

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

X FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995

OR

/ / FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NO. 1-10410
HARRAH'S ENTERTAINMENT, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

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

1023 CHERRY ROAD
MEMPHIS, TENNESSEE 38117
(Address of principal executive offices) (zip code)
REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (901) 762-8600

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Capital Stock, Par Value \$0.10 per share*	NEW YORK STOCK EXCHANGE CHICAGO STOCK EXCHANGE PACIFIC STOCK EXCHANGE PHILADELPHIA STOCK EXCHANGE
10 7/8% Senior Subordinated Notes due 2002 of Harrah's Operating Company, Inc.**	NEW YORK STOCK EXCHANGE

* Common Capital Stock also has special stock purchase rights listed on each of the same exchanges

** Securities guaranteed by Registrant

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 X No / /

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. X

The aggregate market value of the voting stock held by non-affiliates of the registrant based upon the closing price of \$27.50 for the Common Stock as reported on the New York Stock Exchange Composite Tape on January 31, 1996, is \$2,760,655,067.50.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of January 31, 1996.

Common Stock..... 102,770,552 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 1996 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 and portions of the Company's Annual Report to Stockholders for the year ended December 31, 1995 are incorporated by reference into Parts I and II hereof.

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

Harrah's Entertainment, Inc. (referred to herein, together with its subsidiaries where the context requires, as the "Company" or "Harrah's") is one of the leading casino entertainment companies in the United States. It currently operates casino entertainment facilities in fourteen different markets.

Harrah's, formerly named The Promus Companies Incorporated ("Promus"), was incorporated on November 2, 1989 under Delaware law. On June 30, 1995, Promus transferred its hotel business to a new entity, Promus Hotel Corporation ("PHC"), and spun-off PHC as a separate public corporation which is not affiliated with the Company. Promus retained ownership of its casino entertainment business and changed its name to Harrah's Entertainment, Inc.

Harrah's conducts its business through its wholly-owned subsidiary, Harrah's Operating Company, Inc. ("HOC") (formerly named Embassy Suites, Inc. ("Embassy")), and through HOC's subsidiaries. The principal asset of Harrah's is the stock of HOC, which holds, directly or indirectly through subsidiaries, substantially all of the assets of the Company's businesses. The principal executive offices of Harrah's are located at 1023 Cherry Road, Memphis, Tennessee 38117, telephone (901) 762-8600.

Operating data for the three most recent fiscal years, together with corporate expense, interest expense and other income, is set forth on page 35 of the Annual Report. Information regarding mortgages on properties of the Company is set forth on pages 40 through 42 of the Annual Report. The preceding pages of the Annual Report are incorporated herein by reference.

For information on operating results and a discussion of those results, see "Management's Discussion and Analysis--Results of Operations" on pages 25 through 28 of the Annual Report, which pages are incorporated herein by reference.

CASINO ENTERTAINMENT

GENERAL

Harrah's casino business commenced operations more than 58 years ago and is unique among casino entertainment companies in its broad geographic diversification. Harrah's operates casino hotels in the five traditional U.S. gaming markets of Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada and Atlantic City, New Jersey. It also operates riverboat casinos in Joliet, Illinois; dockside casinos in Vicksburg and Tunica, Mississippi, Shreveport, Louisiana and North Kansas City, Missouri; limited stakes casinos in Central City and Black Hawk, Colorado; and casinos on two Indian reservations, one near Phoenix, Arizona and the other north of Seattle, Washington. On February 2, 1996, the Company commenced operations of a land-based casino in Auckland, New Zealand.

As of December 31, 1995, Harrah's operated a total of approximately 547,200 square feet of casino space, 15,335 slot machines, 801 table games, 5,736 hotel rooms or suites, approximately 79,100 square feet of convention space, 56 restaurants, 5 showrooms and 4 cabarets. Harrah's marketing strategy is designed to appeal primarily to the broad middle-market gaming customer segment. Harrah's strategic direction is focused on establishing a well-defined brand identity that communicates a consistent message of high quality and excellent service.

LAND BASED CASINOS

ATLANTIC CITY

The Harrah's Atlantic City casino hotel ("Harrah's Atlantic City") is situated on 21.4 acres in the Marina area of Atlantic City and has approximately 65,500 square feet of casino space with 2,012 slot

machines and 89 table games. It consists of dual 16-story hotel towers with 268 suites and 492 regular rooms and adjoining low rise buildings which house the casino space and the 26,100 square foot convention center. The facilities include eight restaurants, an 850-seat showroom, a pool, health club, teen center with video games, child care facilities and parking for 2,341 cars. The property also has a 76-slip marina.

In August 1995, the Company announced a major expansion of the property, with project costs estimated at \$80.7 million. The expansion plans include increasing the casino space by approximately 13,500 square feet, construction of a new 416-room, 16-story hotel tower, increased parking and enhancement of the facility's restaurant offerings. Construction on the casino expansion commenced in October 1995, with completion expected in July 1996. Hotel tower construction is expected to begin in April 1996 with a targeted completion in July 1997.

In June 1995, the Company acquired approximately 8.45 acres of land adjacent to Harrah's Atlantic City along with 170 acres of wetlands in the Marina area of Atlantic City and received cash in exchange for approximately 4.5 acres of undeveloped property on Atlantic City's Boardwalk.

Most of the casino's customers arrive by car from within a 150-mile radius which includes Philadelphia, New York and northern New Jersey, Harrah's Atlantic City's primary feeder markets.

LAS VEGAS

Harrah's Las Vegas is located on approximately 17.8 acres of the Strip in Las Vegas and consists of a 15-floor hotel tower, a 23-floor hotel tower, a 35-story hotel tower, and adjacent low-rise buildings which house the 15,000 square foot convention center and the casino. The hotel has 1,641 regular rooms and 56 suites. The Harrah's Las Vegas complex has approximately 73,800 square feet of casino space, with 1,769 slot machines and 87 table games. Also included are five restaurants, the 525-seat Commander's Theatre, a health club and a heated pool. There are 2,863 parking spaces available, including a substantial portion in a self-park garage.

In August 1995, the Company announced plans for a \$150 million expansion of Harrah's Las Vegas, including a new 35-story hotel tower, with 660 standard rooms and 28 suites, 17,000 square feet of additional casino space and new restaurant facilities, as well as a renovation of the facade of the casino located on the Las Vegas Strip. Construction is expected to begin in first quarter 1996, with completion of the casino expansion expected in September 1996 and the hotel tower completion targeted for October 1997.

The casino's primary feeder markets are the Midwest, California and Canada.

LAKE TAHOE

Harrah's Lake Tahoe is situated on 22.9 acres near Lake Tahoe and consists of an 18-story tower and adjoining low-rise building which house a 16,500 square foot convention center and approximately 63,200 square feet of casino space, with 1,872 slot machines and 126 table games. The casino hotel, with 79 suites and 453 luxury rooms, has nine restaurants, the 800-seat South Shore Showroom, a health club, retail shops, a heated pool and an arcade. The facility has customer parking for 854 cars in a garage and 1,098 additional spaces in an adjoining lot.

Harrah's also operates Bill's Lake Tahoe Casino which is located on a 2.1 acre site adjacent to Harrah's Lake Tahoe casino hotel. The casino includes approximately 18,000 square feet of casino space, with 653 slot machines and 29 table games and two casual on-premise restaurants, Bennigan's and McDonald's, operated by non-affiliated restaurant companies.

The primary feeder markets for both casinos are California and the Pacific Northwest.

RENO

Harrah's Reno, situated on approximately 3.7 acres, consists of a casino hotel complex with a 24-story structure, a 14,500 square foot convention center and 58,300 square feet of casino space, with 1,599 slot machines and 75 table games. The hotel, with eight suites and 557 rooms, has seven restaurants, including a Planet Hollywood restaurant and lounge operated by a non-affiliated company, the 420-seat Sammy's Showroom, a pool, a health club and an arcade. The complex can accommodate guest parking for 1,739 cars, including a valet parking garage, a self-park garage and off-site valet parking.

In October 1995, the Company opened a new 408-room 26-story Hampton Inn hotel adjacent to Harrah's Reno. The hotel, which is operated by Harrah's pursuant to a license agreement from Promus Hotels, Inc. (a subsidiary of PHC), provides an additional supply of high-quality, moderately-priced guest rooms.

The primary feeder markets for Harrah's Reno are northern California, the Pacific Northwest and Canada.

LAUGHLIN

Harrah's Laughlin is located in Laughlin, Nevada on a 44.9 acre site in a natural cove on the Colorado River and features a hotel with 1,635 standard rooms and 22 suites, a 90-seat cabaret and seven restaurants, including a McDonald's and a Baskin Robbins which are operated by non-affiliated companies. It is the only property in Laughlin with a developed beachfront on the river. Harrah's Laughlin has approximately 47,000 square feet of casino space, with 1,396 slot machines and 44 table games, and approximately 7,000 square feet of convention center space. The facility has customer parking for 2,789 cars, including a covered parking garage, and a park for recreational vehicles.

The casino's primary feeder markets are the Los Angeles and Phoenix metropolitan areas where a combined total of more than 17 million people reside.

CENTRAL CITY AND BLACK HAWK

The Company owns an approximate 21.7 percent interest in Eagle Gaming, L.P. and its related entities ("Eagle"). Eagle owns casinos in Central City and Black Hawk, Colorado that Harrah's manages for a fee. Both of the casinos are approximately 45 minutes from downtown Denver.

Harrah's Central City is located in four historic buildings decorated in authentic 1800's Victorian furnishings. The casino, with approximately 8,000 square feet of casino space, 465 slot machines and 9 table games, features the 100 year old Glory Hole Bar and the Gilded Garter Cabaret, with live entertainment, two restaurants and a gift shop.

Harrah's Black Hawk is located in the historic mining town of Black Hawk and is on three levels in buildings decorated in Victorian design reminiscent of the gold rush days in the late 1800's. At year end, the casino had approximately 18,100 square feet of casino space, 659 slot machines, 14 table games, a restaurant and a gift shop.

In July 1995, Eagle purchased the Blazing Saddles Casino adjacent to Harrah's Black Hawk and the remaining 50% interest in a remote parking lot. The acquisition added approximately 2,000 square feet of casino space to Harrah's Black Hawk. Eagle is constructing a valet parking staging area behind its Black Hawk facility.

Both of these casinos offer limited stakes gaming pursuant to Colorado law. Complimentary shuttle service is available between Harrah's Black Hawk and Harrah's Central City, a distance of approximately one mile. The primary feeder market for both casinos is the Denver/Boulder metropolitan area.

The Company has guaranteed repayment of \$5 million of partnership bank financing in connection with the Black Hawk and Central City facilities. The Company has also committed to loan additional funds to Eagle in the approximate amount of \$2.1 million, to be funded on an as needed basis. Approximately \$900,000 of this commitment has been funded during 1996. The Company has fully reserved its investments in Eagle except for the guarantee and commitments described above.

NEW ZEALAND

Harrah's Sky City, a casino entertainment facility in Auckland, New Zealand, opened in February 1996, with approximately 45,000 square feet of casino space, 1,042 slot machines and 97 table games. The facility also features four restaurants, several lounges, retail shopping outlets and underground garage visitor parking for 1,950 cars as well as additional surface parking. Scheduled to open later in 1996 will be a 344-room hotel, a 770-seat theater and conference and meeting rooms. A special attraction of the facility is a 1,076-foot Sky Tower, which is scheduled to open by mid-1997.

The project is owned and being developed by a New Zealand corporation in which Harrah's ownership is 12.5%. Harrah's manages the facility for a fee under a long-term management contract. Construction of the US\$340 million facility was funded through a combination of equity contributions and non-recourse debt. The Company's investment in the partnership is approximately US\$17 million.

NEW ORLEANS

Harrah's New Orleans Investment Company, an indirect wholly-owned subsidiary of the Company ("Harrah's Investment"), is the owner of an approximate 47% interest in a partnership named Harrah's Jazz Company ("Harrah's Jazz"). The other partners are Grand Palais Casino, Inc. and New Orleans/Louisiana Development Corporation ("NOLDC").

On November 22, 1995, Harrah's Jazz and its wholly-owned subsidiary, Harrah's Jazz Finance Corp., filed for reorganization under Chapter 11 of the Bankruptcy Code. Prior to the filing, Harrah's Jazz was operating a temporary casino in the New Orleans, Louisiana Municipal Auditorium (the "Temporary Casino") and constructing a new permanent casino facility on the site of the former Rivergate Convention Center in downtown New Orleans (the "Permanent Casino"). Harrah's Jazz ceased operation of the Temporary Casino and construction of the Permanent Casino on November 22, 1995 prior to the bankruptcy filings.

On November 19, 1995, representatives of the Harrah's Jazz bank syndicate informed Harrah's Jazz that the bank syndicate would not disburse funds to Harrah's Jazz under the terms of Harrah's Jazz's \$175 million bank credit facility (the "Bank Credit Facility"). Faced with an absence of funding, on November 21, 1995, Harrah's Jazz decided to cease Temporary Casino operations and construction on the Permanent Casino, as well as to file for bankruptcy protection. The Bank Credit Facility was accelerated and terminated by the bank lenders on November 21, 1995. Thereafter, on November 22, 1995, the bankruptcy filings were made.

In connection with the closing in November 1994 of the 14.25% First Mortgage Notes due 2001 of Harrah's Jazz (the "Public Debt") and the Bank Credit Facility, the Company delivered completion guaranties to the trustee under the Public Debt (under which the City of New Orleans (the "City") was an express third party beneficiary), the bank lenders under the Bank Credit Facility and the Louisiana Economic Development and Gaming Corporation (the state agency regulating Harrah's Jazz ("LEDGC")). Each completion guaranty was subject to certain conditions, exceptions and qualifications. The Company believes that the failure of Harrah's Jazz to obtain the funds under the Bank Credit Facility and the acceleration of the loan by the bank syndicate terminated the Company's obligations under the completion guaranties.

Harrah's Investment made total capital contributions to the project of approximately \$90 million, and Harrah's New Orleans Management Company has outstanding advances to the project of approximately \$25 million. In addition, in December 1995, the Company acquired from a commercial bank a \$16 million loan to NOLDC in satisfaction of the Company's obligations under a preexisting agreement with the bank. The Company has written off these investments and other related costs in the project.

Harrah's Investment currently owns approximately 47% of the general partnership interests of Harrah's Jazz. The debt of Harrah's Jazz is not consolidated with the Company's financial statements for accounting purposes.

Harrah's Jazz has until March 21, 1996, which date may be extended by the Bankruptcy Court, the exclusive right under the bankruptcy laws to submit a plan of reorganization. Discussions concerning the reorganization plan have occurred among certain interested parties, but a number of issues remain to be resolved and there can be no assurance that such discussions will lead to an agreement among all necessary parties.

The Company has offered to invest an additional \$75 million in the project and deliver a new completion guaranty if a reorganization plan approved by the Company is consummated. The Company has also offered to invest, prior to plan consummation, up to \$10 million in the form of debtor-in-possession financing (such financing would be repaid or converted into equity (and count toward the \$75 million investment referred to above) upon consummation of a reorganization plan approved by the Company) if the Company and other interested parties reach an agreement in principle as to the key elements of the plan. There can be no assurance that any agreements will be reached or a reorganization plan consummated.

On March 4, 1996, Harrah's Jazz entered into a preliminary agreement with the City which provides for, among other things, an immediate \$4.3 million cash payment by Harrah's Jazz to the City, of which \$2.5 million is being funded by the Company as debtor-in-possession financing and the balance is being funded from Harrah's Jazz's assets. Although the \$2.5 million loan is an administrative priority claim in the bankruptcy, there can be no assurance that the loan will be repaid. In exchange for these agreements by Harrah's Jazz, the City agreed to waive any requirements to reopen the Temporary Casino and negotiate in good faith numerous specified issues relating to the lease of the Permanent Casino site.

In December 1995 Harrah's Investment filed a voluntary bankruptcy petition under Chapter 11 of the Bankruptcy Code. The filing was made to facilitate efforts to reorganize Harrah's Jazz.

See "Legal Proceedings" herein for a discussion of legal actions filed in connection with the New Orleans project. See "Management's Discussion and Analysis--Harrah's Jazz Company" on pages 28 and 29 of the Annual Report for further information regarding New Orleans.

RIVERBOAT CASINOS

JOLIET

Harrah's Joliet, the Company's first riverboat casino operation, is located in downtown Joliet, Illinois, on the Des Plaines River. The facilities include two riverboats. The Harrah's Northern Star, a modern 210-foot mega-yacht, has 17,000 square feet of casino space with 30 table games and 477 slot machines. This riverboat, which has three levels, has the capacity to accommodate approximately 825 guests per cruise. It offers six cruises per day. The second riverboat casino, the newly renovated Southern Star II (formerly the Shreveport Rose), which replaced the Harrah's Southern Star vessel in November 1995, is a 210-foot long riverboat and contains approximately 20,200 square feet of casino space. The riverboat features 495 slot machines, 28 table games, and can accommodate up to 825 guests per cruise. It offers eight cruises per day. With both riverboats in operation on a typical weekday, Harrah's can serve 11,550 customers based on a combined total of 14 excursions. Dockside facilities

include a 35,000 square foot pavilion with a buffet restaurant, one lounge and a retail shop. Parking is available for 1,071 cars, including a 4-story parking garage with 580 spaces. In September 1995, the Company commenced construction of an expansion of and improvements to the shoreside pavilion at Harrah's Joliet involving an approximate cost of \$8 million. The expansion, which is expected to be completed in second quarter 1996, will increase the pavilion by approximately 4,400 square feet, and will include new meeting room facilities, enhanced restaurant facilities and improvements to the public area.

A partnership, in which an indirect subsidiary of the Company is the 80 percent general partner, developed and owns the dockside facilities, the Harrah's Northern Star and the Southern Star II vessels, and the riverboat businesses. The businesses are operated by Harrah's for a fee under a long-term management contract.

The Chicago metropolitan area is the primary feeder market for Harrah's Joliet, with Joliet being only 30 miles from downtown Chicago.

TUNICA

Harrah's Tunica is a dockside riverboat casino located in Tunica, Mississippi, approximately 30 miles south of downtown Memphis, Tennessee. The stationary riverboat, with a classic antebellum design, has 27,000 square feet of casino space on two levels, with 992 slot machines, 34 table games and an entertainment lounge. On the third level there is approximately 3,000 square feet for conventions, meetings and special events. Adjacent to the riverboat casino is a 30,000 square foot pavilion that houses two restaurants, employee facilities and executive offices. On-site parking is available for 1,336 cars with valet parking available.

A partnership, of which the Company is the 83% general partner, owns the constructed facilities and the casino business. The underlying land, including adjoining land used for a private access road and a sewage treatment facility, is under long term lease to the partnership with options to purchase. The riverboat casino business is operated by Harrah's for a fee under a long-term management contract.

The primary feeder market for Harrah's Tunica is the Memphis metropolitan area.

In July 1995, a partnership, of which the Company is the 83% general partner, acquired at bankruptcy auction the leasehold and improvements constituting the former Southern Belle casino entertainment property located near the existing Harrah's casino in Tunica County, Mississippi. The Southern Belle is currently under renovation, including the addition of a hotel with approximately 200 rooms. The renovated facility, to be called Harrah's Tunica Mardi Gras Casino, is expected to be completed during second quarter 1996 and will feature approximately 50,000 square feet of casino space, with 1,189 slot machines and 56 table games, three food outlets, a child care facility, retail shop, a 15,400 square foot entertainment/ballroom area and customer parking for 2,712 cars. The total project cost for the Harrah's Tunica Mardi Gras Casino, including the cost of acquisition, is estimated at \$87.2 million. Under current plans, the Company's existing Harrah's Tunica facility is expected to remain open after the opening of the second facility. The opening of the second facility is subject to receipt of necessary regulatory approvals.

VICKSBURG

Harrah's Vicksburg is the Company's dockside casino entertainment complex in Vicksburg, Mississippi. The complex, which is located in downtown Vicksburg on the Yazoo Diversion Canal of the Mississippi River, includes a 297-foot long stationary riverboat casino designed in the spirit of a traditional 1800's riverboat with approximately 11,800 square feet of casino space, 574 slot machines and 40 table games. The casino is docked next to the Company's shoreside entertainment complex which features a buffet, a restaurant/lounge, a child care facility, a retail outlet and meeting rooms/convention area. Adjacent to the riverboat is a 117-room Harrah's hotel owned and operated by

the Company and two covered parking garages are across the street with combined parking for 839 cars. The Company owns the riverboat and holds long-term rights to all real property pertaining to the project.

The casino's primary feeder markets are western and central Mississippi and eastern Louisiana.

SHREVEPORT

Harrah's Shreveport is the Company's dockside riverboat casino in downtown Shreveport, Louisiana. In February 1995, the Company replaced its initial riverboat in Shreveport with a 254-foot long 19th-century design paddlewheeler riverboat. The new riverboat, the ShreveStar, has 30,000 square feet of gaming space with 928 slot machines and 49 table games. A 42,000 square foot pavilion adjoins the casino on the banks of the Red River and includes a 4,100 square foot area for private parties and group functions and three restaurants.

The casino and related facilities were developed by a partnership in which an indirect subsidiary of the Company is the 99% general partner. In February 1996, a separate indirect subsidiary of the Company acquired the remaining one percent interest in the partnership not owned by the Company and accordingly, the Company now owns 100% of this casino and related facilities.

The primary feeder markets for the casino are northeastern Louisiana and east Texas, including the Dallas/Fort Worth metropolitan area.

NORTH KANSAS CITY

The Company owns and operates a riverboat casino in North Kansas City, Missouri. The facilities include a 295-foot long classic sternwheeler designed stationary riverboat with approximately 31,600 square feet of casino space, with 969 slot machines and 80 table games. Shoreside facilities include a 53,100 square foot pavilion that houses three restaurants, a meeting room, employee facilities and administrative offices. On-site parking is available for 1,800 cars.

In June 1995, the Company announced a \$78 million expansion of Harrah's North Kansas City, to include a second riverboat casino with approximately 30,000 square feet of casino space, 45 table games and 879 slot machines. Also included in the expansion is a 200 room hotel, a 30,500 square feet addition to the shoreside pavilion, enhanced restaurant facilities and additional parking areas, including a three-story 1,060-space parking garage. Construction of the expansion commenced in fourth quarter 1995, with completion expected in stages as follows: the parking garage in March 1996, the second riverboat casino in June 1996, the pavillion addition and enhanced restaurant facilities in October 1996 and the hotel in December 1996. The opening of the second riverboat is subject to receipt of all necessary regulatory approvals.

The casino's primary feeder market is the Kansas City metropolitan area.

UNDER DEVELOPMENT

ST. LOUIS-RIVERPORT

The Company is currently constructing a riverboat casino project along the Missouri River in Maryland Heights, Missouri, in northwest St. Louis County, 16 miles from downtown St. Louis, with Players International, Inc. ("Players"). The partnership formed by Harrah's and Players will lease space to both Harrah's and Players in which to operate their separately branded casinos and specialty restaurants. Each company will operate two riverboat casinos. Each of the Company's riverboats will include approximately 30,000 square feet of gaming space.

A 330,000 square foot shoreside pavilion will include a buffet restaurant, lounge, retail space and conference facilities. Also included in the shoreside facilities will be a 7-story 291-room Harrah's hotel, a 1,500-car parking garage and surface parking for 3,600 cars. Harrah's will manage the shoreside pavilion, hotel and parking areas for a fee.

Approximately 74 acres of land being used for the development is owned by the Company and leased to the partnership. Approximately 140 acres of additional land to be used for the development was purchased by the partnership.

The total estimated investment by the Company will be \$166 million. Construction on the project commenced in October 1995, with completion targeted for first quarter 1997. Opening of the project is subject to various regulatory and other necessary approvals.

INDIAN GAMING

AK-CHIN

Harrah's Phoenix Ak-Chin casino is owned by the Ak-Chin Indian Community and is located on the Community's reservation, approximately 25 miles south of Phoenix, Arizona. The casino includes 32,000 square feet of casino space with 475 slot machines, 23 poker tables, bingo, keno, a restaurant, an entertainment lounge, meeting rooms and a retail shop. The complex has customer parking for approximately 1,000 cars and has valet parking available. Harrah's manages the casino for a fee under a management contract that has a five year term, expiring in December 1999. Renewal of the contract would require mutual agreement between Harrah's and the Ak-Chin Community and approval by the NIGC.

The Company has guaranteed repayment of a bank loan, the proceeds of which were used to construct the Ak-Chin facility, and Sodak Gaming, Inc. ("Sodak") has provided a guarantee to Harrah's for one-half of this financing. Approximately \$13.2 million of the loan was outstanding as of December 31, 1995.

The primary feeder markets for the casino are Phoenix and Tucson.

UPPER SKAGIT

Harrah's Skagit Valley casino opened in December 1995 and is located on the Upper Skagit Indian Reservation, approximately 70 miles north of Seattle, Washington. The casino includes 26,000 square feet of casino space with an 800-seat bingo parlor which also serves as a showroom, 44 gaming tables, poker, keno and pull tabs. Non-gaming amenities include nightly live entertainment, two restaurants as well as an arcade and gift shop. The complex has customer parking for approximately 1,000 cars. Harrah's manages the casino for a fee under a management contract that has a five year term, expiring in December 2000. Renewal of the contract would require mutual agreement between Harrah's and the Upper Skagit Indian Tribe and approval by the NIGC.

The Company has guaranteed the Tribe's repayment of a bank loan of \$22.8 million, the proceeds of which were used to construct the Upper Skagit facility. At year end 1995, \$18.7 million of the loan had been drawn and was outstanding.

The primary feeder markets for the casino are northwestern Washington state and southwestern Canada, including the Seattle and Bellingham, Washington and Vancouver, British Columbia metropolitan areas.

SODAK GAMING, INC.

The Company owns a 14.1% ownership interest in Sodak. Sodak is a leading distributor of electronic gaming machines and gaming-related products and systems. Under terms of an agreement with International Game Technology ("IGT") expiring in May 1998, Sodak is the exclusive distributor for IGT of its gaming equipment in the states of North Dakota, South Dakota and Wyoming, and on

Native American Reservations in the United States (except Nevada, New Jersey and Hawaii). This distribution agreement continues from year to year after May 1998, until it is cancelled. Sodak also has an international distributorship agreement with IGT for gaming equipment.

In addition, Sodak has also entered the business of financing, developing and managing Native American and commercial casino businesses in the United States and abroad.

PROPOSED DEVELOPMENTS

The Company has entered into preliminary management and development agreements with certain other Indian communities in connection with the proposed development of casino entertainment facilities on lands owned by the respective tribes. These agreements are subject to various conditions including approval by the NIGC. Development of the casino facilities, which would be managed by the Company for a fee, will not commence until NIGC approval and other required approvals are received. The Company expects the proposed projects will be financed by bank loans that would be guaranteed by the Company.

OTHER

In addition to the above, the Company is actively pursuing numerous casino entertainment opportunities in various jurisdictions both domestically and abroad, including land-based, riverboat casino and Indian gaming projects in the United States. A number of these projects, if they go forward, would require significant capital investments by the Company.

TRADEMARKS

The following trademarks used herein are owned by the Company: Harrah's(R); Bill's(R); Harrah's Northern Star(sm); Harrah's Southern Star(sm); Harrah's Southern Star II(sm); ShreveStar(sm); Southern Belle(sm); Harrah's Tunica Mardi Gras Casino(sm); and Harrah's Jazz Company(sm). The name "Harrah's" is registered as a service mark in the United States and in certain foreign countries, including New Zealand. The Company considers all of these marks, and the associated name recognition, to be valuable to its business.

COMPETITION

Harrah's, which operates land-based, dockside, riverboat, Indian and limited stakes casino facilities in all of the traditional, and many of the new, U.S. casino entertainment jurisdictions, as well as a land based casino in New Zealand, competes with numerous casinos and casino hotels of varying quality and size in the market areas where its properties are located, with other resorts and vacation areas, and with various other casino entertainment businesses. The casino entertainment business is characterized by competitors which vary considerably by their size, number of operations, growth strategies and geographic diversity. In certain areas such as Las Vegas, Harrah's competes with a wide range of casinos, some of which are significantly larger and newer and offer substantially more non-gaming activities to attract customers.

In most markets, Harrah's competes directly with other casino facilities operating in the immediate and surrounding market areas. In major casino destinations, such as Las Vegas and Atlantic City, Harrah's faces competition from other markets in addition to direct competition in its market areas.

Harrah's believes it is well positioned to take advantage of any new jurisdictions which allow casino gaming, the trend of positive consumer acceptance of casino gaming as an entertainment activity, and

increased visitation to casino facilities. However, the expansion of casino entertainment presents competitive issues for Harrah's and as casino entertainment properties increase, competition within markets and among different markets could intensify. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Effects of Current Economic and Political Conditions" on pages 32 and 33 of the Annual Report, which pages are incorporated herein by reference.

GOVERNMENTAL REGULATION

GAMING-NEVADA

The ownership and operation of casino gaming facilities in Nevada are subject to: (i) the Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, "Nevada Act"); and (ii) various local ordinances and regulations. Harrah's gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission ("Nevada Commission"), the Nevada State Gaming Control Board ("Nevada Board"), the Clark County Liquor and Gaming Licensing Board ("CCLGLB"), the City of Reno ("Reno"), and the Douglas County Sheriff's Department ("Douglas"). The Nevada Commission, the Nevada State Gaming Control Board, the CCLGLB, Reno, and Douglas are collectively referred to as the "Nevada Gaming Authorities."

The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy which are concerned with, among other things: (i) the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity; (ii) the establishment and maintenance of responsible accounting practices and procedures; (iii) the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities; (iv) the prevention of cheating and fraudulent practices; and (v) providing a source of state and local revenues through taxation and licensing fees. Changes in such laws, regulations and procedures could have an adverse effect on Harrah's Nevada gaming operations.

Harrah's Operating Company, Inc. ("HOC"), a direct subsidiary of Harrah's, and Harrah's Las Vegas, Inc. and Harrah's Laughlin, Inc., each an indirect subsidiary of Harrah's (hereinafter collectively referred to as the "Gaming Subsidiaries"), are required to be licensed by the Nevada Gaming Authorities to enable Harrah's to operate casinos at Harrah's Lake Tahoe, Bill's Lake Tahoe Casino, Harrah's Reno, Harrah's Las Vegas, and Harrah's Laughlin. The gaming licenses require the periodic payment of fees and taxes and are not transferable. Harrah's is registered with the Nevada Commission as a publicly traded corporation ("Registered Corporation"), and as such, it is required periodically to submit detailed financial and operating reports to the Nevada Commission and furnish any other information which the Nevada Commission may require. No person may become a stockholder of, or receive any percentage of profits from, the Gaming Subsidiaries without first obtaining licenses and approvals from the Nevada Gaming Authorities. Harrah's and the Gaming Subsidiaries have obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

Harrah's has been found suitable to be the sole shareholder of HOC, which, in addition to being a gaming licensee, is a Registered Corporation (by virtue of being the obligor on certain outstanding debt securities) and has been found suitable to be the sole shareholder of Harrah's Las Vegas, Inc. and Harrah's Laughlin, Inc. HOC is also licensed as a manufacturer and distributor of gaming devices. Harrah's may not sell or transfer beneficial ownership of any of HOC's voting securities without prior approval of the Nevada Commission.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Harrah's or the Gaming Subsidiaries in order to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers,

directors and certain key employees of the Gaming Subsidiaries (except HOC) must file applications with the Nevada Gaming Authorities and may be required to be licensed or found suitable by the Nevada Gaming Authorities. Officers, directors and key employees of Harrah's and HOC who are actively and directly involved in gaming activities of the Gaming Subsidiaries may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing for any cause which they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities and in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with Harrah's or the Gaming Subsidiaries, the companies involved would have to sever all relationships with such person. In addition, the Nevada Commission may require Harrah's or the Gaming Subsidiaries to terminate the employment of any person who refuses to file appropriate applications. According to the Nevada Act, determinations of suitability or of questions pertaining to licensing are not subject to judicial review in Nevada.

Harrah's and the Gaming Subsidiaries are required to submit detailed financial and operating reports to the Nevada Commission. Substantially all material loans, leases, sales of securities and similar financing transactions by the Gaming Subsidiaries must be reported to, or approved by, the Nevada Commission.

If it were determined that the Nevada Act was violated by the Gaming Subsidiaries, the gaming licenses they hold could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, the Gaming Subsidiaries, Harrah's and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act at the discretion of the Nevada Commission. Further, a supervisor could be appointed by the Nevada Commission to operate Harrah's gaming properties and, under certain circumstances, earnings generated during the supervisor's appointment (except for the reasonable rental value of the Company's gaming properties) could be forfeited to the State of Nevada. Limitation, conditioning or suspension of any gaming license or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect Harrah's gaming operations.

Any beneficial holder of Harrah's voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have his suitability as a beneficial holder of Harrah's voting securities determined if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the state of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of Harrah's voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of Harrah's voting securities apply to the Nevada Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an "institutional investor," as defined in the Nevada Act, which acquires more than 10%, but not more than 15%, of Harrah's voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held 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 the board of directors of Harrah's, any change in Harrah's corporate charter, bylaws, management, policies or operations of Harrah's, or any of its gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding Harrah's voting securities for investment purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes only include: (i) voting on all matters voted on by stockholders; (ii) making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and (iii) such other activities as the Nevada Commission may determine to be consistent with such investment intent. If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within thirty days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock of a Registered Corporation beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. Harrah's is subject to disciplinary action if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with Harrah's or the Gaming Subsidiaries, it: (i) pays that person any dividend or interest upon voting securities of Harrah's; (ii) allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; (iii) pays remuneration in any form to that person for services rendered or otherwise; or (iv) fails to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities for cash at fair market value. Additionally, the CCLGLB requires that any person who is required to be licensed or found suitable by the Nevada Commission must file a license application with the CCLGLB.

The Nevada Commission may, in its discretion, require the holder of any debt security of a Registered Corporation to file applications, be investigated and be found suitable to own the debt security of a Registered Corporation. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, the Registered Corporation can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it: (i) pays to the unsuitable person any dividend, interest, or any distribution whatsoever; (ii) recognizes any voting right by such unsuitable person in connection with such securities; (iii) pays the unsuitable person remuneration in any form; or (iv) makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

Harrah's would normally be required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Authorities at any time, but instead, it has been required by the Nevada Commission to maintain its stock ledgers in its executive offices in Memphis, Tennessee which may be examined by the Nevada Board 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 the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Harrah's also is required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require the Company's stock certificates to bear a legend indicating that the securities are subject to the Nevada Act. However, to date, the Nevada Commission has not imposed such a requirement on Harrah's.

Harrah's and HOC may not make a public offering of their securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. On April 20, 1995, the Nevada Commission granted Harrah's and HOC prior approval to make offerings for a period of one year, subject to certain conditions ("Shelf Approval"). The Shelf

Approval does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered. Any representation to the contrary is unlawful. Harrah's and HOC are in the process of seeking a one year renewal of the Shelf Approval.

Changes in control of Harrah's through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Board and Nevada Commission in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission 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.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting Nevada gaming licensees, and Registered Corporations that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to: (i) assure the financial stability of corporate gaming operators and their affiliates; (ii) preserve the beneficial aspects of conducting business in the corporate form; and (iii) promote a neutral environment for the orderly governance of corporate affairs. Approvals are, in certain circumstances, required from the Nevada Commission before the Registered Corporation can make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated. The Nevada Act also requires prior approval of a plan of recapitalization proposed by the Registered Corporation's Board of Directors in response to a tender offer made directly to the Registered Corporation's stockholders for the purposes of acquiring control of the Registered Corporation.

License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and to the counties and cities in which the Gaming Subsidiaries' respective operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually and are based upon either: (i) a percentage of the gross revenues received; (ii) the number of gaming devices operated; or (iii) the number of table games operated. A casino entertainment tax is also paid by casino operations where entertainment is furnished in connection with the selling of food or refreshments. Nevada licensees that hold a license as an operator of a slot route, or a manufacturer's or distributor's license, also pay certain fees and taxes to the State of Nevada.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons (collectively, "Licensees") and who proposes to become involved in a gaming venture outside of Nevada is required to deposit with the Nevada Board, and thereafter maintain, a revolving fund in the amount of \$10,000 to pay the expenses of investigation of the Nevada Board of their participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

The Company is in present material compliance with all applicable gaming laws, rules and regulations promulgated by the State of Nevada.

GAMING-NEW JERSEY

As a holding company of Marina Associates ("Marina"), which holds a license to operate Harrah's Atlantic City in New Jersey, Harrah's is subject to the provisions of the New Jersey Casino Control Act (the "New Jersey Act"). The ownership and operation of casino hotel facilities in Atlantic City, New Jersey, are the subject of pervasive state regulation under the New Jersey Act and the regulations adopted thereunder by the New Jersey Casino Control Commission (the "New Jersey Commission"). The New Jersey Commission is empowered to regulate a wide spectrum of gaming and non-gaming related activities and to approve the form of ownership and financial structure of not only the casino licensee, Marina, but also its intermediary and ultimate holding companies, including Harrah's and HOC. In addition to taxes imposed by the State of New Jersey on all businesses, the New Jersey Act imposes certain fees and taxes on casino licensees, including an 8% gross gaming revenue tax, an investment alternative obligation of 1.25% (or an investment alternative tax of 2.5%) of gross gaming revenue (generally defined as gross receipts less payments to customers as winnings) and various license fees.

No casino hotel facility may operate unless the appropriate licenses and approvals are obtained from the New Jersey Commission, which has broad discretion with regard to the issuance, renewal and revocation or suspension of the non-transferable casino license (which licenses are issued initially for a one-year period and renewable for one-year periods for the first two renewals and four-year periods thereafter), including the power to impose conditions which are necessary to effectuate the purposes of the New Jersey Act. Each applicant for a casino license must demonstrate, among other things, its financial stability (including establishing ability to maintain adequate casino bankroll, meet ongoing operating expenses, pay all local, state and federal taxes, make necessary capital improvements and pay, exchange, refinance, or extend all long and short term debt due and payable during the license term), its financial integrity and responsibility, its reputation for good character, honesty and integrity, the suitability of the casino and related facilities and that it has sufficient business ability and casino experience to establish the likelihood of creation or maintenance of a successful, efficient casino operation. With the exception of licensed lending institutions and certain "institutional investors" waived from the qualification requirements under the New Jersey Act, each applicant is also required to establish the reputation of its financial sources including, but not limited to, its financial backers, investors, mortgagees and bond holders.

The New Jersey Act requires that all officers, directors and principal employees of the casino licensee be licensed. In addition, each person who directly or indirectly holds any beneficial interest or ownership of the casino licensee and any person who in the opinion of the New Jersey Commission has the ability to control the casino licensee must obtain qualification approval. Each holding and intermediary company having an interest in the casino licensee must also obtain qualification approval by meeting essentially the same standards as that required of the casino licensee. All directors, officers and persons who directly or indirectly hold any beneficial interest, ownership or control in any of the intermediary or ultimate holding companies of the casino licensee may have to seek qualification from the New Jersey Commission. Lenders, underwriters, agents, employees and security holders of both equity and debt of the intermediary and holding companies of the casino licensee and any other person whom the New Jersey Commission deems appropriate may also have to seek qualification from the New Jersey Commission. Since Harrah's and HOC are publicly-traded holding companies (as defined by the New Jersey Act), however, the persons described in the two previous sentences may be waived from compliance with the qualification process if the New Jersey Commission, with the concurrence of the Director of the New Jersey Division of Gaming Enforcement, determines that they are not significantly involved in the activities of Marina and, in the case of security holders, that they do not have the ability

to control Harrah's (or its subsidiaries) or elect one or more of its directors. Any person holding 5% or more of a security in an intermediary or ultimate holding company, or having the ability to elect one or more of the directors of a company, is presumed to have the ability to control the company and thus may be required to seek qualification unless the presumption is rebutted. Notwithstanding this presumption of control, the New Jersey Act permits the waiver of the qualification requirements for passive "institutional investors" (as defined by the New Jersey Act), when such institutional holdings are for investment purposes only and where such securities represent less than 10% of the equity securities of a casino licensee's holding or intermediary companies or debt securities of a casino licensee's holding or intermediary companies not exceeding 20% of a company's total outstanding debt or 50% of an individual debt issue. The waiver, which is subject to certain specified conditions including, upon request, the filing of a certified statement that the investor has no intention of influencing the affairs of the issuer, may be granted to an "institutional investor" holding a higher percentage of such securities upon a showing of good cause. If an "institutional investor" is granted a waiver of the qualification requirements and subsequently changes its investment intent, the New Jersey Act provides that no action other than divestiture may be taken by the investor without compliance with the Interim Casino Authorization Act (the "Interim Act") described below.

In the event a security holder of either equity or debt is required to qualify under the New Jersey Act, the provisions of the Interim Act may be triggered requiring, among other things, either: (i) the filing of a completed application for qualification within 30 days after being ordered to do so, which application must include an approved Trust Agreement pursuant to which all securities of Harrah's (or its respective subsidiaries) held by the security holder must be placed in trust with a trustee who has been approved by the New Jersey Commission; or (ii) the divestiture of all securities of Harrah's (or its respective subsidiaries) within 120 days after the New Jersey Commission determines that qualification is required or declines to waive qualification, provided the security holder files a notice of intent to divest within 30 days after the determination of qualification. If a security holder files an application under the Interim Act, during the period the Trust Agreement remains in place, such holder may, through the approved trustee, continue to exercise all rights incident to the ownership of the securities with the exception that: (i) 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 the New Jersey Act) until the New Jersey Commission finds such holder qualified; and (ii) in the event the New Jersey Commission finds there is reasonable cause to believe that the security holder may be found unqualified, the Trust Agreement will become fully operative vesting the trustee with all rights incident to ownership of the securities 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 Commission to: (a) direct the trustee to dispose of the trust property; and (b) direct the trustee to distribute the 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 Casino Revenue Fund. If the security holder is found qualified, the Trust Agreement will be terminated.

The New Jersey Commission can find that any holder of the equity or debt securities issued by Harrah's or its subsidiaries is not qualified to own such securities. If a security holder of Harrah's or its subsidiaries is found disqualified, the New Jersey Act provides that it is unlawful for the security holder to: (i) receive any dividends or interest payment on such securities; (ii) exercise, directly or indirectly, any rights conferred by the securities; or (iii) receive any remuneration from the company in which the security holder holds an interest. To implement these provisions, the New Jersey Act requires, among other things, casino licensees and their holding companies to adopt provisions in their certificate of incorporation providing for certain remedial action in the event that a holder of any security of such

company is found disqualified. The required certificate of incorporation provisions vary depending on whether such company is a publicly or privately traded company as defined by the New Jersey Act. The Certificates of Incorporation of Harrah's and HOC (both "publicly-traded companies" as defined by the New Jersey Act) contain provisions which provide Harrah's and HOC, respectively, with 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 held by Harrah's or HOC or their affiliates, or if such holder is determined by any gaming regulatory agency to be unsuitable, has an application for a license or permit rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed. The Certificates of Incorporation of Harrah's and HOC 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 Commission is empowered to propose any necessary action to protect the public interest, including the suspension or revocation of the casino license of Marina. The New Jersey Act provides, however, that the New Jersey Commission shall not take action against a casino licensee or its parent companies with respect to the continued ownership of the security interest by the disqualified holder, if the New Jersey Commission finds that: (i) such company has a certificate of incorporation provision providing for the disposition of such securities as discussed above; (ii) such company has made a good faith effort to comply with any order requiring the divestiture of the security interest held by the disqualified holder; and (iii) the disqualified holder does not have the ability to control the casino licensee or its parent companies or to elect one or more members to the board of directors of such company. The Certificate of Incorporation of HOC further provides that debt securities issued by HOC are held subject to the condition that if a holder is found unsuitable by any governmental agency the corporation shall have the right to redeem the securities.

If, at any time, it is determined that Marina or its holding companies have violated the New Jersey Act or regulations promulgated thereunder or that such companies cannot meet the qualification requirements of the New Jersey Act, Marina could be subject to fines or its license could be suspended or revoked. If Marina's license is suspended or revoked, the New Jersey Commission could appoint a Conservator to operate and dispose of the casino hotel facilities of Marina. A Conservator would be vested with title to the assets of Marina, subject to valid liens, claims and encumbrances. The Conservator would be required to act under the general supervision of the New Jersey Commission and would be charged with the duty of conserving, preserving and, if permitted, continuing the operation of the casino hotel. During the period of any such conservatorship, the Conservator may not make any distributions of net earnings without the prior approval of the New Jersey Commission. The New Jersey Commission may direct that all or part of such net earnings be paid to the Casino Revenue Fund, provided, however, that a suspended or former licensee is entitled to a fair rate of return.

The New Jersey Commission granted Marina a plenary casino license in connection with Harrah's Atlantic City in November 1981, and it has been renewed since then. In April 1994, the New Jersey Commission renewed the license for a two-year period and also found Harrah's and HOC to be qualified as holding companies of Marina. Harrah's is in the process of completing its renewal application for a four-year license commencing April 1996.

The Company is in present material compliance with all applicable gaming laws, rules and regulations promulgated by the State of New Jersey.

GAMING-COLORADO

The ownership and operation of limited gaming facilities in the State of Colorado are subject to extensive state and local regulation. In Colorado, the two casinos managed and partially owned by subsidiaries of Harrah's (Harrah's Central City and Harrah's Black Hawk) are subject to licensing by and regulatory control of both the State of Colorado Limited Gaming Control Commission and the State of Colorado Division of Gaming (hereinafter collectively referred to as the "Colorado Gaming

Authorities"). As Harrah's is a public company, the casinos must comply with specific rules relating to public companies involved in limited gaming. The Colorado Gaming Authorities examine and decide upon the suitability of persons owning any interest in a limited gaming establishment, as well as those persons associated with such owners. Persons employed in connection with gaming operations must also be licensed as either "key employees" or "support employees." The State of Colorado Limited Gaming Control Commission also has the power to levy substantial taxes with respect to gaming revenues, and with respect to gaming devices. The licenses held by Harrah's Central City and Harrah's Black Hawk are not transferable, and must be renewed on an annual basis. A Colorado constitutional amendment passed in November 1990, legalized limited stakes gaming (\$5.00 or less per bet) in three Colorado cities: Central City, Black Hawk, and Cripple Creek. The constitutional amendment restricts limited gaming to the commercially zoned districts of each respective city. At each limited gaming location, no more than thirty-five percent (35%) of the total square footage of a building, and no more than fifty percent (50%) of the square footage of any single floor may be used for limited gaming purposes. The Colorado Gaming Authorities have broad power to insure compliance with the statute and regulations currently in force in the State of Colorado. The Colorado Gaming Authorities may inspect, without notice, any premises where gaming is being conducted, and may seize, impound, or remove any gaming device. The statute and regulations require licensees to maintain certain minimum operating, security and payoff procedures, as well as books and records that are audited on an annual basis.

There are specific reporting procedures and approval requirements for transfers of interests and other involvement with publicly traded corporations directly or indirectly involved in limited gaming in the State of Colorado. In addition to the reporting requirements, certain provisions must be included in the Articles of Organization or other similar chartering documents of any entity licensed as either an operator or retailer in the State of Colorado. The State of Colorado Limited Gaming Control Commission may require that any individual who has a material relationship to or a material involvement with a licensee, or otherwise, must apply for a finding of suitability by the Commission, or apply for a key employee license. If an individual or person has been deemed to be unsuitable by the State of Colorado Limited Gaming Control Commission, the Commission may require a licensee to pursue all lawful efforts to require that the unsuitable person relinquish all voting securities in addition to certain other powers granted to the Commission.

The Colorado Gaming Authorities have full and complete access to any records of a licensee, as well as individuals associated with licensees, investigate the background and conduct of licensees and their employees, and are empowered to bring disciplinary actions against licensees. The Colorado Gaming Authorities have the power to investigate the background of creditors of licensees as well. No interest in a licensee, once approved by the Commission, may be alienated in any fashion without the prior approval of the State of Colorado Limited Gaming Control Commission. Any person or entity may not have an interest in more than three retail gaming licenses.

All persons, places or practices connected with limited gaming must be "suitable" as determined by the Colorado Gaming Authorities. In this regard, the burden is always on any applicant to prove by clear and convincing evidence that the applicant is qualified for the licenses applied for. Thus, licensees must be able to demonstrate that any equity holder, or any person providing financing in connection with the establishment or operation of a licensee, must be: (i) of good moral character; (ii) a person whose prior activities, criminal record, reputation, habits and associations do not pose a threat to the public interests of the State of Colorado; (iii) a person who has not served a sentence upon a conviction of a felony or been under the supervision of a probation department within ten years prior to the date of application; (iv) and, a person who has not seriously or repeatedly violated the provisions of the "Limited Gaming Act of 1991" in Colorado. At the request of the Colorado Gaming Authorities, any person connected with limited gaming must disclose personal background and financial information, including criminal records, and any and all other information requested by the Colorado Gaming Authorities.

The constitutional amendment gave the State of Colorado Limited Gaming Control Commission the power to tax up to forty percent (40%) of the adjusted gross proceeds (generally defined as gross receipts less payments to customers as winnings) received by a licensee from limited gaming. Effective October 1, 1994, the tax schedule for the gaming year (October 1 to September 30) is as follows:

ADJUSTED GROSS PROCEEDS	PERCENTAGE TAX
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Up to \$2,000,000.....	2%
\$2,000,001 to \$4,000,000.....	8%
\$4,000,001 to \$5,000,000.....	15%
\$5,000,001 and over.....	18%

For the same gaming year, the State gaming device fee is Seventy-Five Dollars (\$75) per gaming device. In addition, local device fees are assessed by both Central City and Black Hawk. In Central City the current device fee is One Thousand Two Hundred Sixty-Five Dollars (\$1,265) per device per year. In Black Hawk, Seven Hundred Fifty Dollars (\$750) per device per year is the current device fee.

Changes in this regulatory scheme could adversely affect the operation of the Colorado properties.

The Company is in present material compliance with all applicable gaming laws, rules and regulations promulgated by the State of Colorado.

GAMING-LOUISIANA (NEW ORLEANS)

On November 22, 1995, Harrah's Jazz Company (the "Casino Operator"), the partnership in which an indirect subsidiary of Harrah's owns an approximate 47% interest, and which has the contract (the "Casino Operating Contract") with the LEDGC to operate the sole land-based casino (the "Gaming Facilities") in New Orleans, Louisiana, filed for protection under Chapter 11 of the Bankruptcy Code and ceased operation of the Temporary Casino.

See "New Orleans" and "Legal Proceedings" herein for further discussions of the New Orleans project and the legal proceedings filed in connection with the New Orleans project.

Under the Casino Operating Contract, the Casino Operator has the authority to engage a separate indirect subsidiary of Harrah's, Harrah's New Orleans Management Company (the "Casino Manager"), to manage the Gaming Facilities. The ownership and operation of the Gaming Facilities are subject to pervasive governmental regulation, including regulation by the LEDGC in accordance with the terms of the Louisiana Economic Development and Gaming Corporation Law (the "Gaming Act"), the rules and regulations promulgated thereunder from time to time, and the Casino Operating Contract.

Since the Casino Operator is presently in bankruptcy, enforcement of the Casino Operating Contract and the rules and regulations promulgated under the Gaming Act, including, without limitation, the restrictions imposed by the Casino Operating Contract and the LEDGC's rules and regulations on the transferability of the Casino Operating Contract or interests in the Casino Operator, is subject to, and limited by, the bankruptcy laws. In addition, if a plan of reorganization of the Casino Operator is consummated in the bankruptcy, it is uncertain whether the Casino Operating Contract and such rules and regulations will remain in their present form. Any changes to the Casino Operating Contract or such rules and regulations may be material.

In addition, under the bankruptcy laws, the Casino Operating Contract is considered an executory contract which, subject to bankruptcy court approval, may be rejected or assumed by the Casino Operator. In order to assume or assume and assign the Casino Operating Contract, the Casino Operator must satisfy

certain requirements under the bankruptcy laws, including, without limitation, the curing, or providing adequate assurance of the prompt curing of, defaults under the Casino Operating Contract except for certain types of defaults. Unless the bankruptcy court otherwise orders, the Casino Operator may assume or reject the Casino Operating Contract at any time prior to or simultaneously with the confirmation of its plan of reorganization.

The Governor of the State of Louisiana has stated his intent to call a special legislative session beginning March 17, 1996 to consider legislation relating to all forms of gaming in Louisiana (including the Gaming Facilities). The Governor and various legislative leaders have expressed their support for legislation which would provide for a public referendum on such gaming (including the Gaming Facilities). The nature and scope of any referendum and any effect it could have on the Gaming Facilities is uncertain at this time.

There could be other legislation relating to the Gaming Facilities introduced at this session or the Legislature's next regular session beginning April 29, 1996. There can be no assurance that legislation will not be enacted or a public referendum not called and held which in either case could have a material adverse effect on the Gaming Facilities.

The LEDGC. The Gaming Act established the LEDGC as a special public purpose corporation to regulate land-based gaming in Louisiana. The Gaming Act provides that the LEDGC is not a state agency except as specifically provided therein, and none of its obligations is subject to or backed by the full faith and credit of the State of Louisiana. The affairs of the LEDGC are supervised by a nine member board of directors appointed by the governor and confirmed by the Louisiana Senate.

On December 4, 1995, the Attorney General of the State of Louisiana assumed control of the business and staff functions of the LEDGC, terminating all but a few employees. The stated reason for the action was that the LEDGC was without funds to operate in light of the shutdown of the Temporary Casino, which had provided such funds. The future existence and extent of operation of the LEDGC is unknown at this time.

LEDGC's Authority to Enter Into Casino Operating Contract. The Casino Operating Contract was entered into by the LEDGC pursuant to authority granted under the Gaming Act. Under the Casino Operating Contract, the Casino Operator can conduct gaming operations at a single official land-based gaming establishment located at the site of the Rivergate Convention Center. The term of the Casino Operating Contract is 20 years with one 10-year renewal option. Under the Casino Operating Contract, the Casino Operator was required to pay the LEDGC an initial payment of \$125 million (the "Initial Payment") in installments, and the entirety of the Initial Payment was paid timely. In addition to the Initial Payment, the Casino Operating Contract requires the Casino Operator to pay to the LEDGC a share of annual gross gaming revenues (generally defined as gross receipts less payments to customers as winnings) from the Permanent Casino equal to the greater of (a) \$100 million or (b) a percentage of annual gross gaming revenue as follows:

- (i) 19% of gross gaming revenue up to and including \$600 million; plus
- (ii) 20% of gross gaming revenue in excess of \$600 million up to and including \$700 million; plus
- (iii) 22% of gross gaming revenue in excess of \$700 million up to and including \$800 million; plus
- (iv) 24% of gross gaming revenue in excess of \$800 million up to and including \$900 million; plus

(v) 25% of gross gaming revenue in excess of \$900 million.

Under the Gaming Act, the gaming activities that may be conducted, subject to the rule-making authority of the LEDGC, include any banking or percentage game that is played with cards, dice or any electronic, electrical or mechanical device or machine for money, property or any thing of value, but exclude lottery, bingo, charitable games, raffles, electronic video bingo, pull tabs, cable television bingo, wagering on dog or horse races, sports betting or wagering on any type of sports contest or event. The Gaming Act provides that the LEDGC shall adopt rules for the conduct of specific games and gaming operations, including the types of games to be conducted and the granting of credit to a patron.

The Gaming Act provides that the LEDGC is authorized to permit the casino operator to conduct limited temporary gaming operations in Orleans Parish at a location designated by the casino operator and approved by the LEDGC. The compensation payable to the LEDGC from gaming operations at the Temporary Casino is 25% of gross gaming revenues with the remainder to the Casino Operator, the net proceeds therefrom after deducting operating expenses to be used to perform and complete the obligations of the Casino Operator as contained in the Casino Operating Contract. The Gaming Act requires that gaming operations at the Temporary Casino cease upon the commencement of gaming operations at the Permanent Casino.

The Gaming Act requires the casino operator to agree to maintain its suitability at all times during the existence of the casino operating contract. The Gaming Act provides that the LEDGC has the right but is not required to set aside or renegotiate the provisions of the casino operating contract if the casino operator is voluntarily or involuntarily placed in bankruptcy, receivership, conservatorship or similar status.

Regulations. Under the Gaming Act, the LEDGC has broad discretionary authority to regulate all aspects of the casino operator's operations, and it has exercised that authority by adopting wide-ranging administrative rules and regulations governing all aspects of licensing, suitability, transfers of interest and other financial transactions and the conduct of gaming operations. The Gaming Act gives the LEDGC the power, among other things, to (i) investigate the qualifications of the gaming operator and each applicant for a license or permit, (ii) investigate violations of the Gaming Act and any rules and regulations promulgated thereunder, and any other incidents or transactions which it deems appropriate, (iii) conduct hearings and proceedings concerning, and review and inspections of, gaming operations and related activities, (iv) inspect and examine all premises, and all equipment or supplies thereon, where gaming activities are conducted or gaming devices or equipment are manufactured, sold, or distributed, and summarily seize and remove from such premises and impound any equipment or supplies for the purpose of examination and inspection, (v) audit the records of applicants and gaming operators respecting all revenues produced by any gaming operations, (vi) issue interrogatories and subpoenas, and (vii) monitor the conduct of all casino operators, licensees, permittees and other persons having a material involvement directly or indirectly with a casino operator.

Issuance of Licenses and Permits. Under the Gaming Act, the LEDGC is required to issue licenses or permits to certain persons associated with gaming operations, including: (i) certain employees of the casino operator, (ii) certain manufacturers, distributors and suppliers of gaming devices; (iii) certain suppliers of goods or services; (iv) any person who furnishes services or property to the casino operator under an arrangement pursuant to which the person receives payments based on earnings, profits or receipts from gaming operations; and (v) any other persons deemed necessary by the LEDGC.

The securing of the requisite licenses and permits under the Gaming Act is a prerequisite for conducting, operating or performing any activity regulated by the LEDGC or the Gaming Act. The Gaming Act provides that the LEDGC has full and absolute power to deny an application, or to limit, condition, restrict, revoke or suspend any license, permit or approval, or to fine any person licensed, permitted or approved for any cause specified in the Gaming Act or rules promulgated by the LEDGC.

The Rules and Regulations provide that the LEDGC may take any of the foregoing actions with respect to any person licensed, permitted, or approved, or any person registered, found suitable, or holding a contract, for any cause deemed reasonable.

The Gaming Act provides that it is the express intent, desire and policy of the legislature that no holder of the casino operating contract, applicant for a license, permit, contract or other thing existing, issue or let as a result of the Gaming Act shall have any right or action to obtain any license, permit, contract or the granting of the approval sought except as provided for and authorized by the Gaming Act. Any license, permit, contract, approval or thing obtained or issued pursuant to the provisions of the Gaming Act has been expressly declared by the legislature to be a pure and absolute revocable privilege and not a right, property or otherwise, under the constitutions of the United States or of the State of Louisiana. The Gaming Act also provides that no holder acquires any vested right therein or thereunder.

Suitability. Under the Gaming Act, no person is eligible to receive a license or enter into a contract to conduct casino gaming operations unless, among other things, the LEDGC is satisfied the applicant is suitable. Suitability requires a demonstration by each applicant, by clear and convincing evidence, that, among other things, (i) the applicant is a person of good character, honesty and integrity; (ii) the applicant's prior activities, criminal record, if any, reputation, habits and associations do not pose a threat to the public interest of the State or the regulation and control of casino gaming or create or enhance the dangers of unsuitable, unfair or illegal practices, methods and activities in the conduct of gaming or the carrying on of the business and financial arrangements incidental thereto; and (iii) the applicant is capable of and is likely to conduct the activities for which a license or contract is sought. In addition, to be found suitable for purposes of the casino operating contract, the casino operator must demonstrate by clear and convincing evidence that: (a) it has or guarantees acquisition of adequate business competence and experience in the operation of casino gaming operations; (b) the proposed financing is adequate for the proposed operation and is from suitable sources; and (c) it has or is capable of and guarantees the obtaining of a bond or satisfactory financial guarantee of sufficient amount, as determined by the LEDGC, to guarantee successful completion of and compliance with the casino operating contract or such other projects which are regulated by the LEDGC. The Rules and Regulations provide that an applicant shall release all claims and accept any risk of adverse publicity, embarrassment, criticism, or other action, or financial loss which may result or occur from action with respect to an application and expressly waive any claim for damages as a result thereof.

Under the Gaming Act, the LEDGC may not award the casino operating contract or a license to a person disqualified on the basis of any of the following criteria: (i) failures of the applicant to prove suitability in accordance with the provisions of the Gaming Act; (ii) failure of the applicant to provide information and documentation material to a suitability determination, or providing untrue or misleading material information pertaining to the qualification criteria; (iii) conviction of, or plea of guilty or nolo contendere by, or current prosecution of, or pending charges in any jurisdiction against, the applicant, or of any person required to be qualified under the Gaming Act as a condition for a contract, for an offense punishable by imprisonment for more than one year; (iv) if the applicant is a corporation that is owned by a parent or other corporation or person, then the applicant shall be disqualified if any person owning more than 5% of the common stock of the parent corporation has been convicted of, or pled guilty or nolo contendere to, a felony offense; or (v) if the applicant is a corporation or other entity of which any individual holding 5% or more interest in the profits or loss has been convicted of, or pled guilty or nolo contendere to, an offense that at the time of conviction is punishable as a felony. The Rules and Regulations further provide that a license or contract shall not be granted to an applicant that has been found unsuitable or has been denied a gaming license or permit or has had a gaming license or permit suspended or revoked in another gaming jurisdiction, unless the LEDGC determines that such action is not contrary to the interest of the State. The Rules and Regulations provide that no person shall knowingly be or remain employed by the casino operator, nor shall they be licensed or receive a permit, if they are not current in filing all applicable tax returns and in the payment of all taxes, interest and penalties owed to the State of Louisiana and the Internal Revenue Service, with certain exceptions.

The Rules and Regulations provide that the LEDGC may deny, revoke, suspend, limit, condition, or restrict any finding of suitability or application therefor upon the same grounds as it may take such action with respect to licensees and permittees, without exclusion of any other grounds. The Rules and Regulations provide that the LEDGC may further take such action on the grounds that the registrant or person found suitable is associated with, or is controlled by, or is under common control with, an unsuitable or disqualified person. The Rules and Regulations also provide that the LEDGC has full and absolute authority to deny the application, or to limit, condition or restrict any license, contract or finding of suitability.

The LEDGC can find that the holder of any equity interest in, or debt securities issued by, the casino operator or its affiliated companies, must be found suitable to own such interest or securities. The Gaming Act provides that every person that has or controls more than a 5% ownership, income or profit interest in an entity that has or applies for a contract in accordance with the provisions of the Gaming Act or has the ability, in the opinion of the LEDGC, to exercise significant influence over the activities of the casino operator, must meet all suitability requirements and qualifications for licensees. The Gaming Act provides that the LEDGC may also issue, under penalty of revocation of a license, a condition of disqualification naming the person or persons and declaring that such person or persons may not: (i) receive dividends or interest on securities of the casino operator; (ii) exercise directly or indirectly, including through a trustee or nominee, a right conferred by securities of the casino operator; (iii) receive remuneration from the casino operator; (iv) receive any economic benefit from the casino operator; or (v) continue in an ownership or economic interest in a casino gaming operation contract or remain as a manager, officer, director or partner of the casino operator (collectively, "Ownership Benefits").

Under the Rules and Regulations, if at any time the LEDGC finds that any person required to be and remain suitable has failed to demonstrate suitability, the LEDGC may, consistent with the Gaming Act and the casino operating contract, take any action that the LEDGC deems necessary to protect the public interest. The Rules and Regulations provide, however, that if a person associated with the casino operator or an affiliate, intermediary, or holding company thereof has failed to be found or remain suitable, the LEDGC shall not declare the casino operator or its affiliate, intermediary, or holding company, as the case may be, unsuitable as a result if such companies comply with the conditional licensing provisions, take immediate good faith action and comply with any order of the LEDGC to cause such person to dispose of its interest, and, before such disposition, ensure that the disqualified person does not receive any Ownership Benefits. The above safe harbor protections do not apply if: (i) the casino manager has failed to remain suitable, (ii) the casino operator engaged in a relationship with the unsuitable person and had actual or constructive knowledge of the wrongdoing causing the LEDGC's action, (iii) the casino operator is so tainted by such person that it affects the suitability standards contained in the Gaming Act and the Rules and Regulations.

The Gaming Act provides that every person who is required to be found suitable has a continuing duty to maintain such person's suitability. The casino operator and all licensees, permittees, registrants and persons required to be qualified under the Gaming Act have a continuing duty to inform the LEDGC of any action that they believe would constitute a violation of the Gaming Act.

Transfers. The sale, transfer, assignment, or alienation of a casino operating contract, or an interest therein, without the approval of the LEDGC, is prohibited. Also, the sale, transfer, assignment, pledge, alienation, disposition, public offering, or acquisition of securities that results in one person's owning 5% or more of the total outstanding shares issued by the casino operator is void as to such person without prior approval of the LEDGC. Failure to obtain prior approval by the LEDGC of a person acquiring 5% or more of the total outstanding shares of a licensee or 5% or more economic interest in the casino operator is grounds for cancellation of the casino operating contract or license suspension or revocation.

Exclusive Contract. The Gaming Act provides that the casino operating contract is exclusive and no other official gaming establishment shall be contracted or licensed in Orleans Parish during the term of the casino operating contract. The Gaming Act also provides that, in the event that, at any time while the casino operating contract is in effect, one or more land-based casino gaming establishments in addition to the single casino gaming operation provided for by the Gaming Act is authorized to operate in Orleans Parish, the casino operator shall be relieved of the obligation to remit to the LEDGC the compensation required under the casino operating contract. Gaming operations upon riverboats in accordance with the Louisiana Riverboat Economic Development and Gaming Control Act, video poker operations authorized pursuant to the Video Draw Poker Devices Control Law, authorized charitable gaming activities, lottery games conducted pursuant to the provisions of the Louisiana Lottery Corporation Law and pari-mutuel wagering as authorized by the provisions of Chapter 4 of Title 4 of the Louisiana Revised Statutes of 1950 do not constitute the authorization of additional land-based casino gaming operations, which relieves the casino operator of payment of compensation to the LEDGC. The Company and the LEDGC dispute the effect of dockside riverboat gaming operations on the Company's payment obligations under the Gaming Act and the Casino Operating Contract. The Casino Operating Contract contains a detailed agreement on this issue.

Priority to Louisiana Residents and Business; Minority Employment. The Gaming Act obligates the casino operator to give preference and priority to Louisiana residents, laborers, vendors and suppliers, except when not reasonably possible to do so without added expense, substantial inconvenience or sacrifice in operational efficiency. The Gaming Act further obligates the casino operator to give preference and priority to Louisiana residents in considering applicants for employment and requires (without respect to added expense, substantial inconvenience or sacrifice in operational efficiency) that no less than 80% of the persons employed by the casino operator be Louisiana residents for at least one year immediately prior to employment. The Company believes that the impact on labor costs of such 80% residency requirement will not be material.

The Gaming Act requires that the casino operator and/or LEDGC adopt written policies, procedures, and regulations to allow the participation of businesses owned by minorities in all design, engineering, and construction contracts and/or projects to the maximum extent practicable. The Rules and Regulations provide that the casino operator and the casino manager must take the foregoing actions with respect to all design, engineering, construction, banking and maintenance contracts and any other projects initiated by the casino operator or casino manager. The Gaming Act further requires the casino operator, as nearly as practicable, to employ minorities consistent with the population of the State. The Rules and Regulations extend this obligation to the casino manager as well. The Rules and Regulations provide that if at any time the LEDGC shall conclude that the casino operator or the casino manager is conducting itself in a manner inconsistent with the requirements of Louisiana law or the Rules and Regulations, the LEDGC may take enforcement action, including fines and the imposition of a plan that the LEDGC determines meets the objectives of the Gaming Act and the Rules and Regulations.

Limits on Restaurant, Lodging, Retail Operations. The Gaming Act provides that the casino operator shall not: (i) offer seated restaurant facilities with table food service for patrons, but may offer limited cafeteria style food services for employees and patrons as provided by rule of the LEDGC, provided, however, that no food may be given away or subsidized within the official gaming establishment by the casino operator or any licensee, and no facility for food service shall exceed seating for 250 persons; (ii) offer lodging in the official gaming establishment, nor engage in any practice or enter into any business relationships to give any hotel, whether or not affiliated with the casino operator, any advantage or preference not available to all similarly situated hotels; (iii) engage in such activities as are prohibited by the casino operating contract; (iv) engage in the sale of products that are not directly related to gaming; or (v) cash or accept in exchange for the purchase of tokens, chips or electronic cards an identifiable employee payroll check. Any contract between the casino operator and any hotel or lodging facilities must be submitted to the LEDGC for approval prior to entering into the contract.

Rights of Holders of Security Interest. The Gaming Act authorizes the LEDGC to provide for the protection of the rights of holders of security interests in both immovable property and movable property used in or related to casino gaming operations ("Gaming Collateral") and to provide for the continued operation of the official gaming establishment during the period of time that a lender, as a holder of a security interest, seeks to enforce its security interest in such property. In connection therewith, the Gaming Act provides that the holder of a security interest in Gaming Collateral may receive payments from the owner or lessee of such property out of the proceeds of casino gaming operations received by the owner or lessee, and, the holder of the security interest may be exempt from the licensing requirements of the Gaming Act with respect to such payments if the transaction(s) giving rise to such payments have been approved in advance by the LEDGC and complies with all rules and regulations of the LEDGC and the LEDGC determines the holder to be suitable.

Under the Gaming Act, a holder of a security interest in a gaming device who asserts the right to ownership or possession of the encumbered property may be granted a one-time, nonrenewable, provisional contract for a maximum of 90 days for the sole purpose of acquiring ownership or possession for resale to a licensed or approved person, all in accordance with rules and regulations to be promulgated by the LEDGC. The license or contract shall not authorize the holder to operate the gaming device or to utilize the property in gaming activities.

If the holder of a security interest in immovable property comprising the official gaming establishment wishes to continue the operation of the official gaming establishment during and after the filing of a suit to enforce the security interest, the Gaming Act provides that the holder of the security interest must name the LEDGC as a nominal defendant in such suit and request the appointment of a receiver from among the persons on a list maintained by the LEDGC. Upon proof of the debtor's default under the security instrument and the holder's right to enforce the security interest, the court shall appoint a person from the LEDGC's list as a receiver of the official gaming establishment. Upon appointment of the receiver, the Gaming Act requires the receiver to furnish a fidelity bond in favor of the security interest holder, the owner or lessee of the official gaming establishment and the LEDGC in an amount to be set by the court after consultation with the LEDGC and all parties. The Gaming Act requires the LEDGC to issue to the receiver a one-time, nonrenewable, provisional contract to continue gaming operations until the receivership is terminated. The receiver is considered to have all the rights and obligations of the casino operator under the casino operating contract. The holder of the security interest provoking the appointment of a receiver under the Gaming Act is required to pay the cost of the receiver's bond and the cost of operating the official gaming establishment or gaming operator during the term of receivership to the extent that such costs exceed available revenues, in accordance with the rules and regulations of the LEDGC. The Gaming Act further provides that the fees of the receiver and the authority for expenditures of the receiver are to be established by rules and regulations of the LEDGC.

The Gaming Act provides that a receivership must terminate upon: (i) the sale of the property subject to receivership to a duly approved or authorized person; (ii) the payment in full of all obligations due to the holder of the security interest in the property subject to the receivership; (iii) an agreement for termination of the receivership signed by the holder of the security interest and the debtor, and approved by the LEDGC and the court; or (iv) the lapse of five years from the date of the initial appointment of the receiver. Under the Gaming Act, a receivership may also be terminated by notice from the holder of the security interest who provoked the receivership addressed to the court and the LEDGC of its intention to withdraw its financial support of the receivership at a specified time not less than 90 days from the date of the notice. In the event of such notice, the Gaming Act provides that the holder of the security interest giving the notice will not be responsible for any costs or expenses of the receivership after the date specified in the notice; except for reasonable costs and fees of the receiver in concluding the receivership, and the costs of a final accounting.

The ownership and operation of a gaming riverboat in Illinois is subject to extensive regulation under Illinois gaming laws and regulations. A five-member Illinois Gaming Board is charged with such regulatory authority, including the issuance of riverboat gaming licenses not to exceed 10 in number. The granting of an owner's license involves a preliminary approval procedure in which the Illinois Gaming Board issues a finding of preliminary suitability to a license applicant and effectively reserves a gaming license for such applicant. The Board has issued all 10 licenses. Des Plaines Development Limited Partnership, of which 80% is owned by Harrah's Illinois Corporation, received an owner's license in 1993. Harrah's Illinois Corporation also holds a supplier's license, which entitles it to manage the Joliet riverboats for the partnership for a fee.

To obtain an owner's license (and a finding of preliminary suitability), applicants must submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Illinois Gaming Board.

Each license granted entitles a licensee to own and operate up to two riverboats (with a combined maximum of 1,200 gaming positions) and equipment thereon from a specific location. The duration of the license initially runs for a period of three years (with a fee of \$25,000 for the first year and \$5,000 for the following two years). Thereafter, the license is subject to renewal on an annual basis upon payments of a fee of \$5,000 and a determination by the Illinois Gaming Board that the licensee continues to be eligible for an owner's license pursuant to the Illinois legislation and the Illinois Gaming Board's rules.

An applicant is ineligible to receive an owner's license if the applicant, any of its officers, directors or managerial employees or any person who participates in the management or operation of gaming operations: (i) has been convicted of a felony; (ii) has been convicted of any violation under Article 28 of the Illinois Criminal Code or any similar statutes in any other jurisdiction; (iii) has submitted an application which contains false information; or (iv) is a member of the Illinois Gaming Board. In addition, an applicant is ineligible to receive an owners' license if the applicant owns more than a 10% ownership interest in an entity holding another Illinois owner's license, or if a license of the applicant issued under the Illinois legislation or a license to own or operate gaming facilities in any other jurisdiction has been revoked.

In determining whether to grant a license, the Illinois Gaming Board considers: (i) the character, reputation, experience and financial integrity of the applicants; (ii) the type of facilities (including riverboat and docking facilities) proposed by the applicant; (iii) the highest prospective total revenue to be derived by the state from the conduct of riverboat gaming; (iv) affirmative action plans of the applicant, including minority training and employment; and (v) the financial ability of the applicant to purchase and maintain adequate liability and casualty insurance. Municipal (or county, if an operation is located outside of a municipality) approval of a proposed applicant is required, and all documents, resolutions, and letters of support must be submitted with the initial application.

A holder of a license is subject to the imposition of fines, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order, and general welfare of the people of the state of Illinois, or that would discredit or tend to discredit the Illinois gaming industry or the state of Illinois, including without limitation: (i) failing to comply with or make provision for compliance with the legislation, the rules promulgated thereunder or any federal, state or local law or regulation; (ii) failing to comply with any rule, order or ruling of the Illinois Gaming Board or its agents pertaining to gaming; (iii) receiving goods or services from a person or business entity who does not hold a supplier's license but who is required to hold such license by the rules; (iv) being suspended or ruled ineligible or having a license revoked or suspended in any state or gaming jurisdiction; (v) associating with, either socially or in business affairs, or employing persons of, notorious or unsavory reputation or who have extensive police records, or who have failed to cooperate with any official constituted investigatory or administrative body and would adversely affect public confidence and trust in gaming;

and (vi) employing in any Illinois riverboat's gaming operation any person known to have been found guilty of cheating or using any improper device in connection with any game. Fines may be made of up to \$5,000 against individuals and up to the greater of \$10,000 or an amount equal to the daily gross receipts against licensees for each violation.

An ownership interest in a license or in a business entity, other than a publicly held business entity which holds an owner's license, may not be transferred without approval of the Illinois Gaming Board. In addition, an ownership interest in a license or in a business entity, other than a publicly held business entity, which holds either directly or indirectly an owner's license, may not be pledged as collateral without approval of the Illinois Gaming Board.

A person employed at a riverboat gaming operation must hold an occupational license which permits the holder to perform only activities included within such holder's level of occupation license or any lower level of occupation license. In addition, the Illinois Gaming Board issues suppliers licenses which authorize the supplier licensee to sell or lease gaming equipment and supplies to any licensee involved in the ownership and management of gaming operations.

Riverboat cruises are limited to a duration of four hours, and no gaming may be conducted while the boat is docked, with the exceptions: (i) of 30-minute time periods at the beginning of and at the end of a cruise while the passengers are embarking and debarking (total gaming time is limited to four hours, however, including the pre- and post-docking periods); and (ii) when weather or mechanical problems prevent the boat from cruising. Minimum and maximum wagers on games are set by the licensee and wagering may be conducted only with a cashless wagering system, whereby money is converted to tokens, electronic cards or chips which can only be used for wagering. No person under the age of 21 is permitted to wager, and wagers may only be taken from a person present on a licensed riverboat. With respect to electronic gaming devices, the payout percentage may not be less than 80% nor more than 100%.

The legislation imposes a 20% wagering tax on adjusted receipts (generally defined as gross receipts less payments to customers as winnings) from gambling games. The tax imposed is to be paid by the licensed owner to the Illinois Gaming Board on the day after the day when the wagers were made. Of the proceeds of that tax, 25% goes to the local government where the home dock is located, a small portion goes to the Illinois Gaming Board for administration and enforcement expenses, and the remainder goes to the state education assistance fund.

The legislation also requires that licensees pay a \$2.00 admission tax for each person admitted to a gaming cruise. Of this admission tax, the host municipality or county receives \$1.00. The licensed owner is required to maintain public books and records clearly showing amounts received from admission fees, the total amount of gross receipts and the total amount of adjusted gross receipts.

All use, occupancy and excise taxes which apply to food and beverages and all taxes imposed on the sale or use of tangible property apply to sales aboard riverboats.

The Company is in present material compliance with all applicable gaming laws, rules and regulations promulgated by the State of Illinois.

Bills have been introduced in the Illinois legislature proposing graduated gaming taxes that would be in excess of the taxes currently imposed. There has also been discussion of increasing the number of riverboat gaming licenses. There can be no assurance that these bills will not become law, or that similar legislation, legislation increasing the number of licenses or other legislation will not be introduced in the future, any of which could have a material adverse effect on the operations of the Company's riverboats.

GAMING-MISSISSIPPI

The ownership and operation of a gaming business in the State of Mississippi is subject to extensive laws and regulations, including the Mississippi Gaming Control Act (the "Mississippi Act") and the

regulations (the "Mississippi Regulations") promulgated thereunder by the Mississippi Gaming Commission (the "Mississippi Commission"), which is empowered to oversee and enforce the Mississippi Act. Gaming in Mississippi can be legally conducted only on vessels of a certain minimum size in navigable waters within any county bordering the Mississippi River or in waters of the State of Mississippi which lie adjacent and to the south (principally in the Gulf of Mexico) of the Counties of Hancock, Harrison and Jackson, provided that the county in question has not voted by referendum not to permit gaming in that county. The underlying policy of the Mississippi Act is to ensure that gaming operations in Mississippi are conducted: (i) honestly and competitively; (ii) free of criminal and corruptive influences; and (iii) in a manner which protects the rights of the creditors of gaming operations.

The Mississippi Act requires that a person (including any corporation or other entity) be licensed to conduct gaming activities in the State of Mississippi. A license will be issued only for a specified location which has been approved in advance as a gaming site by the Mississippi Commission. Harrah's Vicksburg Corporation, an indirect subsidiary of Harrah's, is licensed to operate a riverboat casino in Vicksburg, Mississippi. Harrah's Tunica Corporation, another indirect subsidiary, is the general partner of Tunica Partners L.P., the licensed operator of a riverboat casino in Tunica, Mississippi. In addition, a parent company of a company holding a license must register under the Mississippi Act. Harrah's and HOC are registered with the Mississippi Commission.

The Mississippi Act also requires that each officer or director of a gaming licensee, or other person who exercises a material degree of control over the licensee, either directly or indirectly, be found suitable by the Mississippi Commission. In addition, any employee of a licensee who is directly involved in gaming must obtain a work permit from the Mississippi Commission. The Mississippi Commission will not issue a license or make a finding of suitability unless it is satisfied, after an investigation paid for by the applicant, that the persons associated with the gaming licensee or applicant for a license are of good character, honesty and integrity, with no relevant or material criminal record. In addition, the Mississippi Commission will not issue a license unless it is satisfied that the licensee is adequately financed or has a reasonable plan to finance its proposed operations from acceptable sources, and that persons associated with the applicant have sufficient business probity, competence and experience to engage in the proposed gaming enterprise. The Mississippi Commission may refuse to issue a work permit to a gaming employee: (i) if the employee has committed larceny, embezzlement or any crime of moral turpitude, or has knowingly violated the Mississippi Act or Mississippi Regulations; or (ii) for any other reasonable cause.

There can be no assurance that such persons will be found suitable by the Mississippi Commission. An application for licensing, finding of suitability or registration may be denied for any cause deemed reasonable by the issuing agency. Changes in licensed positions must be reported to the issuing agency. In addition to its authority to deny an application for a license, finding of suitability or registration, the Mississippi Commission has jurisdiction to disapprove a change in corporate position. If the Mississippi Commission were to find a director, officer or key employee unsuitable for licensing or unsuitable to continue having a relationship with the licensee, such entity would be required to suspend, dismiss and sever all relationships with such person. The licensee would have similar obligations with regard to any person who refuses to file appropriate applications. Each gaming employee must obtain a work permit which may be revoked upon the occurrence of certain specified events.

Any individual who is found to have a material relationship to, or material involvement with, Harrah's may be required to submit to an investigation in order to be found suitable or be licensed as a business associate of any subsidiary holding a gaming license. Key employees, controlling persons or others who exercise significant influence upon the management or affairs of Harrah's may be deemed to have such a relationship or involvement.

The Mississippi Commission has the power to deny, limit, condition, revoke and suspend any license, finding of suitability or registration, or to fine any person, as it deems reasonable and in the public interest, subject to an opportunity for a hearing. The Mississippi Commission may fine any

licensee or person who was found suitable up to \$100,000 for each violation of the Mississippi Act or the Mississippi Regulations which is the subject of an initial complaint, and up to \$250,000 for each such violation which is the subject of any subsequent complaint. The Mississippi Act provides for judicial review of any final decision of the Mississippi Commission by petition to a Mississippi Circuit Court, but the filing of such petition does not necessarily stay any action taken by the Mississippi Commission pending a decision by the Circuit Court.

Each gaming licensee must pay a license fee to the State of Mississippi based upon "gaming receipts" (generally defined as gross receipts less payouts to customers as winnings). The license fee equals four percent of gaming receipts of \$50,000 or less per month, six percent of gaming receipts over \$50,000 and up to \$134,000 per month, and eight percent of gaming receipts over \$134,000. The foregoing license fees are allowed as a credit against Mississippi State income tax liability for the year paid. An additional license fee, based upon the number of games conducted or planned to be conducted on the gaming premises, is payable to the State of Mississippi annually in advance. Also, up to a four percent additional tax on gaming revenues may be imposed at the local level of government.

The Company also is subject to certain audit and record-keeping requirements, primarily intended to ensure compliance with the Mississippi Act, including compliance with the provisions relating to the payment of license fees.

Under the Mississippi Regulations, a person is prohibited from acquiring control of Harrah's without prior approval of the Mississippi Commission. Harrah's also is prohibited from consummating a plan of recapitalization proposed by management in opposition to an attempted acquisition of control of Harrah's and which involves the issuance of a significant dividend to Common Stock holders, where such dividend is financed by borrowings from financial institutions or the issuance of debt securities. In addition, Harrah's is prohibited from repurchasing any of its voting securities under circumstances (subject to certain exemptions) where the repurchase involves more than one percent of Harrah's outstanding Common Stock at a price in excess of 110 percent of the then-current market value of Harrah's Common Stock from a person who owns and has for less than one year owned more than three percent of Harrah's outstanding Common Stock, unless the repurchase has been approved by a majority of Harrah's shareholders voting on the issue (excluding the person from whom the repurchase is being made) or the offer is made to all other shareholders of Harrah's.

Under the Mississippi Regulations, a gaming license may not be held by a publicly held corporation, although an affiliated corporation, such as Harrah's, may be publicly held so long as Harrah's registers with and gets the approval of the Mississippi Commission. Harrah's must obtain prior approval from the Mississippi Commission for any subsequent public offering of the securities of Harrah's if any part of the proceeds from that offering are intended to be used to pay for or reduce debt used to pay for the construction, acquisition or operation of any gaming facility in Mississippi. In addition, in order to register with the Mississippi Commission as a publicly held holding corporation, Harrah's must provide further documentation which is satisfactory to the Mississippi Commission, which includes all documents filed with the Securities and Exchange Commission.

Any person who, directly or indirectly, or in association with others, acquires beneficial ownership of more than five percent of the Common Stock of Harrah's must notify the Mississippi Commission of this acquisition. Regardless of the amount of securities owned, any person who has any beneficial ownership in the Common Stock of Harrah's may be required to be found suitable if the Mississippi Commission has reason to believe that such ownership would be inconsistent with the declared policies of the State of Mississippi. Any person who is required to be found suitable must apply for a finding of suitability from the Mississippi Commission within 30 days after being requested to do so, and must deposit a sum of money which is adequate to pay the anticipated investigatory costs associated with such finding. Any person who is found not to be suitable by the Mississippi Commission shall not be permitted to have any direct or indirect ownership in Harrah's Common Stock. Any person who is required to apply for a finding of suitability and fails to do so, or who fails to dispose of his or her interest in Harrah's Common Stock if found unsuitable, is guilty of a misdemeanor. If a finding of

suitability with respect to any person is not applied for where required, or if it is denied or revoked by the Mississippi Commission, Harrah's is not permitted to pay such person for services rendered, or to employ or enter into any contract with such person.

Harrah's is required to maintain current stock ledgers in the State of Mississippi which may be examined by a representative of the Mississippi Commission 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 the Mississippi Commission. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Harrah's also is required to render maximum assistance in determining the identity of the beneficial owner.

Because Harrah's is licensed to conduct gaming in the State of Mississippi, neither Harrah's nor any subsidiary may engage in gaming activities in Mississippi while also conducting gaming operations outside of Mississippi without approval of the Mississippi Commission. The Mississippi Commission has approved the conduct of gaming in all jurisdictions in which Harrah's has ongoing operations or approved projects. There can be no assurance that any future approvals will be obtained. The failure to obtain such approvals could have a materially adverse effect on Harrah's.

The Company is in present material compliance with all applicable gaming laws, rules and regulations promulgated by the State of Mississippi.

GAMING-LOUISIANA (RIVERBOAT)

The ownership and operation of a gaming riverboat in Louisiana is subject to extensive regulation under Louisiana gaming laws and regulations. A seven-member Riverboat Gaming Commission ("Commission") and the Riverboat Gaming Enforcement Division ("Division"), a part of the Louisiana State Police, are charged with such regulatory authority, including the issuance of riverboat gaming licenses. The number of licenses to conduct gaming on a riverboat is limited by statute to 15. No more than six licenses may be granted for the operation of gaming activities on riverboats in any one parish (county). In general, riverboat gaming in Louisiana can be conducted legally only on approved riverboats that cruise with certain exceptions including exceptions for certain portions of the Red River where riverboats can be continuously docked. Harrah's Shreveport Investment Company, Inc. an indirect subsidiary of Harrah's, is the general partner of, and owns 99% of, Red River Entertainment of Shreveport Partnership in Commendam, a Louisiana partnership which was granted a gaming license in April, 1994, to operate a continuously docked gaming riverboat. Harrah's Shreveport Management Company, Inc., another subsidiary, owns the remaining one percent of the Partnership and manages the riverboat pursuant to an agreement with the Partnership.

To obtain a gaming license, applicants must obtain certain Certificates of Approval from the Commission and submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Division. An applicant is ineligible to receive a gaming license if the applicant has not established good character, honesty and integrity. Each license granted entitles a licensee to operate a riverboat and equipment thereon from a specific location. The duration of the license initially runs for five years; renewals are for one year terms. In determining whether to grant a license, the Division considers: (i) the good character, honesty and integrity of the applicant; (ii) the applicant's ability to conduct gaming operations; (iii) the adequacy and source of the applicant's financing; (iv) the adequacy of the design documents submitted; (v) the docking facilities to be used; (vi) applicant's plan to recruit, train, and upgrade minorities in employment and to provide for minority-owned business participation.

A holder of a license is subject to the imposition of penalties, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order, and general welfare of the people of the state of Louisiana, or that violates the gaming laws and regulations.

The transfer of a license or an interest in a license is prohibited. In addition, an ownership interest of five percent or more in a business entity which holds a gaming license may not be sold, assigned, transferred or pledged without the Division's approval.

No person may be employed as a gaming employee unless such person holds a gaming employee permit issued by the Division. In addition, the Division issues suppliers licenses which authorize the supplier licensee to sell or lease gaming equipment and supplies to any licensee.

Minimum and maximum wagers on games are set by the licensee and wagering may be conducted only with a cashless wagering system, whereby all money is converted to tokens, electronic cards, or chips used only for wagering in the gaming establishment. No person under the age of 21 is permitted to wager, and wagers may only be taken from a person present on a licensed riverboat.

The legislation imposes a franchise fee for the right to operate on Louisiana waterways of 15% of net gaming proceeds and a license fee of \$50,000 (first year) and \$100,000 (subsequent years) plus three and one-half percent of net gaming proceeds. All fees are paid to the Division. In addition, the legislation authorizes local governing authorities the power to levy an admission fee for each person boarding the riverboat. Currently that amount is paid by the license holder. The Company's operation is currently paying an admission fee of \$3.00 per person.

The Company is in present material compliance with all applicable gaming laws, rules and regulations promulgated by the State of Louisiana with respect to riverboat casinos.

The Governor of the State of Louisiana has stated his intent to call a special legislative session beginning March 17, 1996 to consider legislation relating to all forms of gaming in Louisiana (including riverboat gaming). The Governor and various legislative leaders have expressed their support for legislation which would provide for a public referendum on such gaming (including riverboat gaming). The nature and scope of any referendum and any effect it could have on the riverboat's operations is uncertain at this time.

There could be other legislation relating to riverboat gaming introduced at this session or the Legislature's next regular session beginning April 29, 1996. There can be no assurance that legislation will not be enacted or a public referendum not called and held which in either case could have a material adverse effect on the riverboat operations.

GAMING-MISSOURI

The ownership and operation of a gaming riverboat in Missouri is subject to extensive regulation under Missouri gaming laws and regulations. A five-member Missouri Gaming Commission ("Commission") is charged with such regulatory authority, including the issuance of riverboat gaming licenses. Harrah's North Kansas City Corporation, an indirect subsidiary of Harrah's, has been issued a license to conduct riverboat gaming by the Commission and has an application pending for a second excursion gambling boat. Gaming in Missouri can be conducted legally only on either excursion gambling boats or floating facilities approved by the Commission on the Mississippi and Missouri Rivers. Unless permitted to be continuously docked by the Commission for certain stated reasons, including safety, excursion gambling boats must cruise. The Commission has approved dockside gaming for the Company's riverboat in North Kansas City. An application for dockside gaming for the second excursion gambling boat is also pending.

To obtain a gaming license, applicants must submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Commission. An applicant is ineligible to receive an owner's license if the applicant has not established good reputation and moral character or if the applicant, any of its officers, directors or managerial employees or any person who participates in the management or operation of gaming operations has been convicted of a felony. There are separate licenses for owners and operators of riverboat gambling operations, which can be applied for and held concurrently. Each license granted entitles a licensee to own and/or operate an excursion gambling boat and equipment thereon from a specific location. The duration of the license initially runs

for two one-year terms followed by two-year terms. The Commission also licenses the serving of alcoholic beverages on riverboats and adjacent facilities. All local income, earnings, use, property and sales taxes are applicable to licensees.

In determining whether to grant a license, the Commission considers: (i) the integrity of the applicants; (ii) the types and variety of games to be offered; (iii) the quality of the physical facility, together with improvements and equipment, and how soon the project will be completed; (iv) the financial ability of the applicant to develop and operate the facility successfully; (v) the status of governmental actions required for the facility; (vi) management ability of the applicant; (vii) compliance with applicable laws, rules, charters, and ordinances; (viii) the economic, ecological and social impact of the facility as well as the cost of public improvements; (ix) the extent of public support or opposition; (x) the plan adopted by the home dock city or county; and (xi) effects on competition.

A holder of a license is subject to the imposition of penalties, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order, and general welfare of the people of the state of Missouri, or that would discredit or tend to discredit the Missouri gaming industry or the state of Missouri, including without limitation: (i) failing to comply with or make provision for compliance with the legislation, the rules promulgated thereunder or any federal, state or local law or regulation; (ii) failing to comply with any rules, order or ruling of the Commission or its agents pertaining to gaming; (iii) receiving goods or services from a person or business entity who does not hold a supplier's license but who is required to hold such license by the legislation or the rules; (iv) being suspended or ruled ineligible or having a license revoked or suspended in any state or gaming jurisdiction; (v) associating with, either socially or in business affairs, or employing persons of notorious or unsavory reputation or who have extensive police records, or who have failed to cooperate with any official constituted investigatory or administrative body and would adversely affect public confidence and trust in gaming; (vi) employing in any Missouri gaming operation any person known to have been found guilty of cheating or using any improper device in connection with any game; (vii) use of fraud, deception, misrepresentation or bribery in securing any license or permit issued pursuant to the legislation; (viii) obtaining any fee, charge, or other compensation by fraud, deception or misrepresentation; and (ix) incompetence, misconduct, gross negligence, fraud, misrepresentation or dishonesty in the performance of the functions or duties regulated by the legislation.

An ownership interest in a license or in a business entity, other than a publicly held business entity which holds an owner's license, may not be transferred without the approval of the Commission. In addition, an ownership interest in a license or in a business entity, other than a publicly held business entity, which holds either directly or indirectly an owner's license, may not be pledged as collateral to other than a regulated bank or saving and loan association without the Commission's approval.

Every employee participating in a riverboat gaming operation must hold an occupational license which permits the holder to perform only activities included within such holder's level of occupation license or any lower level of occupation license. In addition, the Commission will issue suppliers licenses which authorize the supplier licensee to sell or lease gaming equipment and supplies to any licensee involved in the ownership and management of gaming operations.

Even if continuously docked, licensed riverboats must establish and abide by a cruise schedule. Riverboat cruises are required to be a minimum of two hours and a maximum of four hours. For the Company's riverboat in North Kansas City, Missouri, which is continuously docked, passengers may board the riverboat for a 45-minute period at the beginning of a cruise. They may disembark at any time. There is a maximum loss per person per cruise of \$500. Minimum and maximum wagers on games are set by the licensee and wagering may be conducted only with a cashless wagering system, whereby money is converted to tokens, electronic cards or chips which can only be used for wagering. No person under the age of 21 is permitted to wager, and wagers may only be taken from a person present on a licensed excursion gambling boat.

The legislation imposes a 20% wagering tax on adjusted gross receipts (generally defined as gross receipts less payments to customers as winnings) from gambling games. The tax imposed is to be paid by the licensed owner to the Commissioner on the day after the day when the wagers were made. Of the proceeds of that tax, 10% goes to the local government where the home dock is located, and the remainder goes to the state education assistance fund.

The legislation also requires that licensees pay a \$2.00 admission tax for each person admitted to a gaming cruise. The licensed owner is required to maintain public books and records clearly showing amounts received from admission fees, the total amount of gross receipts and the total amount of adjusted gross receipts.

The Company is presently in material compliance with all applicable gaming laws, rules and regulations promulgated by the State of Missouri.

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 ("IGRA"), which is administered by the National Indian Gaming Commission ("NIGC"). IGRA is subject to interpretation by the Secretary and NIGC and may be subject to judicial and legislative clarification or amendment.

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. All contracts relating to Harrah's Phoenix Ak-Chin and Harrah's Skagit Valley casinos were approved by the NIGC. 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 justify the larger fee and longer term.

There is no periodic or ongoing review of approved contracts by the NIGC. The only post-approval action which could result in possible modification or cancellation of a contract would be as the result of an enforcement action taken by the NIGC based on a violation of the law or an issue affecting suitability.

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 is casino-style gaming and includes banked table games such as blackjack, craps and roulette, and gaming machines such as slots, video poker, lotteries and parimutuel wagering. Harrah's Phoenix Ak-Chin provides Class II gaming and as limited by the Tribal-State compact, Class III gaming.

IGRA prohibits all forms of Class III gaming unless the tribe has entered into a written agreement with the state that specifically authorizes the types of Class III gaming the tribe may offer (a "tribal-state compact"). IGRA requires states to negotiate in good faith with tribes that seek tribal-state compacts and grants Indian tribes the right to seek a federal court order to compel such negotiations. Some states have refused to enter into such negotiations. Tribes in several states have sought federal court orders to compel such negotiations. The issue of whether this provision of IGRA is unconstitutional as a violation of the Eleventh Amendment to the United States Constitution which immunizes states from suit without the state's consent is presently pending before the U. S. Supreme Court in the case of Seminole v. State of Florida and Lawton Chiles. If Indian tribes are unable to compel states to negotiate tribal-state compacts, the Company will not be able to develop and manage casinos offering Class III games in states that refuse to enter into tribal-state compacts.

If the decision of the U. S. Supreme Court in the Seminole case has the effect of voiding IGRA in its entirety, this would end the exemption provided by IGRA to the Johnson Act (15 USC 1171) concerning prohibition of gambling devices on Indian land. Such outcome could have a material adverse effect on the operations of the Harrah's Phoenix Ak-Chin casino.

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 received temporary certification pending completion of its background check from the Arizona gaming authorities prior to opening the Phoenix Ak-Chin casino and certification from the Washington gaming authorities prior to the opening of the Upper Skagit casino.

Title 25, Section 81 of the United States Code states that "no agreement shall be made by any person with any tribe of Indians, or individual Indians not citizens of the United States, for the payment or delivery of any money or other thing of value . . . in consideration of services for said Indians relative to their lands . . . unless such contract or agreement be executed and approved" by the Secretary of the Interior (the "Secretary") or his or her designee. An agreement or contract for services relative to Indian lands which fails to conform with the requirements of Section 81 is void and unenforceable. All money or other thing of value paid to any person by any Indian or tribe for or on his or their behalf, on account of such services, in excess of any amount approved by the Secretary or his or her authorized representative will be subject to forfeiture. The Company believes that it has complied with the requirements of section 81 with respect to its management contracts for Harrah's Phoenix Ak-Chin and Harrah's Skagit Valley and intends to comply with Section 81 with respect to any other contract to manage casinos located on Indian land in the United States.

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 NIGC under certain standards established by IGRA. NIGC may determine that some or all of the ordinances require amendment, and that additional requirements, including additional licensing requirements, may be imposed on the Company. The Company has received no such notification regarding the Ak-Chin and Upper Skagit casinos. The possession of valid licenses from the Ak-Chin Indian Community and the Upper Skagit Indian Tribe are ongoing conditions of the Ak-Chin and Upper Skagit Agreements.

The Company is in present material compliance with the IGRA and all applicable rules and regulations promulgated by the NIGC.

GAMING-NEW ZEALAND

The ownership and operation of casino gaming facilities in New Zealand are subject to the Casino Control Act of 1990 ("Casino Act") and the regulations promulgated thereunder. The gaming operations of Harrah's Sky City are subject to the licensing and regulatory control of the Casino Control Authority ("Authority").

Pursuant to the Casino Act: (1) the predecessor of Harrah's Sky City applied for and was granted a Casino Premises License by the Authority; (2) Harrah's New Zealand, Inc., a subsidiary of the Company, applied for and was granted a Casino Operator's License by the Authority; and (3) Harrah's Sky City entered into a Casino Agreement ("Management Agreement") with Harrah's New Zealand, which was approved by the Authority. Prior to granting the Licenses and approving the Management Agreement, the Authority conducted the relevant inquiries required by the Casino Act, including a thorough investigation into the honesty, financial stability, business skills and management structure of Harrah's Sky City, Harrah's New Zealand and their respective associated persons and entities, and found both companies suitable for licensure.

The Casino Premises License has a term of 25 years from the commencement of casino operations and is renewable. The Casino Operator's License has no stated term, but it can be used only in a facility with a Casino Premises License and pursuant to an approved Management Agreement. No additional casino premises licenses can be granted by the Authority for sites on the North Island of New Zealand (where Auckland is located) for a period of two years after the opening of Harrah's Sky City Casino. In addition, no further casino premises licenses can be granted within a radius of 100 kilometers of the site of Harrah's Sky City Casino for a period of five years from the commencement of casino operations. Neither the Casino Premises License, the Casino Operator's License nor the Management Agreement may be amended, mortgaged, assigned or transferred without the prior approval of the Authority.

The Casino Act requires that all persons and/or entities which: (1) own a share of, and are entitled to receive income from, the casino business; (2) occupy the position of director, manager or other executive position and secretary of the casino business; or (3) exercise directorial, managerial or executive power over the casino business (all "Associated Persons"), must be found suitable by the Authority. No person can become an Associated Person without prior approval of the Authority. In addition all employees who are to be employed in a casino in any capacity related to the conduct of gaming, the movement of money or chips, cashiering, the operation, maintenance, construction or repair of gaming equipment and the supervision or management of any such activities must obtain a Certificate of Approval from the Authority prior to employment.

Under the Casino Act, the day-to-day regulatory oversight at a casino is performed by persons designated as inspectors, who may be members of the police, and who report to the Authority. The inspectors have broad authority to supervise gaming activities, inspect gaming equipment, supervise casino counts and investigate customer complaints regarding the conduct of gaming. In the exercise of their authority, inspectors have the power to enter and remain in any part of a casino and require the production of documents, information and gaming equipment or chips to ensure compliance with the Casino Act.

The Casino Act gives the Authority the power to cancel, suspend or vary or add conditions to a Casino Premises License, a Casino Operator's License or a Certificate of Approval after appropriate notice and hearing, which actions are appealable to New Zealand's judicial system. The Authority also can levy fines for various gaming-related offenses, allowing minors (under 20 years of age) in the casino, obstructing inspectors and other specified offenses. The costs of the Authority and the costs of administering and enforcing the Casino Act are borne by the holders of casino premises licenses.

The Company is in present material compliance with the Casino Act and all regulations promulgated thereunder.

OTHER REGULATIONS

The Company's businesses are subject to various federal, state and local laws and regulations in addition to gaming laws. 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 the Company.

FUEL SHORTAGES AND COSTS; WEATHER

Although gasoline supplies are now in relative abundance, gasoline shortages and price increases may have adverse effects on the casino business of Harrah's. Access to several Harrah's casino entertainment facilities, including the Lake Tahoe and Reno areas of northern Nevada, Atlantic City, New Jersey and the Colorado properties may be restricted from time to time during the winter months by adverse weather conditions which can cause road closures. Such closures have at times adversely affected operating results at Harrah's Lake Tahoe, Harrah's Reno, Bill's Lake Tahoe Casino and Harrah's Atlantic City.

EMPLOYEE RELATIONS

Harrah's, through its subsidiaries, has approximately 22,000 employees. Labor relations with employees are good.

Harrah's subsidiaries have collective bargaining agreements covering approximately 3,000 employees. These agreements relate to certain casino, hotel and restaurant employees at Harrah's Atlantic City and Harrah's Las Vegas. Approximately 2,500 of these 3,000 employees are covered by collective bargaining agreements expiring in 1997.

ITEM 3. LEGAL PROCEEDINGS.

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

On September 28, 1995, NOLDC filed suit against the Company and various of its corporate affiliates in New Orleans Louisiana Development Corporation v. Harrah's Entertainment, formerly

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

Beginning on November 28, 1995, eight separate class action suits were filed against the Company and various of its corporate affiliates, officers and directors in the United States District Court for the Eastern District of Louisiana. They are Ben F. D'Angelo, Trustee for Ben F. D'Angelo Revocable Trust v. Harrah's Entertainment Corp., Michael D. Rose, Philip G. Satre and Ron Lenczycki; Max Fenster v. Harrah's Entertainment, Inc., Harrah's New Orleans Investment Company, Grand Palais Casino, Inc., Philip G. Satre, Colin V. Reed, Michael N. Regan, Christopher B. Hemmeter, Donaldson, Lufkin & Jenrette Securities Corporation, Salomon Brothers, Inc., and BT Securities Corp.; Goldie Rosenbloom v. Harrah's Entertainment Corp., Michael D. Rose, Philip G. Satre and Ron Lenczycki; Barry Ross v. Harrah's New Orleans Investment Company, Philip G. Satre, Colin V. Reed, Lawrence L. Fowler, Michael N. Regan, Cezar M. Froelich, Ulric Haynes, Jr., Wendell Gauthier, T. George Solomon, Jr., Duplain W. Rhodes, III, Harrah's Entertainment, Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Salomon Brothers Inc., and BT Securities Corp.; Louis Silverman v. Harrah's Entertainment, Inc., Harrah's New Orleans Investment Company, Grand Palais Casino, Inc., Philip G. Satre, Colin V. Reed, Michael N. Regan, Christopher B. Hemmeter, and Donaldson, Lufkin & Jenrette Securities Corporation; Florence Kessler v. Philip G. Satre, Colin V. Reed, Charles A. Ledsinger, Jr., Michael N. Regan, Lawrence L. Fowler, Christopher B. Hemmeter, Cezar M. Froelich, Ulric Haynes, Jr., Wendell H. Gauthier, T. George Solomon, Jr., Duplain W. Rhodes, III, Donaldson, Lufkin & Jenrette Securities Corporation, Salomon Brothers Inc., and BT Securities Corporation; Warren Zeiller and Judith M.R. Zeiller v. Harrah's Entertainment Corp., Michael D. Rose, Philip G. Satre, and Ron Lenczycki; and Charles Zwerving and Helene Zwerving v. Harrah's Entertainment Corp., Philip G. Satre, Colin V. Reed, Christopher B. Hemmeter, and Donaldson, Lufkin & Jenrette Securities Corporation. Per Court Order of January 26, 1996, plaintiffs have been directed to file a consolidated complaint in the action numbered 95-3925. Each of the suits alleges that various misstatements and omissions were made in connection with the sale of Harrah's Jazz Company 14.25% First Mortgage Notes and thereafter. Each of the eight class actions sought unspecified damages, as well as costs of legal proceedings. No class has been certified, no answer has been filed by any defendant and no discovery on the merits has been taken. The Company and the other defendants intend to vigorously defend the suits.

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

the other defendant intend to vigorously defend the action and have filed an answer denying all of plaintiff's allegations. No discovery has been taken in the action.

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

Swody was recently consolidated with Susan N. Poirer, Darlene A. Moss, et al. v. Harrah's Entertainment, Inc., Harrah's New Orleans Management Company, and Harrah's Operating Company, Civil No. 96-0215, which was filed in the United States District Court for the Eastern District of Louisiana on January 17, 1996, and subsequently amended. Similar complaints were filed by Ms. Poirer in the Bankruptcy Court for the Eastern District of Louisiana in the HJC, HNOIC and Harrah's Jazz Finance Corp. bankruptcy cases. Adversary Nos. 96-1015, 96-1014, and 96-1013. No answer has yet been filed in the federal District Court case, or the bankruptcy adversary actions. The Poirer action purports to be class actions, state claims under the WARN Act and ERISA, and seek damages for alleged failure to timely notify workers terminated by Harrah's New Orleans Management Company at the time of the Harrah's Jazz Company bankruptcy and for ERISA severance pay benefits allegedly due. No class has been certified and the Company intends to vigorously defend the actions.

On December 29, 1995 in the Civil District Court for The Parish of Orleans, the City of New Orleans filed suit against the Company and others in City of New Orleans and Rivergate Development Corporation v Harrah's Entertainment, Inc. (f/k/a The Promus Companies, Inc.), Grand Palais Casino, Inc., Embassy Suites, Inc., First National Bank of Commerce and Ronald A. Lenczycki, Civil No. 95-19285. This suit seeks to require the Company, among others, to complete construction of the permanent casino being developed by HJC under theories of breach of completion guarantee contract, breach of implied duty of good faith, detrimental reliance, misrepresentation, and false advertising. Plaintiff seeks unspecified damages, as well as costs of legal proceedings. Defendants have removed the suit to the United States District Court for the Eastern District of Louisiana and it was then transferred to the Bankruptcy Court handling the HJC bankruptcy. A motion for withdrawal of the Bankruptcy Court reference and for remand has been filed by the City. The Company and the other defendants have filed an answer denying all of plaintiffs' allegations and intend to vigorously defend the action. Pursuant to a preliminary agreement dated March 4, 1996 between the City and HJC, all discovery and pending litigation between the City and HJC or any of its partners (which would include this action) will be stayed until June 30, 1996, and the City will not commence further litigation against any such entities until that time.

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

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

Not Applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

NAME AND AGE	POSITIONS AND OFFICES HELD AND PRINCIPAL OCCUPATIONS OR EMPLOYMENT DURING PAST 5 YEARS
Michael D. Rose (54).....	Chairman of the Board of Harrah's since November 1989. Chief Executive Officer (1989-1994) and President (1989-1991) of Harrah's. Mr. Rose also is a director of Ashland, Inc., First Tennessee National Corporation, General Mills, Inc. and Darden Restaurants, Inc. and Chairman of the Board and a director of Promus Hotel Corporation.
Philip G. Satre (46).....	Director since 1989, President since April 1991 and Chief Executive Officer since April 1994 of Harrah's. Chief Operating Officer (1991-1994) and Senior Vice President (1989-1991) of Harrah's. President (1984-1995) and Chief Executive Officer (1984-1991) of Harrah's Gaming Group. He is a member of the Executive Committee of Harrah's Jazz Company and a director and President of Harrah's Jazz Finance Corp., both of which filed petitions under Chapter 11 of the United States Bankruptcy Code in November 1995. He is also a director and President of Harrah's New Orleans Investment Company which filed a petition under Chapter 11 of the United States Bankruptcy Code in December 1995.
Colin V. Reed (48).....	Executive Vice President of Harrah's since September 1995. Senior Vice President, Corporate Development of Harrah's from May 1992 to September 1995. Vice President, Corporate Development of Harrah's from November 1989 to May 1992. He also is a director of Sodak Gaming, Inc. He is also a member of the Executive Committee of Harrah's Jazz Company and a director and a Senior Vice President of Harrah's Jazz Finance Corp., both of which filed petitions under Chapter 11 of the United States Bankruptcy Code in November 1995. He is also a director and Senior Vice President of Harrah's New Orleans Investment Company which filed a petition under Chapter 11 of the United States Bankruptcy Code in December 1995.
John M. Boushy (41).....	Senior Vice President, Information Technology and Corporate Marketing Services of Harrah's since June 1993. Vice President, Strategic Marketing of Harrah's from April 1989 to June 1993.
Charles A. Ledsinger, Jr. (46).....	Senior Vice President and Chief Financial Officer of Harrah's since August 1990. Treasurer of Harrah's from November 1989 to February 1991. He also is a director of Perkins Management Company, Inc., a privately-held general partner of Perkins Family Restaurants, L.P., a publicly-traded limited partnership. He is a Senior Vice President of Harrah's Jazz Finance Corp. which filed a petition under Chapter 11 of the United States Bankruptcy Code in November 1995.
Bradford W. Morgan (50).....	Senior Vice President, Marketing of Harrah's since May 1995. Executive Vice President, Marketing of the Company's Gaming Group from June 1994 to May 1995. Executive Vice President, Marketing & Sales of Visa U.S.A. from July 1988 to June 1994.
Ben C. Peterzell (50).....	Senior Vice President, Corporate Human Resources and Communications of Harrah's since November 1989. Mr. Peterzell is also a director of Promus Hotel Corporation.
E. O. Robinson, Jr. (56).....	Senior Vice President and General Counsel of Harrah's since April 1993 and Secretary of Harrah's from November 1989 to October 1995. Vice President and Associate General Counsel of Harrah's from November 1989 to April 1993.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock is listed on the New York Stock Exchange and traded under the ticker symbol "HET" (formerly "PRI"). The stock is also listed on the Chicago Stock Exchange, the Pacific Stock Exchange and the Philadelphia Stock Exchange.

The following table sets forth the high and low price per share of the Company's Common Stock for the last two years:

	HIGH -----	LOW -----
1994		
First Quarter*.....	55 1/4	36 1/2
Second Quarter*.....	41	27 1/8
Third Quarter*.....	38	27 3/4
Fourth Quarter*.....	34 1/8	25 7/8
1995		
First Quarter*.....	37 7/8	30
Second Quarter*.....	45 7/8	37
Third Quarter.....	33 1/8	25
Fourth Quarter.....	29 3/8	22 1/8

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* Prior to July 3, 1995, prices include the value of shares of Promus Hotel Corporation ("PRH") which was spun off to stockholders on June 30, 1995, in the form of a special dividend, on a basis of one share of PRH stock for each two shares of Harrah's. The average of the high and low share prices of PRH on July 3, 1995, its first day of trading, was \$22.625 or \$11.31 per Harrah's share.

The approximate number of holders of record of the Company's Common Stock as of January 31, 1996, is as follows:

TITLE OF CLASS -----	APPROXIMATE NUMBER OF HOLDERS OF RECORD -----
Common Stock, Par Value \$0.10 per share.....	15,258

The Company does not presently intend to declare cash dividends. The terms of the Company's Bank Facility substantially limit the Company's ability to pay cash dividends on Common Stock and limitations are also contained in agreements covering other debt of the Company. See "Management's Discussion and Analysis--Intercompany Dividend Restriction" on page 33 of the Annual Report and Note 16 to the consolidated financial statements on page 47 of the Annual Report, which pages are incorporated herein by reference. When permitted under the terms of the Bank Facility and the other debt, the declaration and payment of dividends is at the discretion of the Board of Directors of the Company. The Board of Directors of the Company intends to reevaluate its dividend policy in the future in light of the Company's results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

ITEM 6. SELECTED FINANCIAL DATA.

See the information for the years 1991 through 1995 set forth under "Financial and Statistical Highlights" on pages 2 and 3 of the Annual Report, which pages are incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

See the information set forth on pages 25 through 33 of the Annual Report, which pages are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the information set forth on pages 34 through 49 of the Annual Report, which pages are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not Applicable

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

DIRECTORS

See the information regarding the names, ages, positions and prior business experience of the directors of the Company set forth in the section entitled "Board of Directors" of the Proxy Statement, which information is incorporated herein by reference.

EXECUTIVE OFFICERS

See "Executive Officers of the Registrant" on page in Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION.

See the information set forth in the sections of the Proxy Statement entitled "Compensation of Directors," "Summary Compensation Table," "Option Grants in the Last Fiscal Year," "Aggregated Option Exercises in 1995 and December 31, 1995 Option Values," "Ten-year Option/SAR Repricings" and "Certain Employment Arrangements" which sections are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

See the information set forth in the sections of the Proxy Statement entitled "Ownership of Harrah's Entertainment Securities" and "Certain Stockholders," which sections are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See the information set forth in the section of the Proxy Statement entitled "Certain Transactions," which section is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

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

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 1995 and 1994.

Consolidated Statements of Income for the Years Ended December 31, 1995, 1994 and 1993.

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* Incorporated by reference from pages 34 through 48 of the Annual Report.

Consolidated Statements of Stockholders' Equity for the Years Ended
December 31, 1995, 1994 and 1993.

Consolidated Statements of Cash Flows for the Years Ended December 31,
1995, 1994 and 1993.

2. Schedules for the years ended December 31, 1995, 1994 and 1993, are as
follows:

NO.

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I-Condensed financial information of registrant
II-Consolidated valuation and qualifying accounts

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

3. Exhibits (footnotes appear on pages 47 and 48):

NO.

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- **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.
- 3(2) -Bylaws of the Company, as amended April 5, 1995. (5)
- 4(1) -Rights Agreement dated as of February 7, 1990, between The Promus Companies Incorporated and The Bank of New York as Rights Agent. (12)
- 4(2) -Letter to Bank of New York dated March 18, 1993 constituting Certificate under Section 12 of the Rights Agreement dated as of February 7, 1990. (11)
- 4(3) -First Supplemental Indenture dated as of July 15, 1987, among Irving Trust Company, as resigning trustee with respect to the 1999 Notes, Indiana National Bank as successor trustee with respect to the 1999 Notes and Holiday Inns, Inc.; Second Supplemental Indenture dated as of January 8, 1988, under Indenture dated as of January 15, 1984, between Holiday Inns, Inc., and Irving Trust Company, as trustee with respect to 8 3/8% Notes due 1996; Third Supplemental Indenture dated as of January 8, 1988, under Indenture dated as of January 15, 1984, among Holiday Inns, Inc., Irving Trust Company, as resigning trustee with respect to the 8 3/8% Notes due 1996, and LaSalle National Bank as successor trustee with respect to the 8 3/8% Notes due 1996; Fourth Supplemental Indenture dated as of February 23, 1988, under Indenture dated as of January 15, 1984, between Holiday Inns, Inc. and LaSalle National Bank, as trustee with respect to the 8 3/8% Notes due 1996. (3)
- 4(4) -Fifth Supplemental Indenture dated as of January 23, 1990, with respect to the 8 3/8% Notes due 1996, among LaSalle National Bank, as trustee, The Promus Companies Incorporated and Holiday Inns, Inc., as issuer; Sixth Supplemental Indenture dated as of February 7, 1990, with respect to the 8 3/8% Notes due 1996, among Holiday Inns, Inc., Embassy Suites, Inc., The Promus Companies Incorporated and LaSalle National Bank; Form of Note for 8 3/8% Notes due 1996. (12)
- 4(5) -Indenture dated as of April 1, 1992, with respect to the 10 7/8% Senior Subordinated Notes due 2002, among The Bank of New York, as trustee, The Promus Companies Incorporated, as guarantor, and Embassy Suites, Inc., as issuer; Form of Note for 10 7/8% Senior Subordinated Notes due 2002. (18)
- 4(6) -First Supplemental Indenture dated as of June 2, 1995, with respect to the 10 7/8% Senior Subordinated Notes due 2002, among Embassy Suites, Inc., as issuer, The Promus Companies Incorporated, as guarantor, and The Bank of New York, as trustee. (2)

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** Filed herewith

NO.

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- 4(7) -Indenture dated as of August 1, 1993, with respect to the 8 3/4% Senior Subordinated Notes due 2000, among The Bank of New York, as trustee, The Promus Companies Incorporated, as guarantor, and Embassy Suites, Inc., as issuer; Form of Note for 8 3/4% Senior Subordinated Notes due 2000. (6)
 - 4(8) -First Supplemental Indenture dated as of June 2, 1995, with respect to the 8 3/4% Senior Subordinated Notes due 2000, among Embassy Suites, Inc., as issuer, The Promus Companies Incorporated, as guarantor, and The Bank of New York, as trustee. (2)
 - 4(9) -Interest Swap Agreement between The Sumitomo Bank, Limited and Embassy Suites, Inc. dated October 22, 1992; Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated October 22, 1992; Interest Swap Agreement between The Nippon Credit Bank and Embassy Suites, Inc. dated October 22, 1992. (18)
 - 4(10) -Interest Swap Agreement between Bank of America National Trust and Savings Association and Embassy Suites, Inc. dated May 14, 1993. (6)
 - 4(11) -Interest Swap Agreement between NationsBank of North Carolina, N. A. and Embassy Suites, Inc. dated May 18, 1993. (6)
 - **4(12) -Interest Swap Agreement between Bank of America National Trust and Savings Association and Harrah's Operating Company, Inc. dated December 21, 1995.
 - **4(13) -Interest Swap Agreement between NationsBank, N. A. (Carolinas) and Harrah's Entertainment, Inc. dated December 21, 1995.
 - 4(14) -Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated January 25, 1995 and amended February 2, 1995. (7)
 - 4(15) -Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated March 16, 1995. (7)
 - 4(16) -Interest Swap Agreement between Bankers Trust Company and Embassy Suites, Inc. dated May 16, 1995. (10)
 - 4(17) -Interest Swap Agreement between The Sumitomo Bank, Limited and Embassy Suites, Inc. dated June 5, 1995. (10)
 - 4(18) -Interest Swap Agreement between Bankers Trust Company and Embassy Suites, Inc. dated June 6, 1995. (10)
 - 10(1) -Credit Agreement, dated as of July 22, 1993 and amended and restated as of June 9, 1995, among The Promus Companies Incorporated, Embassy Suites, Inc., certain subsidiaries of Embassy Suites, Inc., various banks, Bankers Trust Company, The Bank of New York, CIBC, Inc., Credit Lyonnais, Atlanta Agency, First Interstate Bank of California, The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank of Georgia, N.A., Societe Generale and Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent. (2)
 - 10(2) -Credit Agreement, dated as of June 9, 1995, among The Promus Companies Incorporated, Embassy Suites, Inc., certain subsidiaries of Embassy Suites, Inc., various banks, Bankers Trust Company, The Bank of New York, CIBC, Inc., Credit Lyonnais, Atlanta Agency, First Interstate Bank of California, The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank of Georgia, N.A., Societe Generale and The Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent. (2)
 - 10(3) -Amended and Restated Reimbursement Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., The Promus Companies Incorporated, Marina Associates and The Sumitomo Bank, Limited, New York Branch. (19)
 - 10(4) -Master Collateral Agreement, dated as of July 22, 1993, among The Promus Companies Incorporated, Embassy Suites, Inc., the other Collateral Grantors parties thereto, Bankers Trust Company, as Administrative Agent, and Bankers Trust Company as Collateral Agent. (19)

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** Filed herewith

- 10(5) -First Amendment to Master Collateral Agreement, dated as of June 30, 1995, among The Promus Companies Incorporated, Embassy Suites, Inc., the other Collateral Grantors parties thereto, Bankers Trust Company, as Administrative Agent, and Bankers Trust Company as Collateral Agent amending the Master Collateral Agreement, dated as of July 22, 1993, among The Promus Companies Incorporated, Embassy Suites, Inc., the other Collateral Grantors parties thereto, Bankers Trust Company, as Administrative Agent, and Bankers Trust Company as Collateral Agent. (10)
- 10(6) -Security Agreement dated as of July 22, 1993, among Embassy Suites, Inc., the Collateral Grantors parties thereto and Bankers Trust Company, as Collateral Agent. (19)
- 10(7) -First Amendment to Security Agreement, dated as of June 30, 1995, among Embassy Suites, Inc., the Collateral Grantors parties thereto and Bankers Trust Company, as Collateral Agent, amending the Security Agreement dated as of July 22, 1993, among Embassy Suites, Inc., the Collateral Grantors parties thereto and Bankers Trust Company, as Collateral Agent. (10)
- 10(8) -Deed of Trust, Leasehold Deed of Trust, Assignment, Assignment of Leases and Rents, Security Agreement and Financing Statement, dated as of July 22, 1993, from Embassy Suites, Inc., Harrah's Laughlin, Inc., and Harrah's Reno Holding Company, Inc., the Grantors, to First American Title Company of Nevada, as Trustee, for the benefit of Bankers Trust Company, as Beneficiary. (19)
- 10(9) -First Amendment to Deed of Trust, Leasehold Deed of Trust, Assignment, Assignment of Leases and Rents, Security Agreement and Financing Statement, dated as of June 30, 1995, among Embassy Suites, Inc., Harrah's Laughlin, Inc., Harrah's Reno Holding Company, Inc., Harrah's, Harrah's Club and Harrah's Las Vegas, Inc., the Collateral Grantors, and Bankers Trust Company as Collateral Agent and Beneficiary, amending the Deed of Trust, Leasehold Deed of Trust, Assignment, Assignment of Leases and Rents, Security Agreement and Financing Statement, dated as of July 22, 1993, from Embassy Suites, Inc., Harrah's Laughlin, Inc., and Harrah's Reno Holding Company, Inc., the Grantors, to First American Title Company of Nevada, as Trustee, for the benefit of Bankers Trust Company, as Beneficiary. (10)
- 10(10) -Mortgage, Leasehold Mortgage, Assignment, Assignment of Leases and Rents and Security Agreement, dated as of July 22, 1993, from Marina Associates and Embassy Suites, Inc., the Mortgagors, to Bankers Trust Company, as Collateral Agent and the Mortgagee. (19)
- 10(11) -First Amendment to Mortgage, Leasehold Mortgage, Assignment, Assignment of Leases and Rents and Security Agreement, dated as of June 30, 1995, among Embassy Suites, Inc., Marina Associates, the Mortgagors, to Bankers Trust Company, as Collateral Agent and the Mortgagee, amending the Mortgage, Leasehold Mortgage, Assignment, Assignment of Leases and Rents and Security Agreement, dated as of July 22, 1993, from Marina Associates and Embassy Suites, Inc., the Mortgagors, to Bankers Trust Company, as Collateral Agent and the Mortgagee. (10)
- 10(12) -Pledge Agreement, dated as of July 22, 1993, between The Promus Companies Incorporated and Bankers Trust Company, as Collateral Agent. (19)
- 10(13) -First Amendment to Parent Pledge Agreement, dated as of June 30, 1995, among The Promus Companies Incorporated and Bankers Trust Company, as Collateral Agent, amending the Pledge Agreement, dated as of July 22, 1993, between The Promus Companies Incorporated and Bankers Trust Company, as Collateral Agent. (10)
- 10(14) -Pledge Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., ESI Equity Development Corporation, Harrah's, Harrah's Club, Casino Holding Company, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent. (19)

NO.

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- 10(15) -First Amendment to Company/Sub Pledge Agreement, dated as of June 30, 1995, among Embassy Suites, Inc., Harrah's, Harrah's Club, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent, amending the Pledge Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., ESI Equity Development Corporation, Harrah's, Harrah's Club, Casino Holding Company, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent. (10)
 - 10(16) -Consent dated as of October 7, 1994, among The Promus Companies Incorporated, Embassy Suites, Inc., the Banks and Agents parties thereto, Marina Associates and Bankers Trust Company, as Administrative Agent. (17)
 - 10(17) -Plan of Reorganization and Distribution Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
 - 10(18) -Employee Benefits and Other Employment Matters Allocation Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
 - 10(19) -Risk Management Allocation Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
 - 10(20) -Tax Sharing Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
 - +10(21) -Form of Indemnification Agreement entered into by The Promus Companies Incorporated and each of its directors and executive officers. (1)
 - **+10(22) -Financial Counseling Plan of Harrah's Entertainment, Inc. as amended January 1996.
 - +10(23) -The Promus Companies Incorporated 1996 Non-Management Director's Stock Incentive Plan dated April 5, 1995. (9)
 - +10(24) -The Promus Companies Incorporated Key Executive Officer Annual Incentive Plan dated February 24, 1995. (10)
 - +10(25) -Summary Plan Description of Executive Term Life Insurance Plan. (18)
 - **+10(26) -Form of Harrah's Entertainment, Inc.'s Annual Management Bonus Plan, as amended 1995.
 - +10(27) -Form of Severance Agreement dated July 30, 1993, entered into with E. O. Robinson, Jr. and John M. Boushy. (22)
 - +10(28) -Severance Agreement, dated June 30, 1995, with Bradford W. Morgan. (10)
 - +10(29) -Amended and Restated Severance Agreement dated as of May 1, 1992 between The Promus Companies Incorporated and Michael D. Rose. (18)
 - +10(30) -Form of Amended and Restated Severance Agreement dated November 5, 1992, entered into with Charles A. Ledsinger, Jr., Ben C. Peterzell, Philip G. Satre and Colin V. Reed. (18)
 - +10(31) -Amendment, dated February 25, 1994 and effective April 29, 1994, to Amended and Restated Severance Agreement dated November 5, 1992, between The Promus Companies Incorporated and Philip G. Satre. (21)
 - +10(32) -Amended and Restated Employment Agreement, dated June 30, 1995, between Michael D. Rose and Harrah's Entertainment, Inc. (10)
 - **+10(33) -Amendment dated as of December 19, 1995, to Amended and Restated Employment Agreement between Michael D. Rose and Harrah's Entertainment, Inc.
 - +10(34) -Agreement, dated April 28, 1995, between Michael D. Rose and The Promus Companies Incorporated concerning treatment of stock options in spin-off. (10)

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** Filed herewith

+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(c) of Form 10-K.

NO.

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- +10(35) -Agreement, dated May 1, 1995, between Michael D. Rose and The Promus Companies Incorporated concerning treatment of Executive Deferred Compensation Plan account in spin-off. (10)
- +10(36) -Employment Agreement dated as of February 25, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Philip G. Satre including exhibits thereto. (17)
- +10(37) -The Promus Companies Incorporated 1990 Stock Option Plan. (12)
- +10(38) -The Promus Companies Incorporated 1990 Stock Option Plan (as amended as of April 30, 1993). (20)
- +10(39) -The Promus Companies Incorporated 1990 Stock Option Plan, as amended April 29, 1994. (8)
- +10(40) -The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994. (21)
- +10(41) -Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Stock Option Plan. (9)
- **+10(42) -Revised Form of Stock Option (1990 Stock Option Plan).
- +10(43) -Form of memorandum agreement dated July 2, 1991, eliminating stock appreciation rights under stock options held by Charles A. Ledsinger, Jr., Ben C. Peterneil and Philip G. Satre. (14)
- +10(44) -Form of Agreement to Cancel Options dated as of December 16, 1994 entered into with Michael D. Rose, Philip G. Satre, Charles A. Ledsinger, Jr., Ben C. Peterneil, Colin V. Reed, E. O. Robinson, Jr. and John M. Boushy. (7)
- +10(45) -The Promus Companies Incorporated 1990 Restricted Stock Plan. (12)
- +10(46) -Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Restricted Stock Plan. (9)
- **+10(47) -Revised Forms of Restricted Stock Award (1990 Restricted Stock Plan).
- **+10(48) -Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated October 27, 1995.
- +10(49) -Deferred Compensation Plan dated October 16, 1991. (15)
- +10(50) -Amendment, dated May 26, 1995, to The Promus Companies Incorporated Deferred Compensation Plan. (2)
- **+10(51) -Forms of Deferred Compensation Agreement.
- **+10(52) -Amended and Restated Executive Deferred Compensation Plan dated as of October 27, 1995.
- **+10(53) -Forms of Executive Deferred Compensation Agreement.
- +10(54) -Escrow Agreement dated February 6, 1990 between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent. (12)
- +10(55) -First Amendment to Escrow Agreement dated January 31, 1990 among Holiday Corporation, certain subsidiaries thereof and Sovran Bank, as escrow agent. (12)
- +10(56) -Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank. (24)
- +10(57) -Amendment, dated as of June 7, 1995, to Escrow Agreement among The Promus Companies Incorporated, certain subsidiaries thereof and NationsBank. (2)

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** Filed herewith

+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(c) of Form 10-K.

NO.

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- 10(58) -Amended and Restated Partnership Agreement of Harrah's Jazz Company, dated as of March 15, 1994, among Harrah's New Orleans Investment Company, New Orleans/Louisiana Development Corporation and Grand Palais Casino, Inc.; First Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company, effective as of March 15, 1994. (24)
 - 10(59) -Second Amendment dated March 31, 1994 to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (8)
 - 10(60) -Amended and Restated Third Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (16)
 - 10(61) -Fourth Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (16)
 - 10(62) -Indenture dated as of November 15, 1994 between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee for the First Mortgage Notes including form of First Mortgage Note. (16)
 - 10(63) -Cash Collateral and Disbursement Agreement among First National Bank of Commerce as Trustee, First National Bank of Commerce as Collateral Agent, Harrah's Jazz Company and Harrah's Jazz Finance Corp., dated November 16, 1994. (16)
 - 10(64) -Collateral Mortgage Note by Harrah's Jazz Company dated November 15, 1994. (16)
 - 10(65) -Act of Collateral Mortgage and Collateral Assignment of Proceeds by Harrah's Jazz Company dated November 15, 1994. (16)
 - 10(66) -Act of Collateral Assignment of Leases and Rents between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated November 15, 1994. (16)
 - 10(67) -Act of Security Agreement and Pledge between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated November 15, 1994. (16)
 - 10(68) -Pledge Agreement between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
 - 10(69) -Security Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
 - 10(70) -Security Agreement (Cash Collateral) among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee dated November 16, 1994. (16)
 - 10(71) -Manager Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, Harrah's New Orleans Management Company and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
 - 10(72) -Consultant Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, Grand Palais Management Company, New Orleans/Louisiana Development Corporation and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
 - 10(73) -Amended Lease Agreement between the Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated March 15, 1994. (13)
 - 10(74) -Amended General Development Agreement between Rivergate Development Corporation and Harrah's Jazz Company and City of New Orleans, as Intervenor dated March 15, 1994. (4)
 - 10(75) -Temporary Casino Lease between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated March 15, 1994. (4)

NO.

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- 10(76) -Amendment to Amended Lease Agreement between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated October 5, 1994. (13)
 - 10(77) -Agreement between the City of New Orleans and Harrah's Jazz Company, dated October 5, 1994 (the "Separate City Agreement"). (13)
 - 10(78) -Agreement among the Rivergate Development Corporation, the City of New Orleans and Embassy Suites, Inc. and Harrah's Jazz Company, as intervenor, dated October 5, 1994 (the "Embassy Access Agreement"). (13)
 - 10(79) -Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated July 15, 1994. (4)
 - 10(80) -First Amendment to Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated August 31, 1994. (13)
 - 10(81) -Amended and Restated Management Agreement between Harrah's New Orleans Management Company and Harrah's Jazz Company dated March 14, 1994. (4)
 - 10(82) -Construction Agreement between Harrah's Jazz Company and Centex Landis Construction Co., Inc. dated October 10, 1994, for the construction of the Permanent Casino. (13)
 - 10(83) -Design and Construction Agreement between Harrah's Jazz Company and Broadmoor dated October 10, 1994, for the construction of the parking structure. (13)
 - 10(84) -Owner's Policy issued March 16, 1994 by First American Title Insurance Company to Harrah's Jazz Company with attachments. (16)
 - 10(85) -Lender's Title Insurance Policy issued November 16, 1994 by First American Title Insurance Company together with reinsurance agreements. (16)
 - 10(86) -Construction Lien Indemnity Obligation Agreement between Harrah's Jazz Company and Embassy Suites, Inc. dated October 12, 1994. (23)
 - 10(87) -First Amendment to the Construction Lien Indemnity Obligation Agreement. (16)
 - 10(88) -Specimen form of 14 1/4% First Mortgage Note Due 2001 of Harrah's Jazz Company and Harrah's Jazz Finance Corp. (16)
 - 10(89) -Limited Partnership Agreement of Des Plaines Limited Partnership between Harrah's Illinois Corporation and John Q. Hammons, dated February 28, 1992; First Amendment to Limited Partnership Agreement of Des Plaines Limited Partnership dated as of October 5, 1992. (24)
 - **11 -Computations of per share earnings.
 - **12 -Computations of ratios.
 - **13 -Portions of Annual Report to Stockholders for the year ended December 31, 1995. (25)
 - **21 -List of subsidiaries of Harrah's Entertainment, Inc.
 - **27 -Financial Data Schedule
- -----

** Filed herewith

FOOTNOTES

- (1) Incorporated by reference from the Company's Registration Statement on Form 10, File No. 1-10410, filed on December 13, 1989.
- (2) Incorporated by reference from the Company's Current Report on Form 8-K filed June 15, 1995, File No. 1-10410.
- (3) Incorporated by reference from Holiday Corporation's Annual Report on Form 10-K for the fiscal year ended January 1, 1988, filed March 31, 1988, File No. 1-8900.

- (4) Incorporated by reference from Amendment No. 3 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed August 4, 1994.
- (5) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, filed May 15, 1995, File No. 1-10410.
- (6) Incorporated by reference from the Company's and Embassy Suites, Inc.'s Amendment No. 2 to Form S-4 Registration Statement, File No. 33-49509-01, filed July 16, 1993.
- (7) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, filed March 21, 1995, File No. 1-10410.
- (8) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994, filed May 12, 1994, File No. 1-10410.
- (9) Incorporated by reference from the Company's Proxy Statement for the May 26, 1995 Annual Meeting of Stockholders, filed April 25, 1995.
- (10) 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.
- (11) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993, filed May 13, 1993, File No. 1-10410.
- (12) 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.
- (13) Incorporated by reference from Amendment No. 4 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 12, 1994.
- (14) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 1991, filed November 8, 1991, File No. 1-10410.
- (15) 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.
- (16) Incorporated by reference from Harrah's Jazz Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, filed December 21, 1994, File No. .
- (17) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, filed November 14, 1994, File No. 1-10410.
- (18) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, filed March 12, 1993, File No. 1-10410.
- (19) Incorporated by reference from the Company's Current Report on Form 8-K filed August 6, 1993, File No. 1-10410.
- (20) Incorporated by reference from Post-Effective Amendment No. 1 to the Company's Form S-8 Registration Statement, File No. 33-32864-01, filed July 22, 1993.
- (21) 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.
- (22) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993, filed November 12, 1993, File No. 1-10410.
- (23) Incorporated by reference from Amendment No. 5 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 26, 1994.
- (24) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, filed March 28, 1994, File No. 1-10410.
- (25) Filed herewith to the extent portions of such report are specifically included herein by reference.

(b) No Reports on Form 8-K were filed during the fourth quarter of 1995 and thereafter through February 29, 1996.

(d) The financial statements of Harrah's Jazz Company will be filed as an amendment to this 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.

Dated: March 6, 1996

By
 /s/ MICHAEL D. ROSE

 (Michael D. Rose, Chairman)

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/ JAMES L. BARKSDALE (James L. Barksdale)	Director	March 6, 1996
/s/ SUSAN CLARK-JOHNSON (Susan Clark-Johnson)	Director	March 6, 1996
/s/ JAMES B. FARLEY (James B. Farley)	Director	March 6, 1996
/s/ JOE M. HENSON (Joe M. Henson)	Director	March 6, 1996
/s/ RALPH HORN (Ralph Horn)	Director	March 6, 1996
/s/ MICHAEL D. ROSE (Michael D. Rose)	Director and Chairman	March 6, 1996
/s/ WALTER J. SALMON (Walter J. Salmon)	Director	March 6, 1996
/s/ PHILIP G. SATRE (Philip G. Satre)	Director, President and Chief Executive Officer	March 6, 1996
/s/ BOAKE A. SELLS (Boake A. Sells)	Director	March 6, 1996
/s/ EDDIE N. WILLIAMS (Eddie N. Williams)	Director	March 6, 1996
/s/ SHIRLEY YOUNG (Shirley Young)	Director	March 6, 1996
/s/ CHARLES A. LEDSINGER, JR. (Charles A. Ledsinger, Jr.)	Chief Financial Officer	March 6, 1996
/s/ MICHAEL N. REGAN (Michael N. Regan)	Controller and Principal Accounting Officer	March 6, 1996

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Harrah's Entertainment, Inc.:

We have audited in accordance with generally accepted auditing standards, the financial statements included in Harrah's Entertainment, Inc. 1995 annual report to stockholders, incorporated by reference in this Form 10-K, and have issued our report thereon dated March 5, 1996. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed under Item 14(a)2 on page 41 are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Memphis, Tennessee,
March 5, 1996.

SCHEDULE I

HARRAH'S ENTERTAINMENT, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31,	
	1995	1994
ASSETS		
Cash.....	\$ -	\$ -
Investments in and advances to subsidiaries (eliminated in consolidation).....	585,624	480,520
Net assets of discontinued hotel operations.....	-	143,008
Organizational costs.....	-	31
	\$585,624	\$623,559
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accrued taxes, including federal income taxes.....	\$ 75	\$ 122
Commitments and contingencies (Notes 4, 8 and 9)		
Stockholders' equity (Note 5)		
Common stock, \$0.10 par value, authorized-360,000,000 shares, outstanding-102,673,828 and 102,402,619 shares (net of 19,026 and 37,172 shares held in treasury).....	10,267	10,240
Capital surplus.....	362,783	350,196
Unrealized gain on marketable equity securities held by a subsidiary.....	10,552	-
Retained earnings.....	204,838	265,574
Deferred compensation related to restricted stock.....	(2,891)	(2,573)
	585,549	623,437
	\$585,624	\$623,559

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

SCHEDULE I (CONTINUED)

HARRAH'S ENTERTAINMENT, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF INCOME
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Revenues.....	\$ -	\$ -	\$ -
Costs and expenses.....	182	466	319
Loss before income taxes and equity in subsidiaries' continuing earnings.....	(182)	(466)	(319)
Income tax benefit.....	64	163	112
Loss before equity in subsidiaries' continuing earnings.....	(118)	(303)	(207)
Equity in subsidiaries' continuing earnings.....	78,928	50,287	75,074
Income from continuing operations.....	78,810	49,984	74,867
Discontinued operations (Note 1) Equity in subsidiaries' income from discontinued operations.....	21,230	36,319	16,926
Spin-off transaction expenses, net of tax benefit of \$5,134.....	(21,194)	-	-
Income before extraordinary loss and cumulative effect of change in accounting policy.....	78,846	86,303	91,793
Extraordinary loss on early extinguishment of debt by a subsidiary, net of tax benefit of \$3,415.....	-	-	(5,447)
Cumulative effect of change in accounting policy, net of tax benefit of \$4,317 (Note 7).....	-	(7,932)	-
Net income.....	\$ 78,846	\$78,371	\$86,346

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

SCHEDULE I (CONTINUED)

HARRAH'S ENTERTAINMENT, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Cash flows from operating activities			
Net income.....	\$ 78,846	\$ 78,371	\$ 86,346
Adjustment to reconcile net income to cash flows from operating activities			
Discontinued operations			
Equity in subsidiaries' income from discontinued operations.....	(21,230)	(36,319)	(16,926)
Spin-off transaction expenses, before income taxes.....	26,328	-	-
Extraordinary loss.....	-	-	8,862
Cumulative effect of change in accounting policy, before income taxes.....	-	13,924	-
Amortization.....	31	271	271
Equity in undistributed continuing earnings of subsidiaries.....	(78,928)	(50,287)	(75,074)
Net change in working capital accounts.....	(5,047)	(5,960)	(3,479)
Net change in cash.....	-	-	-
Cash, beginning of period.....	-	-	-
Cash, end of period.....	\$ -	\$ -	\$ -

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

HARRAH'S ENTERTAINMENT, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--BASIS OF ORGANIZATION

Harrah's Entertainment, Inc. (Harrah's or the Company), a Delaware corporation, is a holding company, the principal assets of which are the capital stock of two subsidiaries, Harrah's Operating Company, Inc. (HOC) and Aster Insurance Ltd. (Aster). These condensed financial statements should be read in conjunction with the consolidated financial statements of Harrah's and subsidiaries.

On June 30, 1995, the Company completed a spin-off of its hotel business (the PHC Spin-off) with the distribution to its stockholders on a one-for-two basis of the stock of a new entity, Promus Hotel Corporation (PHC). The Company had transferred its hotel operations to PHC prior to the PHC Spin-off. Through its subsidiaries, Harrah's, formerly The Promus Companies Incorporated, retained ownership of the casino entertainment business. As a result of the PHC Spin-off, Harrah's financial statements reflect the hotel business as discontinued operations.

NOTE 2--ORGANIZATIONAL COSTS

Organizational costs were amortized on a straight-line basis over a five year period.

NOTE 3--INVESTMENT IN ASTER

The value of Harrah's investment in Aster has been reduced below zero. Harrah's negative investment in Aster at December 31, 1995 and 1994 was \$12.7 million and \$13.4 million, respectively, and is included in investments in and advances to subsidiaries on the balance sheet. In addition, Harrah's has guaranteed the future payment by Aster of certain insurance-related liabilities.

NOTE 4--LONG-TERM DEBT

Harrah's has no long-term debt obligations. Harrah's has guaranteed certain long-term debt obligations of HOC.

NOTE 5--STOCKHOLDERS' EQUITY

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

Preferred stock, \$100 par value, 150,000 shares authorized
Special stock, 5,000,000 shares authorized-
Series B, \$1.125 par value

On June 30, 1995, the PHC Spin-off was completed and the Company distributed to its stockholders the stock of PHC as a dividend. To reflect this distribution the \$139.6 million book value of the net assets of discontinued operations as of the spin-off date has been charged against the Company's retained earnings (see Note 1).

HARRAH'S ENTERTAINMENT, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
NOTES TO FINANCIAL STATEMENTS

NOTE 5--STOCKHOLDERS' EQUITY (CONTINUED)

Due to continued appreciation in the market value of the stock of an equity investee of HOC, during 1995 the carrying value of the investment was adjusted by HOC to include the unrealized gain in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." A corresponding increase, net of the related income tax provision, was recorded in stockholders' equity. The amount of such unrealized gain in prior years was not material.

NOTE 6--INCOME TAXES

Harrah's files a consolidated tax return with its subsidiaries.

NOTE 7--CHANGE IN ACCOUNTING POLICY

Effective January 1, 1994, Harrah's changed its accounting policy for its consolidated casinos relating to preopening costs. As a result of this change, operating results for the year ended December 31, 1994, reflect the cumulative charge against earnings, net of income taxes, of \$7.9 million, or \$0.08 per share, to write off the unamortized preopening costs balances related to projects opened in prior years.

NOTE 8--COMMITMENTS AND CONTINGENCIES

A Harrah's subsidiary owns an approximate 47% interest in a partnership named Harrah's Jazz Company (Harrah's Jazz). On November 22, 1995, Harrah's Jazz and its wholly-owned subsidiary, Harrah's Jazz Finance Corp., filed for Chapter 11 bankruptcy. Prior to the filing, Harrah's Jazz was operating a temporary casino in the New Orleans, Louisiana Municipal Auditorium (the Temporary Casino) and constructing a new permanent casino facility on the site of the former Rivergate Convention Center in downtown New Orleans (the Permanent Casino). Harrah's Jazz ceased operation of the Temporary Casino and construction of the Permanent Casino on November 22, 1995 prior to the bankruptcy filings.

Prior to these events, Harrah's delivered completion guaranties to the trustee of Harrah's Jazz's \$435 million of 14.25% First Mortgage Notes, the bank lenders under a Harrah's Jazz \$175 million bank credit facility and the Louisiana Economic Development and Gaming Corporation (the state agency regulating Harrah's Jazz). Each completion guaranty was subject to certain conditions, exceptions and qualifications. The Company believes that its obligations under these guaranties have been terminated by the recent events.

NOTE 9--LITIGATION

Harrah's and certain of its subsidiaries have been named as defendants in a number of lawsuits arising from the suspension of development of a land-based casino, and the closing of the temporary gaming facility, in New Orleans, Louisiana, by Harrah's Jazz. The ultimate outcomes of these lawsuits

HARRAH'S ENTERTAINMENT, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
NOTES TO FINANCIAL STATEMENTS

NOTE 9--LITIGATION (CONTINUED)

cannot be predicted at this time, and no provisions for the claims are included in the accompanying consolidated financial statements. The Company intends to defend these actions vigorously.

In March 1995, the Company entered into a settlement agreement (the Settlement) with Bass PLC (Bass) of all claims related to the Merger Agreement and Tax Sharing Agreement arising from the 1990 Spin-off of Promus and acquisition of the Holiday Inn hotel business by Bass. As a result of the Settlement, a charge of \$49.2 million was recorded in 1994 on the books of HOC to accrue the estimated cost of the settlement, the related legal fees and other associated expenses.

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

SCHEDULE II

(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 CLOSE OF PERIOD
YEAR ENDED DECEMBER 31, 1995					
Allowance for doubtful accounts Current.....	\$ 9,551	\$ 5,910	\$ -	\$ (4,551)(A)	\$10,910
Long-term.....	\$ 75	\$ -	\$ -	\$ -	\$ 75
Allowance for losses on property dispositions.....	\$ 11,231	\$ -	\$ -	\$ (11,231)(B)	\$ -
Insurance allowances and reserves.....	\$ 49,448	\$ 22,865	\$ -	\$ (22,492)	\$49,821
YEAR ENDED DECEMBER 31, 1994					
Allowance for doubtful accounts Current.....	\$ 9,252	\$ 5,731	\$ -	\$ 5,432(A)	\$ 9,551
Long-term.....	\$ -	\$ 75	\$ -	\$ -	\$ 75
Allowance for losses on property dispositions.....	\$ 11,000	\$ 231	\$ -	\$ -	\$11,231
Insurance allowances and reserves.....	\$ 39,859	\$ 52,908	\$ -	\$ 43,319	\$49,448
FISCAL YEAR ENDED DECEMBER 31, 1993					
Allowance for doubtful accounts, current.....	\$ 9,617	\$ 4,673	\$ -	\$ 5,038(A)	\$ 9,252
Allowance for losses on property dispositions.....	\$ 11,000	\$ -	\$ -	\$ -	\$11,000
Insurance allowances and reserves.....	\$ 31,371	\$ 46,333	\$ -	\$ 37,845	\$39,859

- (A) Uncollectible accounts written off, net of amounts recovered.
(B) Reduction of reserve due to disposition of subject property.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated March 5, 1996, included in this Form 10-K for the year ended December 31, 1995, into the Company's previously filed Registration Statements File Nos. 33-32863, 33-32864, 33-32865, 33-59991, 33-59969, 33-59975, 33-59971 and 33-62783.

ARTHUR ANDERSEN LLP

Memphis, Tennessee,
March 5, 1996.

CERTIFICATE OF INCORPORATION
OF
THE PROMUS COMPANIES INCORPORATED

FIRST: The name of the Corporation is The Promus Companies Incorporated.

SECOND: The address of the registered office of the Corporation in the State of Delaware is The Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware as set forth in Title 8 of the Delaware Code (the "GCL").

FOURTH: A. The total number of shares of stock which the Corporation shall have authority to issue is 125,150,000, consisting of 120,000,000 shares of Common Stock, par value \$1.50 per share (the "Common Stock"), 150,000 shares of Preferred Stock, par value of \$100.00 per share (the "Preferred Stock"), and 5,000,000 shares of Special Stock, par value \$1.12 1/2 per share (the "Special Stock").

B. Shares of Preferred Stock may be issued from time to time in one or more series, as provided for herein or as provided for by the Board of Directors as permitted hereby. All shares of Preferred Stock shall be of equal rank and shall be identical, except in respect of the terms fixed herein for the series provided for herein or fixed by the Board of Directors for series provided for by the Board of Directors as permitted hereby. All shares of any one series shall be identical in all respects with all the other shares of such series, except the shares of any one series issued at different times may differ as to the dates from which dividends thereon may be cumulative.

The Board of Directors is hereby authorized, by resolution or resolutions, to establish, out of the unissued shares of Preferred Stock not then allocated to any series of Preferred Stock, additional series of Preferred Stock. Before any shares of any such additional series are issued, the Board of Directors shall fix and determine, and is hereby expressly empowered to fix and determine, by resolution or resolutions, the distinguishing characteristics and the relative rights, preferences, privileges and immunities of the shares thereof, so far as not inconsistent with the provisions of this Article

FOURTH. Without limiting the generality of the foregoing, the Board of Directors may fix and determine:

1. The designation of such series, the number of shares which shall constitute such series and the par value, if any, of such shares;

2. The rate of dividend, if any, payable on shares of such series;

3. Whether the shares of such series shall be cumulative, non-cumulative or partially cumulative as to dividends, and the dates from which any cumulative dividends are to accumulate;

4. Whether the shares of such series may be redeemed, and, if so, the price or prices at which and the terms and conditions on which shares of such series may be redeemed;

5. The amount payable upon shares of such series in the event of the voluntary or involuntary dissolution, liquidation on winding up of the affairs of the Corporation;

6. The sinking fund provisions, if any, for the redemption of shares of such series;

7. The voting rights, if any, of the shares of such series;

8. The terms and conditions, if any, on which shares of such series may be converted into shares of capital stock of the Corporation of any other class or series;

9. Whether the shares of such series are to be preferred over shares of capital stock of the Corporation of any other class or series as to dividends, or upon the voluntary or involuntary dissolution, liquidation, or winding up of the affairs of the Corporation, or otherwise; and

10. Any other characteristics, preferences, limitations, rights, privileges, immunities or terms not inconsistent with the provisions of this Article FOURTH.

C. Shares of Special Stock may be issued from time to time in one or more classes or series as provided in this Section C of Article FOURTH.

Subpart I of this Section C sets forth provisions respecting the Special Stock as a class. Subpart II vests in the Board of Directors authority to designate series of Special

Stock and to determine and fix the distinguishing characteristics and rights, privileges and immunities thereof.

SUBPART I. The Special Stock as a Class

1. General. Shares of Special Stock may be issued from time to time

in one or more series, as provided for by the Board of Directors as permitted hereby. All shares of Special Stock shall be of equal rank and shall be identical, except in respect of the terms fixed by the Board of Directors for series provided for by the Board of Directors as permitted hereby. All shares of any one series shall be identical in all respects with all the other shares of such series, except the shares of any one series issued at different times may differ as to the dates from which dividends thereon may be cumulative.

2. Status of Reacquired Shares. Shares of any series of Special

Stock which have been redeemed, purchased or otherwise acquired by the Corporation, or which are no longer deemed to be outstanding by virtue of funds or securities necessary for redemption or payment having been set aside or deposited in trust or otherwise, or which, if convertible, have been converted into shares of stock of the Corporation of any other class or series, shall, upon appropriate filing and recording to the extent required by law, have the status of authorized and unissued shares of Special Stock and may be reissued as part of any series of Special Stock provided for by the Board of Directors as permitted hereby.

SUBPART II. Series of Special Stock

The Board of Directors is hereby authorized, by resolution or resolutions, to establish, out of the unissued shares of Special Stock not then allocated to any series of Special Stock, additional series of Special Stock. Before any shares of any such additional series are issued, the Board of Directors shall fix and determine, and is hereby expressly empowered to fix and determine, by resolution or resolutions, the distinguishing characteristics and the relative rights, preferences, privileges and immunities of the shares thereof, so far as not inconsistent with the provisions of this Article FOURTH. Without limiting the generality of the foregoing, the Board of Directors may fix and determine:

1. The designation of such series, the number of shares which shall constitute such series and the par value, if any, of such shares;

2. The rate of dividend, if any, payable on shares of such series;

3. Whether the shares of such series shall be cumulative, non-cumulative or partially cumulative as to

dividends, and the dates from which any cumulative dividends are to accumulate;

4. Whether the shares of such series may be redeemed, and, if so, the price or prices at which and the terms and conditions on which shares of such series may be redeemed;

5. The amount payable upon shares of such series in the event of the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation;

6. The sinking fund provisions, if any, for the redemption of shares of such series;

7. The voting rights, if any, of the shares of such series;

8. The terms and conditions, if any, on which shares of such series may be converted into shares of capital stock of the Corporation of any other class or series;

9. Whether the shares of such series are to be preferred over shares of capital stock of the Corporation of any other class or series as to dividends, or upon the voluntary or involuntary dissolution, liquidation, or winding up of the affairs of the Corporation, or otherwise; and

10. Any other characteristics, preferences, limitations, rights, privileges, immunities or terms not inconsistent with the provisions of this Article FOURTH.

D. Except as otherwise provided in this Certificate of Incorporation (including this Section D of Article FOURTH and including the resolutions adopted by the Board of Directors pursuant to Section B or C of this Article FOURTH), each holder of Common Stock shall be entitled to one vote for each share of Common Stock held by him on all matters submitted to stockholders for a vote and each holder of Preferred Stock or Special Stock of any series that is Voting Stock shall be entitled to such number of votes for each share held by him as may be specified in the resolutions providing for the issuance of such series.

(a) Definitions. The following definitions shall apply to this

Section D of Article FOURTH:

"Affiliate" and "Associate" shall have the meanings given to such terms in Article NINTH.

A person shall be deemed the "Beneficial Owner" of, and shall be deemed to "Beneficially Own," shares of Capital Stock:

(i) which such person or any of such person's Affiliates or Associates, directly or indirectly, has the sole or shared right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including pursuant to any agreement, arrangement or understanding, whether or not in writing; provided that a person shall

not be deemed the "Beneficial Owner" of, or to "Beneficially Own," any security under this subparagraph (i) as a result of an agreement, arrangement or understanding to vote such security that: (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not reportable by such person on Schedule 13D under the Exchange Act (or any comparable or successor report) without giving effect to any applicable waiting period; or

(ii) which are Beneficially Owned, directly or indirectly, by any other person (or any Affiliate or Associate thereof) with which such person (or any of such person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing), for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to subparagraph (i) above) or disposing of any Capital Stock;

provided further that: (x) no director or officer of the Corporation (nor

any Affiliate or Associate of any such director or officer) shall, solely by reason of any or all of such directors or officers acting in their capacities as such, be deemed the "Beneficial Owner" of or to "Beneficially Own" any shares of Capital Stock that are Beneficially Owned by any other such director or officer; (y) in the case of any employee stock ownership or similar plan of the Corporation or of any Subsidiary in which the beneficiaries thereof possess the right to vote the shares of Voting Stock held by such plan, no such plan nor any trustee with respect thereto (nor any Affiliate or Associate of such trustee), solely by reason of such capacity of such trustee, shall be deemed the "Beneficial Owner" of or to "Beneficially Own" the shares of Voting Stock held under such plan; and (z) no person shall be deemed the "Beneficial Owner" of or to "Beneficially Own" any shares of Voting Stock held in any voting trust, employee stock ownership plan or any similar plan or trust

if such person does not possess the right to vote such shares.

"Capital Stock" shall have the meaning given to such term in Article NINTH.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

The term "person" shall mean any individual, firm, company or other entity.

"Subsidiary" shall have the meaning given to such term in Article NINTH.

"Substantial Stockholder" shall mean any person (other than any Subsidiary, any employee benefit plan of the Corporation or any Subsidiary, or any person organized, appointed or established by the Corporation or any Subsidiary for or pursuant to the terms of any such plan) who Beneficially Owns shares of Voting Stock that would, before giving effect to the reduction in votes prescribed in paragraph (b), represent more than the Threshold Percentage of the total number of votes entitled to be cast by the holders of all outstanding shares of Voting Stock.

"Threshold Percentage" for any person shall equal 10%, except that it shall be adjusted as follows:

(i) If the percentage of the votes entitled to be cast in respect of all outstanding shares of Voting Stock represented by the votes entitled to be cast in respect of the shares of Voting Stock that are Beneficially Owned by any person, before giving effect to the reduction in votes prescribed in paragraph (b), is increased above the Threshold Percentage previously applicable to such person solely as a result of any decrease in the number of outstanding shares of Voting Stock, then the Threshold Percentage for such person shall be adjusted upward to reflect the percentage increase in the votes that may be cast in respect of the shares of Voting Stock that are Beneficially owned by such person, before giving effect to the reduction in votes prescribed in paragraph (b), caused by such decrease in the number of outstanding shares of Voting Stock.

(ii) If the Threshold Percentage for any person is greater than 10% and the percentage of the votes entitled to be cast in respect of all shares of Voting Stock represented by the votes entitled to be cast in respect of the shares of Voting Stock that

are Beneficially Owned by such person, before giving effect to the reduction in votes prescribed in paragraph (b), decreases for any reason (including as a result of a sale or other disposition by such person of any shares of Voting Stock or any increase in the number of outstanding shares of Voting Stock), then such person's Threshold Percentage shall be adjusted downward so as to equal the greater of: (x) 10%; or (y) the percentage of the votes entitled to be cast in respect of all outstanding shares of Voting Stock represented by the votes entitled to be cast in respect of the shares of Voting Stock that are Beneficially Owned by such person before giving effect to the reduction in votes prescribed in paragraph (b).

"Voting Stock" shall have the meaning given to such term in Article NINTH.

(b) Limitation of Voting Rights.

(i) So long as a Substantial Stockholder Beneficially Owns shares of Voting Stock that would, before giving effect to the reduction of votes prescribed by this paragraph (b), carry votes in excess of his Threshold Percentage of the votes entitled to be cast in respect of all outstanding shares of Voting Stock, and any other provision of this Certificate of Incorporation notwithstanding, the record holders of the shares of Voting Stock that are Beneficially Owned by the Substantial Stockholder shall have limited voting rights on any matter requiring their vote or consent as set forth in this paragraph (b). As to any shares of Voting Stock Beneficially Owned by a Substantial Stockholder that would, before giving effect to the reduction of votes prescribed by this paragraph (b), carry votes in excess of his Threshold Percentage of the votes entitled to be cast in respect of all outstanding shares of Voting Stock, the record holders thereof shall be entitled to cast one one-hundredth (1/100) of the votes which the holders of such shares would, but for the provisions of this paragraph (b), be entitled to cast. The aggregate voting power, so limited, of the record holders of the shares of Voting Stock that are Beneficially Owned by the Substantial Stockholder shall be allocated proportionately among such record holding as follows: Each such record holder shall be entitled, with respect to the shares of Voting Stock that are Beneficially Owned by the Substantial Stockholder and held of record by such record holder, to a number of votes equal to the product of (x) the aggregate number of votes that would have been carried by such shares before giving effect to the reduction in votes prescribed by this paragraph (b), multiplied by (y) the fraction obtained by dividing (A) the number of votes carried by the shares of Voting Stock that are Beneficially Owned by the Substantial Stockholder after giving effect to the reduction in votes prescribed by this paragraph (b), by (B) the

number of votes carried by the shares of Voting Stock that are Beneficially Owned by the Substantial Stockholder before giving effect to the reduction in votes prescribed by this paragraph (b).

(ii) Notwithstanding the foregoing subparagraph (b)(i), so long as there are seven or more persons who Beneficially Own shares of Voting Stock, the record holders of the shares of Voting Stock that are Beneficially Owned by a Substantial Stockholder collectively shall not be entitled to cast in respect of such shares, on any matter submitted to stockholders for vote or consent, a number of votes in excess of the sum of (x) the applicable Threshold Percentage plus (y) 5%, of the number of votes entitled to be cast in respect of all outstanding shares of Voting Stock (with the number of votes being determined in each case after giving effect to the reduction in votes prescribed by paragraph (b)). If the preceding sentence reduces the total number of votes that the record holders of the shares of Voting Stock that are Beneficially Owned by a Substantial Stockholder are entitled to cast in respect of such shares, such reduction shall be effected, and the number of votes that each such record holder is entitled to cast in respect of such shares shall be determined, in accordance with the allocation provisions of subparagraph (b)(i).

(c) Factual Determinations.

(i) The Board of Directors shall have the power and duty to construe and apply the provisions of this Section D of Article FOURTH and to make all determinations necessary or desirable to implement such provisions, including but not limited to determining: (v) the number of shares of Voting Stock that are Beneficially Owned by any person; (w) whether a person is an Affiliate or Associate of another person; (x) whether a person has an agreement, arrangement, or understanding with another person as to the matters referred to in the definition of Beneficial Ownership; (y) the application of any other definition of operative provision of this Section D of Article FOURTH to the given facts; and (z) any other matter relating to the applicability or effect of this Section D of Article FOURTH.

(ii) The Board of Directors shall have the right to demand that any person who it believes is or may be a Substantial Stockholder (or who holds of record shares of Capital Stock that are Beneficially Owned by any person that the Board of Directors believes is or may be a Substantial Stockholder) supply the Corporation with complete information as to: (x) the record holders of all shares of Capital Stock that are Beneficially Owned by such person; (y) the number of shares of each class or series of Capital Stock that are Beneficially Owned by such person and held of record by each such record holder and the numbers of the stock certificates evidencing

such shares; and (z) any other matter relating to the applicability or effect of this Section D of Article FOURTH as the Board of Directors may reasonably request. Each such person shall furnish such information within 10 days after the receipt of such demand.

(iii) Any construction, application or determination made by the Board of Directors pursuant to this Section D of Article FOURTH in good faith and on the basis of such information and assistance as was then reasonably available for such purpose shall be conclusive and binding upon the Corporation and its stockholders, including any Substantial Stockholder.

(d) Quorum. Except as otherwise provided by law, the presence, in -----
person or by proxy, of the holders of record of shares of Capital Stock entitling the holders thereof to cast a majority of the votes entitled to be cast by the holders of shares of Capital Stock entitled to vote (after giving effect to the reduction in votes prescribed in paragraph (b)) shall constitute a quorum at all meetings of the stockholders, and any quorum requirement or any requirement for stockholder consent or approval shall be determined after giving effect to the reduction in votes prescribed in paragraph (b).

(e) No Derogation of Fiduciary Obligations. Nothing contained in -----
this Section D of Article FOURTH shall be construed to relieve any Substantial Stockholder from any fiduciary obligation imposed by law.

(f) Severability. If any provision of this Section D of Article -----
FOURTH is determined to be invalid, void, illegal or unenforceable, the remaining provisions of this Section D of Article FOURTH shall continue to be valid and enforceable and shall in no way be affected, impaired or invalidated.

(g) Termination. The limitation on voting rights prescribed by this -----
Section D of Article FOURTH shall terminate and be of no force and effect as of the earliest to occur of

(i) the close of business on April 16, 1992; or

(ii) the date that any person other than Holiday Inns, Inc. or Holiday Corporation becomes the Beneficial Owner of shares of Voting Stock representing at least 75% of the total number of votes entitled to be cast in respect of all outstanding shares of Voting Stock, before giving effect to the reduction in votes prescribed by paragraph (b); or

(iii) the date (the "Reference Date") one day prior to the date on which, as a result of such limitation of voting rights, the Common Stock will be delisted from (including by ceasing to be temporarily or provisionally authorized for listing with) the New York Stock Exchange

(the "NYSE") or the American Stock Exchange (the "AMEX"), or be no longer authorized for inclusion (including by ceasing to be provisionally or temporarily authorized for inclusion) on the National Association of Securities Dealers, Inc. Automated Quotation System/National Market System ("NASDAQ/NMS"); provided, however, that

(a) such termination shall not occur until the earlier of (x) the 90th day after the Reference Date or (y) the first day on or after a Reference Date that there is not pending a proceeding under the rules of the NYSE, the AMEX or the NASDAQ/NMS or any other administrative or judicial proceeding challenging such delisting or removal of authorization of the Common Stock, an application for listing of the Common Stock with the NYSE or the AMEX or for authorization for the Common Stock to be included on the NASDAQ/NMS, or an appeal with respect to any such application, and (b) such termination shall not occur by virtue of such delisting or lack of authorization if on or prior to the earlier of the 90th day after the Reference Date or the day on which no proceeding, application or appeal of the type described in (y) above is pending, the Common Stock is approved for listing or continued listing on the NYSE or the AMEX or authorized for inclusion or continued inclusion on the NASDAQ/NMS (including any such approval or authorization which is temporary or provisional). Nothing contained herein shall be construed so as to prevent the Common Stock from continuing to be listed with the NYSE or AMEX or continuing to be authorized for inclusion on the NASDAQ/NMS in the event that the NYSE, AMEX or NASDAQ/NMS, as the case may be, adopts a rule or is governed by an order, decree, ruling or regulation of the Securities and Exchange Commission which provides in whole or in part that companies having common stock with differential voting rights listed on the NYSE or the AMEX or authorized for inclusion on the NASDAQ/NMS may continue to be so listed or included.

E. Notwithstanding any other provision of this Certificate of Incorporation to the contrary, but subject to the provisions of any resolutions of the Board of Directors adopted pursuant to this Article FOURTH creating any series of Preferred Stock, Special Stock or any other class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, outstanding shares of Common Stock, Preferred Stock, Special Stock or any other class or series of stock of the Corporation shall always be subject to redemption by the Corporation, by action of the Board of Directors, if in the judgment of the Board of Directors such action should be taken, pursuant to Section 151(b) of the GCL or any other applicable provision of law, to the extent necessary to prevent the loss or secure the reinstatement of any license or franchise from any governmental agency held by the Corporation or any Subsidiary to conduct any portion of the business of the Corporation or any Subsidiary, which license or franchise is

conditioned upon some or all of the holders of the Corporation's stock of any class or series possessing prescribed qualifications. The terms and conditions of such redemption shall be as follows:

(a) the redemption price of the shares to be redeemed pursuant to this Section E of Article FOURTH shall be equal to the Fair Market Value of such shares or such other redemption price as required by pertinent state or federal law pursuant to which the redemption is required;

(b) the redemption price of such shares may be paid in cash, Redemption Securities or any combination thereof;

(c) if less than all the shares held by Disqualified Holders are to be redeemed, the shares to be redeemed shall be selected in such manner as shall be determined by the Board of Directors, which may include selection first of the most recently purchased shares thereof, selection by lot or selection in any other manner determined by the Board of Directors;

(d) at least 30 days' written notice of the Redemption Date shall be given to the record holders of the shares selected to be redeemed (unless waived in writing by any such holder), provided that the Redemption Date may be the date on which written notice shall be given to record holders if the cash or Redemption Securities necessary to effect the redemption shall have been deposited in trust for the benefit of such record holders and subject to immediate withdrawal by them upon surrender of the stock certificates for their shares to be redeemed;

(e) from and after the Redemption Date or such earlier date as mandated by pertinent state or federal law, any and all rights of whatever nature, which may be held by the owners of shares selected for redemption (including without limitation any rights to vote or participate in dividends declared on stock of the same class or series as such shares), shall cease and terminate and they shall thenceforth be entitled only to receive the cash or Redemption Securities payable upon redemption; and

(f) such other terms and conditions as the Board of Directors shall determine.

For purposes of this Section E of Article FOURTH:

(i) "Disqualified Holder" shall mean any holder of shares of stock of the Corporation of any class (or classes) or series whose holding of such stock, either individually or when taken together with the holding of shares of stock of the

Corporation of any class (or classes) or series by any other holders, may result, in the judgment of the Board of Directors, in the loss of, or the failure to secure the reinstatement of, any license or franchise from any governmental agency held by the Corporation or any Subsidiary to conduct any portion of the business of the Corporation or any Subsidiary.

(ii) "Fair Market Value" of a share of the Corporation's stock of any class or series shall mean the average Closing Price for such share for each of the 45 most recent days of which shares of stock of such class or series shall have been traded preceding the day on which notice of redemption shall be given pursuant to paragraph (d) of this Section E of Article FOURTH; provided, however, that if shares of stock of such class or

series are not traded on any securities exchange or in the over-the-counter market, "Fair Market Value" shall be determined by the Board of Directors in good faith; and provided further, however, that "Fair Market Value" as

to any stockholder who purchased any stock of the class (or classes) or series subject to redemption within 120 days of a Redemption Date need not (unless otherwise determined by the Board of Directors) exceed the purchase price paid by him for any stock of such class (or classes) or series of the Corporation. "Closing Price" on any day means the reported closing sales price or, in case no such sale takes place, the average of the reported closing bid and asked prices on the Composite Tape for the New York Stock Exchange-Listed Stocks, or, if stock of the class or series in question is not quoted on such Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation for such stock on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such prices or quotations are available, the fair market value on the day in question as determined by the Board of Directors in good faith.

(iii) "Redemption Date" shall mean the date fixed by the Board of Directors for the redemption of any shares of stock of the Corporation pursuant to this Section E of Article FOURTH.

(iv) "Redemption Securities" shall mean any debt or equity securities of the Corporation, any Subsidiary or any other corporation, or any combination thereof, having such terms and conditions as shall be approved by the Board of Directors and which, together with any cash to be paid as part of the redemption price, in the opinion of any nationally recognized investment banking firm selected by the Board of Directors (which may be a firm which provides other investment banking, brokerage or other services to the Corporation), has a value, at the time notice of redemption is given pursuant to paragraph (d) of this Section E of Article FOURTH, at least equal to the

Fair Market Value of the shares to be redeemed pursuant to this Section E of Article FOURTH (assuming, in the case of Redemption Securities to be publicly traded, such Redemption Securities were fully distributed and subject only to normal trading activity).

(v) "Subsidiary" shall mean any corporation more than 50% of whose outstanding stock entitled to vote generally in the election of directors is owned by the Corporation, by one or more Subsidiaries or by the Corporation and one or more Subsidiaries.

FIFTH: A. The Board of Directors shall have the power to make, adopt, alter, amend, change or repeal the Bylaws of the Corporation by resolution adopted by the affirmative vote of a majority of the entire Board of Directors.

B. Stockholders may not make, adopt, alter, amend, change or repeal the Bylaws of the Corporation except upon the affirmative vote of at least 75% of the votes entitled to be cast by the holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class.

SIXTH: The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which shall consist of not less than three or more than seventeen directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board of Directors. The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. At the 1990 annual meeting of stockholders, Class I directors shall be elected for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each succeeding annual meeting of stockholders, beginning in 1991, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of

directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock or Special Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate of Incorporation applicable thereto (including the resolutions of the Board of Directors pursuant to Article FOURTH), and such Directors so elected shall not be divided into classes pursuant to this Article SIXTH unless expressly provided by such terms.

SEVENTH: Special meetings of the stockholders of the Corporation, for any purpose or purposes, may only be called at any time by a majority of the entire Board of Directors or by either the Chairman or the President of the Corporation.

EIGHTH: No stockholder action may be taken except at an annual or special meeting of stockholders of the Corporation and stockholders may not take any action by written consent in lieu of a meeting.

NINTH: A. In addition to any affirmative vote required by law or this Certificate of Incorporation (including any resolutions of the Board of Directors pursuant to Article FOURTH hereof) or the Bylaws of the Corporation, and except as otherwise expressly provided in Section B of this Article NINTH, a Business Combination (as hereinafter defined) with, or proposed by or on behalf of, any Interested Stockholder (as hereinafter defined) or any Affiliate or Associate (as hereinafter defined) of any Interested Stockholder or any person who thereafter would be an Affiliate or Associate of such Interested Stockholder shall require the affirmative vote of (i) not less than 75% of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock (as hereinafter defined), voting together as a single class and (ii) not less than a majority of the votes entitled to be cast by holders of all the then outstanding Voting Stock, voting together as a single class, excluding Voting Stock beneficially owned by such Interested Stockholder. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage or separate class vote may be specified, by law or in any agreement with any national securities exchange or otherwise;

B. The provisions of Section A of this Article NINTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, as is required by law or by any other provision of this Certificate of Incorporation (including any resolutions of the Board of Directors pursuant to Article FOURTH hereof) or the Bylaws of the Corporation, or any agreement with any national securities exchange, if all the conditions specified in either of the following Paragraphs 1 or 2 are met or, in the case of Business Combination not involving the payment of consideration to the holders of the Corporation's outstanding Capital Stock (as hereinafter defined), if the condition specified in the following Paragraph 1 is met:

1. The Business Combinations shall have been approved, either specifically or as a transaction which is in an approved category of transactions, by a majority (whether such approval is made prior to or subsequent to the acquisition of, or announcement or public disclosure of the intention to acquire, beneficial ownership of the Voting Stock that caused the Interested Stockholder to become an Interested Stockholder) of the Continuing Directors (as hereinafter defined).

2. All of the following conditions shall have been met:

a. The aggregate amount of cash and the Fair Market Value (as hereinafter defined), as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest amount determined under clauses (i) and (ii) below:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Stockholder for any share of Common Stock in connection with the acquisition by the Interested Stockholder of beneficial ownership of shares of Common Stock (x) within the two-year period immediately prior to the first public announcement of the proposed Business Combination (the "Announcement Date") or (y) in the transaction in which it became an Interested Stockholder, whichever is higher, in either case as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to Common Stock; and

(ii) the Fair Market Value per share of

Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (the "Determination Date"), whichever is higher, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to Common Stock.

b. The aggregate amount of cash and the Fair Market Value, as of the date of the consummation of the Business Combination, of consideration other than cash to be received per share by holders of shares of each class or series of outstanding Capital Stock, other than Common Stock, shall be at least equal to the highest amount determined under clauses (i), (ii) and (iii) below:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Stockholder for any share of such class or series of Capital Stock in connection with the acquisition by the Interested Stockholder of beneficial ownership of shares of such class or series of Capital Stock (x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became an Interested Stockholder, whichever is higher, in either case as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to such class or series of Capital Stock;

(ii) the Fair Market Value per share of such class or series of Capital Stock on the Announcement Date or on the Determination Date, whichever is higher, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to such class or series of Capital Stock; and

(iii) (if applicable) the highest preferential amount per share to which the holders of shares of such class or series of Capital Stock would be entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation regardless of whether the Business Combination to be consummated constitutes such an event.

The provisions of this Paragraph 2(b) shall be required to be met with respect to every class or

series of outstanding Capital Stock, whether or not the Interested Stockholder has previously acquired beneficial ownership of any shares of a particular class or series of Capital Stock.

c. The consideration to be received by holders of a particular class or series of outstanding Capital Stock shall be in cash or in the same form as previously has been paid by or on behalf of the Interested Stockholder in connection with its direct or indirect acquisition of beneficial ownership of shares of such class or series of Capital Stock. If the consideration so paid for shares of any class or series of Capital Stock varied as to form, the form of consideration for such class or series of Capital Stock shall be either cash or the form used to acquire beneficial ownership of the largest number of shares of such class or series of Capital Stock previously acquired by the Interested Stockholder.

d. After the Determination Date and prior to the consummation of such Business Combination: (i) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full periodic dividends (whether or not cumulative) payable in accordance with the terms of any outstanding Capital Stock; (ii) there shall have been no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any stock split, stock dividend or subdivision of the Common Stock), except as approved by a majority of the Continuing Directors; (iii) there shall have been an increase in the annual rate of dividends paid on the Common Stock as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction that has the effect of reducing the number of outstanding shares of Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and (iv) such Interested Stockholders shall not have become the beneficial owner of any additional shares of Capital Stock except as part of the transaction that results in such Interested Stockholder becoming an Interested Stockholder and except in a transaction that, after giving effect thereto, would not result in any increase in the Interested Stockholder's percentage beneficial ownership of any class or series of Capital Stock.

e. A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of

1934 and the rules and regulations thereunder (the "Act") (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to all stockholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions). The proxy or information statement shall contain on the first page thereof, in a prominent place, any statement as to the advisability (or inadvisability) of the Business Combination that the Continuing Directors, or any of them, may choose to make and, if deemed advisable by a majority of the Continuing Directors, the opinion of an investment banking firm selected by a majority of the Continuing Directors as to the fairness (or not) of the terms of the Business Combination from a financial point of view to the holders of the outstanding shares of Capital Stock other than the Interested Stockholder and its Affiliates or Associates, such investment banking firm to be paid a reasonable fee for its services by the Corporation.

f. Such Interested Stockholder shall not have made any major change in the Corporation's business or equity capital structure without the approval of a majority of the Continuing Directors.

C. The following definitions shall apply with respect to this article NINTH:

1. The term "Business Combination" shall mean:

a. any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (i) any Interested Stockholder or (ii) any other company (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or

b. any sale, lease, exchange, mortgage, pledge, transfer or other disposition or security arrangement, investment, loan, advance, guarantee, agreement to purchase or sell, agreement to pay, extension of credit, joint venture participation or other arrangement (in one transaction or a series of transactions) with or for the benefit of any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder involving any assets, securities or commitments of the Corporation, any Subsidiary or any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder which (except for any arrangement, whether as

employee or consultant or otherwise, other than as director, pursuant to which any Interested Stockholder or any Affiliate or Associate thereof shall, directly or indirectly, have any control over or responsibility for the management of any aspect of the business or affairs of the Corporation, with respect to which arrangement the value test set forth below shall not apply), together with all other such arrangements (including all contemplated future events), has an aggregate Fair Market Value and/or involves aggregate commitments of \$100,000,000 or more or constitutes more than 5 percent of the book value of the total assets (in the case of transactions involving assets or commitments other than capital stock) or 5 percent of the stockholders' equity (in the case of transactions in capital stock) of the entity in question (the "Substantial Part"), as reflected in the most recent fiscal year-end consolidated balance sheet of such entity existing at the time the stockholders of the Corporation would be required to approve or authorize the Business Combination involving the assets, securities and/or commitments constituting any Substantial Part; provided, that if

stockholders' equity is negative, the fair market value of the outstanding Capital Stock at the date of such balance sheet shall be used in lieu thereof in determining if a transaction involves a Substantial Part; or

c. the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or for any amendment to the Corporation's Bylaws; or

d. any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or otherwise involving an Interested Stockholder) that has the effect, directly or indirectly, of increasing the proportionate share of any class or series of Capital Stock, or any securities convertible into Capital Stock or into equity securities of any Subsidiary, that is beneficially owned by any Interested Stockholder or any affiliate or Associate of any Interested Stockholder; or

e. any agreement, contract or other arrangement providing for any one or more of the actions specified in the foregoing clauses (a) to (d).

2. The term "Capital Stock" shall mean all capital stock of the Corporation authorized to be issued from time to time under Article FOURTH of this Certificate of

Incorporation, and the term "Voting Stock" shall mean all Capital Stock which by its terms may be voted on all matters submitted to stockholders of the Corporation generally.

3. The term "person" shall mean any individual, firm, company or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Capital Stock.

4. The term "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary and other than any profit-sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who (a) is, or has announced or publicly disclosed a plan or intention to become, the beneficial owner of Voting Stock representing ten percent or more of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock (without giving effect to the reduction in votes prescribed by Section D of Article FOURTH); or (b) is an Affiliate or Associate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner of Voting Stock representing ten percent or more of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock (without giving effect to the reduction in votes prescribed by Section D of Article FOURTH).

5. A person shall be a "beneficial owner" of any Capital Stock (a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; (b) which such person or any of its Affiliates or Associates has, directly or indirectly, (i) the right to acquire (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or (c) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Capital Stock; provided that: (x) no

director or officer of the Corporation (nor any Affiliate or Associate of any such director or officer) shall, solely by reason of any or all of such directors or officers acting in their capacities as such, be deemed the "beneficial owner" of any shares of

Capital Stock that are beneficially owned by any other such director or officer; (y) in the case of any employee stock ownership or similar plan of the Corporation or of any Subsidiary in which the beneficiaries thereof possess the right to vote the shares of Voting Stock held by such plan, no such plan nor any trustee with respect thereto (nor any Affiliate or Associate of such trustee), solely by reason of such capacity of such trustee, shall be deemed the "beneficial owner" of the shares of Voting Stock held under such plan; and (z) no person shall be deemed the "beneficial owner" of any shares of Voting Stock held in any voting trust, employee stock ownership plan or any similar plan or trust if such person does not possess the right to vote such shares. For the purposes of determining whether a person is an Interested Stockholder pursuant to Paragraph 4 of this section C, the number of shares of Capital Stock deemed to be outstanding shall include shares deemed beneficially owned by such person through application of this Paragraph 5 of Section C, but shall not include any other shares of Capital Stock that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

6. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 under the Act as in effect on the date that Article NINTH is approved by the Board (the term "registrant" in said Rule 12b-2 meaning in this case the Corporation).

7. The term "Subsidiary" means any company of which a majority of any class of equity security is beneficially owned by the Corporation; provided, however, that for the purposes of the

definition of Interested Stockholder set forth in Paragraph 4 of this Section C, the term "Subsidiary" shall mean only a company of which a majority of each class of equity security is beneficially owned by the Corporation.

8. The term "Continuing Director" means any member of the Board of Directors of the Corporation (the "Board of Directors"), while such person is a member of the Board of Directors, who is not an Affiliate or Associate or representative of the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Continuing Director while such successor is a member of the Board of Directors, who is not an affiliate or associate or representative of the Interested Stockholder and is recommended or elected to succeed the Continuing director by a majority of the Continuing Directors.

9. The term "Fair Market Value" means (a) in the

case of cash, the amount of such cash; (b) in the case of stock the highest closing sales price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange - Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (c) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Continuing Directors.

10. In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in Paragraphs 2.a and 2.b of Section B of this Article NINTH shall include the shares of Common Stock and/or the shares of any other class or series of Capital Stock retained by the holders of such shares.

D. A majority of the Continuing Directors shall have the power and duty to determine for the purposes of this Article NINTH, on the basis of information known to them after reasonable inquiry, all questions arising under this Article NINTH including, without limitation, (a) whether a person is an Interested Stockholder, (b) the number of shares of Capital Stock or other securities beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another, (d) whether a Proposed Action (as hereinafter defined) is with, or proposed by, or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder, (e) whether the assets that are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$100,000,000 or more, and (f) whether the assets or securities that are the subject of any Business Combination constitute a Substantial Part. Any such determination made in good faith shall be binding and conclusive on all parties.

E. Nothing contained in this Article NINTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

F. The fact that any Business Combination complies with the provisions of Section B of this Article NINTH shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the stockholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

G. For the purpose of this Article NINTH, a Business Combination or any proposal to amend, repeal or adopt any provision of this Certificate of Incorporation inconsistent with this Article NINTH (collectively, "Proposed Action") is presumed to have been proposed by, or on behalf of, an Interested Stockholder or a person who thereafter would become such if (1) after the Interested Stockholder became such, the Proposed Action is proposed following the election of any director of the Corporation who with respect to such Interested Stockholder, would not qualify to serve as a Continuing Director or (2) such Interested Stockholder, Affiliate, Associate or person votes for or consents to the adoption of any such Proposed Action, unless as to such Interested Stockholder, Affiliate, Associate or person, a majority of the Continuing Directors makes a good faith determination that such Proposed Action is not proposed by or on behalf of such Interested Stockholder, Affiliate, Associate or person, based on information known to them after reasonable inquiry.

H. Notwithstanding any other provisions of this Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, this Certificate of Incorporation or the Bylaws of the Corporation), any proposal to amend, repeal or adopt any provision of this Certificate of Incorporation inconsistent with this Article NINTH which is proposed by or on behalf of an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder shall require the affirmative vote of (i) the holders of not less than 75% of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock, voting together as a single class, and (ii) the holders of not less than a majority of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock, voting together as a single class, excluding Voting Stock beneficially owned by such Interested Stockholder, provided, however, that

this Section H shall not apply to, and such vote shall not be required for, any amendment, repeal or adoption

unanimously recommended by the Board of Directors if all of such directors are persons who would be eligible to serve as Continuing Directors within the meaning of Section C, Paragraph 8 of this Article NINTH.

TENTH: A. Subject to Section C of this Article TENTH, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself,

create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Corporation, or, with respect to any criminal action or proceeding, had reasonable cause to believe his conduct was unlawful.

B. Subject to Section C of this Article TENTH, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and

reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

C. Any indemnification under this Article TENTH (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section A or Section B of this Article TENTH, as the case may be. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section A or Section B of this Article TENTH, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

D. For purposes of any determination under Section C of this Article TENTH, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Corporation, and, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section D of Article TENTH shall mean any other corporation or any partnership, joint venture, trust or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section D shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections A or B of this Article TENTH as the case may be.

E. Notwithstanding any contrary determination in the specific case under Section C of this Article TENTH, and notwithstanding the absence of any determination thereunder, any director, officer, employee or agent may apply to any court

of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections A and B of this Article TENTH. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections A or B of this Article TENTH, as the case may be. Notice of any application for indemnification pursuant to this Section E of Article TENTH shall be given to the Corporation promptly upon the filing of such application.

F. Expenses incurred in defending or investigating a threatened or pending action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article TENTH.

G. The indemnification and advancement of expenses provided by this Article TENTH shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of, and advancement of expenses to, the persons specified in Sections A and B of this Article TENTH shall be made to the fullest extent permitted by law. The provisions of this Article TENTH shall not be deemed to preclude the indemnification of, and advancement of expenses to, any person who is not specified in Sections A or B of this Article TENTH but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise. The indemnification provided by this Article TENTH shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

H. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him

against such liability under the provisions of this Article TENTH.

I. For purposes of this Article TENTH, reference to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article TENTH with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

ELEVENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of the GCL or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of the GCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

TWELFTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or thereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

THIRTEENTH: No director of this Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the GCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the GCL is hereafter amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the liability of each director of the Corporation shall be limited or eliminated to the fullest extent permitted by the GCL as so amended from time to time.

FOURTEENTH: The name and mailing address of the incorporator is:

E. O. Robinson, Jr.
The Promus Companies Incorporated
1023 Cherry Road
Memphis, Tennessee 38117

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named,
for the purpose of forming a corporation pursuant to the General
Corporation Law of the State of Delaware, do make this certificate, herein
declaring and certifying that this is my act and deed and the facts herein
stated are true, and accordingly have hereunto set my hand this 31st day of
October, 1989.

/s/ E. O. Robinson, Jr.

E. O. Robinson, Jr.

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

The Promus Companies Incorporated, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of The Promus Companies Incorporated, resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and in the best interest of the corporation and its stockholders, and directing that the proposed amendment be considered at the next annual meeting of the stockholders of said corporation. The resolutions setting forth the proposed amendment are as follows:

RESOLVED, that the Board of Directors of the Company hereby approves and sets forth the following proposed amendment (the "Proposed Amendment") to Article FOURTH of the Company's Certificate of Incorporation:

(1) That paragraph A of Article FOURTH of the Certificate of Incorporation of the Company be amended to read in its entirety as follows:

"A. The total number of shares which the Corporation shall have authority to issue is 365,150,000, consisting of 360,000,000 shares of Common Stock, par value \$.10 per share (the "Common Stock"), 150,000 shares of Preferred Stock, par value of \$100.00 per share (the "Preferred Stock"), and 5,000,000 shares of Special Stock, par value \$1.12 1/2 per share (the "Special Stock")."

(2) That the following additional paragraph be inserted immediately after paragraph A of Article FOURTH of the Company's Certificate of Incorporation:

"Simultaneously with the effective date of the amendment of paragraph A of Article FOURTH to read as set forth above (the "Effective Date"), each share of the Common Stock, par value \$1.50 per share, of the Corporation issued and outstanding or held as treasury shares immediately prior to the Effective Date shall, automatically and without further action on the part of the holder thereof, have a par value of \$.10 per share and each existing certificate representing such shares shall represent the same number of shares of Common Stock, with a par value of \$.10 per share."

SECOND: That thereafter, pursuant to resolution of its Board of Directors, an annual meeting of the stockholders of said corporation was held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this Certificate to be signed by E. O. Robinson, Jr., its Senior Vice President and attested by Vincent G. De Young, its Assistant Secretary, the 29th day of April, 1994.

By: /s/ E. O. ROBINSON, JR.

E. O. Robinson, Jr.
Senior Vice President

ATTEST:

/s/ VINCENT G. DE YOUNG

Vincent G. De Young
Assistant Secretary

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

The Promus Companies Incorporated, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of The Promus Companies Incorporated, resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and in the best interest of the corporation and its stockholders, and directing that the proposed amendment be considered at the next annual meeting of the stockholders of said corporation. The resolutions setting forth the proposed amendment are as follows:

RESOLVED, that the Board of Directors of the Company hereby approves and sets forth the following proposed amendment (the "Proposed Amendment") to Section E of Article FOURTH of the Company's Certificate of Incorporation:

That Section E of Article FOURTH of the Certificate of Incorporation of the Company be amended to read in its entirety as follows:

Notwithstanding any other provision of this Certificate of Incorporation to the contrary, but subject to the provisions of any resolutions of the Board of Directors adopted pursuant to this Article FOURTH creating any series of Preferred Stock, Special Stock or any other class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, outstanding shares of Common Stock, Preferred Stock, Special Stock or any other class or series of stock of the Corporation shall always be subject to redemption by the Corporation, by action of the Board of Directors, if, in the judgment of the Board of Directors, any holder of such stock is determined by any gaming regulatory agency to be unsuitable, has an application for a license or permit rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed, as the case may be, whether or not any of the foregoing is final and nonappealable, or if such action otherwise should be taken, pursuant to Section 151(b) of the GCL or any other applicable provision of law, to the extent necessary to avoid any regulatory sanctions against, or to prevent the loss of or secure the reinstatement of any license, franchise or entitlement from any governmental agency held by, the Corporation, any Affiliate of the Corporation or any entity in which the Corporation or such Affiliate is an owner, which license, franchise or entitlement is (i) conditioned upon some or all of the holders of the Corporation's stock of any class or series possessing prescribed qualifications, or (ii) needed to allow the conduct of any portion of the business of the Corporation or any such Affiliate or other entity. The terms and conditions of such redemption shall be as follows:

(a) the redemption price of the shares to be redeemed pursuant to this Section E of Article FOURTH shall be equal to the Fair Market Value of such shares (excluding any dividends thereon not entitled to be received pursuant to paragraph (e) of this Section E of Article FOURTH) or such other redemption price as required by any applicable law, regulation or rule;

(b) the redemption price of such shares may be paid in cash, Redemption Securities or any combination thereof;

(c) if less than all the shares held by Disqualified Holders are to be redeemed, the shares to be redeemed shall be selected in such manner as shall be determined by the Board of Directors, which may include selection first of the most recently purchased shares thereof, selection by lot or selection in any other manner determined by the Board of Directors;

(d) at least 30 days' written notice of the Redemption Date shall be given to the record holders of the shares selected to be redeemed (unless waived in writing by any such holder), provided that the Redemption Date may be the date on which written notice shall be given to record holders if the cash or Redemption Securities necessary to effect the redemption shall have been deposited in trust for the benefit of such record holders and subject to immediate withdrawal by them upon surrender of the stock certificates for their shares to be redeemed;

(e) from and after the Redemption Date or such earlier date as mandated by any applicable law, regulation or rule, any and all rights of whatever nature, which may be held by the owners of shares selected for redemption (including without limitation any rights to vote or participate in dividends declared on stock of the same class or series as such shares), shall cease and terminate and they shall thenceforth be entitled only to receive the cash or Redemption Securities payable upon redemption; and

(f) such other terms and conditions as the Board of Directors shall determine.

For purposes of this Section E of Article FOURTH:

(i) "Disqualified Holder" shall mean any holder of shares of stock of the Corporation of any class (or classes) or series who, either individually or when taken together with any other holders of shares of stock of the Corporation of any class (or classes) or series, in the judgment of the Board of Directors, is determined by any gaming regulatory agency to be unsuitable, or has an application for a license or permit rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed, as the case may be, whether or not any of the foregoing is final and nonappealable, or whose holding

of such stock, either individually or when taken together with the holding of shares of stock of the Corporation of any class (or classes) or series by any other holders, may result, in the judgment of the Board of Directors, in any regulatory sanctions against, or the loss of or the failure to secure the reinstatement of any license, franchise or entitlement from any governmental agency held by, the Corporation, any Affiliate of the Corporation or any entity in which the Corporation or such Affiliate is an owner.

(ii) "Fair Market Value" of a share of the Corporation's stock of any class or series shall mean the average Closing Price for such share for each of the 45 most recent days of which shares of stock of such class or series shall have been traded preceding the day on which notice of redemption shall be given pursuant to paragraph (d) of this Section E of Article FOURTH; provided, however, that if shares

of stock of such class or series are not traded on any securities exchange or in the over-the-counter market, "Fair Market Value" shall be determined by the Board of Directors in good faith; and provided

further, however, that "Fair Market Value" as to any stockholder who

purchased any stock of the class (or classes) or series subject to redemption within 120 days of a Redemption Date need not (unless otherwise determined by the Board of Directors) exceed the purchase price paid by him for any stock of such class (or classes) or series of the Corporation. "Closing Price" on any day means the reported closing sales price or, in case no such sale takes place, the average of the reported closing bid and asked prices on the Composite Tape for the New York Stock Exchange-Listed Stocks, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation for such stock on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such prices or quotations are available, the fair market value on the day in question as determined by the Board of Directors in good faith.

(iii) "Redemption Date" shall mean the date fixed by the Board of Directors for the redemption of any shares of stock of the Corporation pursuant to this Section E of Article FOURTH.

(iv) "Redemption Securities" shall mean any debt or equity securities of the Corporation, any Subsidiary or any other corporation, or any combination thereof, having such terms and conditions as shall be approved by the Board of Directors and which, together with any cash to be paid as part of the redemption price, in the opinion of any nationally recognized investment banking firm selected by the Board of Directors (which may be a firm which provides other investment banking, brokerage or other services to the Corporation), has a value, at the time notice of redemption is given pursuant to paragraph (d) of this Section E of Article FOURTH, at least equal to the Fair Market Value of the shares to be redeemed

pursuant to this Section E of Article FOURTH (assuming, in the case of Redemption Securities to be publicly traded, such Redemption Securities were fully distributed and subject only to normal trading activity).

(v) "Subsidiary" shall mean any corporation more than 50% of whose outstanding stock entitled to vote generally in the election of directors is owned by the Corporation, by one or more Subsidiaries or by the Corporation and one or more Subsidiaries.

(vi) "Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 under the Act as in effect on the date that Article FOURTH is approved by the Board (the term "registrant" in said Rule 12b-2 meaning in this case the Corporation).

SECOND: That thereafter, pursuant to resolution of its Board of Directors, an annual meeting of the stockholders of said corporation was held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this Certificate to be signed by E. O. Robinson, Jr., its Senior Vice President and attested by Stephen H. Brammell, its Assistant Secretary, the 26th day of May 1995.

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

E. O. Robinson, Jr.
Senior Vice President

ATTEST:

/s/ Stephen H. Brammell

Stephen H. Brammell
Assistant Secretary

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
THE PROMUS COMPANIES INCORPORATED

The Promus Companies Incorporated, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of The Promus Companies Incorporated, resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and in the best interest of the corporation and its stockholders, and directing that the proposed amendment be considered at the next annual meeting of the stockholders of said corporation. The resolutions setting forth the proposed amendment are as follows:

RESOLVED, that the Board of Directors of the Company hereby approves and sets forth the following proposed amendment (the "Proposed Amendment") to Article FIRST of the Company's Certificate of Incorporation:

That Article FIRST of the Certificate of Incorporation of the Company be amended to read in its entirety as follows:

"FIRST: The name of the Corporation is Harrah's Entertainment, Inc."

SECOND: That thereafter, pursuant to resolution of its Board of Directors, an annual meeting of the stockholders of said corporation was held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this Certificate to be signed by E. O. Robinson, Jr., its Senior Vice President and attested by Stephen H. Brammell, its Assistant Secretary, the 30th day of June, 1995.

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

E. O. Robinson, Jr.
Senior Vice President

ATTEST:

/s/ Stephen H. Brammell

Stephen H. Brammell
Assistant Secretary

EXHIBIT 4(12)

TO: Harrah's Operating Company, Inc. ("Counterparty")
Attn: Katie Weien
Rapidfax: (901) 762-8998

FROM: Bank of America National Trust and Savings Association ("BofA")
185 Berry Street
San Francisco, CA 94107
Derivative Products Operations
Phone No.: (415) 624-1111
Rapidfax No.: (415) 624-1101

DATE: December 21, 1995

RE: USD 50,000,000.00 Swap Transaction

Dear Sir/Madam:

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between us on the Trade Date specified below (the "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Agreement specified below.

The definitions and provisions contained in the 1991 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the Interest Rate and Currency Exchange Agreement dated as of May 13, 1993, as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

THIS FACSIMILE TRANSMISSION WILL BE THE ONLY WRITTEN COMMUNICATION REGARDING THIS SWAP TRANSACTION. Pursuant to ISDA guidelines, this facsimile transmission will be sufficient for all purposes to evidence a binding supplement to the Agreement. However, should you have an internal requirement for confirmations with an original signature, we request that you sign and return this Confirmation by facsimile, whereupon, we will add an original signature to the fully executed Confirmation, and forward it to you by mail.

December 21, 1995

Page 2

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

Notional Amount:	USD 50,000,000.00
Trade Date:	December 20, 1995
Effective Date:	December 22, 1995
Termination Date:	March 22, 2000, subject to adjustment in accordance with the Modified Following Business Day Convention

Fixed Amounts:

Fixed Rate Payer:	Counterparty
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Fixed Rate Payer Payment Dates:	The 22nd of every March, June, September and December, beginning
---------------------------------	--

with March 22, 1996 and ending on
and including the Termination Date

Fixed Amount: $\text{Calculation Amount} \times \text{Fixed Rate} \times \text{Fixed Rate Day Count Fraction}$

Fixed Rate: 6.94500%

Fixed Rate Day Count Fraction: Actual/360

Floating Amounts:

Floating Rate Payer: BofA

Floating Rate Payer
Payment Dates: Same as Fixed Rate Payor Payment Dates

Floating Rate for Initial
Calculation Period: 5.66797%

Floating Rate Option: USD-LIBOR-BBA

Designated Maturity: Three (3) Months

Spread: None

Floating Rate Day	
Count Fraction:	Actual/360
Reset Dates:	First day of each Calculation Period
Compounding:	Inapplicable
Business Day:	New York and London
Business Day Convention:	Modified Following
Calculation Agent:	BofA

3. Account Details

Payments to BofA:	Fed Funds to Bank of America NT and SA San Francisco ABA NO. 1210-0035-8 BISD Acct No. 33006-83980 Attn: IRS Operations
Payments to Counterparty:	Fed Funds to First Tennessee Bank Memphis Tennessee ABA No. 0840- 0002-6 Account Harrah's Operating Co. Inc. Account No. 841-900

4. Offices:

Office of BofA:	The San Francisco Head Office
Office of Counterparty:	Memphis, TN

Variations to the Agreement for this Swap Transaction:	None
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Please confirm your agreement to be bound by the terms stated herein by executing the copy of this Confirmation enclosed for that purpose and returning it to us or by sending to us a telex or letter, within 24 hours of receipt of this Confirmation to Bank of America NT & SA San Francisco Telex No. 249839 Answer Back OPRST UR or Rapifax No. 415-624-1101 Attention: Derivative Products Operations, substantially in the form below:

Quote

We acknowledge receipt of your rapidfax dated December 21, 1995 with respect to the Swap Transaction entered into on December 20, 1995 between Harrah's Operating Company, Inc.

December 21, 1995
Page 4

and Bank of America National Trust and Savings Association with a Notional Amount of USD 50,000,000.00 and a Termination Date of March 22, 2000, and confirm our agreement to be bound by the terms specified in such rapidfax.

Unquote

Yours sincerely,

For and on behalf of:
Bank of America National
Trust and Savings Association

By: /s/Robert Oxenburgh

Name: Robert Oxenburgh

Title: Vice President

Confirmed as of the
date first above written:
Harrah's Operating Company, Inc.

By: /s/William S. McCalmont

Name: William S. McCalmont

Title: Vice President & Treasurer

By: _____
Name: _____
Title: _____

LC(51220S1Z)

CONFIRMATION FOR U.S. DOLLAR RATE SWAP TRANSACTION
UNDER EXISTING IRCEA

TO: HARRAH'S OPERATING COMPANY, INC.
ATTN: KATIE WEIEN
TEL: 901-762-8838
FAX: 901-762-8998

FROM: NationsBank, N.A.
233 S. Wacker Drive
Chicago, Illinois 60606
JEFF MCNEILL/JIM O'DONNELL

Date: 21DEC95

Our Reference #: 441010

The purpose of this letter agreement is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Interest Rate and Currency Exchange Agreement specified below.

The definitions and provisions contained in the 1991 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the Interest Rate and Currency Exchange Agreement dated as of 18MAY93, as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

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

Currency/Notional Amount:	USD 50,000,000.00
Trade Date:	20DEC95
Effective Date:	22DEC95
Termination Date:	22MAR00, subject to adjustment in accordance with the Modified Following Business Day Convention.

Fixed Amounts:

Payer of Fixed:	HARRAH'S OPERATING COMPANY, INC.
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Fixed Payer Payment Dates:	EACH MARCH 22, JUNE 22, SEPTEMBER 22, AND DECEMBER 22, COMMENCING MARCH 22, 1996 AND ENDING MARCH 22, 2000, SUBJECT TO ADJUSTMENT IN ACCORDANCE WITH THE MODIFIED FOLLOWING BUSINESS DAY CONVENTION.
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Fixed Rate Payer Business Day Convention:	MODIFIED FOLLOWING BUSINESS DAY
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Fixed Rate Payer

Business Days: NEW YORK, LONDON

Fixed Rate: 6.951%

Fixed Rate Payer Day
Count Fraction: ACTUAL/360

Floating Amounts:

Payer of Floating: NATIONSBANK, N.A.

Floating Payer Reset
Dates: First Day of each Calculation Period

Floating Payer Payment
Dates: EACH MARCH 22, JUNE 22, SEPTEMBER 22, AND
DECEMBER 22, COMMENCING MARCH 22, 1996 AND
ENDING MARCH 22, 2000, SUBJECT TO ADJUSTMENT
IN ACCORDANCE WITH THE MODIFIED FOLLOWING
BUSINESS DAY CONVENTION.

Floating Rate Payer
Business Days: NEW YORK, LONDON

Floating Rate Payer
Business Day Convention: MODIFIED FOLLOWING BUSINESS DAY

Floating Rate Option: USD-LIBOR-BBA

Designated Maturity: 3 Months

Spread: NONE

Floating Rate for Initial
Calculation Period: 5.66797%

Floating Rate Payer
Day Count Fraction: ACTUAL/360

Payments to NationsBank: Payment to HARRAH'S OPERATING
NATIONSBANK N.A. (CAROLINAS), COMPANY, INC.:
CHARLOTTE
ABA 053000196
ACCT: 10852016511
ATTN: DERIVATIVE OPERATIONS

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by responding within three (3) Business Days by either (i) returning via telecopier an executed copy of this Confirmation to the attention of Marge Szymczak, Fax No. (312) 234-3160; Telephone No. (312) 234-2934, or (ii) sending a telex to Marge Szymczak (Telex No. 4330469, answerback: CRT CGO) substantially to the following effect: "We acknowledge receipt of your fax dated 21DEC95 with respect to a Swap Transaction between HARRAH'S OPERATING COMPANY, INC. and NationsBank, N.A. with a Notional Amount of USD 50,000,000.00 and a Termination Date of 22MAR00 and confirm that such fax correctly sets forth the term of our agreement relating to the Swap Transaction described therein. Very truly yours, _____, by (specify name and title of authorized officer)." Failure to respond within such period shall not affect the validity or enforceability of this Swap Transaction, and shall be deemed to be an affirmation of the terms and conditions contained herein, absent manifest error.

NationsBank, N.A. is pleased to have concluded
this transaction with you.

Yours Sincerely,

NationsBank, N.A.

By: /s/John Stocchetti

John Stocchetti, Senior Vice President
Authorized Signatory

Confirmed as of the date first written above:

HARRAH'S OPERATING COMPANY, INC.

By: /s/William S. McCalmont

Authorized Signatory

EXECUTIVE FINANCIAL
COUNSELING

[LOGO]

PLAN HIGHLIGHTS

Harrah's & You:
A Winning Team

As an executive with Harrah's Entertainment, Inc. or its subsidiaries (the Company), you are now receiving competitive compensation to match your on-the-job responsibilities. If you do not have a financial background, however, you may not really know the most effective ways to manage your resources to achieve your financial objectives, both now and for the future. We are pleased to provide you with the Harrah's Entertainment Executive Financial Counseling Plan (the Plan) detailed in this brochure--designed to help you and your colleagues achieve stability in personal and tax matters through professional financial and tax advice.

Eligibility

Persons eligible are a select group of management employees. These are employees of the Company or its subsidiaries in grades 25 and above.

Statement of Policy

The Company or its subsidiary will pay directly to the service provider, or reimburse you with documentation of payment, up to the following maximums for covered services:

Grade	Annual Amount

35 and above	\$15,000
31-34	7,500
28-30	3,000
25-27	1,500

HOW THE PLAN WORKS

Plan years are calendar years, and all account balances renew on January 1 each year. Charges will normally be drawn out of your account based upon the date the counseling was performed. Unused account balances cannot be carried over to the next year. Prorated amounts will be available to new hires and to persons promoted to eligible positions during the Plan year.

COVERED SERVICES

A covered service is any professional advice or professional service that provides financial or tax assistance. The Company reserves the right to decide whether a service is covered under the Plan. A sample list of current covered services is included in this policy. In general, participants shall be reimbursed only for expenses which are eligible to be included as miscellaneous expenses for IRS itemizing purposes, except that expenses incurred for estate planning including the preparation of wills shall also be covered. (See Tax Effects at right.)

PAYMENT

Invoices should be made out to Harrah's Operating Company, Inc. and must be approved by you prior to the Company's making payment to the service provider. The invoice should describe the financial or tax services that were rendered and should recite and identify that portion of the bill which can be itemized as a miscellaneous expense for IRS purposes. (In general, only counseling expenses relating to tax advice or production of income are itemizable. See Tax Effects below.) You should initial the invoice to indicate your approval, and you are encouraged to submit it to the Harrah's Memphis Compensation Department within 10 days after you receive it.

TAX EFFECTS

The costs paid by the Company or its subsidiary under the Plan are taxable income to you and are subject to federal withholding at a 28 percent rate (plus FICA and any applicable state taxes). The withholding tax will be deducted from regular salary after the reimbursement is paid. However, you may be able to claim a portion of the costs as a tax deduction on your federal income tax return.

According to current tax laws, there is a limit on the deductibility of miscellaneous expenses which are itemized. These miscellaneous itemized expenses, which include the cost of financial and tax planning services provided under this policy, will only be deductible to the extent that they exceed 2 percent of your adjusted gross income. The expense of a will and estate planning is not eligible to be itemized as an expense for IRS purposes except for the cost of tax advice given in connection with the will. You should consult your personal tax adviser if you have any questions regarding how these tax laws apply to you.

PRORATION GUIDELINES

Participants entering the Plan during a calendar year will be eligible to use a prorated share of their account during the year of hire or date of promotion to an eligible position based upon the quarter of the year hired or promoted.

Hired/Promoted During the Qtr.	Pro Rata	Grades 35 and above	Grades 31-34	Grades 28-30	Grades 25-27
1/1 - 3/31	100%	\$15,000	\$ 7,500	\$ 3,000	\$ 1,500
4/1 - 6/30	75%	\$11,250	\$ 5,625	\$ 2,250	\$ 1,125
7/1 - 9/30	50%	\$ 7,500	\$ 3,750	\$ 1,500	\$ 750
10/1 - 12/31	25%	\$ 3,750	\$ 1,875	\$ 750	\$ 375

For those employees promoted from one eligible grade to another during the year (i.e., from grade 26 to grade 28), their account balances will be prorated for the time spent in each grade (i.e., one quarter of the year as a grade 26 = \$375 and three quarters of the year as a grade 28 = \$2,250. Total for the year is \$2,625).

Charges will be drawn out of the employee's account based upon the date the counseling was performed. The account balance will be left open during the month of January and will be used to clear invoices of charges incurred in the previous year. After January, only charges incurred in the current year will be accepted and will be charged against your allowance for the current year. Unused account balances are not carried over to the next year.

SAMPLE LIST OF COVERED SERVICES

1. Preparation of tax returns.
2. Advice concerning taxes and tax planning including deductibility of various items.
3. Advice and assistance on producing income.
4. Advice or counseling on investments in businesses, stocks, bonds, or other securities.
5. Advice on tax consequences of divorce.
6. Tax advice and related assistance concerning trusts for children or family members.
7. Responding to IRS audits.
8. Retirement income counseling and related tax advice.
9. Advice on business expenses, casualty losses and purchasing any property for investment.
10. Advice regarding taxes on stock options and other benefit plans.
11. Advice and assistance on estate taxes and estate tax planning including the preparation of wills.

Note: Travel and hotel expenses (e.g., to a tax planning seminar) are not covered.

TERMINATION OR DEATH OF PARTICIPANT

Termination of the employee during the calendar year covered by the Plan normally cancels the employee's eligibility and forfeits any remaining allowance, unless salary continuation is offered in which case eligibility to use the remainder of an existing allowance may be offered through the salary continuation period.

In the event of death of the employee during a calendar year covered by the Plan and if a balance remains in the employee's account, the total balance will be assigned to the employee's beneficiary, executor or estate for financial counseling covered services that are rendered during the remainder of the covered calendar year.

Invoices for covered services performed prior to death, during a salary continuation period, or before a termination date will be accepted for payment to the extent covered by the account balance.

MISCELLANEOUS

Questions concerning application and interpretation of the Plan may occur from time to time. The Company reserves the discretionary right to decide questions and to interpret the Plan. The Company's decisions on all questions and matters of application and interpretation shall be binding on each participant.

This Plan replaces any prior policy or plan. The Plan is discretionary and the Company may amend or terminate it at any time. Payments under the Plan will be made by the participating subsidiary.

MOST COMMONLY ASKED QUESTIONS

Can I use any of my remaining balance in one year during the next year?

Only for bills that are received by the Company in January of the next year, which relate to services given in the prior year. After January 31, all fees will be applied to your current account balance.

HOW SHOULD THE COUNSELING SERVICE PREPARE THE INVOICE?

Invoices should be prepared as follows:

Billed To: Harrah's Operating Company, Inc.

For Services Rendered To: (Participant's Name)

Of: (Subsidiary's Name)

WHAT SHOULD I DO WHEN I RECEIVE AN INVOICE?

You should review the charges, indicate your approval by initialing the invoice, and mail the invoice within 10 days directly to:

Harrah's Memphis
Compensation Department
Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, TN 38117

HOW DO I KNOW WHEN THE INVOICE HAS BEEN PAID?

You will receive a confirmation memo from the Harrah's Memphis Compensation Department after your invoice is processed. This memo will include notification to your payroll manager to update your W-2 earnings by the fees amount. You will also receive a statement of your account upon each payment of fees.

IS THERE A DEADLINE FOR PROCESSING INVOICES?

Invoices for services rendered in the current year should be submitted as early as possible to ensure that they will be properly reflected on your W-2 earnings. You are encouraged to submit the invoice within 10 days of receiving it in order to speed processing.

All invoices need to be processed by mid-December of a Plan year or earlier in order for fees to be applied to your W-2 earnings for that year. Invoices received after December 15 will not be processed until January. The account balance will be left open during the month of January and will be used to clear invoices or charges incurred in the previous year. Payments in January of any year will be included in your W-2 earnings for that year (not the previous year). After January, only charges incurred in the current year will be accepted and will be charged against your allowance for the current year. Unused account balances are not carried over to the next year.

WHAT HAPPENS IF I EXCEED MY ACCOUNT BALANCE?

All fees exceeding individual account balances are paid by you.

Harrah's Entertainment, Inc.
Harrah's Memphis
Compensation Department
1023 Cherry Road
Memphis, TN 38117
901-762-8922

January 1996

[LOGO]

[HARRAH'S LOGO]

ANNUAL MANAGEMENT BONUS PLAN

1995

HARRAH'S ENTERTAINMENT, INC.
ANNUAL MANAGEMENT BONUS PLAN

As a member of management, you can have a major impact on the overall performance of your property and of Harrah's Entertainment, Inc. (the Company). The Harrah's Entertainment, Inc. Annual Management Bonus Plan (the Plan) is designed to reward you for meeting your personal performance objectives in years when your Operating Unit meets its performance objectives. The Plan has uniform bonus calculation procedures with specific objectives for each Operating Unit as well as overall objectives for the company. This means that although there is one plan, covering all properties, divisions, and corporate, your specific bonus award is tied to your individual performance, your Operating Unit's performance, and to the performance of the entire company.

The purposes of the Plan are to reward you for superior work and motivate you toward delivering better customer service and achieving better business results, to tie your goals and interests into those of the company and its stockholders, and to attract and retain top managers.

This document describes eligibility, personal performance objectives that are directly tied to the performance planning and evaluation process, Operating Unit performance objectives, assignment of bonus points, the bonus pool, the payment of bonus awards, and administrative matters.

Personal Eligibility

To be eligible, you must be a full-time employee of an Operating Unit in a salary grade 20 or above. An Operating Unit is a business unit identified for participation in the Plan by the President and Chief Executive Officer and currently comprises Harrah's Corporate, various Operating Divisions, and each Harrah's Casino and Riverboat. You may not be a participant in any other bonus plan of the Company or its subsidiaries. You must have been employed in an eligible position before October 1 of the Plan year, have at least a "Successful" performance rating, and be actively working at the time bonuses are distributed to receive your bonus award.

Prorations/Transfers

If an eligible employee is promoted during the year, pro-rata bonus awards are calculated based on their earnings, individual performance and grade in each position.

If, however, an employee is promoted from a grade 5-19 into a grade 20 or above, the promotion must have taken place on or before October 1 for the employee to be eligible for a prorated payment under this plan.

In cases of promotions and/or transfers between Operating Units, pro-rata bonus awards for eligible participants are calculated based on their earnings, individual performance, operating unit bonus points and grade in each Operating Unit. The calculation of prorata bonus awards is generally made following completion of the plan year.

Individual Performance Objectives

At the beginning of each year, you and your supervisor will develop specific performance objectives for you to achieve. These objectives should be recorded on your performance appraisal document under the appropriate performance standard. One hundred bonus points are then assigned by your supervisor to these personal bonus objectives. Your objectives and bonus points will be approved and retained by your supervisor. The objectives should be easy to quantify and verify. Performance objectives should be modified during the year if business conditions dictate. Objectives that have been revised will also be retained by your supervisor.

Operating Unit Performance Objectives

Operating Unit bonus objectives are established for each Plan year. These will generally consist of a combination of measurements related to the objectives of the Company and each of its Operating Units on items such as operating income, pre-tax earnings, return on sales and customer satisfaction ratings. The objectives may change annually to support the business mission of the company. The objectives are assigned target points. The objectives and assigned target points are recommended by the Chairman of the Board and the President and Chief Executive Officer to the Human Resources Committee of the Board of Directors for approval. Total target points for each Operating Unit is 100. Additional stretch points may be awarded according to specific parameters set each year.

Meeting Operating Unit Objectives Assignment of Bonus Points

At the end of each Plan year, bonus points will be assigned to each Operating Unit based upon achievement of Plan objectives. The Operating Unit bonus points will be combined with the points earned by the Company. The final point total will be used to create the Operating Unit's bonus pool. Commencing with the plan year 1996, an Operating Unit may qualify for a limited bonus of 25% of the amount achieved by using bonus points earned by the Company (Harrah's brand performance) even if the Operating Unit is not eligible for a bonus based on its own performance.

Meeting Operating Unit Objectives The Bonus Pool

A payout pool for each Operating Unit will be established according to the unit's combined bonus point total. The bonus pool is calculated by multiplying all eligible participants' eligible earnings by the appropriate bonus percentage as shown on the Bonus Matrix. The appropriate bonus percentage is determined by both the participants' salary grades and bonus points earned by the Operating Unit.

For example, at 100 bonus points for the Operating Unit, the bonus for pool calculations for a grade 23 is 15 percent of eligible earnings.

An Operating Unit's total bonus pool is calculated by summing all appropriate bonus percentages of the Operating Unit's eligible participants.

Meeting Individual Objectives

Shortly after the end of the Plan year, you will meet with your supervisor to compare your individual performance against the performance standards on the appraisal document and with your previously established objectives. The assessment determines how many of your personal 100 assigned objective points have been met.

The supervisor will then recommend a bonus award for you and other eligible employees reporting to him or her, in relation to the individual performance bonus points earned. The supervisor must keep in mind that the total bonus pool must not be exceeded. When an Operating Unit's performance rises above the "100" point target, the available bonus dollars contributed to the pool will increase; this is called "stretch bonus." However, even when an Operating Unit is in stretch, individual awards should not automatically rise above the "100" point line. Only those eligible participants whose performance contributed to the achievement of stretch bonus should be considered for stretch awards. Calculation is up to the discretion of your supervisor and the Operating Unit's senior managers. The maximum individual award is found on the 150 point line of the Stretch Bonus matrix (see page 7).

When Operating Unit performance falls short of objectives, the Bonus Pool will be accordingly reduced. Individual awards should be scaled back to reflect the available pool dollars. For example, at 90 bonus points for the Operating Unit, the bonus for pool calculations for a grade 23 is 14 percent of eligible earnings.

Approval and Payment of Annual Bonus Plan Awards

Each supervisor will submit bonus award recommendations to the Memphis Compensation department with two levels of approval unless the next level of supervision is a Corporate Senior Vice President or a Division President. In these cases, no further approvals are required. The Memphis Compensation department will accumulate overall bonus recommendations and submit them for appropriate approvals. The Chairman of the Board and the President and Chief Executive Officer review and approve bonus recommendations and recommend Operating Unit bonus points to the Human Resources Committee. The Human Resources Committee approves total bonus points achieved for performance against Operating Unit objectives and the individual bonus awards of the Chairman of the Board and the President and Chief Executive Officer. Bonus awards are generally distributed to employees by March 15 of the year following the Plan year dependent on the eligibility of both the Operating Unit and the employee. Bonus awards may be distributed earlier with the approval of the Chairman of the Board, the President and Chief Executive Officer and the Human Resources Committee.

Miscellaneous

The Human Resources Committee may approve a discretionary pro-rata bonus if active employment was terminated during the Plan year by death, disability, or retirement (age 55 with 10 or more years of service).

Employees who have been on Leave of Absence are eligible to participate in the Plan if their Operating Unit qualifies. Employees who are on Leave of Absence at the time of bonus payments are eligible to receive their award, if any, when they return to active employment. If they do not return to active employment, their payment is forfeited.

The eligible earnings used in bonus calculations excludes imputed income and previous bonuses.

Eligibility for this Plan does not provide anyone a right to continued employment.

Administrative Matters

The Plan is completely discretionary. No legal rights or obligations are created by the Plan. Accordingly, the Company may terminate the Plan or amend its provisions at any time, and no interest is created that can be assigned, encumbered, or transferred by an employee. No rights in any specific funds or assets will exist by reason of this Plan.

The Memphis Compensation department administers the Plan and has full power to adopt and enforce administrative rules and procedures to make administrative interpretations. The Human Resources Committee has full power to decide substantive issues, to make amendments to the Plan and to terminate the Plan. The Human Resources Committee may adjust any objectives or bonus points if it determines such adjustment is necessary or appropriate.

No member of the Memphis Compensation department, the Human Resources Committee, or other persons involved in administering this Plan or making decisions concerning bonuses will have any personal liability to any employee.

EXAMPLES 1 THROUGH 4

Assume:	Calculation
- - - - -	- - - - -

EXAMPLE 1: Grade 21 employee

Eligible earnings	\$59,000
Combination of Operating unit and Company earns 100 bonus points	(10%) = \$ 5,900
Employee earns 100 points - Actual Award	(10%) = \$ 5,900

EXAMPLE 2: Grade 23 employee

Eligible earnings	\$69,000
Combination of Operating unit and Company earns 95 bonus points	(14%) = \$9,660
Employee earns 80 points - Actual Award	(12%) = \$ 8,280

EXAMPLE 3:

Grade 26 employee promoted/transfers into a Grade 27 position in a different operating unit during the plan year. Bonus is prorated based on earnings, individual performance and grade for each operating unit.

Step 1: Grade 26 employee - Operating Unit #1

Eligible pro-rata earnings	\$48,000
Combination of Operating unit and Company earns 110 bonus points	(28%) = \$13,440
Employee earns 115 points - pro-rata #1	(29%) = \$13,920

Step 2: Grade 27 employee - Operating Unit #2

Eligible pro-rata earnings	\$55,000
Combination of Operating unit and Company earns 100 bonus points	(30%) = \$16,500
Employee earns 100 points - pro-rata #2	(30%) = \$16,500

Step 3: Actual Award

Pro-rata #1 + pro-rata #2	\$30,420
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1995 TARGET BONUS MATRIX

ANNUAL MANAGEMENT PLAN

Bonus Points	1995 Salary Grade									
	29	28	27	26	25	24	23	22	21	20
100	40%	35%	30%	25%	22%	20%	15%	10%	10%	10%
99	36	32	28	24	22	20	15	10	10	10
98	33	30	26	24	22	20	15	10	10	10
97	30	28	25	23	21	19	15	10	10	10
96	29	27	25	23	21	19	14	10	10	10
95	29	27	25	23	21	19	14	10	10	10
94	28	26	24	22	21	19	14	9	9	9
93	28	26	24	22	20	19	14	9	9	9
92	28	26	24	22	20	18	14	9	9	9
91	27	25	24	22	20	18	14	9	9	9
90	27	25	23	21	20	18	14	9	9	9
89	27	25	23	21	20	18	13	9	9	9
88	26	25	23	21	19	18	13	9	9	9
87	26	24	23	21	19	17	13	9	9	9
86	26	24	22	20	19	17	13	9	9	9
85	26	24	22	20	19	17	13	9	9	9
84	25	24	22	20	18	17	13	8	8	8
83	25	23	22	20	18	17	12	8	8	8
82	25	23	21	19	18	16	12	8	8	8
81	24	23	21	19	18	16	12	8	8	8
80	24	22	21	19	18	16	12	8	8	8
79	24	22	21	19	17	16	12	8	8	8
78	23	22	20	18	17	16	12	8	8	8
77	23	22	20	18	17	15	12	8	8	8
76	23	21	20	18	17	15	11	8	8	8
75	23	21	20	18	17	15	11	8	8	8
74	22	21	19	18	16	15	11	7	7	7
73	22	20	19	17	16	15	11	7	7	7
72	22	20	19	17	16	14	11	7	7	7
71	21	20	18	17	16	14	11	7	7	7
70	21	20	18	17	15	14	11	7	7	7
69	21	19	18	16	15	14	10	7	7	7
68	20	19	18	16	15	14	10	7	7	7
67	20	19	17	16	15	13	10	7	7	7
66	20	18	17	16	15	13	10	7	7	7
65	20	18	17	16	14	13	10	7	7	7
64	19	18	17	15	14	13	10	6	6	6
63	19	18	16	15	14	13	9	6	6	6
62	19	17	16	15	14	12	9	6	6	6
61	18	17	16	15	13	12	9	6	6	6
60	18	17	16	14	13	12	9	6	6	6
59	18	17	15	14	13	12	9	6	6	6
58	17	16	15	14	13	12	9	6	6	6
57	17	16	15	14	13	11	9	6	6	6
56	17	16	15	13	12	11	8	6	6	6
55	17	15	14	13	12	11	8	6	6	6
54	16	15	14	13	12	11	8	5	5	5
53	16	15	14	13	12	11	8	5	5	5
52	16	15	14	12	11	10	8	5	5	5
51	15	14	13	12	11	10	8	5	5	5
50	15	14	13	12	11	10	8	5	5	5

1995 STRETCH BONUS MATRIX

ANNUAL MANAGEMENT PLAN

Bonus Points	1995 Salary Grade									
	29	28	27	26	25	24	23	22	21	20
150	60%	53%	45%	38%	33%	30%	23%	15%	15%	15%
149	59	52	44	37	33	30	22	15	15	15
148	58	51	44	37	33	30	22	15	15	15
147	57	51	43	36	32	29	22	15	15	15
146	57	50	43	36	32	29	22	15	15	15
145	56	50	43	36	32	29	22	15	15	15
144	56	50	43	36	32	29	22	14	14	14
143	55	49	42	35	31	29	21	14	14	14
142	55	49	42	35	31	28	21	14	14	14
141	55	49	42	35	31	28	21	14	14	14
140	54	48	41	35	31	28	21	14	14	14
139	54	48	41	35	31	28	21	14	14	14
138	53	47	40	34	30	28	21	14	14	14
137	53	47	40	34	30	27	21	14	14	14
136	53	47	40	34	30	27	20	14	14	14
135	53	47	40	34	30	27	20	14	14	14
134	53	46	39	33	29	27	20	13	13	13
133	52	46	39	33	29	27	20	13	13	13
132	52	46	39	33	29	26	20	13	13	13
131	52	45	39	33	29	26	20	13	13	13
130	51	45	39	33	29	26	20	13	13	13
129	51	45	39	32	28	26	19	13	13	13
128	50	44	38	32	28	26	19	13	13	13
127	50	44	38	32	28	25	19	13	13	13
126	50	44	38	32	28	25	19	13	13	13
125	49	44	38	32	28	25	19	13	13	13
124	49	43	37	31	27	25	19	12	12	12
123	48	43	37	31	27	25	18	12	12	12
122	48	43	37	31	27	24	18	12	12	12
121	47	42	37	31	27	24	18	12	12	12
120	47	42	37	31	26	24	18	12	12	12
119	47	42	36	30	26	24	18	12	12	12
118	46	41	36	30	26	24	18	12	12	12
117	46	41	36	30	26	23	18	12	12	12
116	46	41	36	30	26	23	17	12	12	12
115	45	40	35	29	25	23	17	12	12	12
114	45	40	35	29	25	23	17	11	11	11
113	44	39	34	29	25	23	17	11	11	11
112	44	39	34	29	25	22	17	11	11	11
111	44	39	33	28	24	22	17	11	11	11
110	43	38	33	28	24	22	17	11	11	11
109	43	38	33	28	24	22	16	11	11	11
108	43	38	33	28	24	22	16	11	11	11
107	43	38	33	28	24	21	16	11	11	11
106	42	37	32	27	23	21	16	11	11	11
105	42	37	32	27	23	21	16	11	11	11
104	41	36	31	26	23	21	16	10	10	10
103	41	36	31	26	23	21	15	10	10	10
102	40	35	30	25	22	20	15	10	10	10
101	40	35	30	25	22	20	15	10	10	10

1995 SENIOR EXECUTIVE TARGET BONUS MATRIX

ANNUAL MANAGEMENT PLAN

Bonus Points	1995 Salary Grade						
	36	35	34	33	32	31	30
100	60%	60%	55%	50%	50%	50%	45%
99	56	56	52	47	47	46	43
98	52	52	49	44	44	43	41
97	48	48	46	42	42	40	39
96	46	46	44	40	38	37	36
95	44	44	42	38	36	34	33
94	43	43	41	38	36	34	32
93	43	43	41	37	35	33	32
92	42	42	40	37	35	33	31
91	42	42	40	36	35	33	31
90	41	41	40	36	34	32	31
89	41	41	39	36	34	32	30
88	40	40	39	35	33	32	30
87	40	40	38	35	33	31	30
86	40	40	38	34	33	31	29
85	39	39	37	34	32	31	29
84	39	39	37	34	32	30	29
83	38	38	37	33	32	30	28
82	38	38	36	33	31	30	28
81	37	37	36	32	31	29	28
80	37	37	35	32	30	29	27
79	36	36	35	32	30	28	27
78	36	36	34	31	30	28	27
77	35	35	34	31	29	28	26
76	35	35	33	30	29	27	26
75	35	35	33	30	29	27	26
74	34	34	33	30	28	27	25
73	34	34	32	29	28	26	25
72	33	33	32	29	27	26	24
71	33	33	31	28	27	26	24
70	32	32	31	28	27	25	24
69	32	32	30	28	26	25	23
68	31	31	30	27	26	24	23
67	31	31	29	27	25	24	23
66	30	30	29	26	25	24	22
65	30	30	29	26	25	23	22
64	29	29	28	26	24	23	22
63	29	29	28	25	24	23	21
62	29	29	27	25	24	22	21
61	28	28	27	24	23	22	21
60	28	28	26	24	23	22	20
59	27	27	26	24	22	21	20
58	27	27	26	23	22	21	19
57	26	26	25	23	22	21	19
56	26	26	25	22	21	20	19
55	25	25	24	22	21	20	19
54	25	25	24	22	21	19	18
53	24	24	23	21	20	19	18
52	24	24	23	21	20	19	18
51	23	23	22	20	19	18	17
50	23	23	22	20	19	18	17

1995 SENIOR EXECUTIVE STRETCH BONUS MATRIX

ANNUAL MANAGEMENT PLAN

Bonus Points	1995 Salary Grade						
	36	35	34	33	32	31	30
150	120%	120%	110%	100%	100%	100%	90%
149	119	119	109	99	99	99	89
148	118	118	108	98	98	98	88
147	117	117	107	97	97	97	87
146	116	116	106	96	96	96	86
145	114	114	104	95	95	95	85
144	113	113	103	94	94	94	84
143	112	112	102	93	93	93	83
142	111	111	101	92	92	92	82
141	110	110	100	91	91	91	81
140	108	108	99	90	90	90	81
139	107	107	97	89	89	89	80
138	106	106	96	88	88	88	79
137	105	105	95	87	87	87	78
136	104	104	94	86	86	86	77
135	102	102	93	85	85	85	76
134	101	101	92	84	84	84	75
133	100	100	91	83	83	83	74
132	99	99	90	82	82	82	73
131	98	98	89	81	81	81	72
130	96	96	88	80	80	80	72
129	95	95	86	79	79	79	71
128	94	94	85	78	78	78	70
127	93	93	84	77	77	77	69
126	92	92	83	76	76	76	68
125	90	90	82	75	75	75	67
124	89	89	81	74	74	74	66
123	88	88	80	73	73	73	65
122	87	87	79	72	72	72	64
121	86	86	78	71	71	71	63
120	84	84	77	70	70	70	63
119	83	83	75	69	69	69	62
118	82	82	74	68	68	68	61
117	81	81	73	67	67	67	60
116	80	80	72	66	66	66	59
115	78	78	71	65	65	65	58
114	77	77	70	64	64	64	57
113	76	76	69	63	63	63	56
112	75	75	68	62	62	62	55
111	74	74	67	61	61	61	54
110	72	72	66	60	60	60	54
109	71	71	64	59	59	59	53
108	70	70	63	58	58	58	52
107	69	69	62	57	57	57	51
106	68	68	61	56	56	56	50
105	66	66	60	55	55	55	49
104	65	65	59	54	54	54	48
103	64	64	58	53	53	53	47
102	63	63	57	52	52	52	46
101	62	62	56	51	51	51	46

Amendment dated as of December 19, 1995
("this Amendment") to
Amended and Restated Employment Agreement
dated June 30, 1995 (the "Employment Agreement")

Introduction
- -----

On December 19, 1995, the Human Resources Committee (the "Committee") of the Board of Directors of Harrah's Entertainment, Inc. (the "Company") approved an amendment to the Employment Agreement with Michael D. Rose ("Executive") due to increased demands on his time.

Pursuant to that approval and in consideration of the mutual covenants herein, the Company and Executive hereby agree as follows:

1. Adjustment in Salary/Services. Commencing January 1,

1996, for the term of this Amendment, Executive's salary rate will increase from \$350,000 per year to \$450,000 per year in return for a significant increase in Executive's contemplated time commitment on behalf of the Company during the term of this Amendment.

2. Term of this Amendment. The term of this Amendment

will commence January 1, 1996 and will terminate December 31, 1996 or will terminate at an earlier date if the Committee and Executive determine that the demands on Executive's time can be reduced to levels originally anticipated for the relevant period under the Employment Agreement.

Upon termination of this Amendment, the salary and service

provisions of the Employment Agreement as would then otherwise be in force will be reinstated.

3. Modification of Duties. In addition to serving as

Board Chairman, for the term of this Amendment Executive will serve as the Company's senior executive responsible for the resolution, including any restructuring/reorganization, of the New Orleans project.

4. Full-Time Benefits. Executive will be entitled to the

benefits of a full-time executive during the term of this Amendment including, without limitation, incentive compensation (i.e., the benefits provided during the "First Period" of his employment as set forth in the Employment Agreement).

5. Stock Option Grant. Executive will receive a stock

option grant on December 19, 1995 as may be approved by the Committee.

6. Existing Rights. The existing rights in the Employment

Agreement concerning retirement, termination and vesting provisions will continue in force during this Amendment.

Except as amended herein, the Employment Agreement continues in full force and effect.

IN WITNESS WHEREOF, the Company and Executive have executed this Amendment as of the date and year written above.

Executive: Harrah's Entertainment, Inc.

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/s/ Michael D. Rose
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Michael D. Rose
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By: /s/ E. O. Robinson, Jr.

Title: SVP

HARRAH'S ENTERTAINMENT, INC.
Stock Option Award

THIS CERTIFIES THAT the Human Resources Committee of the Board of Directors of Harrah's Entertainment, Inc. has awarded _____ a Nonqualified Stock Option to purchase _____ shares of the Company's Common Stock at a price of _____ per share.

Original Grant Date: _____

This option is exercisable as follows:

This award is subject to the terms and conditions on the reverse side of this award and to the terms and conditions of the Company's 1990 Stock Option Plan, as it may be amended from time to time. A summary of certain of the Plan's terms and conditions is included on the reverse side of this award. This document constitutes part of a prospectus concerning securities that have been registered under the Securities Act of 1933.

DATED as of this _____ day of _____, 19____.

HARRAH'S ENTERTAINMENT, INC.

/s/ Rebecca W. Ballou

Secretary

/s/ Michael D. Rose

Chairman of the Board

SUMMARY OF CERTAIN CONDITIONS

Shares of Harrah's Entertainment, Inc. ("Harrah's Entertainment" or "Company") common stock may be purchased under this stock option. Subject to the terms and conditions of the Plan, the term of this option is 10 years and one day from the original grant date shown on the front side of this certificate. The option is exercisable in accordance with the stated schedule indicated on the front side of this certificate by giving written notice addressed to the Corporate Compensation Department, Harrah's Entertainment, Inc. 1023 Cherry Road, Memphis, TN 38117 (or such other address designated by the Company), specifying the number of shares to be purchased and by payment of the option price according to the rules of the Plan.

Subject to the Plan and the Administrative Regulations thereunder and contractual provisions, this stock option, to the extent not exercised, shall terminate and be forfeited on the expiration of 10 years and one day from the original grant date shown on the front side of this certificate,

upon breach by the optionee of any provision of this option, or upon optionee's ceasing to be an active employee of Harrah's Entertainment (or its legal successor) or its subsidiaries for any reason including, but not limited to, retirement and voluntary or involuntary termination including termination due to sale or closure of a business unit or sale of a subsidiary, provided however:

- - If active employment ceases during the term of this stock option because of death or disability, then the unexercised portion of the options that were already vested (i.e., exercisable) at that time plus 50 percent of any future unvested installments shall be exercisable in full on the date of death or on the date of the determination of disability, as the case may be. All remaining unvested options will be forfeited.
- - The time period to exercise vested options, following retirement for age, death or determination of disability during the term of this option while in the employ of the Company (or its legal successor) or its subsidiaries, is as follows:

Years of Service -----	Period to Exercise Vested Options after Death, Disability or ----- Retirement -----
under 10 years (for death or disability)	one year
10 to 20 years (for death, disability or retirement)	two years
20 or more years (for death disability or retirement)	three years

- - Retirement means termination during the term of this option at or after age 55 and having 10 or more years of service with the Company (or its legal successor) or its subsidiaries. Disability means a determination (while you are an employee or on authorized leave) that you qualify for long-term disability insurance under the Company's LTD policy. Upon death, vested options may be exercised by your proper legal representative (executor or administrator) or your legal beneficiary subject to the Company being properly assured and legally advised of the rights of such persons.
- - Reference is made to the vesting acceleration provisions in the Plan's Administrative Regulations which provisions are applicable upon a "Change in Control" (as defined in, and subject to, such Regulations).

This stock option shall be non-transferable by the optionee other than by will or the laws of descent and distribution and shall be exercisable during optionee's lifetime only by optionee.

This stock option may not be exercised at a time when the exercise thereof or the issuance of shares thereunder would constitute a violation of any federal or state laws or rules of any stock exchange where the common stock of Harrah's Entertainment, Inc., (or its legal successor) is listed.

ALL THE TERMS AND CONDITIONS OF THE HARRAH'S ENTERTAINMENT, INC., 1990 STOCK OPTION PLAN AND ADMINISTRATIVE REGULATIONS THEREUNDER, AS AMENDED FROM TIME TO TIME, ARE INCORPORATED HEREIN BY REFERENCE. ANY CONFLICT OR QUESTIONS OF INTERPRETATION SHALL BE GOVERNED BY THE PROVISIONS OF THE PLAN, THE PLAN'S ADMINISTRATIVE REGULATIONS AND THE DECISIONS OF THE HUMAN RESOURCES COMMITTEE.

This stock option is subject to the special clause regarding non-competition as approved by the Human Resources Committee on December 15, 1995 and made a part of this award.

Special Clause
Harrah's Entertainment, Inc. (the "Company")

On December 15, 1995 the Human Resources Committee of the Company's Board of Directors approved the following clause that applies to all stock options granted on or after December 15, 1995, under the Company's 1990 Stock Option Plan:

- (1) If the employee (a) terminates his or her employment voluntarily and within one year thereafter, directly or indirectly, without the prior written consent of the Company, goes to work for or provides services or assistance (as an employee, partner, investor, consultant or in any other capacity) to a competing business in the United States; or (b) directly or indirectly solicits or recruits to a competing business any employee (salary grade 20 and higher) of the Company or of its direct or indirect subsidiaries during the one year after voluntary employment termination, then the former employee will be obligated to repay to the Company in cash any aggregate spread (less taxes paid by the employee thereon) realized upon any exercise of the stock option that occurred during the last three months of employment or thereafter.
- (2) A competing business is defined as any business that competes with any business operated or managed by the Company or its direct or indirect subsidiaries in the United States at the time of the employee's termination of employment.
- (3) Competition does not include an investment of 1% or less in the public stock or public debt of a competing company.
- (4) The chief executive officer will have authority on behalf of the Company to determine whether the clause has been violated. The Human Resources Committee will make this determination in regard to the chief executive officer.
- (5) The Company will have a right of set-off to collect the spread from any amounts owed to the employee including deferred compensation.

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HARRAH'S ENTERTAINMENT, INC
1990 Restricted Stock Plan
PARTICIPATION AWARD

THIS CERTIFIES THAT the Human Resources Committee of the Board of Directors of Harrah's Entertainment, Inc. has awarded _____ shares of restricted stock to _____ in accordance with the Company's 1990 Restricted Stock Plan, as amended.

Original Grant Date: _____

Vesting Schedule

The restrictions on these shares will lapse in the annual installments as shown at right if the participant is actively employed with the Company on the vesting date.

This award is subject to the terms and conditions of the Company's 1990 Restricted Stock Plan, as it may be amended from time to time. A brief summary of certain of the terms and conditions that apply to this award is on the reverse side of this award. This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

DATED as of this _____ day of _____, 19____.

HARRAH'S ENTERTAINMENT, INC.

/s/ Rebecca W. Ballou

Secretary

/s/ Michael D. Rose

Chairman of the Board

SUMMARY OF CERTAIN CONDITIONS

1. The stock certificates representing this award will be held by the Company until the restrictions are lifted.
2. During the restricted period, the shares may not be sold, assigned, pledged, encumbered or used as collateral for a loan. After the shares vest, the stock certificates representing such shares may contain a restrictive legend as required by law.
3. If the participant voluntarily or involuntarily terminates active employment with the Company or its subsidiaries for any reason before the restrictions have been removed (except for death or disability as provided in Paragraph 4 below), then, subject to any contractual provisions, the terms of the Plan or the Administrative Regulations thereunder, all shares covered by the restrictions at that time will be automatically forfeited to the Company.

Reference is made to the vesting acceleration provisions in the Plan's Administrative Regulations, which provisions are applicable upon a "Change in Control" (as defined in, and subject to, such Regulations).

4. If employment ceases because of death or disability (as disability is defined in the Plan's Administrative Regulations), then, subject to any contractual provisions, the terms of the Plan or the Administrative Regulations thereunder, the restrictions on 50% of the shares remaining under restriction at that time will be removed.
5. The rights of the participant are not transferable other than by will or the laws of descent and distribution in accordance with the Plan's provisions.
6. The participant will be entitled to vote and receive dividends on the restricted shares.
7. ALL TERMS AND CONDITIONS OF THE HARRAH'S ENTERTAINMENT, INC. 1990 RESTRICTED STOCK PLAN AND THE ADMINISTRATIVE REGULATIONS THEREUNDER, AS AMENDED FROM TIME TO TIME, ARE INCORPORATED HEREIN BY REFERENCE. ANY CONFLICT OR QUESTION OF INTERPRETATION SHALL BE GOVERNED BY THE PROVISIONS OF THE PLAN, THE PLAN'S ADMINISTRATIVE REGULATIONS AND THE DECISIONS OF THE HUMAN RESOURCES COMMITTEE.

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HARRAH'S ENTERTAINMENT, INC.
1990 Restricted Stock Plan
PARTICIPATION AWARD

THIS CERTIFIES THAT _____ has been
awarded _____ shares of restricted stock in accordance with
the Company's 1990 Restricted Stock Plan, as amended.

Annual Vesting Schedule

The restrictions on these shares will lapse
in the annual installments as shown at the
right if the participant is a member of the
Board of Directors of the Company on the
applicable April 1 vesting date.

This award is subject to the terms and conditions of the Company's 1990
Restricted Stock Plan, as amended. A brief summary of certain of the terms
and conditions that apply to this award is on the reverse side of this
award. This document constitutes part of a prospectus covering securities
that have been registered under the Securities Act of 1933.

DATED as of this _____ day of _____, 19____.

HARRAH'S ENTERTAINMENT, INC.

/s/ Rebecca W. Ballou

Secretary

/s/ Michael D. Rose

Chairman of the Board

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SUMMARY OF CERTAIN CONDITIONS

1. The stock certificates representing this award will be held by the Company until the restrictions are lifted.
2. During the restricted period, the shares may not be sold, assigned, pledged, encumbered or used as collateral for a loan. After the shares vest, the stock certificates representing such shares may contain a restrictive legend as required by law.
3. Unvested restricted shares granted to non-employee directors shall be forfeited when the director's Board service terminates except all restricted shares shall vest upon: (a) a Change in Control of the Company (as defined in the Plan's Administrative Regulations); or (b) upon such person's death, or permanent and total disability as determined by a licensed physician.
4. The rights of the participant are not transferable other than by will or the laws of descent and distribution in accordance with the Plan's provisions.
5. The participant will be entitled to vote and receive dividends on the restricted shares represented by this award.
6. ALL TERMS AND CONDITIONS OF THE HARRAH'S ENTERTAINMENT, INC. 1990 RESTRICTED STOCK PLAN AND THE PLAN'S ADMINISTRATIVE REGULATIONS, AS AMENDED, ARE INCORPORATED HEREIN BY REFERENCE. ANY CONFLICT OR QUESTION OF INTERPRETATION SHALL BE RESOLVED BY THE PROVISIONS OF THE PLAN OR ITS ADMINISTRATIVE REGULATIONS.

ADMINISTRATIVE REGULATIONS

THE PROMUS COMPANIES INCORPORATED
(the "Company")

LONG TERM COMPENSATION PLAN

1. Application. These administrative regulations apply to all grants of

restricted stock and stock options under the Company's 1990 Restricted
Stock Plan and 1990 Stock Option Plan (the "Plans").

2. Procedure for Awards

2.1 Eligibility. The Company will follow the eligibility

requirements for participants as set forth in the Plans. In general,
employees in grades 23-36 and general managers and specifically identified
key employees in grades 19-22 are eligible to be considered for awards
under the Plans.

2.2 Recommendation Method. The Corporate Compensation Department

will provide each Division President, the President of the Company, and
Corporate Department head with a list of employees eligible for awards.
Each Division President, the President of the Company, and

each Corporate Department head will then be requested to recommend the
award(s) for the employee(s) within their respective areas of
responsibility. The recommendations will then be submitted for appropriate
corporate executive review and approval, and then to the Human Resources
Committee for final approval.

2.3 Vesting Schedules. The term "vesting" refers to the lifting of

restrictions on restricted stock and to exercise rights regarding stock
options. Vesting schedules will be approved by the Human Resources
Committee.

2.4 Stock Price. If an award will be based on a dollar value instead

of number of shares, then the price of the Company's common stock for the

purpose of determining the grant will normally be the average of the high and low prices of the stock on the New York Stock Exchange on the date that the Human Resources Committee meets and approves the award or if that is not a business day, the preceding business day. The Human Resources Committee may use any other method it deems appropriate to determine stock price and award values.

2.5 Special Awards. The Chief Executive Officer of the Company may

recommend a special award to any employee at any time in recognition of outstanding performance or for purposes of encouraging such performance. Special awards will be presented to the Human Resources Committee for approval or shall otherwise be authorized by the Human Resources Committee.

3. Frequency of Awards

3.1 Regular Awards. Regular awards will be made annually. Awards

and their vesting schedule will be submitted to the Human Resources Committee for approval or shall otherwise be authorized by the Human Resources Committee.

3.2 Interim Grants for Promotions and New Employees. The Committee

reserves discretion to make awards to any one or more employees between annual grants.

4. Guidelines For Award Amounts.

4.1 Award amounts will follow Guidelines to be established by the Committee from time to time. These Guidelines will remain effective until changed by the Human Resources Committee. To promote equitable operation of the Plans, it is contemplated that the Guidelines will be modified periodically to reflect the current factors/assumptions that form the basis for the Guidelines.

4.2 (a) The Guidelines will be used to calculate Target Awards. Maximum and minimum share amounts may be set on each side of the Target Award. The value of the Target Award will be calculated using a percentage of salary. This percentage will vary for each grade level based on competitive factors.

(b) The Guidelines will consider the following factors and assumptions:

- (i) Current value of the Company's stock.
- (ii) Compounded growth rate assumption for the stock's value.
- (iii) Compounded growth rate assumption for salaries.
- (iv) Competitive environment.

(c) The amount of shares in a stock option award will be a multiple of the restricted stock award in order to achieve equivalent target value at the end of the vesting period.

The Guidelines are intended to assist in the calculation of grants. However, since the circumstances of each individual may be different and may require special consideration, the Guidelines are not mandatory in all cases.

5. Award Certificates. Participation letters or award certificates will -----

be issued in respect of shares awarded to a participant and shall be deposited with the Company along with an executed stock power. The stock power will be used to re-transfer forfeited or cancelled stock back to the Company.

6. Restrictions Upon Transfer of Restricted Stock. -----

6.1 Restriction Period. Restrictions will be determined for each -----

restricted stock award at the time the grant is made. During the restriction period, shares may not be sold, assigned, pledged, encumbered or used as collateral for a loan. All other rights as a stockholder shall apply to restricted stock as would apply to issued stock (i.e., dividends, voting, etc.).

6.2 Lapse of Restrictions. When the restrictions on shares are

lifted, the stock certificate will be released to the participant, or to his beneficiary or estate, subject to any restrictive legend as may be required by law.

6.3 Types of Vesting -- Performance and Longevity. Grants of

restricted stock and stock options will normally vest based upon continued active service (longevity). However, the Human Resources Committee may grant awards of restricted stock or stock options that have either performance vesting, longevity vesting, or both. If performance restricted shares or performance stock options are granted, the vesting of such shares generally will occur only if the Company has met certain performance criteria established by the Board of Directors for the fiscal year that is substantially completed prior to such vesting date.

In the event that performance criteria for a particular fiscal year are not met, any performance restricted shares or performance stock options scheduled to vest with respect to that year will be forfeited back into the plan; provided, however, that the Board of Directors, upon recommendation

of the Human Resources Committee, shall have discretion to make exceptions to the provisions concerning forfeiture of performance restricted shares and performance stock options. The Board of Directors has broad discretion to set and modify such performance criteria and, in its sole and absolute discretion, may vary the performance standards among holders of performance restricted shares and/or performance stock options and may waive any performance standards set. When adjusting or waiving performance standards, the Board of Directors, upon recommendation of the

Human Resources Committee, shall also have discretion to provide for vesting or partial vesting of performance restricted shares or performance stock options for participants who are not employed for a full performance period.

7. Vesting on Change in Control of the Company.

7.1 In the event of a Change in Control of the Company, as hereinafter defined, all outstanding restricted shares and all unvested options granted whether such shares or options were granted before or after the approval dates of these regulations shall vest.

7.2 Subject to Section 7.3 below, a "Change in Control" of the Company shall be deemed to have occurred if:

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

(b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clauses (a) or (c) of this Subsection) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) the holders of securities of the Company entitled to vote thereon approve (i) a merger or consolidation regardless of which entity is the surviving company, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (ii) a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets. The disposition of assets for purposes of repayment of debt shall not be deemed the sale of all or substantially all of the Company's assets.

7.3 Notwithstanding the definition of a "Change in Control" of the Company as set forth in Section 7.2 hereof, the Human Resources Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred, and the date of the occurrence of such Change in Control and any incidental matters relating thereto, with respect to a transaction or series of transactions which have resulted or will result in a substantial portion of the assets or business of the Company (as determined immediately prior to the transaction or series of transactions by the Human Resources Committee in its sole discretion, which determination shall be final and conclusive) being held by a corporation at least 80% of whose voting securities are held, immediately following such transaction or series of transactions, by holders of the voting securities of the Company (determined immediately prior to such transaction or series of transactions). The Human Resources Committee may exercise such discretionary authority without regard to whether one or more of the transactions in such series of transactions would otherwise constitute a Change in Control of the Company under the definition set forth in Section 7.2 hereof. If the Human Resources Committee determines that a Change in Control of the Company has not occurred, then Section 9 of the Restricted Stock Plan and Section N of the Stock Option Plan, which provide for adjustments in restricted shares and stock options on the terms set forth therein, shall be applicable to such

transaction or series of transactions. The provisions of this Section 7.3 as to the discretionary authority of the Human Resources Committee to determine whether a Change in Control has occurred shall not apply to the application of the Change in Control provisions herein to the vesting of the restricted stock of nonmanagement members of the Board of Directors.

8. Forfeiture of Restricted Shares and Stock Options.

8.1 In the event that a participant terminates active employment with the Company or any affiliate of the Company voluntarily or involuntarily including by reason of retirement (except in the event of death or disability as provided herein), then (subject to any agreement with the participant) all restricted shares and all stock options which shares or options at that time have not yet vested shall be forfeited by the participant to the Company without payment of any consideration by the Company. Neither the participant, nor any successor, heir, assign or personal representative of the participant, shall have any further right to or interest in such restricted shares or stock options or the certificate or certificates evidencing them. Such forfeited shares or options shall be available for reissuance under the Plans.

8.2 In the event any employee holding stock options retires (leaves employment at age 55 or older with ten or more years of service), then such person shall have a period of two years in the event of ten or more years of service, or three years in the event of 20 or more years of service, after the

retirement date to exercise any outstanding stock options which are vested (exercisable) or become vested (exercisable) as of the retirement date, provided that (1) for incentive stock options, this two or three year period will not extend beyond the normal term of the option and (2) for non-incentive options, the term of the option will be extended up to a maximum term of thirteen years and one day to accommodate the two or three year extension in cases where retirement, death or determination of disability occurs within the three year period prior to the end of the normal term of the option. This provision shall apply to all options whether granted before or after the approval dates of these resolutions.

8.3 In the event of the participant's death or disability, then (subject to any agreement with the participant) one half of all unvested restricted shares and one half of all unvested stock options shall vest as of the date of death or determination of disability and the remaining shares shall be forfeited. With respect to vested options upon a participant's death or disability, the participant or his legal representative shall have the right to exercise such options for a period of two years in the event of ten or more years of service, or three years in the event of 20 or more years of service, after such death or determination of disability, provided that (1) for incentive stock options, this two or three year period will not extend beyond the normal term of the option and (2) for non-incentive options, the term of the option will be extended up to a maximum term of thirteen years and one day to accommodate the two or three year extension in cases where retirement,

death or determination of disability occurs within the three year period prior to the end of the normal term of the option. This provision shall apply to all options whether granted before or after the approval dates of these resolutions.

8.4 For purposes of administration, a participant shall be deemed disabled when a determination is made (while the participant is an employee or is on authorized sick leave) that the participant qualifies for long-term disability insurance under the LTD policy of the Company's affiliate who is the participant's employer.

8.5 The Human Resources Committee shall have sole discretion to make exceptions to the provisions in this section 8 regarding the forfeiture of restricted shares and stock options for persons who are subject to Section 16 of the Securities Exchange Act. The Chief Executive Officer is hereby granted authority to make exceptions regarding such forfeitures for all other employees without the necessity for Committee approval. The provisions of this Section 8.5 shall apply to all awards of stock options and restricted stock whether granted before or after the date of these regulations.

9. Rights to Terminate Employment. No award shall confer upon a

participant the right to continue in the employment of the Company or its affiliates or affect any right which the Company or its affiliates may have to terminate the employment of a participant with or without cause.

10. Withholding. Whenever the Company proposes or is required to issue,

transfer, or release shares of Common Stock under the Plans or to make any payments to a participant, the Company or its affiliates shall have the right to withhold from any sums due to the recipient, or to require the recipient to remit to the Company or its affiliates, any amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the delivery of any stock certificates or any payments to the participant. Whenever payments are to be made in cash, such payments shall be net of an amount sufficient to satisfy any federal, state and/or local withholding tax requirements imposed with respect to such payments. The Company shall have flexibility to use any reasonable methods or procedures to satisfy withholding tax requirements including but not limited to the right to charge reasonable interest on amounts due, to withhold amounts from any other sums due a participant, and/or to sell a portion of vested shares in order to satisfy withholding taxes.

11. Discretion of Human Resources Committee and Chief Executive Officer.

These regulations may be amended by the Human Resources Committee at any time and are not intended to limit the discretion or rights of the Chief Executive Officer, the Human Resources Committee, or the Board of Directors as provided under the Plans.

DEFERRED COMPENSATION PLAN (DCP)
EMPLOYEE PARTICIPATION AGREEMENT

Agreement made this _____ day of _____,
19____, between _____ (Participant) and the

Participant's Employer identified on the signature line (the Company) relating to deferrals under the Harrah's Entertainment, Inc. Deferred Compensation Plan as it may be amended from time to time (the Plan). The deferrals elected under this Agreement pertain to the plan year beginning January 1 and ending December 31 following the date of this Agreement (the Year of Deferral).

1. Deferral Election for Year of Deferral

A. Salary Deferral (up to maximum of 12%)

I hereby elect to defer _____ % of my base salary payable to me
during the Year of Deferral.

B. Bonus Deferral (up to 100%)

I hereby elect to defer _____ % of my annual bonus payable to me in
the Year of Deferral.

2. Method of Benefit Payment

I hereby elect to receive my account balance related to the Year of Deferral, as follows (check only one choice):

A. _____ lump sum within 30 days after leaving employment.

B. _____ lump sum within 30 days after the earlier of:

(a) leaving employment, or

(b) _____ (insert date of future payment).

C. _____ in annual installments over _____ years (insert 2 to 10 years)
beginning not later than 30 days after leaving employment.

I understand that leaving employment means discontinuance or removal from the employee payroll of the Company or its affiliates unless otherwise agreed by Harrah's Entertainment, Inc. Upon my death, my account will be payable to my Beneficiary pursuant to the procedures set forth in the Plan.

This Agreement must be signed and received by the Company on or before December 31 of the year prior to the deferrals or prior to such other date as may be designated by the Company.

Subject to the provisions of the Plan, my elections under this Agreement are irrevocable. For this election and all previous deferrals under the DCP, I agree to be bound by the terms of the Plan, as it may be amended from time to time, which is incorporated herein by reference. This Agreement and all previous DCP election agreements shall be governed by Tennessee law and by federal law as applicable.

Employee

Your Signature _____

Printed Name _____

Address _____

Social Security Number _____

Company

By _____

Title _____

DEFERRED COMPENSATION PLAN (DCP)
DIRECTOR PARTICIPATION AGREEMENT

Agreement made this _____ day of _____,
19____, between _____ (Participant) and the Harrah's
Entertainment, Inc. (the Company) relating to deferrals under the Company's
Deferred Compensation Plan as it may be amended from time to time (the Plan).
The deferrals elected under this Agreement pertain to the plan year beginning
January 1 and ending December 31 following the date of this Agreement (the Year
of Deferral).

1. Deferral Elections for Year of Deferral--Cash Fees

Deferral of Director's Fees payable in cash (up to 100%):

I hereby elect to defer _____ % of my Director's Fees payable to me in cash
during the Year of Deferral.

2. Method of Benefit Payment

I hereby elect to receive my account balance related to the Year of
Deferral, as follows (check only one choice):

A. _____ lump sum within 30 days after leaving service.

B. _____ lump sum within 30 days after the earlier of:

(a) leaving service, or

(b) _____ (insert date of future payment).

C. _____ in annual installments over _____ years (insert 2 to 10 years)

beginning not later than 30 days after leaving service.

I understand that leaving service means resignation from the Company's Board of
Directors or discontinuance of active service on such Board unless otherwise
agreed by Harrah's Entertainment, Inc. Upon my death, my account will be payable
to my Beneficiary pursuant to the procedures set forth in the Plan.

This Agreement must be signed and received by the Company on or before
December 31 of the year prior to the deferrals or prior to such other date as
may be designated by the Company.

Subject to the provisions of the Plan, my elections under this Agreement are irrevocable. For this election and all previous deferrals under the DCP, I agree to be bound by the terms of the Plan, as it may be amended from time to time, which is incorporated herein by reference. This Agreement and all previous DCP election agreements shall be governed by Tennessee law and by federal law as applicable.

Director

Your Signature -----

Printed Name -----

Address -----

- -----

- -----

Social Security Number -----

Harrah's Entertainment, Inc.

By -----

Title -----

HARRAH'S ENTERTAINMENT, INC.
EXECUTIVE DEFERRED COMPENSATION PLAN

Amended and Restated
October 27, 1995

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HARRAH'S ENTERTAINMENT, INC.

AMENDED AND RESTATED

EXECUTIVE DEFERRED COMPENSATION PLAN

ARTICLE I

PURPOSE

The purpose of this Executive Deferred Compensation Plan (hereinafter referred to as the "Plan") is to provide supplemental funds for retirement or death for nonmanagement directors ("director Participants") and key management employees (and their beneficiaries) of Harrah's Entertainment, Inc., (formerly named The Promus Companies Incorporated) (hereinafter referred to as the "Company") and certain of its subsidiaries which elect to participate in the Plan ("employee Participants"). It is intended that the Plan will aid in retaining and attracting directors and employees of exceptional ability by providing such individuals with these benefits. This plan shall be effective as of November 5, 1989.

ARTICLE II

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

2.1 (a) Account. "Account" means the Retirement Account and the

Termination Account maintained by the Employer with respect to each Participant's deferred compensation pursuant to Article IV, including

accounts transferred from the Holiday Corporation Executive Deferred Compensation Plan. The existence of these accounts shall not require any segregation of assets.

(b) Pre-1996 Retirement Account. "Pre-1996 Retirement Account"

means the Retirement Account for deferrals of Compensation during Plan years through 1995.

(c) Post-1995 Retirement Account. "Post-1995 Retirement

Account" means the Retirement Account for deferrals of Compensation for Plan years after 1995.

(d) Pre-1996 Termination Account. "Pre-1996 Termination

Account" means the Termination Account for deferrals of Compensation during Plan years through 1995.

(e) Post-1995 Termination Account. "Post-1995 Termination

Account" means the Termination Account for deferrals of Compensation during the Plan years after 1995.

2.2 Beneficiary. "Beneficiary" means the person, persons or entity

designated by the Participant, or as provided in Article VI, to receive any Plan benefits payable after the Participant's death.

2.3 Board. "Board" means the Board of Directors of the Company or

the Human Resources Committee (or its successor committee) of such Board of Directors, or any other Committee designated by the Board of Directors of the Company.

2.4 Change of Control. A "Change of Control" shall be deemed to have

occurred, subject to subparagraph (iv) hereof, if any of the events in
subparagraphs (i), (ii) or (iii) occur:

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

(ii) During any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors and any new director (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subparagraphs (i) or (iii) of this paragraph) whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of

the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

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

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

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

(iv) Notwithstanding the definition of a "Change in Control" of the Company as set forth in this paragraph 2.4, the Human Resources Committee of the Board of Directors (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred, and the date of the occurrence of such Change in Control and any incidental matters relating thereto, with respect to a transaction or series of transactions which have resulted or will result in a substantial portion of the assets or business of the Company (as determined immediately prior to the transaction or series of transactions by the Committee in its sole discretion which determination shall be final and conclusive) being held by a corporation at least 80% of whose voting securities are held, immediately following such transaction or series of transactions, by holders of the voting securities of the Company (determined immediately prior to such transaction or series of transactions). The Committee may exercise such discretionary authority without regard to whether one or more of the transactions in such series of transactions would otherwise constitute a Change in Control of the Company under the definition set forth in this paragraph 2.4.

2.5 EDCP Committee. "EDCP Committee" means the Executive Deferred

Compensation Committee appointed to administer the Plan pursuant to Article VII.

2.6 Compensation. "Compensation" means the base salary and annual

bonus or director's fees paid to the Participant by the Employer during the calendar year, before reduction for amounts deferred pursuant to this Plan or any other Plan. Compensation does not include expense reimbursements, or any form of non-cash compensation and benefits. For directors, Compensation does not include fees payable for Board service after April 30, 1996.

2.7 Deferral Commitment.

(a) "Deferral Commitment" means a Salary Deferral Commitment, a Bonus Deferral Commitment, or a Fee Deferral Commitment made by the Participant pursuant to Article III and for which a Participation Agreement has been filed. A Deferral Commitment shall include any deferral commitment made by a Participant for 1990 and years prior thereto under the predecessor Holiday Corporation plan.

(b) Pre-1996 Deferrals means the deferral of Compensation during Plan years through 1995.

(c) Post-1995 Deferrals means the deferral of Compensation during Plan years after 1995.

2.8 Deferral Period. "Deferral Period" means the single calendar

year for which the Participant has made a Deferral Commitment. The initial Deferral Period shall commence as soon as administratively feasible after the effective date of this Plan.

2.9 Determination Date. "Determination Date" means the last day of

each calendar month.

2.10 Employer. "Employer" means the Company, and directly or

indirectly affiliated or subsidiary corporations, any other affiliate
designated by the Board, or any successors to the businesses thereof.

2.11 Employment. "Employment," in the case of an employee, means the

period of time that a Participant is on the Employer's payroll. A leave of
absence approved by the Committee shall not be deemed a termination of
Employment. A Participant who enters salary continuation status shall not
be deemed to have terminated Employment. In the case of a director,
Employment means the active service on the Board by the Participant.

2.12 Hardship. "Hardship" means the immediate and heavy financial

need of the Participant as determined by the EDCP Committee. Financial
needs shall be limited to the following situations:

(a) Financial obligations incurred by the Participant because of
sickness, accident, death, disability, or other medical need in
the Participant's immediate family which the Participant is not
able to pay out of liquid assets or current cash flow.

(b) Financial requirements to purchase necessary shelter and
related necessities for the Participant and the Participant's
immediate family which the Participant is unable to purchase out
of liquid assets or current cash flow or otherwise reasonably
finance.

(c) Financial requirements for education for the Participant or
a member of the Participant's immediate family which the
Participant is unable to pay out of liquid assets or current cash
flow.

For purposes of this definition, the term "immediate family" means wife, husband, child, father, mother, or a related dependent residing with the Participant.

2.13 Interest.

(a) Termination Account Interest. (1) The interest rate applied

to a Pre-1996 Termination Account on each monthly Determination Date shall be the greater of one twelfth (1/12) of 8.5% or one-twelfth (1/12) of the rate announced by Citibank, N.A. as its prime rate ("Citibank Prime Rate") at the beginning of each calendar quarter during the Plan year. (2) The interest rate applicable to a Post-1995 Termination Account on each monthly Determination Date shall be the greater of one-twelfth (1/12) of the rate approved by the Board prior to January 1 of each Plan year or one-twelfth (1/12) of the Citibank Prime Rate at the beginning of each calendar quarter during the Plan year. The rate to be approved by the Board shall be submitted by Company management to the Board for review and approval prior to January 1 of each Plan year.

If the Citibank Prime rate is no longer available, the Committee shall select a substantially similar index.

(b) Retirement Account Interest. (1) For Plan years through

1995, the effective annual yield applicable to a Pre-1996 Retirement Account shall be determined prior to January 1 of each year and be effective for the calendar year following the date it is determined; such rate

shall be submitted by Company management for review and approval by the Board prior to January 1 each year. For all calendar years after 1995, such rate shall be and is hereby fixed at 15.5% for all Pre-1996 Retirement Accounts, provided that the annual yield under this paragraph 2.13(b)(1) for each calendar year for a Pre-1996 Retirement Account shall not be less than one hundred fifty percent (150%) of the annual average of Moody's for such year. If a Participant or Beneficiary receives payment in full prior to a calendar year end, the foregoing minimum annual yield for such year will be the Moody's average for the full months the funds were held by the Plan during the calendar year (or during the prior year if the payment occurs before one full month has been calculated in a calendar year). The term "Moody's" refers to Moody's Average Corporate Bond Yield as published by Moody's Investors Service, Inc. (or any successor thereto) or, if such index is no longer published, a substantially similar index selected by the EDCP Committee.

(2) The effective annual yield applicable to a Post-1995 Retirement Account shall be determined prior to January 1 of each year and be effective for the calendar year following the date it is determined; such rate shall be submitted by Company management for review and approval by the Board prior to January 1 each year, provided that the annual yield under this paragraph -----

2.13(b)(2) for each calendar year for a Post-1995 Retirement Account shall not in any event be less than 150% of the annual average of Moody's for such

year. If a Participant or Beneficiary receives payment in full prior to a calendar year end, the foregoing minimum annual yield for such year will be the Moody's average for the full months the funds were held by the Plan during the calendar year (or during the prior year if the payment occurs before one full month has been calculated in a calendar year).

2.14 Participant. "Participant" means any individual who is

participating or has participated in this Plan as provided in Article III including a director Participant and employee Participant.

2.15 Participation Agreement. "Participation Agreement" means the

agreement filed by the Participant prior to the beginning of the Deferral Period. A new Participation Agreement shall be filed by the Participant for each Deferral Period.

2.16 Plan Benefit. "Plan Benefit" means the benefit payable to the

Participant as calculated in Article V.

2.17 Retirement. "Retirement" for an employee Participant means

termination of Employment with the Employer on or after the earlier of the date the Participant attains age fifty five (55) with ten (10) years of credited service or on or after the date the Participant attains age sixty (60). For purposes of this definition, years of credited service will be credited in accordance with the provisions of the Company's Savings and Retirement Plan. The Board reserves the right to provide different retirement requirements for different Participants.

2.18 Total and Permanent Disability. "Total and Permanent Disability"

means that due to sickness or accidental bodily injury the Participant is completely

unable to perform any and every duty pertaining to his occupation with the Employer, and such disability is expected to last at least 24 months.

For purposes of this Plan, the EDCP Committee shall determine whether or not a condition renders the Participant to be Totally and Permanently Disabled based on evidence satisfactory to the EDCP Committee. Such determination by the EDCP Committee shall be final and binding.

ARTICLE III

PARTICIPATION AND DEFERRAL COMMITMENTS

3.1 Eligibility and Participation.

(a) Eligibility. Eligibility to participate in the Plan is

limited to directors of the Board for their fees payable through April 30, 1996 and those employees of the Employer who are:

(i) in Job Grades 26 and above (or equivalent grades) or in other Job Grades which may be declared eligible by the Board's Human Resources Committee, and

(ii) designated as a Participant by the Chief Executive Officer of the Company.

(b) Participation. An eligible employee or director may elect

to participate in the Plan with respect to any Deferral Period by filing a Participation Agreement with the Company by a date set by the Company but not later than December 31 of the calendar year immediately preceding the Deferral Period. In the event that an

individual first becomes eligible to Participate during a calendar year, a Participation Agreement must be filed no later than thirty (30) days following notification of the individual by the EDCP Committee or the Company of his eligibility to Participate, and such Participation Agreement shall be effective only with regard to Compensation earned and payable following the filing of the Participation Agreement with the Company.

(c) Salary Continuation. Unless an exception is specifically

made by the Committee, in its sole discretion, and except for the purpose described in paragraph 5.4(b) below, a Participant shall not be permitted to defer under this Plan amounts payable to the Participant after (i) the Participant's death; or (ii) if a Participant is placed on salary continuation during a Deferral Period, the earlier of the date the Participant ceases to receive a continuation of salary or the commencement of a new Deferral Period; or (iii) the Employer has terminated future deferrals pursuant to paragraph 9.2 of this Plan.

3.2 Form of Deferral; Maximum and Minimum Deferral. The Participant

may elect in the Participation Agreement any of the following Deferral Commitments:

(a) Salary and Bonus Commitment. For the Deferral Period

following the calendar year in which the Participation Agreement is filed, the Participant may elect to defer, except as provided in (b) below, (1) up to twenty-five percent (25%) of base salary payable

during the Deferral Period, and (2) for Plan years through 1990, up to one hundred per cent (100%) of bonus (fifty percent (50%) of bonus for Job Grades 26-29 or equivalent grades) payable during the Deferral Period. Commencing with the 1991 Deferral Period with respect to bonus deferrals, all Participants will be limited to deferring a maximum of 50% of bonus.

(b) Savings and Retirement Plan Exception. In addition to the

deferral permitted under (a) above, any Participant that participates at the maximum before-tax percentage allowed by the Employer's Savings and Retirement Plan maintained by the Employer shall be deemed to have elected to defer under this Plan that portion of eligible Savings and Retirement Plan earnings which the Participant elected to defer under the Savings and Retirement Plan, up to six percent (6%) (or such other maximum before-tax percentage allowed by the Savings and Retirement Plan), which could not be deferred on a before-tax basis under the Savings and Retirement Plan due to any law or regulation as determined by the EDCP Committee, but excluding any amount which was actually deferred into the Savings and Retirement Plan but distributed back to the employee in a following Plan year.

(c) Fee Deferral Commitment. A director Participant may elect

to defer a minimum of fifteen percent (15%) and up to a maximum of one hundred percent (100%) of fees payable in the calendar year following the calendar year in which the Participation Agreement is

filed. For calendar year 1985, the maximum a director Participant may elect to defer shall be one hundred percent (100%) of remaining fees. For Plan years after 1995, a director Participant may defer fees for services through April 30, 1996. Fees payable to a director after April 30, 1996, will not be deferrable under this Plan.

(d) Other Deferral Provisions. Notwithstanding anything herein,

for Plan years through 1995: (i) an employee who has five (5) years of active deferrals of salary and/or bonus into this Plan including deferrals under the predecessor Holiday Corporation plan shall not be permitted to defer any further bonus into this Plan payable in Plan years through 1995, and (ii) a director on the Board of Directors of the Company who has ten (10) full years of active deferrals of director's fees into this Plan including deferrals under the predecessor Holiday Corporation plan shall not be permitted to defer any further director's fees into this Plan payable in Plan years through 1995. For Plan years after 1995, an employee Participant may defer up to 25% of base salary and 50% of bonus payable during a Deferral Period, provided the Board reserves the right to modify or terminate further deferrals into the Plan for any Plan year.

3.3 Modification of Deferral Commitment. A Deferral Commitment shall

be irrevocable except that the EDCP Committee may reduce the amount to be deferred or waive the remainder of the Deferral Commitment upon a finding, based

upon the uniform standards established by the EDCP Committee, that the Participant has suffered a Hardship or that a bona fide mistake occurred in filling out a form or responding to instructions.

ARTICLE IV
DEFERRED COMPENSATION ACCOUNTS

4.1 Elective Deferred Compensation. The amount of Compensation that

the Participant elects to defer shall be withheld and credited to the Participant's Account as the Compensation becomes payable. Any withholding of taxes or other amounts with respect to deferred Compensation which is required by state, federal or local law may be withheld from the Participant's non-deferred Compensation.

4.2 Types of Account. For record-keeping purposes only, the

following accounts shall be maintained for each Participant:

Pre-1996 Retirement Account
Pre-1996 Termination Account
Post-1995 Retirement Account
Post-1995 Termination Account

The amount of Compensation elected to be deferred shall be credited to both the Retirement Accounts and the Termination Accounts subject to the provisions of this Plan.

4.3 Matching Contributions.

(a) Eligibility. Matching contributions shall be credited to

Participants in this Plan who are eligible to participate in the Employer's Savings and Retirement Plan and elect to make a Basic

Contribution equal to the maximum rate at which a Participant may elect before-tax contributions under the Employer's Savings and Retirement Plan and such before-tax contribution is limited due to any law or regulation.

(b) Amount. The Employer shall credit to each employee

Participant's Account a matching contribution for each calendar year equal to one hundred percent (100%) of the Participant's Compensation elected to be deferred under this Plan for the year, such Compensation being limited for purposes of this calculation to a maximum of six percent (6%) of the Participant's eligible Savings and Retirement Plan earnings (which shall for this purpose include the Participant's salary deferrals but shall not include bonus amounts or board fees). The matching contribution amount shall be offset by the actual matching contribution allocated to the Participant for the year under the Employer's Savings and Retirement Plan.

(c) Time of Credit. The Employer matching contribution shall be

credited to a Participant's Account as of the last day of the calendar year or the date the Participant's employment ends, if earlier.

4.4 Vesting of Accounts. Each Participant shall be vested in the

amounts credited to such Participant's Account and earnings thereon as follows:

(a) Amounts Deferred. A Participant shall be one hundred

percent (100%) vested at all times in the amount of Compensation elected to be deferred under this Plan and the earnings thereon (either at the Termination Rate or Retirement Rate).

(b) Employer Matching Contributions. A Participant who

terminates Employment for reasons other than Retirement, Total and Permanent Disability or Death shall be vested in the Employer matching contributions (and earnings thereon) made for any particular year in accordance with the vesting provisions in the Employer's Savings and Retirement Plan and as it may be amended from time to time.

(c) Retirement, Disability or Death. A Participant shall be one

hundred percent (100%) vested in all amounts at Retirement or upon Total and Permanent Disability or Death during employment with the Company or its direct or indirect majority owned subsidiaries. For this purpose, "during employment" includes death or disability occurring after such employment termination if the death or disability is primarily caused (as determined by the EDCP Committee) by the sickness or injury that resulted in the termination of employment.

4.5 Determination of Accounts. Each Participant's Retirement Account

(Pre-1996 and Post-1995) and Termination Account (Pre-1996 and Post-1995) as of each Determination Date shall consist of the balance of the Participant's Account as of the immediately preceding Determination Date, plus the Participant's elective deferred Compensation credited, matching contributions and Interest earned, minus the amount of any distributions made since the immediately preceding Determination Date. Interest earned shall be calculated as of each Determination Date based upon the average daily balance of the account since the preceding Determination Date. Interest earned on each of the Retirement Accounts shall be calculated so as to achieve the annual yield provided by paragraph 2.13(b).

4.6 Statement of Accounts. The Company shall submit to each

Participant, within one hundred twenty (120) days after the close of each calendar year and at such other times as determined by the Company, a statement setting forth the balance to the credit of each Account maintained for the Participant.

ARTICLE V
PLAN BENEFITS

5.1 Pre-Termination Withdrawals.

(a) Amount. At the time the Participation Agreement is filed,

the Participant may elect to receive fifty percent (50%) of the Deferral Commitment during each of the 8th, 9th, 10th and 11th years prior to termination after the year during which the Participation Agreement is filed. The total Pre-Termination Withdrawal shall be limited to the Termination Account balance at the time of the withdrawal.

(b) Remaining Account Balance. The amount of the withdrawal

shall reduce the respective Pre-1996 or Post-1995 Retirement Account and respective Pre-1996 or Post-1995 Termination Account balances. Any remaining account balances shall continue to be credited with Interest in accordance with paragraph 4.5. Any amounts remaining in the respective Pre-1996 or Post-1995 Retirement Account or Termination Account after all Pre-Termination Withdrawals shall be paid in accordance with this Article V.

5.2 Retirement Benefit. The Employer shall pay a Plan Benefit equal

to the amount of the Participant's respective Pre-1996 and/or Post-1995

Retirement Account to each Participant who terminates Employment:

- (a) by reason of Retirement,
- (b) by reason of Total and Permanent Disability,
- (c) within a twenty-four (24) month period after a Change in Control,
- (d) while participating as a director Participant and terminates from Employment on the Employer's Board due to:
 - (i) not being re-elected as a director,
 - (ii) Total and Permanent Disability, or
 - (iii) termination within a twenty-four (24) month period after a Change in Control.
- (e) for Participants who are entitled to the Retirement Account rate and who retired or terminated active service after October 29, 1992 and on or before December 31, 1992, such rate will be locked-in at 16.5% until such Participant's account is fully distributed.
- (f) for Participants who are entitled to the Retirement Account rate who retired or terminated active service during 1993, such rate will be locked-in at 16% until such Participant's account is fully distributed.
- (g) for Participant's who are entitled to the Retirement Account rate and who retired or terminated active service during 1994 or 1995, such rate will be locked-in at the retirement rate approved for that year (15.5%) until such Participant's account is fully distributed.

(h) for Participants whose active service ceased before October 29, 1992, and at that time were already receiving the Retirement Account rate, the rate each such Participant will receive in 1993, 1994 and 1995 will be the approved retirement rate for each such year, provided that for years after 1995 the retirement rate will be locked-in at the rate approved for 1995 (15.5%) until such Participant's account is fully distributed.

5.3 Termination Benefit. The Employer shall pay a Plan Benefit equal

to the amount of the Participant's Termination Account to each Participant who terminates Employment for all reasons other than those for which a Retirement Benefit or Death Benefit shall be paid.

A Participant or Beneficiary shall receive either the Termination Account or Retirement Account as provided in this Plan but not both.

5.4 Death Benefit. Upon the death of the Participant, the Employer

shall pay to the Participant's Beneficiary an amount determined as follows:

(a) If the Participant dies prior to termination of Employment with the Employer, the amount payable under this paragraph shall be in lieu of any other benefit payment under this Plan and shall equal:

- (i) the Participant's Retirement Account Balance, plus;
- (ii) three (3) times the sum of all amounts deferred by the Participant under this Plan (not including interest or earnings thereon) until the date of death.

(b) For purposes of calculating the Death Benefit under paragraph 5.4(a):

(i) "amounts deferred" shall include salary, bonus, and any other Compensation that the Participant may be permitted to defer hereunder which the Participant shall have elected in writing to defer under this Plan from inception of the Plan (including the predecessor Holiday Corporation plan) to the date of death including any deferred bonus or other deferred Compensation hereunder which would be payable to the Participant or to the Participant's estate or beneficiary after the Participant's death, except that "amounts deferred" shall not include any salary elected to be deferred under this Plan but not yet payable at the time of the Participant's death.

(ii) the Participant's Retirement Account Balance shall not include any Compensation which is not payable on the day before the Participant's death even if such amounts become payable on or after the Participant's death and even if the Participant had elected in writing to defer such amounts under this Plan.

(iii) the Plan's pre-termination death benefit of 3 x deferrals under paragraph 5.4(a)(ii) will only be payable to Participants whose death occurs during active employment (or if such Participant's death occurs after active employment has ceased by reason of a sickness or injury which thereafter results in the Participant's death). The 3 x deferrals Death Benefit under

paragraph 5.4(a)(ii) will not be payable to Participants who commence salary continuation after October 29, 1992 (unless such Participant's salary continuation commences in connection with a sickness or injury which thereafter results in the Participant's death).

(c) If the Participant dies after termination of Employment with the Employer, the amount payable shall be equal to the remaining unpaid balance of the Participant's appropriate Account.

5.5 Disability Benefits. If the Participant terminates Employment by

reason of Total and Permanent Disability, the amount payable shall equal the Retirement Account balance.

5.6 Hardship Distributions. Upon a finding that the Participant has

suffered a Hardship, the EDCP Committee may, in its sole discretion, allow distributions from the Participant's Account prior to the time otherwise specified for payment of benefits under the Plan. The amount of such distribution shall be limited to the amount reasonably necessary to meet the Participant's requirements during the Hardship. The amount of such distribution shall reduce the Termination Account balance and Retirement Account balance.

5.7 Form of Benefit Payment. The Plan Death Benefit payable under

paragraph 5.4(a)(ii) of this Plan shall be paid within 90 days of death in a lump sum with no interest accruing from the date of death until the date of payment. The Plan Retirement Benefit, Death Benefit payable under paragraph 5.4(a)(i) or 5.4(c), Disability Benefits, and Termination Benefit shall be paid in one of the following forms as elected by the Participant in the Participation Agreement:

(a) Installments. Equal monthly installments of the Account and

Interest amortized over a period of time elected by the Participant and approved by the Company. Interest shall be credited to the remaining portion of the Account Balance in accordance with paragraph 4.5. If the Participant is receiving a Retirement Account, Interest shall be equal to an amount in accordance with paragraph 2.13(b). If the Participant is receiving the Termination Account, Interest shall be equal to an amount in accordance with paragraph 2.13(a); and/or

(b) A lump sum payment.

(c) Any other form selected by the Participant, which has written approval of the EDCP Committee.

(d) If the Participant fails to elect the form of benefit payment, the benefits shall be paid in accordance with 5.7(a) over a period of fifteen (15) years. However the EDCP Committee may, in its sole discretion, provide for an alternate form of benefit payment to the Participant, if payment is made pursuant to paragraph 5.2(c) or 5.2(d)(iii).

(e) If a Plan Death Benefit is payable in installments under paragraph 5.4(a)(i), the EDCP Committee may, in its sole discretion, determine that payment of the Death Benefit shall be accelerated and paid in a lump sum to the Beneficiary.

5.8 Withholding; Payroll Taxes. The Employer shall withhold from

payments made hereunder any taxes required to be withheld from the Participant's wages for the federal or any state or local government.

5.9 Commencement of Payments. Payment shall commence at the

discretion of the Company, but not later than sixty (60) days after the end of the month in which the Participant Retires, dies, becomes Totally and Permanently Disabled or otherwise terminates Employment with the Employer and is entitled to payment pursuant to his or her Participation Agreement. For purposes of this paragraph 5.9, termination of Employment shall include when a Participant is no longer entitled to any payments of salary or salary continuation.

5.10 Full Payment of Benefits. Notwithstanding any other provision of

this Plan, all benefits shall be paid no later than the date the Participant attains age eight five (85).

5.11 Payment to Guardian. If a Plan benefit is payable to minor or a

person declared incompetent or to a person incapable of handling the disposition of property, the Company may direct payment of such Plan benefit to the guardian, legal representative or person having the care and custody of such minor or incompetent person. The Company may require proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution of the Plan benefit. Such distribution shall completely discharge the EDCP Committee and the Employer from all liability with respect to such benefit.

5.12 Spin-Off Transactions. Notwithstanding anything in the Plan to

the contrary, in the event any business of the Company or its subsidiaries is spun-off and a Participant becomes an employee or director of the company owning the spun-off business (the "Spin-Off Company") which adopts a deferred compensation

plan that is substantially the same as the Plan, then the Human Resources Committee of the Board of Directors of the Company in its discretion may determine as follows prior to the spin-off:

(a) any director Participant who resigns as a director of the Company and who, within 90 days, commences service as a director of the Spin-Off Company will not be treated as having terminated service or employment as a director for purposes of paying Plan benefits, and his or her entire Account balance and all obligations associated therewith will be transferred to the corresponding Plan of the Spin-Off Company;

(b) a transfer of employment of a Participant to the Spin-Off Company in connection with the spin-off will not be considered a termination of employment for purposes of paying Plan benefits or of forfeiting matching contributions and interest thereon;

(c) a transferred Participant's Account balance as of the effective date of the spin-off and all obligations related thereto will be transferred to the corresponding plan of the Spin-Off Company;

(d) any Participant who will immediately after the effective date of the spin-off continue to be employed by the Company (or a subsidiary thereof) and will also be employed by the Spin-Off Company (or a subsidiary thereof) will have the right to designate in writing (to be signed prior to the effective date of the spin-off) a percentage (from zero to 100%) of his or her Account Balance as of such effective date

that will be transferred to the Spin-Off Company (such percentage being applied to the balances attributable to each year of deferral) which transfer will include the transfer of all obligations associated therewith. (To the extent such designation is not made, the Participant's Account will remain in the Plan pursuant to its terms.);

(e) Any employee or director transferring to the Spin-Off Company will receive credit for and will be vested in the Retirement Account Interest Rate under the Plan and under the Spin-Off Company's corresponding plan if such Rate is earned or otherwise vested or credited under the Plan on or prior to the effective date of the spin-off; and

(f) Except to the extent related to that portion of a Participant's Account balance that is retained in the Plan pursuant to the above Section 5.12(d), no benefits will be payable under the Plan to a Participant whose Account balance (or portion thereof) is transferred to the Spin-Off Company.

ARTICLE VI

BENEFICIARY DESIGNATION

6.1 Beneficiary Designation. Each Participant shall have the right,

at any time, to designate any person or persons as his Beneficiary or Beneficiaries (both principal or contingent) to whom payment under this Plan shall be paid in the event of his death prior to complete distribution to the Participant of the benefits due him

under the Plan. Each beneficiary designation shall be in a written form prescribed by the Company and will be effective only when filed with the Company during the Participant's lifetime. If the Participant's Compensation is community property, any Beneficiary Designation shall be valid or effective only as permitted under applicable law.

6.2 Amendments. Any Beneficiary designation may be changed by the

Participant without the consent of any designated Beneficiary by the filing of a new Beneficiary Designation with the Company. The filing of a new Beneficiary Designation form will cancel all Beneficiary Designations previously filed.

6.3 No Beneficiary Designation. If any Participant fails to

designate a Beneficiary in the manner provided above, or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Company, in its discretion, may direct the Employer to distribute such Participant's benefits (or the balance thereof) to either:

- (a) The surviving spouse;
- (b) The Participant's children, except that if any of the children predecease the Participant but leave issue surviving, then such issue shall take by right of representation the share the parent would have taken if living;
- (c) The Participant's estate.

6.4 Effect of Payment. The payment to the Beneficiary shall

completely discharge the Employer's obligations under this Plan.

ARTICLE VII
ADMINISTRATION

7.1 Committee; Duties. This Plan shall be administered by the

Employer's Executive Deferred Compensation Committee (EDCP Committee),
which shall consist of not less than three (3) individuals selected by the
Chief Executive Officer of the Company. Members of the EDCP Committee may
be Participants under this Plan.

7.2 Agents. The EDCP Committee shall appoint an individual to be the

Committee's agent with respect to the day-to-day administration of the
Plan. In addition, the EDCP Committee may, from time to time, employ other
agents and delegate to them such administrative duties as it sees fit, and
may from time to time consult with counsel who may be counsel to the
Employer.

7.3 Binding Effect of Decisions. The decision or action of the EDCP

Committee in respect of any question arising out of or in connection with
the administration, interpretation and application of the Plan and the
rules and regulations promulgated hereunder shall be final and conclusive
and binding upon all persons having any interest in the Plan.

7.4 Indemnity of EDCP Committee. The Employer shall indemnify and

hold harmless the members of the EDCP Committee or any agents or employees
of the Employer against any and all claims, loss, damage, expense, or
liability arising from any action or failure to act with respect to this
Plan, except in the case of willful misconduct by the EDCP Committee, EDCP
Committee member, or such agent or employee of the Employer.

ARTICLE VIII
CLAIMS PROCEDURE

8.1 Claim. Any Participant, former Participant, Beneficiary, or

legal representative thereof, may file a claim for benefits under the Plan by submitting to the EDCP Committee a written statement describing the nature of the claim and requesting a determination of its validity under the terms of the Plan. The EDCP Committee shall issue a ruling and written notice with respect to the claim within 30 days after such claim is received. If the claim is wholly or partially denied, written notice shall be furnished to the claimant, which notice shall set forth in a manner calculated to be understood by the claimant;

- (a) the specific reason or reasons for denial;
- (b) specific reference to pertinent Plan provisions on which the denial is based;
- (c) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedures.

8.2 Denial of Claim. Any Participant, former Participant, or

Beneficiary (or their authorized representatives) whose claim for benefits has been denied, may appeal such denial by resubmitting to the EDCP Committee a written statement requesting a further review of the decision within sixty (60) days of the date the claimant receives notice of such denial. The statement shall set forth the reasons supporting the claim, the reasons such claim should not have been denied, and any

other issues or comments which the claimant deems appropriate with respect to the claim. The EDCP Committee shall, if requested, make copies of the Plan documents available for examination by the claimant. The EDCP Committee shall issue a ruling and written notice within sixty (60) days after the date the claim is resubmitted. Such written notice shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, with specific references to the pertinent Plan provisions on which the decision is based. The EDCP Committee's decision of the appeal may be reviewed by the Board, which shall have the right to overrule the EDCP Committee.

ARTICLE IX

AMENDMENT AND TERMINATION OF PLAN

9.1 Amendment.

(a) The Board may at any time amend the Plan in whole or in part, and may impose different requirements for different Participants, provided, however, that (i) no amendment shall be effective to decrease or restrict the amount accrued to that date on any Account maintained pursuant to any existing Deferral Commitment under the Plan; and (ii) on amounts that have been deferred up to the date of amendment, no amendment shall be effective to reduce the minimum interest credited or to be credited to Termination Accounts until their payment date or reduce the minimum interest credited or to be credited to Retirement Accounts until their payment date as provided in paragraph 2.13, without the consent of all Participants (or a

Beneficiary in case a Participant is then deceased) who may be affected by such change; and (iii) no amendment shall be effective to alter the form of payment as elected by a Participant in any Participation Agreement.

(b) The EDCP Committee may make administrative amendments to the Plan including but not limited to amendments to clarify the Plan language and to simplify and implement various administrative procedures, including matters relating to the calculation of death benefits and payments to Beneficiaries, which the EDCP Committee determines are consistent with the purpose and intent of the Plan.

9.2 Employer's Right to Terminate Future Deferrals. The Board may at

any time terminate further deferrals into the Plan by any person and may reject additional Participants in the Plan, if, in its sole judgment, such termination would be in the best interest of the Employer. Benefits from deferrals up to the point of termination of further deferrals shall be paid in the form elected by the Participant in his or her Participation Agreement and otherwise in accordance with this Plan, including crediting of interest, until all payments are complete.

ARTICLE X

MISCELLANEOUS

10.1 Unfunded Plan. This Plan is an unfunded plan maintained

primarily to provide Deferred Compensation benefits for a select group of management employees or highly compensated employees. This Plan is not intended to create

an investment contract, but to provide tax planning opportunities and retirement benefits to eligible individuals who have elected to participate in the Plan. Eligible individuals are select members of management who, by virtue of their position with the Employer, are uniquely informed as to the Employer's operations and have the ability to materially affect the Employer's profitability and operations.

10.2 Unsecured General Creditor. The Participants and their

Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in any property or assets of the Employer, nor shall they be Beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts or the proceeds therefrom owned or which may be acquired by the Employer ("Policies"). Such Policies or other assets of the Employer shall not be held as collateral security for the fulfilling of the obligations of the Employer under this Plan. The Policies shall be the general, unpledged, unrestricted assets of the Employer, and the Employer may transfer, assign, sell, or use such policies without restriction. The Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Employer to pay money in the future. No Employer shall have any obligation under this Plan with respect to individuals other than that of the Employer's employees or directors or Beneficiaries thereof.

10.3 Nonassignability. Neither the Participant nor any other person

shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure

or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by the Participant or any other person, nor be transferable by operation of law in the event of the Participant's or any other person's bankruptcy or insolvency.

10.4 Not a Contract of Employment. The terms and conditions of this

Plan shall not be deemed to constitute a contract of employment between the Employer and the Participant, and the Participant (or his Beneficiary) shall have no rights against the Employer except as may otherwise be specifically provided herein. Moreover, nothing in this Plan shall be deemed to give the Participant the right to be retained in the service of the Employer or to interfere with the right of the Employer to discipline or discharge the Participant at any time.

10.5 Protective Provisions. The Participant will cooperate with the

Employer by furnishing any and all information requested by the Employer, in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Employer may deem necessary and taking such other action as may be requested by the Employer. Notwithstanding the other provisions of this Plan, no death benefits in excess of the Retirement Account balance shall be paid if during the first two (2) years of participation death occurs as a result of suicide. The EDCP Committee shall have sole discretion to determine whether death occurs as a result of suicide.

10.6 Terms. Whenever any words are used herein in the masculine, they

shall be construed as through they were used in the feminine in all cases where they would so apply; and wherever any words are used herein in the singular or in

the plural, they shall be construed as through they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

10.7 Captions. The captions of the articles, sections, and paragraphs

of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

10.8 Governing Law. The provisions of this Plan shall be construed

and interpreted according to the laws of the State of Tennessee.

10.9 Validity. In case any provision of this Plan shall be held

illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

10.10 Notice. Any notice or filing required or permitted to be given

to the EDCP Committee or the Company under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to any member of the EDCP Committee, the Chief Executive Officer of the Employer, or the Employer's Statutory Agent. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

10.11 Successors. The provisions of this Plan shall bind and inure to

the benefit of the Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of the Employer, and successors of any such corporation or other business entity.

IN WITNESS WHEREOF, and pursuant to resolution of the Board, this instrument has been executed by its duly authorized officers.

HARRAH'S ENTERTAINMENT, INC.

By: _____
Neil F. Barnhart

Vice President

Title

Attest: _____

Title

EXECUTIVE DEFERRED COMPENSATION PLAN (EDCP)
EXECUTIVE PARTICIPATION AGREEMENT

Agreement made this _____ day of _____,
19____, between _____ (Participant) and Harrah's

Entertainment, Inc. (the Company) relating to the Company's Executive Deferred Compensation Plan (the Plan), as it may be amended from time to time, for the plan year beginning on January 1 and ending December 31 following the date designated above (the Year of Deferral). This agreement relates to deferral of compensation payable by the Company or its direct or indirect subsidiaries for the Year of Deferral.

1. Deferral Elections

A. Salary Deferral (maximum 25%; minimum 4%)

I hereby elect to defer _____ % of my base salary payable to me
commencing January 1 of the Year of Deferral and ending December 31
of the Year of Deferral.

B. Annual Bonus Deferral (maximum 50% of bonus)

I hereby elect to defer _____ % of my annual bonus payable to me in
the Year of Deferral.

2. Method of Deferral for Salary

(Deferrals for bonus will be withheld directly from the bonus cash payment.)

I hereby elect to make my salary deferral for the coming Year of Deferral as follows (select one):

A. _____ Entire salary deferral for the year will come out of salary
pro-rata during the Year of Deferral.

B. _____ Entire salary deferral for the year will come out as 100% of
first available pay during the Year of Deferral and then from any
annual bonus payable in that same year if necessary and available. If
a salary increase occurs during the Year of Deferral, the indicated
deferral percentage will also be deducted pro-rata during the balance
of the year from the salary increase.

C. _____ Entire salary deferral for the year will come out of annual
bonus payable in the Year of Deferral, if available, and if my
available bonus is insufficient to cover the deferral, the balance
will come pro-rata out of paychecks received after the bonus payment
date during that same year.

3. Method of Benefit Payment

I hereby elect to receive benefits from this election in the following form (select A or B):

A. _____ I elect to receive benefits at the time I leave employment with
the Company or its subsidiaries. The benefits should be paid in the
following form (must total 100%):

_____ % Indicate percent of account balance desired in lump sum
(payable within 60 days after termination).

_____ % Indicate percent of account balance to be paid in monthly
payments over _____ years (maximum 15 years).

B. _____ I elect to receive 50% of the deferral amount during each of the
8th, 9th, 10th, and 11th years following the year of this election. I
realize that if I terminate prior to or during the 8th through 11th
years, my entire account balance will be paid to me according to the
method chosen below for payment of the balance of my account when I
leave employment. The balance of any benefit to be payable in the
following form when I leave employment (must total 100%):

_____ % Indicate percent of account balance desired in lump sum
(payable within 60 days after termination).

% Indicate percent of account balance to be paid in monthly

payments over _____ years (maximum 15 years).

I understand that leaving employment means discontinuation or removal from the employee payroll of the Company or its subsidiaries unless otherwise agreed by the Company.

Upon death, my beneficiary will receive payment according to plan rules. Deferrals as elected may not be permitted if this signed agreement is not received by the Company on or before December 31 of the year prior to the Year of Deferral or such other date as may be designated by the Company.

I understand that, subject to the provisions of the Plan, my elections under this agreement are irrevocable by me. For this election and all previous elections and subject to any agreements applicable to me, I agree to be bound by the terms of the Plan, as they may be amended from time to time, which are incorporated herein by reference. This agreement and all previous EDCP election agreements shall be governed by Tennessee law and by federal law as applicable.

Employee

Your Signature _____

Printed Name _____

Address _____

- _____

- _____

Social Security Number _____

Harrah's Entertainment, Inc.

By _____

Title _____

Election Not To Participate

I do not wish to defer any base salary payable to me with respect to the Year of Deferral.

Date _____

Employee's Signature _____

EXECUTIVE DEFERRED COMPENSATION PLAN (EDCP)
DIRECTOR PARTICIPATION AGREEMENT

FOR JANUARY 1 - APRIL 30, 1996

Agreement made this _____ day of _____,
19____, between _____ (Participant) and Harrah's

Entertainment, Inc. (the Company) relating to the Company's Executive Deferred Compensation Plan (the Plan), as it may be amended from time to time for part of the plan year of 1996 (the Year of Deferral) beginning on January 1 and ending April 30 following the date of this agreement.

1. Deferral Election

Fee Deferral (maximum 100%; minimum 15%)

I hereby elect to defer _____ % of any fees paid to me for my Board

service commencing January 1 of the Year of Deferral and ending April 30 of the Year of Deferral.

2. Form of Benefit Payment

I hereby elect to receive benefits from this election in the following form (select A or B):

A. I elect to receive benefits at the time I leave my directorship

with the Company. The benefits should be paid in the following form:

Lump sum (payable within 60 days after directorship

termination).

Equal monthly payments over _____ years (maximum 15 years).

B. I elect to receive 50% of the deferral amount during the 8th,

9th, 10th, and 11th years following the year of this election. If I terminate as a director prior to or during the 8th through 11th years, my entire account will be paid out according to the method chosen below for payment of the balance of my account when I leave my directorship. The balance of any benefit to be payable in the following form when I leave my directorship:

Lump sum (payable within 60 days after directorship

termination).

Equal monthly payments over _____ years (maximum 15 years).

Deferrals as elected may not be permitted if this signed agreement is not received by the Company prior to the commencement of the Year of Deferral or on or before a designated date prior to the Year of Deferral.

I understand that, subject to the provisions of the Plan, my elections under this agreement are irrevocable by me. For this election and all previous elections, I agree to be bound by the terms of the Plan, as amended from time to time, which are incorporated herein by reference. This agreement and all previous EDCP election agreements shall be governed by Tennessee law and by federal law as applicable.

Director

Your Signature _____

Printed Name _____

Address _____

Social Security Number _____

Harrah's Entertainment, Inc.

By _____

Title _____

I do not wish to defer fees payable with respect to 1996.

Date _____

Participant's Signature _____

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

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Income from continuing operations.....	\$ 78,810,000	\$ 49,984,000	\$ 74,867,000
Discontinued operations			
Earnings from hotel operations, net.....	21,230,000	36,319,000	16,926,000
Spin-off transaction expenses, net.....	(21,194,000)	-	-
Extraordinary loss, net.....	-	-	(5,447,000)
Cumulative effect of change in accounting policy, net.....	-	(7,932,000)	-
Net income.....	\$ 78,846,000	\$ 78,371,000	\$ 86,346,000
PRIMARY EARNINGS PER SHARE			
Weighted average number of common shares outstanding.....	102,340,763	101,604,698	100,678,398
Common stock equivalents			
Additional shares based on average market price for period applicable to:			
Restricted stock.....	90,996	461,408	1,045,704
Stock options.....	756,364	744,205	838,272
Average number of primary common and common equivalent shares outstanding.....	103,188,123	102,810,311	102,562,374
PRIMARY EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE			
Income from continuing operations.....	\$ 0.76	\$ 0.49	\$ 0.73
Discontinued operations			
Earnings from hotel operations, net.....	0.21	0.35	0.16
Spin-off transaction expenses, net.....	(0.21)	-	-
Extraordinary loss, net.....	-	-	(0.05)
Change in accounting policy, net.....	-	(0.08)	-
Net income.....	\$ 0.76	\$ 0.76	\$ 0.84
FULLY DILUTED EARNINGS PER SHARE			
Average number of primary common and common equivalent shares outstanding.....	103,188,123	102,810,311	102,562,374
Additional shares based on period-end price applicable to:			
Restricted stock.....	-	89,655	11,497
Stock options.....	-	-	107,454
Average number of fully diluted common and common equivalent shares outstanding.....	103,188,123	102,899,966	102,681,325
FULLY DILUTED EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE			
Income from continuing operations.....	\$ 0.76	\$ 0.49	\$ 0.73
Discontinued operations			
Earnings from hotel operations, net.....	0.21	0.35	0.16
Spin-off transaction expenses, net.....	(0.21)	-	-
Extraordinary loss, net.....	-	-	(0.05)
Change in accounting policy, net.....	-	(0.08)	-
Net income.....	\$ 0.76	\$ 0.76	\$ 0.84

HARRAH'S ENTERTAINMENT, INC.
COMPUTATIONS OF RATIOS
(IN THOUSANDS EXCEPT RATIO AMOUNTS)

	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
RETURN ON REVENUES-CONTINUING					
Income from continuing operations.....	\$ 78,810	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499
Revenues.....	1,550,076	1,339,406	1,020,645	894,384	863,385
Return.....	5.1%	3.7%	7.3%	5.5%	4.0%
RETURN ON AVERAGE INVESTED CAPITAL					
Income from continuing operations.....	\$ 78,810	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499
Add: Interest expense after tax.....	56,650	46,993	43,848	46,543	55,301
	-----	-----	-----	-----	-----
	\$ 135,460	\$ 96,977	\$ 118,715	\$ 96,120	\$ 89,800
	-----	-----	-----	-----	-----
Average invested capital.....	\$1,377,354	\$1,229,524	\$1,060,641	\$ 909,011	\$861,653
	-----	-----	-----	-----	-----
Return.....	9.8%	7.9%	11.2%	10.6%	10.4%
	-----	-----	-----	-----	-----
RETURN ON AVERAGE EQUITY					
Income before extraordinary items and cumulative effect of change in accounting policy.....	\$ 78,846	\$ 86,303	\$ 91,793	\$ 51,418	\$ 30,011
Average equity.....	618,778	606,009	474,733	395,212	289,361
Return.....	12.7%	14.2%	19.3%	13.0%	10.4%
CURRENT RATIO					
Current assets.....	\$ 188,836	\$ 171,835	\$ 139,842	\$ 114,670	\$ 91,289
Current liabilities.....	201,566	295,083	188,258	122,935	178,433
Ratio.....	0.9	0.6	0.7	0.9	0.5
RATIO OF BOOK EQUITY TO DEBT					
Book equity as of December 31.....	\$ 585,549	\$ 623,427	\$ 536,037	\$ 427,930	\$365,494
Total debt.....	755,743	919,727	841,964	881,325	887,468
Ratio.....	0.8	0.7	0.6	0.5	0.4
RATIO OF MARKET EQUITY TO DEBT					
Market equity as of December 31.....	\$2,489,840	\$3,161,681	\$4,678,304	\$1,867,828	\$743,369
Total debt.....	755,743	919,727	841,964	881,325	887,468
Ratio.....	3.3	3.4	5.6	2.1	0.8

EXHIBIT 12 (CONTINUED)

HARRAH'S ENTERTAINMENT, INC.
COMPUTATIONS OF RATIOS
(IN THOUSANDS EXCEPT RATIO AMOUNTS)

	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
RATIO OF EBITDA TO INTEREST PAID					
Income from continuing operations.....	\$ 78,810	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499
Add/(less):					
Income tax provision.....	60,677	75,391	59,394	35,479	24,566
Interest expense.....	94,416	78,322	73,080	77,571	92,169
Interest expense of nonconsolidated affiliates	(20,526)	(1,959)	-	-	-
Depreciation and amortization.....	95,388	86,644	70,207	63,826	67,233
Deferred finance charge amortization.....	(3,626)	(2,844)	(3,261)	(4,661)	(5,330)
Amortization of debt discounts and premiums....	(53)	(176)	(172)	(194)	(252)
Net losses of and distributions from nonconsolidated affiliates	51,182	12,398	(37)	167	118
	-----	-----	-----	-----	-----
Earnings before interest, taxes, depreciation and amortization.....	\$ 356,268	\$ 297,760	\$ 274,078	\$ 221,765	\$213,003
	-----	-----	-----	-----	-----
Interest expense.....	\$ 94,416	\$ 78,322	\$ 73,080	\$ 77,571	\$ 92,169
Add/(less):					
Interest expense of nonconsolidated affiliates	(20,526)	(1,959)	-	-	-
Deferred finance charge					

amortization.....	(3,626)	(2,844)	(3,261)	(4,661)	(5,330)
Amortization of debt					
discounts and premiums....	(53)	(176)	(172)	(194)	(252)
Capitalized interest.....	3,636	3,764	3,107	2,297	1,558
	-----	-----	-----	-----	-----
Interest paid.....	\$ 73,847	\$ 77,107	\$ 72,754	\$ 75,013	\$ 88,145
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----
Ratio of EBITDA to interest					
paid.....	4.8	3.9	3.8	3.0	2.4
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

EXHIBIT 12 (CONTINUED)

HARRAH'S ENTERTAINMENT, INC.
COMPUTATIONS OF RATIOS
(IN THOUSANDS EXCEPT RATIO AMOUNTS)

	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
RATIO OF DEBT TO EBITDA					
Total debt.....	\$ 755,743	\$ 728,529	\$ 666,161	\$ 662,915	\$655,174
	-----	-----	-----	-----	-----
Income from continuing operations.....	\$ 78,810	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499
Add/(less):					
Income tax provision.....	60,677	75,391	59,394	35,479	24,566
Interest expense.....	94,416	78,322	73,040	77,571	92,169
Interest expense of nonconsolidated affiliates	(20,526)	(1,959)	-	-	-
Depreciation and amortization.....	95,388	86,644	70,207	63,826	67,233
Deferred finance charge amortization.....	(3,626)	(2,844)	(3,261)	(4,661)	(5,330)
Amortization of debt discounts and premiums....	(53)	(176)	(172)	(194)	(252)
Net losses of and distributions from nonconsolidated affiliates	51,182	12,398	(37)	167	118
	-----	-----	-----	-----	-----
Earnings before interest, taxes, depreciation and amortization.....	\$ 356,268	\$ 297,760	\$ 274,078	\$ 221,765	\$213,003
	-----	-----	-----	-----	-----
Ratio of total debt to EBITDA.....	2.1	2.4	2.4	3.0	3.1
	-----	-----	-----	-----	-----

EXHIBIT 12 (CONTINUED)

HARRAH'S ENTERTAINMENT, INC.
COMPUTATIONS OF RATIOS
(IN THOUSANDS EXCEPT RATIO AMOUNTS)

	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
RATIO OF EARNINGS TO FIXED CHARGES(a)					
Income from continuing operations.....	\$ 78,810	\$ 49,984	\$ 74,867	\$ 49,577	\$ 34,499
Add:					
Provision for income taxes.....	60,677	75,391	59,394	35,479	24,566
Interest expense.....	94,416	78,322	73,080	77,571	92,169
Interest included in rental expense.....	6,738	5,244	7,207	3,648	3,801
Amortization of capitalized interest.....	580	628	892	311	1,655
(Income) or loss from equity investments.....	-	-	(89)	167	-
Adjustment to include 100% of nonconsolidated majority-owned subsidiary(b).....	(54,019)	(9,397)	-	-	-
Earnings as defined.....	\$ 187,202	\$ 200,172	\$ 215,351	\$ 166,753	\$156,690
Fixed charges:					
Interest expense.....	\$ 94,416	\$ 78,322	\$ 73,080	\$ 77,571	\$ 92,169
Capitalized interest.....	3,636	3,764	3,107	2,297	1,558
Interest included in rental expense.....	6,738	5,244	7,207	3,648	3,801
Adjustment to include 100% of nonconsolidated majority-owned subsidiary(b).....	37,408	15,110	-	-	-
Total fixed charges.....	\$ 142,198	\$ 102,440	\$ 83,394	\$ 83,516	\$ 97,528
Ratio of earnings to fixed charges.....	1.3	2.0	2.6	2.0	1.6

(a) As discussed in Note 12 to the Consolidated Financial Statements in the 1995 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 \$6.8 million of estimated fixed charges for 1995 associated with these guarantees.

(b) Prior to November 1995, the Company owned a majority interest in Harrah's Jazz Company. However, voting control was shared equally among three partners. As a result, Harrah's Jazz was not consolidated into the Company's financial statements. As required by Item 503(d)(2), the Company's ratio of earnings to fixed charges ratio computation has been adjusted to include Harrah's Jazz financial results as if this entity were consolidated.

Harrah's Entertainment, Inc.
Financial and Statistical Highlights
(in millions, except stock data and statistical data)
(See Notes 1 and 2)

	1995(a)	1994(b)	1993	1992	1991	Compound Growth Rate
	-----	-----	-----	-----	-----	-----
Operating Data						
Continuing operations						
Revenues.....	\$ 1,550.1	\$ 1,339.4	\$ 1,020.6	\$ 894.4	\$ 863.4	15.8%
Operating income.....	229.9	269.2	210.0	161.0	142.2	12.8%
Income before income taxes and minority interest.....	151.6	139.3	139.0	85.1	59.1	26.6%
Income from continuing operations.....	78.8	50.0	74.9	49.6	34.5	22.9%
Net income (c).....	78.8	78.4	86.3	52.5	30.0	27.3%
Earnings before interest, taxes, depreciation and amortization (EBITDA)(d).....	356.3	297.8	274.1	221.8	213.0	13.7%
Common Stock Data						
Earnings (loss) per share						
Continuing operations.....	\$ 0.76	\$ 0.49	\$ 0.73	\$ 0.49	\$ 0.39	18.2%
Discontinued hotel operations	0.21	0.35	0.16	0.02	(0.06)	N/M
Net income (c).....	0.76	0.76	0.84	0.52	0.33	23.2%
Market price of common stock at December 31 (c).....	24.25	30.88	45.75	18.33	7.33	34.9%
Common shares outstanding at year-end (in thousands).....	102,674	102,403	102,258	101,882	101,368	0.3%
Financial Position						
Total assets (c).....	\$ 1,636.7	\$ 1,738.0	\$ 1,528.0	\$ 1,297.3	\$ 1,226.0	7.5%
Total assets of continuing operations.....	1,636.7	1,595.0	1,347.5	1,085.1	1,034.3	12.2%
Current portion of long-term debt.....	2.0	1.0	1.0	2.2	40.7	N/M
Long-term debt.....	753.7	727.5	665.2	660.7	614.5	5.2%
Stockholders' equity (c).....	585.5	623.4	536.0	427.9	365.5	12.5%
Cash Flows						
Provided by (used in)						
Operating activities.....	\$ 213.7	\$ 227.3	\$ 198.2	\$ 108.8	\$ 81.9	27.1%
Investing activities.....	(209.2)	(331.4)	(225.8)	(99.3)	(40.5)	50.8%
Financing activities.....	47.7	69.8	(7.0)	(2.2)	(47.6)	N/M
Capital expenditures.....	231.8	301.8	234.5	101.9	46.8	49.2%
Financial Percentages and Ratios						
Return on revenues-continuing..	5.1%	3.7%	7.3%	5.5%	4.0%	
Return on average invested capital.....	9.8%	7.9%	11.2%	10.6%	10.4%	
Return on average equity (e)...	12.7%	14.2%	19.3%	13.0%	10.4%	
Ratio of earnings to fixed charges.....	1.3	2.0	2.6	2.0	1.6	
Current ratio.....	0.9	0.6	0.7	0.9	0.5	
Ratio of book equity to total debt (f).....	0.8	0.7	0.6	0.5	0.4	
Ratio market equity to total debt (f).....	3.3	3.4	5.6	2.1	0.8	
Ratio of EBITDA to interest paid.....	4.8	3.9	3.8	3.0	2.4	
Ratio of debt to EBITDA.....	2.1	2.4	2.4	3.0	3.1	
Selected Statistical Data as of Year end						
Casino square footage.....	547,200	521,400	436,400	333,100	330,500	
Number of slot machines.....	15,335	14,808	12,504	9,100	9,090	
Number of table games.....	801	789	641	465	512	
Number of hotel rooms.....	5,736	5,367	5,348	5,242	4,542	
Gaming volume (in millions)(g)..	\$20,649.0	\$14,726.0	\$10,810.1	\$9,336.0	\$8,529.8	
Overall win percentage (g).....	7.3%	7.8%	7.6%	7.6%	8.0%	

(a) 1995 includes \$93.3 million in pre-tax charges for project write-downs (see Note 8).

(b) 1994 includes a \$53.4 million provision for settlement of litigation and related costs (see Note 13).

(c) 1995 amounts reflect the impact of the June 30, 1995 dividend of PHC common stock to the Company's stockholders.

(d) EBITDA, consisting of Income from continuing operations plus interest, taxes, depreciation, amortization and net losses of/distributions from nonconsolidated affiliates, is a supplemental financial measurement used by management, as well as by industry analysts, to evaluate Harrah's operations. However, EBITDA should not be construed as an alternative to Operating income (as an indicator of Harrah's operating performance) or to Cash flows from operating activities (as a measure of liquidity) as

determined in accordance with generally accepted accounting principles and presented in the accompanying Consolidated Financial Statements. EBITDA, excluding project write-downs, preopening costs and the provision for settlement of litigation and related costs in both 1994 and 1995, rose 22.8% to \$450.1 million in 1995.

- (e) Ratio computed based on Income before extraordinary items and cumulative effect of change in accounting policy.
- (f) For purposes of computing these ratios, total debt includes debt allocated to discontinued hotel operations for periods prior to the PHC Spin-off.
- (g) Gaming volume and overall win percentage calculations include both owned and managed properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Harrah's Entertainment, Inc. (referred to herein, together with its subsidiaries where the context requires, as "Harrah's" or the "Company"), is one of the world's premier names in casino entertainment, currently operating casino entertainment facilities in 14 markets. On June 30, 1995, the Company, formerly known as The Promus Companies Incorporated (Promus), completed a spin-off that split Promus into two independent public corporations, one for conducting its casino entertainment business and one for conducting its hotel business. Promus was renamed Harrah's Entertainment, Inc. and retained ownership of the casino entertainment business. Promus' hotel operations were transferred to a new entity, Promus Hotel Corporation (PHC), the stock of which was distributed to Promus' stockholders on a one-for-two basis (the PHC Spin-off). As a result of the PHC Spin-off, Harrah's financial statements reflect the hotel business as discontinued operations.

RESULTS OF OPERATIONS

OVERALL

(in millions, except earnings per share)	1995	1994	1993	Percentage Increase/(Decrease)	
				95 vs 94	94 vs 93
Revenues.....	\$ 1,550.1	\$ 1,339.4	\$ 1,020.6	15.7%	31.2%
Operating income.....	229.9	269.2	210.0	(14.6)%	28.2%
Income from continuing operations.....	78.8	50.0	74.9	57.6%	(33.2)%
Earnings from discontinued hotel operations....	21.2	36.3	16.9	(41.6)%	114.8%
Net income.....	78.8	78.4	86.3	0.5%	(9.2)%
Earnings per share					
Continuing operations.....	0.76	0.49	0.73	55.1%	(32.9)%
Discontinued operations.....	0.21	0.35	0.16	(40.0)%	118.8%
Net income.....	0.76	0.76	0.84	--	(9.5)%
Operating margin.....	14.8%	20.1%	20.6%	(5.3)pts	(0.5)pts

In 1995 Harrah's achieved record revenues, as several casino properties completed their first full year of operations and existing properties saw continued growth. A major component of this revenue growth resulted from slot revenue growth over 1994. Total slot revenue grew 36% in 1995 over 1994; year-over-year slot revenue at properties open both years grew 6%. This growth in slot revenue can be attributed to customer preference and focused marketing efforts made possible by player tracking technology. This popularity has resulted in slot revenue now accounting for over 71% of Harrah's total casino revenue. Because slot revenues typically have fewer direct costs, property operating margins have improved. Harrah's overall operating margin, exclusive of project write-downs, increased 0.8 points to 20.9% in 1995 as compared to 1994.

The following table summarizes operating profit before project write-downs, preopening costs and corporate expense for 1995, 1994, and 1993 in millions of dollars and as a percent of the total for each of Harrah's divisions:

	Contribution for Year Ended December 31,					
	In Millions of Dollars			Percent of Total		
	1995	1994	1993	1995	1994	1993
Riverboat.....	\$172	\$127	\$ 28	49%	40%	12%
Atlantic City.....	86	74	68	24	24	28
Southern Nevada....	73	75	79	21	24	33
Northern Nevada....	66	76	77	18	24	33
New Orleans.....	(28)	(9)	-	(8)	(3)	-
Development costs..	(17)	(22)	(10)	(5)	(7)	(4)

Other.....	2	(8)	(5)	1	(2)	(2)
	----	----	----	----	----	----
Total Harrah's	\$354	\$313	\$237	100%	100%	100%
	====	====	====	====	====	====

RIVERBOAT DIVISION

(in millions)				Percentage Increase/(Decrease)	
	1995	1994	1993	95 vs 94	94 vs 93
	-----	-----	-----	-----	-----
Casino revenues.....	\$ 557.2	\$ 388.8	\$ 82.3	43.3%	372.4%
Total revenues	593.5	415.0	90.8	43.0%	357.0%
Operating profit....	172.2	126.8	28.0	35.8%	352.9%
Operating margin....	29.0%	30.6%	30.8%	(1.6)pts	(0.2)pts

1993 represented Harrah's first year with riverboat casino operations, as Harrah's Joliet opened in May 1993, followed by Harrah's Vicksburg and Harrah's Tunica in November 1993. 1994 included the operating results of Harrah's second Joliet riverboat, added in January 1994, and operating results for Harrah's Shreveport and Harrah's North Kansas City from April 1994 and September 1994, their respective opening dates. 1995 included a full year of operations for all six riverboat facilities.

[GRAPH]

GAMING REVENUE BY TYPE

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1995 casino revenues increased 43.3% over 1994, resulting from the full year's operations for all six operating casinos within the Division. Operating income increased in 1995 over 1994, due to the increased revenues. The Division's 1995 operating margin declined to 29.0% from 1994's margin of 30.6%, due to decreased operating margins at the Company's Mississippi casinos, particularly Tunica, where competition increased. Harrah's Mississippi casinos operated initially in markets of limited competition and, as a result, achieved unusually high operating margins. Though management believes Harrah's Mississippi properties have now stabilized at appropriate performance levels, operating margins at the Mississippi properties are not expected to return to the levels achieved during their startup periods.

Generally, the overall operating margin for the Riverboat Division is higher than margins for other divisions due to some of the operational differences between a riverboat facility and a conventional land-based property and lesser levels of competition in some of the riverboat markets.

ATLANTIC CITY

(in millions)	1995	1994	1993	Percentage Increase/(Decrease)	
				95 vs 94	94 vs 93
Casino revenues	\$314.7	\$287.8	\$281.2	9.3%	2.3%
Total revenues	341.5	316.6	312.1	7.9%	1.4%
Operating profit ...	85.6	74.5	68.0	14.9%	9.6%
Operating margin ...	25.1%	23.5%	21.8%	1.6pts	1.7pts

Harrah's Atlantic City's 1995 casino revenues increased primarily due to a 12% growth in slot revenues over 1994. This increase in casino revenues, along with modest increases in nongaming revenues, led to record 1995 revenues which, combined with improved nongaming margins and lower incremental expenses, resulted in near record operating income for the year and higher operating margins.

Atlantic City's revenue increase in 1994 over 1993 was also a result of slot volume growth, resulting from highly focused marketing efforts, as well as to a casino renovation substantially completed during the year. Cost management initiatives kept 1994 operating expenses consistent with those of 1993, resulting in improved 1994 operating margins.

SOUTHERN NEVADA DIVISION

(in millions)	1995	1994	1993	Percentage Increase/(Decrease)	
				95 vs 94	94 vs 93
Casino revenues	\$198.3	\$198.5	\$200.5	(0.1)%	(1.0)%
Total revenues	297.2	293.8	294.3	1.2%	(0.2)%
Operating profit ...	72.8	74.9	79.4	(2.8)%	(5.7)%
Operating margin ...	24.5%	25.5%	27.0%	(1.0)pts	(1.5)pts

Total revenues for the Division grew 1.2% in 1995 over prior year levels, with casino revenues remaining consistent and nongaming revenues, particularly lodging in Las Vegas, growing 8% over 1994. Operating income and margins declined in 1995 at both properties versus the prior year as revenues shifted to nongaming sources, which have lower margins, and due to continued intense competition, which increased marketing costs.

As a result of capacity increases in both the Las Vegas and Laughlin markets, 1994 casino revenue for the Division decreased from 1993 levels. The decreased casino revenue was offset by higher Las Vegas nongaming revenue, particularly lodging. Operating income and margins decreased from 1993 due to higher promotional costs and the lower margins inherent in nongaming revenue.

NORTHERN NEVADA DIVISION

(in millions)	1995	1994	1993	Percentage Increase/(Decrease)	
				95 vs 94	94 vs 93
Casino revenues....	\$243.6	\$243.0	\$248.1	0.2%	(2.1)%
Total revenues	315.6	310.3	315.6	1.7%	(1.7)%
Operating profit...	66.4	75.7	76.6	(12.3)%	(1.2)%
Operating margin...	21.0%	24.4%	24.3%	(3.4)pts	0.1pt

1995 casino revenue for the Division remained consistent with that of 1994, despite severe weather conditions during first quarter 1995 and increased competition during the last half of the year. The increase in 1995 revenues over 1994 was primarily due to nongaming sources. 1995 operating income and margins decreased from 1994 due to increasing costs and competitive adjustments at Harrah's Reno in response to the July 1995 market entry of a major new competitor and to the lower margins inherent in nongaming revenues.

1994 casino revenues and operating income declined slightly from 1993 due

primarily to the trial by traditional Northern Nevada customers of the new "mega" properties in the Las Vegas market, which opened in the fall of 1993, and severe weather experienced during fourth quarter 1994. Despite lower gaming volume in 1994, the Division achieved a slight improvement in its operating margin over 1993 by continuing its emphasis on cost savings and operating efficiencies.

[GRAPH]
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

HARRAH'S NEW ORLEANS

Operating income includes losses of \$27.7 million and \$8.5 million in 1995 and 1994, respectively, representing Harrah's share of pre-interest losses incurred by Harrah's Jazz Company, the partnership which holds the right to develop the sole land-based casino in Orleans Parish, Louisiana. During fourth quarter 1995, Harrah's also recorded a one-time pre-tax charge of \$75.5 million, representing Harrah's write-off of its remaining investment in Harrah's Jazz, Harrah's advances to Harrah's Jazz in its role as manager of the temporary New Orleans casino and other related costs (see Other Factors Affecting Income Per Share).

OTHER

1995 operating results include management fee income from Harrah's Phoenix Ak-Chin, the Company's first managed Indian property, which opened in late December 1994. Operations at Harrah's Skagit Valley, the Company's second managed Indian facility, began on December 17, 1995, and 1995 fees from this property were not significant.

Development costs decreased in 1995 from 1994 levels, as a decrease in the number of jurisdictions currently considering gaming has limited the number of development opportunities. 1994 development costs were significantly higher than 1993 costs due to several costly ballot initiatives which accompanied the November 1994 elections. Other support costs remained level in 1994 as the number of operating properties stabilized. These costs had increased in 1994 over 1993 due to growth within the Company and the support needed by additional riverboat properties.

OTHER FACTORS AFFECTING INCOME PER SHARE

(income)/expense (in millions)	Percentage (Increase/(Decrease))				
	1995	1994	1993	95 vs 94	94 vs 93
Project write-downs ...	\$ 93.3	\$ -	\$ -	N/M	N/M
Preopening costs	0.5	15.3	-	(96.7)%	N/M
Corporate expense	30.3	28.9	26.7	4.8%	8.2%
Interest expense, net..	73.9	76.4	73.1	(3.3)%	4.5%
Interest expense, net, from nonconsolidated affiliates	20.5	2.0	-	N/M	N/M
Provision for settlement of litigation and related costs	-	53.4	0.4	N/M	N/M
Other income	(16.1)	(1.9)	(2.5)	N/M	(24.0)%
Effective tax rate.....	40.0%	54.1%	42.7%	(14.1)pts	11.4pts
Minority interests	\$ 12.1	\$ 13.9	\$ 4.8	(12.9)%	189.6%
Discontinued operations					
Hotel earnings, net of tax	(21.2)	(36.3)	(16.9)	(41.6)%	114.8%
Spin-off transaction costs, net of tax..	21.2	-	-	N/M	N/M
Cumulative effect of change in accounting policy, net of tax...	-	7.9	-	N/M	N/M
Extraordinary loss, net of tax	-	-	5.4	N/M	N/M

Project write-downs in 1995 relate to Harrah's write-offs of investments in and advances to nonconsolidated affiliates, including Harrah's investment in Harrah's Jazz Company, and the write-down of impaired and abandoned assets.

Preopening costs for 1995 represent those costs charged to expense upon the opening of a Hampton Inn hotel in Reno during October 1995. 1994 amounts represented those costs charged to expense upon the opening of Harrah's Shreveport and Harrah's North Kansas City, as well as the write-off of costs related to Harrah's Maryland Heights project (see Capital Spending and Development section).

Corporate expense increased slightly in 1995 over 1994, due to higher information technology costs; 1994 costs exceeded 1993 levels due to higher legal fees. Interest expense fluctuations for the three year period were primarily attributable to the overall interest rate environment, as rates on Harrah's variable rate debt rose slightly during 1994 and declined in 1995. Interest expense from nonconsolidated affiliates primarily reflects Harrah's share of interest expense from the Harrah's Jazz partnership.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The provision for settlement of litigation and related costs includes the fourth quarter 1994 charge of \$49.2 million to record the settlement of certain litigation associated with the 1990 Spin-off of Promus and the acquisition of the Holiday Inn business by Bass PLC, along with related legal fees and other expenses of \$4.3 million and \$0.4 million in 1994 and 1993, respectively.

Other income in 1995 increased primarily as a result of an \$11.7 million gain on the sale of a portion of Harrah's investment in the corporation which owns a casino entertainment facility in Auckland, New Zealand, along with a gain on the 1995 sale of certain nonoperating property.

The effective tax rates for all years are higher than the federal statutory rate due to state income taxes. Additionally, the 1994 tax rate is higher due to the inclusion in Harrah's 1994 operating results of the provision for settlement of litigation, which is not deductible for federal income tax purposes. Minority interests reflect joint venture partners' shares of income at joint venture riverboat casinos. Minority interests fell slightly in 1995 from 1994, due to the impact of increased competition in Tunica and Harrah's purchase of an additional ownership percentage in its Shreveport joint venture. Minority interests increased in 1994 over 1993 as additional joint venture casinos opened.

As a result of the PHC Spin-off, the operating results of the Company's hotel business prior to July 1, 1995 have been segregated and reported as discontinued operations in the accompanying consolidated financial statements. 1995 operating results include the earnings of discontinued operations through June 30, 1995. 1995 also includes a one-time charge of \$21.2 million, or \$0.21 per share, net of tax, representing costs to complete the PHC Spin-off transaction.

Operating results for 1994 reflect a net cumulative charge against earnings of \$7.9 million, or \$0.08 per share, associated with Harrah's change in its accounting policy related to preopening costs (see Note 10 to the accompanying consolidated financial statements). The extraordinary loss recorded in 1993 represents write-offs of unamortized deferred finance charges due to early retirements of debt.

HARRAH'S JAZZ COMPANY

A Harrah's subsidiary owns an approximate 47% interest in a partnership named Harrah's Jazz Company (Harrah's Jazz). On November 22, 1995, Harrah's Jazz and its wholly-owned subsidiary, Harrah's Jazz Finance Corp., filed for reorganization under Chapter 11 of the Bankruptcy Code. Prior to the filing, Harrah's Jazz was operating a temporary casino in the New Orleans, Louisiana Municipal Auditorium (the Temporary Casino) and constructing a new permanent casino facility on the site of the former Rivergate Convention Center in downtown New Orleans (the Permanent Casino). Harrah's Jazz ceased operation of the Temporary Casino and construction of the Permanent Casino on November 22, 1995 prior to the bankruptcy filings.

On November 19, 1995, representatives of the Harrah's Jazz bank syndicate informed Harrah's Jazz that the bank syndicate would not disburse funds to Harrah's Jazz under the terms of Harrah's Jazz's \$175 million bank credit facility (the Jazz Credit Facility). Faced with an absence of funding, on November 21, 1995, Harrah's Jazz decided to cease Temporary Casino operations and construction on the Permanent Casino, as well as to file for bankruptcy protection. The Jazz Credit Facility was accelerated and terminated by the bank lenders on November 21, 1995. Thereafter, on November 22, 1995, the bankruptcy filings were made.

In connection with the closing in November 1994 of the 14.25% First Mortgage Notes due 2001 of Harrah's Jazz (the Public Debt) and the Jazz Credit Facility, the Company delivered completion guaranties to the trustee under the Public Debt (under which the City of New Orleans (the City) was an express third-party beneficiary), the bank lenders under the Jazz Credit Facility and the Louisiana Economic Development and Gaming Corporation (the state agency regulating Harrah's Jazz (LEDGC)). Each completion guaranty was subject to certain conditions, exceptions and qualifications. The Company believes that the failure of Harrah's Jazz to obtain the funds under the Jazz Credit Facility and the acceleration of the loan by the bank syndicate terminated the Company's obligations under the completion guaranties.

The Company made total capital contributions to the project of approximately \$90 million and has outstanding advances to the project of approximately \$25 million. In addition, in December 1995, the Company acquired from a commercial bank a \$16 million loan to a Harrah's Jazz partner in satisfaction of the Company's obligations under a preexisting agreement with the bank. The Company has written off these investments and other related costs in the project.

The Company currently owns approximately 47% of the general partnership interests of Harrah's Jazz. Harrah's Jazz is not consolidated into the Company's financial statements for accounting purposes.

Harrah's Jazz has until March 21, 1996, which date may be extended by the Bankruptcy Court, the exclusive right under the bankruptcy laws to submit a plan of reorganization. Discussions concerning the reorganization plan have occurred among certain interested parties, but a number of issues remain to be

resolved and there can be no assurance that such discussions will lead to an agreement among all necessary parties.

The Company has offered to invest an additional \$75 million in the project and deliver a new completion guaranty if a reorganization plan approved by the Company is consummated. The Company has also offered to invest, prior to plan consummation, up to \$10 million in the form of debtor-in-possession financing (such financing would be repaid or converted into equity (and count toward the \$75 million investment referred to above) upon consummation of a reorganization plan approved by the Company) if the Company and other interested parties reach an agreement in principle as to the key elements of the plan. There can be no assurance that any agreements will be reached or a reorganization plan consum-

summated. Additionally, ongoing litigation costs related to the Harrah's Jazz bankruptcy, which could be significant, will have a corresponding impact on Harrah's future earnings and cash flows.

On March 4, 1996, Harrah's Jazz entered into a preliminary agreement with the City which provides for, among other things, an immediate \$4.3 million cash payment by Harrah's Jazz to the City, of which \$2.5 million is being funded by the Company as debtor-in-possession financing and the balance is being funded from Harrah's Jazz's assets. Although the \$2.5 million loan is an administrative priority claim in the bankruptcy, there can be no assurance that the loan will be repaid. In exchange for these agreements by Harrah's Jazz, the City agreed to waive any requirements to reopen the Temporary Casino and negotiate in good faith numerous specified issues relating to the lease of the Permanent Casino site.

CAPITAL SPENDING AND DEVELOPMENT

Harrah's continues to pursue development opportunities within the casino entertainment industry. These opportunities include traditional land-based casinos, riverboat casinos, Indian gaming projects and international casino projects.

EXISTING LAND-BASED PROPERTIES

During August 1995, Harrah's announced plans for major expansions at its Las Vegas and Atlantic City casino properties. Each project includes the addition of a hotel tower and casino space, as follows:

Location	Estimated Project Cost (millions)	Incurred as of Dec. 31 (millions)	Additional Casino Square Feet	Additional Hotel Rooms	Projected Opening Dates	
					Casino Expansion	Hotel Addition
Las Vegas	\$150.0	\$0.9	17,000	688	Sept 96	Oct 97
Atlantic City	80.7	4.8	13,500	416	July 96	July 97

[GRAPH] GAMING VOLUME BY STATE

On October 1, 1995, the Company opened a 408-room, 26-story Hampton Inn hotel on the site of Harrah's Reno. The hotel, which was completed on schedule and on budget, is company-owned and is being operated under a license agreement with Promus Hotels, Inc.

RIVERBOAT CASINO DEVELOPMENT

In March 1995, Harrah's announced plans to form a joint venture with Players International, Inc., to jointly develop a riverboat casino entertainment complex in Maryland Heights, Missouri, a suburb of St. Louis. Formation of the partnership was completed in November 1995 upon execution of the definitive agreements. Pursuant to the agreements, each company will operate two separately branded riverboat casinos and Harrah's, in partnership with Players, will develop the shoreside facility which will include a 291-room Harrah's hotel. Construction has begun on the project, which is expected to open during first quarter 1997, subject to receipt of all regulatory approvals.

Harrah's investment in the Maryland Heights development project is expected to total approximately \$166 million, of which approximately \$58 million had been spent at December 31, 1995. In connection with the formation of the joint venture in November 1995, Harrah's contributed certain assets from its original Maryland Heights project and an additional \$20 million in cash.

In July 1995, a Harrah's affiliate purchased at a bankruptcy auction the former Southern Belle casino property, located near the existing Harrah's casino in Tunica County, Mississippi, for \$34.2 million. In addition to the purchase price, the Harrah's affiliate is spending up to \$53 million to renovate the facility, including the addition of a hotel with approximately 200 rooms. The renovated facility will feature 50,000 square feet of casino space and is expected to open during second quarter 1996. Harrah's currently operates 27,000 square feet of casino space in its present Harrah's Tunica property which, under current plans, will remain open and be operated with certain common management elements.

During fourth quarter 1995, Harrah's began construction of a \$78 million expansion of Harrah's North Kansas City to include, a 200-room hotel, parking garage, additional shoreside amenities and, subject to regulatory approval, a second riverboat casino. The facility, to be completed in second quarter 1996, is expected to result in 77% more gaming positions.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In February 1995, a 30,000 square foot riverboat casino was moved to Shreveport, Louisiana, replacing the Shreveport Rose, which contained 19,500 square feet. This exchange resulted in approximately 27% more gaming positions at Harrah's Shreveport. The Shreveport Rose was then refurbished at a cost of approximately \$5 million, and transferred in November 1995 to Joliet as a replacement for the Southern Star. The Southern Star has been moved to a dockyard for storage, where it will be maintained for future use. The costs associated with exchanging boats and with maintaining them until returned to service are not material.

In addition to the replacement of the Joliet Southern Star during 1995, Harrah's began a project to expand Joliet's shoreside facilities. The \$8 million project will be completed during second quarter 1996.

INDIAN LANDS

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Harrah's opened a second gaming facility on Native American lands on December 17, 1995. The facility, which is owned by the Upper Skagit tribe and operated by Harrah's for a fee under terms of a five-year management contract, is located approximately 70 miles north of Seattle, Washington. 1995 represented the first full year of operations for Harrah's first Indian facility, Harrah's Ak-Chin Phoenix, which opened on December 27, 1994. Though Harrah's did not fund these developments, it has guaranteed the related bank financing.

Harrah's is awaiting approval from the National Indian Gaming Commission of development and management agreements with the Eastern Band of Cherokees for a proposed casino development at Cherokee, North Carolina. Harrah's has also signed definitive development and management agreements with the Pokagon Band of Potawatomi Indians for future casino developments in Michigan and Indiana. Harrah's has previously announced agreements with other Indian tribes, which are in various stages of negotiation and are subject to certain conditions, including approval from appropriate government agencies. Upon the receipt of necessary approvals, Harrah's will likely guarantee the related bank financing for the projects, which could be significant.

For all existing guarantees of Indian debt, Harrah's has obtained a first lien on the personal property (tangible and intangible) of the casino enterprise. Additionally, Harrah's has received limited waivers from the Indian tribes of their sovereign immunity to allow Harrah's to pursue its rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken.

INTERNATIONAL

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Harrah's opened its first international casino entertainment facility in Auckland, New Zealand, on February 2, 1996. The facility, containing 45,000 square feet of casino space, 1,042 slot machines and 97 table games, is owned by a corporation in which Harrah's owns a 12.5% equity interest, and is managed by Harrah's for a fee. Construction of the US\$340 million facility was funded through a combination of equity contributions and non-recourse debt. In July 1995, Harrah's sold a portion of its interest, resulting in a pre-tax gain of \$11.7 million.

OVERALL

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In addition to the specific projects discussed above, the Company continues to perform on-going refurbishment and maintenance at its existing casino entertainment facilities in order to maintain Harrah's quality standards. Harrah's also continues to pursue casino entertainment development opportunities in possible jurisdictions across the United States and abroad. Until necessary approvals to proceed with development of a project are obtained from the relevant regulatory bodies, the costs of pursuing casino entertainment projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Preopening costs incurred during the construction period are deferred and expensed at the respective property's opening.

A number of these projects, if they go forward, may require, individually and in the aggregate, a significant capital commitment and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects being pursued by Harrah's will be made available from operating cash flows, the Facility (see Debt and Liquidity section), joint venture partners, specific project financing, guaranties by Harrah's of third party debt and, if necessary, Harrah's debt and/or equity offerings. Harrah's capital spending totalled \$232 million and \$302 million during 1995 and 1994, respectively. Anticipated 1996 capital expenditures are estimated at \$375 million to \$425 million, including the projects discussed in this Capital Spending and Development section, refurbishment of existing facilities and other projects.

DEBT AND LIQUIDITY

BANK FACILITY

In connection with the PHC Spin-off, Harrah's negotiated changes to its reducing revolving and letter of credit facility (the Facility), which became effective June 30, 1995. Among the modifications were an increase in total capacity from \$650 million to \$750 million, an extension of the maturity to July 31, 2000, reduced borrowing costs and favorable modifications to certain financial covenants. The amended credit facility consists of a five-year \$600 million reducing revolving and letter of credit facility and a separate \$150 million revolving credit facility which is renewable annually, at the lenders' option, for a five-year period. Reductions of the borrowing capacity under the \$600 million facility are as follows: \$50 million, July 1998; \$75 million, January 1999; \$75 million, July 1999; \$100 million, January 2000; and \$300 million, July 2000. As of December 31, 1995, \$346.5 million in borrowings were outstanding under the Facility, with an additional \$25.1 million committed to back letters of credit, resulting in \$378.4 million of available Facility capacity as of December 31, 1995. During October 1995, Harrah's senior implied debt rating was upgraded by Standard and Poor's and, in accordance with the Facility agreement, borrowing costs under the Facility were reduced to the Eurodollar rate plus 50 basis points.

[GRAPH]

SCHEDULED DEBT MATURITIES

As part of the PHC Spin-off, the Company obtained a new \$350 million bank facility (the PHC Facility), which was assumed by PHC at the time of the PHC Spin-off. Immediately prior to the PHC Spin-off, approximately \$218 million was drawn on the PHC Facility and used to retire a portion of the Company's existing outstanding debt. Prior to the PHC Spin-off, Harrah's corporate debt was not specifically related to either its casino entertainment or hotel segment. However, corporate debt service requirements were met using cash flows provided by both segments. Therefore, for all periods prior to the PHC Spin-off, a portion of the Company's corporate debt balance, unamortized deferred finance charges and interest expense were allocated to discontinued hotel operations based on the percentage of Harrah's existing corporate debt which was expected to be retired using proceeds from the new PHC bank facility. Net assets of discontinued hotel operations at December 31, 1994, included allocations to discontinued hotel operations of corporate debt and unamortized deferred finance charges of \$187.9 million and \$3.2 million, respectively, together with debt specifically related to PHC of \$3.3 million. Interest expense of \$9.5 million, \$17.2 million and \$17.0 million for 1995, 1994 and 1993, respectively, was allocated to discontinued hotel operations.

In February 1995, Harrah's 9% Notes, previously backed by a letter of credit issued under the Facility, matured and were retired using Facility funds. In May 1995, Harrah's redeemed the \$18.1 million principal amount outstanding of the 11% Subordinated Debentures due 1999. The cost of this redemption was not material.

INTEREST RATE AGREEMENTS

To manage the relative mix of its debt between fixed and variable rate instruments, Harrah's enters into interest rate swap agreements to modify the interest characteristics of its outstanding debt without an exchange of the underlying principal amount. As of December 31, 1995, Harrah's was a party to the following interest rate swap agreements on certain fixed rate debt:

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at December 31, 1995	Effective Rate at December 31, 1994	Next Semi-Annual Rate Adjustment Date	Swap Maturity
10 7/8% Notes \$200 million	4.73%	10.74%	10.68%	April 16	Oct 1997
8 3/4% Notes \$50 million	3.42%	9.23%	9.58%	May 15	May 1998
\$50 million	3.22%	9.10%	8.71%	January 16	July 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on \$50 million of the 8 3/4% Notes was adjusted on January 16, 1996, to 8.72%.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During 1995, Harrah's entered into nine additional interest rate swap agreements to effectively convert variable rate debt to a fixed rate. Two of these swap agreements, with a combined notional amount of \$100 million, were transferred to PHC at the time of the PHC Spin-off. The following table summarizes the terms of the remaining seven swap agreements, all of which reset on a quarterly basis, as of December 31, 1995:

Notional Amount	Swap Rate Paid (Fixed)	Swap Rate Received (Variable) at Dec. 31, 1995	Swap Maturity
\$50 million	7.910%	5.938%	January 1998
\$50 million	6.985%	5.813%	March 2000
\$50 million	6.951%	5.668%	March 2000
\$50 million	6.945%	5.668%	March 2000
\$50 million	6.651%	5.875%	May 2000
\$50 million	5.788%	5.813%	June 2000
\$50 million	5.785%	5.813%	June 2000

In accordance with the terms of the above \$50 million swap which matures in January 1998, the variable rate was adjusted on January 26, 1996 to 5.500%. During fourth quarter 1995, the Company replaced two swap agreements it had entered into earlier in the year with new agreements which have longer terms and lower fixed interest rates. The replacement swaps were entered into at no cost to the Company and will reduce the Company's future cash requirements for interest payments. The effect on the current year's consolidated financial statements was immaterial. The table above reflects the terms of the new swap agreements. An interest rate collar on \$140 million of Harrah's variable rate bank debt expired in June 1995 and was not renewed.

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

As part of a transaction whereby Harrah's effectively secured an option to a site for a potential casino, Harrah's has guaranteed a third party's \$24.7 million variable rate bank loan. Harrah's also has entered into an interest rate swap agreement in which Harrah's receives a fixed interest rate of 7% from the third party and pays the variable interest rate of the subject debt (LIBOR plus 1% at December 31, 1995) to the bank. The interest rate swap is marked to market by Harrah's, with the adjustment recorded in interest expense. The market value of the swap was a positive \$0.3 million and a negative \$1.1 million at December 31, 1995 and 1994, respectively. Harrah's swap agreement expires December 1, 1996, and is also subject to earlier termination upon the occurrence of certain events. The underlying guaranty contains an element of risk that the borrower may be unable to retire the loan when it matures in December 1996. If that occurs, the Company could become responsible for repayment of at least a portion of the obligation. Harrah's has reduced this exposure by obtaining a security interest in certain assets of the third party.

SHELF REGISTRATION

To provide for additional financing flexibility, Harrah's, together with its wholly-owned subsidiary Harrah's Operating Company, Inc. (HOC), has registered up to \$200 million of Harrah's common stock or HOC preferred stock or debt securities pursuant to a shelf registration declared effective by the Securities and Exchange Commission on October 11, 1995. The terms and conditions of the HOC preferred stock or debt securities, which will be unconditionally guaranteed by Harrah's, will be determined by market conditions at the time of issuance. The shelf registration is available until October 1997.

INCOME TAX MATTERS

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

EQUITY TRANSACTIONS

As a component of the PHC Spin-off, the Company distributed to its stockholders the stock of PHC as a dividend. To reflect this distribution, the \$139.6 million book value of the net assets of discontinued operations as of the spin-off date has been charged against Harrah's retained earnings. The final allocations related to the PHC Spin-off were recorded in fourth quarter 1995. The amount of such adjustments was not material.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

The casino entertainment industry has experienced widespread expansion in new jurisdictions over the past several years as governments seeking additional tax revenues and employment have legalized casino gaming. The number of states which allow legalized gaming has grown from two in 1990 to ten today. Growth in the casino industry has also been furthered by the Indian Gaming Regulatory Act of 1988. Although a

number of states are considering legislation in additional jurisdictions, the rapid growth which existed during the early 1990's has slowed and, as a result, future new market potential is difficult to predict. Of those new markets which have opened to the gaming industry, certain jurisdictions have restricted market entry, which limits capacity and competition within those markets. Other jurisdictions have no limits on market entry, other than restrictions on locations, which can impact operating performance and cash flows.

In addition to growth in new markets, significant development has occurred in recent years in the traditional gaming markets of Nevada and New Jersey, resulting in increased competition in these markets. Several large properties have opened in Las Vegas in recent years, and others are both planned and under development. In July 1995, a major new development opened in Reno, Nevada, representing the first major entry to that market in years. New developments and expansions are also planned for Atlantic City, New Jersey. Over the last several years, the Laughlin, Nevada market has been impacted by increasing competition from markets in and around Las Vegas and neighboring Indian properties. Though the traditional casino markets have seen little overall impact from the recent spread of gaming to other markets, continuing growth within the industry could ultimately cause decreased market share for these markets, which would have a corresponding effect on the cash flow provided by these facilities.

The casino industry's market focus has also undergone a transformation over the past several years as a result of the spread of gaming. Whereas traditional markets were limited, drawing primarily long-distance travelers, the newer casino properties are geographically dispersed, resulting in casino entertainment being within a reasonable driving distance for many Americans. Harrah's has participated in this industry transformation, developing casinos in many new markets. As a result, Harrah's is an extremely diverse gaming company, both geographically and categorically, with properties in nine states as of December 31, 1995, representing a mix of traditional land-based, riverboat, Indian and limited stakes facilities. Furthering its diversification, Harrah's opened its first international casino facility in Auckland, New Zealand on February 2, 1996.

Harrah's is not able to determine the long-term impact, whether favorable or unfavorable, that these events will have on the markets in which it currently operates. However, management believes that the current mix of its operations among its divisions as discussed above, combined with the further geographic diversification and the continuing pursuit of the Harrah's national brand strategy, has well-positioned the Company to face the challenges present within the industry.

EFFECTS OF INFLATION

Inflation has had little effect on Harrah's historical operations. Generally, Harrah's has not experienced any significant negative impact on gaming volume or on the wagering propensity of its customers as a result of inflationary pressures. Further, Harrah's has been successful in increasing the amount of wagers and playing time of its casino customers through effective marketing programs. Casino management has also, from time to time, adjusted its required minimum bets at table games and changed the relative mix of slot machines in favor of machines with higher denominations. These strategies supplemented by effective cost management programs have offset the impact of inflation on Harrah's operations. Inflation tends to increase the underlying value of Harrah's casino entertainment properties.

INTERCOMPANY DIVIDEND RESTRICTION

Agreements governing the terms of its debt require Harrah's to abide by covenants which, among other things, limit HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments, was approximately \$591.4 million at December 31, 1995. Harrah's principal asset is the stock of HOC, a wholly-owned subsidiary. HOC holds, directly and through subsidiaries, the principal assets of Harrah's businesses. Given this ownership structure, these restrictions should not impair Harrah's ability to conduct its business through its subsidiaries or to pursue its development plans.

RECENT PRONOUNCEMENTS

During 1996, Harrah's will adopt the provisions of two Statements of Financial Accounting Standards (SFAS) recently issued by the Financial Accounting Standards Board. SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," requires that long-lived assets and certain identifiable intangibles be reviewed for impairment periodically. The implementation of SFAS 121 is not expected to have a material impact on Harrah's financial statements.

SFAS 123, "Accounting for Stock-Based Compensation," defines a fair value based method of measuring compensation costs for employee stock compensation programs. This new standard permits companies to follow the intrinsic value based method presently required by Accounting Principles Board Opinion No. 25, with pro forma footnote disclosure of the effect that the fair value based method would have had on net income and earnings per share, had that method of implementation been adopted. Management intends to adopt the disclosure alternative; accordingly, Harrah's will include the pro forma effects of this statement in its notes to financial statements for the year ending December 31,

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	December 31,	
	1995	1994
ASSETS		

Current assets		
Cash and cash equivalents	\$ 96,345	\$ 84,968
Receivables, less allowance for doubtful accounts of \$10,910 and \$9,551	37,751	33,051
Deferred income tax benefits (Note 9)	21,425	18,979
Prepayments and other	21,275	23,374
Supplies	12,040	11,463
	-----	-----
Total current assets	188,836	171,835
	-----	-----
Land, buildings, riverboats and equipment		
Land and land improvements	236,540	228,232
Buildings, riverboats and improvements	1,054,758	981,647
Furniture, fixtures and equipment	432,416	392,741
	-----	-----
	1,723,714	1,602,620
Less: accumulated depreciation	(518,824)	(472,779)
	-----	-----
	1,204,890	1,129,841
Net assets of discontinued hotel operations (Notes 1 and 2)	--	143,008
Investments in and advances to non- consolidated affiliates (Note 15)	71,939	116,932
Deferred income tax benefits (Note 9)	4,532	--
Deferred costs and other (Note 5)	166,537	176,349
	-----	-----
	\$ 1,636,734	\$ 1,737,965
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities		
Accounts payable	\$ 46,178	\$ 54,621
Construction payables	4,718	10,879
Accrued expenses (Note 5)	148,632	156,446
Current portion of long-term debt (Note 6) ..	2,038	1,036
Accrued litigation settlement and related costs (Note 13)	--	72,101
	-----	-----
Total current liabilities	201,566	295,083
Long-term debt (Note 6)	753,705	727,493
Deferred credits and other	72,006	66,735
Deferred income taxes (Note 9)	--	7,138
	-----	-----
	1,027,277	1,096,449
	-----	-----
Minority interests	23,908	18,079
	-----	-----
Commitments and contingencies (Notes 7 and 12 through 15)		
Stockholders' equity (Notes 4, 14 and 15)		
Common stock, \$0.10 par value, authorized 360,000,000 shares, outstanding - 102,673,828 and 102,402,619 shares (net of 19,026 and 37,172 shares held in treasury)	10,267	10,240
Capital surplus	362,783	350,196
Unrealized gain on marketable equity securities	10,552	--
Retained earnings	204,838	265,574
Deferred compensation related to restricted stock	(2,891)	(2,573)
	-----	-----
	585,549	623,437
	-----	-----
	\$ 1,636,734	\$ 1,737,965
	=====	=====

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,		
	1995	1994	1993
Revenues			
Casino	\$ 1,313,910	\$ 1,118,107	\$ 812,081
Food and beverage	181,312	162,413	139,522
Rooms	109,036	105,642	102,024
Management fees	12,762	914	150
Other	87,158	80,151	67,588
Less: casino promotional allowances	(154,102)	(127,821)	(100,720)
Total revenues	1,550,076	1,339,406	1,020,645
Operating expenses			
Direct			
Casino	620,438	497,686	369,335
Food and beverage	91,495	82,825	76,498
Rooms	32,915	33,430	33,124
Depreciation of buildings, riverboats and equipment	80,416	70,632	54,631
Development costs	17,428	22,015	10,175
Project write-downs (Note 8)	93,348	--	--
Preopening costs	450	15,313	--
Other	353,318	319,411	240,113
Total operating expenses	1,289,808	1,041,312	783,876
Operating profit before corporate expense	260,268	298,094	236,769
Corporate expense	(30,347)	(28,907)	(26,736)
Operating income	229,921	269,187	210,033
Interest expense, net of interest capitalized (Note 3)	(73,890)	(76,363)	(73,080)
Interest expense, net, from nonconsolidated affiliates	(20,526)	(1,959)	--
Provision for settlement of litigation and related costs (Note 13) .	--	(53,449)	(400)
Other income, including interest income ..	16,078	1,867	2,462
Income before income taxes and minority interests	151,583	139,283	139,015
Provision for income taxes (Note 9)	(60,677)	(75,391)	(59,394)
Minority interests	(12,096)	(13,908)	(4,754)
Income from continuing operations	78,810	49,984	74,867
Discontinued operations (Note 2)			
Earnings from hotel operations, net of tax provisions of \$15,434, \$26,798 and \$13,869	21,230	36,319	16,926
Spin-off transaction expenses, net of tax benefit of \$5,134	(21,194)	--	--
Income before extraordinary loss and cumulative effect of change in accounting policy	78,846	86,303	91,793
Extraordinary loss on early extinguishment of debt, net of tax benefit of \$3,415 ..	--	--	(5,447)
Cumulative effect of change in accounting policy, net of tax benefit of \$4,317 (Note 10)	--	(7,932)	--
Net income	\$ 78,846	\$ 78,371	\$ 86,346
Earnings (loss) per share			
Continuing operations	\$ 0.76	\$ 0.49	\$ 0.73
Discontinued operations			
Earnings from hotel operations, net ...	0.21	0.35	0.16
Spin-off transaction expenses, net	(0.21)	--	--
Extraordinary loss, net	--	--	(0.05)
Cumulative effect of change in accounting policy, net	--	(0.08)	--
Net income	\$ 0.76	\$ 0.76	\$ 0.84
Average common shares outstanding	103,188	102,810	102,562

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

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Notes 4, 14 and 15)
(In thousands)

	Common Stock			Unrealized		Deferred	
	-----			Gain on		Compensation	
	Shares	Amount	Capital	Marketable	Retained	Related to	Total
	Outstanding	-----	Surplus	Equity	Earnings	Restricted	-----
	-----	-----	-----	Securities	-----	Stock	-----
Balance - December 31, 1992	101,882	\$10,188	\$321,607	\$ -	\$ 100,857	\$(4,722)	\$ 427,930
Net income					86,346		86,346
Pro rata share of proceeds from equity investee's initial public offering, less tax provision of \$2,662			3,752				3,752
Net shares issued under incentive compensation plans, including income tax benefit of \$10,467	376	38	18,838			(867)	18,009
Balance - December 31, 1993	102,258	10,226	344,197	-	187,203	(5,589)	536,037
Net income					78,371		78,371
Net shares issued under incentive compensation plans, including income tax benefit of \$3,252	145	14	5,999			3,016	9,029
Balance - December 31, 1994	102,403	10,240	350,196	-	265,574	(2,573)	623,437
Net income					78,846		78,846
Spin-off of Promus Hotel Corporation (Notes 1 and 2).....					(139,582)		(139,582)
Unrealized gain on available- for-sale securities, less tax provision of \$6,746.				10,552			10,552
Net shares issued under incentive compensation plans, including income tax benefit of \$6,616	271	27	12,587			(318)	12,296
Balance - December 31, 1995	102,674	\$10,267	\$362,783	\$10,552	\$ 204,838	\$ (2,891)	\$ 585,549
	=====	=====	=====	=====	=====	=====	=====

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

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

	Year Ended December 31,		
	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 78,846	\$ 78,371	\$ 86,346
Adjustments to reconcile net income to cash flows from operating activities			
Discontinued operations			
Earnings from hotel operations	(21,230)	(36,319)	(16,926)
Spin-off transaction expenses, before income taxes	26,328	--	--
Project write-downs	93,348	--	--
Extraordinary loss, before income taxes	--	--	8,862
Cumulative effect of change in accounting policy, before income taxes	--	12,249	--
Depreciation and amortization	95,388	86,644	70,207
Provision for settlement of litigation and related costs	--	49,158	--
Other noncash items	17,088	10,348	23,945
Minority interests share of net income	12,096	13,908	4,754
Equity in losses (income) of nonconsolidated affiliates	51,182	12,398	(37)
Net (gains) losses from asset sales	(13,156)	570	196
Net change in long-term accounts	(18,144)	(4,447)	595
Net change in working capital accounts	(36,576)	30,883	28,718
Net change in accrued litigation settlement and related costs	(43,438)	--	--
Tax indemnification payments to Bass	(28,000)	(26,466)	(8,459)
Cash flows provided by operating activities	213,732	227,297	198,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Land, buildings, riverboats and equipment additions	(186,233)	(219,139)	(219,042)
(Decrease) increase in construction payables	(6,161)	(15,466)	26,345
Proceeds from sale of equity investments	20,745	--	--
Proceeds from asset sales	10,850	4,192	8,248
Investments in and advances to nonconsolidated affiliates	(45,603)	(82,705)	(15,463)
Other	(2,844)	(18,291)	(25,909)
Cash flows used in investing activities	(209,246)	(331,409)	(225,821)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowings under Revolving Credit Facility, net of financing costs of \$2,322 in 1995 and \$11,547 in 1993	274,172	118,550	158,453
Debt retirements	(219,614)	(40,320)	(366,134)
Minority interests contributions, net of distributions	(6,360)	(8,434)	4,548
Other	(543)	--	--
Proceeds from issuance of senior subordinated notes, net of issue costs of \$3,819	--	--	196,181
Cash flows provided by (used in) financing activities	47,655	69,796	(6,952)
CASH FLOWS FROM DISCONTINUED HOTEL OPERATIONS			
Net transfers (to) from discontinued hotel operations	(14,840)	60,975	51,367
Payment of spin-off transaction expenses	(25,924)	--	--
Cash flows provided by (used in) discontinued operations	(40,764)	60,975	51,367
Net increase in cash and cash equivalents	11,377	26,659	16,795
Cash and cash equivalents, beginning of year .	84,968	58,309	41,514
Cash and cash equivalents, end of year	\$ 96,345	\$ 84,968	\$ 58,309
	=====	=====	=====

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

1. BASIS OF PRESENTATION AND ORGANIZATION

Harrah's Entertainment, Inc. (Harrah's or the Company, together with its subsidiaries where the context requires), a Delaware corporation, is one of America's leading casino companies and currently operates casino entertainment facilities in 14 markets. On June 30, 1995, Harrah's, formerly The Promus Companies Incorporated (Promus), completed a spin-off that split the Company into two independent public corporations, one for conducting its casino entertainment business and one for conducting its hotel business. Harrah's retained ownership of the casino entertainment business. The Company's hotel operations were transferred to a new entity, Promus Hotel Corporation (PHC), the stock of which was distributed to Promus' stockholders on a one-for-two basis (the PHC Spin-off). As a result of the PHC Spin-off, Harrah's financial statements reflect the hotel business as discontinued operations (see Note 2).

Harrah's operates casino entertainment facilities in nine states, including casino hotels in all five major Nevada and New Jersey gaming markets: Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada; and Atlantic City, New Jersey. Harrah's riverboat casinos are in Joliet, Illinois; Shreveport, Louisiana; Tunica and Vicksburg, Mississippi; and North Kansas City, Missouri. In addition, Harrah's has a minority ownership interest in and manages two limited stakes casinos in Black Hawk and Central City, Colorado, and manages casinos on Indian lands near Phoenix, Arizona and Seattle, Washington. Subsequent to December 31, 1995, Harrah's began managing a casino in Auckland, New Zealand in which the Company has a 12.5% ownership interest.

2. DISCONTINUED OPERATIONS

As discussed in Note 1, on June 30, 1995, Harrah's completed a spin-off of its hotel operations. Accordingly, results of operations and cash flows of the Company's hotel business have been reported as discontinued operations for all periods presented in the Consolidated Financial Statements. The Consolidated Balance Sheet as of December 31, 1994, also reflects the Company's hotel business as discontinued operations. Summarized financial information of the discontinued operations is presented in the following tables:

Net assets of discontinued hotel operations:

	December 31, 1994
Current assets	\$ 25,565
Current liabilities	(34,461)
Net current liabilities	(8,896)
Land, buildings and equipment, net	322,140
Other assets	72,860
Long-term debt, including allocated debt (Note 6)	(189,943)
Other liabilities and deferred taxes	(53,153)
Net assets of discontinued hotel operations	\$ 143,008

As of the date of the PHC Spin-off, the net assets of discontinued hotel operations were \$139.6 million. This amount has been charged against the Company's retained earnings in the accompanying December 31, 1995 Consolidated Balance Sheet to reflect the distribution of PHC's stock to Promus stockholders on June 30, 1995.

Earnings from discontinued hotel operations:

	Six months Ended June 30, 1995	Year Ended December 31, ----- 1994 1993	
Revenues	\$ 132,785	\$ 242,724	\$ 231,210
Costs and expenses	(79,652)	(148,470)	(163,758)
Operating income	53,133	94,254	67,452
Interest expense	(16,742)	(31,148)	(33,482)
Other income (expense)	273	11	(3,175)
Income before income taxes	36,664	63,117	30,795
Provision for income taxes	(15,434)	(26,798)	(13,869)
Earnings from discontinued hotel operations	\$ 21,230	\$ 36,319	\$ 16,926

In addition to the earnings of its discontinued hotel operations, Harrah's operating results for the year ended December 31, 1995, include a charge of \$21.2 million, net of tax, for expenses of the PHC Spin-off transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION. The Consolidated Financial Statements include the accounts of Harrah's and its majority-owned subsidiaries after elimination of

all significant intercompany accounts and transactions. Harrah's investments in 20% to 50% owned companies and joint ventures over which Harrah's has the ability to exercise significant influence are accounted for using the equity method. Harrah's reflects its share of income before interest expense of these nonconsolidated affiliates in revenues. Harrah's proportionate share of interest expense of such nonconsolidated affiliates is reported as Interest expense, net, from nonconsolidated affiliates. (See Note 15.)

CASH EQUIVALENTS. Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

SUPPLIES. Supplies inventories, which consist primarily of food, beverage 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 \$32.0 million and \$45.9 million at December 31, 1995 and 1994, respectively. Improvements and extraordinary repairs that extend the life of the asset are capitalized. Maintenance and repairs are expensed as incurred. Interest expense is capitalized.

on internally constructed assets at Harrah's overall weighted average borrowing rate of interest. Capitalized interest amounted to \$3.6 million, \$3.8 million and \$3.1 million in 1995, 1994 and 1993, respectively.

Depreciation of buildings, riverboats and equipment is calculated using the straight-line method over the estimated useful life of the asset or over the related lease term, as follows:

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

TREASURY STOCK. Shares of Harrah's common stock held in treasury are reflected in the Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity as if they 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 company-owned casinos and casino hotels.

Casino promotional allowances consist principally of the retail value of complimentary food and beverages, accommodations, admission and entertainment provided to casino patrons. The estimated costs of providing such complimentary services, classified as casino expenses through interdepartmental allocations, were as follows:

	1995	1994	1993
	-----	-----	-----
Food and beverage	\$72,400	\$63,414	\$52,057
Rooms	15,098	13,875	13,140
Other	10,856	2,634	1,541
	-----	-----	-----
	\$98,354	\$79,923	\$66,738
	=====	=====	=====

AMORTIZATION. The excess of costs over net assets of businesses acquired and other intangibles are amortized on a straight-line basis over periods up to 40 years. Deferred financing charges are amortized using the interest method over the terms of the related debt agreements.

PREOPENING COSTS. Preopening costs, representing primarily direct salaries and other operating costs incurred prior to the opening of new facilities, are deferred as incurred and expensed upon the opening of the related facility (see Note 10).

EARNINGS PER SHARE. Earnings per share is computed by dividing Net income by the number of weighted average common shares outstanding during the year, including common stock equivalents.

RECLASSIFICATIONS. Certain amounts for prior years have been reclassified to conform with the presentation for 1995.

OTHER. The preparation of financial statements in conformity with generally accepted accounting principles requires management to 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. Actual results could differ from those estimates.

4. STOCKHOLDERS' EQUITY

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

Preferred stock, \$100 par value, 150,000 shares authorized
 Special stock, 5,000,000 shares authorized -
 Series B, \$1.125 par value

On June 30, 1995, the PHC Spin-off was completed and the Company distributed to its stockholders the stock of PHC as a dividend. To reflect this distribution, the \$139.6 million book value of the net assets of discontinued operations as of the Spin-off date has been charged against the Company's retained earnings. (See Notes 1 and 2.)

On April 29, 1994, Harrah's stockholders approved an amendment to the Certificate of Incorporation which increased the number of authorized common shares from 120 million to 360 million and reduced the par value per common share from \$1.50 to \$0.10. As a result, amounts reported in the Consolidated Statements of Stockholders' Equity for periods prior to this amendment have been restated to reclassify amounts from common stock to capital surplus to retroactively reflect the impact of the change in par value.

Under the terms of employee compensation programs previously approved by the stockholders, Harrah's has reserved shares of its common stock for issuance under the Restricted Stock and Stock Option Plans. (See Note 14 for a description of the plans.) The following table summarizes the total number of shares authorized for issuance under each of these plans and the remaining unissued shares as of December 31, 1995:

	Restricted Stock Plan	Stock Option Plan
	-----	-----
Total shares authorized for issuance under the plans	5,300,000	10,350,000
Shares issued and options granted	(4,361,462)	(6,702,126)
	-----	-----
Shares held in reserve for issuance or grant under the plans as of December 31, 1995	938,538	3,647,874
	=====	=====

Harrah's Board of Directors has authorized that one-third of a special right be attached to each outstanding share of common stock. These rights entitle the holders to purchase, under certain conditions, units consisting of fractional shares of special stock - series B at a purchase price of \$125 per unit, subject to adjustment. The rights also, under certain conditions, entitle the holders to purchase \$250 worth of common stock for \$125. These rights expire on October 5, 1996, unless Harrah's decides to redeem them earlier at \$0.05 per right or upon the occurrence of certain other events.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise stated)

5. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Deferred costs and other consisted of the following:

	1995	1994
	-----	-----
Excess of cost over net assets of businesses acquired	\$ 47,041	\$ 48,880
Cash surrender value of life insurance (Note 14)	41,061	44,243
Deposits	15,944	15,642
Deferred finance charges	14,153	12,265
Other	48,338	55,319
	-----	-----
	\$166,537	\$176,349
	=====	=====

Accrued expenses consisted of the following:

	1995	1994
	-----	-----
Insurance claims and reserves	\$ 49,821	\$ 49,448
Payroll and other compensation	46,251	41,937
Accrued interest payable	12,543	12,884
Deposits and customer funds	6,765	6,179
Taxes, including income taxes	(2,411)	(4,419)
Other accruals	35,663	50,417
	-----	-----
	\$148,632	\$156,446
	=====	=====

6. LONG-TERM DEBT

Long-term debt consisted of the following:

	1995	1994
	-----	-----
Secured Bank Facilities		
Revolving Credit Facility, 6.06%-8.50% at December 31, 1995, maturity 2000	\$ 346,500	\$ 288,550
9% Notes, backed by letter of credit	--	199,977
Unsecured Senior Subordinated Notes		
8 3/4%, maturity 2000	200,000	200,000
10 7/8%, maturity 2002	200,000	200,000
Unsecured Notes Payable		
8.38%-12.67%, maturities to 2001	8,489	27,862
Capitalized lease obligations, 4.9%-5.2%, maturities to 1998	754	--
Debt allocated to discontinued hotel operations	--	(187,860)
	-----	-----
	755,743	728,529
Current portion of long-term debt	(2,038)	(1,036)
	-----	-----
	\$ 753,705	\$ 727,493
	=====	=====

Harrah's outstanding corporate debt, comprised primarily of the Secured Bank Facilities and Unsecured Senior Subordinated Notes, has been issued by its wholly-owned subsidiary, Harrah's Operating Company, Inc. (HOC). Prior to the PHC Spin-off, the Company's corporate debt was not specifically related to either its casino entertainment or hotel segment. However, corporate debt service requirements had been met using cash flows provided by both segments. Therefore, in anticipation of the PHC Spin-off, HOC (formerly Embassy Suites, Inc.) obtained a new \$350 million bank facility (Hotel Facility), secured by the stock of PHC's material subsidiaries. Immediately prior to the PHC Spin-off, HOC drew approximately \$218 million on the Hotel Facility, \$215 million of which was used to retire a portion of the Company's existing corporate debt. Upon consummation of the PHC Spin-off, HOC was released from liability under the Hotel Facility. Therefore, in anticipation of the PHC Spin-off, a portion of the Company's corporate debt balance, unamortized deferred finance charges and interest expense were allocated to discontinued hotel operations for periods prior to the PHC Spin-off, based on the percentage of the Company's outstanding corporate debt expected to be retired using proceeds from the Hotel Facility. Net assets of discontinued hotel operations at December 31, 1994, included allocations to discontinued hotel operations of corporate debt and unamortized deferred finance charges of \$187.9 million and \$3.2 million, respectively, together with debt specifically related to PHC of \$3.3 million. Interest expense of \$9.5 million, \$17.2 million and \$17.0 million for 1995, 1994 and 1993, respectively, was allocated to discontinued hotel operations.

As of December 31, 1995, annual principal requirements for the four years subsequent to 1996 were: 1997, \$1.8 million; 1998, \$1.8 million; 1999, \$1.3 million; and 2000, \$548.0 million.

REVOLVING CREDIT FACILITY. In connection with the PHC Spin-off, Harrah's negotiated changes to its revolving and letter of credit facility which became effective June 30, 1995. Among the modifications were an increase in

total capacity from \$650 million to \$750 million, an extension of the maturity to July 31, 2000, reduced borrowing costs and modifications to certain financial covenants. The amended credit facility consists of a five-year \$600 million revolving credit facility which is renewable annually, at the lenders' option, for a five-year period (collectively, the Facility). Reductions of the borrowing capacity available under the \$600 million facility are as follows: \$50 million, July 1998; \$75 million, January 1999; \$75 million, July 1999; \$100 million, January 2000; and \$300 million, July 2000. Of the \$750 million available under the Facility, there is a sub-limit of \$50 million for letters of credit. At December 31, 1995, the Facility provided for

borrowings at a base rate of either Eurodollar plus 50 basis points or the prime lending rate. The weighted-average annual fees on letters of credit and commitment fees on the unutilized portion under the Facility, at December 31, 1995, were 0.63% and 0.14%, respectively.

The Facility is secured by the assets of Harrah's Nevada and New Jersey casino properties, the stock of its principal subsidiary, HOC, and certain other subsidiaries and certain casino entertainment trademarks. The Facility agreement contains financial covenants requiring Harrah's to maintain a specific tangible net worth and to meet other financial ratios. Its covenants limit Harrah's ability to pay dividends and to repurchase its outstanding shares.

As of December 31, 1995, Harrah's borrowings under the Facility were \$346.5 million and an additional \$25.1 million was committed to back certain letters of credit. After consideration of these borrowings, \$378.4 million of the Facility was available to Harrah's at December 31, 1995.

INTEREST RATE AGREEMENTS. To manage the relative mix of its debt between fixed and variable rate instruments, Harrah's enters into interest rate swap agreements to modify the interest characteristics of its outstanding debt without an exchange of the underlying principal amount. At December 31, 1995 and 1994, Harrah's was a party to the following interest rate swap agreements pursuant to which it pays a variable interest rate in exchange for receiving a fixed interest rate. The average variable rate paid by Harrah's was 5.9% and 5.8% at December 31, 1995 and 1994, respectively, and the average fixed interest rate received was 5.9% at both dates. The impact of these interest rate swap agreements on the effective interest rates of the associated debt was as follows:

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at December 31,		Next Semi-Annual Rate Adjustment Date	Swap Maturity
		1995	1994		
10 7/8% Notes					
\$200 million	4.73%	10.74%	10.68%	April 16	Oct 1997
8 3/4% Notes					
\$50 million	3.42%	9.23%	9.58%	May 15	May 1998
\$50 million	3.22%	9.10%	8.71%	January 16	July 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on \$50 million of the 8 3/4% Notes was adjusted on January 16, 1996 to 8.72%.

During 1995, Harrah's entered into nine additional interest rate swap agreements to effectively convert variable rate debt to a fixed rate. Two of these swap agreements, with a combined notional amount of \$100 million, were transferred to PHC at the time of the PHC Spin-off. Pursuant to the terms of these swaps, Harrah's receives variable payments tied to LIBOR in exchange for its payments at a fixed interest rate.

The fixed rates to be paid by Harrah's and variable rates to be received by Harrah's are summarized in the following table:

Notional Amount	Swap Rate Paid (Fixed)	Swap Rate Received (Variable) at Dec. 31, 1995		Swap Maturity
\$50 million	7.910%	5.938%		January 1998
\$50 million	6.985%	5.813%		March 2000
\$50 million	6.951%	5.668%		March 2000
\$50 million	6.945%	5.668%		March 2000
\$50 million	6.651%	5.875%		May 2000
\$50 million	5.788%	5.813%		June 2000
\$50 million	5.785%	5.813%		June 2000

In accordance with the terms of the above \$50 million swap which matures in January 1998, the variable interest rate was adjusted on January 26, 1996 to 5.500%. During fourth quarter 1995, the Company replaced two swap agreements it had entered into earlier in the year with new agreements which have longer terms and lower fixed interest rates. The replacement swaps were entered into at no cost to the Company and will reduce the Company's future cash requirements for interest payments. The effect on the current year's consolidated financial statements was immaterial. The table above reflects the terms of the new swap agreements. An interest rate collar on \$140 million of Harrah's variable rate bank debt expired in June 1995 and was not renewed.

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

SHELF REGISTRATION. To provide for additional financing flexibility, Harrah's, together with its wholly-owned subsidiary HOC, has registered up to \$200 million

of Harrah's common stock or HOC preferred stock or debt securities pursuant to a shelf registration declared effective by the Securities and Exchange Commission on October 11, 1995. The terms and conditions of the HOC preferred stock or debt securities, which will be unconditionally guaranteed by Harrah's, will be determined by market conditions at the time of issuance. The shelf registration is available until October 1997.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise stated)

FAIR MARKET VALUE. Based on the borrowing rates currently available for debt with similar terms and maturities and market quotes of its publicly traded debt, the fair value of Harrah's long-term debt, including the interest rate agreements and excluding debt allocated to the discontinued hotel operations, at December 31, 1995 and 1994, was as follows:

	December 31,			
	1995		1994	
	Carrying Value	Market Value	Carrying Value	Market Value
(in millions)				
Outstanding debt	\$ (755.7)	\$ (782.7)	\$ (728.5)	\$ (723.0)
Interest rate agreements (used for hedging purposes)				
Interest rate swaps	(0.3)	(12.2)	--	(17.9)
Interest rate collar	--	--	(0.3)	(0.8)

The amounts reflected as the "carrying value" of the interest rate agreements represent the accrual balance as of the date reported. The "market value" of the interest rate agreements represents the estimated amount, considering the prevailing interest rates, that Harrah's would pay to terminate the agreements as of the date reported.

7. LEASES

Harrah's leases both real estate and equipment used in its operations through operating and capital leases. Leases which transfer substantially all benefits and risks incidental to the ownership of property are capitalized. In addition to minimum rentals, some leases provide for contingent rents based on percentages of revenue. Real estate operating leases range from five to 10 years with various automatic extensions totalling up to 30 years. The average remaining term for other operating leases, which generally contain renewal options, extends approximately five years. The costs of leased assets are amortized over periods not in excess of the lease terms.

Rental expense associated with operating leases included in the Consolidated Statements of Income was as follows:

	1995	1994	1993
Noncancelable			
Minimum	\$ 17,097	\$ 9,919	\$ 9,052
Contingent	--	--	122
Sublease	(53)	(11)	(4)
Other	2,001	2,195	5,297
	\$ 19,045	\$ 12,103	\$ 14,467
	=====	=====	=====

The future minimum rental commitments as of December 31, 1995, were as follows:

	Noncancelable Operating Leases
1996	\$ 14,028
1997	10,196
1998	8,672
1999	8,312
2000	8,139
Thereafter	86,185
Total minimum lease payments.....	\$135,532
	=====

Minimum rental commitments exclude contingent rentals, which may be paid under certain leases based on a percentage of revenues in excess of specified amounts.

8. PROJECT WRITE-DOWNS

Included in Harrah's 1995 operating results are one-time charges related to write-offs of various projects as follows:

Harrah's Jazz-related

Write-off of investment in and advances to affiliate	\$54,349
Acquisition of partner loan	16,000
Estimated legal and severance costs	5,100

	75,449
Write-off of investment in and advances to nonconsolidated affiliate	9,638
Write-off of abandoned design and related costs	8,261

	\$93,348
	=====

9. INCOME TAXES

Harrah's federal and state income tax provision (benefit) allocable to identified income statement and balance sheet line items was as follows:

	1995	1994	1993
	-----	-----	-----
Income before income taxes and minority interests	\$ 60,677	\$ 75,391	\$ 59,394
Discontinued operations			
Earnings from hotel operations	15,434	26,798	13,869
Spin-off transaction costs, including \$3,956 of deferred tax benefit	(5,134)	--	--
Extraordinary loss	--	--	(3,415)
Cumulative effect of change in accounting policy	--	(4,317)	--
Stockholders' equity			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(6,616)	(3,252)	(10,467)
Unrealized gain on marketable equity securities	6,746	--	--
Pro rata share of proceeds from equity investee's initial public offering	--	--	2,662
	-----	-----	-----
	\$ 71,107	\$ 94,620	\$ 62,043
	=====	=====	=====

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

	1995	1994	1993
	-----	-----	-----
Current			
Federal	\$ 60,850	\$ 103,264	\$ 44,557
State	9,987	4,992	4,424
Deferred	(10,160)	(32,865)	10,413
	-----	-----	-----
	\$ 60,677	\$ 75,391	\$ 59,394
	=====	=====	=====

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

	1995	1994	1993
	----	----	----
Statutory tax rate	35.0%	35.0%	35.0%
Increases (decreases) in tax resulting from:			
State taxes, net of federal tax benefit	4.3	3.2	2.4
Provision for settlement of litigation and related costs (Note 13)	--	13.3	0.1
Minority interests in partnership earnings	(2.8)	(3.5)	(1.2)
Adjustment of valuation of deferred tax assets and liabilities due to change in tax rate	--	--	0.7
Employee wage related credit	(0.9)	(1.0)	(0.6)
Goodwill amortization	0.4	0.5	0.4
Other	4.0	6.6	5.9
	----	----	----
	40.0%	54.1%	42.7%
	=====	=====	=====

The components of Harrah's net deferred tax balance included in the Consolidated Balance Sheets were as follows:

	1995	1994
	-----	-----
Deferred tax assets		
Compensation	\$ 21,067	\$ 19,478
Investments in nonconsolidated affiliates	15,978	4,967
Self-insurance reserves	9,231	10,346
Preopening expenses	8,994	8,136
Bad debt reserve	4,163	4,051
Debt consent costs	3,956	--
Deferred income	1,474	908
Other	10,595	2,346
	-----	-----
	75,458	50,232
	-----	-----
Deferred tax liabilities		
Property	(45,334)	(38,391)
Other	(4,167)	--
	-----	-----
	(49,501)	(38,391)
	-----	-----
Net deferred tax asset	\$ 25,957	\$ 11,841
	=====	=====

10. CHANGE IN ACCOUNTING POLICY

Effective January 1, 1994, Harrah's changed its accounting policy for its consolidated casinos relating to preopening costs to capitalize such costs as incurred prior to opening and to expense them upon opening of each project. Previously, the Company had capitalized preopening costs and amortized them to expense over 36 months from the date of opening. As a result of this change, operating results for the year ended December 31, 1994, reflect the cumulative charge against earnings, net of income taxes, of \$7.9 million, or \$0.08 per share, to write-off the unamortized preopening costs balances related to projects opened in prior years.

11. SUPPLEMENTAL CASH FLOW INFORMATION

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

	1995	1994	1993
	-----	-----	-----
Long-term accounts			
Deferred costs and other assets	\$ (4,746)	\$ 1,413	\$ (2,534)
Deferred credits and other			
long-term liabilities	(13,398)	(5,860)	3,129
	-----	-----	-----
Net change in long-term			
accounts	\$(18,144)	\$ (4,447)	\$ 595
	=====	=====	=====
Working capital accounts			
Receivables	\$(27,616)	\$(15,256)	\$ (5,185)
Supplies	(565)	369	(1,319)
Prepayments and other	(94)	(1,868)	(885)
Other current assets	--	(798)	(7,545)
Accounts payable	(10,279)	22,552	7,988
Accrued expenses	1,978	25,884	35,664
	-----	-----	-----
Net change in working capital			
accounts	\$(36,576)	\$ 30,883	\$ 28,718
	=====	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR INTEREST AND TAXES. The following table reconciles Harrah's Interest expense, net of interest capitalized, per the Consolidated Statements of Income, to cash paid for interest:

	1995	1994	1993
	-----	-----	-----
Interest expense, net of amount			
capitalized (Note 3)	\$ 73,890	\$ 76,363	\$ 73,080
Adjustments to reconcile to cash			
paid for interest:			
Net change in accruals	10,739	(4,923)	(10,708)
Amortization of deferred finance			
charges	(3,626)	(2,844)	(3,261)
Net amortization of discounts			
and premiums	(53)	(176)	(172)
	-----	-----	-----
Cash paid for interest, net of			
amount capitalized	\$ 80,950	\$ 68,420	\$ 58,939
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise stated)

Cash payments, net of refunds, for income taxes, including amounts paid on behalf of the discontinued hotel operations, amounted to \$85,001, \$116,093 and \$49,771 for 1995, 1994 and 1993, respectively (see Note 9).

12. COMMITMENTS AND CONTINGENCIES

CONTRACTUAL COMMITMENTS. Harrah's is pursuing additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guaranties by Harrah's of third party debt and development completion guaranties. As of December 31, 1995, Harrah's has guaranteed third party loans and leases of \$48 million, which are secured by certain assets, and has other contractual commitments, primarily construction-related, of \$180 million, excluding amounts previously recorded.

In addition, as part of a transaction whereby Harrah's effectively secured an option to a site for a potential casino, Harrah's has guaranteed a third party's \$24.7 million variable rate bank loan. Harrah's also has entered into an interest rate swap agreement in which Harrah's receives a fixed interest rate of 7% from the third party and pays the variable interest rate of the subject debt, which is currently LIBOR plus 1.0%. The interest rate swap is marked to market by Harrah's with the adjustment recorded in interest expense. The market value of the swap was a positive \$0.3 million and a negative \$1.1 million at December 31, 1995 and 1994, respectively. The interest rate swap agreement expires December 1, 1996 and is also subject to earlier termination upon the occurrence of certain events. The underlying guaranty contains an element of risk that the borrower may be unable to retire the loan when it matures in December 1996. If that occurs, the Company could become responsible for repayment of at least a portion of the obligation. Harrah's has reduced this exposure by obtaining a security interest in certain assets of the third party.

See Note 15 for discussion of the completion guaranties issued by Harrah's related to development of the New Orleans' casino.

GUARANTEE OF INSURANCE CONTRACT. Harrah's has guaranteed the value of a guaranteed investment contract with an insurance company held by Harrah's defined contribution savings plan. Harrah's has also agreed to provide non-interest-bearing loans to the plan to fund, on an interim basis, withdrawals from this contract by retired or terminated employees. Harrah's maximum exposure on this guarantee as of December 31, 1995, was \$6.7 million.

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

SEVERANCE AGREEMENTS. At December 31, 1995, Harrah's had severance agreements with 16 of its senior executives, which provide for payments to the executives in the event of their termination after a change in control, as defined, of Harrah's. These agreements provide, among other things, for a compensation payment equal to 2.99 times the average annual compensation paid to the executive for the five preceding calendar years, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Harrah's incentive plans. The estimated amount, computed as of December 31, 1995, that would have been payable under the agreements to these executives based on earnings and stock options aggregated approximately \$28.0 million.

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

13. LITIGATION

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

In addition to the matters described above, Harrah's and certain of its subsidiaries have been named as defendants in a number of lawsuits arising from the suspension of development of a land-based casino, and the closing of the temporary gaming facility, in New Orleans, Louisiana, by Harrah's Jazz Company, a partnership in which the Company owns an approximate 47% interest and which has filed for protection under Chapter 11 of the U.S. Bankruptcy Code (see Note 15). The ultimate outcomes of these lawsuits cannot be predicted at this time, and no provisions for the claims are included in the accompanying consolidated financial statements. The Company intends to defend these actions vigorously.

In March 1995, the Company entered into a settlement agreement (the Settlement) with Bass PLC (Bass) of all claims related to the Merger Agreement and Tax Sharing Agreement arising from the 1990 Spin-off of Promus and acquisition of the Holiday Inn business by Bass. As a result of the Settlement, a charge of \$49.2 million was recorded in 1994 to accrue for the cost of the Settlement, related legal fees and other associated expenses. In addition to these costs, legal fees and other expenses incurred related to the Company's defense of this litigation were included in the Provision for settlement of litigation and related costs in the Consolidated Statements of Income. Such costs amounted to \$4.3 million and \$0.4 million in 1994 and 1993, respectively. All amounts due under the Settlement were paid in 1995.

14. EMPLOYEE BENEFIT PLANS

SAVINGS AND RETIREMENT PLAN. Harrah's maintains a defined contribution savings and retirement plan, which, among other things, allows pre-tax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 16 percent of their eligible earnings, the first six percent of which Harrah's will match fully. Amounts contributed to the plan are invested, at the participant's option, in a Harrah's company stock fund, a diversified stock fund, an aggressive stock fund, a long-term bond fund, an income fund and a treasury fund. Participants become vested in Harrah's matching contribution over seven years of credited service. Harrah's contribution expense for this plan was \$12.9 million, \$11.4 million and \$10.2 million in 1995, 1994 and 1993, respectively.

EMPLOYEE STOCK OWNERSHIP PLAN. Harrah's has an employee stock ownership plan, which is a noncontributory stock bonus plan covering employees of Harrah's and its affiliates. Harrah's contributions to the plan are discretionary and are made only if approved by the Human Resources Committee of Harrah's Board of Directors. Contributions were approved for each of the plan years 1995, 1994 and 1993. The expense recognized in each year as a result of these contributions was not material.

DEFERRED COMPENSATION PLANS. Harrah's maintains deferred compensation plans under which certain employees and members of its Board of Directors may defer a portion of their compensation. Amounts deposited into these plans are unsecured liabilities of Harrah's and earn interest at rates approved by the Human Resources Committee of the Board of Directors. The total liability included in Deferred credits and other liabilities for these plans at December 31, 1995 and 1994 was \$38.7 million and \$35.9 million, respectively. In connection with the administration of one of these plans, Harrah's has purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

RESTRICTED STOCK AND STOCK OPTION PLANS. As a component of Harrah's retention and long-term compensation packages, key employees may be granted shares of common stock under the Harrah's Restricted Stock Plan (RSP) and/or options to purchase shares of Harrah's common stock under the Harrah's Stock Option Plan (SOP). Shares granted under the RSP are restricted as to transfer and subject to forfeiture during a specified period or periods prior to vesting. The shares generally vest over a period of four years. No awards of RSP shares may be made under the current plan after November 1999. The deferred compensation related to the RSP shares is generally amortized to expense over the vesting period. This expense totaled \$1.2 million, \$4.4 million and \$4.8 million in 1995, 1994 and 1993, respectively.

Harrah's SOP allows an option holder to purchase Harrah's common stock over specified periods of time, generally ten years, at a fixed price equal to the market value at the date of grant. No options may be granted under the SOP after

November 1999. In connection with the PHC Spin-off, the option price and number of shares of all outstanding stock options were adjusted as of June 30, 1995, to preserve their approximate value to the employee immediately before the PHC Spin-off. A summary of stock option transactions during 1995 follows:

	Option Price Range (Per Share)	Number of Common Shares	
		Options Outstanding	Available for Grant
Balance - January 1, 1995	\$ 3.94-\$50.00	2,268,294	2,491,965
Granted	\$31.69-\$41.75	1,473,290	(1,473,290)
Exercised	\$ 3.94-\$37.33	(111,807)	--
Canceled	\$ 3.94-\$50.00	(843,700)	843,700
Balance - June 30, 1995	\$ 3.94-\$50.00	2,786,077	1,862,375
Adjustment to reflect PHC Spin-off	N/A	1,136,463	(1,136,463)
Adjusted balance - June 30, 1995	\$ 2.80-\$35.59	3,922,540	725,912
Additional shares authorized	N/A	--	4,500,000
Granted	\$24.75-\$26.81	1,836,563	(1,836,563)
Exercised	\$ 2.80-\$26.57	(81,752)	--
Canceled	\$ 2.80-\$35.59	(258,525)	258,525
Balance - December 31, 1995	\$ 2.80-\$35.59	5,418,826	3,647,874
Exercisable at		=====	=====

December 31, 1995	\$ 2.80-\$35.59	725,961
		=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise stated)

MULTI-EMPLOYER PENSION PLAN. Approximately 2,500 of Harrah's employees are covered by union sponsored, collectively bargained multi-employer pension plans. Harrah's contributed and charged to expense \$1.9 million, \$1.9 million and \$2.0 million in 1995, 1994 and 1993, respectively, for such plans. The plans' administrators do not provide sufficient information to enable Harrah's to determine its share, if any, of unfunded vested benefits.

15. NONCONSOLIDATED AFFILIATES

HARRAH'S JAZZ COMPANY. A Harrah's subsidiary owns an approximate 47% interest in a partnership named Harrah's Jazz Company (Harrah's Jazz). On November 22, 1995, Harrah's Jazz and its wholly-owned subsidiary, Harrah's Jazz Finance Corp., filed for reorganization under Chapter 11 of the Bankruptcy Code. Prior to the filing, Harrah's Jazz was operating a temporary casino in the New Orleans, Louisiana Municipal Auditorium (the Temporary Casino) and constructing a new permanent casino facility on the site of the former Rivergate Convention Center in downtown New Orleans (the Permanent Casino). Harrah's Jazz ceased operation of the Temporary Casino and construction of the Permanent Casino on November 22, 1995 prior to the bankruptcy filings.

On November 19, 1995, representatives of the Harrah's Jazz bank syndicate informed Harrah's Jazz that the bank syndicate would not disburse funds to Harrah's Jazz under the terms of Harrah's Jazz's \$175 million bank credit facility (the Jazz Credit Facility). Faced with an absence of funding, on November 21, 1995, Harrah's Jazz decided to cease Temporary Casino operations and construction on the Permanent Casino, as well as to file for bankruptcy protection. The Jazz Credit Facility was accelerated and terminated by the bank lenders on November 21, 1995. Thereafter, on November 22, 1995, the bankruptcy filings were made.

In connection with the closing in November 1994 of the 14.25% First Mortgage Notes due 2001 of Harrah's Jazz (the Public Debt) and the Jazz Credit Facility, the Company delivered completion guaranties to the trustee under the Public Debt (under which the City of New Orleans (the City) was an express third-party beneficiary), the bank lenders under the Jazz Credit Facility and the Louisiana Economic Development and Gaming Corporation (the state agency regulating Harrah's Jazz (LEDGC)). Each completion guaranty was subject to certain conditions, exceptions and qualifications. The Company believes that the failure of Harrah's Jazz to obtain the funds under the Jazz Credit Facility and the acceleration of the loan by the bank syndicate terminated the Company's obligations under the completion guaranties.

The Company made total capital contributions to the project of approximately \$90 million and has outstanding advances to the project of approximately \$25 million. In addition, in December 1995, the Company acquired from a commercial bank a \$16 million loan to a Harrah's Jazz partner in satisfaction of the Company's obligations under a preexisting agreement with the bank. The Company has written off these investments and other related costs in the project.

The Company currently owns approximately 47% of the general partnership interests of Harrah's Jazz. Harrah's Jazz is not consolidated into the Company's financial statements for accounting purposes.

Harrah's Jazz has until March 21, 1996, which date may be extended by the Bankruptcy Court, the exclusive right under the bankruptcy laws to submit a plan of reorganization. Discussions concerning the reorganization plan have occurred among certain interested parties, but a number of issues remain to be resolved and there can be no assurance that such discussions will lead to an agreement among all necessary parties.

The Company has offered to invest an additional \$75 million in the project and deliver a new completion guaranty if a reorganization plan approved by the Company is consummated. The Company has also offered to invest, prior to plan consummation, up to \$10 million in the form of debtor-in-possession financing (such financing would be repaid or converted into equity (and count toward the \$75 million investment referred to above) upon consummation of a reorganization plan approved by the Company) if the Company and other interested parties reach an agreement in principle as to the key elements of the plan. There can be no assurance that any agreements will be reached or a reorganization plan consummated.

On March 4, 1996, Harrah's Jazz entered into a preliminary agreement with the City which provides for, among other things, an immediate \$4.3 million cash payment by Harrah's Jazz to the City, of which \$2.5 million is being funded by the Company as debtor-in-possession financing and the balance is being funded from Harrah's Jazz's assets. Although the \$2.5 million loan is an administrative priority claim in the bankruptcy, there can be no assurance that the loan will be repaid. In exchange for these agreements by Harrah's Jazz, the City agreed to waive any requirements to reopen the Temporary Casino and negotiate in good faith numerous specified issues relating to the lease of the Permanent Casino site.

OTHER. Summarized balance sheet and income statement information of nonconsolidated gaming affiliates, including Harrah's Jazz, which Harrah's accounted for using the equity method, as of December 31, 1995 and 1994, and for the three years ended December 31, 1995, were as follows:

	1995	1994	1993
	-----	-----	-----
Combined Summarized Balance Sheet Information			
Current assets	\$ 82,091	\$ 454,295	
Land, buildings and equipment, net	292,080	69,608	
Other assets	270,146	141,488	
	-----	-----	
Total assets	644,317	665,391	
	-----	-----	
Current liabilities	106,999	23,894	
Long-term debt	465,386	510,000	
	-----	-----	
Total liabilities	572,385	533,894	
	-----	-----	
Net assets	\$ 71,932	\$ 131,497	
	=====	=====	
Combined Summarized Statements of Operations			
Revenues	\$ 118,798	\$ 291	\$ 19,678
	=====	=====	=====
Operating income (loss)	\$ (30,296)	\$ (23,891)	\$ 1,802
	=====	=====	=====
Net income (loss)	\$(139,200)	\$ (29,201)	\$ 1,105
	=====	=====	=====

Condensed financial information relating to a restaurant subsidiary has not been presented since its operating results and financial position are not material to Harrah's.

Harrah's share of nonconsolidated affiliates' net income (losses), including Harrah's Jazz operations through November 21, 1995, is reflected in the accompanying Consolidated Statements of Income as follows:

	1995	1994	1993
	-----	-----	-----
Pre-interest operating income (loss)			
(included in Revenue-other)	\$(28,719)	\$(10,535)	\$89
	=====	=====	===

Harrah's share of nonconsolidated affiliates' combined interest expense is reflected as Interest expense from nonconsolidated affiliates in the Consolidated Statements of Income.

Harrah's investments in and advances to nonconsolidated affiliates are reflected in the accompanying Consolidated Balance Sheets as follows:

	1995	1994
	-----	-----
Harrah's Jazz (at equity)	\$ --	\$ 74,385
Other nonconsolidated affiliates		
At equity	22,374	18,320
At cost	49,565	24,227
	-----	-----
	\$ 71,939	\$116,932
	=====	=====

During 1995, Harrah's sold a portion of its investment in a New Zealand casino property, reducing its ownership percentage from 20.0% to 12.5% and resulting in a pre-tax gain of approximately \$11.7 million. As a result of this sale, this investment is now recorded using the cost method.

Due to continued appreciation in the market value of the stock of an equity investee, during 1995 the Company adjusted the carrying value of the investment to include the unrealized gain in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The amount of such unrealized gain in prior years was not material. A corresponding increase was recorded in the combination of Harrah's stockholders' equity and deferred income tax accounts.

During 1993, an equity investee of Harrah's completed an initial public offering of its common stock. As required by equity accounting rules, Harrah's increased the carrying value of its investment by an amount equal to its pro rata share of the proceeds of the investee's offering, approximately \$6.4 million. A corresponding increase was recorded in the combination of Harrah's capital surplus and deferred income tax liability accounts. As a result of this offering, Harrah's ownership interest fell below 20% and, accordingly, the investment is no longer accounted for under the equity method.

16. SUMMARIZED FINANCIAL INFORMATION

HOC is a wholly-owned subsidiary and the principal asset of Harrah's. Summarized financial information of HOC as of December 31, 1995 and 1994 and for each of the three years ended December 31, 1995, prepared on the same basis as Harrah's,

was as follows:

	1995	1994	1993
	-----	-----	-----
Current assets	\$ 185,950	\$ 171,445	
Land, buildings, riverboats and equipment, net	1,204,890	1,129,841	
Net assets of discontinued hotel operations	--	143,008	
Other assets	242,773	293,015	
	-----	-----	
	1,633,613	1,737,309	
	-----	-----	
Current liabilities	184,454	280,295	
Long-term debt	753,705	727,492	
Other liabilities	73,216	74,043	
Minority interests	23,908	18,267	
	-----	-----	
	1,035,283	1,100,097	
	-----	-----	
Net assets	\$ 598,330	\$ 637,212	
	=====	=====	
Revenues	\$1,549,198	\$1,337,110	\$1,018,776
	=====	=====	=====
Operating income	\$ 226,169	\$ 267,742	\$ 207,931
	=====	=====	=====
Income from continuing operations	\$ 76,370	\$ 49,044	\$ 74,867
	=====	=====	=====
Net income	\$ 76,406	\$ 77,430	\$ 85,167
	=====	=====	=====

The agreements governing the terms of Harrah's debt contain certain covenants which, among other things, place limitations on HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments, was approximately \$591.4 million at December 31, 1995.

MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

Harrah's is responsible for preparing the financial statements and related information appearing in this report. Management believes that the financial statements present fairly its financial position, its results of operations and its cash flows in conformity with generally accepted accounting principles. In preparing its financial statements, Harrah's is required to include amounts based on estimates and judgments which it believes are reasonable under the circumstances.

Harrah's maintains accounting and other control systems designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. Compliance with these systems and controls is reviewed through a program of audits by an internal auditing staff. Limitations exist in any internal control system, recognizing that the system's cost should not exceed the benefits derived.

The Board of Directors pursues its responsibility for Harrah's financial statements through its Audit Committee, which is composed solely of directors who are not Harrah's officers or employees. The Audit Committee meets from time to time with the independent public accountants, management and the internal auditors. Harrah's internal auditors report directly to the Audit Committee pursuant to gaming regulations. The independent public accountants have direct access to the Audit Committee, with and without the presence of management representatives.

/s/ Michael D. Rose

/s/ Michael N. Regan

Michael D. Rose
Chairman of the Board

Michael N. Regan
Vice President, Controller and
Chief Accounting Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Harrah's Entertainment, Inc.:

We have audited the accompanying consolidated balance sheets of Harrah's Entertainment, Inc. (a Delaware corporation) and subsidiaries (Harrah's) as of December 31, 1995 and 1994, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years ended December 31, 1995. These financial statements are the responsibility of Harrah's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of Harrah's as of December 31, 1995 and 1994 and the results of its operations and its cash flows for each of the three years ended December 31, 1995, in conformity with generally accepted accounting principles.

As explained in Note 10 to the consolidated financial statements, effective January 1, 1994, Harrah's changed its method of accounting for preopening costs.

/s/ Arthur Andersen LLP

Memphis, Tennessee,
March 5, 1996.

HARRAH'S ENTERTAINMENT, INC.
 QUARTERLY RESULTS OF OPERATIONS
 (Unaudited)
 (In thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	-----	-----	-----	-----	-----
1995					
- ----					
Revenues	\$356,481	\$389,337	\$425,824	\$378,434	\$1,550,076
Operating income (loss)	72,421	83,760	103,771	(30,031)(1)	229,921(1)
Income (loss) from continuing operations	28,696	35,351	51,310	(36,547)(1)	78,810(1)
Income from discontinued hotel operations	9,604	11,626	--	--	21,230
Net income (loss)	23,102	40,981	51,310	(36,547)(1)	78,846(1)
Earnings (loss) per share(3)					
Continuing operations	0.28	0.35	0.50	(0.35)(1)	0.76(1)
Discontinued operations	0.09	0.11	--	--	0.21
Net income (loss)	0.22	0.40	0.50	(0.35)(1)	0.76(1)
1994					
- ----					
Revenues	\$290,232	\$338,805	\$366,811	\$343,558	\$1,339,406
Operating income	62,038	77,227	75,851	54,071	269,187
Income (loss) from continuing operations	22,085	29,669	30,591	(32,361)(2)	49,984(2)
Income from discontinued hotel operations	6,131	10,207	13,592	6,389	36,319
Net income (loss)	20,284	39,876	44,183	(25,972)(2)	78,371(2)
Earnings (loss) per share(3)					
Continuing operations	0.22	0.29	0.30	(0.31)(2)	0.49(2)
Discontinued operations	0.06	0.10	0.13	0.06	0.35
Net income (loss)	0.20	0.39	0.43	(0.25)(2)	0.76(2)

(1) Fourth quarter 1995 includes \$93.3 million in pre-tax charges for project write-downs (see Note 8).

(2) 1994 includes a \$53.4 million provision for settlement of litigation and related costs, of which \$50.9 million was recorded in fourth quarter 1994 (see Note 13).

(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 while the full year is based on the annual weighted average common and common equivalent shares outstanding.

APPENDIX TO MANAGEMENT'S DISCUSSION
AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS ("MDA")

Page 25 of the MD&A contains a graph entitled "Gaming Revenue by Type" showing the following information:

	Slots -----	Tables -----	Other -----
1993	68.6%	28.4%	3.0%
1994	69.4%	28.1%	2.5%
1995	71.8%	25.9%	2.3%

Page 27 of the MD&A contains a graph entitled "Income Before Income Taxes and Minority Interests" (before preopening costs, project write-downs and provision for settlement of litigation) showing the following information (in millions of dollars):

	1993 -----	1994 -----	1995 -----
First Quarter	\$12.8	\$44.4	\$52.4
Second Quarter	34.2	63.3	61.0
Third Quarter	57.6	67.8	89.8
Fourth Quarter	34.9	32.6	42.2

Page 29 of the MD&A contains a graph entitled "Gaming Volume by State" (for owned and managed properties) showing the following information (in millions of dollars):

	1993 -----	1994 -----	1995 -----
Nevada	\$6,826	\$6,709	\$6,728
New Jersey	2,991	3,225	3,619
Illinois	658	1,953	2,711
Mississippi	164	1,508	1,468
Colorado	171	341	381
Louisiana	-	818	2,878
Missouri	-	172	1,760
Arizona	-	-	1,100
Washington	-	-	4

Page 31 of the MD&A contains a graph entitled "Scheduled Debt Maturities" showing the following (in millions of dollars):

Year - - - - -	Due in 1 Year -----	Due in 2 Years -----	Due in 3 Years -----	Due in 4 Years -----	Due in 5 Years -----	Due After 5 Years -----
1994	\$1.0	\$1.6	\$1.6	\$302.7	\$19.4	\$402.2
1995	2.0	1.8	1.8	1.3	548.0	200.8

EXHIBIT 21

February 27, 1996

HARRAH'S ENTERTAINMENT, INC.
SUBSIDIARIES

Name - - - - -	Jurisdiction of Incorporation -----	Percentage of Ownership -----	Date of Incorporation -----
Aster Insurance Ltd.	Bermuda	100%	02/06/90
Harrah's Operating Company, Inc.	Delaware	100%	08/08/83
ESI-Air, Inc.	Tennessee	100%	03/11/63
Harrah South Shore Corporation	California	100%	10/02/59
Harrah's - Holiday Inns of New Jersey, Inc.	New Jersey	100%	09/19/79
Harrah's Alabama Corporation	Nevada	100%	09/09/93
Harrah's Alberta Investment Corporation	Alberta	100%	04/05/95
Harrah's Arizona Corporation	Nevada	100%	01/26/93
Harrah's Atlantic City, Inc.	New Jersey	100%	02/13/79
Harrah's California Corporation	Nevada	100%	02/02/94
Harrah's California SSR Corporation	Nevada	100%	10/12/94
Harrah's Colorado Investment Corporation	Nevada	100%	06/23/93
Harrah's Colorado Management Company	Nevada	100%	06/23/93
Harrah's Colorado Standby Corporation	Nevada	100%	11/10/93
Harrah's Connecticut Corporation	Nevada	100%	01/25/94
Harrah's Huntington Corporation	W. Virginia	100%	03/03/95
Harrah's Illinois Corporation	Nevada	100%	12/18/91
Harrah's Indiana Investment Corporation	Nevada	100%	09/09/93
Harrah's Indiana Management Corporation	Nevada	100%	09/09/93
Harrah's Interactive Entertainment Company	Nevada	100%	09/21/94
Harrah's Interactive Investment Company	Nevada	100%	09/21/94
Harrah's Kansas Casino Corporation	Nevada	100%	11/12/93
Harrah's Kenner Corporation	Louisiana	100%	01/27/93
Harrah's Las Vegas, Inc.	Nevada	100%	03/21/68
Harrah's Laughlin, Inc.	Nevada	100%	07/10/87
Harrah's Management Company	Nevada	100%	04/07/83
Harrah's Maryland Heights Corporation	Nevada	100%	07/30/93
Harrah's Maryland Heights LLC*	Delaware	99%	10/16/95
Harrah's Maryland Heights Operating Company	Nevada	100%	6/20/95
Harrah's Mexico Holding Company	Nevada	100%	4/11/95
Harrah's de Mexico, S.A. de C.V.**	Mexico	50%	
Harrah's Michigan Corporation	Nevada	100%	06/15/93
Harrah's Minnesota Corporation	Nevada	100%	10/20/92
Harrah's NC Casino Company, LLC***	North Carolina	99%	04/21/95
Harrah's New Jersey, Inc.	New Jersey	100%	09/13/78
Harrah's New Orleans Investment Company	Nevada	100%	05/21/93
Harrah's Jazz Finance Corp.****	Delaware	47.07%	12/17/93
Harrah's New Orleans Management Company	Nevada	100%	05/21/93
Harrah's New Zealand, Inc.	Nevada	100%	02/28/92
Harrah's North Carolina Casino Corporation	North Carolina	100%	12/22/94
Harrah's-North Kansas City Corporation	Nevada	100%	02/23/93
Harrah's Ohio Corporation	Nevada	100%	11/02/94
Harrah's Ohio Management Company	Nevada	100%	11/02/94
Harrah's Ontario, Inc.	Canada	100%	06/23/93
Harrah's Pennsylvania Development Co.	Nevada	100%	05/18/94
Harrah's Pittsburgh Investment Company	Nevada	100%	05/26/94
Harrah's Pittsburgh Management Company	Nevada	100%	06/08/94

Harrah's Pty. Limited	Australia	100%	04/21/75
Harrah's Reno Holding Company, Inc.	Nevada	100%	02/23/88
Harrah's Riverboat Leasing Company	Nevada	100%	06/20/95
Harrah's Shreveport Investment Company, Inc.	Nevada	100%	04/23/92
Harrah's Shreveport Management Company, Inc.	Nevada	100%	04/23/92
Harrah's Skagit Valley Agency Corporation	Nevada	100%	11/08/95
Harrah's Southeast Washington Casino Corporation	Nevada	100%	11/21/95
Harrah's Southwest Michigan Casino Corporation	Nevada	100%	04/06/95
Harrah's Tunica Corporation	Nevada	100%	08/10/92
Harrah's Vicksburg Corporation	Nevada	100%	07/13/92
Harrah's Virginia Corporation	Nevada	100%	12/01/94
Harrah's Washington Corporation	Nevada	100%	02/03/94
Harrah's West Virginia Corporation	W. Virginia	100%	03/03/95
Harrah's Wheeling Corporation	Nevada	100%	04/29/94
Sodak Gaming, Inc.	South Dakota	14.1%	
The Restaurant Company***** (fka Tennessee Restaurant Company)	Delaware	32.5%	10/31/85

* 99% Harrah's Operating Company, Inc., 1% Harrah Maryland Heights Operating Company

** 50% Harrah's Operating Company, Inc., 50% Harrah's Mexico Holding Company

*** 99% Harrah's Operating Company, Inc., 1% Harrah's Management Company

**** 47.07% Harrah's New Orleans Investment Company

***** Owns 50% of Perkins Restaurants, Inc.

	1,000	
YEAR		
DEC-31-1995		
DEC-31-1995		
	96,345	
	0	
	48,661	
	10,910	
	12,040	
188,836		
	1,723,714	
	518,824	
	1,636,734	
201,566		
	753,705	
0		
	0	
	10,267	
	575,282	
1,636,734		
	0	
1,550,076		
	0	
	1,192,895	
	124,145	
	3,115	
94,416		
	151,583	
	60,677	
78,810		
	36	
	0	
	0	
	78,846	
	0.76	
	0.76	