*Approved Fund*" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business, and that is administered or managed by:

(a) a Lender,

(b) an Affiliate of a Lender, or

(c) an entity or an Affiliate of an entity that administers or manages a Lender.

"*Assignment Agreement*" means an Assignment and Assumption Agreement substantially in the form of Exhibit A.

"*Atlantic City Showboat Land Debt*" means, the $100,000,000 aggregate face amount of Showboat Land, LLC's 7.09% Promissory Note due February 1, 2028.

"*Bank of America*" means Bank of America, N.A. and its successors.

"*Base Rate*" means for any day a fluctuating rate per annum equal to the higher of

(a) the Federal Funds Rate plus $^1/_2$ of 1% and

(b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate."

The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"*Base Rate Advance*" and "*Base Rate Loan*" mean, respectively, a Committed Advance or a Committed Loan made hereunder and specified to be a Base Rate Advance or Loan in accordance with Article 2.

"*Base Rate Margin*" means, as of each date of determination, the relevant interest rate margin set forth in the definition of Applicable Rates.

"*Borrower Materials*" has the meaning set forth for that term in Section 7.3.

"*Borrowers*" means, collectively, Company and each Wholly-Owned Subsidiary which is hereafter designated as a Borrower in accordance with Section 2.9, and their respective successors and permitted assigns.

"*Borrowing*" means a borrowing consisting of Committed Loans or Swing Line Advances, as the context may require.

"*Business Day*" means any Monday, Tuesday, Wednesday, Thursday or Friday, other than a day on which commercial banks are authorized or required to be closed in California or New York.

"*Capital Lease Obligations*" means all monetary obligations of a Person under any leasing or similar arrangement which, in accordance with Generally Accepted Accounting Principles, is classified as a capital lease.

"*Cash*" means, when used in connection with any Person, all monetary and non-monetary items owned by that Person that are treated as cash in accordance with Generally Accepted Accounting Principles, consistently applied.

"*Cash Collateralize*" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Issuing Lender and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the Issuing Lender (which documents are hereby consented to by the Lenders).

"*Certificate of a Responsible Official*" means a certificate signed by a Responsible Official of the Person providing the certificate.

"*Change in Control*" means the occurrence of a Rating Decline in connection with any of the following events (or, if the Debt Ratings are not then Investment Grade, any further decline in the Debt Ratings):

(a) upon any merger or consolidation of Parent with or into any person or any sale, transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets of Parent, on a consolidated basis, in one transaction or a series of related transactions, if, immediately after giving effect to such transaction, any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of securities representing a majority

of the total voting power of the aggregate outstanding securities of the transferee or surviving entity normally entitled to vote in the election of directors, managers, or trustees, as applicable, of the transferee or surviving entity,

(b) when any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated by The Securities and-Exchange Commission under said Act) of securities representing a majority of total voting power of the aggregate outstanding securities of Parent normally entitled to vote in the election of directors of Parent,

(c) when, during any period of 12 consecutive calendar months, individuals who were directors of Parent on the first day of such period (together with any new directors whose election by the board of directors of Parent or whose nomination for election by the stockholders of Parent was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of Parent, or

(d) the sale or disposition, whether directly or indirectly, by Parent of all or substantially all of its assets.

"*Change in Law*" means the occurrence, after the date of this Agreement, of any of the following:

(a) the adoption or taking effect of any law, rule, regulation or treaty,

(b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Agency or

(c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Agency.

"*Closing Date*" means the time and Business Day on which the conditions set forth in Section 8.1 are satisfied or waived. The Administrative Agent shall notify the Company and the Lenders of the date that is the Closing Date.

"*Code*" means the Internal Revenue Code of 1986, as amended or replaced and as in effect from time to time.

"*Commitment*" means, as to each Lender, its obligation to:

(a) make Committed Advances to the Borrower pursuant to Section 2.1,

(b) purchase participations in L/C Obligations, and

(c) purchase participations in Swing Line Advances,

in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 1.1 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"*Committed Advance*" means any Advance made to a Borrower by any Lender in accordance with its Applicable Percentage pursuant to Section 2.1(a).

"*Committed Advance Note*" or "*Note*" means the promissory note made by the Company (or in the appropriate case, by each other Borrower) to a Lender evidencing the Committed Advances under that Lender's Commitment to the Company (or to that Borrower), substantially in the form

of Exhibit B, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"*Committed Loans*" means Loans that are comprised of Committed Advances.

"*Company*" means Harrah's Operating Company, Inc., its successors and permitted assigns.

"*Compliance Certificate*" means a certificate substantially in the form of Exhibit C, properly completed and signed on behalf of Borrowers by a Senior Officer of each Borrower.

"*Confidential Information Memorandum*" means the Confidential Information Memorandum dated May, 2004, distributed to the Lenders in connection with the credit facilities provided herein.

"*Contingent Obligation*" means, as to any Person, any

(a) guarantee by that Person of Indebtedness of, or other obligation performable by, any other Person or

(b) assurance given by that Person to an obligee of any other Person with respect to the performance of an obligation by, or the financial condition of, such other Person, whether direct, indirect or contingent, including any purchase or repurchase agreement covering such obligation or any collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item of such other Person or any "keep-well", "make-well" or other arrangement of whatever nature given for the purpose of assuring or holding harmless such obligee against loss with respect to any obligation of such other Person; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business.

"*Contractual Obligation*" means, as to any Person, any provision of any outstanding security issued by that Person or of any material agreement, instrument or undertaking to which that Person is a party or by which it or any of its Property is bound.

"*Credit Extension*" means each of the following:

(a) a Borrowing and

(b) a L/C Credit Extension.

"*Creditors*" means, collectively, the Administrative Agent, each Issuing Lender, the Swing Line Lender, each Lender, the Syndication Agent, the Co-Documentation Agents, and, where the context requires, any one or more of them.

"*Debt Rating*" means, as of any date of determination, the credit ratings assigned by Moody's and S&P to senior unsecured Indebtedness of the Company, provided however that (a) if the credit facilities hereunder receive a split-rating and the rating differential is one level, the higher of the two ratings will apply, and (b) if the credit facilities hereunder are "split-rated" and the ratings differential is more than one level, the highest intermediate rating shall be used.

"*Debtor Relief Laws*" means the Bankruptcy Code of the United States of America, as amended from time to time, and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws from time to time in effect affecting the rights of creditors generally.

"*Default*" means any event that, with the giving of any applicable notice or passage of time specified in Section 9.1, or both, would be an Event of Default.

"*Default Rate*" means the interest rate prescribed in Section 3.9.

"*Defaulting Lender*" means any Lender that:

(a) has failed to fund any portion of the Committed Loans, participations in L/C Obligations or participations in Swing Line Advances required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder,

(b) has otherwise failed to pay over to the Administrative Agent, any other Lender or Borrower any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or

(c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"*Defeased Debt*" means any Indebtedness of Parent and its Subsidiaries which, at any relevant time, is subject to legal or covenant defeasance in a manner which is reasonably acceptable to the Administrative Agent.

"*Designated Deposit Account*" means a deposit account to be maintained by Borrowers with Bank of America, as from time to time designated by Borrowers by written notification to the Administrative Agent.

"*Designated Eurodollar Market*" means, with respect to any Eurodollar Rate Loan:

(a) the London Eurodollar Market, or

(b) if prime banks in the London Eurodollar Market are at the relevant time not accepting deposits of Dollars or if the Administrative Agent determines that the London Eurodollar Market does not represent at the relevant time the effective pricing to the Lenders for deposits of Dollars in the London Eurodollar Market, the Cayman Islands Eurodollar Market or

(c) if prime banks in the Cayman Islands Eurodollar Market are at the relevant time not accepting deposits of Dollars or if the Administrative Agent determines that the Cayman Islands Eurodollar Market does not represent at the relevant time the effective pricing to the Lenders for deposits of Dollars in the Cayman Islands Eurodollar Market, such other Eurodollar Market as may from time to time be selected by the Administrative Agent with the approval of Borrowers and the Requisite Lenders.

"*Disqualification*" means, with respect to any Lender:

(a) the failure of that Person timely to file pursuant to applicable Gaming Laws

(i) any application requested of that Person by any Gaming Board in connection with any licensing required of that Person as a lender to Borrowers or

(ii) any required application or other papers in connection with determination of the suitability of that Person as a lender to Borrowers;

(b) the withdrawal by that Person (except where requested or permitted by the Gaming Board) of any such application or other required papers; or

(c) any final determination by a Gaming Board pursuant to applicable Gaming Laws

(i) that such Person is "unsuitable" as a lender to Borrowers;

(ii) that such Person shall be "disqualified" as a lender to Borrowers; or

(iii) denying the issuance to that Person of any license required under applicable Gaming Laws to be held by all lenders to Borrowers.

"*Dollars*" or "$" means United States dollars.

"*EBITDA*" means, for any period, Net Income for such period *before*:

(a) income taxes;

(b) Interest Expense;

(c) depreciation and amortization;

(d) minority interest;

(e) extraordinary losses or gains;

(f) Pre-Opening Expenses; and

(g) nonrecurring non-cash charges, and *after* deduction of any nonrecurring non-cash gains;

provided that, in calculating "EBITDA," and to the extent otherwise included in Net Income for any portion of the relevant period:

(i) the operating results of each New Project which commences operations and records not less than one full fiscal quarter's operations during the relevant period shall be annualized; and

(ii) EBITDA shall be adjusted, on a pro forma basis, to include the operating results of each resort or casino property acquired by Parent and its Subsidiaries during the relevant period and to exclude the operating results of each resort or casino property sold or otherwise disposed of by Parent and its Subsidiaries, or whose operations are discontinued during the relevant period.

"*Election to Become a Borrower*" means an Election to Become a Borrower, substantially in the form of Exhibit D to this Agreement, properly completed and duly executed by each required party thereto.

"*Eligible Assignee*" means

(a) a Lender;

(b) an Affiliate of a Lender;

(c) an Approved Fund; and

(d) any other Person (other than a natural person) approved by

(i) the Administrative Agent, each Issuing Lender and the Swing Line Lender, and

(ii) unless an Event of Default has occurred and is continuing, the Parent and the Borrowers (each such approval not to be unreasonably withheld or delayed);

provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Parent and the Borrowers or any of their respective Affiliates or Subsidiaries.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, and any regulations issued pursuant thereto, as amended or replaced and as in effect from time to time.

"*Eurodollar Base Rate*" has the meaning specified in the definition of Eurodollar Rate.

"*Eurodollar Business Day*" means any Business Day on which dealings in Dollar deposits are conducted by and among banks in the Designated Eurodollar Market.

"*Eurodollar Margin*" means, as of each date of determination, the relevant interest rate margin set forth in the definition of Applicable Rates.

"*Eurodollar Market*" means a regular established market located outside the United States of America by and among banks for the solicitation, offer and acceptance of Dollar deposits in such banks.

"*Eurodollar Rate*" means for any Interest Period with respect to a Eurodollar Rate Loan, a rate per annum determined by the Administrative Agent pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{Eurodollar Base Rate}}{\text{1.00-Eurodollar Reserve Percentage}}$$

Where,

"*Eurodollar Base Rate*" means, for such Interest Period:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall not be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

"*Eurodollar Reserve Percentage*" means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, carried out to five decimal places) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

"*Eurodollar Rate Advance*" and "*Eurodollar Rate Loan*" mean, respectively, a Committed Advance or a Committed Loan made hereunder and specified to be a Base Rate Advance or Loan in accordance with Article 2.

"*Event of Default*" shall have the meaning provided in Section 9.1.

"*Existing Credit Agreement*" means the Credit Agreement dated as of April 23, 2003, as amended, among Borrowers, Parent, the lenders therein named and Bank of America, as Administrative Agent.

"*Existing Letters of Credit*" means those of the letters of credit issued under the Existing Credit Agreement which remain outstanding as of the Closing Date. The Administrative Agent shall provide the Lenders with an advice concerning the aggregate amount of the Existing Letters of Credit, with a breakdown of amounts and maturity dates of each Existing Letter of Credit.

"*Existing Senior Notes*" means

(a) the Company's $500,000,000 in 7.5% Senior Unsecured Notes due 2009 issued pursuant to the Indenture dated December 18, 1998 between the Company and IBJ Schroeder Bank and Trust Company, as Trustee and the First Supplemental Indenture with respect thereto dated as of January 20, 1999 among the Company, the Parent and IBJ Whitehall Bank & Trust Company, as Trustee;

(b) the Company's $500,000,000 in 8.0% Senior Unsecured Notes due 2011 issued pursuant to the Indenture dated January 29, 2001 between the Company and Bank One Company as Trustee;

(c) the Company's $500,000,000 in 7.125% Senior Unsecured Notes due 2007 issued pursuant to the Indenture dated June 14, 2001 between the Company and Firstar Bank N.A. (now U.S. Bank, National Association), as Trustee; and

(d) the Company's $500,000,000 in 5.375% Senior Unsecured Notes due 2013 issued pursuant to the Indenture dated December 11, 2003 between the Company and U.S. Bank National Association, as Trustee.

"*Existing Subordinated Debt*" means the Company's $750,000,000 7.875% Senior Subordinated Notes due 2005 issued pursuant to the Indenture dated December 9, 1998 among the Company and IBJ Schroeder Bank and Trust Company, as Trustee and the First Supplemental Indenture with respect thereto dated as of December 9, 1998 among the Company, the Parent and the Trustee.

"*Facility Fee Rate*" means, as of each date of determination, the rate set forth in the applicable column in the definition of Applicable Rates.

"*Federal Funds Rate*" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided that*

(a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and

(b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"*Fiscal Quarter*" means the fiscal quarter of Parent consisting of a three month fiscal period ending on each March 31, June 30, September 30, December 31.

"*Fiscal Year*" means the fiscal year of Parent consisting of a twelve month fiscal period ending on each December 31.

"*Foreign Lender*" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrowers are resident for tax purposes. For purposes of this definition, the

United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"*Gaming Board*" means any Governmental Agency that holds regulatory, licensing or permit authority over gambling, gaming or casino activities conducted by Parent and its Subsidiaries within its jurisdiction, or before which an application for licensing to conduct such activities is pending.

"*Gaming Laws*" means all Laws pursuant to which any Gaming Board possesses regulatory, licensing or permit authority over gambling, gaming or casino activities conducted by Parent and its Subsidiaries within its jurisdiction.

"*Generally Accepted Accounting Principles*" means, as of any date of determination, accounting principles

(a) set forth as generally accepted in then currently effective Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants,

(b) set forth as generally accepted in then currently effective Statements of the Financial Accounting Standards Board or

(c) that are then approved by such other entity as may be approved by a significant segment of the accounting profession in the United States of America.

The term "consistently applied," as used in connection therewith, means that the accounting principles applied are consistent in all material respects to those applied at prior dates or for prior periods.

"*Governmental Agency*" means the government of the United States or any other nation, or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"*Granting Lender*" has the meaning specified in Section 11.8(h).

"*Hazardous Materials*" means substances defined as hazardous substances pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 et seq., or as hazardous, toxic or pollutant pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. § 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., the Hazardous Waste Control Law, California Health & Safety Code § 25100, et seq., or in any other applicable Hazardous Materials Law, in each case as such Laws are amended from time to time.

"*Hazardous Materials Laws*" means all federal, state or local laws, ordinances, rules or regulations governing the disposal of Hazardous Materials applicable to any of the Real Property.

"*Indebtedness*" means, as to any Person and as of each date of determination, without duplication,

(a) all obligations of such Person for borrowed money,

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments,

(c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business,

(d) all obligations of such Person as lessee which are capitalized in accordance with Generally Accepted Accounting Principles,

(e) all indebtedness or other obligations secured by a contractual Lien on any asset of such Person, whether or not such indebtedness or other obligations are otherwise an obligation of such Person, and

(f) all Contingent Obligations made by such Person (including by way of provision of letters of credit or other contingent obligations) with respect to indebtedness or other obligations of any other Person which constitute "Indebtedness" of a type or class described in clauses (a) through (e) of this definition.

"*Intangible Assets*" means assets that are considered intangible assets under Generally Accepted Accounting Principles, *including* customer lists, goodwill, computer software, copyrights, trade names, trademarks and patents.

"*Intercompany Debt*" means any Indebtedness owed by a Subsidiary of any Borrower to a Borrower.

"*Interest Coverage Ratio*" means, as of the last day of any Fiscal Quarter, the ratio of

(a) EBITDA for the four Fiscal Quarter period ending on that date to

(b) Interest Expense for the same period.

"*Interest Differential*" means, with respect to any prepayment of a Eurodollar Rate Loan on a day prior to the last day of the applicable Interest Period and with respect to any failure to borrow a Eurodollar Rate Loan on the date or in the amount specified in any Request for Loan,

(a) the per annum interest rate payable pursuant to Section 3.1(c) with respect to the Eurodollar Rate Loan *minus*

(b) the Eurodollar Rate on, or as near as practicable to the date of the prepayment or failure to borrow for, a Eurodollar Rate Loan commencing on such date and ending on the last day of the Interest Period of the Eurodollar Rate Loan so prepaid or which would have been borrowed on such date.

"*Interest Expense*" means, as of the last day of any fiscal period, the sum of

(a) all interest, fees, charges and related expenses paid or payable (without duplication) for that fiscal period to a lender in connection with borrowed money or the deferred purchase price of assets that are considered "interest expense" under Generally Accepted Accounting Principles, plus

(b) the portion of rent paid or payable (without duplication) for that fiscal period under Capital Lease Obligations that should be treated as interest in accordance with Financial Accounting Standards Board Statement No. 13.

"*Interest Period*" means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one week, 1, 2, 3 or 6 months thereafter, as selected by the Borrowers in their Request for Loan, or such other period that is 12 months or less requested by the Borrowers and consented to by all the Lenders; *provided that*:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the Maturity Date.

"*Investment*" means, when used in connection with any Person, any investment by or of that Person, whether by means of purchase or other acquisition of stock or other securities of any other Person or by means of a loan, advance creating a debt, capital contribution, guaranty or other debt or equity participation or interest in any other Person, *including* any partnership and joint venture interests of such Person. The amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

"*Investment Grade*" means

(a) with respect to S&P, a rating of BBB- or higher, and

(b) with respect to Moody's, a rating of Baa3 or higher.

"*ISP*" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time issuance).

"*Issuer Documents*" means with respect to any Letter of Credit, the Request for Letter of Credit, and any other document, agreement and instrument entered into by the Issuing Lender and any Borrower or in favor of an Issuing Lender and relating to any such Letter of Credit.

"*Issuing Lender*" means, as to each Letter of Credit, the Lender which issues the same in accordance with Section 2.4, but only when acting in its capacity as Issuing Lender for that Letter of Credit. Subject to the procedures set forth in Section 2.4, any Lender may, at its option, be a Issuing Lender for Letters of Credit issued under this Agreement.

"*Joint Venture Holding Company*" means any Subsidiary of Parent which has no substantial assets other than equity securities, securities convertible into equity securities and warrants, options or similar rights to purchase such equity securities or convertible securities (and any dividends, cash, instruments or other property received in respect of or in exchange for any of the foregoing), in each case issued by Persons which are not Subsidiaries of Parent.

"*Laws*" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, regulations, ordinances, codes and administrative or judicial precedents.

"*L/C Advance*" means, with respect to each Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Applicable Percentage.

"*L/C Borrowing*" means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced by a Committed Loan.

"*L/C Credit Extension*" means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

"*L/C Obligations*" means, as at any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"*Lead Arrangers*" means Banc of America Securities LLC and Wells Fargo Bank, National Association. The Lead Arrangers shall have no duties or obligations under this Agreement or the other Loan Documents.

"*Letter of Credit*" means any letter of credit issued hereunder and shall include the Existing Letters of Credit. A Letter of Credit may be a commercial letter of credit or a standby letter of credit.

"*Letter of Credit Fee*" means, as of each date of determination, the rate set forth in the definition of Applicable Rates.

"*Letter of Credit Sublimit*" means an amount equal to $200,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Commitments.

"*License Revocation*" means the revocation, failure to renew or suspension of, or the appointment of a receiver, supervisor or similar official with respect to, any casino, gambling or gaming license issued by any Gaming Board covering any casino or gaming facility of Parent or any of its Subsidiaries.

"*Lien*" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, lien or charge of any kind, whether voluntarily incurred or arising by operation of Law or otherwise, affecting any Property, *including* any agreement to grant any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature of a security interest, and/or the filing of or agreement to give any financing statement (*other than* a precautionary financing statement with respect to a lease or other agreement that is not in the nature of a security interest) under the Uniform Commercial Code or comparable Law of any jurisdiction with respect to any Property.

"*Loan*" means the aggregate of the Advances made at any one time by the Lenders pursuant to Article 2.

"*Loan Documents*" means, collectively, this Agreement, the Notes, the Letters of Credit, the Swing Line Documents, the Parent Guaranty, any Request for Loan, any Request for Letter of Credit, any Compliance Certificate and any other instruments, documents or agreements of any type or nature hereafter executed and delivered by Parent or any of its Subsidiaries or Affiliates to the Administrative Agent or any other Creditor in any way relating to or in furtherance of this Agreement, in each case either as originally executed or as the same may from time to time be supplemented, modified, amended, restated, extended or supplanted.

"*Loan Parties*" means, collectively, the Borrowers and the Parent.

"*Management Company*" means any Subsidiary of Parent which has no substantial assets other than contractual rights to receive fees under management agreements, development agreements or similar instruments.

"*Margin Stock*" means "margin stock" as such term is defined in Regulation U.

"*Material Adverse Effect*" means any set of circumstances or events which

(a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of any Loan Document,

(b) is or could reasonably be expected to be material and adverse to the condition (financial or otherwise), assets, business or operations of Parent and its Subsidiaries, taken as a whole, or

(c) materially impairs or could reasonably be expected to materially impair the ability of Parent and its Subsidiaries, taken as a whole, to perform the Obligations.

"*Maturity Date*" means April 23, 2009.

"*Moody's*" means Moody's Investor Service, Inc., its successors and assigns.

"*Multiemployer Plan*" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA.

"*Negative Pledge*" means a Contractual Obligation that contains a covenant binding on Parent or any of its Subsidiaries that prohibits Liens on any of its or their Property, *other than*

(a) any such covenant contained in a Contractual Obligation granting a Lien permitted under Section 6.4 which affects only the Property that is the subject of such permitted Lien and

(b) any such covenant that does not apply to Liens securing the Obligations.

"*Net Income*" means, with respect to any fiscal period, the consolidated net income of Parent and its Subsidiaries for that period, determined in accordance with Generally Accepted Accounting Principles, consistently applied.

"*Net Tangible Assets*" means, as of each date of determination, the total amount of assets of Parent and its Subsidiaries as of the last day of the most recent Fiscal Quarter for which financial statements have been delivered in accordance with Section 7.1, after deducting therefrom

(a) all current liabilities of Parent and its Subsidiaries (excluding

(i) the current portion of long term Indebtedness,

(ii) inter-company liabilities, and

(iii) any liabilities which are by their terms renewable or extendable at the option of the obligor thereon to a time more than twelve months from the time as of which the amount thereof is being computed), and

(b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the latest consolidated balance sheet of Parent prepared in accordance with Generally Accepted Accounting Principles.

"*New Project*" means each new hotel-casino, casino or resort project (as opposed to any project which consists of an extension or redevelopment of an operating hotel, casino or resort) owned by Parent or its Subsidiaries having a development and construction budget in excess of $25,000,000 which hereafter receives a certificate of completion or occupancy and all relevant gaming and other licenses, and in fact commences operations.

"*Obligations*" means all present and future obligations of every kind or nature of Parent, Borrowers or any Party at any time and from time to time owed to the Creditors or any one or more of them, under any one or more of the Loan Documents, whether due or to become due, matured or unmatured, liquidated or unliquidated, or contingent or noncontingent, *including* obligations of performance as well as obligations of payment, and *including* interest that accrues after the commencement of any proceeding under any Debtor Relief Law by or against Parent, any Borrower or any Subsidiary of Parent.

"*Opinions of Counsel*" means

(a) the favorable written legal opinion of Borrower's Vice President and Associate General Counsel, and

(b) the favorable written legal opinion of Latham & Watkins, LLP, special counsel to Parent and the Company, substantially in the form of Exhibit E, together with copies of all factual certificates and legal opinions upon which such counsel have relied.

"*Other Taxes*" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"*Outstanding Amount*" means:

(a) with respect to Committed Loans and Swing Line Advances on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Committed Loans and Swing Line Advances, as the case may be, occurring on such date; and

(b) with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements by the Borrower of Unreimbursed Amounts.

"*Parent*" means Harrah's Entertainment, Inc., a Delaware corporation, and its permitted successors and assigns.

"*Parent Guaranty*" means the Amended and Restated Guaranty executed by Parent on the Closing Date with respect to the Obligations, substantially in the form of Exhibit F, either as originally executed or as it may from time to time be supplemented, modified, amended, restated or extended.

"*Participant*" has the meaning specified in Section 11.8(d).

"*Party*" means any Person other than Creditors which now or hereafter is a party to any of the Loan Documents.

"*Pension Plan*" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), *other than* a Multiemployer Plan, which is subject to Title IV of ERISA and is maintained by Parent or any of its Subsidiaries or to which Parent or any of its Subsidiaries contributes or has an obligation to contribute.

"*Permitted Encumbrances*" means:

(a) inchoate Liens incident to construction or maintenance of Real Property; or Liens incident to construction or maintenance of Real Property now or hereafter filed of record for which adequate reserves have been set aside (or deposits made pursuant to applicable Law) and which are being contested in good faith by appropriate proceedings and have not proceeded to judgment, *provided* that, by reason of nonpayment of the obligations secured by such Liens, no such Real Property is subject to a material risk of loss or forfeiture;

(b) Liens for taxes and assessments on and similar charges with respect to Real Property which are not yet past due; or Liens for taxes and assessments on Real Property for which adequate reserves have been set aside and are being contested in good faith by appropriate proceedings and have not proceeded to judgment, *provided* that, by reason of nonpayment of the obligations secured by such Liens, no material Real Property is subject to a material risk of loss or forfeiture;

(c) defects and irregularities in title to any Real Property which in the aggregate do not materially impair the fair market value or use of the Real Property for the purposes for which it is or may reasonably be expected to be held;

(d) easements, exceptions, reservations, or other agreements for the purpose of pipelines, conduits, cables, wire communication lines, power lines and substations, streets, trails, walkways, driveways, drainage, irrigation, water, and sewerage purposes, dikes, canals, ditches, the removal of oil, gas, coal, or other minerals, and other like purposes affecting Real Property, facilities, or equipment which in the aggregate do not materially burden or impair the fair market value or use of such Real Property for the purposes for which it is or may reasonably be expected to be held;

(e) easements, exceptions, reservations, or other agreements for the purpose of facilitating the joint or common use of property which in the aggregate do not materially burden or impair the fair market value or use of such property for the purposes for which it is or may reasonably be expected to be held;

(f) rights reserved to or vested in any Governmental Agency to control or regulate, or obligations or duties to any Governmental Agency with respect to, the use of any Real Property;

(g) rights reserved to or vested in any Governmental Agency to control or regulate, or obligations or duties to any Governmental Agency with respect to, any right, power, franchise, grant, license, or permit;

(h) present or future zoning laws, building codes and ordinances, zoning restrictions, or other laws and ordinances restricting the occupancy, use, or enjoyment of Real Property;

(i) statutory Liens, other than those described in clauses (a) or (b) above, arising in the ordinary course of business with respect to obligations which are not delinquent or are being contested in good faith, *provided* that, if delinquent, adequate reserves have been set aside with respect thereto and, by reason of nonpayment, no property is subject to a material risk of loss or forfeiture;

(j) covenants, conditions, and restrictions affecting the use of Real Property which in the aggregate do not materially impair the fair market value or use of the Real Property for the purposes for which it is or may reasonably be expected to be held;

(k) rights of tenants under leases and rental agreements covering Real Property entered into in the ordinary course of business of the Person owning such Real Property;

(l) Liens consisting of pledges or deposits to secure obligations under workers' compensation laws or similar legislation, including Liens of judgments thereunder which are not currently dischargeable;

(m) Liens consisting of pledges or deposits of property to secure performance in connection with operating leases made in the ordinary course of business to which Parent or any of its Subsidiaries is a party as lessee, *provided* the aggregate value of all such pledges and deposits in connection with any such lease does not at any time exceed 20% of the annual fixed rentals payable under such lease;

(n) Liens consisting of deposits of property to secure bids made with respect to, or performance of, contracts (*other than* contracts creating or evidencing an extension of credit to the depositor) in the ordinary course of business;

(o) Liens consisting of any right of offset, or statutory bankers' lien, on bank deposit accounts maintained in the ordinary course of business so long as such bank deposit accounts are not established or maintained for the purpose of providing such right of offset or bankers' lien;

(p) Liens consisting of deposits of property to secure statutory obligations of Parent or any of its Subsidiaries in the ordinary course of its business;

(q) Liens consisting of deposits of property to secure (or in lieu of) surety, appeal or customs bonds in proceedings to which Parent or any of its Subsidiaries is a party in the ordinary course of business;

(r) Liens created by or resulting from any litigation or legal proceeding involving Parent or any of its Subsidiaries in the ordinary course of its business which is currently being contested in good faith by appropriate proceedings, *provided* that adequate reserves have been set aside and no material property is subject to a material risk of loss or forfeiture;

(s) precautionary UCC financing statement filings made in connection with operating leases and not constituting Liens; and

(t) other non-consensual Liens incurred in the ordinary course of business but not in connection with an extension of credit, which do not in the aggregate, when taken together with all other Liens, materially impair the value or use of the Property of Parent and its Subsidiaries, taken as a whole.

"*Permitted Right of Others*" means a Right of Others consisting of

(a) an interest (other than a legal or equitable co-ownership interest, an option or right to acquire a legal or equitable co-ownership interest and any interest of a ground lessor under a ground lease), that does not materially impair the value or use of Property for the purposes for which it is or may reasonably be expected to be held,

(b) an option or right to acquire a Lien that would be a Permitted Encumbrance,

(c) the subordination of a lease or sublease in favor of a financing entity and

(d) a license, or similar right, of or to Intangible Assets granted in the ordinary course of business.

"*Person*" means any entity, whether an individual, trustee, corporation, general partnership, limited partnership, joint stock company, trust, estate, unincorporated organization, business association, firm, joint venture, Governmental Agency, or otherwise.

"*Pre-Opening Expenses*" means, with respect to any fiscal period, the amount of expenses (*other than* Interest Expense) incurred with respect to capital projects which are classified as "pre-opening expenses" on the applicable financial statements of Parent and its Subsidiaries for such period, prepared in accordance with Generally Accepted Accounting Principles.

"*Pricing Level*" means, as of each date of determination, the pricing level set forth below opposite (a) the Debt Rating then in effect or (b) the Total Debt Ratio as of the last day of the Fiscal Quarter ending approximately 45 days prior to the first day of that Pricing Period in which such date occurs (whichever criteria yields the lowest interest rates and other pricing to the

Borrower), *provided* that during the period between the Closing Date and December 31, 2004 the Pricing Level will be determined solely on the basis of the Debt Rating:

Applicable Pricing Level	Total Debt Ratio	Debt Rating
Pricing Level I	Not Applicable	A-/A3 or higher
Pricing Level II	Not Applicable	BBB+/Baa1
Pricing Level III	< 3.25:1.00	BBB/Baa2
Pricing Level IV	≥ 3.25:1.00 but < 3.75:1.00	BBB-/Baa3
Pricing Level V	≥ 3.75:1.00 but < 4.25:1.00	BB+/Ba1
Pricing Level VI	≥ 4.25:1.00 but < 4.75:1.00	BB/Ba2 or lower or unrated

"*Pricing Period*" means:

(a) the period commencing on the Closing Date and ending on August 31, 2004,

(b) each subsequent three month period commencing on each September 1, December 1, March 1, and June 1; and

(c) any shorter period ending on the date upon which the Commitments are terminated.

"*Projections*" means the financial projections contained in the Confidential Information Memorandum.

"*Property*" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"*Public Lender*" has the meaning set forth for that term in Section 7.3.

"*Quarterly Payment Date*" means each March 31, June 30, September 30 and December 31.

"*Rating Decline*" means the occurrence of a decrease in the Debt Rating by either Moody's or S&P to below Investment Grade on any date on or within 90 days after the date of the first public notice of

(a) the occurrence of an event described in clauses (i)-(iv) of the definition of "Change in Control" or

(b) the intention by any of the Parent or Borrowers to effect such an event (which 90-day period shall be extended so long as the Debt Rating is under publicly announced consideration for possible downgrade by Moody's or S&P).

"*Real Property*" means, as of any date of determination, all real property then or theretofore owned, leased or occupied by Parent or any of its Subsidiaries.

"*Register*" has the meaning specified in Section 11.8(c).

"*Regulations T, U and X*" means Regulations T, U and X, as at any time amended, of the Board of Governors of the Federal Reserve System, or any other regulations in substance substituted therefor.

"*Related Parties*" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"*Request for Letter of Credit*" means a written request for a Letter of Credit substantially in the form of Exhibit G, together with any forms of application for letter of credit required by the relevant Issuing Lender therefor, in each case signed by a Responsible Official of a Borrower on behalf of that Borrower and properly completed to provide all information required to be included

therein (provided that it is understood that the terms of the Loan Documents shall govern and control in the event of any conflict between the terms of any such application and the Loan Documents).

"*Request for Loan*" means a written request for a Loan substantially in the form of Exhibit H, signed by a Responsible Official of a Borrower, on behalf of that Borrower, and properly completed to provide all information required to be included therein.

"*Requirement of Law*" means, as to any Person, the articles or certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any Law, or judgment, award, decree, writ or determination of a Governmental Agency, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"*Requisite Lenders*" means

(a) as of any date of determination prior to the termination of the Commitments, Lenders having in the aggregate 51% or more of the Aggregate Commitments and

(b) as of any date of determination if the Commitments have then been terminated, Lenders holding 51% of the Total Outstandings.

"*Responsible Official*" means when used with reference to a Person other than an individual, any corporate officer of such Person, general partner of such Person, corporate officer of a corporate general partner of such Person, or corporate officer of a corporate general partner of a partnership that is a general partner of such Person, or any other responsible official thereof duly acting on behalf thereof. Any document or certificate hereunder that is signed or executed by a Responsible Official of another Person shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such other Person.

"*Right of Others*" means, as to any Property in which a Person has an interest, any legal or equitable ownership right, title or other interest (other than a Lien) held by any other Person in that Property, and any option or right held by any other Person to acquire any such right, title or other interest in that Property, *including* any option or right to acquire a Lien; *provided*, however, that

(a) any covenant restricting the use or disposition of Property of such Person contained in any Contractual Obligation of such Person,

(b) any provision contained in a contract creating a right of payment or performance in favor of a Person that conditions, limits, restricts, diminishes, transfers or terminates such right, and

(c) any residual rights held by a lessor or vendor of Property, shall not be deemed to constitute a Right of Others.

"*S&P*" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., its successors and assigns.

"*Sale and Leaseback*" means, with respect to any Person, the sale of Property owned by that Person (the "Seller") to another Person (the "Buyer"), together with the substantially concurrent leasing of such Property (or any portion thereof) by the Buyer to the Seller.

"*Senior Officer*" means Parent's and each Borrower's

(a) chief executive officer,

(b) president,

(c) chief financial officer,

(d) treasurer,

(e) vice presidents or

(f) secretaries.

"*Showboat*" means Showboat, Inc., a Nevada corporation and its Subsidiaries.

"*Significant Subsidiary*" means, as of any date of determination, each Subsidiary of Parent that had on the last day of the Fiscal Quarter then most recently ended total assets (determined in accordance with Generally Accepted Accounting Principles) of $50,000,000 or more.

"*SPC*" has the meaning specified in Section 11.8(h).

"*Special Eurodollar Circumstance*" means the application or adoption after the date hereof of any Law or interpretation, or any change therein or thereof, or any change in the interpretation or administration thereof by any Governmental Agency, central bank or comparable authority charged with the interpretation or administration thereof, or compliance by any Lender or its Eurodollar Lending Office with any request or directive (whether or not having the force of Law) of any such Governmental Agency, central bank or comparable authority, or the existence or occurrence of circumstances affecting the Designated Eurodollar Market generally that are beyond the reasonable control of the Lenders.

"*Solvent*" as to any Person shall mean that

(a) the sum of the assets of such Person, both at a fair valuation and at present fair saleable value, exceeds its liabilities, including its probable liability in respect of contingent liabilities,

(b) such Person will have sufficient capital with which to conduct its business as presently conducted and as proposed to be conducted and

(c) such Person has not incurred debts, and does not intend to incur debts, beyond its ability to pay such debts as they mature.

For purposes of this definition, "debt" means any liability on a claim, and "claim" means (x) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, or (y) a right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured. With respect to any such contingent liabilities, such liabilities shall be computed at the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can reasonably be expected to become an actual or matured liability.

"*Subordinated Debt*" means

(a) the Existing Subordinated Debt, and

(b) any other Indebtedness of Parent or the Company which is subordinated in right of payment to the Obligations pursuant to subordination provisions which are either

(i) substantively no less favorable to the Lenders than the subordination provisions of the Existing Subordinated Debt, or

(ii) otherwise are acceptable to the Requisite Lenders in the exercise of their sole discretion.

"*Subsidiary*" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person.

"*Swing Line*" means the revolving line of credit established by the Swing Line Lender in favor of Borrowers pursuant to Section 2.5.

"*Swing Line Advances*" means Advances made by the Swing Line Lender to any of the Borrowers pursuant to Section 2.5.

"*Swing Line Documents*" means the promissory notes and any other documents executed by Borrowers in favor of the Swing Line Lender in connection with the Swing Line.

"*Swing Line Lender*" means, when acting in such capacity, Bank of America (through its Nevada Commercial Banking Division), its successors and assigns.

"*Swing Line Outstandings*" means, as of any date of determination, the aggregate principal Indebtedness of Borrowers on all Swing Line Advances then outstanding.

"*Syndication Agent*" means Deutsche Bank Trust Company Americas. Deutsche Bank Trust Company Americas shall not have any additional rights, duties or obligations under this Agreement or the other Loan Documents by reason of its being a Syndication Agent.

"*Taxes*" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Agency, including any interest, additions to tax or penalties applicable thereto.

"*Total Debt*" means, as of any date of determination, the sum (without duplication) of

(a) the outstanding principal Indebtedness of Parent and its Subsidiaries for borrowed money (including debt securities issued by Parent or any of its Subsidiaries) on that date, *plus*

(b) the aggregate amount of all Capital Lease Obligations of Parent and its Subsidiaries on that date, *plus*

(c) all obligations in respect of letters of credit or other similar instruments for which Parent or any of its Subsidiaries are account parties or are otherwise obligated, *plus*

(d) the aggregate amount of all Contingent Obligations and other similar contingent obligations of Parent and its Subsidiaries with respect to any of the foregoing, and *plus*

(e) any obligations of Parent or any of its Subsidiaries to the extent that the same are secured by a Lien on any of the assets of Parent or its Subsidiaries.

In computing "Total Debt," the amount of any Contingent Obligation or letter of credit shall be deemed to be zero unless and until (1) in the case of obligations in respect of letters of credit, a drawing is made with respect thereto and (2) in the case of any other Contingent Obligations, demand for payment is made with respect thereto.

"*Total Debt Ratio*" means, as of the last day of any Fiscal Quarter, the ratio of

(a) Total Debt on that date, to

(b) EBITDA for the four Fiscal Quarter period ending on that date.

"*type*", when used with respect to any Loan or Advance, means the designation of whether such Loan or Advance is a Base Rate Loan or Advance, or a Eurodollar Rate Loan or Advance.

"*Total Outstandings*" means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

"*Unreimbursed Amount*" has the meaning specified in Section 2.4(g).

"*Wholly-Owned Subsidiary*" means, as to any Person any other Person, 100% of whose capital stock, partnership interests, membership interests or other forms of equity ownership interest (other than directors qualifying shares and similar interests) is at the time owned, directly or indirectly, by such Person.

1.2 *Use of Defined Terms*. Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any one or more of the members of the relevant class.

1.3 *Accounting Terms*. All accounting terms not specifically defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, Generally Accepted Accounting Principles applied on a consistent basis, except as otherwise specifically prescribed herein. In the event that Generally Accepted Accounting Principles change during the term of this Agreement such that the covenants contained in Sections 6.5 and 6.6 would then be calculated in a different manner or with different components,

(a) Parent, Borrowers and the Lenders agree to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating Parent's consolidated financial condition to substantially the same criteria as were effective prior to such change in Generally Accepted Accounting Principles and

(b) Parent and Borrowers shall be deemed to be in compliance with the covenants contained in the aforesaid Sections during the 90 day period following any such change in Generally Accepted Accounting Principles if and to the extent that Parent and Borrowers would have been in compliance therewith under Generally Accepted Accounting Principles as in effect immediately prior to such change.

1.4 *Rounding*. Any financial ratios required to be maintained by Parent and Borrowers pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round-up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

1.5 *Exhibits and Schedules*. All Exhibits and Schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified or amended, are incorporated herein by this reference. A matter disclosed on any Schedule shall be deemed disclosed on all Schedules.

1.6 *Other Interpretive Provisions*. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise,

(i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such

amendments, supplements or modifications set forth herein or in any other Loan Document),

(ii) any reference herein to any Person shall be construed to include such Person's successors and assigns,

(iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof,

(iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear,

(v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and

(vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) The use of the word "or" is not exclusive.

1.7 *Letter of Credit Amounts*. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Issuer Documents related thereto, whether or not such maximum face amount is in effect at such time.

1.8 *Times of Day*. Unless otherwise specified, all references herein to times of day shall be references to California local time (daylight or standard, as applicable).

ARTICLE 2
LOANS AND LETTERS OF CREDIT

2.1 *Committed Loans—General*.

(a) Subject to the terms and conditions set forth in this Agreement, at any time and from time to time from the Closing Date through (but excluding) the Maturity Date, each Lender shall, pro rata according to that Lender's Applicable Percentage of the then applicable Aggregate Commitment, make Committed Advances in Dollars to Borrowers in such amounts as any Borrower may request *provided* that:

(i) giving effect to such Advances, the Total Outstandings shall not exceed the Aggregate Commitments at any time, and

(ii) without the consent of all of the Lenders, the Total Outstandings of each Borrower hereafter designated as such pursuant to Section 2.9 shall not exceed that Borrower's Aggregate Sublimit at any time. Subject to the limitations set forth herein, each of the Borrowers may borrow, repay and reborrow under the Aggregate Commitments without premium or penalty.

(b) Subject to the next sentence, each Committed Loan shall be made pursuant to a Request for Loan executed by the relevant Borrower which shall specify the requested:

(i) date of such Loan,

(ii) type of Loan,

(iii) amount of such Loan, and

(iv) in the case of a Eurodollar Rate Loan, the Interest Period for such Loan.

Unless the Administrative Agent has notified, in its sole and absolute discretion, Borrowers to the contrary, a Loan may be requested by telephone by a Responsible Official of any Borrower, in which case that Borrower shall confirm such request by promptly delivering a Request for Loan in person or by telecopier conforming to the preceding sentence to the Administrative Agent. The Administrative Agent shall incur no liability whatsoever hereunder in acting upon any telephonic request for loan purportedly made by a Responsible Official of a Borrower, and each Borrower hereby jointly and severally (but as between Borrowers, ratably) agrees to indemnify the Administrative Agent from any loss, cost, expense or liability as a result of so acting.

(c) Promptly following receipt of a Request for Loan, the Administrative Agent shall notify each Lender of any Loan requested by telephone or telecopier (and if by telephone, promptly confirmed by telecopier) of the identity of the relevant Borrower, the date and type of the Loan, the applicable Interest Period, and that Lender's Applicable Percentage of the requested Loan. Not later than 12:00 noon, California local time, on the date specified for any Loan (which must be a Business Day), each Lender shall make its Applicable Percentage of the Committed Loan in immediately available funds available to the Administrative Agent at the Administrative Agent's Office. Upon satisfaction or waiver of the applicable conditions set forth in Article 8, all Committed Advances shall be credited on that date in immediately available funds to the Designated Deposit Account.

(d) Unless the Requisite Lenders otherwise consent, each Committed Loan shall be an integral multiple of $1,000,000 and shall be not less than $10,000,000.

(e) The Committed Advances made by each Lender to each Borrower shall be evidenced by a Committed Advance Note issued by that Borrower and made payable to that Lender.

(f) A Request for Loan shall be irrevocable upon the Administrative Agent's first notification thereof.

(g) If no Request for Loan (or telephonic request for loan referred to in the second sentence of Section 2.1(b), if applicable) has been made within the requisite notice periods set forth in Sections 2.2 or 2.3 in connection with a Loan which, if made and giving effect to the application of the proceeds thereof, would not increase the outstanding principal Indebtedness evidenced by the Notes of the relevant Borrower, then that Borrower shall be deemed to have requested, as of the date upon which the related then outstanding Loan is due pursuant to Section 3.1(e)(i), a Base Rate Loan in an amount equal to the amount necessary to cause the outstanding principal Indebtedness evidenced by such Notes to remain the same and the Lenders shall make the Advances necessary to make such Loan notwithstanding Sections 2.1(b), 2.2 and 2.3.

2.2 *Base Rate Loans*. Each request by a Borrower for a Base Rate Loan shall be made pursuant to a Request for Loan (or telephonic or other request for loan referred to in the second sentence of Section 2.1(b), if applicable) received by the Administrative Agent, at the Administrative Agent's Office, not later than 9:00 a.m. California local time, on the date (which must be a Business Day) of the requested Base Rate Loan. All Committed Loans shall constitute Base Rate Loans unless properly designated as a Eurodollar Rate Loan pursuant to Section 2.3.

2.3 *Eurodollar Rate Loans*.

(a) Each request by a Borrower for a Eurodollar Rate Loan shall be made pursuant to a Request for Loan (or telephonic or other request for loan referred to in the second sentence of Section 2.1(b), if applicable) received by the Administrative Agent, at the Administrative Agent's Office, not later than 9:00 a.m., California local time, at least three Eurodollar Business Days before the first day of the applicable Interest Period.

(b) On the date which is two Eurodollar Business Days before the first day of the applicable Interest Period, the Administrative Agent shall confirm its determination of the applicable Eurodollar Rate (which determination shall be conclusive in the absence of manifest error) and promptly shall give notice of the same to Borrowers and the applicable Lenders by telephone or telecopier (and if by telephone, promptly confirmed by telecopier).

(c) Unless the Administrative Agent and the Requisite Lenders otherwise consent, no more than twenty Eurodollar Rate Loans shall be outstanding at any one time.

(d) No Eurodollar Rate Loan may be requested during the existence of a Default or Event of Default.

(e) No Lender shall be required to obtain the funds necessary to fund its Eurodollar Rate Advances in the Designated Eurodollar Market or from any other particular source of funds, rather each Lender shall be free to obtain such funds from any legal source.

2.4 *Letters of Credit*.

(a) On the Closing Date, each of the Existing Letters of Credit shall continue to be outstanding hereunder, but the risk participations therein shall be adjusted to give effect to the relative interests of the Lenders in the Aggregate Commitments of each Lender hereunder (as in effect on the Closing Date), and each issuer of a Existing Letter of Credit hereby consents to the termination, concurrently with the Closing Date, of the participation therein of each of the lenders under the Existing Credit Agreement which is not a party to this Agreement.

(b) Subject to the terms and conditions hereof, at any time and from time to time from the Closing Date through the day prior to the Maturity Date, any one or more of the Borrowers may request that any one or more of the Lenders issue, as Issuing Lender, additional Letters

of Credit under the Aggregate Commitments (each of which shall be denominated in Dollars) by submission of a Request for Letter of Credit to such Lender (with a copy to the Administrative Agent); *provided* that giving effect to all such Letters of Credit, (i) the Total Outstandings shall not exceed the Aggregate Commitments at any time, (ii) without the consent of all of the Lenders, the aggregate principal amount of the Total Outstandings of each Borrower hereafter designated as such pursuant to Section 2.9 shall not exceed that Borrower's Aggregate Sublimit at any time, and (iii) the Outstanding Amount of the L/C Obligations shall not exceed the Letter of Credit Sublimit. Each Letter of Credit shall be in a form reasonably acceptable to the relevant Issuing Lender. Unless all the Lenders otherwise consent in a writing delivered to the Administrative Agent, no Letter of Credit shall have a term which extends beyond the day which is five days prior to the Maturity Date.

(c) Each Request for Letter of Credit shall be submitted to the relevant Issuing Lender, with a copy to the Administrative Agent, not later than 8:00 a.m. at least five Business Days prior to the date upon which the related Letter of Credit is proposed to be issued (or such shorter period as may be acceptable to the relevant Issuing Lender, but in any event providing not less than one Business Day's notice to the Administrative Agent). The Administrative Agent shall promptly notify the relevant Issuing Lender whether such Request for Letter of Credit, and the issuance of a Letter of Credit pursuant thereto, conforms to the requirements of this Agreement. Upon issuance, amendment to or extension of a Letter of Credit, the relevant Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify the Lenders, of the amount and terms thereof.

(d) On the Closing Date, each Lender shall be deemed to have purchased a pro rata participation in each Existing Letter of Credit from the relevant Issuing Lender in an amount equal to that Lender's Applicable Percentage times the amount of such Existing Letter of Credit. Upon the issuance of each other Letter of Credit, each Lender shall be deemed to have purchased a pro rata participation in such Letter of Credit from the relevant Issuing Lender in an amount equal to that Lender's Applicable Percentage times the amount of such Letter of Credit. Without limiting the scope and nature of each Lender's participation in any Letter of Credit, to the extent that the relevant Issuing Lender has not been reimbursed by the Borrower which is the account party for any Letter of Credit for any payment required to be made by the relevant Issuing Lender thereunder, each Lender shall, pro rata according to its Applicable Percentage, reimburse the relevant Issuing Lender promptly upon demand for the amount of such payment. The obligation of each Lender to so reimburse the relevant Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of Borrowers to reimburse the relevant Issuing Lender for the amount of any payment made by the relevant Issuing Lender under any Letter of Credit together with interest as hereinafter provided.

(e) Promptly and in any event within one Business Day following any drawing upon a Letter of Credit, the amendment or extension thereof, the Issuing Bank for that Letter of Credit shall provide notice thereof to the Administrative Agent. Each Borrower agrees to pay to the relevant Issuing Lender an amount equal to any payment made by the relevant Issuing Lender with respect to each Letter of Credit within one Business Day after demand made by the relevant Issuing Lender therefor (which demand the relevant Issuing Lender shall make promptly and in any event shall make upon the request of the Requisite Lenders), together with interest on such amount from the date of any payment made by the relevant Issuing Lender at the rate applicable to Base Rate Loans for three Business Days and thereafter at the Default Rate. The principal amount of any such payment shall be used to reimburse the relevant Issuing Lender for the payment made by it under the Letter of Credit and, to the

extent that the Lenders have not reimbursed the relevant Issuing Lender pursuant to Section 2.4(d), the interest amount of any such payment shall be for the account of the relevant Issuing Lender. Each Lender that has reimbursed the relevant Issuing Lender pursuant to Section 2.4(d) for its Applicable Percentage of any payment made by the relevant Issuing Lender under a Letter of Credit shall thereupon acquire a pro rata participation, to the extent of such reimbursement, in the claim of the relevant Issuing Lender against Borrowers for reimbursement of principal and interest under this Section 2.4(e) and shall share, in accordance with that pro rata participation, in any principal payment made by Borrowers with respect to such claim and in any interest payment made by Borrowers (but only with respect to periods subsequent to the date such Lender reimbursed the relevant Issuing Lender) with respect to such claim. The relevant Issuing Lender shall promptly make available to the Administrative Agent, which will thereupon remit to the appropriate Lenders, in immediately available funds, any amounts due to the Lenders under this Section.

(f) Each Borrower may, pursuant to a Request for Loan, request that Advances be made pursuant to Section 2.1(b) to provide funds for the payment required by Section 2.4(e) and, for this purpose, the conditions precedent set forth in Article 8 shall not apply. The proceeds of such Advances shall be paid directly by the Administrative Agent to the relevant Issuing Lender to reimburse it for the payment made by it under the Letter of Credit.

(g) If Borrowers fail to make the payment required by Section 2.4(e) within the time period therein set forth, in lieu of the reimbursement to the relevant Issuing Lender under Section 2.4(d) the relevant Issuing Lender may (but is not required to), without notice to or the consent of Borrowers, require that the Administrative Agent request that the Lenders make Advances under the Aggregate Commitments in an aggregate amount equal to the amount paid by that Issuing Lender with respect to that Letter of Credit (the "*Unreimbursed Amount*") and, for this purpose, the conditions precedent set forth in Article 8 shall not apply. The proceeds of such Advances shall be paid by the Administrative Agent directly to the relevant Issuing Lender to reimburse it for the payment made by it under the Letter of Credit.

(h) The issuance of any supplement, modification, amendment, renewal, or extension to or of any Letter of Credit shall be treated in all respects the same as the issuance of a new Letter of Credit.

(i) The obligation of Borrowers to pay to each Issuing Lender the amount of any payment made by that Issuing Lender under any Letter of Credit shall be absolute, unconditional, and irrevocable. Without limiting the foregoing, Borrowers' obligations shall not be affected by any of the following circumstances:

(i) any lack of validity or enforceability of the Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) any amendment or waiver of or any consent to departure from the Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(iii) the existence of any claim, setoff, defense, or other rights which any Borrower may have at any time against any Issuing Lender or any other Creditor, any beneficiary of the Letter of Credit (or any persons or entities for whom any such beneficiary may be acting) or any other Person, whether in connection with the Letter of Credit, this Agreement, or any other agreement or instrument relating thereto, or any unrelated transactions;

(iv) any demand, statement, or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(v) payment by the relevant Issuing Lender under the Letter of Credit against presentation of a draft or any accompanying document which does not strictly comply with the terms of the Letter of Credit;

(vi) the existence, character, quality, quantity, condition, packing, value or delivery of any Property purported to be represented by documents presented in connection with any Letter of Credit or any difference between any such Property and the character, quality, quantity, condition, or value of such Property as described in such documents;

(vii) the time, place, manner, order or contents of shipments or deliveries of Property as described in documents presented in connection with any Letter of Credit or the existence, nature and extent of any insurance relative thereto;

(viii) the solvency or financial responsibility of any party issuing any documents in connection with a Letter of Credit;

(ix) any failure or delay in notice of shipments or arrival of any Property;

(x) any error in the transmission of any message relating to a Letter of Credit not caused by the relevant Issuing Lender, or any delay or interruption in any such message;

(xi) any consequence arising from acts of God, war, insurrection, civil unrest, disturbances, labor disputes, emergency conditions or other causes beyond the control of the relevant Issuing Lender;

(xii) so long as the relevant Issuing Lender in good faith determines that the contract or document appears to comply with the terms of the Letter of Credit, the form, accuracy, genuineness or legal effect of any contract or document referred to in any document submitted to the relevant Issuing Lender in connection with a Letter of Credit; and

(xiii) where the relevant Issuing Lender has acted in good faith and observed general banking usage, any other circumstances whatsoever.

(j) Each Issuing Lender shall be entitled to the protection accorded to the Administrative Agent pursuant to Article 10, *mutatis mutandis*.

(k) Unless otherwise expressly agreed by an Issuing Lender and a Borrower when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), such Letter of Credit shall provide that (i) the rules of the ISP shall apply to it if it is a standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the "*ICC*") at the time of issuance (including the ICC decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro)) shall apply to it if it is a commercial Letter of Credit.

2.5 *Swing Line*.

(a) Subject to the terms and conditions set forth herein, the Swing Line Lender agrees, in reliance upon the agreements of the other Lenders set forth in this Section 2.5, to make Swing Line Advances in Dollars to any Borrower from time to time from the Closing Date through the Business Day prior to the Maturity Date in such amounts as that Borrower may request, *provided* that:

(i) after giving effect to such Swing Line Advance, the Swing Line Outstandings shall not exceed $50,000,000,

(ii) after giving effect to such Swing Line Advance, the Total Outstandings shall not exceed the Aggregate Commitments at any time,

(iii) without the consent of all of the Lenders, no Swing Line Advance may be made during the continuation of any Default or Event of Default,

(iv) without the consent of all of the Lenders, the Total Outstandings of each Borrower designated as such in accordance with Section 2.9 shall not exceed the Aggregate Sublimit for that Borrower at any time, and

(v) the Swing Line Lender has not given at least twenty-four hours prior notice to the Parent that availability under the Swing Line is suspended or terminated.

Borrowers may borrow, repay and reborrow under this Section 2.5. Unless notified to the contrary by the Swing Line Lender, borrowings under the Swing Line may be made in amounts which are integral multiples of $100,000 upon telephonic request by a Responsible Official of any Borrower made to the Administrative Agent not later than 1:00 p.m., California local time, on the Business Day of the requested Swing Line Advance (which telephonic request shall be promptly confirmed in writing by telecopier). Promptly after receipt of such a request for a Swing Line Advance, the Administrative Agent shall provide telephonic verification to the Swing Line Lender that, after giving effect to such request, the Total Outstandings shall not exceed the Aggregate Commitments (and such verification shall be promptly confirmed in writing by telecopier). Unless the Swing Line Lender otherwise agrees, each repayment of a Swing Line Advance shall be in an amount which is an integral multiple of $100,000. If a Borrower instructs the Swing Line Lender to debit its demand deposit account at the Swing Line Lender in the amount of any payment with respect to a Swing Line Advance, or the Swing Line Lender otherwise receives repayment, after 3:00 p.m., California local time, on a Business Day, such payment shall be deemed received on the next Business Day. The Swing Line Lender shall promptly notify the Administrative Agent of the Swing Line Outstandings each time there is a change therein.

(b) Swing Line Advances shall bear interest at a fluctuating rate per annum equal to that applicable from time to time for Base Rate Loans. Interest shall be payable on such dates, not more frequent than monthly, as may be specified by the Swing Line Lender and in any event on the Maturity Date. The Swing Line Lender shall be responsible for submitting invoices to the Borrowers for such interest. The interest payable on Swing Line Advances shall be solely for the account of the Swing Line Lender unless and until the Lenders fund their participations therein pursuant to Section 2.5(d).

(c) The Swing Line Advances shall be payable on demand made by the Swing Line Lender and in any event on the Maturity Date.

(d) Upon the making of a Swing Line Advance, each Lender shall be deemed to have purchased from the Swing Line Lender a participation therein in an amount equal to that Lender's Applicable Percentage times the amount of the Swing Line Advance. Upon demand made by the Swing Line Lender, each Lender shall, according to its Applicable Percentage, promptly provide to the Swing Line Lender its purchase price therefor in an amount equal to its participation therein. The obligation of each Lender to so provide its purchase price to the Swing Line Lender shall be absolute and unconditional (except only demand made by the Swing Line Lender) and shall not be affected by the occurrence of a Default or Event of Default; *provided* that no Lender shall be obligated to purchase its Applicable Percentage of

(i) Swing Line Advances to the extent that Swing Line Outstandings are in excess of $50,000,000 and

(ii) any Swing Line Advance made (absent the consent of all of the Lenders) when the Swing Line Lender has written notice that a Default or Event of Default has occurred and such Default or Event of Default remains continuing.

Each Lender that has provided to the Swing Line Lender the purchase price due for its participation in Swing Line Advances shall thereupon acquire a pro rata participation, to the extent of such payment, in the claim of the Swing Line Lender against Borrowers for principal and interest and shall share, in accordance with that pro rata participation, in any principal payment made by Borrowers with respect to such claim and in any interest payment made by Borrowers (but only with respect to periods subsequent to the date such Lender paid the Swing Line Lender its purchase price) with respect to such claim.

(e) In the event that the Swing Line Outstandings are in excess of $10,000,000 on 10 consecutive Business Days then, on the next Business Day (unless the relevant Borrower has made other arrangements acceptable to the Swing Line Lender to reduce the Swing Line Outstandings below $10,000,000) that Borrower shall request a Loan in an amount sufficient to reduce the Swing Line Outstandings below $10,000,000. In addition, upon any demand for payment of the Swing Line Outstandings by the Swing Line Lender (unless Borrowers have made other arrangements acceptable to the Swing Line Lender to reduce the Swing Line Outstandings to $0), the relevant Borrower shall request a Loan in an amount sufficient to repay all Swing Line Outstandings (and, for this purpose, Section 2.1(d) shall not apply). In each case, the Administrative Agent shall automatically provide the responsive Advances made by each Lender to the Swing Line Lender (which the Swing Line Lender shall then apply to the Swing Line Outstandings). In the event that any Borrower fails to request a Loan within the time specified by Section 2.2 on any such date, the Administrative Agent may, but shall not be required to, without notice to or the consent of Borrowers, cause Advances to be made by the Lenders to that Borrower in amounts which are sufficient to reduce the Swing Line Outstandings as required above. The conditions precedent set forth in Article 8 shall not apply to Advances to be made by the Lenders pursuant to the three preceding sentences. The proceeds of such Advances shall be paid by the Administrative Agent directly to the Swing Line Lender for application to the Swing Line Outstandings.

2.6 *Voluntary Increase to the Aggregate Commitments*.

(a) Provided that no Default or Event of Default then exists, Parent and the Borrowers may, upon at least 30 days notice to the Administrative Agent (which shall promptly provide a copy of such notice to the Lenders), propose to ratably increase the aggregate amount of the Aggregate Commitments by an aggregate amount not to exceed $500,000,000 (the amount of any such ratable increase of the Aggregate Commitments being referred to as the "*Increased Commitment*"). Each Lender party to this Agreement at such time shall have the right (but no obligation), for a period of 15 days following receipt of such notice, to elect by notice to Parent and the Borrowers and the Administrative Agent to increase its Commitment by a principal amount which bears the same ratio to the Increased Commitment as its then Commitment bears to the Aggregate Commitments then existing. Each Lender which fails to respond to any such request shall be conclusively deemed to have refused to consent to an increase in its Commitment.

(b) If any Lender party to this Agreement shall not elect to increase its Commitment pursuant to Section 2.6(a), Parent and the Borrowers may designate another Person which qualifies as an Eligible Assignee (which may be, but need not be, one or more of the existing Lenders) which at the time agrees to

(i) in the case of any such Person that is an existing Lender, increase its Commitment and

(ii) in the case of any other such Person (an "*Additional Lender*"), become a party to this Agreement.

The sum of the increases in the Aggregate Commitments of the existing Lenders pursuant to this clause (b) plus the Commitments of the Additional Lenders shall not in the aggregate exceed the unsubscribed amount of the Increased Commitment.

(c) An increase in the aggregate amount of the Aggregate Commitments pursuant to this Section 2.6 shall become effective upon the receipt by the Administrative Agent of an agreement in form and substance satisfactory to the Administrative Agent signed by the Parent and the Borrowers, by each Additional Lender and by each other Lender whose Commitment is to be increased, setting forth the new Commitments of such Lenders and setting forth the agreement of each Additional Lender to become a party to this Agreement and to be bound by all the terms and provisions hereof, together with such evidence of appropriate corporate authorization on the part of Parent and the Borrowers and the Additional Lenders with respect to the Increased Commitment as the Administrative Agent may reasonably request.

2.7 *Voluntary Reduction of the Aggregate Commitments*. Borrowers shall have the right, at any time and from time to time, without penalty or charge, upon at least three Business Days prior written notice to the Administrative Agent, voluntarily to reduce or to terminate, permanently and irrevocably, in aggregate principal amounts in an integral multiple of $1,000,000 but not less than $10,000,000, all or a portion of the then undisbursed portion of the Aggregate Commitments, provided that any such reduction or termination shall be accompanied by payment of all accrued and unpaid commitment fees with respect to the portion of the Aggregate Commitments being reduced or terminated. The Administrative Agent shall promptly notify the Lenders of any reduction of the Aggregate Commitments under this Section 2.7.

2.8 *Optional Termination of Aggregate Commitments*. Following the occurrence of a Change in Control, the Requisite Lenders may in their sole and absolute discretion elect, during the sixty day period immediately subsequent to the later of

(a) such occurrence and

(b) the earlier of

(i) receipt of Borrowers' written notice to the Administrative Agent of such occurrence and

(ii) if no such notice has been received by the Administrative Agent, the date upon which the Administrative Agent and the Lenders have actual knowledge thereof, to terminate the Aggregate Commitments.

In any such case the Aggregate Commitments shall be terminated effective on the date which is sixty days subsequent to the date of written notice from the Administrative Agent to Borrowers thereof, and

(i) to the extent that there are then any Obligations outstanding, the same shall be immediately due and payable, and

(ii) to the extent that any Letters of Credit are then outstanding, Borrowers shall provide cash collateral for the same.

2.9 *Additional Borrowers*. From time to time following the Closing Date and when no Default or Event of Default exists, Parent and Company (and each other Borrower then a party to this Agreement) may jointly designate one or more additional Wholly-Owned Subsidiaries as additional co-borrowers under the Aggregate Commitments in accordance with the provisions of this Section 2.9.

Prior to the effectiveness of any such designation each such additional Borrower shall have duly authorized, executed and delivered to the Administrative Agent each of the following:

(a) an Election to Become a Borrower, setting forth the proposed Aggregate Sublimit for that Borrower, together with such other documents, certificates, resolutions, opinions and other assurances as the Administrative Agent may reasonably require in connection therewith; and

(b) Committed Advance Notes and Swing Line Documents.

Promptly following the submission of the foregoing documents, the Administrative Agent shall inform the Lenders of the proposed designation and the proposed Aggregate Sublimit. Unless the Requisite Lenders have objected in writing to the proposed designee or Aggregate Sublimit within 10 Business Days following such notice from the Administrative Agent (which objection may be in the sole discretion of each Lender), the Administrative Agent shall notify the Borrowers that the appointment is accepted, whereupon the proposed new Borrower shall be a Borrower for all purposes of this Agreement, with the Aggregate Sublimit set forth in its Election to Become a Borrower.

2.10 *Payment Presumptions by Administrative Agent*.

(a) *Funding by Lenders*. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Committed Loan that such Lender will not make available to the Administrative Agent such Lender's share of such Committed Loan, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.1 and may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Committed Loan available to the Administrative Agent, then the applicable Lender and the Borrowers severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrowers to but excluding the date of payment to the Administrative Agent, at

(i) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and

(ii) in the case of a payment to be made by the Borrowers, the interest rate applicable to Base Rate Loans.

If the Borrowers and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrowers the amount of such interest paid by the Borrowers for such period. If such Lender pays its share of the applicable Committed Loan to the Administrative Agent, then the amount so paid shall constitute such Lender's Committed Loan included in such Committed Loan. Any payment by the Borrowers shall be without prejudice to any claim the Borrowers may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(b) *Payments by Borrower*. Unless the Administrative Agent shall have received notice from the Borrowers prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Lender hereunder that the Borrowers will not make such payment, the Administrative Agent may assume that the Borrowers have made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Lender, as the case may be, the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders or the Issuing Lender, as the case may be, severally agrees to repay to the Administrative Agent

forthwith on demand the amount so distributed to such Lender or the Issuing Lender, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(c) A notice of the Administrative Agent to any Lender or any Borrower with respect to any amount owing under this Section 2.10 shall be conclusive, absent manifest error.

2.11 *Sharing of Payments by Lenders*. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Committed Loans made by it, or the participations in L/C Obligations or in Swing Line Advances held by it resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Committed Loans or participations and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall

(a) notify the Administrative Agent of such fact, and

(b) purchase (for cash at face value) participations in the Committed Loans and subparticipations in L/C Obligations and Swing Line Advances of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Committed Loans and other amounts owing them,

provided that:

(i) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section 2.11 shall not be construed to apply to

(x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or

(y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Committed Loans or subparticipations in L/C Obligations or Swing Line Advances to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section 2.11 shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

ARTICLE 3
PAYMENTS AND FEES

3.1 *Principal and Interest*.

(a) Interest shall be payable on the outstanding daily unpaid principal amount of each Advance from the date thereof until payment in full is made and shall accrue and be payable at the rates set forth or provided for herein before and after default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law, with interest on overdue interest to bear interest at the Default Rate to the fullest extent permitted by applicable Laws.

(b) Interest accrued on each Base Rate Loan on each Quarterly Payment Date, and on the date of any prepayment of the Committed Advance Notes pursuant to Section 3.1(f), shall be due and payable on that day. *Except* as otherwise provided in Section 3.9, the unpaid principal amount of any Base Rate Loan shall bear interest at a fluctuating rate per annum equal to the Base Rate *plus* the Base Rate Margin. Each change in the interest rate under this Section 3.1(b) due to a change in the Base Rate shall take effect simultaneously with the corresponding change in the Base Rate.

(c) Interest accrued on each Eurodollar Rate Loan having a Interest Period of three months or less shall be due and payable on the last day of the related Interest Period. Interest accrued on each other Eurodollar Rate Loan shall be due and payable on the date which is three months after the date such Eurodollar Rate Loan was made (and, in the event that all of the Lenders have approved a Interest Period of longer than 6 months, every three months thereafter through the last day of the Interest Period) and on the last day of the related Interest Period. *Except* as otherwise provided in Sections 3.1(d) and 3.9, the unpaid principal amount of any Eurodollar Rate Loan shall bear interest at a rate per annum equal to the Eurodollar Rate for that Eurodollar Rate Loan *plus* the Eurodollar Margin.

(d) During the existence of a Default or Event of Default, the Requisite Lenders may determine that any or all then outstanding Eurodollar Rate Loans shall be converted to Base Rate Loans. Such conversion shall be effective upon notice to Borrowers from the Requisite Lenders (or from the Administrative Agent on behalf of the Requisite Lenders) and shall continue so long as such Default or Event of Default continues to exist.

(e) If not sooner paid, the principal Indebtedness evidenced by the Notes shall be payable as follows:

(i) the principal amount of each Eurodollar Rate Loan shall be payable on the last day of the Interest Period for such Loan;

(ii) the amount, if any, by which the Total Outstandings at any time exceed the Aggregate Commitments shall be payable immediately, and shall be applied to the ratable payment of the Committed Advance Notes; and

(iii) the principal Indebtedness evidenced by the Committed Advance Notes shall in any event be payable on the Maturity Date.

(f) The Committed Advance Notes may, at any time and from time to time, voluntarily be paid or prepaid in whole or in part without premium or penalty, *except* that with respect to any voluntary prepayment under this Section 3.1(f),

(i) any partial prepayment shall be in an integral multiple of $1,000,000 but not less than $10,000,000,

(ii) the Administrative Agent shall have received written notice of any prepayment by 9:00 a.m., California local time on a Business Day on the date of prepayment in the case of a Base Rate Loan, and three Business Days, in the case of a Eurodollar Rate Loan, before the date of prepayment, which notice shall identify the date and amount of the prepayment and the Loan(s) being prepaid,

(iii) each prepayment of principal shall be accompanied by payment of interest accrued to the date of payment on the amount of principal paid and

(iv) any payment or prepayment of all or any part of any Eurodollar Rate Loan on a day other than the last day of the applicable Interest Period shall be subject to Section 3.8(d).

(g) If for any reason the Total Outstandings at any time exceed the Aggregate Commitments then in effect, the Borrower shall immediately prepay Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; *provided*, *however*, that the Borrower shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 3.1(g) unless after the prepayment in full of the Loans the Total Outstandings exceed the Aggregate Commitments then in effect.

3.2 *Arrangement Fee*. On the Closing Date, Parent and the Company shall pay to each Lead Arranger an arrangement fee in the amount heretofore agreed upon by letter agreement among Parent, the Company and each such Lead Arranger. Such arrangement fees are for the services of the Lead Arrangers in arranging the credit facilities under this Agreement and are fully earned when paid. These arrangement fees are earned as of the date hereof and are nonrefundable.

3.3 *Upfront Fees; Amendment Fees*.

(a) On the Closing Date, Parent and the Company shall pay to the Administrative Agent, for the respective accounts of the Lenders, upfront fees in the respective amounts set forth in a writing addressed to each Lender by the Lead Arrangers. Such fees are for the credit facility committed by each Lender under this Agreement and are fully earned when paid. The upfront fees paid to each Lender are solely for its own account and are nonrefundable.

(b) On the Closing Date, Parent and the Company shall pay to the Administrative Agent, for the respective accounts of the Lenders who were also "Lenders" under the Existing Credit Agreement, amendment fees in the respective amounts set forth in a writing addressed to each such Lender by the Lead Arrangers. Such fees are for the credit facility committed by each Lender under this Agreement and are fully earned when paid. The upfront fees paid to each Lender are solely for its own account and are nonrefundable.

3.4 *Facility Fees*. On the last day of each Pricing Period, Borrowers shall pay to the Administrative Agent, for the respective accounts of the Lenders, pro rata according to their Applicable Percentage, a facility fee equal to

(a) the Facility Fee Rate per annum for that Pricing Period times

(b) the actual daily amount by of the Aggregate Commitments (whether drawn or undrawn) during that Pricing Period.

3.5 *Letter of Credit Fees*. Concurrently with the issuance of each Letter of Credit, Borrowers shall pay a letter of credit issuance fee to the relevant Issuing Lender, for the sole account of that Issuing Lender, in an amount set forth in a letter agreement between the Parent and each Issuing Lender. Each letter of credit issuance fee is nonrefundable. On each Quarterly Payment Date and on the Maturity Date, Borrowers shall also pay to the Administrative Agent in arrears, for the ratable account of the Lenders in accordance with their Applicable Percentage, letter of credit fees in an amount equal to the Letter of Credit Fee per annum times the actual daily L/C Obligations of all Letters of Credit for the period from the Closing Date or the most recent Quarterly Payment Date.

3.6 *Agency Fees*. Borrowers shall pay to the Administrative Agent an agency fee in such amounts and at such times as heretofore agreed upon by letter agreement among Parent, the Borrowers and the Administrative Agent. The agency fee is for the services to be performed by the Administrative Agent in acting as Administrative Agent and is fully earned on the date paid. The agency fee paid to the Administrative Agent is solely for its own account and is nonrefundable.

3.7 *Increased Commitment Costs*. If any Lender shall determine that the introduction after the Closing Date of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein or any change in the interpretation or administration thereof by any central bank or other Governmental Agency charged with the interpretation or administration thereof, or compliance by such Lender (or its Eurodollar Lending Office) or any corporation controlling the Lender, with any request, guidelines or directive regarding capital adequacy (whether or not having the force of law) of any such central bank or other authority, affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital) determines that the amount of such capital is increased, or the rate of return on capital is reduced, as a consequence of its obligations under this Agreement, then such Lender shall promptly give notice to the Borrowers and the Administrative Agent of such determination. Thereafter, the Borrowers shall pay to such Lender, within five Business Days following written demand therefor (setting forth the additional amounts owed to such Lender and the basis of the calculation thereof in reasonable detail), additional amounts sufficient to compensate such Lender in light of such circumstances, to the extent reasonably allocable to such obligations under this Agreement. Each Lender shall afford treatment to Borrowers under this Section 3.7 which is substantially similar to that which such Lender affords to its other similarly situated customers.

3.8 *Eurodollar Costs and Related Matters*.

(a) If, after the date hereof, the existence or occurrence of any Special Eurodollar Circumstance shall:

(i) subject any Lender or its Eurodollar Lending Office to any tax, duty or other charge or cost with respect to any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances, or shall change the basis of taxation of payments to any Lender of the principal of or interest on any Eurodollar Rate Advance or any other amounts due under this Agreement in respect of any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances, *excluding*, with respect to each Creditor, and any Affiliate or Eurodollar Lending Office thereof, (A) taxes imposed on or measured in whole or in part by its net income or capital and franchise taxes imposed on it, (B) any withholding taxes or other taxes based on net income (other than withholding taxes and taxes based on net income resulting from or attributable to any change in any law, rule or regulation or any change in the interpretation or administration of any law, rule or regulation by any Governmental Agency) or (C) any withholding taxes or other taxes based on net income for any period with respect to which it has failed to provide Borrowers with the appropriate form or forms required by Section 11.21, to the extent such forms are then required by applicable Laws;

(ii) impose, modify or deem applicable any reserve not applicable or deemed applicable on the date hereof (*including*, without limitation, any reserve imposed by the Board of Governors of the Federal Reserve System, but excluding the Eurodollar Reserve Percentage taken into account in calculating the Eurodollar Rate), special deposit, capital or similar requirements against assets of, deposits with or for the account of, or credit extended by, any Lender or its Eurodollar Lending Office; or

(iii) impose on any Lender or its Eurodollar Lending Office or the Designated Eurodollar Market any other condition materially affecting any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans, its obligation to make Eurodollar Rate Advances or this Agreement, or shall otherwise materially affect any of the same;

and the result of any of the foregoing, as determined by such Lender, increases the cost to such Lender or its Eurodollar Lending Office of making or maintaining any Eurodollar Rate Advance or in respect of any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances or reduces the amount of any sum received or receivable by such Lender or its Eurodollar Lending Office with respect to any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances (assuming such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market), then, *provided that* such Lender makes demand upon Borrowers (with a copy to the Administrative Agent) within 90 days following the date upon which it becomes aware of any such event or circumstance, Borrowers shall within five Business Days pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction (determined as though such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market). Each of the Borrowers hereby jointly and severally (but as between Borrowers, ratably) indemnifies each Lender against, and agrees to hold each Lender harmless from and reimburse such Lender within five Business Days after demand for (without duplication) all costs, expenses, claims, penalties, liabilities, losses, legal fees and damages incurred or sustained by each Lender in connection with this Agreement, or any of the rights, obligations or transactions provided for or contemplated herein, as a result of the existence or occurrence of any Special Eurodollar Circumstance. A statement of any Lender claiming compensation under this clause and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. Each Lender agrees to endeavor promptly to notify Borrowers of any event of which it has actual knowledge, occurring after the Closing Date, which will entitle such Lender to compensation pursuant to this Section 3.8 and agrees to designate a different Eurodollar Lending Office if such designation will avoid the need for or reduce the amount of such compensation and will not, in the judgment of such Lender, otherwise be materially disadvantageous to such Lender. If any Lender claims compensation under this Section 3.8, Borrowers may at any time, upon at least four Eurodollar Business Days' prior notice to the Administrative Agent and such Lender and upon payment in full of the amounts provided for in this Section 3.8 through the date of such payment plus any prepayment fee required by Section 3.8(d), pay in full the affected Eurodollar Rate Advances of such Lender or request that such Eurodollar Rate Advances be converted to Base Rate Advances. To the extent that any Lender which receives any payment from Borrowers under this Section 3.8 later receives any funds which are identifiable as a reimbursement or rebate of such amount from any other Person, such Lender shall promptly refund such amount to Borrowers.

(b) If the existence or occurrence of any Special Eurodollar Circumstance shall, in the opinion of any Lender, make it unlawful, impossible or impracticable for such Lender or its Eurodollar Lending Office to make, maintain or fund its portion of any Eurodollar Rate Loan, or materially restrict the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the Designated Eurodollar Market, or to determine or charge interest rates based upon the Eurodollar Rate, and such Lender shall so notify the Administrative Agent, then such Lender's obligation to make Eurodollar Rate Advances shall be suspended for the duration of such illegality, impossibility or impracticability and the Administrative Agent forthwith shall give notice thereof to the other Lenders and Borrowers. Upon receipt of such notice, the outstanding principal amount of such Lender's Eurodollar Rate Advances, together with accrued interest thereon, automatically shall be converted to Base Rate Advances on

either (i) the last day of the Interest Period(s) applicable to such Eurodollar Rate Advances if such Lender may lawfully continue to maintain and fund such Eurodollar Rate Advances to such day(s) or (ii) immediately if such Lender may not lawfully continue to fund and maintain such Eurodollar Rate Advances to such day(s), provided that in such event the conversion shall not be subject to payment of a prepayment fee under Section 3.8(d). Each Lender agrees to endeavor promptly to notify Borrowers of any event of which it has actual knowledge, occurring after the Closing Date, which will cause that Lender to notify the Administrative Agent under this Section 3.8(b), and agrees to designate a different Eurodollar Lending Office if such designation will avoid the need for such notice and will not, in the judgment of such Lender, otherwise be disadvantageous to such Lender. In the event that any Lender is unable, for the reasons set forth above, to make, maintain or fund its portion of any Eurodollar Rate Loan, such Lender shall fund such amount as a Base Rate Advance for the same period of time, and such amount shall be treated in all respects as a Base Rate Advance. Any Lender whose obligation to make Eurodollar Rate Advances has been suspended under this Section 3.8(b) shall promptly notify the Administrative Agent and Borrowers of the cessation of the Special Eurodollar Circumstance which gave rise to such suspension.

(c) If, with respect to any proposed Eurodollar Rate Loan:

(i) the Administrative Agent reasonably determines that, by reason of circumstances affecting the Designated Eurodollar Market generally that are beyond the reasonable control of the Lenders, deposits in Dollars (in the applicable amounts) are not being offered to any Lender in the Designated Eurodollar Market for the applicable Interest Period; or

(ii) the Requisite Lenders advise the Administrative Agent that the Eurodollar Rate as determined by the Administrative Agent

(A) does not represent the effective pricing to such Lenders for deposits in Dollars in the Designated Eurodollar Market in the relevant amount for the applicable Interest Period, or

(B) will not adequately and fairly reflect the cost to such Lenders of making the applicable Eurodollar Rate Advances;

then the Administrative Agent forthwith shall give notice thereof to Borrowers and the Lenders, whereupon until the Administrative Agent notifies Borrowers that the circumstances giving rise to such suspension no longer exist, the obligation of the Lenders to make any future Eurodollar Rate Advances shall be suspended. If at the time of such notice there is then pending a Request for Loan that specifies a Eurodollar Rate Loan, such Request for Loan shall be deemed to specify a Base Rate Loan.

(d) Upon payment or prepayment of any Eurodollar Rate Advance, (*other than* as the result of a conversion required under Section 3.1(d) or 3.8(b)), on a day other than the last day in the applicable Interest Period (whether voluntarily, involuntarily, by reason of acceleration, or otherwise), or upon the failure of any Borrower (for a reason other than the failure of a Lender to make an Advance) to borrow on the date or in the amount specified for a Eurodollar Rate Loan in any Request for Loan, Borrowers shall pay to the appropriate Lender within five Business Days after demand a prepayment fee or failure to borrow fee, as the case may be, (determined as though 100% of the Eurodollar Rate Advance had been funded in the Designated Eurodollar Market) equal to the *sum* of:

(i) principal amount of the Eurodollar Rate Advance prepaid or not borrowed, as the case may be, *times* the quotient of

(A) the number of days between the date of prepayment or failure to borrow, as applicable, and the last day in the applicable Interest Period, *divided by*

(B) 360, *times* the applicable Interest Differential (provided that the product of the foregoing formula must be a positive number); *plus*

(C) all out-of-pocket expenses incurred by the Lender reasonably attributable to such payment, prepayment or failure to borrow.

Each Lender's determination of the amount of any prepayment fee payable under this Section 3.8(d) shall be conclusive in the absence of manifest error.

3.9 *Default Rate*. If any installment of principal or interest or any fee or cost or other amount payable under any Loan Document to any Creditor is not paid when due, then such overdue Obligations shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the sum of the Base Rate plus the Base Rate Margin plus 2%, to the fullest extent permitted by applicable Laws. In addition, if any Event of Default has occurred and remains continuing, then at the option of the Requisite Lenders, all of the Obligations shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the sum of the Base Rate plus the Base Rate Margin plus 2%, to the fullest extent permitted by applicable Laws. Accrued and unpaid interest on past due amounts (including, without limitation, interest on past due interest) shall be compounded monthly, on the last day of each calendar month, to the fullest extent permitted by applicable Laws.

3.10 *Computation of Interest and Fees*. Computation of interest on Base Rate Loans calculated with reference to the prime rate shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed; computation of interest on Base Rate Loans calculated by reference to the Federal Funds Rate, and on Eurodollar Rate Loans and all fees under this Agreement shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. Each Borrower acknowledges that such latter calculation method will result in a higher yield to the Lenders than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made; interest shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid. Any Loan that is repaid on the same day on which it is made shall bear interest for one day.

3.11 *Non-Business Days*. Subject to clause (b) of the definition of "Interest Period," if any payment to be made by Borrowers or any other Party under any Loan Document shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day and the extension of time shall be reflected in computing interest and fees.

3.12 *Manner and Treatment of Payments*.

(a) Each payment hereunder (*except* payments with respect to Swing Line Obligations and payments pursuant to Sections 3.7, 3.8, and 11.3) or on the Notes or under any other Loan Document shall be made without setoff, counterclaim, recoupment or other deduction of any kind to the Administrative Agent, at the Administrative Agent's Office, for the account of each of the Lenders or the Administrative Agent, as the case may be, in immediately available funds not later than 11:00 a.m., California local time, on the day of payment (which must be a Business Day), *other than* payments with respect to Swing Line Advances, which must be received by 3:00 p.m., California local time, on the day of payment (which must be a Business Day). All payments received after these deadlines shall be deemed received on the next succeeding Business Day. The amount of all payments received by the Administrative Agent for the account of each Lender shall be immediately paid by the Administrative Agent to the applicable Lender in immediately available funds and, if such payment was received by the Administrative Agent by 11:00 a.m., California local time, on a Business Day and not so made available to the account of a Lender on that Business Day, the Administrative Agent shall

reimburse that Lender for the cost to such Lender of funding the amount of such payment at the Federal Funds Rate. All payments shall be made in lawful money of the United States of America.

(b) Each payment or prepayment on account of any Committed Loan shall be applied pro rata according to the outstanding Committed Advances made by each Lender comprising such Committed Loan.

(c) Each Lender shall use its best efforts to keep a record of Advances made by it and payments received by it with respect to each of its Notes and such record shall, as against Borrowers, be presumptive evidence absent manifest error of the amounts owing. Notwithstanding the foregoing sentence, no Lender shall be liable to any Party for any failure to keep such a record.

(d) Each payment of any amount payable by Borrowers or any other Party under this Agreement or any other Loan Document shall be made free and clear of, and without reduction by reason of, any taxes, assessments or other charges imposed by any Governmental Agency, central bank or comparable authority, *excluding*, in the case of each Creditor, and any Affiliate or Eurodollar Lending Office thereof, (i) taxes imposed on or measured in whole or in part by its net income or capital and franchise taxes imposed on it, (ii) any withholding taxes or other taxes based on net income (other than withholding taxes and taxes based on net income resulting from or attributable to any change in any law, rule or regulation or any change in the interpretation or administration of any law, rule or regulation by any Governmental Agency) or (iii) any withholding taxes or other taxes based on net income for any period with respect to which it has failed to provide Borrowers with the appropriate form or forms required by Section 11.21, to the extent such forms are then required by applicable Laws, (all such non-excluded taxes, assessments or other charges being hereinafter referred to as "Taxes"). To the extent that Parent or any Borrower is obligated by applicable Laws to make any deduction or withholding on account of Taxes from any amount payable to any Lender under this Agreement, Parent or that Borrower shall (i) make such deduction or withholding and pay the same to the relevant Governmental Agency and (ii) pay such additional amount to that Lender as is necessary to result in that Lender's receiving a net after-Tax amount equal to the amount to which that Lender would have been entitled under this Agreement absent such deduction or withholding. If and when receipt of such payment results in an excess payment or credit to that Lender on account of such Taxes, that Lender shall promptly refund such excess to Parent or the appropriate Borrower.

3.13 *Funding Sources*. Nothing in this Agreement shall be deemed to obligate any Lender to obtain the funds for any Loan or Advance in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan or Advance in any particular place or manner.

3.14 *Failure to Charge Not Subsequent Waiver*. Any decision by the Creditors not to require payment of any interest (including interest arising under Section 3.9), fee, cost or other amount payable under any Loan Document, or to calculate any amount payable by a particular method, on any occasion shall in no way limit or be deemed a waiver of the Creditor's right to require full payment of any interest (including interest arising under Section 3.9), fee, cost or other amount payable under any Loan Document on any other or subsequent occasion.

3.15 *Fee Determination Detail*. Each Creditor shall provide reasonable detail to Parent and the Borrowers regarding the manner in which the amount of any payment to that Creditor under Article 3 has been determined, concurrently with demand for such payment.

3.16 *Survivability*. All of the Parent's and the Borrowers' obligations under Sections 3.7 and 3.8 shall survive for ninety days following the date on which the Commitments are terminated and all Loans hereunder are fully paid.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

Parent and each Borrower represents and warrants to the Creditors, as of the date hereof, as of the Closing Date, and as of the date of the making of each Advance and the Issuance of each Letter of Credit that:

4.1 *Existence and Qualification; Power; Compliance With Laws*. Parent and each of the Borrowers are duly formed, validly existing and in good standing under the Laws of its jurisdiction of formation. Parent and each of the Borrowers are duly qualified or registered to transact business and is in good standing in each other jurisdiction in which the conduct of its business or the ownership or leasing of its Properties makes such qualification or registration necessary, except where the failure so to qualify or register and to be in good standing would not constitute a Material Adverse Effect. Parent and each of the Borrowers have all requisite corporate or partnership power (as applicable) and authority to conduct their respective business, to own and lease their respective Properties and to execute and deliver each Loan Document to which it is a Party and to perform its Obligations. All outstanding shares of capital stock of Parent and each of the Borrowers are duly authorized, validly issued, fully paid, and non-assessable and no holder thereof has any enforceable right of rescission under any applicable state or federal securities Laws. Parent and each of the Borrowers are in compliance with all Laws and other legal requirements applicable to their respective business, have obtained all authorizations, consents, approvals, orders, licenses and permits from, and have accomplished all filings, registrations and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of their business, except where the failure so to comply, file, register, qualify or obtain exemptions does not constitute a Material Adverse Effect.

4.2 *Authority; Compliance With Other Agreements and Instruments and Government Regulations*. The execution, delivery and performance by Parent and each Borrower of the Loan Documents to which it is a Party have been duly authorized by all necessary corporate or partnership action, as applicable, and do not and will not:

(a) Require any consent or approval not heretofore obtained of any partner, director, stockholder, security holder or creditor of such Party;

(b) Violate or conflict with any provision of such Party's charter, articles of incorporation or bylaws, as applicable;

(c) Result in or require the creation or imposition of any Lien or Right of Others upon or with respect to any Property now owned or leased or hereafter acquired by such Party;

(d) Violate any Requirement of Law applicable to such Party, subject to obtaining the authorizations from, or filings with, the Governmental Authorities described in Schedule 4.3;

(e) Result in a breach by such Party of or constitute a default by such Party under, or cause or permit the acceleration of any obligation owed under, any indenture or loan or credit agreement or any other Contractual Obligation to which such Party is a party or by which such Party or any of its Property is bound or affected;

and neither Parent, Borrowers nor any of their Significant Subsidiaries is in violation of, or default under, any Requirement of Law or Contractual Obligation, or any indenture, loan or credit agreement described in Section 4.2(e), in any respect that constitutes a Material Adverse Effect.

4.3 *No Governmental Approvals Required*. Except as set forth in Schedule 4.3 or previously obtained or made, no authorization, consent, approval, order, license or permit from, or filing, registration or qualification with, any Governmental Agency is or will be required to authorize or permit under applicable Laws the execution, delivery and performance by Parent or the Borrowers of the Loan Documents to which any of them is a Party. All authorizations from, or filings with, any

Governmental Agency described in Schedule 4.3 will be accomplished as of the Closing Date or such other date as is specified in Schedule 4.3.

4.4 *Significant Subsidiaries*.

(a) Schedule 4.4 hereto correctly sets forth the names, form of legal entity, percentage of shares of each class of capital stock issued and outstanding, percentage of shares owned by Parent or a Significant Subsidiary (specifying such owner) and jurisdictions of organization of each of the Significant Subsidiaries of Parent. Unless otherwise indicated in Schedule 4.4, as of the Closing Date all of the outstanding shares of capital stock, or all of the units of equity interest, as the case may be, of each such Significant Subsidiary are owned of record and beneficially by the Persons described therein, there are no outstanding options, warrants or other rights to purchase capital stock of any such Significant Subsidiary, and all such shares or equity interests so owned are duly authorized, validly issued, fully paid, non-assessable, and were issued in compliance with all applicable state and federal securities and other Laws, and are free and clear of all Liens and Rights of Others, *except* for Permitted Encumbrances and Permitted Rights of Others.

(b) Each Significant Subsidiary of Parent is duly formed, validly existing and in good standing under the Laws of its jurisdiction of organization, is duly qualified to do business as a foreign organization and is in good standing as such in each jurisdiction in which the conduct of its business or the ownership or leasing of its properties makes such qualification necessary (*except* where the failure to be so duly qualified and in good standing does not constitute a Material Adverse Effect), and has all requisite power and authority to conduct its business and to own and lease its Properties.

(c) Each Significant Subsidiary of Parent is in compliance with all Laws and other requirements applicable to its business and has obtained all authorizations, consents, approvals, orders, licenses, and permits from, and each such Significant Subsidiary has accomplished all filings, registrations, and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of its business, *except* where the failure to be in such compliance, obtain such authorizations, consents, approvals, orders, licenses, and permits, accomplish such filings, registrations, and qualifications, or obtain such exemptions, does not constitute a Material Adverse Effect.

4.5 *Financial Statements*. Parent and Borrowers have furnished to the Lenders the audited consolidated financial statements of Parent and its Subsidiaries for the Fiscal Year ended December 31, 2003. The financial statements described above fairly present in all material respects the financial condition, results of operations and changes in financial position of Parent and its Subsidiaries as of such dates and for such periods, in conformity with Generally Accepted Accounting Principles, consistently applied.

4.6 *No Other Liabilities; No Material Adverse Effect*. As of the Closing Date, Parent and its Subsidiaries do not have any material liability or material contingent liability not reflected or disclosed in the financial statements described in Section 4.5, other than liabilities and contingent liabilities arising in the ordinary course of business since the date of such financial statements. As of the Closing Date, no circumstance or event has occurred that constitutes a Material Adverse Effect since December 31, 2003.

4.7 *Title to Property*. Parent and its Subsidiaries have valid title to the Property reflected in the financial statements described in Section 4.5, other than immaterial items of Property and Property subsequently sold or disposed of in the ordinary course of business, free and clear of all Liens and Rights of Others, other than Liens or Rights of Others described in Schedule 4.7, as permitted by Section 6.4, and any other matters which do not have a Material Adverse Effect.

4.8 *Litigation*. There are no actions, suits, proceedings or investigations pending as to which Parent or any of its Subsidiaries have been served or have received notice or, to the knowledge of Parent and the Borrowers, threatened against or affecting Parent or any of its Subsidiaries or any Property of any of them before any Governmental Agency in which there is any reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or results of operations of Parent and its Subsidiaries, taken as a whole, or which in any manner draws into question the validity or enforceability of the Loan Documents.

4.9 *Binding Obligations*. Each of the Loan Documents will, when executed and delivered by Parent and the Borrowers party thereto, constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by Debtor Relief Laws or equitable principles relating to the granting of specific performance and other equitable remedies as a matter of judicial discretion.

4.10 *No Default*. No event has occurred and is continuing that is a Default or Event of Default.

4.11 *ERISA*.

(a) With respect to each Pension Plan:

(i) such Pension Plan complies in all material respects with ERISA and any other applicable Laws to the extent that noncompliance could reasonably be expected to have a Material Adverse Effect;

(ii) such Pension Plan has not incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA) that could reasonably be expected to have a Material Adverse Effect;

(iii) no "reportable event" (as defined in Section 4043 of ERISA) has occurred that could reasonably be expected to have a Material Adverse Effect; and

(iv) neither Parent nor any of its Subsidiaries has engaged in any non-exempt "prohibited transaction" (as defined in Section 4975 of the Code) that could reasonably be expected to have a Material Adverse Effect.

(b) Neither Parent nor any of its Subsidiaries has incurred or expects to incur any withdrawal liability to any Multiemployer Plan that could reasonably be expected to have a Material Adverse Effect.

4.12 *Regulations T, U and X; Investment Company Act*. No part of the proceeds of any Loan hereunder will be used to purchase or carry, or to extend credit to others for the purpose of purchasing or carrying, any Margin Stock in violation of Regulations T, U or X. Neither Parent nor any of its Subsidiaries is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

4.13 *Disclosure*. No written statement made by a Senior Officer of Parent or any Borrower to any Creditor in connection with this Agreement, including without limitation the statements made in the Confidential Offering Memorandum, or in connection with any Loan, Advance or Letter of Credit as of the date thereof contained any untrue statement of a material fact or omitted a material fact necessary to make the statement made not misleading in light of all the circumstances existing at the date the statement was made.

4.14 *Tax Liability*. Parent and its Subsidiaries have filed all tax returns which are required to be filed, and have paid, or made provision for the payment of, all taxes with respect to the periods, Property or transactions covered by said returns, or pursuant to any assessment received by Parent or any of its Subsidiaries, except

(a) such taxes, if any, as are being contested in good faith by appropriate proceedings and as to which adequate reserves have been established and maintained and

(b) immaterial taxes and tax returns so long as no material item or portion of Property of Parent or any of its Subsidiaries is in jeopardy of being seized, levied upon or forfeited.

4.15 *Projections*. As of the Closing Date, to the best knowledge of Parent and the Borrowers, the assumptions set forth in the Projections are reasonable and consistent with each other and with all facts known to Parent and the Borrowers, and the Projections are:

(a) reasonably based on such assumptions; and

(b) although a range of possible different assumptions and estimates might also be reasonable, neither Parent nor the Borrowers are aware of any facts which would lead them to believe that the assumptions and estimates on which the Projections were based are not reasonable; provided that no representation or warranty can be given that the projected results will be realized or with respect to the ability of Parent and its Subsidiaries to achieve the projected results and, while the Projections are necessarily presented with numerical specificity, the actual results achieved during the periods presented may differ from the projected results, and such differences may be material.

4.16 *Hazardous Materials*. Parent and the Borrowers have reasonably concluded that Hazardous Materials Laws are unlikely to have a material adverse effect on the business, financial position, results of operations or prospects of the Parent and its Subsidiaries, considered as a whole.

4.17 *Gaming Laws*. Parent and each of its Subsidiaries are in compliance in all material respects with all Gaming Laws that are applicable to them and their businesses.

4.18 *Solvency*. As of the Closing Date, and giving effect to the transactions contemplated to occur on the Closing Date, Parent and each of its Subsidiaries are Solvent.

ARTICLE 5
AFFIRMATIVE COVENANTS

So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitments remains in force, Parent and each Borrower shall, and shall cause each of their respective Subsidiaries to, unless the Administrative Agent (with the written approval of the Requisite Lenders) otherwise consents:

5.1 *Preservation of Existence*. Preserve and maintain their respective existences in the jurisdiction of their formation and all material authorizations, rights, franchises, privileges, consents, approvals, orders, licenses, permits, or registrations from any Governmental Agency that are necessary for the transaction of their respective business, except where the failure to so preserve and maintain the existence of any Subsidiary and such authorizations would not constitute a Material Adverse Effect and except that a merger permitted by Section 6.1 shall not constitute a violation of this covenant; and qualify and remain qualified to transact business in each jurisdiction in which such qualification is necessary in view of their respective business or the ownership or leasing of their respective Properties except where the failure to so qualify or remain qualified would not constitute a Material Adverse Effect.

5.2 *Maintenance of Properties*. Maintain, preserve and protect all of their respective depreciable Properties in good order and condition, subject to wear and tear in the ordinary course of business, and not permit any waste of their respective Properties, except where the failure to maintain, preserve and protect a particular item of depreciable Property would not have a Material Adverse Effect.

5.3 *Maintenance of Insurance*. Maintain liability, casualty and other insurance (subject to customary deductibles and retentions) with financially sound and responsible insurance companies in such amounts and against such risks as is carried by responsible companies engaged in similar businesses and owning similar assets in the general areas in which Parent and its Subsidiaries operate, and will furnish to the Administrative Agent upon request information in reasonable detail as to the insurance so carried. Notwithstanding the foregoing, Parent and its Subsidiaries may self-insure with respect to such risks with respect to which companies of established reputation engaged in the same general line of business in the same general area usually self-insure.

5.4 *Compliance With Laws*. Comply within the time period, if any, given for such compliance by the relevant Governmental Agency or Authorities with enforcement authority, with all Laws and Requirements of Law, including without limitation Hazardous Materials Laws, ERISA and all Gaming Laws, except that Parent and its Subsidiaries need not comply with a Requirement of Law then being contested by any of them in good faith by appropriate proceedings, except where the failure to so comply may not reasonably be expected to have a Material Adverse Effect.

5.5 *Inspection Rights*. Upon reasonable notice, at any time during regular business hours and as often as requested (but not so as to materially interfere with the business of the Parent or any of its Subsidiaries), permit the Administrative Agent or any Lender, or any authorized employee, agent or representative thereof, to examine, audit and make copies and abstracts from the records and books of account of, and to visit and inspect the Properties of, the Parent and its Subsidiaries and to discuss the affairs, finances and accounts of the Parent and its Subsidiaries with any of their officers, key employees or accountants and, upon request, furnish promptly to the Administrative Agent or any Lender true copies of all financial information made available to the senior management of the Parent.

5.6 *Keeping of Records and Books of Account*. Keep adequate records and books of account reflecting all financial transactions in conformity with Generally Accepted Accounting Principles, consistently applied, and in material conformity with all applicable requirements of any Governmental Agency having regulatory jurisdiction over Parent or any of its Subsidiaries.

5.7 *Use of Proceeds*. Use the proceeds of Loans

(a) on the Closing Date, to refinance all outstanding obligations under the Existing Credit Agreement and related transactional expenses, and

(b) thereafter for working capital and general corporate purposes of Parent and its Subsidiaries including without limitation capital expenditures, share repurchases, commercial paper backup and acquisitions of equity securities or assets of other Persons, in each case to the extent not prohibited by the Loan Documents.

ARTICLE 6
NEGATIVE COVENANTS

So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitments remains in force, Parent and each Borrower shall not, and shall not permit any of their respective Subsidiaries to, unless the Administrative Agent (with the written approval of the Requisite Lenders) otherwise consents:

6.1 *Consolidations, Mergers and Sales of Assets*. Merge or consolidate with or into any Person, or sell lease or otherwise transfer all or any substantial part of the assets of Parent and its Subsidiaries, taken as a whole, to any Person, except:

(a) mergers and consolidations of a Subsidiary of a Borrower into that Borrower or a Subsidiary thereof (with that Borrower or the Subsidiary as the surviving entity) or of Subsidiaries of the Borrowers with each other;

(b) a merger or consolidation of a Borrower or any Subsidiary thereof with any other Person, *provided* that

(i) either

(A) the Borrower or the Subsidiary is the surviving entity, or

(B) the surviving entity is a corporation organized under the Laws of a State of the United States of America and, as of the date of such merger or consolidation, expressly assumes, by an instrument satisfactory in form and substance to the Requisite Lenders, the Obligations of the relevant Borrower or the Subsidiary, as the case may be,

(ii) giving effect thereto, no Default or Event of Default exists or would result therefrom, and

(iii) giving pro forma effect thereto, Borrowers are in compliance with the covenants set forth in Sections 6.5 and 6.6.

6.2 *Hostile Tender Offers*. Make any offer to purchase or acquire, or consummate a purchase or acquisition of, 5% or more of the capital stock of any corporation or other equity securities of any business entity if the board of directors or management of such corporation or business entity has notified Parent or any of its Subsidiaries in writing that it opposes such offer or purchase and such notice has not been withdrawn or superseded.

6.3 *Change in Nature of Business*. Make any material change in the nature of the business of Parent and its Subsidiaries, taken as a whole, or acquire more than 49% of the capital stock or other equity securities of any Person which is engaged in a line of business other than the lines of business reasonably related to or incidental to the business engaged in by Parent and its Subsidiaries.

6.4 *Liens, Negative Pledges, Sale Leasebacks and Rights of Others*. Create, incur, assume or suffer to exist any Lien, Negative Pledge or Right of Others of any nature upon or with respect to any of their respective Properties, whether now owned or hereafter acquired, or enter into any Sale and Leaseback with respect to any such Properties except:

(a) Permitted Encumbrances and Permitted Rights of Others;

(b) Liens and Negative Pledges under the Loan Documents;

(c) other existing Liens, Negative Pledges and Rights of Others existing on the Closing Date and disclosed in Schedule 4.7 (or not required to be disclosed therein under Section 4.7) and any renewals or extensions thereof; *provided* that the obligations secured or benefitted thereby are not increased;

(d) Until the date which is ninety days following the Closing Date, any Lien, Negative Pledge or Right of Others on shares of any equity security or any warrant or option to purchase an equity security or any security which is convertible into an equity security issued by any Subsidiary of Parent that holds, directly or indirectly through a holding company or otherwise, a license to conduct gaming under any Gaming Law, and in the proceeds thereof; *provided* that this clause shall apply only so long as the Gaming Laws of the relevant jurisdiction provide that the creation of any restriction on the disposition of any of such securities shall not be effective and, if such Gaming Laws at any time cease to so provide, then this clause shall be of no further effect; and *provided further* that if at any time Parent or any of its Subsidiaries creates or suffers to exist a Lien or Negative Pledge covering such securities in favor of the holder of any other Indebtedness, it will (subject to any approval required under such Gaming Laws) concurrently grant a pari-passu Lien or Negative Pledge likewise covering such securities in favor of the Administrative Agent for the benefit of the Lenders;

(e) Liens on Property acquired or constructed by Parent or any of its Subsidiaries, and in the proceeds thereof, that

(i) were in existence at the time of the acquisition or construction of such Property or were created at or within 90 days after such acquisition or construction, and

(ii) secure (in the case of Liens not in existence at the time of acquisition of the Property) only the unpaid portion of the acquisition or construction price for such Property, or monies borrowed that were used to pay such acquisition or construction price;

(f) Liens securing Indebtedness (*including* Capital Lease Obligations) that replaces or refinances Indebtedness secured by Liens permitted under clause (e); *provided* that such Liens cover only the same Property as the Liens securing the Indebtedness replaced or refinanced;

(g) Liens, Negative Pledges and Rights of Others held by joint venture partners and any assignees thereof, and lenders thereto and any assignees thereof, with respect to the interests of Parent and its Subsidiaries in

(i) that joint venture and the proceeds thereof or

(ii) the capital stock or other equity ownership interests held by any Joint Venture Holding Company in that joint venture and the proceeds thereof, *provided*, in each case, that such Liens, Negative Pledges and Rights of Others shall secure and relate only the obligations of such joint venture or Contingent Obligations permitted by Section 6.7(g);

(h) Liens, Negative Pledges and Rights of Others in favor of counterparties to agreements, and assignees thereof, entered into by Parent and its Subsidiaries in the ordinary course of business on the interests of Parent and its Subsidiaries under such agreements and the proceeds thereof, provided that such Liens, Negative Pledges and Rights of Others shall secure and relate only to restrictions on transfer of the rights of Parent and its Subsidiaries to the holders thereof under the relevant agreement;

(i) Liens on Cash securing only Defeased Debt; and

(j) Liens not otherwise permitted by the foregoing clauses of this Section 6.4 encumbering assets of the Parent and its Subsidiaries having an aggregate fair market value which is not in excess of 10% of Net Tangible Assets at any time.

6.5 *Total Debt Ratio*. Permit the Total Debt Ratio to exceed 4.50:1.00 as of the last day of any Fiscal Quarter.

6.6 *Interest Coverage Ratio*. Permit the Interest Coverage Ratio to be less than 3.00:1.00 as of the last day of any Fiscal Quarter.

6.7 *Subsidiary Indebtedness*. Permit any Subsidiary of Parent which is not a Borrower hereunder to create, assume, incur or suffer to exist any Indebtedness or Contingent Obligations with respect to Indebtedness other than:

(a) Defeased Debt;

(b) secured Indebtedness (including Capital Lease Obligations) and Contingent Obligations which are permitted by Sections 6.4(f) or 6.4(g);

(c) unsecured Indebtedness and Contingent Obligations which were created, assumed or incurred by such Subsidiary prior to its acquisition by Parent and its Subsidiaries (and not in anticipation of such acquisition) but not any refinancings, renewals or extensions thereof;

(d) letters of credit, surety bonds and other similar forms of credit enhancement for such Subsidiaries incurred in the ordinary course of their business;

(e) Intercompany Debt, provided such Indebtedness is not subject to any Lien (other than Liens in favor of the Administrative Agent and the Lenders);

(f) Contingent Obligations of Management Companies consisting of guarantees of Indebtedness of Persons which are the counterparties to any management agreement, development agreement or other similar instruments to which such Management Companies are also party, *provided that:*

(i) the assets of each Management Company issuing any such guarantees shall not exceed 1.0% of Net Tangible Assets at any time, and

(ii) the aggregate amount of assets of all Management Companies issuing guarantees permitted by this Section 6.7(f) shall not exceed 5% of Net Tangible Assets at any time;

(g) Contingent Obligations of Joint Venture Holding Companies consisting of guarantees of Indebtedness of Persons in which such Joint Venture Holding Companies own equity securities; provided that the other Persons owning such equity securities have also ratably guaranteed such Indebtedness; and

(h) other Indebtedness in an aggregate amount not to exceed $25,000,000 at any time outstanding.

ARTICLE 7
INFORMATION AND REPORTING REQUIREMENTS

7.1 *Financial and Business Information*. So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Aggregate Commitments remains in force, Parent and the Borrowers shall, unless the Administrative Agent (with the written approval of the Requisite Lenders) otherwise consents, deliver to the Administrative Agent and the Lenders, at Parent's and Borrowers' sole expense:

(a) As soon as practicable, and in any event within 45 days after the end of each Fiscal Quarter (other than the fourth Fiscal Quarter in any Fiscal Year), the consolidated balance sheet of Parent and its Subsidiaries as at the end of such Fiscal Quarter and the consolidated statement of operations for each Fiscal Quarter, and its statement of cash flows for the portion of the Fiscal Year ended with such Fiscal Quarter and as at and for the portion of the Fiscal Year ended with such Fiscal Quarter, all in reasonable detail. Such financial statements shall be certified by a Senior Officer of Parent as fairly presenting the financial condition, results of operations and cash flows of Parent and its Subsidiaries in accordance with Generally Accepted Accounting Principles (other than footnote disclosures), consistently applied, as at such date and for such periods, subject only to normal year-end accruals and audit adjustments;

(b) As soon as practicable, and in any event prior to the penultimate Business Day of February in each Fiscal Year, a Certificate of a Responsible Official setting forth the Total Debt Ratio as of the last day of the fourth Fiscal Quarter of the preceding year, and providing reasonable detail as to the calculation thereof, which calculations shall be based on the preliminary unaudited financial statements of Parent and its Subsidiaries for such Fiscal Quarter;

(c) As soon as practicable, and in any event within 120 days after the end of each Fiscal Year, the consolidated balance sheet of Parent and its Subsidiaries as at the end of such Fiscal Year and the consolidated statements of operations, shareholders' equity and cash flows, in each case of Parent and its Subsidiaries for such Fiscal Year as at and for the Fiscal Year, all in reasonable detail. Such financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, consistently applied, and such consolidated balance sheet and consolidated statements shall be accompanied by a report and opinion of independent public

accountants of recognized standing selected by Parent and reasonably satisfactory to the Requisite Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards as at such date, and shall not be subject to any qualifications or exceptions. Such accountants' report and opinion shall be accompanied by a certificate stating that, in making the examination pursuant to generally accepted auditing standards necessary for the certification of such financial statements and such report, such accountants have obtained no knowledge of any Default or, if, in the opinion of such accountants, any such Default shall exist, stating the nature and status of such Default, and stating that such accountants have reviewed Parent's and Borrowers' financial calculations as at the end of such Fiscal Year (which shall accompany such certificate) under Section 6.5 and 6.6, have read such Sections (including the definitions of all defined terms used therein) and that nothing has come to the attention of such accountants in the course of such examination that would cause them to believe that the same were not calculated by Parent and the Borrowers in the manner prescribed by this Agreement;

(d) As soon as practicable, and in any event within 90 days after the commencement of each Fiscal Year, a budget and projection by Fiscal Quarter for that Fiscal Year and by Fiscal Year for the next four succeeding Fiscal Years, *including* for the first such Fiscal Year, projected quarterly consolidated balance sheets, statement of operations and statements of cash flow and, for the remaining four Fiscal Years, projected annual consolidated condensed balance sheets and statements of operations and cash flow, of Parent and its Subsidiaries, all in reasonable detail;

(e) Promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the shareholders of Parent, and copies of all annual, regular, periodic and special reports and registration statements which Parent may file or be required to file with the Securities and Exchange Commission under Sections 13 or 15(d) of the Securities Exchange Act of 1934 and not otherwise required to be delivered to the Lenders pursuant to other provisions of this Section 7.1;

(f) Promptly after the same are available, copies of the Nevada "Regulation 6.090 Report" and "6-A Report" and copies of any written communication to Parent or any of its Subsidiaries from any Gaming Board advising it of a violation of or non-compliance with, any Gaming Law by Parent or any of its Subsidiaries;

(g) Promptly after request by any Creditor, copies of any other report or other document that was filed by Parent or any of its Subsidiaries with any Governmental Agency;

(h) As soon as practicable, and in any event within three Business Days after a Senior Officer becomes aware of the existence of any condition or event which constitutes a Default, telephonic notice specifying the nature and period of existence thereof, and, no more than three Business Days after such telephonic notice, written notice again specifying the nature and period of existence thereof and specifying what action Parent or any of its Subsidiaries are taking or propose to take with respect thereto;

(i) Promptly upon a Senior Officer becoming aware of any litigation, governmental investigation or any proceeding (including any litigation or proceeding by or subject to decision by any Gaming Board) pending

(i) against Parent or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect,

(ii) with respect to any material Indebtedness of Parent or any of its Subsidiaries, or

(iii) with respect to the Loan Documents, notice of the existence of the same;

(j) Promptly after the Borrowers have notified the Administrative Agent of any intention by the Borrowers to treat the Loans and/or Letters of Credit as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4) a duly completed copy of IRS Form 8886 or any successor form; and

(k) Such other data and information as from time to time may be reasonably requested by any Creditor through the Administrative Agent.

7.2 *Compliance Certificates*. So long as any Advance remains unpaid, or any other Obligation remains unpaid or unperformed, or any portion of the Commitments remains outstanding, Parent and Borrowers shall deliver to the Administrative Agent and the Lenders, at Parent's and Borrowers' sole expense, concurrently with the financial statements required pursuant to Sections 7.1(a) and 7.1(c), a Compliance Certificate signed on Parent's and Borrowers' behalf by a Senior Officer.

7.3 *Borrower Materials*. The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arranger will make available to the Lenders and the Issuing Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e. Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each a "Public Lender"). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof:; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Arranger, the Issuing Lenders and the Lenders to treat such Borrower Materials as either publicly available information or not material information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws; (v) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor," and (z) the Administrative Agent and the Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

ARTICLE 8
CONDITIONS

8.1 *Initial Advances, Etc.* The obligation of each Lender to make the initial Advance to be made by it, the obligation of the Swing Line Lender to make Swing Line Advances and the obligation of the relevant Issuing Lenders to issue the initial Letters of Credit, are each subject to the following conditions precedent, each of which shall be satisfied prior to the making of the initial Advances (unless all of the Lenders, in their sole and absolute discretion, shall agree otherwise):

(a) The Administrative Agent shall have received all of the following, each of which shall be originals unless otherwise specified, each properly executed by a Responsible Official of each party thereto, each dated as of the Closing Date and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) at least one executed counterpart of this Agreement, together with arrangements satisfactory to the Administrative Agent for additional executed counterparts, sufficient in number for distribution to the Lenders, Parent and the Company;

(ii) Committed Advance Notes executed by the Company in favor of each Lender, each in a principal amount equal to that Lender's applicable Applicable Percentage;

(iii) the Swing Line Documents;

(iv) the Parent Guaranty executed by Parent;

(v) with respect to the Parent and the Company, such documentation as the Administrative Agent may require to establish the due organization, valid existence and good standing of Parent and the Company, its authority to execute, deliver and perform any Loan Documents to which it is a Party, the identity, authority and capacity of each Responsible Official thereof authorized to act on its behalf, *including* certified copies of articles of incorporation and amendments thereto, bylaws and amendments thereto, certificates of good standing, certificates of corporate resolutions, incumbency certificates and Certificates of Responsible Officials;

(vi) the Opinions of Counsel;

(vii) a Certificate of a Responsible Official certifying that the attached copies of the governing indentures and agreements for the Existing Subordinated Debt, the Existing Senior Notes and the Atlantic City Showboat Land Debt are true copies;

(viii) such assurances as the Administrative Agent deems appropriate that the relevant Gaming Boards have approved the transactions contemplated by the Loan Documents to the extent that such approval is required by applicable Gaming Laws or as otherwise permitted under Schedule 4.3;

(ix) a Certificate of a Responsible Official signed on Parent's and the Company's behalf by a Senior Officer setting forth the Total Debt Ratio as of March 31, 2004 and the Debt Rating as of the Closing Date;

(x) a Certificate of a Responsible Official signed on Parent's and the Company's behalf by a Senior Officer certifying that the conditions specified in Sections 8.1(e) and 8.1(f) have been satisfied; and

(xi) such other assurances, certificates, documents, consents or opinions as the Administrative Agent reasonably may require.

(b) The arrangement fee, upfront fees, amendment fees and agency fees payable pursuant to Sections 3.2, 3.3 and 3.6 shall have been paid.

(c) The reasonable costs and expenses of the Administrative Agent in connection with the preparation of the Loan Documents payable pursuant to Section 11.3, and invoiced to the Parent prior to the Closing Date, shall have been paid.

(d) All breakage costs associated with the termination of "Eurodollar Rate Loans" under the Existing Credit Agreement shall have been paid.

(e) The representations and warranties of Parent and the Company contained in Article 4 shall be true and correct.

(f) Parent, the Company and any other Parties shall be in compliance with all the terms and provisions of the Loan Documents, and after giving effect to the initial Advance no Default or Event of Default shall have occurred and be continuing.

Without limiting the generality of the provisions of Section 10.4, for purposes of determining compliance with the conditions specified in this Section 8.1, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

8.2 *Any Increasing Advance, Etc.* The obligation of each Lender to make any Committed Advance which would increase the aggregate principal amount of the outstanding Committed Advances, the obligation of the relevant Issuing Lender to issue each Letter of Credit and the obligation of the Swing Line Lender to make Swing Line Advances, is subject to the following conditions precedent:

(a) *except*

(i) for representations and warranties which expressly speak as of a particular date or are no longer true and correct as a result of a change which is not a violation of the Loan Documents and

(ii) as disclosed by Parent and Borrowers and approved in writing by the Requisite Lenders, the representations and warranties contained in Article 4 (other than Sections 4.4(a), 4.6 (first sentence), and 4.15) shall be true and correct on and as of the date of the Advance as though made on that date;

(b) there shall not be then pending or threatened any action, suit, proceeding or investigation against or affecting Parent or any of its Subsidiaries or any Property of any of them before any Governmental Agency that constitutes a Material Adverse Effect;

(c) the Administrative Agent shall, in the case of a Committed Advance, have timely received a Request for Loan in compliance with Article 2 (or telephonic or other request for loan referred to in the second sentence of Section 2.1(b), if applicable) in compliance with Article 2 (or, in the proper case, a Request for Letter of Credit); and

(d) the Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, such other assurances, certificates, documents or consents related to the foregoing as the Administrative Agent or Requisite Lenders reasonably may require.

ARTICLE 9
EVENTS OF DEFAULT AND REMEDIES UPON EVENT OF DEFAULT

9.1 *Events of Default*. The existence or occurrence of any one or more of the following events, whatever the reason therefor and under any circumstances whatsoever, shall constitute an Event of Default:

(a) Any Borrower

(i) fails to pay any principal on any Committed Advance Note or any Swing Line Advance, or any portion thereof, on the date when due or

(ii) fails to make any payment with respect to any Letter of Credit when required by Section 2.4(e); or

(b) Parent or any Borrower fails to pay any interest on any of the Notes, or any fees under Sections 3.4, 3.5 or 3.6, or any portion thereof, within five Business Days after the date when due; or fails to pay any other fee or amount payable to the Lenders under any Loan Document, or any portion thereof, within five Business Days after demand therefor; or

(c) Parent or any Borrower fails, immediately upon notice from the Administrative Agent, to comply with any of the covenants contained in Article 6; or

(d) Parent or any Borrower fails to comply with Section 7.1(h) in any respect that is materially adverse to the interests of the Lenders; or

(e) Parent, any Borrower or any other Party fails to perform or observe any other covenant or agreement (not specified in clauses (a), (b), (c) or (d) above) contained in any Loan Document on its part to be performed or observed within thirty Business Days after the giving of notice by the Administrative Agent on behalf of the Requisite Lenders of such Default; or

(f) Any representation or warranty of Parent or any Borrower made in any Loan Document, or in any certificate or other writing delivered by Parent or any Borrower pursuant to any Loan Document, proves to have been incorrect when made or reaffirmed; or

(g) Parent or any of its Significant Subsidiaries

(i) fails to pay the principal, or any principal installment, of any present or future indebtedness for borrowed money of $100,000,000 or more, or any guaranty of present or future indebtedness for borrowed money of $100,000,000 or more, on its part to be paid, when due (or within any stated grace period), whether at the stated maturity, upon acceleration, by reason of required prepayment or otherwise or

(ii) fails to perform or observe any other term, covenant or agreement on its part to be performed or observed, or suffers any event to occur, in connection with any present or future indebtedness for borrowed money of $100,000,000 or more, or of any guaranty of present or future indebtedness for borrowed money of $100,000,000 or more, if as a result of such failure or sufferance any holder or holders thereof (or an agent or trustee on its or their behalf) has the right to declare such indebtedness due before the date on which it otherwise would become due; or

(h) Any event occurs which gives the holder or holders of any Subordinated Debt (or an agent or trustee on its or their behalf) the right to declare such indebtedness due before the date on which it otherwise would become due, or the right to require the issuer thereof to redeem or purchase, or offer to redeem or purchase, all or any portion of any Subordinated Debt; or

(i) Any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of the Lenders or satisfaction in full of all the Obligations ceases to be in

full force and effect or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect which, in any such event in the reasonable opinion of the Requisite Lenders, is materially adverse to the interests of the Lenders; or any Party thereto denies in writing that it has any or further liability or obligation under any Loan Document, or purports in writing to revoke, terminate or rescind same; or

(j) A final judgment against the Parent or any of its Significant Subsidiaries is entered for the payment of money in excess of $25,000,000 and, absent procurement of a stay of execution, such judgment remains unsatisfied for thirty calendar days after the date of entry of judgment, or in any event later than five days prior to the date of any proposed sale thereunder; or any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the Property of any such Person and is not released, vacated or fully bonded within thirty calendar days after its issue or levy; or

(k) The Parent or any of its Significant Subsidiaries institutes or consents to the institution of any proceeding under a Debtor Relief Law relating to it or to all or any part of its Property, or is unable or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any part of its Property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of that Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under a Debtor Relief Law relating to any such Person or to all or any part of its Property is instituted without the consent of that Person and continues undismissed or unstayed for 60 calendar days; or

(l) The occurrence of an Event of Default (as such term is or may hereafter be specifically defined in any other Loan Document) under any other Loan Document; or

(m) Any determination is made by a court of competent jurisdiction that any Subordinated Debt is not subordinated in accordance with its terms to the Obligations, *provided* that for so long as such determination is effectively stayed during any pending appeal the same shall not constitute an Event of Default; or

(n) Any Pension Plan maintained by the Parent or any of its Subsidiaries is determined to have a material "accumulated funding deficiency" as that term is defined in Section 302 of ERISA and the result is a Material Adverse Effect; or

(o) The occurrence of a License Revocation with respect to a license issued to Parent or any of its Subsidiaries by any Gaming Board of the States of New Jersey, Nevada or Louisiana with respect to gaming operations at any gaming facility accounting for 5% or more of the consolidated gross revenues of Parent and its Subsidiaries that continues for thirty calendar days.

9.2 *Remedies Upon Event of Default*. Without limiting any other rights or remedies of the Creditors provided for elsewhere in this Agreement, or the Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) Upon the occurrence, and during the continuance, of any Event of Default *other than* an Event of Default described in Section 9.1(k):

(i) the commitment to make Advances and all other obligations of the Creditors and all rights of Parent, Borrowers and any other Parties under the Loan Documents shall be suspended without notice to or demand upon Parent or the Borrowers, which are expressly waived by Parent and the Borrowers, *except* that all of the Lenders or the

Requisite Lenders (as the case may be, in accordance with Section 11.2) may waive an Event of Default or, without waiving, determine, upon terms and conditions satisfactory to the Lenders or Requisite Lenders, as the case may be, to reinstate the Commitments and make further Advances, which waiver or determination shall apply equally to, and shall be binding upon, all the Lenders; and

(ii) the Requisite Lenders may request the Administrative Agent to, and the Administrative Agent thereupon shall, terminate the Commitments, demand that Borrowers deposit cash collateral for all Letters of Credit in the amount thereof with the Administrative Agent and/or declare all or any part of the unpaid principal of all Notes, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Parent and the Borrowers.

(b) Upon the occurrence of any Event of Default described in Section 9.1(k):

(i) the commitment to make Advances and all other obligations of the Creditors and all rights of Parent, Borrowers and any other Parties under the Loan Documents shall terminate without notice to or demand upon Parent or Borrowers, which are expressly waived by Parent and Borrowers, *except* that all the Lenders may waive the Event of Default or, without waiving, determine, upon terms and conditions satisfactory to all the Lenders, to reinstate the Commitments and make further Advances, which determination shall apply equally to, and shall be binding upon, all the Lenders; and

(ii) the unpaid principal of all Notes, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Parent and Borrowers, and Borrowers shall be obligated to Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof).

(c) Upon the occurrence of any Event of Default, the Creditors, or any of them, without notice to (*except* as expressly provided for in any Loan Document) or demand upon Parent or Borrowers, which are expressly waived by Borrowers (*except* as to notices expressly provided for in any Loan Document), may proceed (but only with the consent of the Requisite Lenders) to protect, exercise and enforce their rights and remedies under the Loan Documents against Parent and the Borrowers and any other Parties and such other rights and remedies as are provided by Law or equity; *provided* that, it is agreed as among the Creditors that, following any Event of Default consisting of a failure of a Borrower to make any payment hereunder when due (whether at stated maturity, by acceleration or otherwise), each Creditor may independently pursue its legal remedies under this Agreement, its Notes and the other Loan Documents against Parent and such Borrower in respect of any such defaulted payments without the consent of the other Lenders, the Issuing Lenders or the Administrative Agent (except to the extent that such payment default has been cured), upon the earliest of

(i) the acceleration of the Obligations,

(ii) any bankruptcy or insolvency event of the types described in Section 9.1(k) in respect of Parent or such Borrower and

(iii) 45 days following the date of such payment default, provided that no individual Creditor may, without the consent of the Requisite Lenders, purport to accelerate the Obligations.

(d) The order and manner in which the Lenders' rights and remedies are to be exercised shall be determined by the Requisite Lenders in their sole discretion, and all payments received by the Creditors, shall be applied first to the costs and expenses (including attorneys' fees and disbursements and the allocated costs of attorneys employed by the Administrative Agent) of the Creditors, and thereafter paid pro rata to the Lenders in the same proportions that the aggregate Obligations owed to each Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference among the Lenders. Regardless of how each Lender may treat payments for the purpose of its own accounting, for the purpose of computing the Obligations hereunder and under the Notes, payments shall be applied *first*, to the costs and expenses of the Creditors, as set forth above, *second*, to the payment of accrued and unpaid interest due under any Loan Documents to and including the date of such application (ratably, and without duplication, according to the accrued and unpaid interest due under each of the Loan Documents), and *third*, to the payment of all other amounts (including principal and fees) then owing to the Creditors under the Loan Documents. No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of the Lenders hereunder or thereunder or at Law or in equity.

ARTICLE 10
ADMINISTRATIVE AGENT

10.1 *Appointment and Authority*. Each of the Lenders and the Issuing Lender hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Lender, and neither any Borrower nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions.

10.2 *Rights as a Lender*. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

10.3 *Exculpatory Provisions*. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Requisite Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), *provided that* the Administrative Agent

shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it

(i) with the consent or at the request of the Requisite Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 9.2 and 11.2) or

(ii) in the absence of its own gross negligence or willful misconduct.

The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower, a Lender or the Issuing Lender. The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into

(v) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document,

(w) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith,

(x) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default,

(y) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or

(z) the satisfaction of any condition set forth in Article 8 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

10.4 *Reliance by Administrative Agent*. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the Issuing Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender or the Issuing Lender unless the Administrative Agent shall have received notice to the contrary from such Lender or the Issuing Lender prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

10.5 *Delegation of Duties*. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub agents appointed by the Administrative Agent. The Administrative Agent and any such sub

agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub agent and to the Related Parties of the Administrative Agent and any such sub agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

10.6 *Resignation by Administrative Agent*.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders, the Issuing Lender and the Borrower. Upon receipt of any such notice of resignation, the Requisite Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders and the Issuing Lender, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and

(i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and

(ii) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the Issuing Lender directly, until such time as the Requisite Lenders appoint a successor Administrative Agent as provided for above in this Section 10.6.

(b) Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section 10.6). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

(c) Any resignation by Bank of America as Administrative Agent pursuant to this Section 10.6 shall also constitute its resignation as Issuing Lender and Swing Line Lender. Upon the acceptance of a successor's appointment as Administrative Agent hereunder,

(i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Issuing Lender and Swing Line Lender,

(ii) the retiring Issuing Lender and Swing Line Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and

(iii) the successor Issuing Lender shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangement satisfactory to the retiring Issuing Lender to effectively assume the obligations of the retiring Issuing Lender with respect to such Letters of Credit.

10.7 *Non-Reliance on Administrative Agent and Other Lenders*. Each Lender and the Issuing Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the Issuing Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

10.8 *No Other Duties, Etc*. Anything herein to the contrary notwithstanding, none of the Lead Arrangers, Syndication Agent, Co-Documentation Agents or listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the Issuing Lender hereunder.

10.9 *Administrative Agent May File Proofs of Claim*. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on any Loan Party) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Lender and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Issuing Lender and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the Issuing Lender and the Administrative Agent under Sections 3.2, 3.3, 3.4, 3.5, and 3.6) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the Issuing Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the Issuing Lender, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 3.2, 3.3, 3.4, and 3.6. Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or the Issuing Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

10.10 *No Obligations of Parent or Borrowers*. Nothing contained in this Article 10 shall be deemed to impose upon Parent or Borrowers any obligation in respect of the due and punctual performance by the Administrative Agent of its obligations to the Lenders under any provision of this Agreement, and Parent and Borrowers shall have no liability to any Creditor in respect of any failure by any Creditor to perform any of its obligations to any other Creditor under this Agreement.

ARTICLE 11
MISCELLANEOUS

11.1 *Cumulative Remedies; No Waiver*. The rights, powers, privileges and remedies of the Creditors provided herein or in any Note or other Loan Document are cumulative and not exclusive of any right, power, privilege or remedy provided by Law or equity. No failure or delay on the part of any Creditor in exercising any right, power, privilege or remedy may be, or may be deemed to be, a waiver thereof; nor may any single or partial exercise of any right, power, privilege or remedy preclude any other or further exercise of the same or any other right, power, privilege or remedy. The terms and conditions of Article 8 hereof are inserted for the sole benefit of the Creditors; the same may be waived in whole or in part, with or without terms or conditions, in respect of any Loan or Letter of Credit without prejudicing the Creditors rights to assert them in whole or in part in respect of any other Loan or Letter of Credit.

11.2 *Amendments; Consents*. No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by Parent, Borrowers or any other Party therefrom, may in any event be effective unless in writing signed by the Requisite Lenders (and, in the case of any amendment, modification or supplement of or to any Loan Document to which Parent or any Borrower is a party, signed by Parent and that Borrower and, in the case of any amendment, modification or supplement to Article 10, signed by the Administrative Agent), and then only in the specific instance and for the specific purpose given; *provided*, *however*, that without the approval in writing of all the Lenders, no amendment, modification, supplement, termination, waiver or consent may be effective:

(a) To forgive any principal Obligation, defer any required payment of any Obligation, reduce the amount or rate of interest payable on any Loan or Advance without the consent of the affected Lender, increase the amount of the Commitments (except as set forth in Section 2.6) or the Applicable Percentage of any Lender or decrease the amount of any letter of credit fee or facility fee payable to any Lender, or reduce any other fee or amount payable to the Creditors under the Loan Documents or to waive an Event of Default consisting of the failure of any Borrower to pay when due principal, interest or any facility fee or letter of credit fee;

(b) To postpone any date fixed for any payment of principal of, prepayment of principal of or any installment of interest on, any Note or any installment of any facility fee or letter of credit fee, or to extend the term of the Commitments;

(c) To amend the provisions of the definition of "Requisite Lenders" or this Section 11.2 or to amend or waive Section 6.2;

(d) To release or subordinate the Parent Guaranty; or

(e) To amend any provision of this Agreement that expressly requires the consent or approval of all the Lenders.

Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section 11.2 shall apply equally to, and shall be binding upon, all of the Creditors. If, in connection with any proposed amendment, modification, supplement, termination, waiver or consent to any of the provisions hereof as contemplated by clauses (a) through (d), inclusive, of this Section 11.2, the consent of the Requisite Lenders is obtained, but the consent of one or more of the other Lenders is required and is not obtained, then the Borrowers shall have the right to replace such non-consenting Lender with one or more Eligible Assignees in accordance with Section 11.14(b) if such Eligible Assignee consents to the proposed amendment, modification, supplement, termination, waiver or consent.

11.3 *Costs, Expenses and Taxes*. The Borrowers shall pay within two Business Days after demand, accompanied by an invoice therefor, the reasonable costs and expenses of the Administrative Agent and the Joint Lead Arrangers in connection with the negotiation, preparation, syndication, execution and delivery of the Loan Documents and any amendment thereto or waiver thereof which is requested by Borrowers or is entered into when any Default or Event of Default exists. Following any Event of Default, each Borrower shall pay on demand, accompanied by an invoice therefor, the reasonable costs and expenses of the Administrative Agent and each of the other Creditors in connection with the restructuring, reorganization (including a bankruptcy reorganization) and enforcement or attempted enforcement of the Loan Documents, and any matter related thereto. The foregoing costs and expenses shall include filing fees, recording fees, title insurance fees, appraisal fees, search fees, and other out-of-pocket expenses and the reasonable fees and out-of-pocket expenses of any legal counsel (including allocated costs of legal counsel employed by any Creditor), independent public accountants and other outside experts retained by any of the Creditors, whether or not such costs and expenses are incurred or suffered by the Creditors in connection with or during the course of any bankruptcy or insolvency proceedings of the Parent or any Subsidiary thereof. Such costs and expenses shall also include, in the case of any amendment or waiver of any Loan Document requested by the Parent or the Borrowers, the administrative costs of the Administrative Agent reasonably attributable thereto. Each Borrower shall pay any and all documentary and other taxes, excluding, in the case of each Creditor and its Eurodollar Lending Office thereof, (i) taxes imposed on or measured in whole or in part by its net income or capital and franchise taxes imposed on it, (ii) any withholding taxes or other taxes based on net income (other than withholding taxes and taxes based on net income resulting from or attributable to any change following the Closing Date in any law, rule or regulation or any change following the Closing Date in the interpretation or administration of any law, rule or regulation by any Governmental Agency) or (iii) any withholding taxes or other taxes based on net income for any period with respect to which it has failed to provide the Parent with the appropriate form or forms required by Section 11.21, to the extent such forms are then required by applicable Laws, and all costs, expenses, fees and charges payable or determined to be payable in connection with the filing or recording of this Agreement, any other Loan Document or any other instrument or writing to be delivered hereunder or thereunder, or in connection with any transaction pursuant hereto or thereto, and shall reimburse, hold harmless and indemnify the Creditors from and against any and all loss, liability or legal or other expense with respect to or resulting from any delay in paying or failure to pay any such tax, cost, expense, fee or charge or that any of them may suffer or incur by reason of the failure of any Party to perform any of its Obligations. Any amount payable to the Creditors under this Section 11.3 shall bear interest from the second Business Day following the date of demand for payment at the Default Rate.

11.4 *Obligations of Lenders Several*. The obligations of the Lenders hereunder to make Committed Advances, to fund participations in Letters of Credit and Swing Line Advances are several and not joint. The failure of any Lender to make any Committed Loan or to fund any such participation on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Committed Loan or to purchase its participation.

11.5 *Survival of Representations and Warranties*. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

11.6 *Notices; Effectiveness; Electronic Communication*.

(a) *Notices Generally*. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, Bank of America as Issuing Lender or the Swing Line Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 11.6; and

(ii) if to any other Lender or Issuing Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) *Electronic Communications*. Notices and other communications to the Lenders and the Issuing Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, *provided that* the foregoing shall not apply to notices to any Lender or the Issuing Lender pursuant to Article 2 if such Lender or the Issuing Lender, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, *provided that* approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes,

(i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), *provided that* if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and

(ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) *Change of Address, Etc*. Each of the Borrowers, the Administrative Agent, the Issuing Lenders and the Swing Line Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent, the Issuing Lenders and the Swing Line Lender.

(d) *Reliance by Administrative Agent, Issuing Lenders and Lenders*. The Administrative Agent, the Issuing Lenders and the Lenders shall be entitled to rely and act upon any notices (including telephonic Requests for Loans and telephonic requests for Swing Line Advances) purportedly given by or on behalf of the Borrower even if

(i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or

(ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof.

The Borrower shall indemnify the Administrative Agent, each Issuing Lender, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

11.7 *Execution of Loan Documents*. Unless the Administrative Agent otherwise specifies with respect to any Loan Document,

(a) this Agreement and any other Loan Document may be executed in any number of counterparts and any party hereto or thereto may execute any counterpart, each of which when executed and delivered will be deemed to be an original and all of which counterparts of this Agreement or any other Loan Document, as the case may be, when taken together will be deemed to be but one and the same instrument and

(b) execution of any such counterpart may be evidenced by a telecopier transmission of the signature of such party.

The execution of this Agreement or any other Loan Document by any party hereto or thereto will not become effective until counterparts hereof or thereof, as the case may be, have been executed by all the parties hereto or thereto.

11.8 *Successors and Assigns*.

(a) *Successors and Assigns Generally*. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower and no other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except

(i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section 11.8,

(ii) by way of participation in accordance with the provisions of subsection (d) of this Section 11.8,

(iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 11.8(f), or

(iv) to an SPC in accordance with the provisions of Section 11.8(h).

Any other attempted assignment or transfer by any party hereto shall be null and void. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 11.8(d) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing

Lender and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Assignments by Lenders*. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this Section 11.8(b), participations in L/C Obligations and in Swing Line Advances) at the time owing to it); *provided that*

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to rights in respect of Swing Line Advances;

(iii) any assignment of a Commitment must be approved by the Administrative Agent, the Issuing Lender and the Swing Line Lender unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 11.8(c), from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.7, 3.8, 3.17 and 11.11 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 11.8(d).

(c) *Register*. The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by each of the Borrower and the Issuing Lender at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender wishing to consult with other Lenders in connection therewith may request and receive from the Administrative Agent a copy of the Register.

(d) *Participations*. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Advances) owing to it); *provided that*:

(i) such Lender's obligations under this Agreement shall remain unchanged;

(ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; and

(iii) the Borrower, the Administrative Agent, the Lenders and the Issuing Lender shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided that* such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 11.2 that affects such Participant. Subject to Section 11.8(e), the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.7, 3.8 and 3.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 11.8(b). To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.9 as though it were a Lender, *provided* such Participant agrees to be subject to Section 2.11 as though it were a Lender.

(e) *Limitations upon Participant Rights*. A Participant shall not be entitled to receive any greater payment under Section 3.7, 3.8 or 3.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.17(e) as though it were a Lender.

(f) *Certain Pledges*. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided that* no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) *Electronic Execution of Assignments*. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) *Special Purpose Funding Vehicles*. Notwithstanding anything to the contrary contained herein, any Lender (a "*Granting Lender*") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (a "*SPC*") the option to provide all or any part of any Committed Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; *provided that*

(i) nothing herein shall constitute a commitment by any SPC to fund any Committed Loan, and

(ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Committed Loan, the Granting Lender shall be obligated to make such Committed Loan pursuant to the terms hereof or, if it fails to do so, to make such payment to the Administrative Agent as is required under Section 2.10(a).

Each party hereto hereby agrees that

(x) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under Sections 3.7 and 3.8),

(y) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and

(z) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder.

The making of a Committed Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Committed Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (1) with notice to, but without prior consent of the Borrower and the Administrative Agent and with the payment of a processing fee of $3,500, assign all or any portion of its right to receive payment with respect to any Committed Loan to the Granting Lender and (2) disclose on a

confidential basis any non-public information relating to its funding of Committed Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee or credit or liquidity enhancement to such SPC.

(i) *Resignation as Issuing Lender or Swing Line Lender after Assignment*. Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to subsection (b) above,

(i) upon 30 days' notice to the Borrower and the Lenders, Bank of America may resign as Issuing Lender and/or

(ii) upon 30 days' notice to the Borrower, Bank of America may resign as Swing Line Lender.

In the event of any such resignation as Issuing Lender or Swing Line Lender, Parent and the Borrowers shall be entitled to appoint from among the Lenders a successor Issuing Lender or Swing Line Lender hereunder; *provided*, *however*, that no failure by Parent and the Borrowers to appoint any such successor shall affect the resignation of Bank of America as Issuing Lender or Swing Line Lender, as the case may be. If Bank of America resigns as Issuing Lender, it shall retain all the rights and obligations of the Issuing Lender hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as Issuing Lender and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.4(g)). If Bank of America resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Advances made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Advances pursuant to Section 2.5.

(j) Notwithstanding anything to the contrary herein, the rights of the Lenders to make assignment of, and grant participations in, their Applicable Percentage of the Commitments shall be subject to the approval of any Gaming Board, to the extent required by applicable Gaming Laws.

11.9 *Sharing of Setoffs*. Each Lender severally agrees that if it, through the exercise of any right of setoff, banker's lien or counterclaim against Parent, any Borrower, or otherwise, receives payment of the Obligations held by it that is ratably more than any other Lender, through any means, receives in payment of the Obligations held by that Lender, then, subject to applicable Laws:

(a) The Lender exercising the right of setoff, banker's lien or counterclaim or otherwise receiving such payment shall purchase, and shall be deemed to have simultaneously purchased, from the other Lender a participation in the Obligations held by the other Lender and shall pay to the other Lender a purchase price in an amount so that the share of the Obligations held by each Lender after the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment shall be in the same proportion that existed prior to the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment; and

(b) Such other adjustments and purchases of participations shall be made from time to time as shall be equitable to ensure that all of the Lenders share any payment obtained in respect of the Obligations ratably in accordance with each Lender's share of the Obligations immediately prior to, and without taking into account, the payment; provided that, if all or any portion of a disproportionate payment obtained as a result of the exercise of the right of setoff, banker's lien, counterclaim or otherwise is thereafter recovered from the purchasing Lender by Parent, Borrowers or any Person claiming through or succeeding to the rights of Parent or Borrowers, the purchase of a participation shall be rescinded and the purchase price thereof shall be

restored to the extent of the recovery, but without interest. Each Lender that purchases a participation in the Obligations pursuant to this Section 11.9 shall from and after the purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased. Parent and each Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in an Obligation so purchased may exercise any and all rights of setoff, banker's lien or counterclaim with respect to the participation as fully as if the Lender were the original owner of the Obligation purchased.

11.10 *Indemnity by Parent and Borrowers*. Parent and each Borrower jointly and severally (but as between Parent and Borrowers, ratably) agrees to indemnify, save and hold harmless each of the Creditors and the Arranger and their Affiliates, directors, officers, agents, attorneys and employees (collectively the "Indemnitees") from and against: (a) Any and all claims, demands, actions or causes of action (except a claim, demand, action, or cause of action for any amount excluded from the definition of "Taxes" in Section 3.12(d)) if the claim, demand, action or cause of action arises out of or relates to any act or omission (or alleged act or omission) of Parent, any Borrower, its Affiliates or any of its officers, directors or shareholders relating to the Commitments, the use or contemplated use of proceeds of any Loan or Letter of Credit, or the relationship of Parent, Borrowers and the Creditors under this Agreement; (b) Any administrative or investigative proceeding by any Governmental Agency arising out of or related to a claim, demand, action or cause of action described in clause (a) above; and (c) any Indemnitee that proposes to settle or compromise any claim or proceeding for which Parent or the Borrowers may be liable for payment of indemnity hereunder shall give Parent and the Borrowers written notice of the terms of such proposed settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain Parent's and the Borrowers' prior consent (which shall not be unreasonably withheld). In connection with any claim, demand, action or cause of action covered by this Section 11.10 against more than one Indemnitee, all such Indemnitees shall be represented by the same legal counsel (which may be a law firm engaged by the Indemnitees or attorneys employed by an Indemnitee or a combination of the foregoing) selected by the Indemnitees; provided, that if such legal counsel determines in good faith that representing all such Indemnitees would or could result in a conflict of interest under Laws or ethical principles applicable to such legal counsel or that a defense or counterclaim is available to an Indemnitee that is not available to all such Indemnitees, then to the extent reasonably necessary to avoid such a conflict of interest or to permit unqualified assertion of such a defense or counterclaim, each Indemnitee shall be entitled to separate representation, with all such legal counsel using reasonable efforts to avoid unnecessary duplication of effort by counsel for all Indemnitees; and further provided that the Administrative Agent (as an Indemnitee) shall at all times be entitled to representation by separate legal counsel (which may be a law firm or attorneys employed by the Administrative Agent or a combination of the foregoing). Any obligation or liability of the Parent and the Borrowers to any Indemnitee under this Section 11.10 shall survive the expiration or termination of this Agreement and the repayment of all Loans and the payment and performance of all other Obligations owed to the Lenders.

11.11 *Nonliability of the Lenders*. Parent and each Borrower acknowledges and agrees that:

(a) Any inspections of any Property of Parent or its Subsidiaries made by or through the Creditors are solely for purposes of administration of this Agreement and Parent and the Borrowers are not entitled to rely upon the same (whether or not such inspections are at the expense of Parent and the Borrowers);

(b) By accepting, furnishing or approving anything required to be observed, performed, fulfilled or given to the Creditors pursuant to the Loan Documents, none of the Creditors shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect

of the same, or of any term, provision or condition thereof, and such acceptance, furnishing or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by the Creditors;

(c) The relationship among Parent, the Borrowers and the Creditors is, and shall at all times remain, solely that of borrowers, guarantors and lenders; none of the Creditors shall under any circumstance be construed to be partners or joint venturers of Parent, Borrowers or their Affiliates; none of the Creditors shall under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with Parent or its Affiliates, or to owe any fiduciary duty to Parent or its Affiliates; none of the Creditors undertakes or assumes any responsibility or duty to Parent or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform Parent or its Affiliates of any matter in connection with their Property or the operations of Parent or its Affiliates; Parent and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Creditors in connection with such matters is solely for the protection of the Creditors and neither Parent, the Borrowers nor any other Person is entitled to rely thereon; and

(d) The Creditors shall not be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to Property caused by the actions, inaction or negligence of Parent and/or its Affiliates and Parent and each Borrower hereby indemnifies and holds the Creditors harmless from any such loss, damage, liability or claim.

11.12 *No Third Parties Benefitted*. This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of Parent, the Borrowers and the Creditors in connection with the Loans, Letters of Credit and Swing Line Advances, and is made for the sole benefit of Parent, the Borrowers, the Creditors, and the Creditors' successors and assigns, and, subject to Section 6.1 successors to Borrowers by permitted merger. Except as provided in Sections 11.8 and 11.11, no other Person shall have any rights of any nature hereunder or by reason hereof.

11.13 *Treatment of Certain Information; Confidentiality*. Each of the Administrative Agent, the Lenders and the Issuing Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed

(a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential),

(b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners),

(c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process,

(d) to any other party hereto,

(e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder,

(f) subject to an agreement containing provisions substantially the same as those of this Section 11.14, to

(i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or

(ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations,

(g) with the consent of the Borrower or

(h) to the extent such Information

(i) is or becomes publicly available other than as a result of a breach of this Section 11.14 or

(ii) becomes available to the Administrative Agent, any Lender, any Issuing Lender or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower.

For purposes of this Section 11.13, "*Information*" means all information received from the Borrowers or any Subsidiary relating to the Borrowers or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or the Issuing Lender on a nonconfidential basis prior to disclosure by the Borrowers or any Subsidiary, *provided that*, in the case of information received from the Borrowers or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 11.13 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

11.14 *Removal of a Lender*. Parent and the Borrowers shall have the right to remove a Lender as a party to this Agreement pursuant to this Section 11.14 in the event that such Lender:

(a) requests compensation under Section 3.7 or Section 3.8 which has not been requested by all other Lenders, in each case by written notice to the Administrative Agent and such Lender within 60 days following any such refusal or request; or

(b) refuses to consent to certain proposed changes, waivers, modifications, supplements, terminations, waivers or consents with respect to this Agreement which have been approved by the Requisite Lenders as provided in Section 11.2, provided that no Default or Event of Default then exists;

(c) is the subject of a Disqualification; or

(d) is a Defaulting Lender.

If Parent and the Borrowers are entitled to remove a Lender pursuant to this Section 11.14 either:

(i) The Lender being removed shall within five Business Days after such notice execute and deliver an Assignment Agreement covering that Lender's Applicable Percentages in favor of one or more Eligible Assignees designated by Parent and the Borrowers and reasonably acceptable to the Administrative Agent, subject to payment of a purchase price by such Eligible Assignee equal to all principal and accrued interest, fees and other amounts payable to such Lender under this Agreement through the date of the Assignment Agreement; or

(ii) Parent and the Borrowers may reduce the applicable Commitment(s) pursuant to Section 2.7 (and, for this purpose, the numerical requirements of such Section shall not apply) by an amount equal to that Lender's Applicable Percentage, pay and provide to such Lender the amount required by clause (a) above and release such Lender from its Applicable Percentage (subject, however, to the requirement that all conditions set forth

in Section 8.2 are met as of the date of such reduction and the payment to the other Lenders of appropriate fees for the assumption of any such Lender's participation in all Letters of Credit and Swing Line Advances then outstanding), in which case the applicable percentage Applicable Percentages of the remaining Lenders shall be ratably increased (but without any increase in the Dollar amount of the Applicable Percentages of such Lenders).

11.15 *Further Assurances*. Parent and its Subsidiaries shall, at their expense and without expense to the Creditors, do, execute and deliver such further acts and documents as any Creditor from time to time reasonably requires for the assuring and confirming unto the Creditors of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

11.16 *Integration*. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; provided that the inclusion of supplemental rights or remedies in favor of the Creditors in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

11.17 *Governing Law, Jurisdiction, Etc*.

(a) *GOVERNING LAW*. EXCEPT TO THE EXTENT OTHERWISE PROVIDED THEREIN, EACH LOAN DOCUMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LOCAL LAWS OF CALIFORNIA, WITHOUT REGARD TO THE CHOICE OF LAWS OR CONFLICTS OF LAWS PRINCIPLES THEREOF.

(b) *SUBMISSION TO JURISDICTION*. Any legal action or proceeding with respect to this Agreement or any other Loan Document may be brought in the courts of the State of California sitting in Los Angeles or of the United States for the central district of such state, and by execution and delivery of this Agreement, the Borrowers, the Administrative Agent and each Lender consents, for itself and in respect of its property, to the non-exclusive jurisdiction of those courts. The Borrowers, the Administrative Agent and each Lender irrevocably waives any objection, including any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction in respect of any Loan Document or other document related thereto. The Borrowers, the Administrative Agent and each Lender waives personal service of any summons, complaint or other process, which may be made by any other means permitted by the law of such state.

11.18 *Severability of Provisions*. Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid as to any party or in any jurisdiction shall, as to that party or jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions or the operation, enforceability or validity of that provision as to any other party or in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

11.19 *Headings*. Article and Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

11.20 *Time of the Essence*. Time is of the essence of the Loan Documents.

11.21 *Foreign Lenders and Participants*. Each Lender that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to Parent and the Administrative Agent, prior to receipt of any payment subject to withholding under the Code (or upon accepting an assignment of an interest herein), two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Lender and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Lender by Parent and the Borrowers pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Lender by Parent and the Borrowers pursuant to this Agreement) or such other evidence satisfactory to Parent, the Borrowers and the Administrative Agent that such Lender is entitled to an exemption from, or reduction of, U.S. withholding tax, including any exemption pursuant to Section 881(c) of the Code. Thereafter and from time to time, each such Person shall (a) promptly submit to Parent (with a copy to the Administrative Agent), such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to Parent and the Borrowers and the Administrative Agent of any available exemption from, United States withholding taxes in respect of all payments to be made to such Person by Parent and the Borrowers pursuant to this Agreement and (b) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Eurodollar Lending Office, if any) to avoid any requirement of applicable laws that Parent or the Borrowers make any deduction or withholding for taxes from amounts payable to such Person.

11.22 *Gaming Boards*. The Creditors agree to cooperate with all Gaming Boards in connection with the administration of their regulatory jurisdiction over Parent and its Subsidiaries, including the provision of such documents or other information as may be requested by any such Gaming Board relating to Parent or any of its Subsidiaries or to the Loan Documents.

11.23 *Nature of the Borrowers' Obligations*. The Company hereby agrees that it shall be liable for all of the Obligations on a joint and several basis, notwithstanding which of the Borrowers may have directly received the proceeds of any particular Loan or Advance or the benefit of a particular Letter of Credit. Notwithstanding anything to the contrary set forth herein, the principal liability of each Borrower hereafter designated under Section 2.9 for Loans, Swing Line Advances and Letters of Credit shall be limited to Loans and Letters of Credit made to that Borrower and Letters of Credit issued for the account of that Borrower under the Aggregate Sublimit of that Borrower. Each of the Borrowers acknowledges and agrees that, for purposes of the Loan Documents, Parent and its Subsidiaries constitute a single integrated financial enterprise and that each receives a benefit from the availability of credit under this Agreement. Borrowers each waive all defenses arising under the Laws of suretyship, to the extent such Laws are applicable, in connection with their obligations under this Agreement. Without limiting the foregoing, each Borrower agrees to the Joint Borrower Provisions set forth in Exhibit I, incorporated by this reference.

11.24 *Designated Senior Debt*. Parent and each Borrower hereby irrevocably designate the Obligations and this Agreement as "Designated Senior Indebtedness" and "Senior Indebtedness" within the meanings given to those terms in Section 1.1 of the Supplemental Indenture dated December 9, 1998 entered into with respect to the Existing Subordinated Debt among the Company, Parent and IBJ Schroeder Bank & Trust Company and any replacement, amendment or modification of such Existing Subordinated Debt, this Section constituting a certificate of Parent and the Borrower issued to the Administrative Agent and the Lenders to that effect.

11.25 *Gaming Regulations*. Each party to this Agreement hereby acknowledges that the consummation of the transactions contemplated by the Loan Documents is subject to applicable

Gaming Laws (and Parent and Borrower represent and warrant that all requisite approvals necessary thereunder to enter into the transactions contemplated hereby have been duly obtained except as set forth in Schedule 4.3).

11.26 *Waiver of Jury Trial*. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.26.

11.27 *USA Patriot Act Notice*. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notify the Loan Parties that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Loan Parties in accordance with the Act.

11.28 *Payments Set Aside*. To the extent that any payment by or on behalf of a Borrower is made to the Administrative Agent, any Issuing Lender or any Lender, or the Administrative Agent, any Issuing Lender or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, any Issuing Lender or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then

(a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and

(b) each Lender and the relevant Issuing Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

The obligations of the Lenders and the Issuing Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

11.29 *Purported Oral Amendments*. PARENT AND EACH BORROWER EXPRESSLY ACKNOWLEDGE THAT THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY ONLY BE AMENDED OR MODIFIED, OR THE PROVISIONS HEREOF OR THEREOF WAIVED OR SUPPLEMENTED, BY AN INSTRUMENT IN WRITING THAT COMPLIES WITH SECTION 11.2. PARENT AND EACH BORROWER AGREES THAT IT WILL NOT RELY ON ANY COURSE OF DEALING, COURSE OF PERFORMANCE, OR ORAL OR WRITTEN STATEMENTS BY ANY REPRESENTATIVE OF ANY OF THE CREDITORS THAT DOES NOT COMPLY WITH SECTION 11.2 TO EFFECT AN AMENDMENT, MODIFICATION, WAIVER OR SUPPLEMENT TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

HARRAH'S ENTERTAINMENT, INC.

By: /s/ JONATHAN S. HALKYARD

Jonathan S. Halkyard,
Vice President and Treasurer

HARRAH'S OPERATING COMPANY, INC.

By: /s/ JONATHAN S. HALKYARD

Jonathan S. Halkyard,
Vice President and Treasurer

BANK OF AMERICA, N.A., as Administrative Agent

By: /s/ MOLLY J. OXFORD

Its: Vice President

BANK OF AMERICA, N.A., as a Lender

By: /s/ SCOTT L. FABER

Its: Managing Director

BANK OF HAWAII

By: /s/ LYSA D. LAI

Name: Lysa D. Lai
Title: Assistant Vice President

THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND

By: /s/ PAUL KERNAN

Name: Paul Kernan
Title: Authorised Signatures

By: /s/ DAVID MC GARRY

Name: David Mc Garry
Title: Authorised Signatures

THE BANK OF NEW YORK

By: /s/ MEHRASA RAYGANI

Name: Mehrasa Raygani
Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ MICHAEL MITCHELL

Name: Michael Mitchell
Title: Director

BANK OF SCOTLAND

By: /s/ KAREN WORKMAN

Name: Karen Workman
Title: Assistant Vice President

BANK OF TAIWAN, NEW YORK AGENCY

By: /s/ EUNICE SHIOU-JSU YEH

Name: Eunice Shiou-Jsu Yeh
Title: Senior Vice President & General Manager

BARCLAYS BANK, PLC

By: /s/ L. PETER YETMAN

Name: L. Peter Yetman
Title: Director

BNP PARIBAS

By: /s/ JANICE S. H. HO

Name: Janice S. H. Ho
Title: Director

By: /s/ C. BETTLES

Name: C. Bettles
Title: Managing Director

CHANG HWA COMMERCIAL BANK

By: /s/ MING-HSIEN LIN

Name: Ming-Hsien Lin
Title: Senior Vice President & General Manager

CITICORP USA, INC.

By: /s/ FREDDY BOOM

Name: Freddy Boom
Title: Director

COMERICA WEST INCORPORATED

By: /s/ KEVIN T. URBAN

Name: Kevin T. Urban
Title: Corporate Banking Representative

COMMERZBANK AG, NEW YORK AND GRAND CAYMAN BRANCHES

By: /s/ CHRISTIAN JAGENBERG

Name: Christian Jagenberg
Title: Senior Vice President and Manager

By: /s/ WERNER SCHMIDBAUER

Name: Werner Schmidbauer
Title: Senior Vice President

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ STEVEN P. LAPHAM

Name: Steven P. Lapham
Title: Managing Director

E. SUN COMMERCIAL BANK, LTD., LOS ANGELES BRANCH

By: /s/ BENJAMIN LIN

Name: Benjamin Lin
Title: Executive Vice President & General Manager

ERSTE BANK NEW YORK

By: /s/ ROBERT J. WAGMAN

Name: Robert J. Wagman
Title: Vice President

By: /s/ BRYAN J. LYNCH

Name: Bryan J. Lynch
Title: First Vice President

FIRST TENNESSEE BANK NATIONAL ASSOCIATION

By: /s/ JAMES H. MOORE JR.

Name: James H. Moore
Title: Senior Vice President

HIBERNIA NATIONAL BANK

By: /s/ ROSS S. WALES

Name: Ross S. Wales
Title: Vice President

HUA NAN COMMERCIAL BANK, LTD.

By: /s/ JENG-FANG GEENG

Name: Jeng-Fang Geeng
Title: General Manager

BAYERISCHE HYPO- UND VEREINSBANK AG,
NEW YORK BRANCH

By: /s/ MARIANNE WEINZINGER

Name: Marianne Weinzinger
Title: Director

By: /s/ TRICIA GRIEVE

Name: Tricia Grieve
Title: Director

JPMORGAN CHASE BANK

By: /s/ DONALD S. SHOKRIAN

Name: Donald S. Shokrian
Title: Managing Director

KEYBANK NATIONAL ASSOCIATION

By: /s/ MICHAEL J. VEGH

Name: Michael J. Vegh
Title: Assistant Vice President

MIZUHO CORPORATE BANK, LTD.

By: /s/ MARK GRONICH

Name: Mark Gronich
Title: Senior Vice President

NATIONAL CITY BANK OF THE MIDWEST

By: /s/ RUSSELL H. LIEBETRAU, JR.

Name: Russell H. Liebetrau, Jr.
Title: Senior Vice President

OAK BROOK BANK

By: /s/ HENRY WESSEL

Name: Henry Wessel
Title: Vice President

THE ROYAL BANK OF SCOTLAND PLC

By: /s/ MARIA AMARAL-LEBLANC

Name: Maria Amaral-LeBlanc
Title: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION,
LOS ANGELES OFFICE

By: /s/ AL GALLUZZO

Name: Al Galluzzo
Title: Senior Vice President

TAIPEI BANK, NEW YORK AGENCY

By: /s/ JAMES CHANG

Name: James Chang
Title: Assistant Vice President

TRUSTMARK NATIONAL BANK

By: /s/ CRAIG E. SOSEBEE

Name: Craig E. Sosebee
Title: First Vice President

UFJ BANK LIMITED

By: /s/ TOSHIKO BOYD

Name: Toshiko Boyd
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ CLIFFORD F. CHO

Name: Clifford F. Cho
Title: Assistant Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ RYAN STIPE

Name: Ryan Stipe
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ STEVEN L. HIPSMAN

Name: Steven L. Hipsman
Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ CLARK A. WOOD

Name: Clark A. Wood
Title: Vice President

WHITNEY NATIONAL BANK

By: /s/ ROBERT L. BROWNING

Name: Robert L. Browning
Title: Senior Vice President

QuickLinks

Exhibit 10(23)

FIRST AMENDMENT TO
THE HARRAH'S ENTERTAINMENT, INC.
EXECUTIVE SUPPLEMENTAL SAVINGS PLAN II

WHEREAS, Harrah's Entertainment, Inc. (the "Company") maintains the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II (the "Plan") in order to provide its key executives with an opportunity and incentive to save for retirement and other purposes; and

WHEREAS, Section 12.1(a) of the Plan provides that the EDCP Committee has the right to amend the Plan provided such amendment does not have a material adverse financial effect on the Company or the Plan; and

WHEREAS, the EDCP Committee has approved the adoption of this First Amendment.

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended, effective as January 25, 2005, as follows:

Section 3.1(c) of the Plan is hereby amended to add new paragraph (4) to read in its entirety as follows:

> (4) *Exception for Administrative Error.* Notwithstanding Section 3.1(c)(1), in the event that an Employee who is eligible to participate in the Plan as of the Effective Date was not afforded an opportunity to submit a Participation Agreement prior to the Effective Date due to administrative or clerical error, such Employee may complete and deliver a Participation Agreement to the EDCP Committee on or before March 15, 2005, and such Employee shall enter the Plan as of the date of the delivery of such Participation Agreement to the EDCP Committee. The Participant's Deferral Contributions shall be determined with reference to Compensation earned on or after the Effective Date to the extent payable after the date of such Participant's entry into the Plan.

IN WITNESS WHEREOF, the EDCP Committee has caused this First Amendment to be executed by its duly authorized member on this 25th day of January, 2005.

THE EDCP COMMITTEE OF
HARRAH'S ENTERTAINMENT, INC.

By: /s/ JERRY BOONE

Name: Jerry Boone
Title: Sr. Vice President, Human Resources

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Exhibit 10(24)

SECOND AMENDMENT TO
THE HARRAH'S ENTERTAINMENT, INC.
EXECUTIVE SUPPLEMENTAL SAVINGS PLAN II

WHEREAS, Harrah's Entertainment, Inc. (the "Company") maintains the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan II (the "Plan") in order to provide its key executives with an opportunity and incentive to save for retirement and other purposes; and

WHEREAS, Section 12.1(a) of the Plan provides that the EDCP Committee has the right to amend the Plan provided such amendment does not have a material adverse financial effect on the Company or the Plan; and

WHEREAS, the EDCP Committee has approved the adoption of this Second Amendment.

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended, effective as February 11, 2005, as follows:

Section 3.1(c)(4) of the Plan is hereby amended to read in its entirety as follows:

(4) *Exceptions for Administrative Error.*

(a) Notwithstanding Section 3.1(c)(1), in the event that an Employee who is eligible to participate in the Plan as of the Effective Date was not afforded an opportunity to submit a Participation Agreement prior to the Effective Date due to administrative or clerical error, such Employee may complete and deliver a Participation Agreement to the EDCP Committee on or before March 15, 2005, and such Employee shall enter the Plan as of the date of the delivery of such Participation Agreement to the EDCP Committee. The Participant's Deferral Contributions shall be determined with reference to Compensation earned on or after the Effective Date to the extent payable after the date of such Participant's entry into the Plan.

(b) Notwithstanding Section 3.1(c)(1), in the event that an Employee who is eligible to participate in the Plan as of the Effective Date failed to provide a confirmed electronic Participation Agreement prior to the Effective Date, such Employee may complete and deliver a Participation Agreement to the EDCP Committee, in written or electronic form, on or before March 15, 2005, and such Employee shall enter the Plan as of the date of the delivery of such Participation Agreement to the EDCP Committee. The Participant's Deferral Contributions shall be determined with reference to Compensation earned on or after the Effective Date to the extent payable after the date of such Participant's entry into the Plan.

IN WITNESS WHEREOF, the EDCP Committee has caused this Second Amendment to be executed by its duly authorized member on this 11th day of February, 2005.

THE EDCP COMMITTEE OF
HARRAH'S ENTERTAINMENT, INC.

By: /s/ JERRY BOONE

Name: Jerry Boone
Title: Sr. Vice President, Human Resources

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Exhibit 10(30)

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made and entered into as of the Effective Date set forth below, by and between **HARRAH'S OPERATING COMPANY, INC.** ("Company" or "Harrah's") and **JOHN BOUSHY** ("Executive"). This Agreement supersedes and replaces the prior employment agreement between the Company and Executive dated March 1, 2003.

The Company and Executive agree as follows:

1. *Employment*. The Company hereby employs Executive as Chief Integration Officer at Grade Level 35 to lead the integration process for the merger of Caesars Entertainment, Inc.'s operations into those of the Company.

2. *Duties*. During the term of this Agreement ("active employment"), Executive shall devote substantially all of his working time, energies, and skills to the benefit of the Company's business. Executive agrees to serve the Company diligently and to the best of his ability, and to follow the policies and directions of the Company.

3. *Compensation*. Executive's compensation and benefits during his active employment shall be as follows:

(a) *Base Salary*. Beginning on the Effective Date (July 26, 2004) of this Agreement, the Company shall pay Executive a base salary ("Base Salary") of $750,000 per year, which will be reviewed annually by the Company during the term of this Agreement in accordance with its compensation practices regarding senior executives. Executive's Base Salary shall be paid biweekly in accordance with the Company's normal payroll schedule. All payments shall be subject to Executive's chosen benefit deductions and the deduction of payroll taxes and similar assessments as required by law.

(b) *Bonus*. In addition to the Base Salary, Executive shall be eligible for an annual bonus in accordance with the Company's bonus plan.

(c) *Promotional Award*. The Company shall cause its parent company, Harrah's Entertainment, Inc. ("HET") to issue Executive, as further consideration for entering into this Agreement, including the non-compete and confidentiality provisions, a one time promotional award of a Stock Option grant of Sixty Thousand (60,000) shares of HET stock, subject to the approval, in its sole discretion, of HET's Human Resources Committee ("HRC"). The options will be based on a strike price of the average share price of HET's stock on the date the grant is approved by the HRC. The option grant will vest in increments of thirty-three and one third percent ($33^{1}/_{3}$%) on January 1, 2005, January 1, 2006, and January 1, 2007.

4. *Insurance and Benefits*. Executive will be eligible to participate in each employee benefit plan and receive each executive benefit that the Company provides for its senior executives, in accordance with the applicable plan rules.

5. *Term*. The term of this Agreement shall be for three (3) years, beginning on The Effective Date, subject to early termination as provided herein.

6. *No Cause Termination/Non-Renewal of Agreement*. The Company may terminate Executive's active employment at any time without cause upon thirty (30) days' prior written notice ("no cause termination"). The Company also, in its sole discretion, may elect not to extend the term of this Agreement or enter into a new Agreement upon expiration of this Agreement ("non-renewal of Agreement"). In the event of such no cause termination or non-renewal of Agreement by the Company, Executive shall be entitled only to the salary and benefits set forth below after the last day worked by Executive following termination of the Executive's employment with the Company (the "Separation Date") unless otherwise specified in this Agreement.

Benefits	Benefit Termination Date
Base Salary (rate as of Separation Date)	Eighteen (18) months (78 weeks) ("Salary Continuation Period") from the Separation Date
PTO and Service Credit	Separation Date (accrued PTO will be paid within thirty (30) days of Separation Date).
Use of Credit Cards	Separation Date
Bonus—Payment Eligibility	(i) Eligible for prior year bonus if Executive's employment is terminated during payment year but prior to payment; (ii) eligible for prorated bonus for current year if in job for more than six (6) months and Separation Date occurs after June 30; (iii) not eligible for bonus for year following Separation Date.
Insurance, including health, vision, dental insurance and contributions to health care spending accounts within company policy, (excluding life insurance)	End of Salary Continuation Period; provided, however, that Executive shall be eligible for the continuation of health insurance benefits for the Life Coverage Period as provided under the provisions of paragraph 10 below. If the Life Coverage Period benefits are not applicable, the eighteen (18)-month COBRA rights period for health insurance will commence on the last day of the Salary Continuation Period. Harrah's Benefit Service Center will furnish the COBRA information. Executive has thirty-one (31) days from the last day of the month in which he is actively at work to convert his life insurance. Executive must contact Harrah's Benefit Service Center to obtain the required form to effectuate the conversion of his life insurance
Retaining Existing Stock Options for Vesting and Other Rights	Annual Stock Options and/or Stock Appreciation Rights ("SARS") continue to vest and can be exercised through the end of Salary Continuation Period. Exercise of vested annual Stock Options/SARS after Salary Continuation Period per plan rules. Accelerated vesting of all annual Stock Options/SARS if Change of Control (as defined in paragraph 11 below) occurs during Salary Continuation Period.
Restricted Stock (Non-TARSAP)	Separation Date
Eligibility for New SARS	Separation Date.

TARSAP II	Next potential vesting installment of TARSAP II, after Separation Date, if the installment is earned will vest for Executive (all, part, or none) at the CEO's and HRC's discretion. If a Change in Control (as defined in paragraph 11 below) occurs during Salary Continuation Period, Executive will only be entitled to the next potential vesting installment of TARSAP II not otherwise earned. Unvested shares at the end of Salary Continuation are forfeited.
Use of Financial Counseling per Plan Provisions	End of Salary Continuation Period. The maximum remaining benefit shall be annual benefit remaining as of Separation Date.
Savings and Retirement Plan Deduction (Active Participation)	Separation Date.
Employee Supplemental Savings Plan (ESSP) (Active Participation)	Separation Date. ESSP distribution date will commence when Salary Continuation ends, in accordance with plan and as selected previously by Executive.

7. *Death of Executive*. Upon the death of Executive during his active employment, his salary and all rights and benefits hereunder will terminate (unless otherwise provided for herein), and his estate and beneficiary(ies) will receive the benefits to which they are entitled under the terms of the Company's benefit plans and programs by reason of a participant's death during employment, including the applicable rights and benefits under the Company's stock and stock option plans. Under the Stock Option Plan/SARS Plan, upon death fifty percent (50%) of the unvested annual Stock Options/SARS, if any, will vest, and the other fifty percent (50%) of the unvested annual Stock Options/SARS will terminate. All earned PTO will also be paid to Executive's estate. The amount of PTO is fixed at $50,256 minus standard deductions. If Executive dies during the Salary Continuation Period, all of the provisions of the previous sentence apply except that the remaining salary continuation will be paid in a lump sum to Executive's estate.

8. *Termination by Company for Cause*. The Company shall have the right to terminate Executive's active employment for cause. All salary and benefits shall cease, except COBRA rights and as otherwise provided in applicable benefit plans. All earned PTO will be paid to Executive. The amount of PTO is fixed at $50,256 minus standard deductions. Termination for cause shall be effective immediately upon notice sent or given to Executive. For purposes of this Agreement, the term "cause" shall mean: (i) conviction of any crime that materially discredits the Company or is materially detrimental to the reputation or goodwill of the Company; (ii) being found unsuitable for a gaming license or having a gaming license denied or revoked by any gaming regulatory authority in the states of Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Mississippi, Missouri, Nevada, New Jersey, New York, North Carolina; Pennsylvania and Rhode Island, or any other state in which the Company currently or in the future conducts business; (iii) commission of any material act of fraud or dishonesty against the Company, or commission of an immoral or unethical act that materially reflects negatively on the Company, or engaging in willful misconduct; (iv) material breach of Executive's obligations under paragraph 2 of this Agreement, as so determined by the HET Board of Directors; and (v) Executive's (a) willful, knowing and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to the

Company, or (b) a final judicial order or determination prohibiting Executive from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the New York Stock Exchange. Executive shall first be provided with written notice of the claim(s) against him under the above provisions and given a reasonable opportunity (not to exceed thirty (30) days) to cure, if possible, and to contest said claim(s) before the HET Board of Directors.

9. *Voluntary Termination/Notice Period*. Executive may terminate this Agreement voluntarily at any time and for any or no reason during its term upon thirty (30) days' prior written notice to the Company, except as specified in this paragraph. If Executive elects to terminate his employment with the Company in order to work or act in competition with the Company as described in paragraph 13(a) of this Agreement, Executive must give the Company six (6) months' prior written notice of his intention to do so; provided, however, that such six (6)-month notice shall not be required or applicable if Executive's prospective employment is to be with one of those companies which satisfies the provisions of Paragraph 13(d) below. The written notice provided by Executive shall specify the last day to be worked by Executive ("Separation Date"), which Separation Date must be at least thirty (30) days or six (6) months (as appropriate) after the date the notice is received by the Company. Unless otherwise specified herein, or in a writing executed by both parties, Executive shall not receive any of the benefits provided in this Agreement after the Separation Date set forth in his written notice except for benefits that may be available to Executive under paragraph 10 below (to the extent set forth in paragraph 10) and applicable rights and benefits that apply to employees generally upon termination of employment.

Notwithstanding anything contained in this Agreement to the contrary, Executive may also, acting reasonably and in good faith, terminate this Agreement, with thirty (30) days' written notice, if a pattern exists, based on the objective evidence taken as a whole, showing that material decisions are being made regarding the integration of Caesars Entertainment, Inc., without Executive's meaningful involvement and participation. The fact that Executive does not agree with any material decision after meaningful involvement and participation, will not act to trigger Executive's right to terminate this Agreement. Executive must first appeal to and confer with the Company's COO and the CEO, and request that the making of such decisions without Executive's meaningful involvement and participation cease, and give adequate, reasonable opportunity to remedy this situation. Should Executive elect to terminate his employment in strict accordance with the terms of this paragraph ("Non-Involvement Provision"), Executive shall be entitled to receive severance payments and the other benefits under Paragraph 6 as adjusted by the following calculation:

> $450,000 plus (Current Base Salary minus $450,000) times the ratio of months worked of the initial term (number of full monthly periods worked since July 26, 2004 divided by 24)

The following examples are for purposes of illustration. If termination under this provision occurs

a) after 5 months (meaning on December 26, 2004 and on or before January 25, 2005) the severance base salary rate would be $450,000 + ($300,000 * 5/ 24) = $450,000 + $62,500 = $512,500.

b) after July 25, 2005 and before August 26, 2005 the severance base salary rate would be $450,000 + ($330,000 * 12 / 24) = $450,000 + $165,000 = $615,000. This example assumes that Executive receives a 4% increase effective before July 26, 2005 of $30,000.

c) after July 25, 2006 severance salary rate would be Executive's then current salary

In addition, should executive terminate the agreement under the Non-Involvement Provision before July 26, 2005, all unvested Stock Options/SARS granted under paragraph 3c of this Agreement will be reduced based upon the following:

Period From	Reduction in shares
July 26, 2004—Oct. 25, 2004	60,000 shares
Oct. 26, 2004—Jan. 25, 2005	45,000 shares
Jan. 26, 2005—Apr. 25, 2005	30,000 shares
Apr. 26, 2004—July 25, 2005	15,000 shares
July 26, 2005 and thereafter	0 shares

All other terms under paragraph 6 for"no cause termination" will be applicable.

In addition, if, during the term of this Agreement, the objective evidence, taken as a whole as determined reasonably and in good faith by the Company, indicates that the integration of Caesars Entertainment, Inc.'s operations into the Company's operations has successfully been concluded, and the Company has not offered Executive a position which maintains or increases Executive's impact and responsibilities to the Company, Executive may also, after consultation with the CEO and COO, give notice of his desire to terminate this Agreement (the "Successful Integration Termination"), and the termination of Executive's employment as a result of the Successful Integration Termination will be treated as if his employment was terminated as a "no cause termination" under paragraph 6 of this Agreement.

10. *Certain Health Insurance Benefits*. If (i) Executive reaches the age of fifty (50) and, when added to his number of years of continuous service with the Company (including employment with its affiliates, predecessors, successors, and assigns), including any period of salary continuation, the sum of his age and years of service equals or exceeds sixty-five (65), and at any time after the occurrence of both such events Executive's employment is terminated pursuant to paragraph 6 above; or (ii) Executive reaches the age of fifty-five (55) and has attained ten (10) years of continuous service with the Company (including employment with its affiliates, predecessor, successors, and assigns), including any period of salary continuation, and at any time after the occurrence of both such events Executive's employment terminates for any reason other than by the Company for "Cause" as described in paragraph 6 above; or (iii) in the reasonable judgment of the Company Executive has completed the successful integration of Caesar's Entertainment, Inc.'s operations into the Company's operations, regardless of his age or years of service at such time, Executive and his then-eligible dependents shall be entitled to participate in the Company's group health insurance plan, as amended from time to time by the Company, after Executive's Separation Date or the end of the Salary Continuation Period, as applicable, for the remainder of Executive's life ("Life Coverage Period"). During the Life Coverage Period, Executive shall pay twenty percent (20%) of the then prevailing health insurance premium (revised annually) on an after-tax basis each quarter, and the Company shall pay eighty percent (80%) of said premium on an after-tax basis, which contribution will be imputed income to Executive. As soon after the Separation Date as Executive becomes eligible for Medicare coverage, the Company's group health insurance plan shall become secondary to Medicare.

Notwithstanding the forgoing provisions that provide that Executive and his dependents shall be entitled to participate in the Company's group health insurance plan, in the event that the terms of the Company's group health insurance plan should at any time not permit coverage of Executive and his dependents under the plan as contemplated above, the Company will, during the Life Coverage Period, arrange for an individual health insurance policy with identical or better coverage to be provided to Executive and his dependents at no greater out-of-pocket cost and expense to Executive than that contemplated above. And, if the Company is unable to secure an individual insurance policy for Executive and his dependents, the Company shall, during the Life Coverage Period, provide health care benefits to Executive and his dependents on a self-insured basis. In the event that the Company

provides such health care benefits on a self-insured basis, Executive's cost for such insurance coverage shall be calculated in accordance with the formula provided above as if Executive and his dependents were insured under the Company's group health insurance plan.

If Executive engages in any of the prohibited activities described in paragraphs 13(a)(i) and (ii) below (except as permitted under paragraph 13(d) below), during the Life Coverage Period, the entitlement of Executive and his then-eligible dependents to participate in the Company's group health insurance plan shall terminate automatically, without any further action or notice by either party, subject to applicable COBRA rights, which shall commence on the Separation Date. If Executive becomes employed during the Life Coverage Period by any company (including any company in the race track, casino or casino hotel/casino resort business that pursuant to the provisions of paragraph 13(d) below is excluded from the provisions of paragraph 13(a) of this Agreement) that does not compete with the Company, or any of its subsidiaries, the Company's group health insurance plan shall become secondary to any primary health insurance plan or coverage made available to Executive by that company, if any, as long as Executive is employed by such company.

Executive also shall receive the benefits and be bound by the provisions of this paragraph 10 if a Change in Control, as defined in Executive's Severance Agreement, dated as of January 1, 2003, with Harrah's Entertainment, Inc. (the "Severance Agreement"), occurs during Executive's active employment with the Company and if the Severance Agreement is in force when the Change of Control occurs.

If there exists a dispute between the Company and Executive relating to the parties' rights and obligations under Section 10, and the dispute involves the use of attorneys on the part of the Company or Executive, the prevailing party in such dispute shall be entitled to be reimbursed by the other party for any attorneys' fees incurred in resolving such dispute. If there is no prevailing party, each party shall bear his own expenses.

11. *Change in Control*. If a Change in Control, as defined in Executive's Severance Agreement, occurs during Executive's active employment, and if the Severance Agreement is in force when the Change in Control occurs, then the Severance Agreement supersedes and replaces this Agreement, except paragraphs 10, 12, 13 (to the extent provided in paragraph 13) and 14. If, prior to a Change in Control (as defined above), Executive's active employment has been terminated for any reason by either party or this Agreement is not renewed by the Company, then Executive's Severance Agreement terminates automatically upon Executive's Separation Date.

12. *Disability*. If Executive becomes disabled (as defined below) prior to the termination of his active employment or the non-renewal of this Agreement, he will be entitled to apply at his option for the Company's long-term disability benefits. If he is accepted for such benefits, then the terms and provisions of the Company's benefit plans and the programs (including the Company's Stock Option, SARS and Restricted Stock Plans) that are applicable in the event of such disability of an employee shall apply in lieu of the salary and benefits under this Agreement, except that he will be entitled to the lifetime group insurance benefits described in paragraph 10. If Executive is disabled so that he cannot perform his duties (as reasonably determined by the HRC), then the Company may terminate his duties under this Agreement. For purposes of this Agreement, disability will be the inability of Executive, with or without reasonable accommodation, to perform the essential functions of the job. In such event, he will receive eighteen (18) months salary continuation (offset by any long term disability benefits to which he is entitled), together with all other benefits, and during such period of salary continuation any Stock Options/SARS and restricted stock grants then in existence will continue in force for vesting purposes. Executive, if disabled, shall also be eligible for lifetime health benefits as if he has completed the eligibility requirements of paragraph 10 and at the rates set forth in paragraph 10. However, during such period of salary continuation for disability, Executive will not be eligible to participate in the annual bonus plan, nor will he be eligible to receive SARS or restricted

stock grants or any other long-term incentive awards except to the extent approved by the HRC. After the eighteen (18) months of salary continuation has expired, per plan documents, fifty percent (50%) of any remaining unvested annual options/SARS, if any, will vest and the other fifty percent (50%) of the unvested annual options/SARS will terminate. All PTO will also be paid out. The amount of PTO is fixed at $50,256 minus standard deductions. The payment of PTO will also survive the occurrence of a Change in Control and be paid out pursuant to its terms.

If Executive becomes disabled during the Salary Continuation Period, he will be entitled only to the salary and benefits described in paragraphs 6 and 10 above, for the periods set forth in those respective paragraphs.

Executive shall also receive the benefits and be bound by the provisions of this paragraph 12 if a Change in Control, as defined in Executive's Severance Agreement, occurs during Executive's active employment and if the Severance Agreement is in force when the Change in Control occurs.

13. *Non-Competition*.

(a) *Non-Competition*. During Executive's active employment, and during the Salary Continuation Period described in paragraph 6 above, Executive:

(i) shall not engage in any activity, including development activity, whether as employer, proprietor, partner, stockholder (other than the holder of less than five percent (5%) of the stock of a corporation, the securities of which are traded on a national securities exchange or in the over-the-counter market), director, officer, employee, consultant or otherwise, in competition with (x) the casino, casino/hotel and/or casino/resort businesses conducted at the date hereof by the Company or any subsidiary or affiliate ("Company" for purposes of this paragraph 13) or (y) any casino, casino/hotel and/or casino/resort business in which the Company is substantially engaged at any time during the active employment period;

(ii) shall not solicit, in competition with the Company, any person who is a customer of the businesses conducted by the Company at the date hereof or of any business in which the Company is substantially engaged at any time during the term of this Agreement.

(b) *Scope of Covenants; Remedies*. The following provisions shall apply to the covenants of Executive contained in this paragraph 13:

(i) the covenants contained in paragraphs (i) and (ii) of paragraph 13(a) shall apply within the United States, Canada and Mexico, plus any territories in which Company is actively engaged in the conduct of business while Executive is employed under this Agreement, including, without limitation, the territories in which customers are then being solicited;

(ii) without limiting the right of the Company to pursue all other legal and equitable remedies available for violation by Executive of the covenants contained in this paragraph 13, it is expressly agreed by Executive and the Company that such other remedies cannot fully compensate the Company for any such violation and that the Company shall be entitled to injunctive relief to prevent any such violation or any continuing violation thereof;

(iii) each party intends and agrees that if, in any action before any court or agency legally empowered to enforce the covenants contained in this paragraph 13, any term, restriction, covenant or promise contained therein is found to be unreasonable and accordingly unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency.

(c) Executive shall also be bound by the provisions of this paragraph 13 if (i) a Change in Control, as defined in Executive's Severance Agreement, occurs during Executive's active

employment, (ii) the Severance Agreement is in full force and effect when the Change in Control occurs and (iii) Executive receives the payments and benefits provided in Section 4 of the Severance Agreement, in which events this paragraph 13 will supersede any noncompete provision in Executive's Severance Agreement.

(d) Notwithstanding anything to the contrary set forth above, Executive shall not be prohibited from working for a company with business interests or operations in the race track, casino, or casino hotel/casino resort industries whose annual gross revenues, at the time Executive's employment with such entity is to begin, does not exceed twenty-five percent (25%) of the gross revenues of Harrah's Entertainment, Inc.

14. *Confidential Information*.

(a) Executive's position with the Company will or has resulted in his exposure and access to confidential and proprietary information which he did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by him, directly or indirectly, would be irreparably injurious and detrimental to the Company. During his term of employment and without limitation thereafter, Executive agrees to use his best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to third parties. Executive shall not at any time during and after his Separation Date, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any firm, corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Agreement, unless expressly authorized to do so by the Company in writing. Executive is not prohibited from taking with him the general experience, knowledge, memory and skill acquired while employed by the Company, and using it in the future.

(b) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries, affiliates, whether or not a "trade secret" within the meaning of applicable law, that is not generally known to the general public or to the Company's competitors, and which has been or is from time to time disclosed to or developed by Executive as a result of his employment with the Company. Confidential Information includes, but is not limited to the Company's product development and marketing programs, data, future plans, formula, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards and/or Total Rewards 2), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by him or others, and any other Company information or documents which Executive is told or reasonably ought to know that the Company regards as confidential. Notwithstanding the above, Confidential Information will not include: (1) information to which Executive had knowledge from a source outside the Company, including previous employment, prior to a subsequent disclosure by the Company; (2) information that is or becomes known or available to the public at large or to the Company's competitors other than through the Executive or with the assistance of the Executive; and (3) information that the Company has made a conscious decision to make public.

(c) Executive agrees that upon separation of employment for any reason whatsoever, he shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondence, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in his

possession (and all copies thereof) containing any such Confidential Information created in whole or in part by Executive within the scope of his employment.

(d) Executive has signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided that*, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(e) This paragraph 14 shall supersede any confidentiality provision contained in Executive's Severance Agreement.

15. *Injunctive Relief*. Executive acknowledges and agrees that the terms provided in paragraphs 13 and 14 are the minimum necessary to protect the Company, its affiliates and subsidiaries, its successors and assigns in the use and enjoyment of the Confidential Information and the good will of the business of the Company. Executive further agrees that damages cannot fully and adequately compensate the Company in the event of a breach or violation of the restrictive covenants (Confidential Information and Non-Competition) and that without limiting the right of the Company to pursue all other legal and equitable remedies available to it, that the Company shall be entitled to seek injunctive relief, including but not limited to a temporary restraining order, temporary injunction and permanent injunction, to prevent any such violations or any continuation of such violations for the protection of the Company. The granting of injunctive relief will not act as a waiver by the Company to pursue any and all additional remedies.

16. *Post Employment Cooperation*. Upon the termination of his active employment, Executive will cooperate with, and provide information to, the Company in assuring an orderly transition of all matters being handled by him. Upon the Company providing reasonable notice to him, he will also appear as a witness at the Company's request and/or assist the Company in any litigation, bankruptcy or similar matter in which the Company or any affiliate thereof is a party; *provided* that the Company will defray any approved out-of-pocket expenses incurred by him in connection with any such appearance and that, if Executive is no longer receiving salary compensation from the Company, the Company will compensate him for all time spent, at either his then current compensation rate or his salary rate as of the Separation Date, whichever is higher. The Company agrees further to indemnify him as prescribed in his Indemnification Agreement and Article TENTH of the Certificate of Incorporation of Harrah's Entertainment, Inc.

17. *Release*. Upon the termination of Executive's active employment, and in consideration of the receipt of the salary and benefits described in this Agreement, except for claims arising from the covenants, agreements, and undertakings of the Company as set forth herein and except as prohibited by statutory language, Executive will be required to sign an agreement that forever and unconditionally waives, and releases Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., their subsidiaries and affiliates, and their officers, directors, agents, benefit plan trustees, and employees ("Released Parties") from any and all claims, whether known or unknown, and regardless of type, cause or nature, including but not limited to claims arising under all salary, vacation, insurance, bonus, stock, and all other benefit plans, and all state and federal anti-discrimination, civil rights and human rights laws, ordinances and statutes, including Title VII of the Civil Rights Act of 1964 and the Age Discrimination in Employment Act, concerning his employment with Harrah's Operating Company, Inc., its subsidiaries and affiliates, and the cessation of that employment. The release does not waive his indemnification rights described in the Indemnification Agreement between Executive and the Company, dated July 30, 1993, applicable to all senior executives; nor does it or will it release Company from its continuing obligations to Executive under this Agreement, including the Company's obligations under paragraph 10 above to provide Executive and his dependents with health insurance coverage during the Life Coverage Period (to the extent set forth in paragraph 10).

18. *General Provisions*.

Notices. Any notice to be given hereunder by either party to the other may be effected by personal delivery, in writing, or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses set forth below, but each party may change his or its address by written notice in accordance with this paragraph 18. Notices shall be deemed communicated as of the actual receipt or refusal of receipt.

If to Executive:	John Boushy 159 Augusta Street Henderson, NV 89074
If to Company:	Harrah's Operating Company, Inc. One Harrah's Court Las Vegas, Nevada 89119 Attn: General Counsel

19. *Governing Law*. This Agreement shall be governed by the laws of the State of Nevada as to all matters, including but not limited to matters of validity, construction, effect and performance.

20. *Jurisdiction.* Any judicial proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement or any agreement identified herein may be brought only in state or federal courts of the State of Nevada, and by the execution and delivery of this Agreement, each of the parties hereto accepts for themselves the exclusive jurisdiction of the aforesaid courts and irrevocably consents to the jurisdiction of such courts (and the appropriate appellate courts) in any such proceedings, waives any objection to venue laid therein and agrees to be bound by the judgment rendered thereby in connection with this Agreement or any agreement identified herein.

21. *No Conflicting Agreement*. By signing this Agreement, Executive warrants that he is not a party to any restrictive covenant, agreement or contract which limits the performance of his duties and responsibilities under this Agreement or under which such performance would constitute a breach.

22. *Headings*. The paragraph and subparagraph headings are for convenience or reference only and shall not define or limit the provisions hereof.

23. *Amendments*. Any amendments to this Agreement must be in writing and signed by both parties.

24. *Binding Agreement*. This Agreement is binding on the parties and their heirs, successors and assigns.

25. *Survival of Provisions*. The provisions of this Agreement shall survive the termination of Executive's employment with the Company if so provided herein and if necessary or desirable fully to accomplish the purposes of such provisions, including without limitation the rights and obligations of Executive under paragraphs 6, 7, 10, 13, 14, 15 and 16 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Harrah's Operating Company, Inc.

/s/ JOHN BOUSHY
John Boushy
Executive

By: /s/ GARY LOVEMAN
Gary Loveman
President and Chief Executive Officer

Executive
Date:

Date:

Guarantee of Performance and Payment by Harrah's Entertainment, Inc.

For good and valuable consideration, the receipt of which is hereby acknowledged, and in order to induce Executive to enter into the foregoing Employment Agreement, Harrah's Entertainment, Inc., parent company of Harrah's Operating Company, Inc., hereby guarantees the performance of Harrah's Operating Company, Inc., under the Employment Agreement and Harrah's Entertainment, Inc., hereby guarantees all payments to Executive under the Employment Agreement.

Harrah's Entertainment, Inc.

By: /s/ GARY LOVEMAN
Gary Loveman
President and Chief Executive Officer

QuickLinks

Exhibit 12

HARRAH'S ENTERTAINMENT, INC.
COMPUTATION OF RATIOS
(Unaudited)
(In thousands, except ratio amounts)

	2004(a)	2003(b)	2002(c)	2001(d)	2000(e)
Return on Revenues-Continuing					
Income/(loss) from continuing operations	$ 329,525	$ 261,064	$ 282,212	$ 173,788	$ (46,428)
Revenues	4,548,326	3,948,865	3,747,866	3,317,445	2,977,811
Return	7.2%	6.6%	7.5%	5.2%	(1.6)%
Return on Average Invested Capital—Continuing					
Income/(loss) from continuing operations	$ 329,525	$ 261,064	$ 282,212	$ 173,788	$ (46,428)
Add: Interest expense after tax	172,187	147,450	149,417	159,236	141,388
	$ 501,712	$ 408,514	$ 431,629	$ 333,024	$ 94,960
Average invested capital	$ 6,154,866	$ 5,087,001	$ 4,866,693	$ 4,442,581	$ 4,009,036
Return	8.2%	8.0%	8.9%	7.5%	2.4%
Return on Average Invested Capital—Net Income					
Net income/(loss)	$ 367,709	$ 292,623	$ 235,029	$ 208,967	$ (12,060)
Add: Interest expense after tax	172,187	147,450	149,417	159,236	141,388
	$ 539,896	$ 440,073	$ 384,446	$ 368,203	$ 129,328
Average invested capital	$ 6,718,979	$ 5,780,245	$ 5,551,218	$ 5,054,779	$ 4,504,205
Return	8.0%	7.6%	6.9%	7.3%	2.9%
Return on Average Equity—Continuing					
Income/(loss) from continuing operations	$ 329,525	$ 261,064	$ 282,212	$ 173,788	$ (46,428)
Average equity	1,887,844	1,627,834	1,458,941	1,347,257	1,431,255
Return	17.5%	16.0%	19.3%	12.9%	(3.2)%
Return on Average Equity—Net Income					
Net income/(loss)	$ 367,709	$ 292,623	$ 235,029	$ 208,967	$ (12,060)
Average equity	1,887,844	1,627,834	1,458,941	1,347,257	1,431,255
Return	19.5%	18.0%	16.1%	15.5%	(0.8)%
Ratio of Earnings to Fixed Charges(f)					
Income/(loss) from continuing operations	$ 329,525	$ 261,064	$ 282,212	$ 173,788	$ (46,428)
Add:					
Provision for income taxes	190,641	155,568	174,445	107,747	(3,478)
Interest expense	271,802	234,419	240,220	255,801	227,130
Interest included in rental expense	22,942	19,931	24,130	17,816	12,813
Amortization of capitalized interest	555	624	702	880	1,053
Loss/(income) from equity investments	879	871	(4,388)	(426)	317,103
Earnings as defined	$ 816,344	$ 672,477	$ 717,321	$ 555,606	$ 508,193
Fixed charges:					
Interest expense	$ 271,802	$ 234,419	$ 240,220	$ 255,801	$ 227,130
Capitalized interest	4,085	2,349	3,537	9,309	7,960
Interest included in rental expense	22,942	19,931	24,130	17,816	12,813
Total fixed charges	$ 298,829	$ 256,699	$ 267,887	$ 282,926	$ 247,903
Ratio of earnings to fixed charges	2.7	2.6	2.7	2.0	2.0

(a) 2004 includes $9.6 million in pretax charges for write-downs, reserves and recoveries and $2.3 million in pretax charges related to our pending acquisition of Caesars Entertainment, Inc. 2004 also includes the financial results of Horseshoe Gaming Holding Corporation from its July 1, 2004, date of acquisition.

(b)

2003 includes $10.5 million in pretax charges for write-downs, reserves and recoveries and $19.1 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity. 2003 results have been reclassified to reflect Harrah's East Chicago and Harrah's Tunica as discontinued operations.

(c) 2002 includes $4.5 million in pretax charges for write-downs, reserves and recoveries, a $6.1 million pretax charge for our exposure under a letter of credit issued on behalf of National Airlines, Inc., and a charge of $91.2 million, net of tax benefits of $2.8 million, related to a change in accounting principle. 2002 also includes the financial results of Jazz Casino Company LLC from the date of our acquisition of a majority ownership interest on June 7, 2002. 2002 results have been reclassified to reflect Harrah's East Chicago and Harrah's Tunica as discontinued operations.

(d) 2001 includes $17.2 million in pretax charges for write-downs, reserves and recoveries and $26.2 million of pretax income from dispositions of nonstrategic assets and the settlement of a contingency related to a former affiliate. 2001 also includes the financial results of Harveys Casino Resorts from its July 31, 2001, date of acquisition. 2001 results have been reclassified to reflect Harrah's East Chicago and Harrah's Tunica as discontinued operations.

(e) 2000 includes $220.0 million in pretax reserves for receivables not expected to be recovered from JCC Holding Company and its subsidiary, Jazz Casino Company LLC, $6.1 million in pretax charges for other write-downs, reserves and recoveries, and $39.4 million in pretax write-offs and reserves for our investment in, loans to and net estimated exposure under letters of credit issued on behalf of National Airlines, Inc. 2000 also includes the financial results of Players International, Inc., from its March 22, 2000, date of acquisition. 2000 results have been reclassified to reflect Harrah's East Chicago and Harrah's Tunica as discontinued operations.

(f) For purposes of computing this ratio, "earnings" consist of income before income taxes plus fixed charges (excluding capitalized interest) and minority interests (relating to subsidiaries whose fixed charges are included in the computation), excluding equity in undistributed earnings of less-than-50%-owned investments. "Fixed charges" include interest whether expensed or capitalized, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense that we deem to be representative of interest. As required by the rules which govern the computation of this ratio, both earnings and fixed charges are adjusted where appropriate to include the financial results for the Company's nonconsolidated majority-owned subsidiaries. As discussed in Note 12 to the Consolidated Financial Statements in the 2004 Harrah's Entertainment Annual Report, the Company has guaranteed certain third-party loans in connection with its casino development activities. The above ratio computation excludes estimated fixed charges associated with these guarantees as follows: 2004, $6.7 million; 2003, $9.5 million; 2002, $7.0 million; 2001, $4.4 million; and 2000, $5.7 million.

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Exhibit 21

HARRAH'S ENTERTAINMENT, INC. SUBSIDIARIES
As of December 31, 2004

Name	Jurisdiction of Incorporation	Percentage of Ownership
Aster Insurance Ltd.	Bermuda	100%
Harrah's Operating Company, Inc.	Delaware	100%
Dusty Corporation	Nevada	100%
Harrah's Entertainment Limited	England/Wales	100%
Harrah's Activity Limited	England/Wales	100%
Harrah's Portside Limited	England/Alderney	100%
Harrah's Interactive Limited	England/Wales	100%
Harrah's Online Limited	Alderney	100%
Harrah South Shore Corporation	California	100%
Harrah's Alabama Corporation	Nevada	100%
Harrah's Arizona Corporation	Nevada	100%
Harrah's Atlantic City, Inc.	New Jersey	100%
Harrah's Aviation, Inc.	Tennessee	100%
H-BAY, LLC	Nevada	100%
Harrah's Bossier City Management Company, LLC	Nevada	100%
HCAL, LLC	Nevada	100%
Harrah's Chester Downs Holding Company, LLC	Delaware	100%
Harrah's Chester Downs Investment Company, LLC	Delaware	100%
Harrah's Chester Downs & Marina, L.L.C.	Pennsylvania	50%
Harrah's Chester Downs Management Company, LLC	Nevada	100%
Harrah's Consulting Corporation	Nevada	100%
Harrah's Illinois Corporation	Nevada	100%
Harrah's Interactive Investment Company	Nevada	100%
Harrah's Investments, Inc.	Nevada	100%
Harrah's Kansas Casino Corporation	Nevada	100%
HPB Corporation	Kansas	100%
Harrah's Las Vegas, Inc.	Nevada	100%
Harrah's Laughlin, Inc.	Nevada	100%
Harrah's License Company, LLC	Nevada	100%
Harrah's Management Company	Nevada	100%
Harrah's Marketing Services Corporation	Nevada	100%
Harrah's Maryland Heights LLC(1)	Delaware	54.45%
Harrah's Maryland Heights Operating Company	Nevada	100%
Harrah's NC Casino Company, LLC(2)	North Carolina	99%
Harrah's New Jersey, Inc.	New Jersey	100%
Harrah's New Orleans Management Company	Nevada	100%
Harrah's North Kansas City LLC(3)	Missouri	100%
Harrah's Nova Scotia Unlimited Liability Company	Nova Scotia	100%
Harrah's of Jamaica, Ltd.	Jamaica	100%
Harrah's Operating Company Memphis, LLC(4)	Delaware	100%
Harrah's Pittsburgh Management Company	Nevada	100%
Harrah's Reno Holding Company, Inc.	Nevada	100%
Harrah's Shreveport/Bossier City Holding Company, LLC	Delaware	100%

Harrah's Shreveport Management Company, LLC	Nevada	100%
Harrah's Shreveport Investment Company, LLC	Nevada	100%
Harrah's Shreveport/Bossier City Investment Company, LLC(5)	Delaware	84.3%
Harrah's Bossier City Investment Company, LLC	Louisiana	100%
Harrah's Skagit Valley Agency Corporation	Nevada	100%
Harrah's Southwest Michigan Casino Corporation	Nevada	100%
Harrah's Travel, Inc.	Nevada	100%
Harrah's Tunica Corporation	Nevada	100%
Harrah's Vicksburg Corporation	Nevada	100%
Harrah's West Warwick Gaming Company, LLC	Delaware	100%
Harrah's West Warwick Investment Company, LLC	Delaware	100%
Narragansett Tribe/Harrah's Casino Project Company, LLC	Rhode Island	100%
HHLV Management Company, LLC	Nevada	100%
JCC Holding Company II LLC	Delaware	100%
Jazz Casino Company, LLC	Louisiana	100%
JCC Development Company, LLC	Louisiana	100%
JCC Canal Development, LLC	Louisiana	100%
JCC Fulton Development, LLC	Louisiana	100%
Rio Hotel & Casino, Inc.	Nevada	100%
Rio Resort Properties, Inc.	Nevada	100%
Rio Properties, Inc.	Nevada	100%
Cinderlane, Inc.	Nevada	100%
Twain Avenue, Inc.	Nevada	100%
HLG, Inc.	Nevada	100%
Rio Development Company, Inc.	Nevada	100%
Rio Vegas Hotel Casino, Inc.	Nevada	100%
Showboat, Inc.	Nevada	100%
Ocean Showboat, Inc.	New Jersey	100%
Atlantic City Showboat, Inc.	New Jersey	100%
Showboat Development Company	Nevada	100%
Showboat Indiana, Inc.	Nevada	100%
Showboat Louisiana, Inc.	Nevada	100%
Showboat New Hampshire, Inc.	Nevada	100%
Showboat Land Company	Nevada	100%
Showboat Operating Company	Nevada	100%
Showboat Land LLC(6)	Nevada	1%
Showboat Nova Scotia Unlimited Liability Company	Nova Scotia	100%
Trigger Real Estate Corporation	Nevada	100%
Waterfront Entertainment and Development, Inc.	Indiana	100%
Players International, LLC	Nevada	100%
Players Development, Inc.	Nevada	100%
Players Holding, LLC	Nevada	100%
PCI, Inc.	Nevada	100%
Players Bluegrass Downs, Inc.	Kentucky	100%
Players LC, LLC	Nevada	100%
Harrah's Lake Charles, LLC	Louisiana	100%
Players Maryland Heights, Inc.	Missouri	100%
Players Maryland Heights Nevada, LLC	Nevada	100%
Players Riverboat, LLC	Nevada	100%

Players Riverboat Management, LLC	Nevada	100%
Players Riverboat II, LLC(7)	Louisiana	1%
Harrah's Star Partnership(8)	Louisiana	99%
Southern Illinois Riverboat/Casino Cruises, Inc.	Illinois	100%
Players Resources, Inc.	Nevada	100%
Players Services, Inc.	New Jersey	100%
Harveys Casino Resorts	Nevada	100%
Harveys BR Management Company, Inc.	Nevada	100%
Harveys C.C. Management Company, Inc.	Nevada	100%
Harveys Iowa Management Company, Inc.	Nevada	100%
Harveys L.V. Management Company, Inc.	Nevada	100%
Harveys Tahoe Management Company, Inc.	Nevada	100%
HBR Realty Company, Inc.	Nevada	100%
HCR Services Company, Inc.	Nevada	100%
Reno Projects, Inc.	Nevada	100%
WestAd	Nevada	100%
Horseshoe Gaming Holding Corp.	Delaware	100%
Casino Computer Programming, Inc.	Indiana	100%
Horseshoe GP, Inc.	Nevada	100%
Horseshoe Hammond, Inc.	Indiana	100%
Hammond Residential, LLC	Indiana	100%
Horseshoe License Company(9)	Nevada	49%
Horseshoe Shreveport, L.L.C.	Louisiana	100%
Red Oak Insurance Company Ltd.	Barbados	100%
Subsidiaries of Partnerships		
Reno Crossroads LLC(10)	Delaware	
Showboat Marina Finance Corporation(11)	Nevada	
Bossier City Land Corporation(12)	Louisiana	

(1) 54.45% Harrah's Operating Company, Inc., .55% Harrah's Maryland Heights Operating Company, 4.5% Players Maryland Heights, Inc., 40.50% Players Maryland Heights Nevada, Inc.

(2) 99% Harrah's Operating Company, Inc., 1% Harrah's Management Company

(3) Successor by merger with Harrah's North Kansas City Corporation, 100% Harrah's Operating Company, Inc.

(4) Converted from Delaware corporation to Delaware limited liability company on 6/18/04. Harrah's Operating Company Memphis, Inc. originally formed on 12/15/99.

(5) 84.3% Harrah's Shreveport Investment Company, LLC, 9.8%Harrah's Shreveport/Bossier City Holding Company, LLC,0.9% Harrah's Shreveport Management Company, LLC , 5% Harrah's New Orleans Management Company

(6) 1% Showboat Operating Company, 99% Showboat Land Holding Limited Partnership

(7) 1% Players Riverboat Management, LLC, 99% Players Riverboat, LLC

(8) 99% Players Riverboat II, LLC, 1% Players Riverboat Management, LLC

(9) 49% Horseshoe Gaming Holding Corp.; 51% Harrah's Operating Company, Inc.

(10) 100% owned by Marina Associates.

(11) 100% owned by Showboat Marina Casino Partnership

(12) 100% owned by Horseshoe Entertainment

HARRAH'S ENTERTAINMENT, INC. PARTNERSHIPS

Name and Address	Subsidiary Serving As Partner	Ownership %	Control %	Other Partner
Marina Associates Joint Venture (a NJ general partnership 777 Harrah's Blvd. Atlantic City, NJ 08401	Harrah's Atlantic City, Inc. Harrah's New Jersey, Inc.	48.65% 51.34%	48.65% 51.34%	N/A N/A
Des Plaines Development Limited Partnership 150 N. Scott Street Joliet, IL 60431	Harrah's Illinois Corporation	80%	83%	Des Plaines Development Corporation (20%)
Tunica Partners L.P. (a MS limited partnership)	Harrah's Tunica Corporation (General Partner)	83%	83%	Harrah's Vicksburg Corporation 17% (Limited Partner)
Tunica Partners II L.P.	Harrah's Tunica Corporation (General Partner)	83%	83%	Harrah's Vicksburg Corporation 17% (Limited Partner)
Tunica Golf Course LLC 1023 Cherry Road Memphis, TN 38117	Harrah's Tunica Corporation	33.33%	33.33%	HWCC-Golf Course Partners, Inc. 33.33% Boyd Tunica, Inc. 33.33%
Turfway Park, LLC	Dusty Corporation	33.33%	33.33%	Dreamport, Inc. 33.33% Keeneland Association, Inc. 33.33%
Reno Crossroads LLC 777 Harrah's Boulevard Atlantic City, NJ 08401	Marina Associates	100%	100%	
Showboat Indiana Investment Limited Partnership	Showboat Indiana, Inc. (General Partner)	1%	1%	Showboat Operating Company (99%) (Limited Partner)
Showboat Marina Casino Partnership dba Harrah's East Chicago	Showboat Marina Partnership (General Partner) Showboat Marina Investment Partnership (General Partner)	99% 1%	99% 1%	
Showboat Marina Investment Partnership	Showboat Indiana Investment Limited Partnership (General Partner)	55%	55%	Waterfront Entertainment & Development Inc. (45%) (General Partner)
Showboat Marina Partnership	Showboat Indiana Investment Limited Partnership (General Partner)	55%	55%	Waterfront Entertainment & Development Inc. (45%) (General Partner)
Showboat Land Holding Limited Partnership	Showboat Land Company (General Partner)	1%	1%	Showboat Operating Company (99%) (Limited Partner)

Metropolis, IL 1292 LP	Southern Illinois Riverboat/ Casino Cruises, Inc. (Special Limited Partner)	12.5%		API/Metropolis IL, Inc. (General Partner) Misc. Widows & Orphans (Limited Partner)
Gala Regional Developments	Harrah's Activity Limited	50%	50%	Gala Joint Activities Limited (50%)
Horseshoe Entertainment	New Gaming Capital Partnership (General Partner)	89%	89%	
	New Gaming Capital Partnership (Limited Partner)	2.92%	2.92%	
	Horseshoe Gaming Holding Corp. (Limited Partner)	8.08%	8.08%	
New Gaming Capital Partnership	Horseshoe Gaming Holding Corp. (Limited Partner)	99%	99%	
	Horseshoe GP, Inc. (General Partner)	1%	1%	
Robinson Property Group, Limited Partnership	Horseshoe Gaming Holding Corp. (Limited Partner)	99%	99%	
	Horseshoe GP, Inc.	1%	1%	

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-39840, 333-57214, 333-63856, 333-115384, 333-121774, and 333-122048 on the respective Forms S-8 and in Amendment No. 3 to Registration Statement No. 333-119836 on Form S-4 of Harrah's Entertainment, Inc. and in Amendment No. 1 to Registration Statement No. 333-115641 on Form S-3 of Caesars Entertainment, Inc. of our reports dated February 28, 2005, relating to the financial statements and financial statement schedule of Harrah's Entertainment, Inc. (which report expresses an unqualified opinion and includes an explanatory paragraph relating to Harrah's Entertainment, Inc.'s change in 2002 in its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*) and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Harrah's Entertainment, Inc. for the year ended December 31, 2004.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
February 28, 2005

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31(1)

CERTIFICATIONS

I, Gary W. Loveman, certify that:

1. I have reviewed this annual report on Form 10-K of Harrah's Entertainment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2005

By: /s/ GARY W. LOVEMAN

Gary W. Loveman
Chairman of the Board,
Chief Executive Officer and President

QuickLinks

CERTIFICATIONS

Exhibit 31(2)

I, Charles L. Atwood, certify that:

1. I have reviewed this annual report on Form 10-K of Harrah's Entertainment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2005

By: /s/ CHARLES L. ATWOOD

Charles L. Atwood
Senior Vice President and Chief Financial Officer

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 32(1)

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Harrah's Entertainment, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2005

/s/ GARY W. LOVEMAN

Gary W. Loveman
Chairman of the Board,
Chief Executive Officer and President

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

QuickLinks

Certification of Chief Executive Officer

Exhibit 32(2)

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Harrah's Entertainment, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2005

/s/ CHARLES L. ATWOOD

Charles L. Atwood
Senior Vice President and
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

QuickLinks

Certification of Chief Financial Officer

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99

Description of Governmental Regulation

General

The ownership and operation of our casino entertainment facilities are subject to pervasive regulation under the laws, rules and regulations of each of the jurisdictions in which we operate. Gaming laws are based upon declarations of public policy designed to protect gaming consumers and the viability and integrity of the gaming industry, including prevention of cheating and fraudulent practices. Gaming laws may also be designed to protect and maximize state and local revenues derived through taxation and licensing fees imposed on gaming industry participants and enhance economic development and tourism. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the gaming industry meet certain standards of character and fitness, or suitability. In addition, gaming laws require gaming industry participants to:

- Establish and maintain responsible accounting practices and procedures;
- Maintain effective controls over their financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- Maintain systems for reliable record keeping; and
- File periodic reports with gaming regulators.

Typically, state regulatory environments are established by statute and are administered by a regulatory agency or agencies with interpretive authority with respect to gaming laws and regulations and broad discretion to regulate the affairs of owners, managers, and persons with financial interests in gaming operations. Among other things, gaming authorities in the various jurisdictions in which we operate:

- Adopt rules and regulations under the implementing statutes;
- Enforce gaming laws and impose disciplinary sanctions for violations, including fines and penalties;
- Review the character and fitness of participants in gaming operations and make determinations regarding their suitability or qualification for licensure;
- Grant licenses for participation in gaming operations;
- Collect and review reports and information submitted by participants in gaming operations;
- Review and approve transactions, such as acquisitions or change-of-control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants; and
- Establish and collect fees and taxes.

Licensing and Suitability Determinations

Gaming laws require us, each of our subsidiaries engaged in gaming operations, certain of our directors, officers and employees, and in some cases, our shareholders and holders of our debt securities, to obtain licenses or findings of suitability from gaming authorities. Licenses or findings of suitability typically require a determination that the applicant qualifies or is suitable. Gaming authorities have very broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable. Criteria used in determining whether to grant a license or finding of suitability, while varying between jurisdictions, generally include consideration of factors such as:

- The financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the state and exhibits the ability to maintain adequate insurance levels;

- The quality of the applicant's casino facilities;
- The amount of revenue to be derived by the applicable state through operation of the applicant's gaming facility;
- The applicant's practices with respect to minority hiring and training; and
- The effect on competition and general impact on the community.

In evaluating individual applicants, gaming authorities consider the individual's reputation for good character and criminal history and the character of those with whom the individual associates.

Many states limit the number of licenses granted to operate gaming facilities within the state, and some states limit the number of licenses granted to any one gaming operator. Licenses under gaming laws are generally not transferable. Licenses in many of the jurisdictions in which we conduct gaming operations are granted for limited durations and require renewal from time to time. In Iowa, our ability to continue our casino operations is subject to a referendum every eight years or at any time upon petition of the voters in the county in which we operate; the most recent referendum occurred in 2002. Our New Orleans casino operates under a contract with the Louisiana gaming authorities which extends until 2014, with a ten-year renewal period. There can be no assurance that any of our licenses or our contract in New Orleans will be renewed, or with respect to our gaming operations in Iowa, that continued gambling activity will be approved in any referendum, and failure to renew any of our licenses or the New Orleans contract, or to obtain favorable results in any referendum, could have a material adverse effect on our financial condition, prospects and results of operations.

In addition to us and our direct and indirect subsidiaries engaged in gaming operations, gaming authorities may investigate any individual who has a material relationship to, or material involvement with, any of these entities to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Our officers, directors and certain key employees must file applications with the gaming authorities and may be required to be licensed, qualified or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The applicant must pay all the costs of the investigation. Changes in licensed positions must be reported to gaming authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, gaming authorities have jurisdiction to disapprove of a change in a corporate position.

If gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would have to sever all relationships with such person. In addition, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, any of our stockholders or holders of our debt securities may be required to file an application, be investigated, and qualify or have his, her or its suitability determined. Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage of our voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability. Most gaming authorities, however, allow an "institutional investor" to apply for a waiver. An "institutional investor" is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our gaming affiliates, or the taking of any other action which gaming authorities find to be inconsistent with holding our voting securities for investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by gaming authorities may be denied a license or found unsuitable, as applicable. Any stockholder found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we: (i) pay that person any dividend or interest upon our voting securities; (ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; (iii) pay remuneration in any form to that person for services rendered or otherwise; or (iv) fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Under New Jersey gaming laws, if a holder of our debt or equity securities is required to qualify, the holder may be required file an application for qualification or divest itself of the securities. If the holder files an application for qualification, it must place the securities in trust with an approved trustee, and while the application is pending, such holder may, through the approved trustee, continue to exercise all rights incident to the ownership of the securities with the exception that the security holder may only receive a return on its investment in an amount not to exceed the actual cost of the investment (as defined by New Jersey gaming laws) until the New Jersey gaming authorities find such holder qualified. In the event the New Jersey gaming authorities find there is reasonable cause to believe that the security holder may be found unqualified, all rights incident to ownership of the securities shall vest with the trustee pending a determination on such holder's qualifications; provided, however, that during the period the securities remain in trust, the security holder may petition the New Jersey gaming authorities to direct the trustee to dispose of the trust property and distribute proceeds thereof to the security holder in an amount not to exceed the lower of the actual cost of the investment or the value of the securities on the date the trust became operative. If the security holder is ultimately not found to be qualified, the trustee is required to sell the securities and to distribute the proceeds of the sale to the applicant in an amount not exceeding the lower of the actual cost of the investment or the value of the securities on the date the trust became operative (if not already sold and distributed at the direction of the security holder) and to distribute the remaining proceeds to the state. If the security holder is found qualified, the trust agreement will be terminated.

Additionally, our Certificates of Incorporation and the Certificate of Incorporation of our subsidiary, Harrah's Operating Company, Inc. contain provisions establishing the right to redeem the securities of disqualified holders if necessary to avoid any regulatory sanctions, to prevent the loss or to secure the reinstatement of any license or franchise, or if such holder is determined by any gaming regulatory agency to be unsuitable, has an application for a license or permit denied or rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed. The Certificates of Incorporation of these companies also contain provisions defining the redemption price and the rights of a disqualified security holder. In the event a security holder is disqualified, the New Jersey gaming authorities are empowered to propose any necessary action to protect the public interest, including the suspension or revocation of the licenses for the casinos we operate in New Jersey.

Many jurisdictions also require that suppliers of certain goods and services to gaming industry participants be licensed and require us to purchase and lease gaming equipment, supplies and services only from licensed suppliers.

Violations of Gaming Laws

If we or our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we and any other persons involved could be subject to substantial fines. Further, a supervisor or conservator can be appointed by gaming authorities to operate our gaming properties, or in some jurisdictions, take title to our gaming assets in the jurisdiction, and under certain circumstances, earnings generated during such appointment could be forfeited to the applicable state or states. Furthermore, violations of laws in one jurisdiction could

result in disciplinary action in other jurisdictions. As a result, violations by us of applicable gaming laws could have a material adverse effect on our financial condition, prospects and results of operations.

Reporting and Record-keeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information about us and our subsidiaries which gaming authorities may require. Under both Nevada gaming law and federal law, we are required to record and submit detailed reports of currency transactions involving greater than $10,000 at our casinos. We are required to maintain a current stock ledger which may be examined by gaming authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to gaming authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may require certificates for our stock to bear a legend indicating that the securities are subject to specified gaming laws.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by us and our subsidiaries must be reported to, or approved by, gaming authorities. Neither we nor any of our subsidiaries may make a public offering of securities without the prior approval of certain gaming authorities if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in such jurisdictions, or to retire or extend obligations incurred for such purposes. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of gaming authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

Certain state gaming laws and regulations establish that certain corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting us or our subsidiaries may be injurious to stable and productive corporate gaming, and as a result, prior approval may be required before we may make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated. Furthermore, prior approval is required for plans of recapitalization proposed by our Board of Directors in response to a tender offer made directly to our stockholders for the purposes of acquiring control of us.

Because licenses under gaming laws are generally not transferable, our ability to grant a security interest in any of our gaming assets is limited and subject to receipt of prior approval by gaming authorities. We are subject to extensive prior approval requirements relating to certain borrowings and security interests with respect to our New Orleans casino. If the holder of a security interest wishes operation of the casino to continue during and after the filing of a suit to enforce the security interest, it may request the appointment of a receiver approved by Louisiana gaming authorities, and under Louisiana gaming laws, the receiver is considered to have all our rights and obligations under our contract with Louisiana gaming authorities.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions, including the counties and cities in which our operations are conducted, in connection with our casino gaming operations, computed in various ways depending on the type of gaming or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable either daily, monthly, quarterly or annually. License fees and taxes and are based upon such factors as:

- a percentage of the gross revenues received;

- the number of gaming devices and table games operated;
- franchise fees for riverboat casinos operating on certain waterways;
- admission fees for customers boarding our riverboat casinos;

In many jurisdictions, gaming tax rates are graduated such that they increase as gross revenues increase. Furthermore, tax rates are subject to change, sometimes with little notice, and we have recently experienced tax rate increases in a number of jurisdictions in which we operate. A live entertainment tax is also paid in certain jurisdictions by casino operations where entertainment is furnished in connection with the selling or serving of food or refreshments or the selling of merchandise.

Operational Requirements

In many jurisdictions, we are subject to certain requirements and restrictions on how we must conduct our gaming operations. In many states, we are required to give preference to local suppliers and include minority-owned businesses in construction projects to the maximum extent practicable. Some of our operations are subject to restrictions on the number of gaming positions we may have, the minimum or maximum wagers allowed by our customers, and the maximum loss a customer may incur within specified time periods.

Our land-based casino in New Orleans operates under a contract with the Louisiana Gaming Control Board and the Louisiana Economic Development and Gaming Act and related regulations. Under this authority, our New Orleans casino is subject to not only many of the foregoing operational requirements, but also to restrictions on our food and beverage operations, including with respect to the size, location and marketing of eating establishments at our casino entertainment facility. Furthermore, with respect to any hotel we may own, construct or lease that is physically connected to our New Orleans casino, we are subject to restrictions on the number of rooms within the hotel, the amount of meeting space within the hotel and the rates we may charge for rooms.

In Mississippi, we are required to include a 500 car parking facility in close proximity to the casino complex and infrastructure facilities that will amount to at least twenty five percent of the casino cost. This requirement was increased for any new casinos in Mississippi.

To comply with requirements of Iowa gaming laws, we have entered agreements with Iowa West Racing Association, a non-profit organization, or IWRA. We maintain a joint license with IWRA to operate our Council Bluffs casino, an excursion gambling boat. At our Bluffs Run greyhound racetrack, IWRA holds the pari-mutuel license to operate the dog track and the gaming racetrack enclosure license to operate the slot machine casino all at Bluffs Run Casino.

Indian Gaming

The terms and conditions of management contracts and the operation of casinos and all gaming on Indian land in the United States are subject to the Indian Gaming Regulatory Act of 1988, or IGRA, which is administered by the National Indian Gaming Commission, or NIGC, the gaming regulatory agencies of tribal governments, and Class III gaming compacts between the tribes for which we manage casinos and the states in which those casinos are located. IGRA established three separate classes of tribal gaming—Class I, Class II and Class III. Class I includes all traditional or social games solely for prizes of minimal value played by a tribe in connection with celebrations or ceremonies. Class II gaming includes games such as bingo, pulltabs, punchboards, instant bingo and non-banked card games (those that are not played against the house), such as poker. Class III gaming includes casino-style gaming such as banked table games like blackjack, craps and roulette, and gaming machines such as slots and video poker, as well as lotteries and pari-mutuel wagering. Harrah's Ak-Chin Phoenix, Prairie Band, and Rincon provide Class II gaming and, as limited by the tribal-state compact, Class III gaming. The Eastern Band Cherokee Casino currently provides only Class III gaming.

IGRA prohibits all forms of Class III gaming unless the tribe has entered into a written agreement or compact with the state that specifically authorizes the types of Class III gaming the tribe may offer. These compacts provide, among other things, the manner and extent to which each state will conduct background investigations and certify the suitability of the manager, its officers, directors, and key employees to conduct gaming on tribal lands. The Company has received its permanent certification from the Arizona Department of Gaming as management contractor for the Ak-Chin Indian Community's casino and has been licensed by the relevant tribal gaming authorities to manage the Ak-Chin Indian Community's casino, the Prairie Band Potawatomi Nation's casino, the Eastern Band of Cherokee Indians' casino and the Rincon San Luiseno Band of Mission Indians, respectively.

IGRA requires NIGC approval of management contracts for Class II and Class III gaming as well as the review of all agreements collateral to the management contracts. Management contracts which are not so approved are void. The NIGC will not approve a management contract if a director or a 10% shareholder of the management company: (i) is an elected member of the Indian tribal government which owns the facility purchasing or leasing the games; (ii) has been or is convicted of a felony gaming offense; (iii) has knowingly and willfully provided materially false information to the NIGC or the tribe; (iv) has refused to respond to questions from the NIGC; or (v) is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable activities in gaming or the business and financial arrangements incidental thereto. In addition, the NIGC will not approve a management contract if the management company or any of its agents have attempted to unduly influence any decision or process of tribal government relating to gaming, or if the management company has materially breached the terms of the management contract or the tribe's gaming ordinance, or a trustee, exercising due diligence, would not approve such management contract. A management contract can be approved only after NIGC determines that the contract provides, among other things, for: (i) adequate accounting procedures and verifiable financial reports, which must be furnished to the tribe; (ii) tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross revenues and income; (iii) minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs; (iv) a ceiling on the repayment of such development and construction costs and (v) a contract term not exceeding five years and a management fee not exceeding 30% of net revenues (as determined by the NIGC); provided that the NIGC may approve up to a seven year term and a management fee not to exceed 40% of net revenues if NIGC is satisfied that the capital investment required, and the income projections for the particular gaming activity require the larger fee and longer term.

Management contracts can be modified or cancelled pursuant to an enforcement action taken by the NIGC based on a violation of the law or an issue affecting suitability.

Indian tribes are sovereign with their own governmental systems, which have primary regulatory authority over gaming on land within the tribes' jurisdiction. Therefore, persons engaged in gaming activities, including the Company, are subject to the provisions of tribal ordinances and regulations on gaming. These ordinances are subject to review by the NIGC under certain standards established by IGRA. The NIGC may determine that some or all of the ordinances require amendment, and that additional requirements, including additional licensing requirements, may be imposed on us. The possession of valid licenses from the Ak-Chin Indian Community, the Eastern Band of Cherokee Indians, the Prairie Band Potawatomi Nation, and the Rincon San Luiseno Band of Mission Indians, are ongoing conditions of our agreements with these tribes.

Riverboat Casinos

In addition to all other regulations applicable to the gaming industry generally, some of our riverboat casinos are also subject to regulations applicable to vessels operating on navigable waterways, including regulations of the U.S. Coast Guard. These requirements set limits on the operation of the vessel, mandate that it must be operated by a minimum complement of licensed personnel, establish periodic inspections, including the physical inspection of the outside hull, and establish other mechanical and operations rules. In addition, the U.S. Coast Guard is considering regulations designed

to increase homeland security, which, if passed, could affect some of our riverboat properties and require significant expenditures to bring such properties into compliance.

Racetracks

We operate slot machines at a greyhound racetrack in Council Bluffs, Iowa and thoroughbred racetrack in Bossier City, Louisiana. Generally, our slot operations at racetracks are regulated in the same manner as our other gaming operations in those jurisdictions except that we presently may not engage in gaming activity other than slots at the tracks and we are planning to add table games at Bluffs Run as part of the new Horseshoe facility scheduled to open in early 2006. In addition, regulations governing racetracks are typically administered separately from our other gaming operations, with separate licenses and license fee structures. For example, racing regulations may limit the number of days on which races may be held.

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