

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ (X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD
ENDED JUNE 30, 1998

OR

☐ () TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD
FROM TO .

Commission File No. 1-10410

HARRAH'S ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

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

1023 Cherry Road
Memphis, Tennessee 38117
(Address of principal executive offices)

(901) 762-8600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes	X	No
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At June 30, 1998, there were outstanding 101,286,569 shares of the
Company's Common Stock.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited Consolidated Condensed Financial Statements of Harrah's Entertainment, Inc. ("Harrah's" or the "Company"), a Delaware corporation, have been prepared in accordance with the instructions to Form 10-Q, and therefore do not include all information and notes necessary for complete financial statements in conformity with generally accepted accounting principles. The results for the periods indicated are unaudited, but reflect all adjustments (consisting only of normal recurring adjustments) which management considers necessary for a fair presentation of operating results. Results of operations for interim periods are not necessarily indicative of a full year of operations. See Note 2 to these Consolidated Condensed Financial Statements regarding the completion of the Company's acquisition of Showboat, Inc., during second quarter 1998. These Consolidated Condensed Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's 1997 Annual Report to Stockholders.

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

(In thousands, except share amounts)

	June 30, 1998 -----	Dec. 31, 1997 -----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 151,881	\$ 116,443
Receivables, less allowance for doubtful accounts of \$15,526 and \$11,462	66,575	43,767
Deferred income tax benefits	16,353	17,436
Prepayments and other	31,381	21,653
Inventories	15,388	13,011
	-----	-----
Total current assets	281,578	212,310
	-----	-----
Land, buildings, riverboats and equipment	2,594,454	2,153,340
Less: accumulated depreciation	(734,656)	(675,286)
	-----	-----
	1,859,798	1,478,054
Excess of purchase price over net assets acquired in Showboat acquisition, including assets held for sale (Note 2)	531,080	-
Investments in and advances to nonconsolidated affiliates	288,141	152,401
Deferred costs, notes receivable and other	177,713	162,741
	-----	-----
	\$3,138,310	\$2,005,506
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 49,821	\$ 45,233
Construction payables	2,702	7,186
Accrued expenses	199,129	156,694
Current portion of long-term debt	2,196	1,837
	-----	-----
Total current liabilities	253,848	210,950
Long-term debt	1,949,061	924,397
Deferred credits and other	104,343	98,177
Deferred income taxes	34,085	22,361
	-----	-----
	2,341,337	1,255,885
	-----	-----
Minority interests	14,312	14,118
	-----	-----
Commitments and contingencies (Notes 4, 6, 7 and 8)		
Stockholders' equity		
Common stock, \$0.10 par value, authorized 360,000,000 shares, outstanding 101,286,569 and 101,035,898 shares (net of 3,012,602 and 3,001,568 shares held in treasury)	10,129	10,104
Capital surplus	394,700	388,925
Retained earnings	393,028	349,386
Accumulated other comprehensive income	2,069	2,884
Deferred compensation related to restricted stock	(17,265)	(15,796)
	-----	-----
	782,661	735,503
	-----	-----
	\$3,138,310	\$2,005,506
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(In thousands, except per share amounts)	Second Quarter Ended		Six Months Ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
	-----	-----	-----	-----
Revenues				
Casino	\$ 387,507	\$ 336,924	\$ 730,403	\$ 650,749
Food and beverage	54,533	48,751	104,258	94,442
Rooms	37,690	32,055	69,768	58,755
Management fees	22,160	7,259	32,337	12,865
Other	19,404	19,757	37,069	36,269
Less: casino promotional allowances	(42,660)	(35,853)	(80,754)	(70,088)
Total revenues	478,634	408,893	893,081	782,992
Operating expenses				
Direct				
Casino	219,347	172,024	395,585	337,176
Food and beverage	28,348	25,317	53,893	48,122
Rooms	10,810	10,203	20,420	18,757
Depreciation of buildings, riverboats and equipment	31,593	26,079	61,073	50,661
Development costs	2,082	2,733	3,920	4,689
Write-downs and reserves	1,847	-	1,847	-
Project opening costs	3,342	549	5,996	8,015
Other	95,430	96,766	196,079	183,864
Total operating expenses	392,799	333,671	738,813	651,284
Operating profit	85,835	75,222	154,268	131,708
Corporate expense	(8,936)	(8,085)	(15,586)	(15,677)
Equity in losses of nonconsolidated affiliates	(3,511)	(3,223)	(6,302)	(5,371)
Venture restructuring costs	(1,533)	(2,715)	(2,459)	(4,170)
Income from operations	71,855	61,199	129,921	106,490
Interest expense, net of interest capitalized	(25,623)	(20,329)	(44,949)	(38,144)
Gain on sale of equity interest in subsidiary	13,155	-	13,155	-
Other income, including interest income	1,395	3,121	5,525	6,227
Income before income taxes and minority interests	60,782	43,991	103,652	74,573
Provision for income taxes	(22,031)	(16,677)	(37,952)	(28,324)
Minority interests	(1,732)	(1,941)	(3,778)	(3,765)
Income before extraordinary losses	37,019	25,373	61,922	42,484
Extraordinary losses on early extinguishments of debt, net of income tax benefit of \$9,031, \$4,477, \$9,755 and \$4,477	(16,613)	(8,134)	(18,280)	(8,134)
Net income	\$ 20,406	\$ 17,239	\$ 43,642	\$ 34,350
	=====	=====	=====	=====

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

(In thousands, except per share amounts)	Second Quarter Ended June 30, 1998 -----	June 30, 1997 -----	June 30, 1998 -----	Six Months Ended June 30, 1997 -----
Earnings per share-basic				
Income before extraordinary losses	\$ 0.37	\$ 0.25	\$ 0.62	\$ 0.42
Extraordinary losses, net	(0.17)	(0.08)	(0.18)	(0.08)
	-----	-----	-----	-----
Net income	\$ 0.20	\$ 0.17	\$ 0.44	\$ 0.34
	=====	=====	=====	=====
Earnings per share-diluted				
Income before extraordinary losses	\$ 0.36	\$ 0.25	\$ 0.61	\$ 0.42
Extraordinary losses, net	(0.16)	(0.08)	(0.18)	(0.08)
	-----	-----	-----	-----
Net income	\$ 0.20	\$ 0.17	\$ 0.43	\$ 0.34
	=====	=====	=====	=====
Average common shares outstanding	100,207	100,550	100,167	101,125
	=====	=====	=====	=====
Average common and common equivalent shares outstanding	101,736	101,022	101,480	101,603
	=====	=====	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(In thousands)

	June 30, 1998	Six Months Ended June 30, 1997
	-----	-----
Cash flows from operating activities		
Net income	\$ 43,642	\$ 34,350
Adjustments to reconcile net income to cash flows from operating activities		
Extraordinary losses, before income taxes	27,311	12,611
Depreciation and amortization	71,825	58,365
Other noncash items	18,227	7,554
Minority interests' share of income	3,778	3,765
Equity in losses of nonconsolidated affiliates	6,302	2,740
Net gains from asset sales	(13,174)	(943)
Net change in long-term accounts	(15,090)	(1,908)
Net change in working capital accounts	(29,950)	5,238
	-----	-----
Cash flows provided by operating activities	112,871	121,772
	-----	-----
Cash flows from investing activities		
Acquisition of Showboat, Inc., net of cash acquired	(465,388)	-
Land, buildings, riverboats and equipment additions	(64,038)	(144,647)
Decrease in construction payables	(4,484)	(5,455)
Proceeds from sale of equity interest in subsidiary	17,000	-
Proceeds from asset sales	96	2,923
Investments in and advances to nonconsolidated affiliates	(15,203)	(39,030)
Increase in notes receivable	(22,908)	-
Other	(1,147)	(4,382)
	-----	-----
Cash flows used in investing activities	(556,072)	(190,591)
	-----	-----
Cash flows from financing activities		
Net borrowings under Revolving Credit Facility	1,068,802	324,467
Early extinguishments of debt	(560,708)	(200,000)
Scheduled debt retirements	(1,303)	(1,481)
Premiums paid on early extinguishments of debt	(24,569)	(9,666)
Purchases of treasury stock	-	(39,298)
Minority interests' distributions, net of contributions	(3,583)	(3,930)
	-----	-----
Cash flows provided by financing activities	478,639	70,092
	-----	-----
Net increase in cash and cash equivalents	35,438	1,273
Cash and cash equivalents, beginning of period	116,443	105,594
	-----	-----
Cash and cash equivalents, end of period	\$ 151,881	\$ 106,867
	=====	=====

See accompanying Notes to Consolidated Condensed Financial Statements.

HARRAH'S ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
JUNE 30, 1998
(UNAUDITED)

Note 1 - Basis of Presentation and Organization

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Harrah's Entertainment, Inc. ("Harrah's" or the "Company" and including its subsidiaries where the context requires), a Delaware corporation, is one of America's leading casino companies. The Company's casino entertainment facilities, operating under the Harrah's and Showboat brand names, include casino hotels in Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada; two casino hotel properties in Atlantic City, New Jersey; and riverboat and dockside casinos in Joliet, Illinois; East Chicago, Indiana; Shreveport, Louisiana; Tunica and Vicksburg, Mississippi; and North Kansas City and St. Louis, Missouri. Harrah's also manages casinos on Indian lands near Phoenix, Arizona; Seattle, Washington; Cherokee, North Carolina; and Topeka, Kansas, as well as managing the Star City casino in Sydney, Australia. Harrah's discontinued management of a casino in Auckland, New Zealand, as of the end of second quarter 1998. Subsequent to the end of second quarter 1998, the Company announced its agreement with the Upper Skagit tribe to discontinue management of the Indian casino near Seattle, Washington, during fourth quarter 1998.

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

Note 2 - Showboat Acquisition

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On June 1, 1998, Harrah's completed its acquisition of Showboat, Inc. ("Showboat") for \$30.75 per share in an all-cash transaction, and assumed approximately \$635 million of Showboat debt. The transaction is being accounted for as a purchase and, accordingly, the purchase price is being allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. The purchase price allocation process is currently underway and is expected to be completed by the end of 1998. The Company's financial statements include an estimate of the amortization expense arising from the excess of the purchase price over the net assets acquired. The operating results for Showboat are included in the Consolidated Condensed Financial Statements from the date of acquisition.

The Las Vegas Showboat property is a non-strategic asset and is reported by the Company as an asset held for sale. As such, this property has been valued at its estimated net realizable value, net of estimated selling expense and carrying costs through the expected date of sale. The Company owns a 55% non-controlling interest in the partnership which owns and operates the Showboat East Chicago property. Accordingly, this investment is accounted for under the equity method. The Company also owns a 24.6% equity ownership interest in and manages the Star City Casino in Sydney, Australia. The Company will account for its investment in this entity in arrears.

Subsequent to the closing of the acquisition, the Company completed tender offers and consent solicitations for Showboat's 9 1/4% First Mortgage Bonds due 2008 (the "Bonds") and 13% Senior Subordinated Notes due 2009 (the "Notes"). As a result of these tender offers, \$218.6 million face amount of the Bonds and \$117.9 million face amount of the Notes were retired on June 15, 1998. Due to the early extinguishment of the Bonds and the Notes, the Company reported extraordinary losses totaling \$13.3 million, after income tax benefit, equaling the excess of the premium paid over fair value of the Bonds and the Notes retired as of the acquisition date, and the related costs of the tender offers and consent solicitations. As a result of the receipt of the requisite consents, Harrah's eliminated or modified substantially all of the negative covenants, certain events of default, and made other changes to the respective indentures governing the Bonds and the Notes.

The following unaudited pro forma consolidated financial information for the Company has been prepared assuming that the acquisition and the debt extinguishments discussed above had occurred on the first day of the respective periods:

(In millions, except per share amounts)	Second Quarter Ended		Six Months Ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
	-----	-----	-----	-----
Revenues	\$ 545.7	\$ 507.2	\$1,052.5	\$ 969.1
	=====	=====	=====	=====
Operating income	\$ 76.7	\$ 65.2	\$ 145.8	\$ 119.6
	=====	=====	=====	=====
Income from continuing operations	\$ 26.3	\$ 19.0	\$ 45.8	\$ 32.8
	=====	=====	=====	=====
Net income	\$ 9.7	\$ 10.9	\$ 27.5	\$ 24.7
	=====	=====	=====	=====
Earnings per share-diluted income from continuing operations	\$ 0.26	\$ 0.14	\$ 0.45	\$ 0.32
	=====	=====	=====	=====
Net income	\$ 0.10	\$ 0.06	\$ 0.27	\$ 0.24
	=====	=====	=====	=====

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

Note 3 - Stockholders' Equity

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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,
\$1.125 par value, 5,000,000 shares authorized -

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

Note 4 - Long-Term Debt

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Revolving Credit Facilities

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On April 1, 1998, Harrah's reducing revolving and letter of credit facility (the "Facility") was amended and restated to increase the total available borrowing capacity to \$2.1 billion. Pursuant to its terms, \$1 billion of the amended and restated Facility was restricted as to its use: \$800 million was only available to fund the Showboat acquisition and \$200 million could only be used to retire the Company's 8 3/4% Notes. These funds have been used for the designated purposes during second quarter 1998.

As of June 30, 1998, the Facility consisted of a \$1.95 billion reducing revolving and letter of credit facility maturing July 31, 2000, and a separate \$150 million revolving credit facility, renewable annually at the lenders option through the July 31, 2000, maturity date. Of the \$2.1 billion total borrowing capacity available to the Company under the Facility, there is a sub-limit of \$50 million for letters of credit. Scheduled reductions of the borrowing capacity available under the \$1.95 billion facility are as follows: \$50 million, July 1998; \$75 million, January 1999; \$75 million, July 1999; \$100 million, January 2000; and \$1.65 billion, July 2000.

As of June 30, 1998, Harrah's borrowings under the Facility were \$1.78 billion and an additional \$28.6 million was committed to back certain letters of credit. After consideration of these borrowings, \$315.5 million of the Facility was available to Harrah's.

Early Extinguishments of Debt

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On May 1, 1998, Harrah's principal operating subsidiary, Harrah's Operating Company, Inc. ("HOC"), redeemed its \$200 million 8 3/4% Senior Subordinated Notes due 2000 (the "8 3/4% Notes"), using proceeds from the Facility. As a result of the early extinguishment of this debt, the Company recorded a \$3.3 million extraordinary loss, net of income taxes, which includes a premium paid to holders of the 8 3/4% Notes and the write-off of related unamortized deferred finance charges.

See Note 2 for discussion of the early extinguishments in June 1998 of certain debts assumed in the Showboat acquisition.

On May 27, 1997, HOC redeemed its \$200 million in 10 7/8% Senior Subordinated Notes due 2002 (the "10 7/8% Notes") using proceeds from the Facility. As a result of the early extinguishment of this debt, the Company recorded an \$8.1 million extraordinary loss, net of tax, in second quarter 1997, which included a premium paid to holders of the 10 7/8% Notes and the write-off of related deferred finance charges.

Interest Rate Agreements

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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. The average variable rate paid by Harrah's was 5.8% at June 30, 1998, and the average fixed interest rate received was 5.4%.

Harrah's has entered into six interest rate swap agreements which effectively convert a total of \$300 million in variable rate debt to a fixed rate. Pursuant to the terms of these swaps, all of which reset quarterly, Harrah's receives variable payments tied to LIBOR in exchange for its payments at a fixed interest rate. The fixed rates to be paid by Harrah's and variable rates to be received by Harrah's are summarized in the following table:

Notional Amount -----	Swap Rate Paid (Fixed) -----	Swap Rate Received (Variable) at June 30, 1998 -----	Swap Maturity -----
\$50 million	6.985%	5.688%	March 2000
\$50 million	6.951%	5.688%	March 2000
\$50 million	6.945%	5.688%	March 2000
\$50 million	6.651%	5.688%	May 2000
\$50 million	5.788%	5.688%	June 2000
\$50 million	5.785%	5.688%	June 2000

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.

Note 5 - Supplemental Cash Flow Disclosures

Cash Paid for Interest and Taxes

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

	Six Months Ended	
	June 30, 1998	June 30, 1997
(In thousands)	-----	-----
Interest expense, net of amount capitalized	\$44,949	\$38,144
Adjustments to reconcile to cash paid for interest:		
Net change in accruals	(12,905)	(3,823)
Amortization of deferred finance changes	(1,697)	(1,545)
Net amortization of discounts and premiums	609	(6)
	-----	-----
Cash paid for interest, net of amount capitalized	\$30,956	\$32,770
	=====	=====
Cash payments of income taxes, net of refunds	\$15,058	\$15,066
	=====	=====

Note 6 - Commitments and Contingent Liabilities

Contractual Commitments

Harrah's is pursuing additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Harrah's of third party debt and development completion guarantees. As of June 30, 1998, Harrah's had guaranteed third party loans and leases of \$131 million, which are secured by certain assets, and had commitments of \$31 million, primarily construction-related.

The agreements under which Harrah's manages casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled payments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, Harrah's must pay the shortfall to the tribe. Such advances, if any, would be repaid to Harrah's in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of June 30, 1998, the aggregate monthly commitment pursuant to these contracts, which extend for periods of up to 54 months from June 30, 1998, was \$1.2 million.

See Note 8 for discussion of the proposed completion guarantees related to development of the New Orleans' casino.

Equity Commitment

In March 1996, Showboat entered into a standby equity commitment with its 55% owned subsidiary, Showboat Marina Casino Partnership ("SMCP") which requires that if, during any of the first three Operating Years (as defined), SMCP's Combined Cash Flow (as defined) is less than \$35.0 million, Showboat will be required to make additional capital contributions to SMCP equal to the lesser of (a) \$15.0 million, or (b) the difference between the \$35.0 million and the Operating Year's Combined Cash Flow. The Company assumed this obligation in connection with its acquisition of Showboat. The Company's aggregate potential obligation under the standby equity commitment is \$30.0 million. SMCP anticipates that the Combined Cash Flow of SMCP for the first four full quarters of operation, which ended June 30, 1998, will not

achieve the \$35.0 million threshold and the Company currently estimates it will be required to contribute approximately \$14.0 million under the standby equity commitment. As of June 30, 1998, the Company has contributed \$1.0 million to SMCP as part of this standby equity commitment. There can be no assurance that the Combined Cash Flow for any future Operating Year will exceed \$35.0 million and that the Company will not be required to make additional capital contributions to SMCP in accordance with the standby equity commitment. The standby equity commitment is subject to certain limitations, qualifications and exceptions.

Severance Agreements

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As of June 30, 1998, Harrah's has severance agreements with 49 of its senior executives, which provide for payments to the executives in the event of their termination after a change in control, as defined. These agreements provide, among other things, for a compensation payment of 1.5 to 3.0 times the executive's average annual compensation, as defined, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Harrah's incentive plans. The estimated amount, computed as of June 30, 1998, that would be payable under the agreements to these executives based on earnings and stock options aggregated approximately \$55.1 million.

Guarantee of Insurance Contract

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Harrah's has guaranteed the value of a guaranteed investment contract with an insurance company held by Harrah's defined contribution savings plan. Harrah's has also agreed to provide non-interest-bearing loans to the plan to fund, on an interim basis, withdrawals from this contract by retired or terminated employees. Harrah's maximum exposure on this guarantee as of June 30, 1998, was \$5.8 million.

Tax Sharing Agreements

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In connection with the 1995 spin-off of certain hotel operations (the "PHC Spin-off") to Promus Hotel Corporation ("PHC"), Harrah's entered into a Tax Sharing Agreement with PHC wherein each company is obligated for those taxes associated with their respective businesses. Additionally, Harrah's is obligated for all taxes for periods prior to the PHC Spin-off date which are not specifically related to PHC operations and/or PHC hotel

locations. Harrah's obligations under this agreement are not expected to have a material adverse effect on its consolidated financial position or results of operations.

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.

Note 7 - 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 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 8). The ultimate outcomes of these lawsuits cannot be predicted at this time, and no provisions for the claims are included in the accompanying financial statements. The Company intends to defend these actions vigorously. In the event a bankruptcy reorganization plan is not consummated, the Company anticipates that such lawsuits, which are presently inactive, would become active, and additional lawsuits would be filed.

On November 25, 1997, the Missouri Supreme Court issued a ruling in Akin v. Missouri Gaming Commission that defined the state constitutional requirements for floating casino facilities in artificial basins. Subsequently, the Missouri Gaming Commission (the "Commission") attempted to issue disciplinary resolutions that effectively would have amended the gaming licenses of the Company's Missouri casinos, and numerous other floating casino facilities in the Commission's jurisdiction, to preclude games of chance, subject to evidentiary hearings that were to be held if the licensees filed appeals to prove compliance with the Supreme Court's ruling. Prior to the Commission's action, Harrah's and other licensees filed petitions in the Circuit Court of Cole County, Missouri, and succeeded in having the Court issue an order restraining the Commission from taking any such disciplinary action. The Commission appealed to the Missouri Supreme Court which, on May 28, 1998, lifted the lower court's restraining order. On June 18, 1998, the Commission

reissued its proposed disciplinary resolutions. All affected licensees, including Harrah's, filed timely appeals of the proposed disciplinary resolutions. The Commission has not scheduled any hearings as of this time. Harrah's has also filed suit seeking declaratory judgment that its gaming facilities meet the state constitutional mandates as established by the Missouri Supreme Court. Finally, it is expected that, pending verification of over 200,000 signatures submitted in support of a ballot initiative, the people of the State of Missouri will vote on November 3, 1998, whether to amend the State's Constitution to deem all floating casino facilities in compliance with state law. Management is unable to predict at this time the final outcome of this matter or whether that outcome could materially affect the Company's results of operations, cash flows or financial position of its Missouri casinos.

In addition to the matters described above, 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.

Note 8 - Nonconsolidated Affiliates

Harrah's Jazz Company

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

In November 1997, January 1998 and April 1998, the Bankruptcy Court approved modifications to the confirmed Plan. This most recent plan, which is supported by, among others, the Governor of Louisiana and the Mayor of New Orleans, contemplates that a newly formed limited liability company, Jazz Casino Company, L.L.C. ("JCC"), would be responsible for completing construction of the Rivergate Casino, a subsidiary of the Company

would receive approximately 40% of the equity in JCC's parent, and the Company (or a subsidiary) would, among other things, manage the casino pursuant to an amended management agreement, make a \$75 million equity investment in the project (less any debtor-in-possession financing provided to the project), guarantee initially JCC's \$100 million annual payment under the casino operating contract to the State of Louisiana gaming board (the "State Guarantee"), guarantee up to \$154 million of an up to \$224 million JCC bank credit facility, guarantee to the State of Louisiana, City of New Orleans, banks and bondholders completion and opening of the Rivergate Casino within 12 months from the consummation of the plan (subject to force majeure) and make a \$10 million subordinated loan to JCC to finance the Rivergate Casino. With respect to the State Guarantee, the Company would be obligated to guarantee JCC's first \$100 million annual payment obligation commencing upon the earlier of opening of the Rivergate Casino and 12 months from the consummation of the plan (subject to force majeure), and, if certain cash flow tests and other conditions are satisfied each year, to renew the guarantee each year ending March 31 for up to an additional four years. The Company's obligations under the guarantee for the first year or any succeeding year would be limited to a guarantee of the \$100 million payment obligation of JCC for the year in which the guarantee is in effect and would be secured by a first priority lien on JCC's assets. JCC's payment obligation (and therefore the amount guaranteed by the Company) would be \$100 million at the commencement of each twelve month period under the casino operating contract and would decline on a daily basis by 1/365 of \$100 million to the extent payments are made each day by JCC to Louisiana's gaming board.

In March 1998, the Louisiana Gaming Control Board ("LGCB") approved an amended and renegotiated casino operating contract authorizing JCC to own and operate the Rivergate Casino. Litigation was filed challenging the LGCB's authority to approve the casino operating contract without legislative approval. In May 1998 the Louisiana Supreme Court determined that the LGCB was authorized to approve and execute the casino operating contract without the approval of the Louisiana State Legislature. In June 1998, the Louisiana State Legislature adjourned its most recent session until the Spring of 1999 without taking any action adverse to the project. Consequently, upon completion of a suitability review by the LGCB and the Louisiana State Police of JCC, the Company and various directors, officers and associated persons, the LGCB has the authority to grant final approval of and execute the casino operating contract.

In connection with preparations for consummation of the confirmed plan, Jazz reviewed the project budget and determined that, among other things, an additional \$25 million would be necessary to fund the

costs of remediation work to the project facilities, a redesign of the casino interior, an upgrade of the casino design and of the project's gaming equipment to meet more intense competition from Mississippi Gulf Coast facilities and the extended reorganization process. It is anticipated that the plan will be amended to provide for the increased project budget and increases in the JCC credit facility from \$224 million to \$236.5 million, the guaranteed portion of the JCC credit facility from \$154 million to \$166.5 million, and the subordinated loan from the Company from \$10 million to \$22.5 million.

Final consummation of the plan is subject to, among other things, confirmation of the amended plan, including approval by the requisite creditors, approval of lease documents by the City of New Orleans City Council, and final approval of the LGCB, including completion of the suitability review of JCC, the Company and various directors, officers and associated persons.

During the course of the bankruptcy of Jazz, a subsidiary of the Company has made debtor-in-possession loans to Jazz, totaling approximately \$40.1 million as of June 30, 1998, to fund certain payments to the City of New Orleans and other cash requirements of Jazz. Subject to approval of its bank lenders, the Company has committed to provide up to \$60 million in debtor-in-possession loans to Jazz which financing is expected to be sufficient for Jazz to consummate the plan.

Other
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Summarized balance sheet and income statement information of nonconsolidated gaming affiliates, including Jazz and Showboat East Chicago, which Harrah's accounted for using the equity method, as of June 30, 1998 and December 31, 1997, and for the second quarters and six months ended June 30, 1998 and 1997 is included in the following tables.

(In thousands)	June 30, 1998	Dec. 31, 1997
	-----	-----
Combined Summarized Balance Sheet Information		
Current assets	\$ 42,750	\$ 18,937
Land, buildings and equipment, net	534,545	379,147
Other assets	205,605	179,976
	-----	-----
Total assets	782,900	578,060
	-----	-----
Current liabilities	138,795	108,406
Long-term debt	615,100	467,970
	-----	-----
Total liabilities	753,895	576,376
	-----	-----
Net assets	\$ 29,005	\$ 1,684
	=====	=====

	Second Quarter Ended		Six Months Ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
	-----	-----	-----	-----
(In thousands)				
Combined Summarized Statements of Operations				
Revenues	\$ 19,083	\$ 4,710	\$ 23,802	\$ 12,414
	=====	=====	=====	=====
Operating loss	\$(15,807)	\$ (9,016)	\$(24,628)	\$(17,030)
	=====	=====	=====	=====
Net loss	\$(15,269)	\$(14,366)	\$(21,836)	\$(20,748)
	=====	=====	=====	=====

Harrah's share of nonconsolidated affiliates' combined net operating results are reflected in the accompanying Consolidated Condensed Statements of Income as Equity in income (losses) of nonconsolidated affiliates. Harrah's financial results for the six months ended June 30, 1998, include its share of an extraordinary loss recognized by a nonconsolidated affiliate due to that entity's reorganization and refinancing of its debt.

Harrah's investments in and advances to nonconsolidated affiliates are reflected in the accompanying Consolidated Condensed Balance Sheets as follows:

	June 30, 1998	Dec. 31, 1997
	-----	-----
(In thousands)		
Harrah's investments in and advances to nonconsolidated affiliates		
Accounted for under the equity method	\$231,171	\$132,049
Equity securities available-for-sale and recorded at market value	56,970	20,352
	-----	-----
	\$288,141	\$152,401
	=====	=====

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities", Harrah's adjusts the carrying value of certain marketable equity securities to include unrealized gains. A corresponding adjustment is recorded in the Company's stockholders' equity and deferred income tax accounts. Condensed financial information relating to the Company's minority ownership interest in a restaurant affiliate has not been presented since its operating results and financial position are not material to Harrah's.

Note 9 - Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive income and its components in the Company's financial statements. As defined in SFAS No. 130, comprehensive income consists of all changes, including net income, in the Company's equity during a period, except those resulting from investments by or distributions to the Company's stockholders. The provisions of SFAS No. 130 are effective for years beginning after December 31, 1997, and its provisions must be adopted for interim periods in the year of adoption.

Harrah's total comprehensive income for the current and prior years are as follows:

(In thousands)	Second Quarter Ended		Six Months Ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
Net income	\$ 20,406	\$ 17,239	\$ 43,642	\$ 34,350
Other comprehensive income				
Unrealized gains (losses) on				
marketable equity securities	(2,594)	12,841	(399)	(12,685)
Foreign currency translation	(923)	-	(923)	-
Tax (provision) expense	1,363	(5,008)	507	4,947
	(2,154)	7,833	(815)	(7,738)
Total comprehensive income	\$ 18,252	\$ 25,072	\$ 42,827	\$26,612

Note 10 - Summarized Financial Information

HOC is a wholly owned subsidiary and the principal asset of Harrah's. Summarized financial information of HOC as of June 30, 1998 and December 31, 1997, and for the second quarters and six months ended June 30, 1998 and 1997 prepared on the same basis as Harrah's was as follows:

	June 30, 1998	Dec. 31, 1997
(In thousands)	-----	-----
Current assets	\$ 275,976	\$ 212,623
Land, buildings, riverboats and equipment, net	1,859,798	1,478,054
Other assets	996,852	315,059
	-----	-----
	3,132,626	2,005,736
	-----	-----
Current liabilities	241,151	203,007
Long-term debt	1,949,061	924,397
Other liabilities	137,787	123,838
Minority interests	14,312	14,118
	-----	-----
	2,342,311	1,265,360
	-----	-----
Net assets	\$ 790,315	\$ 740,376
	=====	=====

	Second Quarter Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	1998	1997	1998	1997
(In thousands)	-----	-----	-----	-----
Revenues	\$481,980	\$408,842	\$900,112	\$782,904
	=====	=====	=====	=====
Income from operations	\$ 76,520	\$ 61,846	\$139,129	\$106,612
	=====	=====	=====	=====
Income before extraordinary				
losses	\$ 40,051	\$ 25,793	\$ 67,907	\$ 42,563
	=====	=====	=====	=====
Net income	\$ 24,438	\$ 17,659	\$ 49,627	\$ 34,429
	=====	=====	=====	=====

The agreements governing the terms of the Company's debt contain certain covenants which, among other things, place limitations on HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments was approximately \$779.6 million at June 30, 1998.

Management's Discussion and Analysis of Financial

Condition and Results of Operations

The following discussion and analysis of the financial position and operating results of Harrah's Entertainment, Inc., (referred to in this discussion, together with its consolidated subsidiaries where appropriate, as "Harrah's" or the "Company,") for second quarter and the first six months of 1998 and 1997 updates, and should be read in conjunction with, Management's Discussion and Analysis of Financial Position and Results of Operations presented in Harrah's 1997 Annual Report.

RESULTS OF OPERATIONS

OVERALL

Harrah's continues to see results of strategic actions taken in 1997 with the completion in the second quarter of the acquisition of Showboat, Inc. ("Showboat"), and increases in cross-market play from Harrah's customers nationwide. Continued increases in cross-market play reflect the success of Harrah's industry-leading Total Gold player reward and recognition card, and, coupled with enhanced database marketing capabilities, enable the Company to better target promotions and offers to the appropriate customer segments.

(in millions, except earnings per share)	Second Quarter		Percentage Increase/ (Decrease)	Six Months Ended		Percentage Increase/ (Decrease)
	1998	1997		1998	1997	
Revenues	\$478.6	\$408.9	17.0%	\$893.1	\$783.0	14.1%
Operating profit	91.0	75.8	20.1%	162.1	139.7	16.0%
Income from operations	71.9	61.2	17.5%	129.9	106.5	22.0%
Income before extraordinary losses	37.0	25.4	45.7%	61.9	42.5	45.6%
Net income	20.4	17.2	18.6%	43.6	34.4	26.7%
Earnings per share - diluted						
Before extraordinary losses	0.36	0.25	44.0%	0.61	0.42	45.2%
Net income	0.20	0.17	17.6%	0.43	0.34	26.5%
Operating margin	15.0%	15.0%	-	14.5%	13.6%	0.9pts

Harrah's posted record revenues for second quarter of \$478.6 million, a 17.0% increase over second quarter 1997. Record revenues at Harrah's properties in Las Vegas, Atlantic City and St. Louis contributed to the overall record performance, as did revenues for the month of June from the Atlantic City Showboat property and the addition of management fees from two recently opened Harrah's-brand casinos on Indian lands. These factors also contributed to increased operating income, net income and earnings per share over prior year.

In addition to the Company's improved operating results, the acquisition of Showboat was completed on June 1, 1998, bringing properties in Atlantic City and East Chicago into the Company, each of which is expected to play an important role in expanding distribution and customer relationship opportunities with target customers. The Star City casino in Sydney, Australia, and the East Chicago partnership are accounted for as nonconsolidated subsidiaries and Harrah's share of operations will be reported separately in the Consolidated Condensed Income Statement and included in Equity in income (losses) of nonconsolidated subsidiaries. The Atlantic City Showboat's operations are consolidated. The Las Vegas Showboat property is not a strategic asset and is carried as an asset held for sale. The Showboat acquisition is being accounted for as a purchase whereby assets and liabilities are recorded at their market value and operating results are included only subsequent to the date of purchase.

On April 1, 1998, Harrah's closed on an amended and restated bank credit facility, giving the Company the largest bank credit facility in the casino entertainment industry at \$2.1 billion. This expanded facility provided the borrowing capacity necessary to fund the Showboat acquisition and related refinancing transactions, as well as the capacity to retire Harrah's 8 3/4% Notes (see Debt and Liquidity - Early Extinguishments of Debt).

DIVISION OPERATING RESULTS AND DEVELOPMENT PLANS

Riverboat Division

(in millions)	Second Quarter		Percentage Increase/ (Decrease)	Six Months Ended		Percentage Increase/ (Decrease)
	1998	1997		1998	1997	
Casino revenues	\$162.5	\$158.7	2.4%	\$322.6	\$306.7	5.2%
Total revenues	172.4	169.5	1.7%	342.6	326.8	4.8%
Operating profit	33.4	32.2	3.7%	69.0	61.3	12.6%
Operating margin	19.4%	19.0%	0.4pts	20.1%	18.8%	1.3pts

Revenues and operating profit for the Division increased for second quarter 1998 over the comparable prior year period. During a portion of second quarter 1997, Harrah's operated a second property in the Tunica, Mississippi market, which was closed in May 1997. Harrah's operating results in most riverboat markets in which it competes have stabilized and show improvements over the prior year.

Chicagoland - Revenues increased 3.4% at Harrah's Joliet compared to the second quarter of 1997, however, operating profit declined 6.0% compared to the same period last year due to the impact of higher Illinois gaming taxes. Harrah's recently decided to proceed with plans for construction of a 12 story 204-suite hotel at this property. Estimated cost of this project is \$29.1 million. Construction will begin in third quarter 1998 with projected completion in fourth quarter 1999.

Second quarter results include Harrah's share of losses for the month of June from the partnership owning the East Chicago Showboat property. Harrah's owns a 55% non-controlling interest in the partnership and recorded losses from the partnership of \$70 thousand for the month. These losses are reported separately in the Consolidated Condensed Income Statement and included in Equity in losses of nonconsolidated subsidiaries (see Other Factors Affecting Net Income).

Louisiana - Harrah's Shreveport's revenues and operating profit for second quarter 1998 were down slightly from the same period last year due to competitive conditions in the market. Despite increased competition in the market over the past two years, this property remains a stable performer. Construction has commenced on expanded parking facilities at Harrah's Shreveport, and the Company is evaluating the possible expansion of the facilities to include a hotel and additional restaurant and meeting facilities. Any expansion project is subject to the receipt of necessary regulatory approvals.

Mississippi - Combined second quarter revenues by Harrah's Mississippi properties declined from the prior year primarily due to the closure during second quarter 1997 of Harrah's original property in the Tunica market. Harrah's Vicksburg's operating profit increased 9.7% over second quarter 1997. Vicksburg's increases were offset by the decline in operating profit at the Tunica property, as a result of advertising programs to introduce the property's offerings to meet the needs of the Company's target customers. The Company continues to explore its options for the original Tunica property.

Missouri - Harrah's North Kansas City's revenues for second quarter 1998 were even with the same period in 1997; however, operating profit increased 5.1% over the same period last year. Despite the significant competitive capacity added to the market, Harrah's continues to lead the overall Kansas City market in profitability and most other measures of performance.

Subsequent to the end of the second quarter the Company completed the acquisition for \$12.5 million of various assets of a Kansas City competitor, including a 28,000 square foot casino riverboat, shoreside facilities, parking garage, certain land, all gaming equipment and computerized customer databases. Harrah's does not plan to operate a casino at the acquired location. Long-range plans for the riverboat, land and shoreside facilities have not been finalized.

Harrah's St. Louis-Riverport casino reported a second quarter 1998 operating profit of \$3.8 million. The St. Louis-Riverport entertainment complex in Maryland Heights, Missouri, a suburb of St. Louis, opened on March 11, 1997. The facility includes four riverboat casinos, two of which are owned and operated by Harrah's, and shoreside facilities jointly-owned with another casino company. Harrah's pro-rata share of the operating losses of the shoreside facilities joint venture was \$2.7 million for the quarter and is reported separately in the Consolidated Condensed Income Statement and included in Equity in losses of nonconsolidated subsidiaries (see Other Factors Affecting Net Income).

Atlantic City
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(in millions)	Second Quarter		Percentage Increase/ (Decrease)	Six Months Ended		Percentage Increase/ (Decrease)
	1998	1997		1998	1997	
Casino revenues	\$113.1	\$80.2	41.0%	\$192.1	\$156.2	23.0%
Total revenues	123.8	88.4	40.0%	210.2	171.0	22.9%
Operating profit	27.7	20.1	37.8%	44.8	35.0	28.0%
Operating margin	22.4%	22.7%	(0.3)pts	21.3%	20.5%	0.8pts

Harrah's Atlantic City achieved record revenues in second quarter 1998 and operating profit increased 5.9% over the same period last year. A new 416-room hotel tower opened in second quarter 1997 contributed to substantial incremental room nights sold at the property during second quarter 1998. 1998 results also include the post-acquisition operating results for the Atlantic City Showboat property.

In connection with its consideration of a further expansion of the Harrah's Atlantic City property, the Company continues to monitor the progress of efforts by other companies to develop new casino hotel projects in the Atlantic City Marina area.

Southern Nevada Division

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(in millions)	Second Quarter		Percentage Increase/ (Decrease)	Six Months Ended		Percentage Increase/ (Decrease)
	1998	1997		1998	1997	
Casino revenues	\$57.5	\$44.0	30.7%	\$115.4	\$87.7	31.6%
Total revenues	87.3	68.7	27.1%	172.6	133.3	29.5%
Operating profit	13.1	10.4	26.0%	26.3	21.3	23.5%
Operating margin	15.0%	15.1%	(0.1)pts	15.2%	16.0%	(0.8)pts

Record revenues in Southern Nevada for second quarter 1998 were driven by Harrah's Las Vegas where revenues were 40.4% over last year and a record high for that property. These results were driven by the extensive renovation and expansion completed in fourth quarter 1997 and the positive impact of customer loyalty and cross-market customer benefits like Harrah's Total Gold program. Harrah's Laughlin reported stable revenues and operating profit for the second quarter.

Showboat Las Vegas, which the Company has stated is a non-strategic asset, is being held as an asset for sale, and its results are reported accordingly.

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

Northern Nevada Division

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(in millions)	Second Quarter		Percentage Increase/ (Decrease)	Six Months Ended		Percentage Increase/ (Decrease)
	1998	1997		1998	1997	
Casino revenues	\$54.4	\$53.8	1.1 %	\$100.3	\$ 99.9	0.4 %
Total revenues	71.8	71.7	0.1 %	133.3	132.9	0.3 %
Operating profit	9.9	11.7	(15.4)%	13.7	16.9	(18.9)%
Operating margin	13.8%	16.3%	(2.5)pts	10.3%	12.7%	(2.4)pts

In Northern Nevada, Harrah's matched the prior year's revenues, but operating profit declined 15.4% from the same period last year due in part to a one-time charge related to rebranding Harrah's Reno's Hampton Inn hotel as a Harrah's hotel.

Managed Casinos-Indian Lands - -----

Harrah's Indian gaming and other managed results were led by the addition of management fees from recently opened tribal-owned casinos for the Eastern Band of Cherokee in Cherokee, North Carolina, which opened in November 1997, and the Prairie Band of Potawatomi north of Topeka, Kansas, which opened in January 1998.

Harrah's has announced that it will terminate its management agreement with the Upper Skagit Tribe and turn management of the casino, which is located on Indian lands near Seattle, Washington, over to the Skagit Tribe. Plans are to remove the Harrah's name from the casino during fourth quarter 1998. The Company does not expect the impact of the termination to be material to its financial statements.

The agreements under which Harrah's manages casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, Harrah's must pay the shortfall to the tribe. Such advances, if any, would be repaid to Harrah's in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of June 30, 1998, the aggregate monthly commitment pursuant to the contracts for the four Indian-owned facilities now open, which extend for periods of up to 54 months from June 30, 1998, was \$1.2 million.

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

Other Gaming Operations - -----

The Company ceased management of the Sky City casino complex in Auckland, New Zealand on June 30, 1998. Pursuant to a previously announced agreement with Sky City Limited, owner of

the Sky City facility, Harrah's management contract was bought out and the \$10.6 million termination fee was recorded in second quarter.

With the consummation of the Showboat acquisition on June 1, 1998, Harrah's assumed management of the Star City casino in Sydney, Australia, and will account for management fees, as well as the equity income of the related investment, in arrears.

During first quarter 1998, the Company launched the first brand advertising campaign by a casino company and introduced its new attraction strategy aimed at the Company's target customer segment. A portion of the planned cost of the brand advertising campaign is being funded by the displacement of advertising and marketing dollars spent by the individual properties in the past. Second quarter 1998 costs for the campaign in excess of the amounts contributed to this effort by the properties totaled approximately \$4.9 million.

Other Factors Affecting Net Income

(Income)/Expense (in millions)	Second Quarter		Percentage Increase/ (Decrease)	Six Months Ended		Percentage Increase/ (Decrease)
	1998	1997		1998	1997	
Development costs	\$2.1	\$2.7	(22.2)%	\$ 3.9	\$ 4.7	(17.0)%
Project opening costs	3.3	0.5	N/M	6.0	8.0	(25.0)%
Corporate expense	8.9	8.1	9.9 %	15.6	15.7	(0.6)%
Equity in losses of nonconsolidated affiliates	3.5	3.2	9.4 %	6.3	5.4	16.7 %
Write-downs and reserves	1.8	-	N/M	1.8	-	N/M
Venture restructuring costs	1.5	2.7	(44.4)%	2.5	4.2	(40.5)%
Interest expense, net	25.6	20.3	26.1 %	44.9	38.1	17.8 %
Gain on sale of equity interest in subsidiary	(13.1)	-	N/M	(13.1)	-	N/M
Other income	(1.4)	(3.1)	(54.8)%	(5.5)	(6.2)	(11.3)%
Effective tax rate	36.6%	37.9%	(1.3)pts	36.6%	38.0%	(1.4)pts
Minority interests	1.7	1.9	(10.5)%	\$ 3.8	\$ 3.8	0.0 %
Extraordinary losses, net of income taxes	16.6	8.1	104.9 %	18.3	8.1	125.9 %

Project opening costs for second quarter 1998 include costs incurred in connection with an initiative to develop, implement and refine the strategies and employee training programs designed to better focus the Company on serving its targeted customers. 1997 project opening costs related to the expansion and renovation project at Harrah's Las Vegas.

Corporate expense increased 9.9% in second quarter 1998 from the prior year level but decreased 0.6% for the six months ended June 30, 1998, compared to that same period of the prior year.

Equity in losses of nonconsolidated affiliates consists of losses from the St. Louis shoreside facilities joint venture, from the East Chicago Showboat partnership and from the Company's investments in an in-flight gaming company and a restaurant affiliate. During second quarter Harrah's sold its remaining investment in the restaurant affiliate and recognized a gain on the sale of \$13.1 million.

Write-downs and reserves represent charges accrued in connection with the planned termination of a development contract.

Venture restructuring costs represent Harrah's costs, including legal fees, associated with the on-going development of a reorganization plan for the New Orleans casino (see Harrah's Jazz Company section).

Interest expense increased in second quarter 1998 over 1997, primarily as a result of increased borrowings to finance the Showboat acquisition.

Other income decreased in second quarter 1998 due to lower interest income earned by the Company on the cash surrender value of certain life insurance policies.

The effective tax rates for all periods are higher than the federal statutory rate primarily due to state income taxes.

Minority interests reflects joint venture partner's share of income at a riverboat casino and decreased in 1998 from the prior year as a result of lower earnings from that riverboat.

The extraordinary losses reported in second quarter 1998 and in the second quarter of 1997 are due to the early extinguishments of debt and include the premiums paid to the holders of the debt retired and the write-off of related unamortized deferred finance charges. (See Debt and Liquidity - Early Extinguishments of Debt.)

HARRAH'S JAZZ COMPANY

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For an update of the status of the efforts to reorganize Harrah's Jazz Company, which filed a petition for relief under Chapter 11 of the Bankruptcy Code on November 22, 1995, see Note 8 to the accompanying Consolidated Condensed Financial Statements.

CAPITAL SPENDING AND DEVELOPMENT

Standby Equity Commitment

Showboat entered into a standby equity commitment which requires that if, during the first three Operating Years (as defined), the Combined Cash Flow (as defined) of its 55% owned subsidiary, Showboat Marina Casino Partnership ("SMCP"), is less than \$35.0 million, the Company will be required to make additional capital contributions to SMCP in the lesser of (a) \$15.0 million, or (b) the difference between the \$35.0 million and the Operating Year's Combined Cash Flow. The Company assumed this obligation in connection with its acquisition of Showboat. The Company's aggregate potential obligation under the standby equity commitment is \$30.0 million. SMCP anticipates that the Combined Cash Flow of SMCP for the first four full quarters of operation will not achieve the \$35.0 million threshold and Showboat will be required to contribute approximately \$14.0 million under the standby equity commitment. As of June 30, 1998, the Company has contributed \$1.0 million to SMCP as part of this standby equity commitment. There can be no assurance that the Combined Cash flow for any future Operating year will exceed \$35.0 million and that the Company will not be required to make additional capital contributions to SMCP in accordance with the standby equity commitment. The standby equity commitment is subject to certain limitations, qualifications, and exceptions.

Year 2000

The Company is continuing to address the issues which exist related to the approach of the year 2000, and, in particular, the potential impact of that event on the date-sensitive systems, including information technology software and hardware, facilities, and electronic equipment, that are essential to its operations. During 1997, the Company evaluated its various systems to determine whether or not those systems were Year 2000 compliant and implemented its plan to update those systems. Also during 1997, Showboat separately evaluated its systems for this same purpose. In anticipation of the completion of Harrah's acquisition of Showboat, the Company further reviewed the Year 2000 systems issues identified by Showboat and incorporated those findings into the plans to integrate the Showboat properties into the Company's systems. In addition, the Company is currently in process of confirming the Year 2000 readiness of its significant suppliers.

Based upon its efforts to date and the status of the plans to address identified issues, the Company believes that its business critical systems are compliant or will be made compliant by mid-1999. The costs of addressing the Company's Year 2000 issues have not been and are not expected to be material to the Company's results of operations or financial position. However, should the Company and/or its significant suppliers fail to correct material year 2000 issues, such failure could have a significant impact on the Company's ability to operate as it did before year 2000. In such an event, the Company will develop contingency plans designed to minimize any impact to the extent possible. The impact on the Company's operating results of such failures and of any contingency plans to be designed to address such events cannot be determined at this time.

Airline Investment

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Subsequent to the end of second quarter 1998, Harrah's announced that it had invested \$15 million in a new airline to be based in Las Vegas. In addition to obtaining a 19.9% voting interest in the airline, Harrah's has also entered into a marketing agreement to support joint promotions involving the airline and Harrah's Las Vegas.

Summary

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

The Company's planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects being pursued by Harrah's are expected to be made available from operating cash flows, the Bank Facility (see Debt and Liquidity section), joint venture partners, specific project financing, guarantees by Harrah's of third party debt and, if necessary, additional Harrah's debt and/or equity offerings. Harrah's capital spending for the first six months of 1998, excluding the Showboat acquisition, totaled approximately \$103.3 million. Estimated total capital expenditures for 1998 are expected to be between \$250 million and \$280 million, excluding the possible purchase or construction of an additional Las Vegas property and the possible second phase of Harrah's Atlantic City expansion.

DEBT AND LIQUIDITY

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Bank Facility

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On April 1, 1998, the Company's revolving credit facility (the "Bank Facility") was amended and restated to increase total borrowing capacity to \$2.1 billion and to modify the debt covenants. As of June 30, 1998, \$1.78 billion in borrowings were outstanding under the Bank Facility, with an additional \$28.6 million committed to back letters of credit. After consideration of these borrowings, \$315.5 million of additional borrowing capacity was available to the Company as of June 30, 1998. Pursuant to the terms of the Bank Facility, the available capacity is scheduled to be reduced by \$50 million in July 1998.

Early Extinguishments of Debt

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On May 1, 1998, Harrah's principal operating subsidiary, Harrah's Operating Company, Inc. ("HOC"), redeemed all \$200 million of its 8 3/4% Senior Subordinated Notes due 2002 (the "Notes") at a call price of 102.0%, plus accrued and unpaid interest through the May 1, 1998, redemption date. The Company retired the Notes using proceeds from its amended and restated

Bank Facility. Redemption of the 8 3/4% Notes using funds drawn under the Bank Facility reduced interest costs on this \$200 million by approximately 2.5 percentage points, based on current rates. An extraordinary charge, net of tax, of \$3.3 million was recorded during second quarter 1998 in conjunction with this early extinguishment of debt.

On June 15, 1998, Harrah's newly acquired subsidiary, Showboat, Inc., redeemed approximately \$218.6 million face amount of its 9 1/4% First Mortgage Bonds due 2008 and approximately \$117.9 million face amount of its 13% Senior Notes due 2009 (collectively, the "Showboat Notes"). Harrah's recorded the liabilities assumed in the Showboat acquisition, including the Showboat Notes, at their fair value as of the consummation date of the transaction. The difference between the consideration paid to the holders of the Showboat Notes pursuant to this tender offer and the fair value of the Showboat Notes on the consummation date together with the cost of conducting the tender offer, were recorded by Harrah's in the second quarter as an extraordinary losses of \$13.3 million, net of tax.

Concurrently with the tender offer, Harrah's solicited consents from the holders of the Notes to amend the respective Indentures governing each of the Notes to eliminate or modify substantially all of the negative covenants, certain events of default, and to make certain other changes to the Indentures. Tenders and consents were received by a majority in aggregate principal amount outstanding of each series of Notes, thereby consenting to the amendment of the respective Indentures.

Interest Rate Agreements

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To manage the relative mix of its debt between fixed and variable rate instruments, Harrah's has entered into interest rate swap agreements to modify the interest characteristics of its outstanding debt without an exchange of the underlying principal amount. The differences to be paid or received by the Company under the terms of its 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 swap 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.

For more information regarding the Company's interest rate swap agreements as of June 30, 1998, please see Note 4 to the accompanying Consolidated Condensed Financial Statements.

Guarantees of Third Party Debt - - - - -

As part of a transaction whereby Harrah's retained an option to a site for a casino should casino gaming have been authorized in the jurisdiction, Harrah's guaranteed a third party's \$22.9 million variable rate bank loan, which matured on February 28, 1998. During first quarter 1998, the third party defaulted on the repayment of the debt and the Company has purchased the loan in accordance with the provisions of its guarantee. The Company has a security interest in certain assets of the third party including real estate owned by the third party and stock of the third party. Subsequent to the end of second quarter 1998, the Company accepted title to the real estate in settlement of \$9 million of the outstanding receivable balance. Negotiations to resolve the remaining receivable balance continue. No reserve has been recorded based upon management's current analysis of the value of the underlying collateral.

As described in the Division Operating Results and Development Plans--Managed Casino--Indian Lands section, Harrah's may guarantee all or part of the debt incurred by Indian tribes with which Harrah's has entered a management contract to fund development of casinos on the Indian lands. For all existing guarantees of Indian debt, Harrah's has obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, the value of such property would satisfy Harrah's obligations in the event these guarantees were enforced. Additionally, Harrah's has received limited waivers from the Indian tribes of their sovereign immunity to allow Harrah's to pursue its rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken. The aggregate outstanding balance of such debt as of June 30, 1998, was \$123.7 million.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS - - - - - Competitive Pressures - - - - -

Due to the limited number of new markets opening for development, the focus of many casino operators has shifted to investing in existing markets in an effort to attract new

customers, increasing competition in those markets. Harrah's properties in the long-established gaming markets of Nevada and New Jersey have generally reacted less significantly to the changing competitive conditions, as the amount of supply change within these markets has represented a smaller percentage change than that experienced in some riverboat markets. In riverboat markets, the recent additions to supply have had a more noticeable impact, due to the fact that competition was limited in the early stages of many of these markets. As companies have completed expansion projects, supply has typically grown at a faster pace than demand in some markets and competition has increased significantly. Furthermore, several operators, including Harrah's, have announced plans for additional developments or expansions in some markets. The impact that the additional supply will have on Harrah's operations cannot be determined at this time.

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

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

Industry Consolidation

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As evidenced by a number of recent public announcements by casino entertainment companies of plans to acquire or be acquired by other companies, including Harrah's acquisition of Showboat, consolidation in the gaming industry is now underway. The Company believes it is well-positioned to, and may from time to time, pursue additional strategic acquisitions to further enhance its distribution, strengthen its access to target customers and leverage its technological and centralized services infrastructure.

Political Uncertainties

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

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

INTERCOMPANY DIVIDEND RESTRICTION

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Agreements governing the terms of its debt require Harrah's to abide by covenants which, among other things, limit HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's. The amount of HOC's net assets which are restricted by these covenants was approximately \$779.6 million at June 30, 1998. Harrah's principal asset is the stock of HOC, a wholly-owned subsidiary which holds, directly and through subsidiaries, the principal assets of Harrah's businesses. Given this ownership structure, these restrictions should not impair Harrah's ability to conduct its business through its subsidiaries or to pursue its development plans.

RECENTLY ISSUED ACCOUNTING STANDARDS

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The Company is currently evaluating the provisions of two recently issued accounting pronouncements. The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative financial instruments. The provisions of SFAS No. 133 require that a company recognize all derivatives as either assets or liabilities on its balance

sheet and that the instrument be valued at its fair value. The Statement also defines the criteria and conditions which govern the recognition of subsequent changes in the fair value of the instrument as being either balance sheet or income statement events. SFAS No. 133 is effective for years beginning after June 15, 1999.

The Accounting Standards Executive Committee of the American Institute of Certified Public Accountants has issued Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-up Activities." SOP 98-5 requires that the costs of all start-up activities, as defined in the SOP, be expensed as incurred. The SOP is effective for years beginning after December 15, 1998.

The Company does not expect the adoption of these pronouncements to materially impact its results of operations or financial position.

PRIVATE SECURITIES LITIGATION REFORM ACT

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The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information included in this Form 10-Q and other materials filed or to be filed by the Company with the Securities and Exchange Commission ("SEC") (as well as information included in oral statements or other written statements made or to be made by the Company) contains statements that are forward looking. These include statements relating to the following activities, among others: (A) operations and expansions of existing properties, including future performance, anticipated scope and opening dates of expansions; (B) planned development of casinos that would be owned or managed by the Company and the pursuit of strategic acquisitions; (C) the proposed plan of reorganization and its various facets for New Orleans; (D) planned capital expenditures for 1998 and beyond; (E) the possible acquisition or construction of an additional property in Las Vegas; (F) the impact of the WINet and Total Gold Card Programs; (G) any future impact the Showboat acquisition; and (H) Year 2000 compliance plans. These activities involve important factors that could cause actual results to differ materially from those expressed in any forward looking statements made by or on behalf of the Company. These include, but are not limited to, the following factors as well as other factors described from time to time in the Company's reports filed with the SEC: construction factors, including zoning issues, environmental restrictions, soil conditions, weather and other hazards, site access matters and building permit issues; access to available and feasible financing; regulatory, licensing and other government approvals,

third party consents and approvals, and relations with partners, owners and other third parties; conditions of credit markets and other business and economic conditions; litigation, judicial actions and political uncertainties, including gaming legislative action and taxation; actions or inactions of suppliers and vendors regarding Year 2000; and the effects of competition including locations of competitors and operating and marketing competition. Any forward looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

PART II -OTHER INFORMATION

Item 1. Legal Proceedings

New Orleans

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

On September 28, 1995, NOLDC filed suit against the Company and various of its corporate affiliates in NEW ORLEANS LOUISIANA DEVELOPMENT CORPORATION V. HARRAH'S ENTERTAINMENT, FORMERLY D/B/A THE PROMUS COMPANIES, HARRAH'S NEW ORLEANS INVESTMENT COMPANY, HARRAH'S NEW ORLEANS MANAGEMENT COMPANY, HARRAH'S JAZZ COMPANY, AND PROMUS HOTELS, FORMERLY D/B/A EMBASSY SUITES, INC., Civil No. 95-14653, filed in the Civil District Court for the Parish of Orleans. The case was subsequently removed by defendants to the United States District Court for the Eastern District of Louisiana. In this suit, NOLDC seeks to realign ownership interests in HJC among HNOIC and NOLDC. NOLDC also seeks an unspecified dollar amount of damages sufficient to compensate it for the losses it alleges it has suffered as a result of actions of defendants. NOLDC has indicated that it intends to seek to remand the suit to the Civil District Court. The case was also put on "administrative hold" by the District Court Judge as a result of NOLDC's bankruptcy filing. The Company and other defendants intend to vigorously defend the action should it be put back on the active case list. At the time it was put on "administrative hold," no answer had been filed by any defendant and no discovery had been taken.

Beginning on November 28, 1995, eight separate class action suits were filed against the Company and various of its corporate affiliates, officers and directors in the United States District Court for the Eastern District of Louisiana. They are BEN F. D'ANGELO, TRUSTEE FOR BEN F. D'ANGELO REVOCABLE TRUST V. HARRAH'S ENTERTAINMENT CORP., MICHAEL D. ROSE, PHILIP G. SATRE AND RON LENCZYCKI; MAX FENSTER V. HARRAH'S ENTERTAINMENT, INC., HARRAH'S NEW ORLEANS INVESTMENT COMPANY, GRAND PALAIS CASINO, INC., PHILIP G. SATRE, COLIN V. REED, MICHAEL N. REGAN, CHRISTOPHER B. HEMMETER, DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, SALOMON BROTHERS, INC., AND BT SECURITIES CORP.; GOLDIE ROSENBLOOM V. HARRAH'S ENTERTAINMENT CORP., MICHAEL D. ROSE, PHILIP G. SATRE AND RON LENCZYCKI; BARRY ROSS V. HARRAH'S NEW ORLEANS INVESTMENT COMPANY, PHILIP G. SATRE, COLIN V. REED, LAWRENCE L. FOWLER, MICHAEL N. REGAN, CEZAR M. FROELICH, ULRIC HAYNES, JR., WENDELL GAUTHIER, T. GEORGE SOLOMON, JR., DUPLAIN W. RHODES, III, HARRAH'S ENTERTAINMENT, INC., DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, SALOMON BROTHERS INC., AND BT SECURITIES CORP.; LOUIS SILVERMAN V. HARRAH'S ENTERTAINMENT, INC., HARRAH'S NEW ORLEANS INVESTMENT COMPANY, GRAND PALAIS CASINO, INC., PHILIP G. SATRE, COLIN V. REED, MICHAEL N. REGAN, CHRISTOPHER B. HEMMETER, AND DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION; FLORENCE KESSLER V. PHILIP G. SATRE, COLIN V. REED, CHARLES A. LEDSINGER, JR., MICHAEL N. REGAN, LAWRENCE L. FOWLER, CHRISTOPHER B. HEMMETER, CEZAR M. FROELICH, ULRIC HAYNES, JR., WENDELL H. GAUTHIER, T. GEORGE SOLOMON, JR., DUPLAIN W. RHODES, III, DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, SALOMON BROTHERS INC., AND BT SECURITIES CORPORATION; WARREN ZEILLER AND JUDITH M.R. ZEILLER V. HARRAH'S ENTERTAINMENT CORP., MICHAEL D. ROSE, PHILIP G. SATRE, AND RON LENCZYCKI; AND CHARLES ZWERVING AND HELENE ZWERVING V. HARRAH'S ENTERTAINMENT CORP., PHILIP G. SATRE, COLIN V. REED, CHRISTOPHER B. HEMMETER, AND DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION. Per Court Order of January 26, 1996, the above plaintiffs filed a consolidated complaint in the action numbered 95-3925 IN RE HARRAH'S ENTERTAINMENT, INC. SECURITIES LITIGATION. The consolidated complaint alleges that various misstatements and omissions were made in connection with the sale of Harrah's Jazz Company 14.25% First Mortgage Notes and thereafter, and seeks unspecified damages, as well as costs of legal proceedings. On April 25, 1997, the United States District Court preliminarily approved a settlement of this matter, which settlement is contingent upon the consummation of a Plan of Reorganization for HJC. A final fairness hearing was held on June 26, 1997. On July 31, 1997, the Court ruled that the settlement was fair to class members.

On December 6, 1995 Centex Landis, the general contractor for the permanent casino being developed by HJC, filed suit against the Company, among others, in the Civil District Court for The Parish of Orleans in CENTEX LANDIS CONSTRUCTION CO., INC. V. HARRAH'S ENTERTAINMENT, INC. FORMALLY D/B/A THE PROMUS COMPANIES, INC.; AND RONALD A. LENCZYCKI, Civil No. 95-18101. Defendants removed the case to the United States District Court for the Eastern District of Louisiana and it was subsequently transferred to the Bankruptcy Court handling the HJC bankruptcy. A motion for remand is pending. This suit seeks to collect more than \$40 million allegedly owed to Centex Landis by HJC from the Company under guarantee, fraud, fraudulent advertising and unfair trade practice theories. The Company and the other defendant intend to vigorously defend the action and have filed an answer denying all of plaintiff's allegations. No discovery has been taken in the action.

RUSSELL M. SWODY, ET AL. V. HARRAH'S NEW ORLEANS MANAGEMENT COMPANY AND HARRAH'S ENTERTAINMENT, INC., Civil No. 95-4118, was filed against the Company on December 13, 1995 in the United States District Court for the Eastern District of Louisiana, and subsequently amended. SWODY is a class action lawsuit under the Worker Adjustment and Retraining Notification Act ("WARN Act") and seeks damages for alleged failure to timely notify workers terminated by Harrah's New Orleans Management Company at the time of the HJC bankruptcy. Plaintiffs seek unspecified damages, as well as costs of legal proceedings, for themselves and all members of the class. An answer has been filed denying all of plaintiffs' allegations.

SWODY was consolidated with SUSAN N. POIRIER, DARLENE A. MOSS, ET AL. V. HARRAH'S ENTERTAINMENT, INC., HARRAH'S NEW ORLEANS MANAGEMENT COMPANY, AND HARRAH'S OPERATING COMPANY, Civil No. 96-0215, which was filed in the United States District Court for the Eastern District of Louisiana on January 17, 1996, and subsequently amended. POIRIER seeks not only damages under the WARN Act, but also under the Employee Retirement Income Security Act ("ERISA") for the alleged wrongful failure to provide severance to those terminated. Similar proofs of claims were filed by Ms. Poirier in the Bankruptcy Court for the Eastern District of Louisiana in the HJC, HNOIC and Harrah's Jazz Finance Corp. bankruptcy cases.

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

On December 29, 1995 in the Civil District Court for The Parish of Orleans, the City of New Orleans filed suit against the Company and others in CITY OF NEW ORLEANS AND RIVERGATE DEVELOPMENT CORPORATION V. HARRAH'S ENTERTAINMENT, INC. (F/K/A THE PROMUS COMPANIES, INC.), GRAND PALAIS CASINO, INC., EMBASSY SUITES, INC., FIRST NATIONAL BANK OF COMMERCE AND RONALD A. LENCZYCKI, Civil No. 95-19285. This suit seeks to require the Company, among others, to complete construction of the permanent casino being developed by HJC under theories of breach of completion guarantee contract, breach of implied duty of good faith, detrimental reliance, misrepresentation, and false advertising. Plaintiff seeks unspecified damages, as well as costs of legal proceedings. Defendants have removed the suit to the United States District Court for the Eastern District of Louisiana and it was then transferred to the Bankruptcy Court handling the HJC bankruptcy. A motion for remand is pending. The Company and the other defendants have filed an answer denying all of plaintiffs' allegations and intend to vigorously defend the action.

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

On November 21, 1997 in the IN RE HARRAH'S JAZZ COMPANY bankruptcy proceeding, HJC filed an adversary proceeding styled HARRAH'S JAZZ COMPANY V. A&D MAINTENANCE SERVICES, ET AL., 97-1174, which names the Company and various of its subsidiaries as defendants. As HJC noted at the time of the filing, the action was filed "against numerous defendants, including the principal parties in interest in the bankruptcy case, to preserve various causes of action." HJC has not effected service on any defendant therein. This adversary proceeding purports to state claims against the Company and its subsidiaries for preferential transfers, insider preferential transfers, avoidance transfers, violations of La. Civil Code Arts. 1978 ET SEQ., violations of La. Civil Code Arts. 2315, 1953 as well as Arts. 1983, 1989, 1994, 1995, 1996, 1997 and 2000, violations of La. Civil Code Arts. 1953, 1997, 2315, damage to its creditors as a result of the projections in the 1994 offering of HJC bonds, and breach of fiduciary duty and fair dealing.

If the action is ever served on the Company, the Company intends to defend vigorously. However, should the currently pending Plan of Reorganization for HJC be confirmed and consummated, it is anticipated that this matter will be resolved in connection therewith.

On November 21, 1997 IN RE NEW ORLEANS LOUISIANA DEVELOPMENT CORPORATION matter, NOLDC filed an adversary proceeding styled NEW ORLEANS LOUISIANA DEVELOPMENT CORPORATION V. BANKERS TRUST COMPANY, 97-1176 ET AL., which names the Company and several of its subsidiaries as defendants. NOLDC has not effected service on any defendant therein. This adversary proceeding purported to state claims for breach of fiduciary duty, negligent and fraudulent misrepresentation, Stipulation Pour Autrui and violations of La. Civil Code Art. 1953 ET SEQ. If the action is ever served on the Company, the Company intends to defend the action vigorously.

On November 21, 1997, Eddie Sapir and Eddie Sapir Inter Vivos Trust No. 1 filed suit against certain individuals and entities, including the Company. The action is styled EDDIE SAPIR V. BANKER'S TRUST COMPANY, ET AL. and was filed in the Civil District Court for the Parish of Orleans, No. 97-20643. The complaint has not yet been served on the Company. Nonetheless, the Company removed the action and asked that it be transferred to the Bankruptcy Court for the Eastern District of Louisiana for consolidation with the IN RE HARRAH'S JAZZ COMPANY bankruptcy proceeding. The complaint purports to state claims for detrimental reliance, civil law equity, negotiorum gwestro, unjust enrichment, breach of covenant, quantum meruit,

anticipatory breach of contract, abuse of right, intentional interference with contract and negligent misrepresentation. After several status calls, the matter was put on "administrative hold" by the District Court. If the action is ever served on the Company, the Company intends to defend the action vigorously.

Missouri

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On November 25, 1997, the Missouri Supreme Court issued a ruling in AKIN V. MISSOURI GAMING Commission that defined the state constitutional requirements for floating casino facilities in artificial basins. Subsequently, the Missouri Gaming Commission attempted to issue disciplinary resolutions that effectively would have amended the gaming licenses of the Company's Missouri casinos, and numerous other floating casino facilities in the Commission's jurisdiction, to preclude games of chance, subject to evidentiary hearings that were to be held if the licensees filed appeals to prove compliance with the Supreme Court's ruling. Prior to the Commission's action, Harrah's and other licensees filed petitions in the Circuit Court of Cole County, Missouri, and succeeded in having the Court issue an order restraining the Commission from taking any such disciplinary action. The Commission appealed to the Missouri Supreme Court which, on May 28, 1998, lifted the lower court's restraining order. On June 18, the Commission reissued its proposed disciplinary resolutions. All affected licensees, including Harrah's and Players, filed timely appeals of the proposed disciplinary resolutions. The Commission has not scheduled any hearings as of this time. Harrah's has also filed suit seeking declaratory judgment that its gaming facilities meet the state constitutional mandates as established by the Missouri Supreme Court. Finally, it is expected that, pending verification of over 200,000 signatures submitted in support of a ballot initiative, the people of the State of Missouri will vote on November 3, 1998, to amend the State's Constitution to deem all floating casino facilities in compliance with state law.

Item 4. Submission of Matters To a Vote of Security Holders

The Company held its annual stockholders meeting on May 1, 1998. The following matters were voted upon at the meeting:

1. Election of Class II Directors

Name of Director Elected	Votes Cast	
	For	Against or Withheld
Ralph Horn	88,379,479	895,531
Philip G. Satre	88,307,066	967,944
Boake A. Sells	88,358,936	916,074

Name of Each Other Director Whose Term of Office as Director Continued After the Meeting

Susan Clark-Johnson
James B. Farley
Joe M. Henson
R. Brad Martin
Walter J. Salmon
Eddie N. Williams

2. Approve amendments to the Company's Stock Option Plan	For	Against or Withheld	Abstentions
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	57,511,250	17,378,080	560,850

3. Approve amendments to the Company's Restricted Stock Plan	For	Against or Withheld	Abstentions
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	57,851,623	16,991,224	607,333

4. Ratification of Arthur Andersen LLP as the Company's independent public accountants for the 1998 calendar year	For	Against or Withheld	Abstentions
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	88,938,878	181,628	154,504

Item 5. Other Information

Under the Company's bylaws, shareholder proposals submitted outside the process of Rule 14a-8 under the Exchange Act must be received by March 8, 1999, or they will be considered untimely.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- *EX-4.1 Press Release dated April 1, 1998 -- Harrah's Calls Notes for Redemption; Closes Bank Facility.
- *EX-4.2 Press Release dated May 13, 1998 -- Harrah's Commences Tender for Showboat, Inc.
- *EX-4.3 Press Release dated May 26, 1998 -- Harrah's Revises Tender for Showboat Senior Subordinated Notes No Change In First Mortgage Bonds.
- *EX-4.4 Press Release dated May 28, 1998 - Harrah's receives Requisite Consents for Showboat First Mortgage Bonds.
- *EX-4.5 Press Release dated May 29, 1998 -- Harrah's Receives Requisite Consents for Showboat Senior Subordinated Notes.
- *EX-4.6 Press Release dated June 9, 1998 -- Harrah's Prices Tender Offer for Showboat First Mortgage Bonds and Senior Subordinated Notes.
- *EX-4.7 Press Release dated June 11, 1998 -- Harrah's Completes Tender Offer for Showboat First Mortgage Bonds and Senior Subordinated Notes.
- *EX-4.8 5 Year Credit Agreement among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Certain Subsidiaries of Harrah's Operating Company, Inc., Various Banks, Canadian Imperial Bank of Commerce and Societe Generale, as Co-Syndication Agents, Bank of America National Trust and Savings Association, as Documentation Agent, and Bankers Trust Company, as Administrative Agent, dated as of July 22, 1993 and Amended and Restated as of June 9, 1995 and further Amended and Restated as of April 1, 1998.

- *EX-4.9 364 Day Credit Agreement among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Certain Subsidiaries of Harrah's Operating Company, Inc., Various Banks, Canadian Imperial Bank of Commerce and Societe Generale, as Co-Syndication Agents, Bank of America National Trust and Savings Association, as Documentation Agent, and Bankers Trust Company, as Administrative Agent, dated as of June 9, 1995 and Amended and Restated as of April 1, 1998.
- *EX-4.10 Indenture dated May 18, 1993, for the 9 1/4% First Mortgage Bonds due 2008 among Showboat, Inc., Ocean Showboat, Inc., Atlantic City Showboat, Inc., Showboat Operating Company, and IBJ Schroder Bank & Trust Company; Guaranty by Ocean Showboat Operating Company in favor of IBJ Schroder Bank & Trust Company and Form of Bond Certificate for the 9 1/4% First Mortgage Bonds due 2008.
- EX-4.11 First Supplemental Indenture dated July 18, 1994, for the 9 1/4% First Mortgage Bonds due 2008 among Showboat, Inc., Ocean Showboat, Inc., Atlantic City Showboat, Inc., Showboat Operating Company and IBJ Schroder Bank & Trust Company is incorporated herein by reference to Showboat, Inc.'s Form 10-K (file no. 1-7123) for the year ended December 31, 1994, Exhibit 4.02.
- EX-4.12 Indenture dated August 10, 1994, for the 13% Senior Subordinated Notes due 2009 among Showboat, Inc., Ocean Showboat, Inc., Atlantic City Showboat, Inc., Showboat Operating Company, and Marine Midland Bank; Guaranty by Ocean Showboat, Inc., Atlantic City Showboat, Inc. and Showboat Operating Company in favor of Marine Midland Bank; and Form of Note Certificate for the 13% Senior Subordinated Notes due 2009, are incorporated herein by reference to Showboat, Inc.'s Form 8-K (file no. 1-7123) dated August 10, 1994, Exhibit 4.01.

- EX-4.13 Indenture dated as of March 28, 1996, among Showboat Marina Casino Partnership, Showboat Marina Finance Corporation, Donaldson, Lufkin & Jenrette Securities Corporation, Nomura Securities International, Inc., Bear, Stearns & Co., Inc. and American Bank National Association, as trustee, relating to the 13 1/2 Series A and Series B First Mortgage Notes due 2003, is incorporated herein by reference to Showboat, Inc.'s Form 10-Q (file no. 1-7123) for the six month period ended June 30, 1996, Exhibit 4.01.
- *EX-4.14 Second Supplemental Indenture dated as of May 27, 1998 to Indenture dated as of May 18, 1993, for \$275,000,000 9 1/4% First Mortgage Bonds due 2008 of Showboat, Inc., Issuer, Ocean Showboat, Inc., Atlantic City Showboat, Inc. and Showboat Operating Company, Guarantors, and IBJ Schroder Bank & Trust Company as Trustee.
- *EX-4.15 First Supplemental Indenture dated as of May 28, 1998 to Indenture dated as of August 10, 1994 for \$120,000,000 13% Senior Subordinated Notes due 2009 of Showboat, Inc., Company, Ocean Showboat, Inc., Atlantic City Showboat, Inc., and Showboat Operating Company, Guarantors, and Marine Midland Bank as Trustee.
- EX-4.16 Agreement of Purchase and Sale by and between Sun International and Showboat Land LLC, dated January 29, 1998; Assignment and Assumption of Lease by and between Sun International and Showboat Land LLC, dated January 27, 1998; Landlord Estoppel Certificate by Sun International to Atlantic City Showboat, Inc. dated January 27, 1998; Tenant Estoppel Certificate by Atlantic City Showboat, Inc. to Sun International dated January 27, 1998, incorporated herein by reference from Showboat, Inc.'s Form 10-K, (file no. 1-7123) for the year ended December 31, 1997, Exhibit 10.36.
- EX-4.17 Mortgage and Security Agreement by and between Column Financial, Inc. and Showboat Land LLC, dated January 29, 1998; Promissory Note in the principal amount of \$100,000,000 in favor of Column Financial Inc. by Showboat Land LLC, dated January 29, 1998; Cash Management Agreement by and between Column Financial, Inc. and Showboat Land LLC dated January 28, 1998; Guranty of Lease by and between

Showboat, Inc. and Column Financial, Inc. dated January 29, 1998; Environmental Indemnity Agreement by and between Column Financial, Inc., Showboat Land LLC and Atlantic City Showboat, Inc. dated January 29, 1998; Assignment of Leases and Rents by and between Column Financial Inc. and Showboat Land LLC, dated January 29, 1998; Tenant Estoppel Certificate by Atlantic City Showboat, Inc. to Column Financial, Inc. and Showboat Land LLC, dated January 29, 1998; Promissory Note Clarification Agreement dated January 29, 1998 between Column Financial, Inc. and Showboat Land LLC; and Lease Clarification Agreement dated February 13, 1998 among Showboat Land LLC and Atlantic City Showboat, Inc., incorporated herein by reference from Showboat, Inc.'s Form 10-K (file no. 1-7123) for the year ended December 31, 1997, Exhibit 10.37.

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- EX-10.2 Showboat, Inc. Supplemental Executive Retirement Plan effective April 1, 1994, is incorporated herein by reference to Showboat, Inc.'s Form 10-K (file no. 1-7123) for the year ended December 31, 1994, Exhibit 10.37.
- EX-10.3 Showboat, Inc. Restoration Plan effective April 1, 1994, is incorporated herein by reference to Showboat, Inc.'s Form 10-K (file no. 1-7123) for the year ended December 31, 1994, Exhibit 10.38.
- *EX-10.4 Amendment to the Restoration Plan For Employees of Showboat, Inc. dated March 7, 1997.
- *EX-10.5 Amendment to the Restoration Plan For Employees of Showboat, Inc. dated May 12, 1998.
- *EX-10.6 Amendment dated April 30, 1998 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan.
- *EX-10.7 Amendment to the Harrah's Entertainment, Inc. 1990 Stock Option Plan dated April 30, 1998.
- *EX-10.8 Amendment to the Harrah's Entertainment, Inc. 1990 Restricted Stock Plan dated April 30, 1998.

*EX-10.9 Description of Terms of Stock Option and TARSAP Grants for Gary W. Loveman on April 30, 1998.

*EX-11 Computation of per share earnings.

*EX-27 Financial Data Schedule.

*Filed herewith.

(b) A Form 8-K was filed by the Company on June 16, 1998, reporting the consummation of the acquisition of Showboat, Inc.

Signature

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

HARRAH'S ENTERTAINMENT, INC.

August 7, 1998

BY: /s/ JUDY T. WORMSER

Judy T. Wormser
Vice President and Controller
(Chief Accounting Officer)

Exhibit Index

Exhibit No.	Description	Sequential Page No.
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EX-4.1	Press Release dated April 1, 1998 -- Harrah's Calls Notes for Redemption; Closes Bank Facility.	
EX-4.2	Press Release dated May 13, 1998 -- Harrah's Commences Tender for Showboat, Inc.	
EX-4.3	Press Release dated May 26, 1998 -- Harrah's Revises Tender for Showboat Senior Subordinated Notes No Change In First Mortgage Bonds.	
EX-4.4	Press Release dated May 28, 1998 - Harrah's receives Requisite Consents for Showboat First Mortgage Bonds.	
EX-4.5	Press Release dated May 29, 1998 -- Harrah's Receives Requisite Consents for Showboat Senior Subordinated Notes.	
EX-4.6	Press Release dated June 9, 1998 -- Harrah's Prices Tender Offer for Showboat First Mortgage Bonds and Senior Subordinated Notes.	
EX-4.7	Press Release dated June 11, 1998 -- Harrah's Completes Tender Offer for Showboat First Mortgage Bonds and Senior Subordinated Notes.	

- EX-4.8 5 Year Credit Agreement among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Certain Subsidiaries of Harrah's Operating Company, Inc., Various Banks, Canadian Imperial Bank of Commerce and Societe Generale, as Co-Syndication Agents, Bank of America National Trust and Savings Association, as Documentation Agent, and Bankers Trust Company, as Administrative Agent, dated as of July 22, 1993 and Amended and Restated as of June 9, 1995 and further Amended and Restated as of April 1, 1998.
- EX-4.9 364 Day Credit Agreement among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Certain Subsidiaries of Harrah's Operating Company, Inc., Various Banks, Canadian Imperial Bank of Commerce and Societe Generale, as Co-Syndication Agents, Bank of America National Trust and Savings Association, as Documentation Agent, and Bankers Trust Company, as Administrative Agent, dated as of June 9, 1995 and Amended and Restated as of April 1, 1998.
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EX-27.4	Financial Data Schedule.
EX-27.5	Financial Data Schedule.
EX-27.6	Financial Data Schedule.
EX-27.7	Financial Data Schedule.

NEWS RELEASE

[LOGO]
HARRAH'S ENTERTAINMENT, INC.
The Premier Name in Casino Entertainment

Ralph Berry
Harrah's Entertainment, Inc.
(901)762-8629
Release # HET 4-98-0093

Harrah's Calls Notes for Redemption;

Closes Bank Facility

MEMPHIS, April 1, 1998 -- Harrah's Entertainment, Inc., (NYSE:HET) today announced its Harrah's Operating Company, Inc. subsidiary has called for redemption, on May 1, 1998, of all \$200 million of its 8-3/4% Senior Subordinated Notes due 2000. The call price is 102% of the principal amount plus accrued and unpaid interest on the Notes to the redemption date. The Bank of New York is trustee and paying agent for the Notes.

Harrah's also announced that it has closed an expanded \$2.1 billion senior unsecured bank credit facility. The facility includes a \$200 million commitment which will be made available only for the redemption of the Notes and an \$800 million commitment which will be made available only for the consummation of the merger with Showboat, Inc. and related transactions. The merger is expected to close in the second quarter of 1998.

Harrah's Entertainment, the premier name in casino entertainment, operates 16 casinos across the United States. With more than 60 years in the casino entertainment industry, Harrah's is the most recognized and respected brand name in the business.

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NEWS RELEASE

[LOGO]
HARRAH'S ENTERTAINMENT, INC.
The Premier Name in Casino Entertainment

MEDIA INQUIRIES:
Ralph Berry
Harrah's Entertainment, Inc.
(901) 762-8629
Release # HET 5-98-0096

INVESTOR INQUIRIES:
Charles Atwood
(901)762-8852

Harrah's Commences Tender for Showboat Debt

MEMPHIS, May 13, 1998 -- Harrah's Entertainment, Inc. ("Harrah's") announced today that in conjunction with its pending acquisition of Showboat, Inc., Harrah's is commencing a fixed spread cash tender offer for all of Showboat's outstanding 9 1/4% First Mortgage Bonds due 2008 and 13% Senior Subordinated Notes due 2009 (collectively, the "Notes"). Concurrently with the tender offer, Harrah's will solicit consents from the holders of the Notes to amend the respective Indentures under which the Notes were issued.

The acquisition of Showboat by Harrah's is expected to close in May 1998 assuming receipt of Australian regulatory approvals and satisfaction of other conditions specified in the merger agreement. The consummation of the Showboat acquisition is not contingent upon completion of the tender offers or the consent solicitations.

The consideration for each \$1,000 principal amount of First Mortgage Bonds validly tendered and accepted for purchase will be a price resulting in a yield to the first redemption date of the First Mortgage Bonds equal to 50 basis points over the yield of a reference security maturing at the first redemption date plus accrued interest. The reference security for the First Mortgage Bonds is the 6 3/4% U.S. Treasury Note due April 30, 2000. The consideration for each \$1,000 principal amount of Senior Subordinated Notes validly tendered and accepted for purchase will be a price resulting in a yield to the first redemption date of the Senior Subordinated Notes equal to 62.5 basis points over the yield of a reference security maturing at the first

redemption date plus accrued interest. The reference security for the Senior Subordinated Notes is the 6 5/8% U.S. Treasury Note due July 31, 2001. The yield of each reference security will be determined as of 3 p.m. EDT, on the second business day preceding the expiration date of the applicable tender offer. The tender offers are scheduled to expire at 5 p.m. EDT, on June 10, 1998, unless extended by Harrah's.

In conjunction with the tender offer, Harrah's is soliciting consents from the holders of the Notes to amend the Indentures governing each of the Notes to eliminate or modify substantially all of the negative covenants, certain events of default, and to make certain other changes to the Indentures. Holders who validly tender Notes prior to 5 p.m. EDT, on May 27, 1998, will receive a consent payment of \$25 per \$1,000 principal amount of Notes. Holders who tender their Notes will be required to consent to the proposed amendments. Holders may not consent to the proposed amendments without tendering their Notes. Tendered Notes cannot be withdrawn and consents cannot be revoked at any time subsequent to 5 p.m. EDT, on May 27, 1998, unless extended by Harrah's. Holders tendering their Notes after 5 p.m. EDT, on May 27, 1998, will not receive the consent payment.

Morgan Stanley & Co. Incorporated is acting as dealer manager and consent solicitation agent. MacKenzie Partners, Inc. is the information agent for the tender offers and consent solicitations. The Offer to Purchase and Consent Solicitation Statement dated May 13, 1998, and related documentation can be obtained from MacKenzie Partners, Inc. by calling toll free (800)322-2885, or by calling Morgan Stanley & Co. Incorporated toll free at (877)445-0397.

This announcement is not an offer to purchase, a solicitation of an offer to purchase, or a solicitation of consents with respect to the Notes. The tender offers and consent solicitations are made solely by the Offer to Purchase and Consent Solicitation Statement dated May 13, 1998.

The tender offers and consent solicitations are conditioned upon, among other things, the receipt of tenders and consents from not less than a majority in aggregate principal amount outstanding of both issues of Notes.

Statements in this release concerning future events, including the tender offer plans, the anticipated completion of the Showboat transaction, future performance and business prospects are forward-looking and are subject to certain risks and uncertainties. These include, but are not limited to,

economic and capital market conditions, changes in laws or regulations, third party relations and approvals, decisions of courts, regulators and governmental bodies, factors affecting leverage, including interest rates, and effects of competition. These risks and uncertainties could significantly affect anticipated results or events in the future and actual results may differ materially from any forward-looking statements. For additional information, refer to the section entitled "Private Securities Litigation Reform Act" in Harrah's Form 10-K filed with the Securities and Exchange Commission for the period ended December 31, 1997.

###

NEWS RELEASE

[LOGO]
 HARRAH'S ENTERTAINMENT, INC.
 The Premier Name in Casino Entertainment

MEDIA INQUIRIES:
 Ralph Berry
 Harrah's Entertainment, Inc.
 (901)762-8629
 Release # HET 5-98-0097

INVESTOR INQUIRIES:
 Charles Atwood
 (901)762-8852

Harrah's Revises Tender for Showboat Senior Subordinated Notes

 No Change in First Mortgage Bonds

MEMPHIS, May 26, 1998 -- Harrah's Entertainment, Inc. announced today that its subsidiary, Harrah's Operating Company, Inc. ("Harrah's"), after discussions with a majority of holders of Showboat's 9 1/4% First Mortgage Bonds due 2008 and 13% Senior Subordinated Notes due 2009, is revising the terms of its fixed spread cash tender offer for the Senior Subordinated Notes. The consideration and the consent date have been modified. Terms related to the fixed spread cash tender offer and the consent date for the First Mortgage Bonds remain unchanged.

The consideration for each \$1,000 principal amount of Senior Subordinated Notes validly tendered and accepted for purchase will be revised to a price resulting in a yield to the first redemption date of the Senior Subordinated Notes equal to 50 basis points over the yield of the 6 5/8% U.S. Treasury Note due July 31, 2001, plus accrued interest. This consideration will also apply to any Senior Subordinated Notes previously tendered.

The consent date for the Senior Subordinated Notes is revised to 5 p.m. EDT, on May 28, 1998. Holders of the Senior Subordinated Notes tendering their notes after the consent date will not receive the consent payment.

Other terms and conditions set forth in the Offer to Purchase and Consent Solicitation Statement dated May 13, 1998, remain unchanged. The tender offers are scheduled to expire at 5 p.m. EDT, on June 10, 1998, unless extended by Harrah's.

Morgan Stanley & Co. Incorporated is acting as dealer manager and consent solicitation agent. MacKenzie Partners, Inc. is the information agent for the tender offers and consent solicitations. The Offer to Purchase and Consent Solicitation Statement dated May 13, 1998, and related documentation can be obtained from MacKenzie Partners, Inc. by calling toll free (800)322-2885, or by calling Morgan Stanley & Co. Incorporated toll free at (877)445-0397.

This announcement is not an offer to purchase, a solicitation of an offer to purchase, or a solicitation of consents with respect to either issue of Notes. The tender offers and consent solicitations are made solely by the Offer to Purchase and Consent Solicitation Statement dated May 13, 1998.

The tender offers and consent solicitations are conditioned upon, among other things, the receipt of tenders and consents from not less than a majority in aggregate principal amount outstanding of both issues of Notes.

Statements in this release concerning future events, including the tender offer plans, the anticipated completion of the Showboat transaction, future performance and business prospects are forward-looking and are subject to certain risks and uncertainties. These include, but are not limited, to, economic and capital market conditions, changes in laws or regulations, third party relations and approvals, decisions of courts, regulators and governmental bodies, factors affecting leverage, including interest rates, and effects of competition. These risks and uncertainties could significantly affect anticipated results or events in the future and actual results may differ materially from any forward-looking statements. For additional information, refer to the section entitled "Private Securities Litigation Reform Act" in Harrah's Form 10-K filed with the Securities and Exchange Commission for the period ended December 31, 1997.

###

NEWS RELEASE

[LOGO]
HARRAH'S ENTERTAINMENT, INC.
The Premier Name in Casino Entertainment

MEDIA INQUIRIES:
Ralph Berry
Harrah's Entertainment, Inc.
(901)762-8629
Release # HET 5-98-0098

INVESTOR INQUIRIES:
Charles Atwood
(901)762-8852

Harrah's Receives Requisite Consents

for Showboat First Mortgage Bonds

MEMPHIS, May 28, 1998 -- Harrah's Entertainment, Inc. ("Harrah's") today announced the consent solicitation related to Showboat's 9/1/4% First Mortgage Bonds due 2008 expired at 5 p.m. EDT, May 27, 1998. Harrah's has received consents representing, in the aggregate, more than the requisite principal amount of First Mortgage Bonds necessary to amend the related Indenture. Consents to amend the Indenture were solicited by Harrah's pursuant to an Offer to Purchase and Consent Solicitation Statement dated May 13, 1998.

Harrah's is also soliciting consents from holders of Showboat's 13% Senior Subordinated Notes due 2009 to amend the related Indenture. The consent expiration date for the Senior Subordinated Notes is 5 p.m. EDT, on May 28, 1998.

The tender offer for both issues is scheduled to expire at 5 p.m. EDT, on June 10, 1998, unless extended by Harrah's.

Morgan Stanley & Co. Incorporated is acting as dealer manager and consent solicitation agent. MacKenzie Partners, Inc. is the information agent for the tender offers and consent solicitations. The Offer to Purchase and Consent Solicitation Statement dated May 13, 1998, and related documentation can be obtained from MacKenzie Partners, Inc. by calling toll free (800)322-2885, or by calling Morgan Stanley & Co. Incorporated toll free at (877)445-0397.

This announcement is not an offer to purchase, a solicitation of an offer to purchase, or a solicitation of consents with respect to either issue of notes. The tender offers and consent solicitations are made solely by the Offer to Purchase and Consent Solicitation Statement dated May 13, 1998.

The tender offers and consent solicitations are conditioned upon, among other things, the receipt of tenders and consents from not less than a majority in aggregate principal amount outstanding of both issues of notes.

###

NEWS RELEASE

[LOGO]
HARRAH'S ENTERTAINMENT, INC.
The Premier Name in Casino Entertainment

MEDIA INQUIRIES:
Ralph Berry
Harrah's Entertainment, Inc.
(901)762-8629
Release # HET 5-98-0099

INVESTOR INQUIRIES:
Charles Atwood
(901)762-8852

Harrah's Receives Requisite Consents for

Showboat Senior Subordinated Notes

MEMPHIS, May 29, 1998 -- Harrah's Entertainment, Inc. (NYSE:HET) today announced the consent solicitation related to Showboat's 13% Senior Subordinated Notes due 2009 expired at 5 p.m. EDT, May 28, 1998. Harrah's received consents representing, in the aggregate, more than the requisite principal amount of Senior Subordinated Notes necessary to amend the related Indenture. Consents to amend the Indenture were solicited by Harrah's pursuant to an Offer to Purchase and Consent Solicitation Statement dated May 13, 1998.

The tender offer for Showboat's 13% Senior Subordinated Notes due 2009 and 9 1/4% First Mortgage Bonds due 2008 is scheduled to expire at 5 p.m. EDT, on June 10, 1998, unless extended by Harrah's.

Morgan Stanley & Co. Incorporated is acting as dealer manager and consent solicitation agent. MacKenzie Partners, Inc. is the information agent for the tender offers and consent solicitations. The Offer to Purchase and Consent Solicitation Statement dated May 13, 1998, and related documentation can be obtained from MacKenzie Partners, Inc. by calling toll free (800)322-2885, or by calling Morgan Stanley & Co. Incorporated toll free at (877)445-0397.

This announcement is not an offer to purchase, a solicitation of an offer to purchase, or a solicitation of consents with respect to either issue of notes. The tender offers and consent solicitations are made solely by the Offer to Purchase and Consent Solicitation Statement dated May 13, 1998.

###

NEWS RELEASE

[LOGO]
 HARRAH'S ENTERTAINMENT, INC.
 The Premier Name in Casino Entertainment

MEDIA INQUIRIES:
 Ralph Berry
 Harrah's Entertainment, Inc.
 (901)762-8629
 Release # HET 6-98-0101

INVESTOR INQUIRIES:
 Charles Atwood
 (901)762-8852

Harrah's Prices Tender Offer for Showboat First Mortgage

 Bonds and Senior Subordinated Notes

MEMPHIS, June 9, 1998 -- Harrah's Entertainment, Inc. (NYSE:HET) today announced the prices related to the tender offer for Showboat's \$275,000,000 aggregate principal amount of 9 1/4% First Mortgage Bonds due 2008 and \$120,000,000 aggregate principal amount of 13% Senior Subordinated Notes due 2009. The tender offer is being made pursuant to an Offer to Purchase and Consent Solicitation Statement dated May 13, 1998, and will expire at 5 p.m. EDT, on June 10, 1998, unless extended by Harrah's.

Assuming the tender offers are not extended, the total consideration is as follows:

Company Name:	Showboat, Inc.	Showboat, Inc.
Coupon:	9.25 Percent	13.00 Percent
Maturity Date:	May 1, 2008	August 1, 2009
CUSIP No.:	825390AB3	825390AC1
Commencement Date:	May 13, 1998	May 13, 1998
Tender Expiration Date:	June 10, 1998	June 10, 1998
Total Consideration:	\$1,079.95 per \$1,000	\$1,225.62 per \$1,000
Consent Payment:	\$25 per \$1,000	\$25 per \$1,000

Tender Offer	\$1,054.95 per	\$1,200.62 per
Consideration:	\$1,000	\$1,000
Consent Expiration	May 27, 1998	May 28, 1998
Date:		

Holders who tendered their notes on or prior to 5 p.m. EDT on the consent expiration date are entitled to receive the consent payment, which is included in the total consideration.

This announcement is not an offer to purchase, a solicitation of an offer to purchase, or a solicitation of consents with respect to either issue of notes. The tender offers and consent solicitations are made solely by the Offer to Purchase and Consent Solicitation Statement dated May 13, 1998.

###

NEWS RELEASE

[LOGO]
HARRAH'S ENTERTAINMENT, INC.
The Premier Name in Casino Entertainment

MEDIA INQUIRIES:
Ralph Berry
Harrah's Entertainment, Inc.
(901)762-8629
Release # HET 6-98-0102

INVESTOR INQUIRIES:
Charles Atwood
(901)762-8852

Harrah's Completes Tender Offer for Showboat

First Mortgage Bonds and Senior Subordinated Notes

MEMPHIS, June 11, 1998 -- Harrah's Entertainment, Inc. (NYSE:HET) today announced the successful completion of the tender offers and consent solicitations for Showboat's \$275,000,000 aggregate principal amount of 9 1/4% First Mortgage Bonds due 2008 and \$120,000,000 aggregate principal amount of 13% Senior Subordinated Notes due 2009. Harrah's accepted all notes validly tendered for payment pursuant to the Offer to Purchase and Consent Solicitation Statement dated May 13, 1998.

As of 5 p.m. EDT, on June 10, 1998, the expiration date of the tender offers, holders had tendered \$218,555,000 aggregate principal amount of First Mortgage Bonds and \$117,900,000 aggregate principal amount of Senior Subordinated Notes. The company expects that payments in settlement of the tender offers will be made on June 15, 1998. As a result of the receipt of the requisite consents, Harrah's has eliminated or modified substantially all of the negative covenants, certain events of default, and made other changes to the indentures governing each of the notes.

Morgan Stanley & Co. Incorporated acted as dealer manager and consent solicitation agent. MacKenzie Partners, Inc. was the information agent for the tender offers and consent solicitations.

###

CREDIT AGREEMENT

among

HARRAH'S ENTERTAINMENT, INC.,

HARRAH'S OPERATING COMPANY, INC.,

CERTAIN SUBSIDIARIES OF HARRAH'S OPERATING COMPANY, INC.,

VARIOUS BANKS,

CANADIAN IMPERIAL BANK OF COMMERCE

and

SOCIETE GENERALE,
as CO-SYNDICATION AGENTS,

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION,
as DOCUMENTATION AGENT,

and

BANKERS TRUST COMPANY,
as ADMINISTRATIVE AGENT

Dated as of July 22, 1993

and

Amended and Restated

as of June 9, 1995

and further

Amended and Restated

as of April 1, 1998

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CREDIT AGREEMENT, dated as of July 22, 1993 and amended and restated as of June 9, 1995 and further amended and restated as of April 1, 1998, among HARRAH'S ENTERTAINMENT, INC., a Delaware corporation ("Parent"), HARRAH'S OPERATING COMPANY, INC., a Delaware corporation (the "Company"), each Subsidiary Borrower (together with the Company, each a "Borrower" and, collectively, the "Borrowers"), the Banks party hereto from time to time, CANADIAN IMPERIAL BANK OF COMMERCE and SOCIETE GENERALE, as Co-Syndication Agents, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Documentation Agent, and BANKERS TRUST COMPANY, as Administrative Agent (all capitalized terms used herein and defined in Section 11 are used herein as therein defined).

W I T N E S S E T H :

WHEREAS, Parent, the Borrowers, the Existing Banks and the Administrative Agent are party to a Credit Agreement, dated as of July 22, 1993 and amended and restated as of June 9, 1995 (as the same has been further amended, modified or supplemented to, but not including, the Second Restatement Effective Date, the "Existing Credit Agreement"); and

WHEREAS, the parties hereto wish to amend and restate the Existing Credit Agreement in its entirety as herein provided;

NOW, THEREFORE, the parties hereto agree that the Existing Credit Agreement shall be and hereby is amended and restated in its entirety as follows:

SECTION 1. Amount and Terms of Credit.

1.01 The Commitments. (a) Subject to and upon the terms and conditions set forth herein, each Bank severally agrees, (A) to convert, on the Second Restatement Effective Date, Existing Revolving Loans made by such Bank to the respective Borrowers pursuant to the Existing Credit Agreement and outstanding on the Second Restatement Effective Date into a Borrowing of Revolving Loans hereunder to such Borrowers (as so converted, together with all revolving loans made pursuant to following clause (B), the "Revolving Loans" and each, a "Revolving Loan") and (B) at any time and from time to time on and after the Second Restatement Effective Date and prior to the Final Maturity Date, to make one or more additional Revolving Loans to one or more Borrowers, all of which Revolving Loans made pursuant to preceding clauses (A) and (B):

(i) shall, at the option of the respective Borrower, be Base Rate Loans or Eurodollar Loans, provided that, except as otherwise specifically provided in Section 1.10(b), all Revolving Loans comprising the same Borrowing shall at all times be of the same Type;

(ii) may be repaid and reborrowed in accordance with the provisions hereof;

(iii) shall not exceed for any Bank at any time outstanding that aggregate principal amount which, when added to the product of (x) such Bank's Adjusted Percentage and (y) the sum of (I) the aggregate amount of all Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) at such time and (II) the aggregate principal amount of all Swingline Loans (exclusive of Swingline Loans which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) then outstanding, equals (1) if such Bank is a Non-Defaulting Bank, the Adjusted Revolving Loan Commitment of such Bank at such time and (2) if such Bank is a Defaulting Bank, the Revolving Loan Commitment of such Bank at such time;

(iv) shall not exceed for all Non-Defaulting Banks at any time outstanding that aggregate principal amount which, when added to (x) the amount of all Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) at such time and (y) the aggregate principal amount of all Swingline Loans (exclusive of Swingline Loans which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) then outstanding, equals the Adjusted Total Revolving Loan Commitment at such time (after giving effect to any reductions to the Adjusted Total Revolving Loan Commitment on such date);

(v) shall not exceed for all Banks at any time outstanding that aggregate principal amount which, when added to (x) the amount of all Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) at such time and (y) the aggregate principal amount of all Swingline Loans (exclusive of Swingline Loans which are repaid with the proceeds of, and simultaneously with the incurrence of, the

respective incurrence of Revolving Loans) then outstanding, equals the Total Revolving Loan Commitment at such time; and

(vi) shall not exceed for any Subsidiary Borrower at any time outstanding that aggregate principal amount which, when added to (x) the amount of all Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) of such Subsidiary Borrower at such time and (y) the aggregate principal amount of all Swingline Loans (exclusive of Swingline Loans which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) of such Subsidiary Borrower then outstanding, equals such Subsidiary Borrower's Sub-Limit.

(b) Subject to and upon the terms and conditions set forth herein, BTCo in its individual capacity agrees (A) to convert, on the Second Restatement Effective Date, Existing Swingline Loans made by BTCo to the respective Borrowers pursuant to the Existing Credit Agreement and outstanding on the Second Restatement Effective Date into a Borrowing of Swingline Loans hereunder to such Borrowers (as so converted, together with all Swingline Loans made pursuant to following clause (B), the "Swingline Loans" and each, a "Swingline Loan") and (B) to make at any time and from time to time on and after the Second Restatement Effective Date and prior to the Swingline Expiry Date, one or more additional Swingline Loans to one or more Borrowers, which Swingline Loans:

(i) shall be made and maintained as Base Rate Loans;

(ii) may be repaid and reborrowed in accordance with the provisions hereof;

(iii) shall not exceed in aggregate principal amount at any time outstanding, when combined with the aggregate principal amount of all Revolving Loans made by Non-Defaulting Banks then outstanding and all Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with the incurrence

of, the respective incurrence of Revolving Loans) at such time, an amount equal to the Adjusted Total Revolving Loan Commitment at such time (after giving effect to any reductions to the Adjusted Total Revolving Loan Commitment on such date);

(iv) shall not exceed for any Subsidiary Borrower at any time outstanding that aggregate principal amount which, when combined with the aggregate principal amount of all Revolving Loans of such Subsidiary Borrower then outstanding and the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) of such Subsidiary Borrower at such time, equals such Subsidiary Borrower's Sub-Limit; and

(v) shall not exceed in aggregate principal amount at any time outstanding the Maximum Swingline Amount.

Notwithstanding anything to the contrary in this Section 1.01(b), BTCo will not make a Swingline Loan after it has received written notice from Parent, any Borrower or the Required Banks stating that a Default or an Event of Default is then in existence until such time as BTCo shall have received written notice (I) of rescission of all such notices from the party or parties originally delivering such notice or (II) of the waiver of such Default or Event of Default by the Required Banks.

(c) On any Business Day, BTCo may, in its sole discretion, give notice to the Banks that its outstanding Swingline Loans shall be funded with one or more Borrowings of Revolving Loans (with the Borrowers thereof being the respective Borrowers of the Swingline Loans) (provided that such notice shall be deemed to have been automatically given upon the occurrence of an Event of Default under Section 10.05 or upon the exercise of any of the remedies provided in the last paragraph of Section 10), in which case one or more Borrowings of Revolving Loans constituting Base Rate Loans (each such Borrowing, a "Mandatory Borrowing") shall be funded on the immediately succeeding Business Day by all Banks (without giving effect to any reductions thereto pursuant to the last paragraph of Section 10) pro rata based on each Bank's Adjusted Percentage (determined before giving effect to any termination of the Revolving Loan Commitments pursuant to the last paragraph of Section 10) and the proceeds thereof shall be applied directly to BTCo to repay BTCo

for such outstanding Swingline Loans. Each Bank hereby irrevocably agrees to make Revolving Loans upon one Business Day's notice pursuant to each Mandatory Borrowing in the amount and in the manner specified in the preceding sentence and on the date specified in writing by BTCo notwithstanding (i) the amount of the Mandatory Borrowing may not comply with the minimum amount for Borrowings otherwise required hereunder, (ii) whether any conditions specified in Section 6 are then satisfied, (iii) whether a Default or an Event of Default then exists, (iv) the date of such Mandatory Borrowing and (v) the amount of the Total Revolving Loan Commitment or the Adjusted Total Revolving Loan Commitment at such time. In the event that any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code with respect to any Borrower), then each Bank hereby agrees that it shall forthwith purchase (as of the date the Mandatory Borrowing would otherwise have occurred, but adjusted for any payments received from the respective Borrower on or after such date and prior to such purchase) from BTCo such participations in the outstanding Swingline Loans as shall be necessary to cause the Banks to share in such Swingline Loans ratably based upon their respective Adjusted Percentages (determined before giving effect to any termination of the Revolving Loan Commitments pursuant to the last paragraph of Section 10), provided that (x) all interest payable on the Swingline Loans shall be for the account of BTCo until the date as of which the respective participation is required to be purchased and, to the extent attributable to the purchased participation, shall be payable to the participant from and after such date and (y) at the time any purchase of participations pursuant to this sentence is actually made, the purchasing Bank shall be required to pay BTCo interest on the principal amount of participation purchased for each day from and including the day upon which the Mandatory Borrowing would otherwise have occurred to but excluding the date of payment for such participation, at the overnight Federal Funds Rate for the first three days and at the rate otherwise applicable to Revolving Loans maintained as Base Rate Loans hereunder for each day thereafter.

(d) Notwithstanding anything to the contrary contained in this Agreement, until the 90th day after the Showboat Merger Effective Date, the Borrowers shall ensure that the Total Unutilized Revolving Loan Commitment is at least \$1,000,000,000, although the Total Unutilized Revolving Loan Commitment may be reduced (x) below \$1,000,000,000 by \$200,000,000 in connection

with the incurrence by the Company of Loans the proceeds of which are used to consummate the 8-3/4% Senior Subordinated Notes Redemption and (y) below \$1,000,000,000 by an additional \$800,000,000 from time to time from and after the consummation of the Showboat Merger in connection with the incurrence by the Company of Loans the proceeds of which are used to (i) fund the merger consideration for the Showboat Merger and to pay the related fees and expenses, (ii) fund any Showboat Change of Control Purchases, (iii) consummate the Existing Showboat Notes Tender Offers/Consent Solicitations and/or (iv) consummate the Existing Showboat Notes Defeasances.

(e) Notwithstanding anything to the contrary contained in this Agreement, on the Second Restatement Effective Date the Borrowers shall, in coordination with the Administrative Agent and the Banks, repay outstanding Revolving Loans (after giving effect to the conversion of Existing Revolving Loans on such date) of certain Banks and, if necessary, incur additional Revolving Loans from other Banks in each case so that the Banks continue to participate in each Borrowing of Revolving Loans pro rata on the basis of their Revolving Loan Commitments.

1.02 Minimum Amount of Each Borrowing. The aggregate principal amount of each Borrowing of Revolving Loans shall not be less than \$5,000,000 and, if greater, shall be in an integral multiple of \$1,000,000; provided that Mandatory Borrowings shall be made in the amounts required by Section 1.01(c). The aggregate principal amount of each Borrowing of Swingline Loans shall not be less than \$1,000,000 and, if greater, shall be in an integral multiple of \$500,000. More than one Borrowing may occur on the same date, but at no time shall there be outstanding more than twenty Borrowings of Eurodollar Loans.

1.03 Notice of Borrowing. (a) Whenever a Borrower desires to incur Revolving Loans hereunder (excluding Revolving Loans incurred pursuant to a Mandatory Borrowing), such Borrower shall give the Administrative Agent at the Notice Office at least one Business Day's prior notice of each Base Rate Loan and at least three Business Days' prior notice of each Eurodollar Loan to be made hereunder, provided that any such notice shall be deemed to have been given on a certain day only if given before 12:00 Noon (New York time) on such day. Each such notice (each a "Notice of Borrowing"), except as otherwise expressly provided in Section 1.10, shall be irrevocable and shall be given by such Borrower in the form of Exhibit A, appropriately completed to specify the aggregate principal amount of the Revolving Loans to

be made pursuant to such Borrowing, the date of such Borrowing (which shall be a Business Day), whether the Revolving Loans being made pursuant to such Borrowing are to be initially maintained as Base Rate Loans or Eurodollar Loans and, if Eurodollar Loans, the initial Interest Period to be applicable thereto. The Administrative Agent shall promptly give each Bank written notice of such proposed Borrowing, of such Bank's proportionate share thereof and of the other matters required by the immediately preceding sentence to be specified in the Notice of Borrowing.

(b)(i) Whenever a Borrower desires to incur Swingline Loans hereunder, such Borrower shall give BTCO not later than 12:00 Noon (New York time) on the date that a Swingline Loan is to be made, written notice or telephonic notice confirmed in writing of each Swingline Loan to be made hereunder. Each such notice shall be irrevocable and specify in each case (A) the date of Borrowing (which shall be a Business Day) and (B) the aggregate principal amount of the Swingline Loans to be made pursuant to such Borrowing.

(ii) Without in any way limiting the obligation of such Borrower to confirm in writing any telephonic notice of such Borrowing of Swingline Loans, BTCO may act without liability upon the basis of telephonic notice of such Borrowing, believed by BTCO in good faith to be from a President, a Senior Vice President, a Vice President, a Treasurer or an Assistant Treasurer of such Borrower, or any other person designated in writing by any two of the foregoing officers who has appropriate signature cards on file with BTCO, prior to BTCO's receipt of such written confirmation. In each such case, such Borrower hereby waives the right to dispute BTCO's record of the terms of such telephonic notice of such Borrowing of Swingline Loans.

(iii) Mandatory Borrowings shall be made upon the notice specified in Section 1.01(c), with the respective Borrower irrevocably agreeing, by its incurrence of any Swingline Loan, to the making of the Mandatory Borrowings as set forth in Section 1.01(c).

1.04 Disbursement of Funds. Not later than 10:00 A.M. (New York time) on the date specified in each Notice of Borrowing (or (x) in the case of Swingline Loans, not later than 2:00 P.M. (New York time) on the date specified pursuant to Section 1.03(b)(i) or (y) in the case of Mandatory Borrowings, not later than 12:00 Noon (New York time) on the date specified in Section

1.01(c)), each Bank will make available its pro rata portion of each such Borrowing requested to be made on such date (or in the case of Swingline Loans, BCo shall make available the full amount thereof). All such amounts shall be made available in Dollars and in immediately available funds at the Payment Office, and, except for Revolving Loans made pursuant to a Mandatory Borrowing, the Administrative Agent will make available to the respective Borrower at the Payment Office the aggregate of the amounts so made available by the Banks. Unless the Administrative Agent shall have been notified by any Bank prior to the date of Borrowing that such Bank does not intend to make available to the Administrative Agent such Bank's portion of any Borrowing to be made on such date, the Administrative Agent may assume that such Bank has made such amount available to the Administrative Agent on such date of Borrowing and the Administrative Agent may, in reliance upon such assumption, make available to the respective Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Bank, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Bank. If such Bank does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the respective Borrower and such Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover on demand from such Bank or such Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to such Borrower until the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (i) if recovered from such Bank, the overnight Federal Funds Rate and (ii) if recovered from such Borrower, the rate of interest applicable to the respective Borrowing, as determined pursuant to Section 1.08. Nothing in this Section 1.04 shall be deemed to relieve any Bank from its obligation to make Loans hereunder or to prejudice any rights which the respective Borrower may have against any Bank as a result of any failure by such Bank to make Loans hereunder.

1.05 Notes. (a) Each Borrower's obligation to pay the principal of, and interest on, the Loans made by each Bank to such Borrower shall be set forth in the Register maintained by the Administrative Agent pursuant to Section 13.17(b) and shall, if requested by any Bank, be evidenced (i) if Revolving Loans, by a promissory note duly executed and delivered by such Borrower

substantially in the form of Exhibit B-1, with blanks appropriately completed in conformity herewith (each a "Revolving Note" and, collectively, the "Revolving Notes") and (ii) if Swingline Loans, by a promissory note duly executed and delivered by such Borrower substantially in the form of Exhibit B-2, with blanks appropriately completed in conformity herewith (each a "Swingline Note" and, collectively, the "Swingline Notes").

(b) The Revolving Note issued by each Borrower to each Bank shall (i) be payable to the order of such Bank and be dated the Second Restatement Effective Date, (ii) be in a stated principal amount equal to the Revolving Loan Commitment of such Bank and be payable in the principal amount of the outstanding Revolving Loans evidenced thereby, (iii) mature on the Final Maturity Date, (iv) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (v) be subject to voluntary prepayment as provided in Section 4.01, and mandatory repayment as provided in Section 4.02, and (vi) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) The Swingline Note issued by each Borrower to BTCo shall (i) be payable to the order of BTCo and be dated the Second Restatement Effective Date, (ii) be in a stated principal amount equal to the Maximum Swingline Amount and be payable in the principal amount of the outstanding Swingline Loans evidenced thereby from time to time, (iii) mature on the Swingline Expiry Date, (iv) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans evidenced thereby, (v) be subject to voluntary prepayment as provided in Section 4.01, and mandatory repayment as provided in Section 4.02, and (vi) be entitled to the benefits of this Agreement and the other Credit Documents.

(d) Each Bank will note on its internal records the amount of each Loan made by it and each payment in respect thereof and will prior to any transfer of any of its Notes endorse on the reverse side thereof the outstanding principal amount of Loans evidenced thereby. Failure to make any such notation (or any error in such notation) shall not affect any Borrower's obligations in respect of such Loans.

1.06 Conversions. Each Borrower shall have the option to convert, on any Business Day, at least \$5,000,000 of the outstanding principal amount of the Revolving Loans made pursuant

to one or more Borrowings of one or more Types of Revolving Loans into a Borrowing of another Type of Revolving Loan, provided that (i) except as otherwise provided in Section 1.10(b), Eurodollar Loans may be converted into Base Rate Loans only on the last day of an Interest Period applicable to the Revolving Loans being converted and no such conversion of Eurodollar Loans shall reduce the outstanding principal amount of such Eurodollar Loans made pursuant to a single Borrowing to less than \$5,000,000, (ii) unless the Required Banks otherwise agree, Base Rate Loans may only be converted into Eurodollar Loans if no Event of Default is in existence on the date of the conversion and (iii) no conversion pursuant to this Section 1.06 shall result in a greater number of Borrowings of Eurodollar Loans than is permitted under Section 1.02. Each such conversion shall be effected by the respective Borrower by giving the Administrative Agent at the Notice Office prior to 12:00 Noon (New York time) at least three Business Days' prior notice (each a "Notice of Conversion") specifying the Revolving Loans to be so converted, the Borrowing(s) pursuant to which such Revolving Loans were made and, if to be converted into Eurodollar Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall give each Bank prompt written notice of any such proposed conversion affecting any of its Revolving Loans. Upon any such conversion the proceeds thereof will be deemed to be applied directly on the day of such conversion to prepay the outstanding principal amount of the Revolving Loans being converted.

1.07 Pro Rata Borrowings. All Borrowings of Revolving Loans under this Agreement shall be incurred from the Banks pro rata on the basis of their Revolving Loan Commitments; provided that all Borrowings of Revolving Loans made pursuant to a Mandatory Borrowing shall be incurred from the Banks pro rata on the basis of their Adjusted Percentages. It is understood that no Bank shall be responsible for any default by any other Bank of its obligation to make Revolving Loans hereunder and that each Bank shall be obligated to make the Revolving Loans provided to be made by it hereunder, regardless of the failure of any other Bank to make its Revolving Loans hereunder.

1.08 Interest. (a) Each Borrower agrees to pay interest in respect of the unpaid principal amount of each Base Rate Loan from the date of Borrowing thereof until the earlier of (i) the maturity thereof (whether by acceleration or otherwise) and (ii) the conversion of such Base Rate Loan to a Eurodollar Loan pursuant to Section 1.06 or 1.09, as applicable, at a rate

per annum which shall be equal to the Base Rate in effect from time to time.

(b) Each Borrower agrees to pay interest in respect of the unpaid principal amount of each Eurodollar Loan from the date of Borrowing thereof until the earlier of (i) the maturity thereof (whether by acceleration or otherwise) and (ii) the conversion of such Eurodollar Loan to a Base Rate Loan pursuant to 1.06, 1.09 or 1.10, as applicable, at a rate per annum which shall, during each Interest Period applicable thereto, be equal to the sum of the Applicable Margin plus the Eurodollar Rate for such Interest Period.

(c) Overdue principal and, to the extent permitted by law, overdue interest in respect of each Loan and any other overdue amount payable hereunder shall, in each case, bear interest at a rate per annum equal to the greater of (x) 2% per annum in excess of the Base Rate in effect from time to time and (y) the rate which is 2% in excess of the rate then borne by such Loans, in each case with such interest to be payable on demand.

(d) Accrued (and theretofore unpaid) interest shall be payable (i) in respect of each Base Rate Loan, quarterly in arrears on the last Business Day of each March, June, September and December, (ii) in respect of each Eurodollar Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three month intervals after the first day of such Interest Period and (iii) in respect of each Loan, on any repayment (on the amount repaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(e) Upon each Interest Determination Date, the Administrative Agent shall determine the Eurodollar Rate for each Interest Period applicable to Eurodollar Loans and shall promptly notify the respective Borrower and the Banks thereof. Each such determination shall, absent manifest error, be final and conclusive and binding on all parties hereto.

1.09 Interest Periods. At the time a Borrower gives any Notice of Borrowing or Notice of Conversion in respect of the making of, or conversion into, any Eurodollar Loan (in the case of the initial Interest Period applicable thereto) or on the third Business Day prior to the expiration of an Interest Period applicable to such Eurodollar Loan (in the case of any subsequent Interest Period), such Borrower shall have the right to elect, by

giving the Administrative Agent notice thereof, the interest period (each an "Interest Period") applicable to such Eurodollar Loan, which Interest Period shall, at the option of such Borrower, be a one, two, three or six month period, provided that:

(i) all Eurodollar Loans comprising a Borrowing shall at all times have the same Interest Period;

(ii) the initial Interest Period for any Eurodollar Loan shall commence on the date of Borrowing of such Eurodollar Loan (including the date of any conversion thereto from a Base Rate Loan) and each Interest Period occurring thereafter in respect of such Eurodollar Loan shall commence on the day on which the next preceding Interest Period applicable thereto expires;

(iii) if any Interest Period relating to a Eurodollar Loan begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iv) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, however, that if any Interest Period for a Eurodollar Loan would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(v) unless the Required Banks otherwise agree, no Interest Period may be selected at any time when an Event of Default is then in existence;

(vi) no Interest Period shall be selected which extends beyond the Final Maturity Date; and

(vii) no Interest Period in respect of any Borrowing of Revolving Loans shall be selected which extends beyond any date upon which a mandatory repayment of Revolving Loans will be required to be made under Section 4.02(a), as a result of reductions to the Total Revolving Loan Commitment pursuant to Section 3.03(b), unless the aggregate principal amount of Revolving Loans which are Base Rate Loans or which

have Interest Periods which will expire on or before such date will be sufficient to make such required prepayment.

If upon the expiration of any Interest Period applicable to a Borrowing of Eurodollar Loans, the respective Borrower has failed to elect, or is not permitted to elect, a new Interest Period to be applicable to such Eurodollar Loans as provided above, such Borrower shall be deemed to have elected to convert such Eurodollar Loans into Base Rate Loans effective as of the expiration date of such current Interest Period.

1.10 Increased Costs, Illegality, etc. (a) In the event that any Bank shall have determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto but, with respect to clause (i) below, may be made only by the Administrative Agent):

(i) on any Interest Determination Date that, by reason of any changes arising after the Second Restatement Effective Date affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that such Bank shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar Loan because of (x) any change since the Second Restatement Effective Date in any applicable law or governmental rule, regulation, order, guideline or request (whether or not having the force of law) or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order, guideline or request, such as, for example, but not limited to: (A) a change in the basis of taxation of payment to any Bank of the principal of or interest on any Loans, Notes or any other amounts payable hereunder (except for changes in the rate of tax on, or determined by reference to, the net income or profits of such Bank pursuant to the laws of the jurisdiction in which it is organized or in which its principal office or applicable lending office is located or any subdivision thereof or therein) or (B) a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Eurodollar Rate and/or (y) other circumstances since the Second Restatement Effective Date

affecting such Bank or the interbank Eurodollar market or the position of such Bank in such market; or

(iii) at any time, that the making or continuance of any Eurodollar Loan has been made (x) unlawful by any law or governmental rule, regulation or order, (y) impossible by compliance by any Bank in good faith with any governmental request (whether or not having force of law) or (z) impracticable as a result of a contingency occurring after the Second Restatement Effective Date which materially and adversely affects the interbank Eurodollar market;

then, and in any such event, such Bank (or the Administrative Agent, in the case of clause (i) above) shall promptly give telephonic notice (confirmed in writing) to the respective Borrower and, except in the case of clause (i) above, to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Banks). Thereafter (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as the Administrative Agent notifies the respective Borrower and the Banks that the circumstances giving rise to such notice by the Administrative Agent no longer exist, and any Notice of Borrowing or Notice of Conversion given by such Borrower with respect to Eurodollar Loans which have not yet been incurred (including by way of conversion) shall be deemed rescinded by such Borrower, (y) in the case of clause (ii) above, the respective Borrower shall pay to such Bank, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Bank in its sole discretion shall determine) as shall be required to compensate such Bank for such increased costs or reductions in amounts received or receivable hereunder (a written notice as to the additional amounts owed to such Bank, showing the basis for the calculation thereof, submitted to such Borrower by such Bank shall, absent manifest error, be final and conclusive and binding on all the parties hereto) and (z) in the case of clause (iii) above, the respective Borrower shall take one of the actions specified in Section 1.10(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Eurodollar Loan is affected by the circumstances described in Section 1.10(a)(ii) or (iii), the respective Borrower may (and in the case of any Eurodollar Loan affected by the circumstances described in Section 1.10(a)(iii) shall) either (x) if the affected Eurodollar Loan is

then being made initially or pursuant to a conversion, cancel the respective Borrowing by giving the Administrative Agent telephonic notice (confirmed in writing) on the same date that such Borrower was notified by the affected Bank or the Administrative Agent pursuant to Section 1.10(a)(ii) or (iii) or (y) if the affected Eurodollar Loan is then outstanding, upon at least three Business Days' written notice to the Administrative Agent, require the affected Bank to convert such Eurodollar Loan into a Base Rate Loan; provided that, if more than one Bank is affected at any time, then all affected Banks must be treated the same pursuant to this Section 1.10(b).

(c) If at any time any Bank determines that the introduction of or any change in any applicable law or governmental rule, regulation, order, guideline, directive or request (whether or not having the force of law and including, without limitation, those announced or published prior to the Second Restatement Effective Date) concerning capital adequacy, or any change in interpretation or administration thereof by any governmental authority, central bank or comparable agency, will have the effect of increasing the amount of capital required or expected to be maintained by such Bank or any corporation controlling such Bank based on the existence of such Bank's Revolving Loan Commitment hereunder or its obligations hereunder, then the Borrowers shall pay (and shall be jointly and severally obligated to pay) to such Bank, upon its written demand therefor, such additional amounts as shall be required to compensate such Bank or such other corporation for the increased cost to such Bank or such other corporation or the reduction in the rate of return to such Bank or such other corporation as a result of such increase of capital. In determining such additional amounts, each Bank will act reasonably and in good faith and will use averaging and attribution methods which are reasonable, provided that such Bank's determination of compensation owing under this Section 1.10(c) shall, absent manifest error, be final and conclusive and binding on all the parties hereto. Each Bank, upon determining that any additional amounts will be payable pursuant to this Section 1.10(c), will give prompt written notice thereof to the Borrowers, which notice shall show the basis for calculation of such additional amounts.

1.11 Compensation. The respective Borrower shall compensate each Bank, upon its written request (which request shall (x) set forth the basis for requesting such compensation and (y) absent manifest error, be final and conclusive and binding upon all the parties hereto), for all reasonable losses,

expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Bank to fund its Eurodollar Loans) which such Bank may sustain: (i) if for any reason (other than a default by such Bank or the Administrative Agent) a Borrowing of Eurodollar Loans, or conversion from or into Eurodollar Loans, does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion (whether or not withdrawn by such Borrower or deemed withdrawn pursuant to Section 1.10(a)); (ii) if any repayment (including any repayment made pursuant to Section 4.01 or 4.02 or a result of an acceleration of the Loans pursuant to Section 10) or conversion of any of its Eurodollar Loans occurs on a date which is not the last day of an Interest Period with respect thereto; (iii) if any prepayment of any of its Eurodollar Loans is not made on any date specified in a notice of prepayment given by such Borrower; or (iv) as a consequence of (x) any other default by such Borrower to repay its Loans when required by the terms of this Agreement or any Note held by such Bank or (y) any election made pursuant to Section 1.10(b).

1.12 Change of Lending Office. Each Bank agrees that on the occurrence of any event giving rise to the operation of Section 1.10(a)(ii) or (iii), Section 1.10(c), Section 2.06 or Section 4.04 with respect to such Bank, it will, if requested by the Company, use reasonable efforts (subject to overall policy considerations of such Bank) to designate another lending office for any Loans or Letters of Credit affected by such event, provided that such designation is made on such terms that such Bank and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 1.12 shall affect or postpone any of the obligations of any Borrower or the right of any Bank provided in Sections 1.10, 2.06 and 4.04.

1.13 Replacement of Banks. If any Bank (1) becomes a Defaulting Bank or otherwise defaults in its obligations to make Loans or fund Unpaid Drawings, (2) is incurring or is reasonably expected to incur costs which are or would be material in amount and are associated with a Gaming Authority's investigation of whether or not such Bank is a Qualified Person or (3) refuses to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Banks as provided in Section 13.12(b), the Company shall have the right, if no Default or Event of

Default will exist immediately after giving effect to such replacement, to replace such Bank (the "Replaced Bank") with one or more other Qualified Person or Persons, none of whom shall constitute a Defaulting Bank at the time of such replacement (collectively, the "Replacement Bank"), and each of whom shall be reasonably acceptable to the Administrative Agent and each Letter of Credit Issuer, provided that:

(i) at the time of any replacement pursuant to this Section 1.13, the Replacement Bank shall enter into one or more Assignment and Assumption Agreements pursuant to, and in accordance with the terms of, Section 13.04(b) (and with all fees payable pursuant to said Section 13.04(b) to be paid by the Replacement Bank) pursuant to which the Replacement Bank shall acquire the Revolving Loan Commitment and all outstanding Revolving Loans of, and in each case participations in Letters of Credit by, the Replaced Bank and, in connection therewith, shall pay to (x) the Replaced Bank in respect thereof an amount equal to the sum of (A) an amount equal to the principal of, and all accrued interest on, all outstanding Revolving Loans of the Replaced Bank, (B) an amount equal to all Unpaid Drawings that have been funded by (and not reimbursed to) such Replaced Bank, together with all then unpaid interest with respect thereto at such time and (C) an amount equal to all accrued, but theretofore unpaid, Fees owing to the Replaced Bank pursuant to Section 3.01, (y) the respective Letter of Credit Issuer an amount equal to such Replaced Bank's Adjusted Percentage (for this purpose, determined as if the adjustment described in clause (y) of the immediately succeeding sentence had been made with respect to such Replaced Bank) of any applicable Unpaid Drawing (which at such time remains an Unpaid Drawing) with respect to Letters of Credit issued by such Letter of Credit Issuer to the extent such amount was not theretofore funded by such Replaced Bank and (z) BTCo an amount equal to such Replaced Bank's Adjusted Percentage of any Mandatory Borrowing to the extent such amount was not theretofore funded by such Replaced Bank; and

(ii) all obligations of the Borrowers owing to the Replaced Bank (including all obligations, if any, owing pursuant to Section 1.11, but excluding those obligations specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid) shall be paid in full to such Replaced Bank concurrently with such replacement.

Upon the execution of the respective Assignment and Assumption Agreements, the payment of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Bank, delivery to the Replacement Bank of the appropriate Revolving Notes executed by the Borrowers, (x) the Replacement Bank shall become a Bank hereunder and the Replaced Bank shall cease to constitute a Bank hereunder, except with respect to indemnification provisions under this Agreement (including, without limitation, Sections 1.10, 1.11, 2.06, 4.04, 13.01 and 13.06), which shall survive as to such Replaced Bank and (y) if such Replaced Bank is a Defaulting Bank, the Adjusted Percentages of the Banks shall be automatically adjusted at such time to give effect to such replacement (and to give effect to the replacement of a Defaulting Bank with one or more Non-Defaulting Banks).

SECTION 2. Letters of Credit.

2.01 Letters of Credit. (a) Subject to and upon the terms and conditions set forth herein, any Borrower may request that a Letter of Credit Issuer issue, at any time and from time to time on and after the Second Restatement Effective Date and prior to the Final Maturity Date, for the account of such Borrower and for the benefit of any holder (or any trustee, agent or other similar representative for any such holder) of L/C Supportable Indebtedness of such Borrower or any of its Subsidiaries, an irrevocable standby letter of credit, in a form customarily used by such Letter of Credit Issuer or in such other form as has been approved by such Letter of Credit Issuer (each such standby letter of credit, a "Letter of Credit") in support of such L/C Supportable Indebtedness. It is hereby acknowledged and agreed that each of the letters of credit which were issued under the Existing Credit Agreement prior to the Second Restatement Effective Date and which remain outstanding on the Second Restatement Effective Date (the "Existing Letters of Credit") shall, from and after the Second Restatement Effective Date, constitute a "Letter of Credit" for purposes of this Agreement. Each Existing Letter of Credit and the Stated Amount thereof, together with the account party and beneficiary thereunder, is set forth on Schedule II.

(b) Each Letter of Credit Issuer hereby agrees that it will, at any time and from time to time on or after the Second Restatement Effective Date and prior to the Final Maturity Date, following its receipt of the respective Letter of Credit Request, issue for the account of the respective Borrower one or more Letters of Credit in support of such L/C Supportable Indebtedness

of such Borrower or any of its Subsidiaries as is permitted to remain outstanding without giving rise to a Default or an Event of Default, provided that no Letter of Credit Issuer shall be under any obligation to issue any Letter of Credit if at the time of such issuance:

(i) any order, judgment or decree of any governmental authority or arbitrator shall purport by its terms to enjoin or restrain such Letter of Credit Issuer from issuing such Letter of Credit or any requirement of law applicable to such Letter of Credit Issuer or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over such Letter of Credit Issuer shall prohibit, or request that such Letter of Credit Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Letter of Credit Issuer with respect to such Letter of Credit any restriction or reserve or capital requirement (for which such Letter of Credit Issuer is not otherwise compensated) not in effect on the date hereof, or any unreimbursed loss, cost or expense which was not applicable, in effect or known to such Letter of Credit Issuer as of the date hereof and which such Letter of Credit Issuer in good faith deems material to it; or

(ii) such Letter of Credit Issuer shall have received notice from the Required Banks prior to the issuance of such Letter of Credit of the type described in the penultimate sentence of Section 2.03(b).

(c) Notwithstanding the foregoing, (i) no Letter of Credit shall hereafter be issued the Stated Amount of which, when added to the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid on the date of, and prior to the issuance of, the respective Letter of Credit) at such time, would exceed, when added to the aggregate principal amount of all Revolving Loans made by Non-Defaulting Banks and all Swingline Loans then outstanding, an amount equal to the Adjusted Total Revolving Loan Commitment at such time, (ii) no Letter of Credit shall hereafter be issued the Stated Amount of which, when added to the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid on the date of, and prior to the issuance of, the respective Letter of Credit) at such time, would exceed \$50,000,000, (iii) no Letter of Credit shall hereafter be issued for the account of any Subsidiary Borrower the Stated Amount of which, when added to the sum of (A) the Letter of

Credit Outstandings for such Subsidiary Borrower (exclusive of Unpaid Drawings which are repaid on the date of, and prior to the issuance of, the respective Letter of Credit) at such time and (B) the aggregate principal amount of all Revolving Loans and Swingline Loans then outstanding for such Subsidiary Borrower, would exceed such Subsidiary Borrower's Sub-Limit and (iv) each Letter of Credit hereafter issued shall by its terms terminate on or before the earlier of (x) the date which occurs 12 months after the date of the issuance thereof (although any such Letter of Credit may be extendable for successive periods of up to 12 months, but not beyond the Final Maturity Date, on terms acceptable to the respective Letter of Credit Issuer) and (y) the Final Maturity Date.

2.02 Minimum Stated Amount. The Stated Amount of each Letter of Credit shall be not less than \$500,000 or such lesser amount as is acceptable to the respective Letter of Credit Issuer.

2.03 Letter of Credit Requests. (a) Whenever a Borrower desires that a Letter of Credit be issued for its account, such Borrower shall give the Administrative Agent and the respective Letter of Credit Issuer at least five Business Days' (or such shorter period as is acceptable to such Letter of Credit Issuer in any given case) written notice thereof. Each notice shall be in the form of Exhibit C (each a "Letter of Credit Request"). The Administrative Agent shall promptly transmit copies of each Letter of Credit Request to each Bank.

(b) The making of each Letter of Credit Request shall be deemed to be a representation and warranty by the respective Borrower that such Letter of Credit may be issued in accordance with, and will not violate the requirements of, Section 2.01(c). Unless the respective Letter of Credit Issuer has received written notice from the Required Banks before it issues a Letter of Credit that one or more of the conditions specified in Section 5 or Section 6 are not then satisfied, or that the issuance of such Letter of Credit would violate Section 2.01(c), then such Letter of Credit Issuer may issue the requested Letter of Credit for the account of the respective Borrower in accordance with such Letter of Credit Issuer's usual and customary practices. Upon its issuance of any Letter of Credit, the respective Letter of Credit Issuer shall promptly notify each Bank of such issuance, which notice shall be accompanied by a copy of the Letter of Credit actually issued.

2.04 Letter of Credit Participations. (a) Immediately upon the issuance by a Letter of Credit Issuer of any Letter of Credit (or upon the Second Restatement Effective Date with respect to the Existing Letters of Credit), such Letter of Credit Issuer shall be deemed to have sold and transferred to each Bank, other than such Letter of Credit Issuer (each such Bank, in its capacity under this Section 2.04, a "Participant"), and each such Participant shall be deemed irrevocably and unconditionally to have purchased and received from such Letter of Credit Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Participant's Adjusted Percentage, in such Letter of Credit, each drawing made thereunder and the obligations of the respective Borrower under this Agreement with respect thereto, and any security therefor or guaranty pertaining thereto. This Agreement is intended by the parties to effect an immediate purchase by each Participant and sale by the respective Letter of Credit Issuer of such Participant's Adjusted Percentage of such rights and obligations in each Letter of Credit issued hereunder, and it is not to be construed as a loan or a commitment to make a loan by such Participant to such Letter of Credit Issuer, and the relationship between such Participant and such Letter of Credit Issuer shall not be a debtor-creditor relationship. Each Participant hereby absolutely and unconditionally assumes and agrees to pay and discharge when due, ratably in accordance with its Adjusted Percentage, the obligations of each Letter of Credit Issuer under the Letters of Credit issued by it, by paying to such Letter of Credit Issuer in accordance with and to the extent provided by clause (c) of this Section 2.04, its ratable share of all amounts advanced by such Letter of Credit Issuer in connection with any Letter of Credit issued by it. Upon any change in the Revolving Loan Commitments or Adjusted Percentages of the Banks pursuant to Section 1.13 or 13.04 or as a result of a Bank Default, it is hereby agreed that, with respect to all outstanding Letters of Credit and Unpaid Drawings, there shall be an automatic adjustment to the participations pursuant to this Section 2.04 to reflect the new Adjusted Percentages of the assignor and assignee Bank or of all Banks, as the case may be.

(b) In determining whether to pay under any Letter of Credit, the respective Letter of Credit Issuer shall have no obligation relative to the Participants other than to confirm that any documents required to be delivered under such Letter of Credit appear to have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by the

respective Letter of Credit Issuer under or in connection with any Letter of Credit if taken or omitted in the absence of gross negligence or willful misconduct, shall not create for such Letter of Credit Issuer any resulting liability to any Borrower or any Participant.

(c) In the event that any Letter of Credit Issuer makes any payment under any Letter of Credit (including any Existing Letter of Credit) and the respective Borrower shall not have reimbursed such amount in full to such Letter of Credit Issuer pursuant to Section 2.05(a), such Letter of Credit Issuer shall promptly notify the Administrative Agent, which shall promptly notify each Participant of such failure, and each Participant shall absolutely and unconditionally pay to the Administrative Agent for the account of such Letter of Credit Issuer the amount of such Participant's Adjusted Percentage of such unreimbursed payment. Each Participant required to fund a payment pursuant to the preceding sentence shall do so in Dollars and in same day funds, without reduction for any setoff or counterclaim of any nature whatsoever, on the Business Day on which the Administrative Agent so notified such Participant, if such notice was given before 11:00 A.M. (New York time), or if such notice was not given by such time, on the Business Day next following such notice. If and to the extent such Participant shall not have so made its Adjusted Percentage of the amount of such payment available, as aforesaid, such Participant agrees to pay to the Administrative Agent for the account of such Letter of Credit Issuer, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to such Letter of Credit Issuer at the overnight Federal Funds Rate. The failure of any Participant to make available to the respective Letter of Credit Issuer its Adjusted Percentage of any payment under any Letter of Credit shall not relieve any other Participant of its obligation hereunder to make available, as aforesaid, its Adjusted Percentage of any Letter of Credit on the date required, as specified above, nor shall any Participant be relieved of its obligations to make such payments by reason of noncompliance by any other party to and with the terms of the other Credit Documents or for any other reason, but no Participant shall be responsible for the failure of any other Participant to make available to such Letter of Credit Issuer such other Participant's Adjusted Percentage of any such payment.

(d) Whenever any Letter of Credit Issuer receives a payment of a reimbursement obligation as to which it has received any payments from any Participant pursuant to clause (c) of this

Section 2.04 such Letter of Credit Issuer shall promptly pay such amount in Dollars and in same day funds, less the proportion of such amount due to such Letter of Credit Issuer, to the Administrative Agent for the account of each Participant which has paid its Adjusted Percentage thereof, whereupon the Administrative Agent shall promptly distribute the amount so paid to each such Participant ratably in accordance with its proportion of the aggregate amount theretofore funded by all Participants.

(e) Upon the request of any Participant, the respective Letter of Credit Issuer shall furnish to such Participant copies of any Letter of Credit issued by it and such other documentation as may reasonably be requested by such Participant.

(f) The obligations of the Participants to make payments as provided in clause (c) of this Section 2.04 with respect to Letters of Credit issued by it shall be irrevocable and not subject to any counterclaim, set-off, other defense or any qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, setoff, defense or other right which the respective Borrower, any Subsidiary thereof or Participant may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, any Participant, or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or therein or any unrelated transactions (including any underlying transaction between the respective Borrower or any Subsidiary thereof and the beneficiary named in any such Letter of Credit);

(iii) any draft, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents; or

(v) the occurrence of any Default or Event of Default.

(g) If any Participant shall fail to make any payment required pursuant to this Agreement in respect of any Letter of Credit at the time, in the funds and at the place provided, the respective Letter of Credit Issuer may, but shall not be obligated to, advance funds on behalf of such Participant (the "Defaulting Participant"). Each such advance shall be secured by the Defaulting Participant's interest in all payments and remedies under this Agreement and the other Credit Documents, the respective Letter of Credit Issuer shall be subrogated to the rights of the Defaulting Participant in this Agreement and the other Credit Documents and, at the request of the respective Letter of Credit Issuer, the Administrative Agent shall cause such advance to be repaid by application of payments which the Defaulting Participant would otherwise be entitled to receive under this Agreement and the other Credit Documents. Notwithstanding clause (c) of this Section 2.04, any amount not paid by the Defaulting Participant to the respective Letter of Credit Issuer as provided herein and each advance made by such Letter of Credit Issuer hereunder shall bear interest for each day from the date each such payment was due or such advance was made until such payment shall be made in full or advance repaid in full at the overnight Federal Funds Rate for the first three days during which the Defaulting Participant is in default, and thereafter at the Prime Lending Rate.

2.05 Agreement to Repay Letter of Credit Drawings. (a) Each Borrower hereby agrees to reimburse the respective Letter of Credit Issuer, by making payment to the Administrative Agent for the account of such Letter of Credit Issuer in immediately available funds at the Payment Office, for any payment or disbursement made by such Letter of Credit Issuer under any Letter of Credit issued for such Borrower's account (each such amount, so paid until reimbursed, an "Unpaid Drawing"), immediately after, and in any event on the date of, such payment or disbursement, with interest on the amount so paid or disbursed by such Letter of Credit Issuer, to the extent not reimbursed prior to 12:00 Noon (New York time) on the date of such payment or disbursement, from and including the date paid or disbursed to but excluding the date such Letter of Credit Issuer was reimbursed by such Borrower therefor at a rate per annum

which shall be the Base Rate in effect from time to time, provided, however, to the extent such amounts are not reimbursed prior to 12:00 Noon (New York time) on the third Business Day following notice to the Company by the Administrative Agent or the respective Letter of Credit Issuer of such payment or disbursement, interest shall thereafter accrue on the amounts so paid or disbursed by such Letter of Credit Issuer (and until reimbursed by such Borrower) at a rate per annum which shall be the Base Rate in effect from time to time plus 2%, in each such case, with interest to be payable on demand, it being understood and agreed, however, that the notice referred to in the immediately preceding proviso shall not be required to be given if a Bankruptcy Event shall have occurred and be continuing and, in such case, interest shall accrue on and after such third Business Day at the rate provided in such proviso. The respective Letter of Credit Issuer shall give the respective Borrower prompt notice of each Drawing under any Letter of Credit, provided that the failure to give any such notice shall in no way affect, impair or diminish such Borrower's obligations hereunder.

(b) The obligations of each Borrower under this Section 2.05 to reimburse the respective Letter of Credit Issuer with respect to Unpaid Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which such Borrower may have or have had against any Bank (including in its capacity as issuer of the Letter of Credit or as Participant), including, without limitation, any defense based upon the failure of any drawing under a Letter of Credit (each a "Drawing") to conform to the terms of the Letter of Credit or any nonapplication or misapplication by the beneficiary of the proceeds of such Drawing; provided, however, that such Borrower shall not be obligated to reimburse such Letter of Credit Issuer for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such Letter of Credit Issuer.

2.06 Increased Costs. If at any time the introduction of or any change in any applicable law, rule, regulation, order, guideline or request or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Letter of Credit Issuer or any Participant with any request or directive by any such authority (whether or not having the force

of law), or any change in generally accepted accounting principles, shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against letters of credit issued by such Letter of Credit Issuer or participated in by any Participant, or (ii) impose on such Letter of Credit Issuer or any Participant any other conditions relating, directly or indirectly, to this Agreement or any Letter of Credit; and the result of any of the foregoing is to increase the cost to such Letter of Credit Issuer or any Participant of issuing, maintaining or participating in any Letter of Credit, or reduce the amount of any sum received or receivable by such Letter of Credit Issuer or any Participant hereunder or reduce the rate of return on its capital with respect to Letters of Credit, then, upon demand to the respective Borrower by such Letter of Credit Issuer or any Participant (a copy of which demand shall be sent by such Letter of Credit Issuer or such Participant to the Administrative Agent), such Borrower shall pay (and the Borrowers shall be jointly and severally obligated to pay) to such Letter of Credit Issuer or such Participant such additional amount or amounts as will compensate such Letter of Credit Issuer or such Participant for such increased cost or reduction in the amount receivable or reduction on the rate of return on its capital. Any Letter of Credit Issuer or any Participant, upon determining that any additional amounts will be payable pursuant to this Section 2.06, will give prompt written notice thereof to the respective Borrower, which notice shall include a certificate submitted to such Borrower by such Letter of Credit Issuer or such Participant (a copy of which certificate shall be sent by such Letter of Credit Issuer or such Participant to the Administrative Agent), setting forth in reasonable detail the basis for the calculation of such additional amount or amounts necessary to compensate such Letter of Credit Issuer or such Participant. The certificate required to be delivered pursuant to this Section 2.06 shall, absent manifest error, be final and conclusive and binding on the respective Borrower.

2.07 Responsibility of Letter of Credit Issuers; Reimbursement of Expenses and Disclaimer of Liability. (a) Each Letter of Credit Issuer, in dealing with the participation share granted to any Participant under this Agreement, shall have no duties or responsibilities except for those that are expressly set forth in this Agreement. The duties of each Letter of Credit Issuer shall be ministerial and administrative in nature and no Letter of Credit Issuer shall have by reason of this Agreement or any other agreement a fiduciary relationship with any Participant.

(b) Each Letter of Credit Issuer will handle all matters concerning this Agreement in accordance with its usual practice in managing its own affairs in the ordinary course of business, and will not be liable to any Participant, except for its gross negligence or willful misconduct. Without limiting the generality of the foregoing limitation of liability, and subject to the obligation to handle matters in accordance with the respective Letter of Credit Issuer's usual practice in managing its own affairs in the ordinary course of business, such Letter of Credit Issuer (i) shall not be responsible to any Participant for any statement, representation or warranty made in this Agreement, (ii) shall not be responsible for the due execution, effectiveness, legality, validity, binding effect, enforceability or sufficiency of this Agreement, (iii) shall not be bound to ascertain or inquire as to the performance of any of the terms, provisions or conditions of this Agreement on the part of any Person, (iv) shall be entitled to rely upon any writing, statement or notice or any telegraph, telex or teletyped message reasonably believed by it to be genuine and correct and believed by it to be signed and sent by the proper person, (v) may consult with legal counsel, independent public accountants, architects and any other experts such Letter of Credit Issuer may select with reasonable care and shall be fully protected in any action taken or omitted to be taken by it in accordance with the advice or opinion of such counsel, accountants, architects or experts, (vi) may employ agents or attorneys-in-fact and shall not be liable for the default or misconduct of any such person selected by such Letter of Credit Issuer with reasonable care and (vii) shall not be responsible for the performance of the repayment obligations under this Agreement, provided that clauses (i), (ii) and (iii) of this clause (b) shall not be interpreted to relieve any Letter of Credit Issuer of its own responsibility in such matters under this Agreement.

(c) No Letter of Credit Issuer has made nor does it make any express or implied representations or warranties with respect to the past, present or future financial condition of any Credit Party or with respect to the legality, enforceability, validity, genuineness, subsistence, priority or value of the repayment obligations of any Credit Party under (i) this Agreement or any other Credit Document or (ii) any security therefor.

(d) Each Participant will reimburse the respective Letter of Credit Issuer on demand, ratably in accordance with such Participant's Adjusted Percentage, against any and all

reasonable costs, losses, liabilities, expenses and disbursements that may be incurred or made by such Letter of Credit Issuer in connection with any action that may be necessary or advisable to be taken by such Letter of Credit Issuer to recover amounts owed with respect to any Letter of Credit issued by such Letter of Credit Issuer or the other Credit Documents for which such Letter of Credit Issuer has not been reimbursed. Each Participant will reimburse the respective Letter of Credit Issuer on demand, ratably in accordance with such Participant's Adjusted Percentage, against any and all reasonable costs, losses, liabilities, expenses and disbursements that may be incurred by such Letter of Credit Issuer in connection with the performance of its duties under this Agreement, provided that no Participant will be liable for any such costs, losses, liabilities, expenses and disbursements to the extent that same arise out of the gross negligence or willful misconduct of such Letter of Credit Issuer.

(e) Nothing contained in this Agreement shall confer upon any Letter of Credit Issuer or any Participant any interest in, or subject any Letter of Credit Issuer or any Participant to any liability for, the assets or liabilities of the other parties to the Credit Documents, except as to the transactions referred to in this Agreement. No Letter of Credit Issuer assumes any liability to any Participant for the repayment of its participation except to the extent that such Participant shall be entitled to receive payments in accordance with Section 2.04 of this Agreement.

SECTION 3. Commitment Commission; Fees; Reductions of Revolving Loan Commitment.

3.01 Fees. (a) The Company agrees to pay to the Administrative Agent for distribution to each Non-Defaulting Bank a commitment commission (the "Commitment Commission") for the period from the Second Restatement Effective Date to but excluding the Final Maturity Date (or such earlier date as the Total Revolving Loan Commitment shall have been terminated), computed at a rate for each day equal to the Applicable Commitment Commission Percentage on the daily average Unutilized Revolving Loan Commitment of such Non-Defaulting Bank. Accrued Commitment Commission shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December and on the Final Maturity Date or such earlier date upon which the Total Revolving Loan Commitment is terminated.

(b) The Company agrees to pay to the Administrative Agent for distribution to each Bank (based on its respective Adjusted Percentage) a fee in respect of each Letter of Credit issued hereunder, including each Existing Letter of Credit (the "Letter of Credit Fee"), for the period from and including the date of issuance of such Letter of Credit (or, in the case of the Existing Letters of Credit, from the Second Restatement Effective Date) to and including the termination of such Letter of Credit, computed at a rate per annum equal to the Applicable Margin for Eurodollar Loans, as in effect from time to time, on the daily Stated Amount of such Letter of Credit. Accrued Letter of Credit Fees shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December and upon the first day on or after the termination of the Total Revolving Loan Commitment upon which no Letters of Credit remain outstanding.

(c) The Company agrees to pay to each Letter of Credit Issuer, for its own account, a facing fee in respect of each Letter of Credit issued by it hereunder, including each Existing Letter of Credit (the "Facing Fee"), for the period from and including the date of issuance of such Letter of Credit (or, in the case of the Existing Letters of Credit, from the Second Restatement Effective Date) to and including the termination of such Letter of Credit, computed at a rate equal to 1/8 of 1% per annum of the daily Stated Amount of such Letter of Credit. Accrued Facing Fees shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December and upon the first day on or after the termination of the Total Revolving Loan Commitment upon which no Letters of Credit remain outstanding.

(d) The Company agrees to pay to each Letter of Credit Issuer, upon each drawing under, issuance of, or amendment to, any Letter of Credit issued by such Letter of Credit Issuer, such amount as shall at the time of such event be the administrative charge which such Letter of Credit Issuer is generally imposing in connection with such occurrence with respect to letters of credit.

(e) Each Borrower agrees to pay to the Administrative Agent, for its own account, such other fees as have been agreed to in writing by such Borrower and the Administrative Agent.

3.02 Voluntary Termination of Unutilized Revolving Loan Commitments.
(a) Upon at least two Business Days' prior

written notice to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Banks), the Company shall have the right, at any time or from time to time, without premium or penalty, to terminate the Total Unutilized Revolving Loan Commitment, in whole or in part, in integral multiples of \$5,000,000 in the case of partial reductions to the Total Unutilized Revolving Loan Commitment, provided that (i) each such reduction shall apply to reduce the remaining Scheduled Commitment Reductions in direct order of maturity (based upon the amount of each such remaining Scheduled Commitment Reduction), (ii) each such reduction shall apply proportionately to permanently reduce the Revolving Loan Commitment of each Bank and (iii) the reduction to the Total Unutilized Revolving Loan Commitment shall in no case be in an amount which would cause the Revolving Loan Commitment of any Bank to be reduced (as required by preceding clause (ii)) by an amount which exceeds the remainder of (x) the Unutilized Revolving Loan Commitment of such Bank as in effect immediately before giving effect to such reduction minus (y) such Bank's Adjusted Percentage of the aggregate principal amount of Swingline Loans then outstanding.

(b) In the event of certain refusals by a Bank to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Banks as provided in Section 13.12(b), the Company shall have the right, upon five Business Days' prior written notice to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Banks), to terminate the entire Revolving Loan Commitment of such Bank, so long as all Revolving Loans, together with accrued and unpaid interest, Fees and all other amounts owing to such Bank are repaid concurrently with the effectiveness of such termination pursuant to Section 4.01(iv) (at which time Schedule I shall be deemed modified to reflect such changed amounts), and at such time, such Bank shall no longer constitute a "Bank" for purposes of this Agreement, except with respect to indemnifications under this Agreement (including, without limitation, Sections 1.10, 1.11, 2.06, 4.04, 13.01 and 13.06), which shall survive as to such repaid Bank.

3.03 Mandatory Reduction of Revolving Loan Commitments. (a) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, the Total Revolving Loan Commitment (and the Revolving Loan Commitment of each Bank) shall terminate in its entirety on the Final Maturity Date.

(b) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, but subject to reduction as provided in clause (i) of the proviso set forth in Section 3.02(a), on each date set forth below, the Total Revolving Loan Commitment shall be reduced by the amount set forth opposite such date (each reduction required by this Section 3.03(b), a "Scheduled Commitment Reduction"):

Date	Amount
July 31, 1998	\$50,000,000
January 31, 1999	\$75,000,000
July 31, 1999	\$75,000,000
January 31, 2000	\$100,000,000

(c) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, on the 15th day after the date on which any Change of Control occurs, the Total Revolving Loan Commitment shall be reduced to zero unless the Required Banks otherwise agree in writing in their sole discretion.

(d)(i) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, on July 31, 1998 the Total Revolving Loan Commitment shall be reduced by \$800,000,000 in the event that the Showboat Merger has not been consummated on or before such date.

(ii) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, on the 90th day after the consummation of the Showboat Merger, the Total Revolving Loan Commitment shall be reduced by an amount equal to the aggregate principal amount of Existing Showboat Notes which remain outstanding on such date and that have not otherwise been defeased pursuant to the Existing Showboat Notes Defeasances (after giving effect to any repayment of the Existing Showboat Notes on such date).

(e) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, on each date after the Second Restatement Effective Date upon which Parent or any of its Subsidiaries receives any proceeds from any incurrence by Parent or any of its Subsidiaries of Permitted Designated Indebtedness,

the Total Revolving Loan Commitment shall be reduced by an amount equal to its Share of the cash proceeds of the respective incurrence of Permitted Designated Indebtedness (net of underwriting or placement discounts and commissions and other reasonable costs associated therewith), provided that, to the extent that the 364-Day Banks do not require that their full Share be applied to reduce the Total 364-Day Revolving Loan Commitment, the amount of their Share not so applied shall instead be applied to reduce the Total Revolving Loan Commitment as required by clause (g) of this Section 3.03.

(f) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, on each date after the Second Restatement Effective Date upon which Parent or any of its Subsidiaries receives proceeds from any Designated Asset Sale, the Total Revolving Loan Commitment shall be reduced by an amount equal to its Share of the Net Sale Proceeds from the respective Designated Asset Sale, provided that, to the extent that the 364-Day Banks do not require that their full Share be applied to reduce the Total 364-Day Revolving Loan Commitment, the amount of their Share not so applied shall instead be applied to reduce the Total Revolving Loan Commitment as required by clause (g) of this Section 3.03.

(g) In addition to any other mandatory commitment reductions pursuant to this Section 3.03, following any mandatory commitment reduction required by Section 3.03(e) or (f) with respect to which the Shares of the various Issues of Senior Debt have been calculated in accordance with clause (A) of the definition of "Share," on the first date thereafter upon which it is subsequently determined that the amount which will actually be required to mandatorily reduce the Total 364-Day Revolving Loan Commitment is less than the Share applicable thereto (whether because the 364-Day Banks elected not to require such reduction or otherwise), then the amount which will not be so required to mandatorily reduce the Total 364-Day Revolving Loan Commitment shall instead be required to reduce the Total Revolving Loan Commitment as required by Section 3.03(e) or (f), as the case may be.

(h) The Total Revolving Loan Commitment shall be reduced, and the Revolving Loan Commitment of the respective Former Bank shall be terminated, in the amount and at the times provided in Section 13.04(d).

(i) Except as otherwise provided in clause (h) of this Section 3.03, each reduction to the Total Revolving Loan Commitment pursuant to this Section 3.03 shall be applied proportionately to reduce the Revolving Loan Commitment of each Bank.

SECTION 4. Prepayments; Payments; Taxes.

4.01 Voluntary Prepayments. Each Borrower shall have the right to prepay the Loans made to it, without premium or penalty, in whole or in part at any time and from time to time on the following terms and conditions:

(i) except as otherwise provided in clause (iv) of this Section 4.01, such Borrower shall give the Administrative Agent prior to 12:00 Noon (New York time) at the Notice Office (x) at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay Base Rate Loans (or same day notice in the case of Swingline Loans provided such notice is given prior to 12:00 Noon (New York time) on such Business Day) and (y) at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay Eurodollar Loans, whether Revolving Loans or Swingline Loans shall be prepaid, the amount of such prepayment and the Types of Loans to be prepaid and, in the case of Eurodollar Loans, the specific Borrowing or Borrowings pursuant to which made, which notice the Administrative Agent shall promptly transmit to each of the Banks;

(ii) except as otherwise provided in clause (iv) of this Section 4.01, each prepayment shall be in an aggregate principal amount of at least \$5,000,000 (or \$1,000,000 in the case of Swingline Loans), provided that, if any partial prepayment of Eurodollar Loans made pursuant to any Borrowing shall reduce the outstanding Eurodollar Loans made pursuant to such Borrowing to an amount less than \$5,000,000, then such Borrowing may not be continued as a Borrowing of Eurodollar Loans and any election of an Interest Period with respect thereto given by the Borrower shall have no force or effect (and such Borrowing shall be converted at such time into a Borrowing of Base Rate Loans);

(iii) except as otherwise provided in clause (iv) of this Section 4.01, each prepayment in respect of any

Revolving Loans made pursuant to a Borrowing shall be applied pro rata among such Revolving Loans, provided that, at the respective Borrower's election in connection with any prepayment of Revolving Loans pursuant to this Section 4.01, such prepayment shall not be applied to any Revolving Loan of a Defaulting Bank; and

(iv) in the event of certain refusals by a Bank to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Banks as provided in Section 13.12(b), the Borrowers shall have the right, upon five Business Days' prior written notice to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Banks) to repay all Revolving Loans, together with accrued and unpaid interest, Fees, and other amounts owing to such Bank in accordance with said Section 13.12(b) so long as (A) the Revolving Loan Commitment of such Bank is terminated concurrently with such repayment pursuant to Section 3.02(b) (at which time Schedule I shall be deemed modified to reflect the changed Revolving Loan Commitments) and (B) the consents required by Section 13.12(b) in connection with the repayment pursuant to this clause (iv) have been obtained.

4.02 Mandatory Repayments. (a)(i) On any day on which the sum of the aggregate outstanding principal amount of Revolving Loans made by Non-Defaulting Banks plus the aggregate outstanding principal amount of Swingline Loans plus the amount of the Letter of Credit Outstandings exceeds the Adjusted Total Revolving Loan Commitment as then in effect, there shall be required to be repaid on such date that principal amount of Swingline Loans and, after all Swingline Loans have been repaid in full (or if no Swingline Loans are then outstanding), Revolving Loans of Non-Defaulting Banks in an amount equal to such excess. If, after giving effect to the repayment of all outstanding Swingline Loans and Revolving Loans of Non-Defaulting Banks, the aggregate amount of the Letter of Credit Outstandings exceeds the Adjusted Total Revolving Loan Commitment as then in effect, the Company shall pay to the Administrative Agent at the Payment Office on such date an amount of cash or cash equivalents equal to the amount of such excess (up to a maximum amount equal to the Letter of Credit Outstandings at such time), such cash or cash equivalents to be held as security for all obligations of the Borrowers to Non-Defaulting Banks hereunder in a cash collateral account to be established by the Administrative Agent.

(ii) On any day on which the sum of the aggregate outstanding principal amount of Revolving Loans and Swingline Loans made to any Subsidiary Borrower and the amount of the Letter of Credit Outstandings in respect of Letters of Credit issued for the account of such Subsidiary Borrower exceeds such Subsidiary Borrower's Sub-Limit, such Subsidiary Borrower shall repay principal of its Swingline Loans and, after such Swingline Loans have been repaid in full (or if no Swingline Loans are then outstanding), its Revolving Loans in an amount equal to such excess. If, after giving effect to the repayment of all of its outstanding Swingline Loans and Revolving Loans, the aggregate amount of its Letter of Credit Outstandings exceeds such Subsidiary Borrower's Sub-Limit, such Subsidiary Borrower shall pay to the Administrative Agent at the Payment Office on such date an amount of cash or cash equivalents equal to the amount of such excess (up to a maximum amount equal to its Letter of Credit Outstandings at such time), such cash or cash equivalents to be held as security for all obligations of such Subsidiary Borrower hereunder in a cash collateral account to be established by the Administrative Agent.

(iii) On any day on which the aggregate outstanding principal amount of Revolving Loans made by any Defaulting Bank exceeds the Revolving Loan Commitment of such Defaulting Bank, the Borrowers shall repay principal of Revolving Loans of such Defaulting Bank in an amount equal to such excess.

(b) With respect to each repayment of Revolving Loans required by this Section 4.02, the respective Borrower may designate the Types of Revolving Loans which are to be repaid and, in the case of Eurodollar Loans, the specific Borrowing or Borrowings pursuant to which made, provided that: (i) repayments of Eurodollar Loans pursuant to this Section 4.02 may only be made on the last day of an Interest Period applicable thereto unless all Eurodollar Loans with Interest Periods ending on such date of required repayment and all Base Rate Loans have been paid in full; (ii) if any repayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Eurodollar Loans made pursuant to such Borrowing to an amount less than \$5,000,000, such Borrowing shall be converted on such day into a Borrowing of Base Rate Loans; (iii) each repayment of any Revolving Loans made by Non-Defaulting Banks pursuant to a Borrowing shall be applied pro rata among such Revolving Loans; and (iv) each repayment of any Revolving Loans made by Defaulting Banks pursuant to a Borrowing shall be applied pro rata among such Revolving Loans. In the absence of a designation by any

Borrower as described in the preceding sentence, the Administrative Agent shall, upon telephonic notice to the Company and subject to the above, make such designation in its sole discretion.

(c) Notwithstanding anything to the contrary contained elsewhere in this Agreement, (i) all then outstanding Swingline Loans shall be repaid in full on the Swingline Expiry Date and (ii) all then outstanding Revolving Loans shall be repaid in full on the Final Maturity Date.

4.03 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement or under any Note shall be made to the Administrative Agent for the account of the Bank or Banks entitled thereto not later than 12:00 Noon (New York time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Office. Whenever any payment to be made hereunder or under any Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension.

4.04 Net Payments. (a) All payments made by any Borrower hereunder or under any Note will be made without setoff, counterclaim or other defense. Except as provided in Section 4.04(b), all such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, except as provided in the immediately succeeding sentence, any tax imposed on or measured by the net income or profits of a Bank pursuant to the laws of the United States and the jurisdiction in which such Bank is organized or in which the principal office or applicable lending office of such Bank is located or any subdivision or taxing authority thereof or therein) and all interest, penalties or similar liabilities with respect thereto (collectively, "Taxes"). If any amounts are payable in respect of Taxes pursuant to the preceding sentence, then the Borrowers agree to reimburse each Bank, upon the written request of such Bank, for taxes imposed on or measured by the net income of such Bank pursuant to the laws of the jurisdiction in which the principal office or applicable lending office of such Bank is located or under the laws of any political subdivision or taxing

authority of any such jurisdiction in which the principal office or applicable lending office of such Bank is located and for any withholding of income or similar taxes imposed by the United States of America as such Bank shall determine are payable by, or withheld from, such Bank in respect of such amounts so paid to or on behalf of such Bank pursuant to the preceding sentence and in respect of any amounts paid to or on behalf of such Bank pursuant to this sentence. If any Taxes are so levied or imposed, the Borrowers agree to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Note. The Borrowers will furnish to the Administrative Agent within 45 days after the date the payment of any Taxes is due pursuant to applicable law copies of official tax receipts received from the relevant taxing authority evidencing such payment by the Borrowers. The Borrowers agree to indemnify and hold harmless each Bank, and reimburse such Bank upon its written request, for the amount of any Taxes so levied or imposed and paid by such Bank.

(b) Each Bank which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes agrees (i) in the case of any such Bank that is a "bank" within the meaning of Section 881(c)(3)(A) of the Code and which constitutes a Bank hereunder on the Second Restatement Effective Date, to provide to the Company and the Administrative Agent within five days after the Second Restatement Effective Date two original signed copies of Internal Revenue Service Form 4224 or Form 1001 (or successor forms) certifying to such Bank's entitlement (as of such date) to an exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Note, (ii) in the case of any such Bank that is a "bank" within the meaning of Section 881(c)(3)(A) of the Code, that, to the extent legally entitled to do so, (x) with respect to a Bank that is an assignee or transferee of an interest under this Agreement pursuant to Section 1.13 or 13.04 (unless the respective Bank was already a Bank hereunder immediately prior to such assignment or transfer), within five days after such assignment or transfer to such Bank, and (y) with respect to any such Bank, from time to time upon the reasonable written request of the Company or the Administrative Agent after the Second Restatement Effective Date, such Bank will provide to the Company and the Administrative Agent two original signed copies of Internal Revenue Service Form 4224 or Form 1001

(or any successor forms) certifying to such Bank's entitlement to an exemption from, or reduction in, United States withholding tax with respect to payments to be made under this Agreement and under any Note, (iii) in the case of any such Bank (other than a Bank described in clause (i) or (ii) above) which constitutes a Bank hereunder on the Second Restatement Effective Date, to provide to the Company and the Administrative Agent, within five days after the Second Restatement Effective Date (x) a certificate substantially in the form of Exhibit D (any such certificate, a "Section 4.04(b)(iii) Certificate") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8, certifying to such Bank's entitlement at the date of such certificate to an exemption from United States withholding tax under the provisions of Section 881(c) of the Code with respect to payments to be made under this Agreement and under any Note and (iv) in the case of any such Bank (other than a Bank described in clause (i) or (ii) above), to the extent legally entitled to do so, (x) with respect to a Bank that is an assignee or transferee of an interest under this Agreement pursuant to Section 1.13 or 13.04 (unless the respective Bank was already a Bank hereunder immediately prior to such assignment or transfer), within five days after such assignment or transfer to such Bank, and (y) with respect to any such Bank, from time to time upon the reasonable written request of the Company or the Administrative Agent after the Second Restatement Effective Date, to provide to the Company and the Administrative Agent such other forms as may be required in order to establish the entitlement of such Bank to an exemption from withholding with respect to payments under this Agreement and under any Note, or it shall immediately notify the Borrowers and the Administrative Agent of its inability to deliver such other forms, in which case such Bank shall not be required to deliver any such other forms pursuant to this Section 4.04 (b). Notwithstanding anything to the contrary

contained in Section 4.04(a), but subject to the immediately succeeding sentence, each Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder (without any obligation to pay the respective Bank additional amounts with respect thereto) for the account of any Bank which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes and which has not provided to the Company such forms required to be provided to the Company pursuant to the first sentence of this Section 4.04(b). Notwithstanding anything to the contrary contained in the preceding sentence and except as set forth in Section 13.04(b), each Borrower agrees to indemnify each Bank in the manner set forth in Section 4.04(a) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes after the Second Restatement Effective Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of income or similar Taxes.

(c) If any Borrower pays any additional amount under this Section 4.04 to a Bank and such Bank determines that it has received or realized in connection therewith any refund or any reduction of, or credit against, its Tax liabilities in or with respect to the taxable year in which the additional amount is paid, such Bank shall pay to the respective Borrower an amount that the Bank shall, in its sole discretion, determine is equal to the net benefit, after tax, which was obtained by the Bank in such taxable year as a consequence of such refund, reduction or credit.

SECTION 5A. Conditions Precedent to the Second Restatement Effective Date. The occurrence of the Second Restatement Effective Date pursuant to Section 13.10, and the obligation of each Bank to make Loans, and the obligation of any Letter of Credit Issuer to issue Letters of Credit, on the Second Restatement Effective Date is subject to the satisfaction of the following conditions:

5A.01 Execution of Agreement; Notes. On or prior to the Second Restatement Effective Date, (i) this Agreement shall have been executed and delivered as provided in Section 13.10 and (ii) there shall have been delivered to the Administrative Agent for the account of each Bank that has requested the same the appropriate Revolving Notes executed by the respective Borrowers, and to BTCo, to the extent requested by BTCo, the appropriate Swingline Notes executed by such Borrowers, in each case in the amount, maturity and as otherwise provided herein.

5A.02 Officer's Certificate. On the Second Restatement Effective Date, the Administrative Agent shall have received a certificate dated the Second Restatement Effective Date signed on behalf of the Company by the President, any Senior Vice President or any Vice President of the Company stating that all of the conditions in Sections 5A.06, 5A.07, 5A.08, 5A.09 and 6.01 have been satisfied on such date.

5A.03 Opinions of Counsel. On the Second Restatement Effective Date, the Administrative Agent shall have received (i) from Latham & Watkins, counsel to Parent, the Company and the Subsidiary Borrowers, an opinion addressed to the Administrative Agent and each of the Banks and dated the Second Restatement Effective Date in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks, (ii) from E.O. Robinson, Jr., General Counsel to Parent and the Company, an opinion addressed to the Administrative Agent and each of the Banks and dated the Second Restatement Effective Date in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks and (iii) from local gaming counsel reasonably satisfactory to the Administrative Agent, opinions each of which shall be in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks and shall cover New Jersey, Nevada and Illinois Gaming Regulations and such other matters incident to the transactions contemplated herein as the Administrative Agent may reasonably request.

5A.04 Corporate Documents; Proceedings. (a) On the Second Restatement Effective Date, the Administrative Agent shall have received a certificate from each Credit Party, dated the Second Restatement Effective Date, signed by the President, any Senior Vice President or any Vice President of such Credit Party, and attested to by the Secretary or any Assistant Secretary of such Credit Party, in the form of Exhibit E with appropriate insertions, together with copies of the certificate of incorporation, partnership agreement and by-laws of such Credit Party (or equivalent organizational documents), as the case may be, and the resolutions of such Credit Party referred to in such certificate, and the foregoing shall be reasonably acceptable to the Administrative Agent in its reasonable discretion.

(b) All corporate, partnership, limited liability company and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Documents shall be reasonably satisfactory in form and substance to the Administrative Agent and the Required Banks, and the Administrative Agent shall have received true and correct copies of all Documents, together with all information and copies of all other documents and papers, including records of corporate proceedings, partnership proceedings, limited liability company proceedings, governmental approvals, good standing certificates and bring-down telegrams, if any, which the Administrative Agent reasonably may have requested in connection therewith, such documents and papers

where appropriate to be certified by proper corporate or governmental authorities.

5A.05 Company/Sub Guaranty. On the Second Restatement Effective Date, the Company and each other Guarantor (other than Parent) shall have duly authorized, executed and delivered an amended and restated Company/Sub Guaranty in the form of Exhibit F (as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof, the "Company/Sub Guaranty").

5A.06 8-3/4% Senior Subordinated Notes Redemption. On or prior to the Second Restatement Effective Date, (i) the Company shall have mailed, or caused to be mailed, to the trustee for, and to the holders of, the 8-3/4% Senior Subordinated Notes a notice of redemption satisfying the applicable provisions of the 8-3/4% Senior Subordinated Notes Indenture, which notice of redemption shall call for redemption all of the outstanding 8-3/4% Senior Subordinated Notes on a date on or before the 33rd day after the Second Restatement Effective Date and (ii) the Administrative Agent shall have received evidence, in form and substance reasonably satisfactory to it, that all outstanding 8-3/4% Senior Subordinated Notes have been called for redemption in accordance with the provisions of this Section 5A.06.

5A.07 Adverse Change. Since December 31, 1997, nothing shall have occurred (and neither the Administrative Agent nor the Banks shall have become aware of any facts or conditions not previously known) which the Administrative Agent or the Required Banks shall determine has had, or could reasonably be expected to have, (i) a material adverse effect on the rights or remedies of the Administrative Agent or the Banks, or on the ability of Parent, any Borrower or any other Credit Party to perform its obligations to the Administrative Agent and the Banks or (ii) a materially adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

5A.08 Litigation. On the Second Restatement Effective Date, no litigation by any entity (private or governmental) shall be pending or threatened (i) with respect to the Transaction, this Agreement, the other Documents or any documentation executed in connection herewith or therewith or the transactions contemplated hereby or thereby, (ii) with respect to any material Indebtedness of Parent or any of its Subsidiaries or (iii) which the Administrative Agent or the Required Banks shall determine

could reasonably be expected to have a materially adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

5A.09 Approvals, etc. (a) On or prior to the Second Restatement Effective Date, (i) all necessary governmental (domestic and foreign) and third party approvals and consents (including, in any event, (x) all required Gaming Authority approvals and consents, (y) all shareholder and board of director approvals and consents and (z) all approvals and consents (if any) required under Parent's and the Company's guaranty of the Cherokee Casino financing and the proposed Jazz Casino financing) required in connection with the transactions contemplated by this Agreement and the other Credit Documents which are to occur by the Second Restatement Effective Date and otherwise referred to herein or therein shall have been obtained and remain in full force and effect and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of such transactions or otherwise referred to herein or therein and (ii) the Administrative Agent shall have received copies or other evidence reasonably satisfactory to it of all such approvals and consents. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the consummation of the transactions contemplated by this Agreement or the other Credit Documents which are to occur by the Second Restatement Effective Date or otherwise referred to herein or therein.

(b) On or prior to the Second Restatement Effective Date, the Administrative Agent shall have received evidence that the Banks are qualified under the New Jersey Gaming Regulations as financial sources or qualifiers, or are exempt or waived therefrom, and shall be satisfied that no other New Jersey, Nevada or other gaming license, authorization, qualification, waiver or exemption of the Banks is required on or prior to the Second Restatement Effective Date by reason of this Agreement. The Administrative Agent also shall be satisfied in its discretion with any conditions or requirements imposed by the New Jersey, Nevada or other relevant Gaming Authorities upon the Banks, this Agreement, the other Documents or the Transaction.

(c) On or prior to the Second Restatement Effective Date, Parent, its shareholders and Subsidiaries shall have received any qualifications required under applicable Gaming Regulations in connection with this Agreement and the other Credit Documents, and the Borrowers and the Guarantors shall have received all other approvals, authorizations or consents of, or notices to or registrations with any governmental body and required releases and consents from other appropriate Persons (including, without limitation, the shareholders of Parent) in connection with this Agreement and the other Credit Documents and shall have provided copies or other satisfactory evidence of all approvals, authorizations or consents referred to above to the Administrative Agent.

5A.10 364-Day Credit Agreement. On the Second Restatement Effective Date, Parent, the Company, the Subsidiary Borrowers, the 364-Day Banks and the Administrative Agent shall have entered into the 364-Day Credit Agreement, and the 364-Day Credit Agreement shall be in full force and effect. On the Second Restatement Effective Date, the Company shall have delivered to the Administrative Agent a true and correct copy of the 364-Day Credit Agreement, which shall be required to be in form and substance satisfactory to the Administrative Agent and the Required Banks.

5A.11 Solvency Certificate. On the Second Restatement Effective Date, there shall have been delivered to the Administrative Agent a certificate in the form of Exhibit G (appropriately completed), addressed to the Administrative Agent and each of the Banks and dated the Second Restatement Effective Date, from the treasurer of Parent, providing the opinion of such treasurer as to the solvency of Parent, the Company, each Subsidiary Borrower and Parent and its Subsidiaries taken as a whole.

5A.12 Historical Financial Statements; Pro Forma Financial Statements and Projections. On or prior to the Second Restatement Effective Date, the Administrative Agent shall have received true and correct copies of the historical financial statements, the pro forma financial statements and the Projections referred to in Sections 7.05(a) and (d), which historical financial statements, pro forma financial statements and Projections shall be in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks.

5A.13 Payment of Fees, etc. (a) On the Second Restatement Effective Date, all interest and Fees accrued (and not theretofore paid) under the Existing Credit Agreement shall be paid in full, and all other costs, fees and expenses owing to any of the Banks or the Administrative Agent under the Existing Credit Agreement shall be paid to the extent due. Furthermore, on the Second Restatement Effective Date, all costs, fees and expenses (including, without limitation, legal fees and expenses) and other compensation contemplated hereby or otherwise agreed and payable to the Banks or the Administrative Agent shall have been paid to the extent due.

(b) On the Second Restatement Effective Date, all Interest Periods with respect to any outstanding Existing Revolving Loans shall have expired in accordance with the terms thereof or shall have been terminated by the Borrowers.

SECTION 5B. Conditions Precedent to the Showboat Merger Effective Date and the incurrence of Loans on such date. The occurrence of the Showboat Merger Effective Date and the obligation of each Bank to make Loans on such date to consummate the Showboat Merger is subject to the satisfaction of the following conditions:

5B.01 Second Restatement Effective Date. The Second Restatement Effective Date shall have occurred.

5B.02 Officer's Certificate. On the Showboat Merger Effective Date, the Administrative Agent shall have received a certificate dated the Showboat Merger Effective Date signed on behalf of the Company by the President, any Senior Vice President or any Vice President of the Company stating that all of the conditions in Section 5B.05, 5B.06, 5B.07, 5B.08, 5B.09, 5B.10 and 6.01 have been satisfied on such date.

5B.03 Opinions of Counsel. On the Showboat Merger Effective Date, the Administrative Agent shall have received (i) from Latham & Watkins, counsel to Parent, the Company and the Subsidiary Borrowers, an opinion addressed to the Administrative Agent and each of the Banks and dated the Showboat Merger Effective Date in form and substance reasonably satisfactory to the Administrative Agent, (ii) from E.O. Robinson, Jr., General Counsel to Parent and the Company, an opinion addressed to the Administrative Agent and each of the Banks and dated the Showboat Merger Effective Date in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks

and (iii) from local and foreign gaming counsel reasonably satisfactory to the Administrative Agent, opinions each of which shall be in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks and shall cover New Jersey, Nevada, Illinois, Indiana and Australian Gaming Regulations and such other matters incident to the transactions contemplated herein as the Administrative Agent may reasonably request.

5B.04 Corporate Documents; Proceedings. All corporate, partnership, limited liability company and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Documents shall be reasonably satisfactory in form and substance to the Administrative Agent and the Required Banks, and the Administrative Agent shall have received true and correct copies of all the Merger Documents, together with all information and copies of all other documents and papers, including records of corporate proceedings, partnership proceedings, limited liability company proceedings, governmental approvals, good standing certificates and bring-down telegrams, if any, which the Administrative Agent reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or governmental authorities.

5B.05 The Showboat Merger. On the Showboat Merger Effective Date, (i) the Showboat Merger shall have been consummated in accordance with the Showboat Merger Documents and all applicable laws, (ii) each of the conditions precedent to the consummation of the Showboat Merger as set forth in the Showboat Merger Agreement (other than any immaterial conditions precedent) shall have been satisfied and not waived except with the consent of the Administrative Agent and the Required Banks to the satisfaction of the Administrative Agent and the Required Banks and (iii) the Administrative Agent shall have received true and correct copies of the Showboat Merger Agreement and the articles of merger to be filed with the Secretary of State of Nevada, and the Administrative Agent shall have received verbal confirmation that such articles of merger have been filed therewith, and all of the terms and conditions of the Showboat Merger Documents shall be in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks.

5B.06 Existing Showboat Notes Tender Offers/Consent Solicitations. On or prior to the Showboat Merger Effective Date, Parent, the Company or Showboat shall have commenced the

Existing Showboat Notes Tender Offers/Consent Solicitations and the Administrative Agent shall have received true and correct copies of all Existing Showboat Notes Tender Offers/Consent Solicitations Documents and all of the terms and conditions of such Documents shall be in form and substance reasonably satisfactory to the Administrative Agent; it being understood and agreed that, in any event, the terms of the Existing Showboat Notes Tender Offers/Consent Solicitations Documents will provide for each issue of Existing Showboat Notes to be purchased at the same time and for the Existing Showboat Notes Tender Offers/Consent Solicitations to remain open for the period required by law and to expire before the 90th day after the Showboat Merger Effective Date.

5B.07 Existing Showboat Working Capital Facility. On or prior to the Showboat Merger Effective Date, (x) the total commitments in respect of the Existing Showboat Working Capital Facility shall have been terminated, all loans with respect thereto shall have been repaid in full, together with interest thereon, all letters of credit issued thereunder shall have been terminated and all other amounts owing with respect thereto shall have been repaid in full and (y) the creditors in respect of the Existing Showboat Working Capital Facility shall have terminated and released all guarantees granted by, and all security interests in and Liens on the capital stock of and assets owned by, Showboat or any of its Subsidiaries, or release arrangements satisfactory to the Administrative Agent with respect thereto shall have been made.

5B.08 Adverse Change. Since December 31, 1997, nothing shall have occurred (and neither the Administrative Agent nor the Banks shall have become aware of any facts or conditions not previously known) which the Administrative Agent or the Required Banks shall determine has had, or could reasonably be expected to have, (i) a material adverse effect on the rights or remedies of the Administrative Agent or the Banks, or on the ability of Parent, any Borrower or any other Credit Party to perform its obligations to the Administrative Agent and the Banks or (ii) a materially adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole or Showboat and its Subsidiaries taken as a whole.

5B.09 Litigation. On the Showboat Merger Effective Date, no litigation by any entity (private or governmental) shall be pending or threatened (i) with respect to the Transaction,

this Agreement, the other Documents or any documentation executed in connection herewith or therewith or the transactions contemplated hereby or thereby, (ii) with respect to any material Indebtedness of Parent, Showboat or any of their respective Subsidiaries or (iii) which the Administrative Agent or the Required Banks shall determine could reasonably be expected to have a materially adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole or Showboat and its Subsidiaries taken as a whole.

5B.10 Approvals, etc. (a) On or prior to the Showboat Merger Effective Date, (i) all necessary governmental (domestic and foreign) and third party approvals and consents (including, in any event, (x) all required Gaming Authority approvals and consents and (y) all shareholder and board of director approvals and consents) required in connection with the Showboat Merger and the other components of the Transaction that are to occur on or after such date and otherwise referred to herein or therein shall have been obtained and remain in full force and effect (other than any approvals not then required to be obtained with respect to the Existing Showboat Notes Tender Offers/Consent Solicitations), and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of the Showboat Merger or such other components of the Transaction that are to occur on or after such date or otherwise referred to herein or therein and (ii) the Administrative Agent shall have received copies or other evidence reasonably satisfactory to it of all such approvals and consents. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the consummation of the Showboat Merger or such other components of the Transaction that are to occur on or after such date or otherwise referred to herein or therein.

(b) On or prior to the Showboat Merger Effective Date, the Administrative Agent shall be satisfied that, except as obtained pursuant to Section 5A.09, no other New Jersey, Nevada, Illinois, Indiana or other gaming license, authorization, qualification, waiver or exemption of the Banks is required on or prior to the Showboat Merger Effective Date by reason of this Agreement or the other Documents. The Administrative Agent also shall be satisfied in its discretion with any conditions or

requirements imposed by the New Jersey, Nevada, Illinois or Indiana or other relevant Gaming Authorities upon the Banks, this Agreement, the other Documents or the Transaction.

(c) On or prior to the Showboat Merger Effective Date, Parent, its shareholders and Subsidiaries and Showboat and its Subsidiaries shall have received any qualifications required under applicable Gaming Regulations in connection with the Showboat Merger and the other components of the Transaction that are to occur on or after such date, and the Borrowers, the Guarantors and Showboat and its Subsidiaries shall have received all other approvals, authorizations or consents of, or notices to or registrations with any governmental body and required releases and consents from other appropriate Persons (including, without limitations, the shareholders of Parent) in connection therewith and shall have provided copies or other satisfactory evidence of all approvals, authorizations or consents referred to above to the Administrative Agent.

5B.11 Solvency Certificate. On the Showboat Merger Effective Date, there shall have been delivered to the Administrative Agent a certificate in the form of Exhibit G (appropriately completed), addressed to the Administrative Agent and each of the Banks and dated the Showboat Merger Effective Date, from the treasurer of Parent, providing the opinion of such treasurer as to the solvency of Parent, the Company, each Subsidiary Borrower and Parent and its Subsidiaries taken as a whole.

5B.12 Schedules. On the Showboat Merger Effective Date, the Company shall have delivered to the Administrative Agent true and complete copies of supplements to Schedules III through VIII, which Schedules (i) shall be supplemented to set forth the relevant information with respect to Showboat and its Subsidiaries and (ii) shall be in form and substance satisfactory to the Administrative Agent.

SECTION 6. Conditions Precedent to All Credit Events. The obligation of each Bank to make Loans (including Loans made on the Second Restatement Effective Date and on the Showboat Merger Effective Date, but excluding Mandatory Borrowings made thereafter, which shall be made as provided in Section 1.01(c)), and the obligation of each Letter of Credit Issuer to issue any Letter of Credit, is subject, at the time of each such Credit Event (except as hereinafter indicated), to the satisfaction of the following conditions:

6.01 No Default; Representations and Warranties. At the time of each such Credit Event and also after giving effect thereto (i) there shall exist no Default or Event of Default (it being understood and agreed, however, that an Unpaid Drawing will not prevent a Borrowing of Revolving Loans so long as the proceeds thereof are applied to repay in full all then outstanding Unpaid Drawings and no other Default or Event of Default then exists) and (ii) all representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on the date of the making of such Credit Event (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

6.02 Notice of Borrowing; Letter of Credit Request. (a) Prior to the making of each Revolving Loan (excluding Revolving Loans made pursuant to a Mandatory Borrowing), the Administrative Agent shall have received a Notice of Borrowing meeting the requirements of Section 1.03(a). Prior to the making of any Swingline Loan, BTCO shall have received the notice required by Section 1.03(b)(i).

(b) Prior to the issuance of any Letter of Credit, the Administrative Agent and the respective Letter of Credit Issuer shall have received a Letter of Credit Request meeting the requirements of Section 2.03.

6.03 Election to Become a Subsidiary Borrower. Prior to the incurrence of any Loans by, or the issuance of any Letter of Credit for the account of, a Subsidiary Borrower which is not a Subsidiary Borrower on the Second Restatement Effective Date, the following additional conditions shall be satisfied:

(i) such new Subsidiary Borrower shall have duly authorized, executed and delivered to the Administrative Agent an Election to Become a Subsidiary Borrower in the form of Exhibit H, which shall be in full force and effect; and

(ii) to the extent not previously accomplished, such Subsidiary Borrower shall have duly authorized, executed and delivered to the Administrative Agent counterparts of the Company/Sub Guaranty, together with such other documents, certificates, resolutions, opinions and writings that would

have been required to be delivered pursuant to Sections 5.03 and 5.04 if such Subsidiary Borrower had been subject to such Sections on the Second Restatement Effective Date, all of which shall be in form and substance reasonably satisfactory to the Administrative Agent.

The occurrence of the Second Restatement Effective Date and the acceptance of the proceeds of each Credit Event shall constitute a representation and warranty by Parent and the respective Borrower to the Administrative Agent and each of the Banks that all the conditions specified in Section 5 and in this Section 6 and applicable to such Credit Event have been satisfied as of that time. All of the Notes, certificates, legal opinions and other documents and papers referred to in Section 5 and in this Section 6, unless otherwise specified, shall be delivered to the Administrative Agent at the Notice Office for the account of each of the Banks and, except for the Notes, in sufficient counterparts for each of the Banks and shall be in form and substance satisfactory to the Required Banks.

Notwithstanding anything to the contrary contained above or in Section 13.10, if the Second Restatement Effective Date does not occur on or prior to July 1, 1998, then it shall not thereafter occur (unless the Required Banks agree in writing to an extension of such date), and this Agreement shall cease to be of any force or effect and the Existing Credit Agreement shall continue to be effective, as the same may have been, or may thereafter be, amended, modified or supplemented from time to time.

SECTION 7. Representations, Warranties and Agreements. In order to induce the Banks to enter into this Agreement and to make the Loans, and issue (or participate in) the Letters of Credit as provided herein, each of Parent, the Company and each Subsidiary Borrower makes the following representations, warranties and agreements, in each case after giving effect to the Second Restatement Effective Date, all of which shall survive the execution and delivery of this Agreement and any Notes issued hereunder and the making of the Loans and issuance of the Letters of Credit, with the occurrence of the Second Restatement Effective Date and the occurrence of each Credit Event on or after the Second Restatement Effective Date being deemed to constitute a representation and warranty that the matters specified in this Section 7 are true and correct on and as of the Second Restatement Effective Date and on the date of each such Credit Event (it being understood and agreed that (x) any

representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date and (y) any representation or warranty as to Showboat or any of its Subsidiaries shall not be made until the consummation of the Showboat Merger).

7.01 Status. Each of Parent and each of its Subsidiaries (i) is a duly organized and validly existing corporation, partnership or limited liability company, in good standing under the laws of the jurisdiction of its organization, (ii) has the corporate, partnership or limited liability company power and authority to own its property and assets and to transact the business in which it is engaged and presently proposes to engage and (iii) is duly qualified and is authorized to do business and is in good standing in each jurisdiction where the ownership, leasing or operation of its property or the conduct of its business requires such qualifications except for failures to be so qualified which, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

7.02 Power and Authority. Each Credit Party has the corporate, partnership or limited liability company power and authority to execute, deliver and perform the terms and provisions of each of the Documents to which it is party and has taken all necessary corporate, partnership or limited liability company action to authorize the execution, delivery and performance by it of each of such Documents. Each Credit Party has duly executed and delivered each of the Documents to which it is party, and each of such Documents constitutes its legal, valid and binding obligation enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law).

7.03 No Violation. Neither the execution, delivery or performance by any Credit Party of the Documents to which it is a party, nor compliance by it with the terms and provisions thereof, (i) will contravene any provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will conflict

with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of Parent or any of its Subsidiaries pursuant to the terms of any indenture (including the indentures governing the terms of the Existing Showboat Notes or any other Indebtedness of Showboat or any of its Subsidiaries which is to remain outstanding after the Showboat Merger Effective Date), mortgage, deed of trust, credit agreement or loan agreement, or any other material agreement, contract or instrument, to which Parent or any of its Subsidiaries is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) will violate any provision of the certificate of incorporation, partnership agreement, limited liability company agreement or by-laws (or equivalent organizational documents) of Parent or any of its Subsidiaries.

7.04 Governmental Approvals. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained or made on or prior to the Second Restatement Effective Date or on or prior to the Showboat Merger Effective Date in the case of the Showboat Merger), or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with, (i) the Transaction, (ii) the execution, delivery and performance of any Document or (iii) the legality, validity, binding effect or enforceability of any such Document.

7.05 Financial Statements; Financial Condition; Undisclosed Liabilities; Projections; etc. (a) The statements of financial condition of Parent and its Consolidated Subsidiaries at December 31, 1997, and the related statements of income and cash flow and changes in shareholders' equity of Parent and its Consolidated Subsidiaries for the fiscal year ended on such date, copies of which were furnished to the Banks prior to the Second Restatement Effective Date, present fairly the financial condition of Parent and its Consolidated Subsidiaries at the date of such statements of financial condition and the results of the operations of Parent and its Consolidated Subsidiaries for the fiscal year covered thereby. The statements of financial condition of Showboat and its Consolidated Subsidiaries at December 31, 1997, and the related statements of income and cash flow and changes in shareholders' equity of Showboat and its Consolidated Subsidiaries for the

fiscal year ended on such date, copies of which were furnished to the Banks prior to the Second Restatement Effective Date, present fairly the financial condition of Showboat and its Consolidated Subsidiaries at the date of such statements of financial condition and the results of the operations of Showboat and its Consolidated Subsidiaries for the fiscal year covered thereby. All of the foregoing historical financial statements have been prepared in accordance with generally accepted accounting principles and practices consistently applied. The pro forma consolidated financial statements of Parent and its Consolidated Subsidiaries as of December 31, 1997, after giving effect to the Transaction and the financing therefor, copies of which have been furnished to the Banks prior to the Second Restatement Effective Date, present fairly the pro forma consolidated financial position of Parent and its Consolidated Subsidiaries as of December 31, 1997 and the pro forma consolidated results of operations of Parent and its Consolidated Subsidiaries for the fiscal year covered thereby. All such pro forma financial statements have been prepared in accordance with generally accepted accounting principles and practices consistently applied. Since December 31, 1997, there has been no material adverse change in the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

(b) On and as of the Second Restatement Effective Date and the Showboat Merger Effective Date, both before and after giving effect to all Indebtedness (including the Loans) being incurred or assumed and Liens created by Parent and its Subsidiaries in connection therewith, (a) the sum of the assets, at a fair valuation, of each of Parent, the Company, each Subsidiary Borrower, Parent and its Subsidiaries taken as a whole and the Company and its Subsidiaries taken as a whole will exceed their respective debts; (b) none of Parent, the Company, any Subsidiary Borrower, Parent and its Subsidiaries taken as a whole or the Company and its Subsidiaries taken as a whole has incurred, nor do they intend to incur or believe that they will incur, debts beyond their ability to pay such debts as such debts mature; and (c) each of Parent, the Company, each Subsidiary Borrower, Parent and its Subsidiaries taken as a whole and the Company and its Subsidiaries taken as a whole will have sufficient capital with which to conduct its respective business. For purposes of this Section 7.05(b), "debt" means any liability on a claim, and "claim" means (i) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed,

undisputed, legal, equitable, secured or unsecured or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

(c) Except as fully disclosed in the financial statements delivered pursuant to Section 7.05(a), there were as of the Second Restatement Effective Date no liabilities or obligations with respect to Parent or any of its Subsidiaries of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in aggregate, would be material to Parent and its Subsidiaries taken as a whole. As of the Second Restatement Effective Date, neither Parent nor any Borrower knows of any basis for the assertion against Parent or any of its Subsidiaries of any liability or obligation of any nature whatsoever that is not fully disclosed in the financial statements delivered pursuant to Section 7.05(a) which, either individually or in the aggregate, is material to Parent and its Subsidiaries taken as a whole.

(d) On and as of the Second Restatement Effective Date and assuming the consummation of the Showboat Merger as contemplated herein and on and as of the Showboat Merger Effective Date, (i) the financial projections (the "Projections") set forth in the Confidential Information Memorandum and prepared by Parent were prepared based upon the assumptions concerning various industry trends described therein for the periods presented, (ii) the Projections were based on good faith assumptions and estimates, and (iii) although a range of possible different assumptions and estimates might also be reasonable, neither Parent nor the Company is aware of any facts that would lead either of them to believe that the assumptions and estimates on which the Projections were based are not reasonable; provided that no assurance can be given that the projected results will be realized or with respect to the ability of Parent and its Subsidiaries to achieve the projected results, and while the Projections are necessarily presented with numerical specificity, the actual results achieved during the periods presented in all likelihood will differ from the projected results and such differences may be material.

7.06 Litigation. There are no actions, suits or proceedings pending or, to the best knowledge of Parent or any Borrower, threatened (i) with respect to any Document or the Transaction, (ii) with respect to any material Indebtedness of

Parent or any of its Subsidiaries or (iii) except as set forth on Schedule IX so long as there are no adverse judgments regarding such scheduled litigation, that could reasonably be expected to materially and adversely affect the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

7.07 True and Complete Disclosure. All factual information (taken as a whole) furnished by or on behalf of Parent or its Subsidiaries in writing to the Administrative Agent or any Bank (including, without limitation, all information contained in the Confidential Information Memorandum and the Documents) for purposes of or in connection with this Agreement, the other Documents or any transaction contemplated herein or therein is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of Parent or its Subsidiaries in writing to the Administrative Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided.

7.08 Use of Proceeds; Margin Regulations. (a) All proceeds of the Loans shall be used by the Borrowers (i) to effect the Transaction, (ii) to pay fees and expenses related to the Transaction and (iii) for the Borrowers' and their Subsidiaries' general corporate purposes.

(b) Except to finance the Showboat Merger and as otherwise permitted by Section 9.05, but in each case subject to the last sentence of this Section 7.08(b), no part of the proceeds of any Loan will be used to purchase or carry any Margin Stock or to extend credit for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Loan nor the use of the proceeds thereof nor the occurrence of any other Credit Event will violate or be inconsistent with the provisions of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System. At the time of each Credit Event and after giving effect thereto (including after giving effect to the application of the proceeds therefrom), no more than 25% of the value of the assets of Parent and its Subsidiaries on a consolidated basis shall constitute Margin Stock.

7.09 Tax Returns and Payments. Each of Parent and each of its Subsidiaries and each Person for whose tax Parent or any of its Subsidiaries could be liable has filed or caused to be filed with the appropriate taxing authority, all Federal and all other material returns, statements, forms and reports for all taxes (the "Returns") required to be filed by it and has paid or caused to be paid (i) all material taxes due for the periods covered thereby and (ii) all taxes pursuant to any assessment received by Parent, any of its Subsidiaries or any such Person, excluding, in each case, any such taxes that have been contested in good faith and for which adequate reserves have been established in accordance with generally accepted accounting principles. Except as disclosed on Schedule III, as of the Second Restatement Effective Date, there is no action, suit, proceeding, investigation, audit, or claim now pending or, to the knowledge of Parent or any of its Subsidiaries, threatened by any governmental or taxing authority regarding any material taxes relating to Parent or any of its Subsidiaries. Except as disclosed on Schedule III, as of the Second Restatement Effective Date, neither Parent nor any of its Subsidiaries has entered into an agreement or waiver extending any statute of limitations relating to the payment or collection of any material taxes of Parent or any of its Subsidiaries.

7.10 Compliance with ERISA. Each Plan is in substantial compliance with ERISA and the Code; no Reportable Event has occurred with respect to a Plan; no Plan is insolvent or in reorganization; no Plan has an Unfunded Current Liability; no Plan has an accumulated or waived funding deficiency, has permitted decreases in its funding standard account or has applied for an extension of any amortization period within the meaning of Section 412 of the Code; neither Parent nor any Subsidiary of Parent nor any ERISA Affiliate has incurred any material liability to or on account of a Plan pursuant to Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code or expects to incur any liability under any of the foregoing Sections with respect to any Plan; no proceedings have been instituted by the PBGC to terminate or appoint a trustee to administer any Plan; no condition exists which presents a material risk to Parent or any Subsidiary of Parent or any ERISA Affiliate of incurring a liability to or on account of a Plan pursuant to the foregoing provisions of ERISA and the Code; no lien imposed under the Code or ERISA on the assets of Parent or any Subsidiary of Parent or any ERISA Affiliate exists or is likely to arise on account of any Plan; and Parent and its

Subsidiaries may cease contributions to or terminate any employee benefit plan maintained by any of them without incurring any material liability to any person interested therein other than accrued benefits; it being understood that any representation or warranty made in this Section 7.10 with respect to any multiemployer plan (labor union) is to the best knowledge of Parent, the Company and each Subsidiary Borrower.

7.11 Properties. Parent and each of its Subsidiaries have good title to all material properties owned by them, free and clear of all Liens, other than Liens permitted by Section 9.01.

7.12 Capitalization. (a) On the Second Restatement Effective Date, the authorized capital stock of Parent shall consist of (i) 360,000,000 shares of common stock, \$.10 par value per share, of which, as of December 31, 1997, 101,035,898 shares were issued and outstanding, (ii) 150,000 shares of preferred stock, \$100 par value per share, of which no shares are issued and outstanding and (iii) 5,000,000 shares of special stock, \$1.125 par value per share, of which no shares are issued and outstanding. All such outstanding shares have been duly and validly issued, are fully paid and nonassessable and are free of preemptive rights. As of the Second Restatement Effective Date and except as disclosed in the most recent report on Form 10-K filed by Parent with the SEC, Parent does not have outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock.

(b) On the Second Restatement Effective Date, the authorized capital stock of the Company shall consist of 1,000 shares of common stock, \$1.00 par value per share, all of which shares were issued and outstanding and owned by Parent. All such outstanding shares have been duly and validly issued, are fully paid and nonassessable and are free of preemptive rights. The Company does not have outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock.

7.13 Subsidiaries. Except as otherwise agreed by the Required Banks, Parent has no Subsidiaries other than (i) the Company and its Subsidiaries and (ii) Aster Insurance Ltd. All Subsidiaries of the Company as of the Second Restatement Effective Date, and the direct owner of the capital stock thereof, are listed on Schedule IV. Schedule IV also accurately shows, as of the Second Restatement Effective Date, with respect to each Subsidiary (i) whether such Subsidiary is a Material Subsidiary and (ii) whether such Subsidiary is a Guarantor.

7.14 Compliance with Statutes, etc. Each of Parent and each of its Subsidiaries is in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including applicable statutes, regulations, orders and restrictions relating to environmental standards and controls), except such noncompliances as could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

7.15 Investment Company Act. Neither Parent nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

7.16 Public Utility Holding Company Act. Neither Parent nor any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

7.17 Environmental Matters. (a) Parent and each of its Subsidiaries have complied with, and on the date of such Credit Event are in compliance with, all applicable Environmental Laws and the requirements of any permits issued under such Environmental Laws. There are no pending or, to the best knowledge of Parent or any Borrower after due inquiry, past or threatened Environmental Claims against Parent or any of its Subsidiaries or any Real Property owned or operated by Parent or any of its Subsidiaries that individually or in the aggregate could reasonably be expected to materially and adversely affect the business, operations, property, assets, liabilities,

condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole. There are no facts, circumstances, conditions or occurrences on any Real Property owned or operated by Parent or any of its Subsidiaries or, to the best knowledge of Parent or any Borrower after due inquiry, on any property adjoining or in the vicinity of any such Real Property that, to the best knowledge of Parent or any Borrower after due inquiry, could reasonably be expected (i) to form the basis of an Environmental Claim against Parent or any of its Subsidiaries or any such Real Property that individually or in the aggregate could reasonably be expected to materially and adversely affect the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole, or (ii) to cause any such Real Property to be subject to any restrictions on the ownership, occupancy, use or transferability of such Real Property by Parent or any of its Subsidiaries under any applicable Environmental Law.

(b) Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, any Real Property owned or operated by Parent or any of its Subsidiaries where such generation, use, treatment or storage has violated or could reasonably be expected to violate any Environmental Law. Hazardous Materials have not at any time been Released on or from any Real Property owned or operated by Parent or any of its Subsidiaries where such Release has violated or could reasonably be expected to violate any applicable Environmental Law. There are not now any underground storage tanks located on any Real Property owned or operated by Parent or any of its Subsidiaries which are not in compliance with all Environmental Laws.

(c) Notwithstanding anything to the contrary in this Section 7.17, the representations made in this Section 7.17 shall only be untrue if the effect of any or all failures and noncompliances of the types described above, either individually or in the aggregate, could reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

7.18 Labor Relations. Neither Parent nor any of its Subsidiaries is engaged in any unfair labor practice that could reasonably be expected to have a material adverse effect on Parent and its Subsidiaries taken as a whole. There is (i) no

unfair labor practice complaint pending against Parent or any of its Subsidiaries or, to the best knowledge of the Parent or any Borrower, threatened against Parent or any of its Subsidiaries, before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement is so pending against Parent or any of its Subsidiaries or, to the best knowledge of Parent or any Borrower, threatened against any of them, (ii) no strike, labor dispute, slowdown or stoppage pending against Parent or any of its Subsidiaries or, to the best knowledge of Parent or any Borrower, threatened against Parent or any of its Subsidiaries and (iii) to the best knowledge of Parent or any Borrower, no union representation question existing with respect to the employees of Parent or any of its Subsidiaries, except (with respect to any matter specified in clause (i), (ii) or (iii) above, either individually or in the aggregate) such as could not reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

7.19 Patents, Licenses, Franchises and Formulas. Each of Parent and its Subsidiaries own all the patents, trademarks, permits, service marks, trade names, copyrights, licenses, franchises and formulas, or rights with respect to the foregoing, and has obtained assignments of all leases and other rights of whatever nature, necessary for the present conduct of its business, without any known conflict with the rights of others which, or the failure to obtain which, as the case may be, either individually or in the aggregate, could reasonably be expected to result in a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

7.20 Existing Indebtedness. Schedule V sets forth a true and complete list of all Indebtedness of Parent and its Subsidiaries as of the Second Restatement Effective Date and which is to remain outstanding after giving effect thereto, in each case showing the respective borrower thereof (excluding Indebtedness under this Agreement and the 364-Day Credit Agreement), with Part A of such Schedule V to indicate that Indebtedness which constitutes "Existing Indebtedness" under Section 9.04(ii) of the Existing Credit Agreement and Part B of such Schedule V to indicate all such other Indebtedness of Parent and its Subsidiaries.

7.21 Transaction. At the time of consummation thereof, each component of the Transaction shall have been consummated in accordance with the terms of the respective Documents and all applicable laws. At the time of consummation thereof, all consents and approvals of, and filings and registrations with, and all other actions in respect of, all governmental agencies, authorities or instrumentalities required in order to make or consummate each component of the Transaction have been obtained, given, filed or taken and are or will be in full force and effect (or effective judicial relief with respect thereto has been obtained). All applicable waiting periods with respect thereto have or, prior to the time when required, will have, expired without, in all such cases, any action being taken by any competent authority which restrains, prevents, or imposes material adverse conditions upon any component of the Transaction. Additionally, there does not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon any component of the Transaction, or the occurrence of any Credit Event or the performance by a Credit Party of its obligations under the Documents to which it is party. All actions taken by each Credit Party pursuant to or in furtherance of each component of the Transaction have been taken in compliance with the respective Documents and all applicable laws.

7.22 No Other Ventures. Except as set forth on Schedule VI, as of the Second Restatement Effective Date, neither Parent nor any of its Subsidiaries is engaged in any Joint Venture or partnership with any other Person.

SECTION 8. Affirmative Covenants. Each of Parent, the Company and each Subsidiary Borrower covenants and agrees that on and after the Second Restatement Effective Date and until the Total Revolving Loan Commitment and all Letters of Credit have terminated and the Loans, Notes and Unpaid Drawings, together with interest, Fees and all other obligations incurred hereunder and thereunder, are paid in full:

8.01 Information Covenants. Parent will furnish to each Bank:

(a) Quarterly Financial Statements. Within 45 days after the close of the first three quarterly accounting periods in each fiscal year of Parent, the consolidated balance sheet of Parent and its Consolidated Subsidiaries as at the end of such quarterly accounting period and the

related consolidated statements of income and retained earnings and statement of cash flows, in each case for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period, in each case setting forth comparative figures for the related periods in the prior fiscal year, all of which shall be certified by the chief financial officer, controller or treasurer of Parent, subject to normal year-end audit adjustments.

(b) Annual Financial Statements. Within 120 days after the close of each fiscal year of Parent, the consolidated balance sheet of Parent and its Consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and statement of cash flows for such fiscal year setting forth comparative figures for the preceding fiscal year and certified by Arthur Andersen LLP or another firm of independent certified public accountants of recognized national standing, together with a statement of the firm of such independent accountants as to whether, in conducting their audit, anything came to their attention to cause them to believe that Parent and the Company were not in compliance with Sections 9.07, 9.08 and 9.09, insofar as such Sections relate to accounting and auditing matters, on the date of such statements.

(c) Budgets. No later than 90 days after the commencement of each fiscal year of Parent, a budget which shall include an annual balance sheet for such fiscal year, quarterly statements of income and sources and uses of cash for each of the four fiscal quarters of such fiscal year, together with a business plan for such fiscal year, in each case consolidated for Parent and its Subsidiaries, and accompanied by a statement of the chief financial officer, controller or treasurer of Parent that the budget has been approved by the Board of Directors of Parent or the Company.

(d) Officer's Certificates. At the time of the delivery of the financial statements provided for in Sections 8.01(a) and (b), a certificate of the chief financial officer, controller or treasurer of Parent to the effect that, to the best of such officer's knowledge, no Default or Event of Default has occurred and is continuing or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof, which

certificate shall set forth (i) the calculations required to establish whether Parent and the Borrowers were in compliance with the provisions of Sections 3.03(e) and (f), 9.03(v), 9.04(vi), 9.04(vii), 9.04(x) through and including 9.04(xii) and 9.04(xv), 9.05 and 9.07 through 9.09, inclusive, at the end of such fiscal quarter or year, as the case may be, (ii) the Senior Implied Indebtedness ratings, if any, assigned by Moody's and S&P to the Company's Indebtedness at the end of such fiscal quarter or year, as the case may be, and (iii) the Reduction Discount, if any, for the Margin Reduction Period commencing with the delivery of such financial statements.

(e) Notice of Default or Litigation. Promptly upon, and in any event within three Business Days after, an officer of Parent or any Borrower obtains knowledge thereof, notice of (i) the occurrence of any event which constitutes a Default or an Event of Default and (ii) any litigation or governmental investigation or proceeding (including any investigation by any Gaming Authority) pending (x) against Parent or any of its Subsidiaries which could reasonably be expected to materially and adversely affect the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole, (y) with respect to any material Indebtedness of Parent or any of its Subsidiaries or (z) with respect to the Transaction or any Document.

(f) Other Reports and Filings. Promptly, (i) copies of all financial statements, reports and proxy materials which Parent has mailed to its shareholders generally, (ii) copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalent) which Parent or any of its Subsidiaries shall file with the Securities and Exchange Commission or any successor thereof (the "SEC") and (iii) to the extent not otherwise provided to the Banks, copies of all notices, reports and financial statements which Parent or any of its Subsidiaries shall deliver to holders of any issue of Indebtedness if the aggregate principal amount thereof exceeds (or upon the utilization of any unused commitments may exceed) \$25,000,000 pursuant to the terms of the documentation governing any such issue of Indebtedness (or any trustee, agent or other representative therefor).

(g) Environmental Matters. Promptly upon, and in any event within ten Business Days after, an officer of Parent or any Borrower obtains knowledge thereof, notice of one or more of the following environmental matters, unless such environmental matters could not, individually or when aggregated with all other such environmental matters, be reasonably expected to materially and adversely affect the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole: (i) any pending or threatened Environmental Claim against Parent or any of its Subsidiaries or any Real Property owned or operated by Parent or any of its Subsidiaries; (ii) any condition or occurrence on or arising from any Real Property owned or operated by Parent or any of its Subsidiaries that (a) results in noncompliance by Parent or any of its Subsidiaries with any applicable Environmental Law or (b) could reasonably be expected to form the basis of an Environmental Claim against Parent or any of its Subsidiaries or any such Real Property; (iii) any condition or occurrence on any Real Property owned or operated by Parent or any of its Subsidiaries that could reasonably be expected to cause such Real Property to be subject to any restrictions on the ownership, occupancy, use or transferability by Parent or any of its Subsidiaries of such Real Property under any Environmental Law; and (iv) the taking of any removal or remedial action in response to the actual or alleged presence of any Hazardous Material on any Real Property owned or operated by Parent or any of its Subsidiaries as required by any Environmental Law or any governmental or other administrative agency; provided that in any event Parent shall deliver to each Bank all notices received by Parent or any of its Subsidiaries from any government or governmental agency under, or pursuant to, CERCLA. All such notices shall describe in reasonable detail the nature of the claim, investigation, condition, occurrence or removal or remedial action and Parent's or such Subsidiary's response thereto. In addition, Parent will provide the Banks with copies of all material written communications by Parent or any of its Subsidiaries with any government or governmental agency relating to Environmental Laws, all material written communications with any person relating to Environmental Claims, and such detailed reports of any Environmental Claim as may reasonably be requested by the Banks.

(h) Other Information. From time to time, such other information or documents (financial or otherwise) with respect to Parent or its Subsidiaries as the Administrative Agent or any Bank may reasonably request.

8.02 Books, Records and Inspections. Parent will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with generally accepted accounting principles and all requirements of law shall be made of all dealings and transactions in relation to its business and activities. Parent will, and will cause each of its Subsidiaries to, permit officers and designated representatives of the Administrative Agent or any Bank to visit and inspect, at the Administrative Agent's or such Bank's expense and under guidance of officers of Parent or such Subsidiary, any of the properties of Parent or such Subsidiary, and to examine the books of account of Parent or such Subsidiary and discuss the affairs, finances and accounts of Parent or such Subsidiary with, and be advised as to the same by, its and their officers and independent public accountants, provided that a representative of Parent or such Subsidiary is present, all at such reasonable times and intervals and to such reasonable extent as the Administrative Agent or such Bank may request, provided that the Administrative Agent and the Banks shall have no right pursuant to this Section 8.02 to obtain any information relating to (i) the identity of gaming patrons obligated under Markers or (ii) any filings made pursuant to Regulation 6A or 6.090 of the Regulations of the Nevada Gaming Commission (except that the Administrative Agent and the Banks may review the reports of an independent auditor with respect to such filings).

8.03 Maintenance of Property; Insurance. (a) Parent will, and will cause each of its Material Subsidiaries to, keep all property necessary in the reasonable conduct of its business in good working order and condition.

(b) Schedule VII sets forth a true and complete listing of all insurance maintained by Parent and its Subsidiaries as of the Second Restatement Effective Date. Parent will maintain, and will cause each of its Material Subsidiaries to maintain, (i) physical damage insurance on all real and personal property on an all risk basis (including the perils of flood and quake), covering the repair and replacement cost of all such property and consequential loss coverage for business interruption and extra expense, and (ii) such other insurance coverage in such amounts and with respect to such risks as is

consistent and in accordance with industry practice for companies similarly situated owning similar properties in the same general areas in which Parent or any of its Subsidiaries operates; provided, however, that flood, earthquake and business interruption insurance will be required only to the extent available on a commercially reasonable basis and so long as it is consistent with reasonable and prudent insurance underwriting practices. All such insurance shall be provided by insurers having an A.M. Best general policyholders service rating of not less than "B+VI" or such other insurers as the Administrative Agent may approve in writing. Parent will deliver to the Banks (i) upon request of any Bank through the Administrative Agent from time to time full information as to the insurance carried, (ii) for all material insurance, within five days of receipt of notice from any insurer, a copy of any notice of cancellation or material change in coverage from that existing on the date of this Agreement and (iii) forthwith, notice of any cancellation or nonrenewal of any insurance coverage of Parent or any of its Material Subsidiaries with respect to any material insurance coverage of Parent or any of its Subsidiaries. Nothing in this Section 8.03(b) shall be construed to restrict the right of Parent or any Material Subsidiaries from obtaining blanket insurance, or self insurance of certain risks to the extent such insurance is consistent with the past practices of Parent or such Material Subsidiary and consistent with reasonable and prudent insurance underwriting practices. If Parent or any of its Material Subsidiaries shall fail to insure its property in accordance with this Section 8.03(b), the Administrative Agent shall have the right (but shall be under no obligation) upon notice to Parent or the respective Material Subsidiary to procure such insurance and Parent and each Borrower agrees to reimburse the Administrative Agent for all costs and expenses of procuring such insurance.

8.04 Corporate Franchises. Parent will, and will cause each of its Material Subsidiaries to, do or cause to be done, all things necessary to preserve and keep in full force and effect its existence and its material rights, franchises, licenses and patents; provided, however, that nothing in this Section 8.04 shall prevent (i) sales of stock or assets by Parent or any of its Subsidiaries in accordance with Section 9.02, (ii) the withdrawal by Parent or any of its Subsidiaries of its qualification as a foreign corporation in any jurisdiction where such withdrawal could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition

(financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole or (iii) the taking of any action respecting any right, franchise, license or patent determined by the management of Parent or such Subsidiary to be in the best interest of Parent or such Subsidiary.

8.05 Compliance with Statutes, etc. Parent will, and will cause each of its Subsidiaries to, comply with all applicable statutes, regulations (including Gaming Regulations) and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property, except such noncompliances as could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

8.06 Compliance with Environmental Laws. Except where the failure to do so could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole, (i) Parent will comply, and will cause each of its Subsidiaries to comply, with all Environmental Laws applicable to the ownership or use of its Real Property now or hereafter owned, leased or operated by Parent or any of its Subsidiaries; (ii) Parent will, and will cause each of its Subsidiaries to, promptly pay or cause to be paid all costs and expenses incurred in such compliance; (iii) and Parent will, and will cause each of its Subsidiaries to, keep or cause to be kept all such Real Property free and clear of any Liens imposed pursuant to such Environmental Laws; and (iv) neither Parent nor any of its Subsidiaries will generate, use, treat, store, release or dispose of, or permit (to the extent within Parent's or such Subsidiary's reasonable control) the generation, use, treatment, storage, release or disposal of Hazardous Materials on any Real Property now or hereafter owned, leased or managed by Parent or any of its Subsidiaries, or transport or permit (to the extent within Parent's or such Subsidiary's reasonable control) the transportation of Hazardous Materials to or from any such Real Property except in compliance with all applicable Environmental Laws and as reasonably required in connection with the operation, use and maintenance of any such Real Property in the conduct of Parent's or such Subsidiary's business.

8.07 ERISA. As soon as possible and, in any event, within 10 days after Parent or any Borrower or any ERISA Affiliate knows or has reason to know of the occurrence of any of the following, Parent will deliver to each of the Banks a certificate of the chief financial officer, controller or treasurer of Parent setting forth details as to such occurrence and the action, if any, which Parent, such Subsidiary or such ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given to or filed with or by Parent, such Subsidiary, such ERISA Affiliate, the PBGC, a Plan participant or the Plan administrator with respect thereto: that a Reportable Event has occurred (except to the extent that Parent has previously delivered to the Banks a certificate and notices (if any) concerning such event pursuant to the next clause hereof); that a contributing sponsor (as defined in Section 4001 (a) (13) of ERISA) of a Plan subject to Title IV of ERISA is subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (without regard to subparagraph (b) (1) thereof), and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 is reasonably expected to occur with respect to such Plan within the following 30 days; that an accumulated funding deficiency has been incurred or an application may be or has been made to the Secretary of the Treasury for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code with respect to a Plan; that a Plan has been or may be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA; that a Plan has an Unfunded Current Liability giving rise to a lien under ERISA or the Code; that proceedings may be or have been instituted by the PBGC to terminate or appoint a trustee to administer a Plan; that a proceeding has been instituted pursuant to Section 515 of ERISA to collect a delinquent contribution to a Plan; that Parent, any Subsidiary of Parent or any ERISA Affiliate will or may incur any material liability (including any contingent, or secondary liability) to or on account of the termination of or withdrawal from a Plan under Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or with respect to a Plan under Section 401(a)(29), 4971 or 4975 of the Code or Section 409 or 502(i) or 502(l) of ERISA. At the request of any Bank, Parent will deliver to such Bank (i) a complete copy of the annual report (Form 5500) of each Plan (including, to the extent required to be filed with Form 5500, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information) required to be filed with the Internal Revenue

Service and (ii) in addition to any certificates or notices delivered to the Banks pursuant to the first sentence hereof, copies of any records, documents or other information required to be furnished to the PBGC, and any material notices received by Parent or any Subsidiary of Parent or any ERISA Affiliate with respect to any Plan.

8.08 End of Fiscal Years; Fiscal Quarters. Parent and the Company will cause (i) each of its fiscal years to end on December 31, and (ii) each of its fiscal quarters to end on March 31, June 30, September 30 and December 31.

8.09 Performance of Obligations. Parent will, and will cause each of its Subsidiaries to, perform all of its obligations under the terms of each mortgage, indenture, security agreement and other debt instrument by which it is bound, except such non-performances as could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

8.10 Payment of Taxes. Parent will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, in each case on a timely basis, and all lawful claims which, if unpaid, might become a lien or charge upon any properties of Parent or any of its Subsidiaries; provided that neither Parent nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings if it has maintained adequate reserves with respect thereto in accordance with generally accepted accounting principles.

8.11 Additional Guarantors; etc. (a) In the event that at any time after the Second Restatement Effective Date (A) Des Plaines Development L.P. becomes a Wholly-Owned Subsidiary of the Company, (B) any Person becomes (x) a First-Tier Material Subsidiary, (y) a Material Subsidiary pursuant to clause (ii) of the definition thereof or (z) a guarantor under the 364-Day Credit Agreement or (C) any Person is required to comply with the provisions of this Section 8.11(a) as a result of a merger or consolidation permitted by Section 9.02(vi) or a transfer permitted by Section 9.02(vii) (it being understood and agreed that any such Person under this clause (C) shall be

required to take the action required below contemporaneously with such merger, consolidation or transfer), then Parent and the Company will, except as otherwise provided in the last sentence of this clause (a), cause Des Plaines Development L.P. and each such other Person (Des Plaines Development L.P. and each such other Person, together with any Person required to execute a counterpart of the Company/Sub Guaranty pursuant to clause (b) of this Section 8.11, a "Required Additional Guarantor"), within 30 days after it becomes (or at the time it becomes, as the case may be) a Required Additional Guarantor, to duly authorize, execute and deliver to the Administrative Agent a counterpart of the Company/Sub Guaranty, together with such other documents, certificates, resolutions, opinions and writings that would have been required to be delivered pursuant to Sections 5A.03 and 5A.04 if such Subsidiary had been a Guarantor on the Second Restatement Effective Date and subject to such Sections on such date, all of which shall be in form and substance reasonably satisfactory to the Administrative Agent. Notwithstanding the foregoing, (x) any Subsidiary of the Company which is not a Wholly-Owned Subsidiary or which has outstanding Non-Recourse Indebtedness pursuant to Section 9.04(x) shall not be required to become a Guarantor pursuant to the Company/Sub Guaranty and (y) neither Showboat nor any of its Subsidiaries shall be required to become a Guarantor under the Company/Sub Guaranty pursuant to this clause (a) until the consummation of the Existing Showboat Notes Tender Offers/Consent Solicitations, the Existing Showboat Notes Defeasances or such earlier time as the terms of the Existing Showboat Notes would permit.

(b) In addition to the requirements of clause (a) of this Section 8.11, within 30 days following the consummation of the Existing Showboat Notes Tender Offers/Consent Solicitations, the Existing Showboat Notes Defeasances or such earlier time as the terms of the Existing Showboat Notes would permit, Showboat, Ocean Showboat, Inc., Atlantic City Showboat, Inc., Showboat Operating Company, Showboat Indiana Investment Limited Partnership and, if and when it becomes a Wholly-Owned Subsidiary of the Company and to the extent permitted by the terms of its then existing Indebtedness agreements, Showboat Marina Casino Partnership, each shall execute and deliver to the Administrative Agent a counterpart of the Company/Sub Guaranty, together with the other documents, certificates, resolutions, opinions and writings required to be delivered by a Required Additional Guarantor pursuant to clause (a) of this Section 8.11.

8.12 Showboat Change of Control Offers to Purchase and Showboat Change of Control Purchases; Existing Showboat Notes Tender Offers/Consent Solicitations. (a) Parent, the Company or Showboat will commence the Showboat Change of Control Offers to Purchase in accordance with (and to the extent required by) the terms of the respective Existing Showboat Notes Indentures and all applicable laws. In addition, Parent, the Company or Showboat will purchase all Existing Showboat Notes required to be purchased by it pursuant to the terms of the Showboat Change of Control Offers to Purchase, it being understood that the terms of the Showboat Change of Control Offers to Purchase shall provide for all of the Showboat Change of Control Purchases to occur before the 90th day after the Showboat Merger Effective Date.

(b) At the expiration of the Existing Showboat Notes Tender Offers/Consents Solicitations, and provided that the Minimum Condition and the other conditions precedent described in the Existing Showboat Notes Tender Offers/Consent Solicitations Documents have been satisfied, (i) Parent, the Company or Showboat will purchase all Existing Showboat Notes tendered, and not theretofore withdrawn, pursuant to the Existing Showboat Notes Tender Offers/Consents Solicitations and (ii) in the event that less than 100% of the Existing Showboat Notes have been so purchased, Showboat and each of the trustees for the Existing Showboat Notes shall have duly executed and delivered the respective Existing Showboat Notes Indenture Supplements. It is understood and agreed that, notwithstanding anything to the contrary contained above in this clause (b) or elsewhere in this Agreement, in the event that the Minimum Condition has not been satisfied on or prior to the 90th day following the Showboat Merger Effective Date, then no Existing Showboat Notes will be accepted for purchase pursuant to the Existing Showboat Notes Tender Offers/Consent Solicitations or otherwise (other than pursuant to the Showboat Change of Control Offers to Purchase or pursuant to the Existing Showboat Notes Defeasances).

(c) Parent and the Company will promptly deliver to the Administrative Agent evidence reasonably satisfactory to it that the applicable provisions of this Section 8.12 have been complied with in accordance with the terms hereof.

8.13 Existing Showboat Notes Defeasances. In the event that Parent, the Company or Showboat elects to consummate the Existing Showboat Notes Defeasances as (and to the extent) permitted by Section 9.10, Parent, the Company or Showboat shall take all actions as are required pursuant to the applicable

provisions of the Existing Showboat Note Indentures to ensure that Showboat's and its Subsidiaries' respective obligations under the Existing Showboat Note Indentures and the Existing Showboat Notes are terminated (other than those limited obligations which expressly survive such defeasances as set forth in the respective Existing Showboat Note Indentures) and that all collateral securing such obligations are released (other than those Liens permitted by Section 9.01(xx)). Within 95 days following the deposit of cash and/or U.S. government obligations by Parent, the Company or Showboat to consummate the Existing Showboat Notes Defeasances, Parent, the Company or Showboat shall deliver to the Administrative Agent evidence, in form and substance reasonably satisfactory to the Administrative Agent, that the Existing Showboat Notes Defeasances have become effective in accordance with the terms of the Existing Showboat Note Indentures and that the Existing Showboat Notes are no longer deemed "outstanding".

8.14 8-3/4% Senior Subordinated Notes Redemption. On or prior to the 33rd day after the Second Restatement Effective Date, (i) the Company shall have consummated the 8-3/4% Senior Subordinated Notes Redemption in accordance with the 8-3/4% Senior Subordinated Note Redemption Documents, the 8-3/4% Senior Subordinated Notes Indenture and all applicable laws and (ii) the Administrative Agent shall have received evidence, in form and substance reasonably satisfactory to it, that all outstanding 8-3/4% Senior Subordinated Notes have been redeemed in full and that the 8-3/4% Senior Subordinated Notes Indenture has been discharged.

SECTION 9. Negative Covenants. Each of Parent, the Company and each Subsidiary Borrower covenants and agrees that on and after the Second Restatement Effective Date and until the Total Revolving Loan Commitment and all Letters of Credit have terminated and the Loans, Notes and Unpaid Drawings, together with interest, Fees and all other Obligations incurred hereunder and thereunder, are paid in full:

9.01 Liens. Parent will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets (real or personal, tangible or intangible) of Parent or any of its Subsidiaries, whether now owned or hereafter acquired, or sell any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable with recourse

to Parent or any of its Subsidiaries), or assign any right to receive income or permit the filing of any financing statement under the UCC or any other similar notice of Lien under any similar recording or notice statute; provided that the provisions of this Section 9.01 shall not prevent the creation, incurrence, assumption or existence of the following (Liens described below are herein referred to as "Permitted Liens"):

(i) inchoate Liens for taxes, assessments or governmental charges or levies not yet due or Liens for taxes, assessments or governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves have been established in accordance with generally accepted accounting principles;

(ii) Liens in respect of property or assets of Parent or any of its Subsidiaries imposed by law, which were incurred in the ordinary course of business and do not secure Indebtedness for borrowed money, such as carriers', warehousemen's, materialmen's and mechanics' liens and other similar Liens arising in the ordinary course of business, and (x) which do not in the aggregate materially detract from the value of Parent's or such Subsidiary's property or assets or materially impair the use thereof in the operation of the business of Parent or such Subsidiary or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or assets subject to any such Lien;

(iii) Liens permitted pursuant to Section 9.01(iii) of the Existing Credit Agreement which remain in existence on the Second Restatement Effective Date and which are listed, and the property subject thereto described, in Schedule VIII, but only to the respective date, if any, set forth in such Schedule VIII for the removal and termination of any such Liens, without any renewals or extensions thereof and Liens on the assets of Showboat and its Subsidiaries which remain in existence on the Showboat Merger Effective Date and which are listed, and the property thereto described, in the supplement to Schedule VIII delivered pursuant to Section 5B.12, but only to the respective date, if any, set forth in such supplement to Schedule VIII for the removal and termination of any such Liens, without any renewals or extensions thereof;

(iv) Liens on cash and/or U.S. government obligations that are deposited by the Company with the trustee under the 8-3/4% Senior Subordinated Notes Indenture pending the consummation of the 8-3/4% Senior Subordinated Notes Redemption;

(v) leases or subleases granted to other Persons not materially interfering with the conduct of the business of Parent or any of its Subsidiaries or materially detracting from the value of the respective assets of Parent or such Subsidiary;

(vi) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security in the ordinary course of business;

(vii) Liens placed upon equipment or machinery used in the ordinary course of business of the Company or any of its Subsidiaries at the time of acquisition thereof by the Company or any such Subsidiary or within 90 days thereafter to secure Indebtedness incurred to pay all or a portion of the purchase price thereof provided that (x) the aggregate principal amount of all Indebtedness secured by Liens permitted by this clause (vii) incurred in any fiscal year of Parent does not exceed \$1,000,000 and (y) in all events, the Lien encumbering the equipment or machinery so acquired does not encumber any other asset of Parent or such Subsidiary;

(viii) easements, rights-of-way, restrictions, encroachments and other similar charges or encumbrances, and minor title deficiencies, in each case not securing Indebtedness and not materially interfering with the conduct of the business of Parent or any of its Subsidiaries;

(ix) Liens arising from precautionary UCC financing statement filings regarding operating leases;

(x) Liens arising out of judgments or awards in respect of which Parent or any of its Subsidiaries shall in good faith be prosecuting an appeal or proceedings for review in respect of which there shall have been secured a subsisting stay of execution pending such appeal or proceedings, provided that the aggregate amount of all such judgments or awards (and any cash and the fair market value

of any property subject to such Liens) does not exceed \$15,000,000 at any time outstanding;

(xi) statutory and common law landlords' liens under leases to which Parent or any of its Subsidiaries is a party;

(xii) Liens incurred or deposits made to secure the performance of tenders, bids, statutory obligations, government contracts, performance and return-of-money bonds and other obligations of a like nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(xiii) Liens securing reimbursement obligations with respect to commercial and standby letters of credit incurred by the Company or any of its Subsidiaries in the ordinary course of business provided that (x) each such letter of credit is in a face amount of less than \$1,000,000 and (y) the aggregate face amount of all such letters of credit does not exceed \$5,000,000;

(xiv) restrictions pursuant to legends on stock required by (x) Gaming Regulations and (y) the partnership agreement for Harrah's Jazz (as such partnership agreement is in effect on the Second Restatement Effective Date), in each case to the extent such restrictions constitute a Lien;

(xv) any Lien existing on any asset of any corporation at the time such corporation becomes a Subsidiary of Parent so long as any such Lien was not created in contemplation of such event;

(xvi) any Lien existing on any asset prior to the acquisition thereof by the Company or any of its Subsidiaries so long as any such Lien was not created in contemplation of such acquisition;

(xvii) Liens on equipment or machinery subject to Capitalized Lease Obligations to the extent permitted by Section 9.04(v);

(xviii) Liens securing Non-Recourse Indebtedness of Specified Subsidiaries permitted under Section 9.04(x) so long as such Liens only encumber the Gaming Properties owned by Specified Subsidiaries being developed or financed with

such Non-Recourse Indebtedness, including any Real Property and furniture, fixtures and equipment related thereto, it being understood and agreed that such assets of Specified Subsidiaries also may secure Non-Recourse Indebtedness incurred by other Specified Subsidiaries pursuant to Section 9.04(x);

(xix) Liens on the Company's or any of its Subsidiaries' respective equity interest in any Joint Venture so long as such Liens only secure Indebtedness of such Joint Venture; and

(xx) Liens on cash and/or U.S. government obligations that are deposited by the Company or Showboat with the respective trustees under the Existing Showboat Note Indentures in order to effect the Existing Showboat Notes Defeasances.

9.02 Consolidation, Merger, Purchase or Sale of Assets, etc. (a) Parent will not, and will not permit any of its Subsidiaries to, wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation, or convey, sell, lease or otherwise dispose of (or agree to do any of the foregoing at any future time) all or any part of its assets, whether in a single transaction or a series of related transactions, except that:

(i) the Company and its Subsidiaries may sell assets, whether in a single sale or series of related sales, having a fair market value (as determined in good faith by Parent or the Company) of less than \$50,000,000 so long as (i) no Default or Event of Default then exists or would result therefrom, (ii) each such sale is in an arm's length transaction and the Company or the respective Subsidiary receives at least fair market value (as determined in good faith by Parent or the Company), (iii) the total consideration received by the Company or such Subsidiary is at least 50% cash and is received at the time of the closing of such sale and (iv) any Net Sale Proceeds in excess of \$75,000,000 that are received in any fiscal year of the Company in connection with all asset sales made pursuant to this clause (i) are applied to reduce the Total Revolving Loan Commitment pursuant to Section 3.03(f);

(ii) the Company and its Subsidiaries may sell assets, whether a single sale or series of related sales, having a

fair market value (as determined in good faith by Parent or the Company) of more than or equal to \$50,000,000 but less than \$100,000,000 so long as (i) no Default or Event of Default then exists or would result therefrom, (ii) each such sale is in an arm's length transaction and the Company or the respective Subsidiary receives at least fair market value (as determined in good faith by Parent or the Company), (iii) the total consideration received by the Company or such Subsidiary is at least 90% cash and is received at the time of the closing of such sale and (iv) the Net Sale Proceeds therefrom are applied to reduce the Total Revolving Loan Commitment pursuant to Section 3.03(f);

(iii) Showboat and its Subsidiaries may sell the Showboat Las Vegas Hotel Casino so long as (i) no Default or Event of Default then exists or would result therefrom, (ii) such sale is in an arm's length transaction and Showboat or the respective Subsidiary receives at least fair market value (as determined in good faith by Parent or the Company) and (iii) the total consideration received by Showboat or such Subsidiary is at least 75% cash and is received at the time of the closing of such sale;

(iv) Showboat and its Subsidiaries may sell their equity interest in Sydney Harbour Casino Holdings Limited as well as the management contract for the Sydney Harbour Casino so long as (i) no Default or Event of Default then exists or would result therefrom, (ii) each such sale is in an arm's length transaction and Showboat or the respective Subsidiary receives at least fair market value (as determined in good faith by Parent or the Company), (iii) the total consideration received by Showboat or such Subsidiary is at least 90% cash and is received at the time of the closing of each such sale and (iv) the Net Sale Proceeds therefrom are applied to reduce the Total Revolving Loan Commitment pursuant to Section 3.03(f);

(v) any Subsidiary of the Company may be merged or consolidated with or into the Company so long as the Company is the surviving corporation of such merger or consolidation;

(vi) any Subsidiary of the Company may be merged or consolidated with or into any other Subsidiary of the Company so long as (i) in the case of any such merger or consolidation involving a Subsidiary that is a Guarantor,

the Guarantor is the surviving corporation of such merger or consolidation or such surviving corporation becomes a Required Additional Guarantor contemporaneously with such merger or consolidation pursuant to Section 8.11(a) and (ii) in addition to the requirements of preceding clause (i), in the case of any such merger or consolidation involving a Wholly-Owned Subsidiary of the Company, the Wholly-Owned Subsidiary is the surviving corporation of such merger or consolidation;

(vii) any Subsidiary of the Company may transfer assets to the Company, any Subsidiary Guarantor or any other Wholly-Owned Subsidiary of the Company, provided, to the extent that any Guarantor transfers any Gaming Property (or any gaming license with respect thereto) to a Wholly-Owned Subsidiary that is not a Guarantor at such time, contemporaneously with such transfer such Wholly-Owned Subsidiary shall become a Required Additional Guarantor contemporaneously with such transfer pursuant to Section 8.11(a); and

(viii) the Showboat Merger shall be permitted.

(b) Notwithstanding anything to the contrary contained in this Agreement, (i) sales of inventory, materials and equipment may be made in the ordinary course of business (which sales shall not be included as sales made pursuant to clause (a) of this Section 9.02 unless made in connection with the sale of a Gaming Property), (ii) sales of obsolete, uneconomic or worn out equipment or materials shall be permitted (which sales also shall not be included as sales made pursuant to clause (a) of this Section 9.02 unless made in conjunction with the sale of a Gaming Property), (iii) the "Harrah's" or "Showboat" name may not be sold pursuant to this Agreement (although either such name may be used or licensed on a non-exclusive basis in connection with the extension of the Gaming Business of the Company and its Subsidiaries and Joint Ventures or in connection with the sale of the Showboat Las Vegas Hotel and Casino) and (iv) in the event that any Subsidiary Borrower is sold in connection with a sale permitted by this Agreement, such Subsidiary Borrower shall cease to be a Subsidiary Borrower and all Loans incurred by it shall be repaid in full on or before the date of such sale and the Company shall become the account party with respect to all Letters of Credit issued for the account of such Subsidiary Borrower pursuant to documentation satisfactory to the Administrative Agent and the respective Letter of Credit Issuer.

9.03 Dividends. Parent will not, and will not permit any of its Subsidiaries to, authorize, declare or pay any Dividends with respect to Parent or any of its Subsidiaries, except that:

(i) any Subsidiary of the Company may pay Dividends to the Company or to any Wholly-Owned Subsidiary of the Company;

(ii) any non-Wholly-Owned Subsidiary of the Company may pay cash Dividends to its shareholders generally on a pro rata basis;

(iii) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), the Company may pay cash Dividends to Parent which are used by Parent to pay cash Dividends to its shareholders to the extent necessary, as determined in the good faith judgment of the Board of Directors of Parent or the Company, to prevent the filing of any disciplinary action by any Gaming Authority or to prevent the loss or secure the reinstatement of any license or franchise from any governmental agency, including Gaming Authorities, held by Parent or any of its Subsidiaries which license or franchise is conditioned upon some or all of the holders of Parent's capital stock possessing prescribed qualifications, in each case only if such loss or failure to reinstate would have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole, provided that the aggregate amount of cash Dividends permitted to be paid pursuant to this clause (iii) shall not exceed \$5,000,000;

(iv) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), the Company may pay cash Dividends to Parent in the amounts permitted pursuant to clauses (v) and (vi) of this Section 9.03, provided that Parent uses the proceeds thereof to pay Dividends within three days after receipt thereof for the purposes set forth in such clauses (v) and (vi);

(v) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), Parent may pay cash Dividends in an aggregate

amount for any fiscal year of Parent not to exceed the lesser of (x) 10% of Consolidated Net Income for the prior fiscal year and (y) \$20,000,000;

(vi) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), Parent may redeem the Rights outstanding pursuant to the terms of the Rights Agreement, provided that (i) Parent shall not pay more than \$.05 per Right in connection therewith and (ii) the aggregate amount of Dividends paid pursuant to this clause (vi) shall not exceed \$2,500,000;

(vii) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), the Company may pay cash Dividends to Parent so long as the proceeds thereof are promptly used by Parent to pay (i) operating expenses in the ordinary course of business and other similar corporate overhead costs and expenses and (ii) amounts necessary to fund Aster Insurance Ltd. in the ordinary course of its business;

(viii) the Company may pay cash Dividends to Parent in the amounts and at the times of any payment by Parent in respect of federal, state, franchise or other taxes (provided that any refund shall be promptly returned by Parent to the Company);

(ix) the Showboat Merger consideration may be paid pursuant to the terms of the Showboat Merger Agreement; and

(x) in the event that the Existing Showboat Notes Tender Offers/Consent Solicitations, the Showboat Change of Control Purchases and/or the Existing Showboat Notes Defeasances are to be consummated by Parent, then the Company may pay cash Dividends to Parent at the times, and in the amounts, necessary to consummate same.

Nothing in this Section 9.03 shall prohibit the making of any Dividend within 45 days after the declaration thereof if such declaration was not prohibited by this Section 9.03 at the time of such declaration.

9.04 Indebtedness. Parent will not, and will not permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness, except:

(i) Indebtedness incurred pursuant to this Agreement and the other Credit Documents;

(ii) (x) Indebtedness of Parent and its Subsidiaries permitted under Section 9.04(ii) of the Existing Credit Agreement which remains outstanding on the Second Restatement Effective Date and which is listed on Part A of Schedule V, provided that no refinancings or renewals thereof shall be permitted except as expressly set forth on Part A of Schedule V and then, in any event, such refinancings and renewals shall not be in excess of the respective amounts set forth on Part A of Schedule V and (y) from and after the consummation of the Showboat Merger, Indebtedness of Showboat and its Subsidiaries which remains outstanding on the Showboat Merger Effective Date and which is listed on the supplement to Schedule V delivered pursuant to Section 5B.12, provided that no refinancings or renewals thereof shall be permitted except as expressly set forth on the supplement to Schedule V and then, in any event, such refinancings and renewals shall not be in excess of the respective amounts set forth on the supplement to Schedule V;

(iii) accrued expenses and current trade accounts payable incurred in the ordinary course;

(iv) unsecured Indebtedness of Parent or the Company under performance bonds and guarantees in respect of the completion of the construction of any property in accordance with the plans or standards as agreed with the obligee of such guarantee so long as such bonds or guarantees are incurred by Parent or the Company in the ordinary course of the Gaming Property development business of the Company and its Subsidiaries;

(v) Indebtedness of the Company or any of its Subsidiaries subject to Liens permitted under Section 9.01(vii) or evidenced by Capitalized Lease Obligations provided that such Capitalized Lease Obligations only relate to equipment or machinery of the Company or any of its Subsidiaries acquired after the First Restatement Effective Date;

(vi) Indebtedness of the Company or any of its Subsidiaries consisting of (x) reimbursement obligations on letters of credit (other than Letters of Credit), bankers

acceptances or similar instruments, provided that (i) the aggregate amount thereof at any one time outstanding shall not exceed \$5,000,000 and (ii) any such Indebtedness in excess of \$1,000,000 in the aggregate at any one time outstanding shall be unsecured other than by documents of title and (y) surety, performance or appeal bonds to the extent permitted by Section 9.01(x);

(vii) Indebtedness of Parent and the other Guarantors under the 364-Day Credit Agreement (but only to the extent that Parent or such other Guarantors are Guarantors under, or in respect of, this Agreement) in an aggregate principal amount not to exceed \$150,000,000 (as reduced by any mandatory reductions thereto as contemplated by Section 3.03(e) and (f)) at any one time outstanding;

(viii) Indebtedness of Parent, the Company or any Wholly-Owned Subsidiary of the Company to Parent, the Company or any Subsidiary of the Company (other than a Subsidiary that has incurred Non-Recourse Indebtedness) or Indebtedness of any Subsidiary of Parent to the Parent, the Company or any Wholly-Owned Subsidiary of the Company (other than a Subsidiary that has incurred Non-Recourse Indebtedness), provided that in the case of any Indebtedness of a Credit Party to a non-Credit Party, such Indebtedness shall be subordinated to the Obligations on a basis satisfactory to the Administrative Agent;

(ix) [intentionally omitted];

(x) Non-Recourse Indebtedness of Specified Subsidiaries to finance the development of Gaming Properties (other than Specified Casino Properties) so long as the aggregate principal amount of all such Non-Recourse Indebtedness at any time outstanding does not exceed \$25,000,000, it being understood and agreed, however, that (i) a Specified Subsidiary which has incurred outstanding Non-Recourse Indebtedness pursuant to this Section 9.04(x) may guaranty the Non-Recourse Indebtedness incurred pursuant to this Section 9.04(x) by other Specified Subsidiaries, and (ii) such Non-Recourse Indebtedness may be guaranteed by the Company and its other Subsidiaries to the extent provided in Section 9.04(xii);

(xi) Additional Unsecured Senior Debt of the Company and Subordinated Debt of the Company (which, in each case,

may be guaranteed on a like basis by Parent) not otherwise outstanding on October 15, 1996 so long as (i) (x) the covenants and events of default of any such Subordinated Debt (including, but not limited to, subordination provisions) are no more favorable to the holders of such Subordinated Debt than those set forth in the 8-3/4% Senior Subordinated Notes Indenture (provided that the indebtedness covenant contained in any such issue of Subordinated Debt shall have sufficient availability (without relying on any incurrence ratios) to justify the full amount of the Total Revolving Loan Commitment and the Total 364-Day Revolving Loan Commitment, in each case as such commitments are in effect at the time of the issuance of such Subordinated Debt) and (y) the terms and conditions of any such Subordinated Debt do not have any mandatory repayment, prepayment, redemption, sinking fund, amortization or maturity prior to the date that is one year after the Final Maturity Date (other than an option of the holders to require the Company to repurchase such Subordinated Debt upon a change of control thereunder), (ii) any such Additional Unsecured Senior Debt (x) does not contain any financial maintenance or capital expenditure covenants or defaults, (y) does not have any mandatory repayment, prepayment, redemption, sinking fund, amortization or maturity prior to the date that is one year after the Final Maturity Date (other than an option of the holders thereof to require the Company to repurchase such Additional Unsecured Senior Debt upon a change of control thereunder) and (z) does not contain any covenants or events of default that are more favorable to the holders of such Additional Unsecured Senior Debt than those set forth in this Agreement (provided that the indebtedness covenant contained in any such issue of Additional Unsecured Senior Debt shall have sufficient availability (without relying on any incurrence ratios) to justify the full amount of the Total Revolving Loan Commitment and the Total 364-Day Revolving Loan Commitment, in each case as such commitments are in effect at the time of the issuance of such Additional Unsecured Senior Debt), and (iii) the Total Revolving Loan Commitment shall be reduced as (and to the extent) required by Section 3.03(e);

(xii) Parent and its Subsidiaries may guarantee on an unsecured basis obligations of Specified Subsidiaries, Joint Ventures and parties to management agreements with the Company or its Subsidiaries or with such Joint Ventures, in

each case with respect to the development of Gaming Property in an amount not to exceed \$150,000,000 at any one time outstanding for any individual Gaming Property and \$425,000,000 at any one time outstanding for all such Gaming Properties, provided that (i) the aggregate limitation set forth above shall be (A) increased (or decreased if Consolidated Net Income is negative) on the first day of each fiscal year of the Company commencing on January 1, 1996 by an amount equal to 50% (or 100% for each fiscal year for which Consolidated Net Income is negative) of the Consolidated Net Income for the fiscal year last ended, and (B) decreased from time to time by the amount of Dividends paid by the Company to Parent pursuant to Section 9.03(iv) on and after January 1, 1998 and prior to the date of determination and (ii) the aggregate amount of guarantees permitted to be outstanding by Parent and its Subsidiaries pursuant to this Section 9.04(xii) shall be reduced by the amount of Investments outstanding pursuant to clause (i) of the proviso to Section 9.05;

(xiii) Parent and the Company may guarantee on an unsecured basis any obligations of their respective Subsidiaries (except that neither Parent nor the Company may provide any guaranties, direct or indirect, of Non-Recourse Indebtedness, any Existing Showboat Notes or any Designated Showboat Indebtedness, in each case pursuant to this clause (xiii));

(xiv) on and after the Jazz Casino Trigger Date, Parent and/or the Company may enter into the Jazz Casino Completion Guaranties, the Jazz Casino Minimum Payment Guaranty, the Jazz Casino Bank Guaranties, the Jazz Casino Loan Guaranty, and the Jazz Casino Indemnity Arrangements and perform their respective obligations thereunder; and

(xv) Indebtedness of Parent or any of its Subsidiaries not otherwise permitted under this Section 9.04 in an aggregate principal amount not to exceed \$25,000,000 at any one time outstanding.

9.05 Advances, Investments and Loans. Parent will not, and will not permit any of its Subsidiaries to, directly or indirectly, lend money or credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person (collectively, "Investments") other than

Investments in the ordinary course of business, Subsidiary Investments, other Investments existing on the First Restatement Effective Date and Investments by Showboat and its Subsidiaries existing on the Showboat Merger Effective Date, provided that:

(i) Investments other than Subsidiary Investments shall not be made with respect to the development or operation of Gaming Properties or in connection with Gaming Businesses (and reasonable extensions thereof), except that Investments in any Joint Venture relating to the Gaming Business or Investments in parties to management agreements with the Company or its Subsidiaries or such Joint Ventures for gaming projects may be made so long as the aggregate amount thereof does not exceed \$150,000,000 at any one time outstanding (determined without regard to any write-downs or write-offs of such Investments) for any individual Gaming Business or gaming project or \$425,000,000 at any one time outstanding (determined without regard to any write-downs or write-offs of such Investments) for all such Gaming Businesses and gaming projects, provided that (x) the aggregate limitation set forth above shall be (A) increased (or decreased if Consolidated Net Income is negative) on the first day of each fiscal year of the Company commencing on January 1, 1996 by an amount equal to 50% (or 100% for each fiscal year for which Consolidated Net Income is negative) of the Consolidated Net Income for the fiscal year last ended and (B) decreased from time to time by the amount of Dividends paid by the Company to Parent pursuant to Section 9.03(iv) on and after January 1, 1998, (y) the aggregate amount of such Investments permitted to be made pursuant to this Section 9.05(i) shall be reduced by the aggregate amount of guarantees outstanding pursuant to Section 9.04(xii) and (z) Investments in, to or for the benefit of Harrah's Jazz and its Subsidiaries and JCC Holding and its Subsidiaries shall not be permitted to be made pursuant to this Section 9.05(i), provided that, after the Jazz Casino Trigger Date, up to \$25,000,000 of Investments in, to or for the benefit of JCC Holding and its Subsidiaries may be made pursuant to this Section 9.05(i) as well as any Investments made in JCC Holding as a result of the exercise by the Company or a Subsidiary thereof of any warrants to purchase shares of common stock of JCC Holding issued to the Company or a Subsidiary thereof as part of the Harrah's Jazz Reorganization Plan;

(ii) Investments constituting Harrah's Jazz Investments shall be permitted, provided that the aggregate amount of all such Investments (other than in respect of the Harrah's Jazz Completion Obligation Loans, the Harrah's Jazz Title Indemnity Arrangements and the Harrah's Jazz Completion Guaranties), whether made prior to, on or after the Second Restatement Effective Date, shall not exceed \$180,000,000, provided further, that (x) no part of the Investments permitted by this clause (ii) may be used to make Investments in, to or for the benefit of, JCC Holding and its Subsidiaries except to the extent that any then existing Harrah's Jazz Investments are converted into equity of JCC Holding as part of the Harrah's Jazz Reorganization Plan and (y) on and after the Jazz Casino Trigger Date, Parent and its Subsidiaries may not make any additional Harrah's Jazz Investments;

(iii) on and after the Jazz Casino Trigger Date, Parent and/or the Company may enter into (x) the Jazz Casino Completion Guaranties, the Jazz Casino Bank Guaranties, the Jazz Casino Loan Guaranty and the Jazz Casino Indemnity Arrangements and perform their respective obligations thereunder, and make (or be deemed to make) Jazz Casino Completion Obligation Loans to Jazz Casino as a result of such performance and (y) the Jazz Casino Minimum Payment Guaranty and perform their respective obligations thereunder so long as their aggregate exposure under the Jazz Casino Minimum Payment Guaranty (including the amount of any unreimbursed guarantee drawings thereunder) does not exceed \$100,000,000 (plus any applicable interest and attorney's fees) at any time outstanding; and

(iv) on and after the Jazz Casino Trigger Date, Parent and its Subsidiaries may make the Jazz Casino Loans to Jazz Casino and may make additional Investments in, to or for the benefit of, JCC Holding and its Subsidiaries in an aggregate amount not to exceed the remainder of (x) \$75,000,000 less (y) the aggregate amount of Harrah's Jazz Investments made by Parent and/or its Subsidiaries in excess of \$130,500,000.

Notwithstanding (x) the foregoing provisions of this Section 9.05, (A) Investments in the ordinary course of business shall not include the purchases of (i) Margin Stock and (ii) non-investment grade debt securities of any Person, it being understood and agreed, however that in connection with any Investment in a Joint Venture as permitted by Section 9.05(i) or

in connection with any Subsidiary Investment made in a Subsidiary acquired or created after March 31, 1996, the Company may, subject to Section 7.08(b), make an Investment consisting of Margin Stock or non-investment grade debt securities of such Joint Venture or such Subsidiary, as the case may be, and (B) prior to the consummation of the Existing Showboat Notes Tender Offers/Consent Solicitations or in the event that same is not consummated unless the Existing Showboat Notes Defeasances have become effective in accordance with the terms of the Existing Showboat Note Indentures, Parent and its Subsidiaries (other than Showboat and its Subsidiaries) may only make Investments in Showboat and its Subsidiaries in an aggregate amount not to exceed \$100,000,000 at any time outstanding (determined without regard to any write-downs or write-offs thereof plus that amount necessary to fund any Showboat Change of Control Purchases), and with such Investments only to be made pursuant to, and to the extent permitted by, Section 9.05(i), it being understood and agreed, however, to the extent that the conditions set forth above in this clause (B) are satisfied after any such Investments in Showboat and its Subsidiaries have been made, such Investments shall be reclassified as Subsidiary Investments and shall not reduce the amount of the Investments permitted to be made under Section 9.05(i), and (y) the foregoing provisions of this Section 9.05 or Section 9.04, (A) in no event shall the aggregate amount of Jazz Casino Loans made by Parent and its Subsidiaries plus the amount of the Jazz Casino Loan Guaranty and the Jazz Casino Bank Guarantees exceed \$180,000,000 (with such amount to be reduced by any permanent reductions in any Jazz Casino Loans theretofore made (whether or not made by Parent or any of its Subsidiaries) and/or by any permanent reductions in the Jazz Casino Loan Guaranty and/or Jazz Casino Bank Guarantees) and (B) the terms and conditions of the Jazz Casino Surety Bond shall be in form and substance satisfactory to the Administrative Agent.

9.06 Transactions with Affiliates. Parent will not, and will not permit any of its Subsidiaries to, enter into any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of Parent or any of its Subsidiaries, other than in the ordinary course of business and on terms and conditions substantially as favorable to Parent or such Subsidiary as would reasonably be obtained by Parent or such Subsidiary at that time in a comparable arm's-length transaction with a Person other than an Affiliate, except that (i) Dividends may be paid to the extent provided in Section 9.03, (ii) loans may be made and other transactions may be entered into by Parent and its Subsidiaries to the extent

permitted by Sections 9.04 and 9.05 and (iii) transactions among Parent, the Company and any Subsidiary of the Company shall be permitted so long as any such transactions are otherwise permitted by this Agreement and such transactions, individually or in the aggregate, would not have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

9.07 Maximum Leverage Ratio. (a) Prior to the consummation of the Showboat Merger, Parent will not permit the ratio of Consolidated Debt to Consolidated Net Worth at any time during a period set forth below to be greater than the ratio set forth opposite such period below:

Period	Ratio
January 1, 1998 to and including December 31, 1998	2.80:1.00
January 1, 1999 to and including December 31, 1999	2.30:1.00
January 1, 2000 and thereafter	2.00:1.00

(b) On or after the consummation of the Showboat Merger, Parent will not permit the ratio of Consolidated Debt at any time to Consolidated EBITDA for the Test Period then most recently ended at any time during a period set forth below to be greater than the ratio set forth opposite such period below:

Period	Ratio
Showboat Merger Effective Date to and including June 30, 1998	5.50:1.00
July 1, 1998 to and including September 30, 1998	5.00:1.00
October 1, 1998 to and including December 31, 1998	4.50:1.00
January 1, 1999 to and including December 31, 1999	4.00:1.00
Thereafter	3.50:1.00

9.08 Consolidated Interest Coverage Ratio. (a) Prior to the consummation of the Showboat Merger, Parent will not permit the Consolidated Interest Coverage Ratio for any Test Period ended on the last day of a fiscal quarter of Parent set forth below to be less than the ratio set forth opposite such fiscal quarter below:

Fiscal Quarter	Ratio
Fiscal quarters ending March 31, 1998, June 30, 1998, and September 30, 1998	2.50:1.00
Fiscal quarters ending December 31, 1998 and thereafter	3.00:1.00

(b) On or after the consummation of the Showboat Merger, Parent will not permit the Consolidated Interest Coverage Ratio for any Test Period ended on the last day of a fiscal quarter of Parent set forth below to be less than the ratio set forth opposite such fiscal quarter below:

Fiscal Quarter	Ratio
Fiscal quarters ending June 30, 1998, September 30, 1998, and December 31, 1998	2.00:1.00
Fiscal quarters ending March 31, 1999, June 30, 1999, September 30, 1999 and December 31, 1999	2.25:1.00
Fiscal quarters ending March 31, 2000 and thereafter	3.00:1.00

9.09 Minimum Consolidated Net Worth. Parent will not permit Consolidated Net Worth at any time during a period set forth below to be less than the amount set forth opposite such period below:

Period	Amount
Year ending December 31, 1998	\$650,000,000
Year ending December 31, 1999	\$800,000,000
Year ending December 31, 2000	\$1,000,000,000

9.10 Limitation on Payments and Modifications of Certain Other Debt; Modifications of Certificate of Incorporation, Partnership Agreements, Limited Liability Company Agreements and By-Laws; etc. Parent will not, and will not permit any of its Subsidiaries to, (i) make (or give any notice in respect of) any voluntary or optional payment or prepayment on or redemption or acquisition for value of (including, without limitation, by way of depositing with the trustee with respect thereto money or securities before due for the purpose of paying when due) any Subordinated Debt, any Additional Unsecured Senior Debt, any Designated Showboat Indebtedness or any Existing Showboat Notes, provided that, from and after the consummation of the Showboat Merger, the Company or any of its Subsidiaries and, in the case of the following clause (A), Parent, may (A) repurchase Existing Showboat Notes (x) pursuant to the Existing Showboat Notes Tender Offers/Consent Solicitations so long as such repurchases are permitted by Section 8.12 and pursuant to the Showboat Change of Control Offers to Purchase and (y) pursuant to the Existing Showboat Notes Defeasances so long as all then outstanding Existing Showboat Notes are defeased and the cash and/or the U.S. government obligations necessary to consummate the Existing Showboat Notes Defeasances are deposited with the trustees for the Existing Showboat Notes on or prior to the 90th day after the Showboat Merger Effective Date and (B) repurchase the East Chicago Showboat Notes so long as (i) the Company or a Wholly-Owned Subsidiary thereof owns at least 79% of the total equity interest (as determined on a fully diluted basis) in the Showboat East Chicago Riverboat Casino and (ii) such repurchases are made with the proceeds of Subordinated Debt issued under Section 9.04(xi) or with proceeds of Loans, provided that, to the extent proceeds of Loans are used, the sum of the Total Unutilized Revolving Loan Commitment plus the total unutilized revolving loan commitment under the 364-Day Credit Agreement immediately after giving effect to such repurchase is at least \$100,000,000, (ii) make (or give any notice in respect of) any mandatory payment or prepayment on or redemption or acquisition for value of (including, without limitation, by way

of depositing with the trustee with respect thereto money or securities before due for the purpose of when due) any Subordinated Debt, any Additional Unsecured Senior Debt, any Existing Showboat Notes or any Designated Showboat Indebtedness as a result of any sale of assets by Parent or any of its Subsidiaries or any "change of control" provision other than pursuant to the Showboat Change of Control Offers to Purchase, (iii) amend or modify, or permit the amendment or modification of, any provision of (x) any Subordinated Debt or any Additional Unsecured Senior Debt or of any agreement (including, without limitation, any purchase agreement, indenture or loan agreement) relating thereto or (y) any Existing Showboat Notes or any Designated Showboat Indebtedness other than pursuant to the Existing Showboat Notes Tender Offers/Consent Solicitations and such amendments or modifications that would make the terms of such Indebtedness less restrictive on Showboat and its Subsidiaries and would not otherwise be adverse to the interests of the Banks in any material respects, (iv) amend or modify, or permit the amendment or modification of, any financial or business covenants and/or defaults of the 364-Day Credit Agreement which would have the effect of making the same more stringent or restrictive as applied to Parent or any of its Subsidiaries in each case unless parallel changes are made to both this Agreement and the 364-Day Credit Agreement, (v) amend, modify or change its certificate of incorporation (including, without limitation, by the filing or modification of any certificate of designation), partnership agreement, limited liability company agreement or by-laws except such modifications which would not have a material adverse effect on Parent and its Subsidiaries taken as a whole or an adverse effect on the rights and remedies of the Administrative Agent or the Banks under any of the Credit Documents or (vi) after the commencement of the Existing Showboat Notes Tender Offers/Consent Solicitations amend or modify, or permit the amendment or modification of, any of the terms of the Existing Showboat Notes Tender Offers/Consent Solicitations in a way that would be material to Parent and its Subsidiaries taken as a whole. Notwithstanding anything to the contrary contained in clause (i) of this Section 9.10, the Company or, in the case of Indebtedness of Showboat and its Subsidiaries, Showboat, may prepay, repurchase, redeem, defease or otherwise retire Subordinated Debt, Additional Unsecured Senior Debt or such Indebtedness of Showboat and its Subsidiaries if no Default or Event of Default then exists or would result therefrom to the extent necessary in the good faith judgment of the Board of Directors of Parent or the Company to prevent the filing of a disciplinary action by any Gaming Authority or to

prevent the loss or secure the reinstatement of any license or franchise from any governmental agency (including the Gaming Authorities) held by Parent, the Company or any Subsidiary of Parent or the Company which license or franchise is conditioned upon some or all of the holders of such Subordinated Debt, such Additional Unsecured Senior Debt or such Indebtedness of Showboat and its Subsidiaries possessing prescribed qualifications, if such loss or failure to reinstate would have a material adverse effect on the business, operations, property, assets, liabilities, conditions (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

9.11 Limitation on Certain Restrictions on Subsidiaries. Parent will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary of Parent to (a) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by Parent or any Subsidiary of Parent, or pay any Indebtedness owed to Parent or a Subsidiary of Parent, (b) make loans or advances to Parent or any Subsidiary of Parent or (c) transfer any of its properties or assets to Parent or any Subsidiary of Parent, except for such encumbrances or restrictions existing under or by reason of (i) regulatory actions or applicable law, (ii) this Agreement, the other Credit Documents and the 364-Day Credit Agreement, (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of Parent or a Subsidiary of Parent, (iv) customary provisions restricting the assignment or transfer of any licensing agreement, franchise agreement, management contract, joint venture agreement or any similar types of agreement entered into by Parent or a Subsidiary of Parent in the ordinary course of business, (v) customary restrictions imposed in connection with any asset sale permitted by this Agreement for the benefit of the purchaser or owner of such asset, (vi) restrictions existing in any document executed in connection with Non-Recourse Indebtedness permitted under Section 9.04(x) so long as such restrictions only apply to the property serving as security for such Non-Recourse Indebtedness, (vii) customary restrictions on the transfer of assets used to secure Indebtedness permitted to be incurred (and so long as the Liens are permitted to exist) by this Agreement, (viii) restrictions set forth in any Indebtedness of Showboat and its Subsidiaries as such restrictions are in effect on the Showboat Merger Effective Date and (ix) restrictions imposed in connection

with any new gaming Subsidiaries of the Company which are not Material Subsidiaries.

9.12 Limitation on Issuance of Capital Stock. Parent will not permit any of its Material Subsidiaries to issue any capital stock (including by way of sales of treasury stock) or any options or warrants to purchase, or securities convertible into, capital stock, except (i) for transfers and replacements of then outstanding shares of capital stock, (ii) for stock splits, stock dividends and similar issuances which do not decrease the percentage ownership of Parent or any of its Subsidiaries in any class of the capital stock of such Subsidiary and (iii) to qualify directors to the extent required by applicable law.

9.13 Business. Parent will not, and will not permit any of its Subsidiaries to, engage (directly or indirectly) in any business other than the business in which Parent or such Subsidiary is engaged on the Second Restatement Effective Date and any other reasonably related businesses.

9.14 Ownership of Subsidiaries. Parent will maintain its direct 100% ownership interest in the Company, and, except in the case of the sale of all of the capital stock or other equity interests of a Subsidiary pursuant to Section 9.02(a), the Company will maintain the same direct or indirect 100% ownership interest in each of the Material Subsidiaries, provided that if the Company owns (directly or indirectly) less than 100% of the capital stock or other equity interest of any Material Subsidiary at the time such Material Subsidiary becomes a Material Subsidiary, then the Company shall maintain at least such direct or indirect ownership interest in such Material Subsidiary so long as it remains a Material Subsidiary.

9.15 Special Purpose Corporation. Parent will engage in no material business activities other than the ownership of the capital stock of the Company.

SECTION 10. Events of Default. Upon the occurrence of any of the following specified events (each an "Event of Default"):

10.01 Payments. Any Borrower shall (i) default in the payment when due of any principal of any Loan or any Note or (ii) default, and such default shall continue unremedied for three or more days, in the payment when due of any Unpaid Drawings or interest on any Loan or Note or any regularly accruing Fees or

(iii) default, and such default shall continue unremedied for five or more days after written notice to the Company by the Administrative Agent or any Bank, in the payment when due of any other Fees or amounts owing hereunder or under any other Credit Document, provided, however, that such notice shall not be required to be given if a Bankruptcy Event shall have occurred and be continuing; or

10.02 Representations, etc. Any representation, warranty or statement made or deemed made by any Credit Party herein or in any other Credit Document or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

10.03 Covenants. Parent or any Borrower shall (i) default in the due performance or observance by it of any term, covenant or agreement contained in Section 8.01(e)(i), 8.08 or 9 or (ii) default in the due performance or observance by it of any other term, covenant or agreement contained in this Agreement and such default shall continue unremedied for a period of 30 days after written notice to the Company by the Administrative Agent or any Bank; or

10.04 Default Under Other Agreements. (i) Parent or any Subsidiary of Parent shall (x) default in any payment of any Indebtedness (other than the Loans and the Notes) beyond the period of cure or grace, if any, provided in the instrument or agreement under which such Indebtedness was created or (y) default in the observance or performance of any agreement or condition relating to any Indebtedness (other than the Loans and the Notes) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Indebtedness to become due prior to its stated maturity, or (ii) any Indebtedness (other than the Loans and the Notes) of Parent or any Subsidiary of Parent shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof, provided that it shall not be a Default or an Event of Default under this Section 10.04 unless the aggregate principal amount of all Indebtedness as

described in preceding clauses (i) and (ii) is at least \$25,000,000; or

10.05 Bankruptcy, etc. Parent or any Subsidiary of Parent shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against Parent or any Subsidiary of Parent, and the petition is not controverted within 10 days, or is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of Parent or any Subsidiary of Parent, or Parent or any Subsidiary of Parent commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Parent or any Subsidiary of Parent, or there is commenced against Parent or any Subsidiary of Parent any such proceeding which remains undismissed for a period of 60 days, or Parent or any Subsidiary of Parent is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or Parent or any Subsidiary of Parent suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or Parent or any Subsidiary of Parent makes a general assignment for the benefit of creditors; or any corporate action is taken by Parent or any Subsidiary of Parent for the purpose of effecting any of the foregoing; or

10.06 ERISA. (a) Any Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code, any Plan shall have had a trustee appointed by the PBGC to administer such Plan, any Plan is, shall have been or is likely to be terminated or to be the subject of termination proceedings under ERISA, any Plan shall have an Unfunded Current Liability, Parent or any Subsidiary of Parent or any ERISA Affiliate has incurred or is likely to incur a liability to or on account of a Plan under Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code, or Parent or any Subsidiary of Parent has incurred or is likely to incur liabilities pursuant to one or more employee welfare benefit plans (as defined in Section 3(1) of ERISA) which provide benefits to retired employees (other than

as required by Section 601 of ERISA) or employee pension benefit plans (as defined in Section 3(2) of ERISA); (b) there shall result from any such event or events the imposition of a lien, the granting of a security interest, or a liability or a material risk of incurring a liability; and (c) which lien, security interest or liability, in the opinion of the Required Banks, could reasonably be expected to have a material adverse effect upon the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole; or

10.07 Guarantees. Any Guaranty or any provision thereof shall cease to be a legal, valid and binding obligation enforceable against the obligor thereof, or any Guarantor or any Person acting by or on behalf of any Guarantor shall deny or disaffirm such Guarantor's obligations under its Guaranty, or any Guarantor shall default in its due performance of any term, covenant or agreement on its part to be performed or observed pursuant to its Guaranty; or

10.08 Judgments. One or more judgments or decrees shall be entered against Parent or any Subsidiary of Parent involving in the aggregate for Parent and its Subsidiaries a liability (not paid or fully covered by a reputable insurance company) and such judgments and decrees either shall be final and non-appealable or shall not be vacated, discharged or stayed or bonded pending appeal for any period of 30 consecutive days, and the aggregate amount of all such judgments exceeds \$10,000,000; or

10.09 Gaming Authority. Any Gaming Authority having jurisdiction over any Specified Casino Property shall determine that Parent or any of its Subsidiaries that is required to be qualified under the Gaming Regulations does not qualify, or that the qualification or license of any of them with respect to any Specified Casino Property should be revoked, not renewed or suspended for more than 30 days, or any such Gaming Authority shall have appointed a conservator, supervisor or trustee to oversee any of the operations of any of them; or

10.10 Change of Control. A Change of Control shall occur; or

10.11 Laughlin/Las Vegas Stock Restrictions. (x) At any time on or prior to the Laughlin/Las Vegas Stock Restrictions Approval Date, any Lien shall be created with respect to, or any

disposition shall occur with respect to, any capital stock of Harrah's Laughlin or Harrah's Las Vegas, Inc., if such Lien or disposition, as the case may be, would not have been permitted if the Laughlin/Las Vegas Stock Restrictions contained in this Agreement were then fully effective in accordance with the terms hereof or (y) the Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals shall not have been obtained on or before July 31, 1998;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent, upon the written request of the Required Banks, shall by written notice to the Borrowers, take any or all of the following actions, without prejudice to the rights of the Administrative Agent, any Bank or the holder of any Note to enforce its claims against any Credit Party (provided that, if an Event of Default specified in Section 10.05 shall occur with respect to Parent or any Borrower, the result which would occur upon the giving of written notice by the Administrative Agent to the Borrowers as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Total Revolving Loan Commitment terminated, whereupon the Revolving Loan Commitment of each Bank shall forthwith terminate immediately and any Commitment Commission shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans and the Notes and all Obligations owing hereunder and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Credit Party; (iii) terminate any Letter of Credit, which may be terminated, in accordance with its terms; and (iv) direct the Borrowers to pay (and the Borrowers jointly and severally agree that upon receipt of such notice, or upon the occurrence of an Event of Default specified in Section 10.05 with respect to any Borrower, they will pay) to the Administrative Agent at the Payment Office such additional amount of cash, to be held as security by the Administrative Agent, as is equal to the aggregate Stated Amount of all Letters of Credit issued for the account of the Borrowers and then outstanding.

SECTION 11. Definitions and Accounting Terms.

11.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings

to be equally applicable to both the singular and plural forms of the terms defined):

"Additional Unsecured Senior Debt" shall mean each issue of unsecured senior Indebtedness issued by the Company pursuant to Section 9.04(xi) so long as any such issue of unsecured senior Indebtedness is issued pursuant to an effective registration statement under the Securities Act or pursuant to Rule 144A thereunder.

"Adjusted Certificate of Deposit Rate" shall mean, on any day, the sum (rounded to the nearest 1/100 of 1%) of (1) the rate obtained by dividing (x) the most recent weekly average dealer offering rate for negotiable certificates of deposit with a three-month maturity in the secondary market as published in the most recent Federal Reserve System publication entitled "Select Interest Rates," published weekly on Form H.15 as of the date hereof, or if such publication or a substitute containing the foregoing rate information shall not be published by the Federal Reserve System for any week, the weekly average offering rate determined by the Administrative Agent on the basis of quotations for such certificates received by it from three certificate of deposit dealers in New York of recognized standing or, if such quotations are unavailable, then on the basis of other sources reasonably selected by the Administrative Agent, by (y) a percentage equal to 100% minus the stated maximum rate of all reserve requirements as specified in Regulation D applicable on such day to a three-month certificate of deposit of a member bank of the Federal Reserve System in excess of \$100,000 (including, without limitation, any marginal, emergency, supplemental, special or other reserves), plus (2) the then daily net annual assessment rate as estimated by the Administrative Agent for determining the current annual assessment payable by the Administrative Agent to the Federal Deposit Insurance Corporation for insuring three-month certificates of deposit.

"Adjusted Percentage" shall mean (x) at a time when no Bank Default exists, for each Bank such Bank's Percentage and (y) at a time when a Bank Default exists (i) for each Bank that is a Defaulting Bank, zero and (ii) for each Bank that is a Non-Defaulting Bank, the percentage determined by dividing such Bank's Revolving Loan Commitment at such time by the Adjusted Total Revolving Loan Commitment at such time, it being understood that all references herein to Revolving Loan Commitments and the Adjusted Total Revolving Loan Commitment at a time when the Total Revolving Loan Commitment or Adjusted Total Revolving Loan

Commitment, as the case may be, has been terminated shall be references to the Revolving Loan Commitments or Adjusted Total Revolving Loan Commitment, as the case may be, in effect immediately prior to such termination, provided that (A) no Bank's Adjusted Percentage shall change upon the occurrence of a Bank Default from that in effect immediately prior to such Bank Default if after giving effect to such Bank Default, and any repayment of Revolving Loans and Swingline Loans at such time pursuant to Section 4.02(a) or otherwise, the sum of (i) the aggregate outstanding principal amount of Revolving Loans of all Non-Defaulting Banks plus (ii) the aggregate outstanding principal amount of Swingline Loans plus (iii) the Letter of Credit Outstandings, exceed the Adjusted Total Revolving Loan Commitment; (B) the changes to the Adjusted Percentage that would have become effective upon the occurrence of a Bank Default but that did not become effective as a result of the preceding clause (A) shall become effective on the first date after the occurrence of the relevant Bank Default on which the sum of (i) the aggregate outstanding principal amount of the Revolving Loans of all Non-Defaulting Banks plus (ii) the aggregate outstanding principal amount of the Swingline Loans plus (iii) the Letter of Credit Outstandings is equal to or less than the Adjusted Total Revolving Loan Commitment; and (C) if (i) a Non-Defaulting Bank's Adjusted Percentage is changed pursuant to the preceding clause (B) and (ii) any repayment of such Bank's Revolving Loans, or of Unpaid Drawings with respect to Letters of Credit or of Swingline Loans, that were made during the period commencing after the date of the relevant Bank Default and ending on the date of such change to its Adjusted Percentage must be returned to any Borrower as a preferential or similar payment in any bankruptcy or similar proceeding of such Borrower, then the change to such Non-Defaulting Bank's Adjusted Percentage effected pursuant to said clause (B) shall be reduced to that positive change, if any, as would have been made to its Adjusted Percentage if (x) such repayments had not been made and (y) the maximum change to its Adjusted Percentage would have resulted in the sum of the outstanding principal of Revolving Loans made by such Bank plus such Bank's new Adjusted Percentage of the outstanding principal amount of Swingline Loans and of Letter of Credit Outstandings equaling such Bank's Revolving Loan Commitment at such time.

"Adjusted Revolving Loan Commitment" for each Non-Defaulting Bank shall mean at any time the product of such Bank's Adjusted Percentage and the Adjusted Total Revolving Loan Commitment.

"Adjusted Total Revolving Loan Commitment" shall mean at any time the Total Revolving Loan Commitment less the aggregate Revolving Loan Commitments of all Defaulting Banks.

"Administrative Agent" shall mean Bankers Trust Company, in its capacity as Administrative Agent for the Banks hereunder, and shall include any successor to the Administrative Agent appointed pursuant to Section 12.09.

"Affiliate" shall mean, with respect to any Person, any other Person (i) directly or indirectly controlling (including, but not limited to, all directors and officers of such Person), controlled by, or under direct or indirect common control with, such Person or (ii) that directly or indirectly owns more than 5% of the voting securities or capital stock of such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" shall mean this Credit Agreement, as modified, supplemented or amended from time to time.

"Applicable Commitment Commission Percentage" shall mean 1/4 of 1% less the then applicable Reduction Discount.

"Applicable Margin" shall mean 1-1/4% less the then applicable Reduction Discount.

"Assignment and Assumption Agreement" shall mean the Assignment and Assumption Agreement substantially in the form of Exhibit I (appropriately completed).

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

"Bank" shall mean each financial institution listed on Schedule I, as well as any institution which becomes a "Bank" hereunder pursuant to Section 1.13 or 13.04(b) or (c), provided that in any event each such institution shall be a Qualified Person.

"Bank Default" shall mean (i) the refusal (which has not been retracted) of a Bank to make available its portion of

any Borrowing (including any Mandatory Borrowing) or to fund its portion of any unreimbursed payment under Section 2.04(c) or (ii) a Bank having notified in writing the Borrowers and/or the Administrative Agent that it does not intend to comply with its obligations under Section 1.01(a), 1.01(b) or 1.01(c) or Section 2, in the case of either clause (i) or (ii) above as a result of any takeover of such Bank by any regulatory authority or agency.

"Bankruptcy Code" shall have the meaning provided in Section 10.05.

"Bankruptcy Event" shall mean any Default or Event of Default of the type described in Section 10.05.

"Base Rate" at any time shall mean the highest of (i) 1/2 of 1% in excess of the Adjusted Certificate of Deposit Rate, (ii) the Prime Lending Rate and (iii) 1/2 of 1% in excess of the overnight Federal Funds Rate.

"Base Rate Loan" shall mean (i) each Swingline Loan and (ii) any Revolving Loan designated or deemed designated as such by a Borrower at the time of the incurrence thereof or conversion thereto.

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"Borrowing" shall mean and include (i) the borrowing of Swingline Loans from BTCo on a given date and (ii) the borrowing of one Type of Revolving Loan from all the Banks on a given date (or resulting from a conversion or conversions on such date) having in the case of Eurodollar Loans the same Interest Period, provided that Base Rate Loans incurred pursuant to Section 1.10(b) shall be considered part of the related Borrowing of Eurodollar Loans.

"BTCo" shall mean Bankers Trust Company in its individual capacity.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day except Saturday, Sunday and any day which shall be in New York City a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day

which is a Business Day described in clause (i) above and which is also a day for trading by and between banks in the New York interbank Eurodollar market.

"Capitalized Lease Obligations" of any Person shall mean all rental obligations which, under generally accepted accounting principles, are or will be required to be capitalized on the books of such Person, in each case taken at the amount thereof accounted for as indebtedness in accordance with such principles.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as the same may be amended from time to time, 42 U.S.C. ss. 9601 et seq.

"Change of Control" shall mean (i) Parent shall cease to own 100% of the capital stock of the Company, (ii) the direct or indirect acquisition by any Person or group (as such term is defined in Section 13(d)(3) of the Securities Exchange Act) of beneficial ownership (as such term is defined in Rule 13D-3 promulgated under the Securities Exchange Act) of 25% or more of the outstanding shares of common stock of Parent, (iii) the Board of Directors of Parent shall not consist of a majority of Continuing Directors or (iv) any "change of control" or similar event shall occur under any issue of Indebtedness of Parent or any of its Subsidiaries in an aggregate principal amount which exceeds (or upon utilization of any unused commitments may exceed) \$25,000,000 (other than under the Existing Showboat Notes as a result of the Showboat Merger).

"Cherokee Casino" shall mean the casino constructed, developed and operated by the Eastern Band of Cherokee Indians in Cherokee, North Carolina, and the manager of which is Parent or a Wholly-Owned Subsidiary of Parent.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and the rulings issued thereunder. Section references to the Code are to the Code, as in effect on the date of this Agreement, and to any subsequent provision of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Collateral" shall have the meaning provided in the Existing Credit Agreement, it being acknowledged that the Collateral was released pursuant to the Existing Credit Agreement.

"Collateral Agent" shall have the meaning provided in the Existing Credit Agreement.

"Collateral Documents" shall have the meaning provided in the Existing Credit Agreement.

"Commitment Commission" shall have the meaning provided in Section 3.01(a).

"Company" shall have the meaning provided in the first paragraph of this Agreement.

"Company/Sub Guaranty" shall have the meaning provided in Section 5A.05.

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum dated February 1998 delivered by the Administrative Agent to the Banks in connection with the Transaction.

"Consolidated Debt" shall mean, at any time, the sum of the aggregate outstanding principal amount of all Indebtedness (including, without limitation, guarantees, Non-Recourse Indebtedness and the principal component of Capitalized Lease Obligations) of Parent and its Consolidated Subsidiaries.

"Consolidated EBIT" shall mean, for any period, the Consolidated Net Income plus Consolidated Interest Expense (to the extent same was deducted in determining Consolidated Net Income) and provision for taxes, and without giving effect to any extraordinary gains or losses or gains or losses from sales of assets other than inventory sold in the ordinary course of business.

"Consolidated EBITDA" shall mean, for any period, Consolidated EBIT for such period, adjusted by (x) adding thereto (i) the amount of all amortization of intangibles and depreciation and the amount of all other non-cash expenses in each case that were deducted in arriving at Consolidated EBIT for such period and (ii) the amount of all pre-opening expenses that were recorded during such period with respect to the opening of new Gaming Properties to the extent that such expenses were deducted in arriving at Consolidated EBIT for such period and (y) subtracting therefrom any cash expenses, cash charges or cash payments arising from any non-cash expenses that were deducted in arriving at Consolidated EBIT in a previous period.

"Consolidated Interest Coverage Ratio" for any period shall mean the ratio of Consolidated EBIT to Consolidated Interest Expense.

"Consolidated Interest Expense" shall mean, for any period, the total consolidated interest expense of Parent and its Consolidated Subsidiaries (without deduction for minority interests in Subsidiaries) for such period (calculated without regard to any limitations on the payment thereof) plus, without duplication, (i) that portion of Capitalized Lease Obligations of Parent and its Consolidated Subsidiaries representing the interest factor for such period and (ii) the Company's or such Consolidated Subsidiary's share of interest expense of any Joint Venture.

"Consolidated Net Income" shall mean, for any period, net income of Parent and its Consolidated Subsidiaries (without deduction for minority interests in Subsidiaries) for such period.

"Consolidated Net Worth" shall mean, at any time, the net worth of Parent and its Consolidated Subsidiaries determined on a consolidated basis.

"Consolidated Subsidiaries" shall mean, as to any Person, all Subsidiaries of such Person which are consolidated with such Person for financial reporting purposes in accordance with generally accepted accounting principles in the United States.

"Contingent Obligation" shall mean, as to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing (including, without limitation, as a result of such Person being a general partner of the other Person, unless the underlying obligation is expressly made non-recourse as to such general partner) any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation (whether arising by virtue of partnership arrangements, by agreement to keepwell, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment

thereof or to protect the obligee against loss in respect thereof (in whole or in part), provided that the term Indebtedness shall not include endorsements for collection or deposit in the ordinary course of business.

"Continuing Directors" shall mean the directors of Parent on the Second Restatement Effective Date and each other director, if such other director's nomination for election to the Board of Directors of Parent is recommended by a majority of the then Continuing Directors.

"Credit Documents" shall mean this Agreement, each Note, each Letter of Credit and each Guaranty.

"Credit Event" shall mean the making of any Loan, the conversion of any Existing Revolving Loan or Existing Swingline Loan on the Second Restatement Effective Date or the issuance of any Letter of Credit.

"Credit Party" shall mean Parent, the Company and each other Subsidiary of Parent that is a Subsidiary Borrower or a Guarantor.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Bank" shall mean any Bank with respect to which a Bank Default is in effect.

"Defaulting Participant" shall have the meaning provided in Section 2.04(g).

"Designated Asset Sale" shall mean any asset sale pursuant to Section 9.02(a) (other than pursuant to clause (iii) thereof), provided that an asset sale pursuant to Section 9.02(a)(i) shall only be a Designated Asset Sale to the extent set forth in Section 9.02(a)(i)(iv).

"Designated Bank" shall have the meaning provided in Section 13.14.

"Designated Showboat Indebtedness" shall mean the East Chicago Showboat Notes and the Atlantic City Showboat Land Debt.

"Designating Bank" shall have the meaning provided in Section 13.14.

"Disqualified Stock" shall mean any capital stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part on, or prior to, or is exchangeable for debt securities of Parent or its Subsidiaries prior to, the first anniversary of the Final Maturity Date.

"Dividend" with respect to any Person shall mean that such Person has declared or paid a dividend or returned any equity capital to its stockholders or authorized or made any other distribution, payment or delivery of property (other than common stock of such Person) or cash to its stockholders as such, or redeemed, retired, purchased or otherwise acquired, directly or indirectly, for a consideration any shares of any class of its capital stock outstanding on or after the Second Restatement Effective Date (or any options or warrants issued by such Person with respect to its capital stock), or set aside any funds for any of the foregoing purposes, or shall have permitted any of its Subsidiaries to purchase or otherwise acquire for a consideration any shares of any class of the capital stock of such Person outstanding on or after the Second Restatement Effective Date (or any options or warrants issued by such Person with respect to its capital stock). Without limiting the foregoing, "Dividends" with respect to any Person shall also include all payments made or required to be made by such Person with respect to any stock appreciation rights, plans, equity incentive or achievement plans or any similar plans or setting aside of any funds for the foregoing purposes.

"Documents" shall mean (i) the Credit Documents, (ii) the 8-3/4% Senior Subordinated Note Redemption Documents, (iii) the Showboat Merger Documents and (iv) the Existing Showboat Notes Tender Offers/Consent Solicitations Documents.

"Dollars" and the sign "\$" shall each mean freely transferable lawful money of the United States.

"Drawing" shall have the meaning provided in Section 2.05(b).

"East Chicago Showboat Notes" shall mean the \$140,000,000 aggregate face principal amount of Showboat Marina Casino Partnership's and Showboat Marina Finance Corporation's Series A and Series B 13-1/2% First Mortgage Notes due 2003.

"8-3/4% Senior Subordinated Notes" shall mean the Company's 8-3/4% Senior Subordinated Notes due 2000.

"8-3/4% Senior Subordinated Notes Indenture" shall mean the indenture relating to the 8-3/4% Senior Subordinated Notes.

"8-3/4% Senior Subordinated Notes Redemption" shall mean the redemption by the Company of all of its outstanding 8-3/4% Senior Subordinated Notes pursuant to the 8-3/4% Senior Subordinated Notes Redemption Documents and the 8-3/4% Senior Subordinated Notes Indenture.

"8-3/4% Senior Subordinated Notes Redemption Documents" shall mean all of the documents entered into by the Company in connection with the 8-3/4% Senior Subordinated Notes Redemption.

"Election to Become a Subsidiary Borrower" shall mean an Election to Become a Subsidiary Borrower substantially in the form of Exhibit H, which shall be executed by each Subsidiary of the Company which becomes a Subsidiary Borrower after the date hereof.

"End Date" shall have the meaning provided in the definition of Reduction Discount.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, notices of noncompliance or violation, investigations of which Parent, any Borrower or Showboat has received notice or proceedings relating in any way to any Environmental Law or any permit issued, or any approval given, under any such Environmental Law (hereafter, "Claims"), including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief in connection with alleged injury or threat of injury to health, safety or the environment due to the presence of Hazardous Materials.

"Environmental Law" shall mean any Federal, state, foreign or local statute, law, rule, regulation, ordinance, code, guideline, written policy and rule of common law now or hereafter in effect and in each case as amended, including any judicial or administrative order, consent decree or judgment, relating to the environment, employee health and safety or Hazardous Materials, including, without limitation, CERCLA; RCRA; the Federal Water Pollution Control Act, 33 U.S.C. ss. 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. ss. 2601 et seq.; the Clean Air Act, 42 U.S.C. ss. 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. ss. 3803 et seq.; the Oil Pollution Act of 1990, 33 U.S.C. ss. 2701 et seq.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 U.S.C. ss. 11001 et seq.; the Hazardous Material Transportation Act, 49 U.S.C. ss. 1801 et seq.; the Occupational Safety and Health Act, 29 U.S.C. ss. 651 et seq.; and any state and local or foreign counterparts or equivalents, in each case as amended from time to time.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the date of this Agreement, and to any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean each person (as defined in Section 3(9) of ERISA) which together with Parent or any Subsidiary of Parent would be deemed to be a "single employer" within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"Eurodollar Loan" shall mean each Revolving Loan designated as such by a Borrower at the time of the incurrence thereof or conversion thereto.

"Eurodollar Rate" shall mean (a) the arithmetic average (rounded to the nearest 1/1000 of 1%) of the offered quotation to first-class banks in the New York interbank Eurodollar market by each Reference Bank for Dollar deposits of amounts in immediately available funds comparable to the outstanding principal amount of the Eurodollar Loan of such Reference Bank with maturities comparable to the Interest Period applicable to such Eurodollar Loan commencing two Business Days thereafter as of 10:00 A.M. (New York time) on the date which is two Business Days prior to the commencement of such Interest Period, divided by (b) a percentage equal to 100% minus the then stated maximum rate of

all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves required by applicable law) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency funding or liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D); provided that if one or more of the Reference Banks fails to provide the Administrative Agent with its aforesaid rate, then the Eurodollar Rate shall be determined based on the rate or rates provided to the Administrative Agent by the other Reference Bank or Banks.

"Event of Default" shall have the meaning provided in Section 10.

"Existing Agents" shall mean the "Agents" under, and as defined in, the Existing Credit Agreement.

"Existing Banks" shall mean those lenders which were party to the Existing Credit Agreement.

"Existing Credit Agreement" shall have the meaning provided in the first WHEREAS clause of this Agreement.

"Existing Letters of Credit" shall have the meaning provided in Section 2.01(a).

"Existing Revolving Loans" shall mean the "Revolving Loans" under, and as defined in, the Existing Credit Agreement.

"Existing Showboat 9-1/4% First Mortgage Bonds" shall mean the \$275,000,000 aggregate face principal amount of Showboat's 9-1/4% First Mortgage Bonds due 2008.

"Existing Showboat Note Indenture Supplements" shall mean each of the supplemental indentures to the Existing Showboat Note Indentures in the forms delivered to the Administrative Agent pursuant to Section 5B.06 and entered into by Showboat and the respective trustee for the respective issue of Existing Showboat Notes in connection with the Existing Showboat Notes Tender Offers/Consent Solicitations, which supplemental indentures shall eliminate substantially all of the covenants contained in the Existing Showboat Note Indentures.

"Existing Showboat Note Indentures" shall mean each of the respective indentures entered into by Showboat in connection

with the Existing Showboat 13% Senior Subordinated Notes and the Existing Showboat 9-1/4% First Mortgage Bonds.

"Existing Showboat Notes" shall mean each of (i) the Existing Showboat 13% Senior Subordinated Notes and (ii) the Existing Showboat 9-1/4% First Mortgage Bonds.

"Existing Showboat Notes Defeasances" shall mean the legal or covenant defeasances of the Existing Showboat Notes pursuant to, and in accordance with, the respective terms and conditions of the Existing Showboat Note Indentures.

"Existing Showboat Notes Tender Offers/Consent Solicitations" shall mean (i) the offer by Parent, the Company or Showboat to purchase for cash any and all of the Existing Showboat Notes and (ii) the solicitation by Parent, the Company or Showboat of consents from the holders of each issue of Existing Showboat Notes to amend each Existing Showboat Note Indenture, each of the foregoing to be effected pursuant to the Existing Showboat Notes Tender Offers/Consent Solicitations Documents and the Existing Showboat Note Indentures.

"Existing Showboat Notes Tender Offers/Consent Solicitations Documents" shall mean each of the documents distributed and/or executed by Parent, the Company and/or Showboat to effectuate the Existing Showboat Notes Tender Offers/Consent Solicitations, including the Existing Showboat Note Indenture Supplements and the offers to purchase the Existing Showboat Notes.

"Existing Showboat 13% Senior Subordinated Notes" shall mean the \$120,000,000 aggregate face principal amount of Showboat's 13% Senior Subordinated Notes due 2009.

"Existing Showboat Working Capital Facility" shall mean the existing \$35,000,000 senior secured working capital facility of Showboat.

"Existing Swingline Loans" shall mean the "Swingline Loans" under, and defined in, the Existing Credit Agreement.

"Facing Fee" shall have the meaning provided in Section 3.01(c).

"Federal Funds Rate" shall mean for any period, a fluctuating interest rate equal for each day during such period

to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent.

"Fees" shall mean all amounts payable pursuant to or referred to in Section 3.01.

"Final Maturity Date" shall mean July 31, 2000.

"First Restatement Effective Date" shall mean the "Restatement Effective Date" under, and as defined in, the Existing Credit Agreement.

"First-Tier Material Subsidiary" shall mean each Material Subsidiary which is a direct Subsidiary of the Company.

"Former Bank" shall have the meaning provided in Section 13.04(c).

"Gaming Authority" shall mean the governmental authorities charged with the administration and enforcement of the Gaming Regulations.

"Gaming Business" shall mean the businesses and operations of the Company and its Subsidiaries with respect to, and the properties and assets of the Company and its Subsidiaries used in connection with, the Specified Casino Properties and any other casinos, hotel casinos or gaming businesses now or in the future owned by the Company or any of its Subsidiaries or in which Parent or any of its Subsidiaries has an interest either through a Joint Venture or as a party to a management agreement.

"Gaming Property" of any Person shall mean those properties and assets of such Person which relate to such Person's casino or hotel casino businesses and operations.

"Gaming Regulations" shall mean the laws, rules, regulations and orders applicable to the casino and gaming business or activities of Parent, the Company or any of their Subsidiaries, as in effect from time to time, including the

policies, interpretations and administration thereof by the Gaming Authorities.

"Guaranteed Obligations" shall mean the irrevocable and unconditional guaranty made by Parent under the Parent Guaranty (i) to the Administrative Agent and each Bank for the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of the principal and interest on each Note issued by each Borrower to such Bank, and Loans made, under this Agreement and all reimbursement obligations in respect of Drawings on Letters of Credit, together with all the other obligations and liabilities (including, without limitation, indemnities, fees and interest thereon) of each of the Borrowers to the Administrative Bank and such Bank now existing or hereafter incurred under, arising out of or in connection with this Agreement or any other Credit Document and the due performance and compliance with the terms of the Credit Documents by the Borrowers and (ii) to each Interest Rate Protection Creditor which has entered into, or in the future enters into, an Interest Rate Protection or Other Hedging Agreement with any Borrower, the full and prompt payment when due (whether by acceleration or otherwise) of all obligations of each Borrower owing under, or with respect to, any such Interest Rate Protection or Other Hedging Agreement, whether now in existence or hereafter arising, and the due performance and compliance with all terms, conditions and agreements contained therein.

"Guarantor", at any time, shall mean each of the Initial Guarantors and each Required Additional Guarantor which has executed and delivered a counterpart of the Company/Sub Guaranty in accordance with Section 8.11, provided that, from and after the date of the release of any Subsidiary of the Company from the provisions of the Company/Sub Guaranty in accordance with the terms thereof or hereof, such Subsidiary shall cease to constitute a Guarantor.

"Guaranty" shall mean and include the Parent Guaranty and the Company/Sub Guaranty.

"Harrah's Atlantic City" shall mean Harrah's Atlantic City, Inc., a New Jersey corporation.

"Harrah's Jazz" shall mean Harrah's Jazz Company, a Louisiana general partnership.

"Harrah's Jazz Completion Guaranties" shall mean one or more completion guaranties heretofore given by Parent and/or the Company in favor of certain lenders to Harrah's Jazz, the City of New Orleans and one or more other governmental agencies of the State of Louisiana.

"Harrah's Jazz Completion Obligation Loans" shall mean any payments made by Parent and/or the Company under the Harrah's Jazz Completion Guaranties or the Harrah's Jazz Title Indemnity Arrangements to the extent that such payments are characterized as additional loans or advances made by Parent and/or the Company to Harrah's Jazz.

"Harrah's Jazz Investments" shall mean Investments in or to Harrah's Jazz and/or for the benefit of Harrah's Jazz, including the Harrah's Jazz Completion Obligation Loans, the Harrah's Jazz Completion Guaranties and the Harrah's Jazz Title Indemnity Arrangements.

"Harrah's Jazz Plan Effective Date" shall mean the effective date of the Harrah's Jazz Reorganization Plan.

"Harrah's Jazz Reorganization Plan" shall mean Harrah's Jazz's and Harrah's Jazz Finance Corp.'s joint plan of reorganization under Chapter 11 of the Bankruptcy Code, as amended from time to time.

"Harrah's Jazz Title Indemnity Arrangements" shall mean those certain indemnity agreements heretofore given by Parent and the Company to the title insurance companies providing title insurance for Harrah's Jazz's casino in the City of New Orleans.

"Harrah's Laughlin" shall mean Harrah's Laughlin, Inc., a Nevada corporation.

"Harrah's New Jersey" shall mean Harrah's New Jersey, Inc., a New Jersey corporation.

"Hazardous Materials" shall mean (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous waste," "hazardous materials," "extremely hazardous

substances," "restricted hazardous waste," "toxic substances," "toxic pollutants," "contaminants," or "pollutants," or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority.

"HNOIC" shall mean Harrah's New Orleans Investment Company, a Nevada corporation.

"Indebtedness" shall mean, as to any Person, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all obligations of such Person to reimburse or repay any bank or other Person in respect of amounts paid or available to be drawn under a letter of credit, banker's acceptance, surety, performance or appeal bond or any similar instrument (each such obligation to be valued at the face amount of such instrument), (vi) all Indebtedness of others secured by a Lien on any asset of such Person, (vii) all Contingent Obligations of such Person with respect to any Indebtedness of any other Person and (viii) the amount of any Disqualified Stock.

"Initial Guarantors" shall mean each of Parent, the Company, Marina, Harrah's Atlantic City, Harrah's Las Vegas, Inc., Harrah's Laughlin, Harrah's New Jersey, Harrah's Reno Holding Company, Inc., Harrah's Illinois Corporation, Tunica Partners II, L.P., Harrah's Tunica Corporation, Harrah's Vicksburg Corporation and Harrah's-North Kansas City Corporation.

"Interest Determination Date" shall mean, with respect to any Eurodollar Loan, the second Business Day prior to the commencement of any Interest Period relating to such Eurodollar Loan.

"Interest Period" shall have the meaning provided in Section 1.09.

"Interest Rate Protection Creditor" shall have the meaning provided in the Company/Sub Guaranty.

"Interest Rate Protection or Other Hedging Agreements" shall mean one or more (i) interest rate protection agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements), (ii) foreign exchange contracts, currency swap agreements or other similar agreements or arrangements designed to protect against the fluctuations in currency values and/or (iii) other types of hedging agreements from time to time entered into by the Company or any of its Subsidiaries.

"Investments" shall have the meaning provided in Section 9.05.

"Issue" shall mean each of the two different types of Senior Debt, there being two separate Issues for purposes of this Agreement, i.e., the Indebtedness under this Agreement and the Indebtedness under the 364-Day Credit Agreement.

"Jazz Casino" shall mean Jazz Casino Company, L.L.C., a Louisiana limited liability company.

"Jazz Casino Bank Guarantees" shall mean one or more additional guarantees, put agreements, keep-well agreements and/or other similar credit support to be provided by Parent and/or the Company in favor of the lenders under the Jazz Casino Construction Credit Facility.

"Jazz Casino Completion Guaranties" shall mean one or more completion guaranties to be given by Parent and/or the Company in favor of the lenders to Jazz Casino under the Jazz Casino Construction Credit Facility, the City of New Orleans, the Rivergate Development Corporation, the Louisiana Gaming Control Board, the holders of the New Jazz Casino Senior Subordinated Bonds and the holders of the New Jazz Casino Contingent Bonds.

"Jazz Casino Completion Obligation Loans" shall mean any payments made by Parent and/or the Company under the Jazz Casino Completion Guaranties or the Jazz Casino Indemnity Arrangements to the extent that such payments are characterized as additional loans or advances made by Parent and/or the Company to Jazz Casino.

"Jazz Casino Construction Credit Facility" shall mean the construction and working capital credit facility to be entered into by Jazz Casino as part of the Harrah's Jazz Reorganization Plan.

"Jazz Casino Indemnity Arrangements" shall mean those certain indemnity agreements to be given by Parent and the Company to the title insurance companies providing the title insurance for the New Orleans Casino and to the provider of the Jazz Casino Surety Bonds.

"Jazz Casino Loan Guaranty" shall mean, with respect to any Jazz Casino Loans made to Jazz Casino by a Person other than Parent or any of its Subsidiary, any guaranty of Parent and/or the Company in respect thereof.

"Jazz Casino Loans" shall mean loans made to Jazz Casino (other than as part of the Jazz Casino Construction Credit Facility) by Parent and/or its Subsidiaries or by a third Person, provided that the aggregate amount of Jazz Casino Loans made by Parent and its Subsidiaries, when added to the amount of the Jazz Casino Bank Guarantees and the amount of the Jazz Casino Loan Guaranty, shall not exceed \$180,000,000.

"Jazz Casino Minimum Payment Guaranty" shall mean any guaranty to be given by Parent and/or the Company in favor of the Louisiana Gaming Control Board guaranteeing Jazz Casino's minimum payment obligations to the Louisiana Gaming Control Board of \$100,000,000 per year.

"Jazz Casino Surety Bond" shall mean a surety bond to be provided by Jazz Casino in connection with the completion of the New Orleans Casino.

"Jazz Casino Trigger Date" shall mean the date on which (i) the Harrah's Jazz Plan Effective Date shall have occurred in accordance with the terms of the Harrah's Jazz Reorganization Plan and (ii) all material governmental and material third party approvals with respect to the construction and operation of the New Orleans Casino to the extent required to be obtained by the Harrah's Jazz Plan Effective Date shall have been obtained and remain in full force and effect, including, without limitation, any vote of the legislature of the State of Louisiana.

"JCC Holding" shall mean JCC Holding Company, a Delaware corporation.

"Joint Venture" shall mean any entity or arrangement between the Company or any of its Subsidiaries (so long as the Company and its Subsidiaries own 50% or less of such entity) and one or more Persons other than Parent or any of its Subsidiaries

(whether now existing or created in the future) for (i) the joint ownership, management, construction or development of any Gaming Property or (ii) the joint ownership or operation of any Gaming Business.

"L/C Supportable Indebtedness" shall mean (i) obligations of the Company or any of its Subsidiaries incurred in the ordinary course of business and (ii) all obligations supported by Existing Letters of Credit.

"Laughlin/Las Vegas Stock Restrictions" shall mean the negative pledge (i.e., the prohibition of Liens pursuant to Section 9.01), and restrictions on transfers pursuant to Section 9.02, on the capital stock of Harrah's Laughlin and Harrah's Las Vegas, Inc., in each case to the extent such restrictions require the approval of the Nevada Gaming Authorities.

"Laughlin/Las Vegas Stock Restrictions Approval Date" shall mean the first date occurring after the Second Restatement Effective Date upon which (i) all requisite approvals of Gaming Authorities have been obtained to permit the Laughlin/Las Vegas Stock Restrictions, so that same may be fully effective in accordance with the terms of this Agreement (without giving effect to the limitations provided in Section 13.18) and (ii) the Administrative Agent shall have received a satisfactory opinion of Nevada gaming counsel to the Company to the effect that such approvals have been obtained and that the Laughlin/Las Vegas Stock Restrictions contained in this Agreement are fully enforceable in accordance with the terms hereof, which opinion shall be in form and substance reasonably satisfactory to the Administrative Agent.

"Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals" shall have the meaning provided in Section 13.18.

"Leaseholds" of any Person means all the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Letter of Credit" shall have the meaning provided in Section 2.01(a).

"Letter of Credit Fee" shall have the meaning provided in Section 3.01(b).

"Letter of Credit Issuer" shall mean (x) BCo and (y) with the consent of the Administrative Agent, any other Bank to the extent such Bank agrees, in its sole discretion, to become a Letter of Credit Issuer for the purpose of issuing Letters of Credit pursuant to Section 2.

"Letter of Credit Outstandings" shall mean, at any time, the sum of (i) the aggregate Stated Amount of all outstanding Letters of Credit and (ii) the amount of all Unpaid Drawings.

"Letter of Credit Request" shall have the meaning provided in Section 2.03(a).

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC or any other similar recording or notice statute, and any lease having substantially the same effect as any of the foregoing).

"Loan" shall mean each Revolving Loan and each Swingline Loan.

"Mandatory Borrowing" shall have the meaning provided in Section 1.01(c).

"Margin Reduction Period" shall mean each period which shall commence on a date on which the financial statements are delivered pursuant to Section 8.01(a) or (b) and which shall end on the earlier of (i) the date of actual delivery of the next financial statements pursuant to Section 8.01(a) or (b) and (ii) the latest date on which the next financial statements are required to be delivered pursuant to Section 8.01(a) or (b).

"Margin Stock" shall have the meaning provided in Regulation U.

"Marina" shall mean Marina Associates, a New Jersey general partnership.

"Material Subsidiary" shall mean each of (a) each Initial Guarantor other than Parent and the Company, (b) each Subsidiary Borrower, (c) from and after the consummation of the

Showboat Merger, Showboat, Ocean Showboat, Inc., Atlantic City Showboat, Inc., Showboat Operating Company, Showboat Indiana Investment Limited Partnership and Showboat Marina Casino Partnership and (d) as at the date of determination, (i) any direct or indirect Subsidiary of Parent that holds any license or licenses needed to conduct gaming operations with respect to any Specified Casino Property, (ii) any direct or indirect Subsidiary of Parent that owns or leases any Specified Casino Property or that directly or indirectly owns stock of a Subsidiary which owns or leases any Specified Casino Property, or (iii) any Subsidiary of Parent that (together with its Subsidiaries) accounts for, or holds, at least 10% of any of (x) the consolidated assets of Parent and its Subsidiaries, (y) the consolidated revenues of Parent and its Subsidiaries or (z) the Consolidated EBIT of Parent and its Subsidiaries, in each case as determined at the end of each fiscal quarter of Parent and, in the case of preceding clauses (y) and (z), for the Test Period then last ended, it being understood and agreed that Harrah's Jazz, JCC Holding and Des Plaines Development Limited Partnership and their respective Subsidiaries shall not be considered Material Subsidiaries under this sub-clause (iii) to the extent that such Subsidiaries would otherwise constitute such a Material Subsidiary so long as such Subsidiaries would not otherwise constitute a Material Subsidiary under any of the other clauses of this definition.

"Maximum Swingline Amount" shall mean \$50,000,000.

"Minimum Condition" shall mean that condition which shall be satisfied only when at least a majority of the outstanding Existing Showboat 13% Senior Subordinated Notes and at least a majority of the outstanding Existing Showboat 9-1/4% First Mortgage Bonds shall have been validly tendered, and not withdrawn, pursuant to the Existing Showboat Notes Tender Offers/Consent Solicitations.

"Moody's" shall mean Moody's Investors Service, Inc.

"Net Sale Proceeds" shall mean for any Designated Asset Sale, the gross cash proceeds (including any cash received by way of deferred payment pursuant to a promissory note, receivable or otherwise, but only as and when received) received from any Designated Asset Sale, net of reasonable transaction costs and payments of unassumed liabilities relating to the assets sold at the time of, or within 60 days after, the date of such sale and the amount of such gross cash proceeds required to be used to

repay any Indebtedness (other than Indebtedness of the Banks pursuant to the Credit Documents) which is secured by the respective assets which were sold, and net of the incremental taxes paid or payable as a result of such Designated Asset Sale.

"New Bank" shall mean each Bank with a Revolving Loan Commitment hereunder that was not a party to the Existing Credit Agreement.

"New Jazz Casino Contingent Bonds" shall mean the Senior Subordinated Contingent Notes due 2009 to be issued by Jazz Casino as part of the Harrah's Jazz Reorganization Plan.

"New Jazz Casino Senior Subordinated Bonds" shall mean the \$187,500,000 aggregate principal amount of Senior Subordinated Notes due 2009 to be issued by Jazz Casino as part of the Harrah's Jazz Reorganization Plan.

"New Orleans Casino" shall mean the land based casino to be constructed in New Orleans, Louisiana which is currently owned by Harrah's Jazz and which will be owned by Jazz Casino as part of the Harrah's Jazz Reorganization Plan.

"Non-Defaulting Bank" shall mean and include each Bank other than a Defaulting Bank.

"Non-Recourse Indebtedness" shall mean with respect to any Specified Subsidiary, Indebtedness incurred by such Specified Subsidiary which shall be (i) secured only by Gaming Properties being developed with Non-Recourse Indebtedness incurred pursuant to Section 9.04(x), including any fixtures, furniture and equipment related thereto and (ii) non-recourse to Parent and its Subsidiaries, provided that recourse may be had to the extent permitted by Section 9.04(x) and to the respective property or properties serving as security therefor.

"Note" shall mean each Swingline Note and each Revolving Note.

"Notice of Borrowing" shall have the meaning provided in Section 1.03(a).

"Notice of Conversion" shall have the meaning provided in Section 1.06.

"Notice Office" shall mean the office of the Administrative Agent located at 130 Liberty Street, New York, New York 10006, Attention: Patricia Rapisarda, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"Obligations" shall mean all amounts owing to the Administrative Agent or any Bank pursuant to the terms of this Agreement or any other Credit Document.

"Parent" shall have the meaning provided in the first paragraph of this Agreement.

"Parent Guaranty" shall mean the guaranty provided by Parent pursuant to Section 14.

"Participant" shall have the meaning provided in Section 2.04(a).

"Payment Office" shall mean the office of the Administrative Agent located at One Bankers Trust Plaza, New York, New York 10006, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Percentage" of any Bank at any time shall mean a fraction (expressed as a percentage) the numerator of which is the Revolving Loan Commitment of such Bank at such time and the denominator of which is the Total Revolving Loan Commitment at such time, provided that, if the Percentage of any Bank is to be determined after the Total Revolving Loan Commitment has been terminated, then the Percentage of such Bank shall be determined immediately prior (and without giving effect) to such termination.

"Permitted Designated Indebtedness" shall mean (i) all Subordinated Debt (or portions thereof) incurred pursuant to Section 9.04(xi) to the extent that the aggregate amount of Subordinated Debt incurred after the Second Restatement Effective Date pursuant to said Section is in excess of \$200,000,000 and (ii) all Additional Unsecured Senior Debt.

"Permitted Liens" shall have the meaning provided in Section 9.01.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" shall mean any multiemployer or single-employer plan, as defined in Section 4001 of ERISA, which is maintained or contributed to by (or to which there is an obligation to contribute of), Parent or a Subsidiary of Parent or an ERISA Affiliate, and each such plan for the five year period immediately following the latest date on which Parent, or a Subsidiary of Parent or an ERISA Affiliate maintained, contributed to or had an obligation to contribute to such plan.

"Prime Lending Rate" shall mean the rate which BTCO announces from time to time as its prime lending rate, the Prime Lending Rate to change when and as such prime lending rate changes. The Prime Lending Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. BTCO may make commercial loans or other loans at rates of interest at, above or below the Prime Lending Rate.

"Projections" shall have the meaning provided in Section 7.05(d).

"Qualified Person" shall mean, with respect to any Bank party to this Agreement on the Second Restatement Effective Date or that becomes a Bank pursuant to Section 1.13, 13.04(b) or 13.04(c), a banking or other licensed lending institution within the meaning of the New Jersey Gaming Regulations or a financial source or qualifier approved under the Gaming Regulations of the State of New Jersey applicable to lenders (or waived or exempted from the applicable requirements thereof) and which shall not have been found unsuitable under the Gaming Regulations of the State of Nevada applicable to lenders and which meets the requirements of all other jurisdictions regulating the gaming business of Parent and its Subsidiaries to the extent that the Company has so notified the Banks of such requirements of such other jurisdiction pursuant to Section 13.04(e).

"RCRA" shall mean the Resource Conservation and Recovery Act, as the same may be amended from time to time, 42 U.S.C. ss. 6901 et seq.

"Real Property" of any Person shall mean all the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Reduction Discount" shall mean initially zero and from and after the first day of any Margin Reduction Period (the "Start Date") to and including the last day of such Margin Reduction Period (the "End Date"), the Reduction Discount shall be the respective percentage per annum set forth in clause (A), (B) or (C) below if, but only if, as of the last day of the most recent fiscal quarter of Parent ended immediately prior to such Start Date (the "Test Date") the conditions in clause (A), (B) or (C) below are met:

(A) (x) in the case of Eurodollar Loans, 1/2 of 1% and (y) in the case of Commitment Commission, 5/100 of 1% in each case if, but only if, as of the Test Date for such Start Date either of the following conditions are met and none of the conditions set forth in clauses (B) and (C) below are satisfied:

(i) the Consolidated Interest Coverage Ratio for the Test Period ended on such Test Date shall be greater than 3.00:1.00; or

(ii) the Indebtedness of the Company on such Test Date shall be rated at least BBB- Senior Implied by S&P or Baa3 Senior Implied by Moody's;

(B) (x) in the case of Eurodollar Loans, 3/4 of 1% and (y) in the case of Commitment Commission, 10/100 of 1% in each case if, but only if, as of the Test Date for such Start Date either of the following conditions are met and none of the conditions set forth in clause (C) below are satisfied:

(i) the Consolidated Interest Coverage Ratio for the Test Period ended on such Test Date shall be greater than 3.50:1.00; or

(ii) the Indebtedness of the Company on such Test Date shall be rated at least BBB Senior Implied by S&P or Baa2 Senior Implied by Moody's; or

(C) (x) in the case of Eurodollar Loans, 7/8 of 1% and (y) in the case of Commitment Commission, 1/8 of 1% in each case if, but only if, as of the Test Date for such Start Date either of the following conditions are met:

(i) the Consolidated Interest Coverage Ratio for the Test Period ended on such Test Date shall be greater than 4.00:1.00; or

(ii) the Indebtedness of the Company on such Test Date shall be rated at least BBB+ Senior Implied by S&P or Baa1 Senior Implied by Moody's.

Notwithstanding anything to the contrary above in this definition, (i) for the period from the Second Restatement Effective Date through, but not including, the first Start Date thereafter, the Reduction Discount shall be (x) in the case of Eurodollar Loans, 3/4 of 1% and (y) in the case of Commitment Commission, 10/100 of 1%, and (ii) the Reduction Discount shall be reduced to zero at all times when a Default under Section 8.01(a) or (b) shall exist or an Event of Default shall exist.

"Reference Banks" shall mean BCo, Bank of America National Trust and Savings Association and Canadian Imperial Bank of Commerce.

"Register" shall have the meaning provided in Section 13.17(b).

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation G" shall mean Regulation G of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation T" shall mean Regulation T of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation U" shall mean Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation X" shall mean Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Release" means disposing, discharging, injecting, spilling, pumping, leaking, leaching, dumping, emitting, escaping, emptying, seeping, placing, pouring and the like, into or upon any land or water or air, or otherwise entering into the environment.

"Replaced Bank" shall have the meaning provided in Section 1.13.

"Replacement Bank" shall have the meaning provided in Section 1.13.

"Reportable Event" shall mean an event described in Section 4043(c) of ERISA with respect to a Plan as to which the 30-day notice requirement has not been waived by the PBGC.

"Required Additional Guarantor" shall have the meaning provided in Section 8.11(a).

"Required Banks" shall mean Non-Defaulting Banks, the sum of whose Revolving Loan Commitments (or after the termination thereof, outstanding Revolving Loans and Adjusted Percentage of outstanding Swingline Loans and Letter of Credit Outstandings) represent an amount greater than fifty percent of the sum of the Adjusted Total Revolving Loan Commitment (or after the termination thereof, the sum of the then total outstanding Revolving Loans of Non-Defaulting Banks and the aggregate Adjusted Percentages of all Non-Defaulting Banks of the total outstanding Swingline Loans and Letter of Credit Outstandings at such time).

"Required Secured Parties" shall have the meaning provided in the Existing Credit Agreement.

"Restatement Effective Date" shall mean the First Restatement Effective Date.

"Returns" shall have the meaning provided in Section 7.09.

"Revolving Loan" shall have the meaning provided in Section 1.01(a).

"Revolving Loan Commitment" shall mean, for each Bank, the amount set forth opposite such Bank's name in Schedule I directly below the column entitled "Revolving Loan Commitment," as same may (x) be reduced from time to time pursuant to Sections 3.02, 3.03 and/or 10 or (y) be adjusted from time to time as a result of assignments to or from such Bank pursuant to Section 1.13, 13.04(b) or 13.04(c).

"Revolving Note" shall have the meaning provided in Section 1.05(a).

"Rights" shall have the meaning provided in the Rights Agreement.

"Rights Agreement" shall mean the Rights Agreement, dated as of February 7, 1990, between Parent and The Bank of New York, as Rights Agent, as in effect on the date hereof.

"S&P" shall mean Standard & Poor's Ratings Services.

"Scheduled Commitment Reduction" shall have the meaning provided in Section 3.03(b).

"SEC" shall have the meaning provided in Section 8.01(f).

"Second Restatement Effective Date" shall have the meaning provided in Section 13.10.

"Section 4.04(b)(iii) Certificate" shall have the meaning provided in Section 4.04(b).

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Senior Debt" shall mean the Indebtedness under this Agreement and the Indebtedness under the 364-Day Credit Agreement.

"Share" shall mean, for each Issue, (A) if the event requiring a mandatory commitment reduction to Senior Debt pursuant to Section 3.03(e) or (f) would, in accordance with the terms of the 364-Day Credit Agreement, give rise to a mandatory commitment reduction to the Total 364-Day Revolving Loan Commitment, then the "Share" (x) applicable to the Total 364-Day Revolving Loan Commitment shall equal the lesser of (1) the amount required to be applied to reduce the commitments in respect of Senior Debt pursuant to Section 3.03(e) or (f) multiplied by a fraction the numerator of which is the amount of the Total 364-Day Revolving Loan Commitment then in effect and the denominator of which is the sum of (i) the Total 364-Day Revolving Loan Commitment then in effect plus (ii) the Total Revolving Loan Commitment then in effect and (2) the maximum amount which would be required to be applied to mandatorily reduce the Total 364-Day Revolving Loan Commitment in accordance with the terms of the 364-Day Credit Agreement as a result of the respective event requiring a reduction to the commitments in respect of Senior Debt pursuant to Section 3.03(e) or (f) and (y) applicable to the Total Revolving Loan Commitment shall equal the remainder of the amount required to be applied to reduce the commitments in respect of Senior Debt pursuant to Section 3.03(e) or (f), less the "Share" applicable to the Total 364- Day Revolving Loan Commitment as determined pursuant to preceding clause (x), and (B) if the event giving rise to a mandatory commitment reduction in respect of Senior Debt would not require a mandatory reduction to the Total 364-Day Revolving Loan Commitment of the 364-Day Credit Agreement in accordance with the terms of the 364-Day Credit Agreement, the "Share" of each Issue shall equal (x) in the case of the 364-Day Credit Agreement, \$0 and (y) in the case of this Agreement, the amount required to be applied to Senior Debt pursuant to Section 3.03(e) or (f).

"Showboat" shall mean Showboat, Inc., a Nevada corporation.

"Showboat Change of Control Offers to Purchase" shall mean any required offers by Showboat under the Existing Showboat Note Indentures to purchase the outstanding Existing Showboat Notes as a result of the Merger.

"Showboat Change of Control Purchases" shall mean any purchases made by Parent, the Company or Showboat of the Existing Showboat Notes pursuant to any Showboat Change of Control Offer to Purchase.

"Showboat Merger" shall mean the merger of HEI Acquisition Corp. with and into Showboat, pursuant to and in accordance with the terms of the Showboat Merger Agreement.

"Showboat Merger Agreement" shall mean the Agreement and Plan of Merger, dated as of December 18, 1997, among Parent, HEI Acquisition Corp. and Showboat.

"Showboat Merger Documents" shall mean the Showboat Merger Agreement and all other agreements and documents entered into by Parent, Showboat or any Subsidiary of Parent or Showboat and relating to the Showboat Merger.

"Showboat Merger Effective Date" shall mean the date on which the Showboat Merger occurs in accordance with the terms and conditions of the Showboat Merger Agreement.

"Specified Casino Owner" shall mean any Subsidiary of the Company that owns a Specified Casino Property or an interest in an entity owning a Specified Casino Property.

"Specified Casino Property" shall mean and include each of the Harrah's Reno Hotel Casino, Harrah's Lake Tahoe Hotel Casino (including Bill's Casino), Harrah's Las Vegas Hotel Casino, Harrah's Atlantic City Hotel Casino, Harrah's Laughlin Hotel Casino, Harrah's Tunica Riverboat Casino, Harrah's North Kansas Riverboat Casino, Harrah's Joliet Riverboat Casino, Showboat East Chicago Riverboat Casino and Showboat Atlantic City Hotel Casino.

"Specified Subsidiary" shall mean any Subsidiary of the Company (other than any Subsidiary Borrower or Specified Casino Owner) created after the Second Restatement Effective Date so long as such Subsidiary has no material assets other than the Gaming Properties to be developed and financed with Non-Recourse Indebtedness incurred pursuant to Section 9.04(x).

"Start Date" shall have the meaning provided in the definition of Reduction Discount.

"Stated Amount" of each Letter of Credit shall, at any time, mean the maximum amount available to be drawn thereunder (in each case determined without regard to whether any conditions to drawing could then be met).

"Sub-Limit" shall mean (i) with respect to Marina, \$400,000,000 and (ii) with respect to each other Subsidiary of the Company that becomes a Subsidiary Borrower after the date hereof, such aggregate amount as shall be established by the Administrative Agent and the Required Banks at the time such Subsidiary becomes a Subsidiary Borrower hereunder.

"Subordinated Debt" shall mean each issue of subordinated debt of the Company that is issued under Section 9.04(xi).

"Subsidiary" shall mean, as to any Person, (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (ii) any partnership, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time.

"Subsidiary Borrower" shall mean Marina and any other Wholly-Owned Subsidiary of the Company that is found acceptable to, and approved in writing by, the Administrative Agent and the Required Banks, provided that at the time any such Subsidiary is sold pursuant to Section 9.02, such Subsidiary shall cease to be a Subsidiary Borrower.

"Subsidiary Investments" shall mean any Investment by the Company in one or more of its Subsidiaries, provided that (x) any acquisition of a new Subsidiary shall be through a transaction not involving the acquisition by the Company or any of its Subsidiaries of Margin Stock (other than as permitted by Sections 7.08(b) and 9.05) and (y) any new Subsidiary so acquired shall be engaged primarily in the Gaming Business.

"Substitute Bank" shall have the meaning in Section 13.04(c).

"Swingline Expiry Date" shall mean, at any time, the date which is two Business Days prior to the Final Maturity Date.

"Swingline Loan" shall have the meaning provided in Section 1.01(b).

"Swingline Note" shall have the meaning provided in Section 1.05(a).

"Taxes" shall have the meaning provided in Section 4.04(a).

"Test Date" shall have a meaning provided in the definition of Reduction Discount.

"Test Period" shall mean the four consecutive fiscal quarters of Parent then last ended (in each case taken as one accounting period).

"364-Day Banks" shall mean the lenders from time to time party to the 364-Day Credit Agreement.

"364-Day Credit Agreement" shall mean the 364-Day Credit Agreement, dated as of June 9, 1995 and amended and restated as of April 1, 1998, among Parent, the Borrowers, Canadian Imperial Bank of Commerce and Societe Generale, as Co-Syndication Agents, Bank of America National Trust and Savings Association, as Documentation Agent, and the Administrative Agent.

"Total Revolving Loan Commitment" shall mean, at any time, the sum of the Revolving Loan Commitments of each of the Banks.

"Total 364-Day Outstandings" shall mean, at any time, the aggregate principal amount of loans outstanding pursuant to the 364-Day Credit Agreement.

"Total 364-Day Revolving Loan Commitment" shall mean the "Total Revolving Loan Commitment" under, and as defined in, the 364-Day Credit Agreement.

"Total Unutilized Revolving Loan Commitment" shall mean, at any time, an amount equal to the remainder of (x) the then Total Revolving Loan Commitment, less (y) the sum of the aggregate principal amount of Revolving Loans and Swingline Loans

then outstanding plus the then aggregate amount of Letter of Credit Outstandings.

"Transaction" shall mean, collectively, (i) the consummation of the 8-3/4% Senior Subordinated Notes Redemption, (ii) the consummation of the Showboat Merger, (iii) the Existing Showboat Notes Tender Offers/Consent Solicitations, (iv) the entering into of this Agreement and the 364-Day Credit Agreement, (v) the Showboat Change of Control Purchases, (vi) the consummation of the Existing Showboat Notes Defeasances, and (vii) the payment of fees and expenses in connection with the foregoing.

"Type" shall mean the type of Loan determined with regard to the interest option applicable thereto, i.e., whether a Base Rate Loan or a Eurodollar Loan.

"UCC" shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

"Unfunded Current Liability" of any Plan means the amount, if any, by which the actuarial present value of the accumulated benefits under the Plan as of the close of its most recent plan year, determined in accordance with Statement of Financial Accounting Standards No. 87, based upon the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of the Plan, exceeds the fair market value of the assets allocable thereto, determined in accordance with Section 412 of the Code.

"United States" and "U.S." shall each mean the United States of America.

"Unpaid Drawing" shall have the meaning provided for in Section 2.05(a).

"Unutilized Revolving Loan Commitment" with respect to any Bank, at any time, shall mean such Bank's Revolving Loan Commitment at such time less the sum of (i) the then aggregate outstanding principal amount of Revolving Loans made by such Bank and (ii) such Bank's Adjusted Percentage of the Letter of Credit Outstandings at such time.

"Wholly-Owned Subsidiary" shall mean, as to any Person, (i) any corporation 100% of whose capital stock (other than director's qualifying shares) is at the time owned by such Person

and/or one or more Wholly-Owned Subsidiaries of such Person and (ii) any partnership, association, joint venture or other entity in which such Person and/or one or more Wholly-Owned Subsidiaries of such Person has a 100% equity interest at such time.

"Withdrawal Period" shall have the meaning provided in Section 13.04(d).

SECTION 12. The Administrative Agent.

12.01 Appointment. The Banks hereby designate Bankers Trust Company as Administrative Agent to act as specified herein and in the other Credit Documents. Each Bank hereby irrevocably authorizes, and each holder of any Note by the acceptance of such Note shall be deemed irrevocably to authorize, the Administrative Agent to take such action on its behalf under the provisions of this Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Administrative Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Administrative Agent may perform any of its duties hereunder by or through its respective officers, directors, agents or employees.

12.02 Nature of Duties. The Administrative Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement. Neither the Administrative Agent nor any of its officers, directors, agents or employees shall be liable for any action taken or omitted by it or them hereunder or under any other Credit Document or in connection herewith or therewith, unless caused by its or their gross negligence or willful misconduct. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Bank or the holder of any Note; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

12.03 Lack of Reliance on the Administrative Agent. Independently and without reliance upon the Administrative Agent,

each Bank and the holder of each Note, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of Parent and its Subsidiaries in connection with the making and the continuance of the Loans and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of Parent and its Subsidiaries and, except as expressly provided in this Agreement, the Administrative Agent shall not have any duty or responsibility, either initially or on a continuing basis, to provide any Bank or the holder of any Note with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter. The Administrative Agent shall not be responsible to any Bank or the holder of any Note for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Agreement or any other Credit Document or the financial condition of Parent or any of its Subsidiaries or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Credit Document, or the financial condition of Parent or any of its Subsidiaries or the existence or possible existence of any Default or Event of Default.

12.04 Certain Rights of the Administrative Agent. If the Administrative Agent shall request instructions from the Required Banks with respect to any act or action (including failure to act) in connection with this Agreement or any other Credit Document, the Administrative Agent shall be entitled to refrain from such act or taking such action unless and until the Administrative Agent shall have received instructions from the Required Banks; and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Bank or the holder of any Note shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Banks.

12.05 Reliance. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate,

telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that the Administrative Agent believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and any other Credit Document and its duties hereunder and thereunder, upon advice of counsel selected by the Administrative Agent.

12.06 Indemnification. To the extent the Administrative Agent is not reimbursed and indemnified by the Credit Parties, the Banks will reimburse and indemnify the Administrative Agent, in proportion to their respective "percentages" as used in determining the Required Banks, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties hereunder or under any other Credit Document, in any way relating to or arising out of this Agreement or any other Credit Document; provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct.

12.07 The Administrative Agent in its Individual Capacity. With respect to its obligation to make Loans under this Agreement, the Administrative Agent shall have the rights and powers specified herein for a "Bank" and may exercise the same rights and powers as though it were not performing the duties specified herein; and the term "Banks," "Required Banks," "holders of Notes" or any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with any Credit Party or any Affiliate of any Credit Party as if it were not performing the duties specified herein, and may accept fees and other consideration from the Borrowers or any other Credit Party for services in connection with this Agreement and otherwise without having to account for the same to the Banks.

12.08 Holders. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have

been filed with the Administrative Agent. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee, assignee or indorsee, as the case may be, of such Note or of any Note or Notes issued in exchange therefor.

12.09 Resignation by the Administrative Agent. (a) The Administrative Agent may resign from the performance of all its functions and duties hereunder and/or under the other Credit Documents at any time by giving 15 Business Days' prior written notice to the Company and the Banks. Such resignation shall take effect upon the appointment of a successor Administrative Agent pursuant to clauses (b) and (c) below or as otherwise provided below.

(b) Upon any such notice of resignation, the Company shall appoint a successor Administrative Agent hereunder or thereunder who shall be a commercial bank or trust company reasonably acceptable to the Required Banks (it being understood and agreed that any Bank is deemed to be acceptable to the Required Banks), provided that, if a Default or an Event of Default exists at the time of such resignation, the Required Banks shall appoint such successor Administrative Agent.

(c) If a successor Administrative Agent shall not have been so appointed within such 15 Business Day period, the Administrative Agent, with the consent of the Company, shall then appoint a successor Administrative Agent who shall serve as Administrative Agent hereunder or thereunder until such time, if any, as the Company or Required Banks, as the case may be, appoint a successor Administrative Agent as provided above.

(d) If no successor Administrative Agent has been appointed pursuant to clause (b) or (c) above by the 30th Business Day after the date such notice of resignation was given by the Administrative Agent, the Administrative Agent's resignation shall become effective and the Banks shall thereafter perform all the duties of the Administrative Agent hereunder and/or under any other Credit Document until such time, if any, as the Required Banks appoint a successor Administrative Agent.

12.10 The Documentation Agent and the Co-Syndication Agents. Notwithstanding anything else to the contrary contained in this Agreement or in any other Credit Document, none of Canadian Imperial Bank of Commerce, Societe Generale or Bank of

America National Trust and Savings Association, in their capacities as Documentation Agent or Co-Syndication Agents, as the case may be, shall have any rights, duties or responsibilities under this Agreement or under any other Credit Document, or any fiduciary relationship with the Company, the Parent, any Borrower or any other Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Credit Document or otherwise exist against either the Documentation Agent or the Co-Syndication Agents, in such capacities.

SECTION 13. Miscellaneous.

13.01 Payment of Expenses, etc. (a) The Borrowers jointly and severally shall: (i) whether or not the transactions herein contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Administrative Agent (including, without limitation, the reasonable fees and disbursements of White & Case LLP and local counsel) in connection with the preparation, execution and delivery of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein and any amendment, waiver or consent relating hereto or thereto, of the Administrative Agent in connection with its syndication efforts with respect to this Agreement and of the Administrative Agent and each of the Banks in connection with the enforcement of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein (including, without limitation, the reasonable fees and disbursements of counsel (including allocated costs of in-house counsel) for the Administrative Agent and for each of the Banks); (ii) pay and hold each of the Banks harmless from and against any and all present and future stamp, excise and other similar taxes with respect to the foregoing matters and save each of the Banks harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Bank) to pay such taxes; and (iii) indemnify the Administrative Agent, each Letter of Credit Issuer and each Bank, and each of their respective officers, directors, employees, representatives and agents from and hold each of them harmless against any and all liabilities, obligations (including removal or remedial actions), losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements (including reasonable attorneys' (including allocated costs of in-house counsel) and consultants' fees and disbursements) incurred by, imposed on or assessed against any of them as a result of, or arising out of,

or in any way related to, or by reason of, (a) any investigation, litigation or other proceeding (whether or not the Administrative Agent, any Letter of Credit Issuer or any Bank is a party thereto) related to the entering into and/or performance of this Agreement or any other Credit Document or the use of any Letter of Credit or the proceeds of any Loans hereunder or the consummation of any transactions contemplated herein (including, without limitation, the Transaction) or in any other Credit Document or the exercise of any of their rights or remedies provided herein or in the other Credit Documents, or (b) the actual or alleged presence of Hazardous Materials in the air, surface water or groundwater or on the surface or subsurface of any Real Property owned or at any time operated by Parent or any of its Subsidiaries, the generation, storage, transportation, handling or disposal of Hazardous Materials at any location, whether or not owned or operated by Parent or any of its Subsidiaries, the non-compliance of any Real Property with foreign, federal, state and local laws, regulations, and ordinances (including applicable permits thereunder) applicable to any Real Property, or any Environmental Claim relating in any way to Parent, any of its Subsidiaries, their operations or any Real Property owned or at any time operated by Parent or any of its Subsidiaries, including, in each case, without limitation, the reasonable fees and disbursements of counsel and other consultants incurred in connection with any such investigation, litigation or other proceeding (but excluding any losses, liabilities, claims, damages or expenses to the extent incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified). To the extent that the undertaking to indemnify, pay or hold harmless the Administrative Agent, any Letter of Credit Issuer or any Bank set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrowers shall make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities which is permissible under applicable law.

(b) The Borrowers further jointly and severally agree to pay the reasonable legal fees of gaming counsel for the Administrative Agent in Nevada and New Jersey and any other relevant state or other jurisdiction and all reasonable costs (including costs of investigation) associated with any qualification (or exemption or waiver therefrom) of any Bank under, or compliance in connection with the Gaming Regulations in connection with the syndication under this Agreement, provided that in the event that any assignee Bank or potential assignee

Bank is not already a Qualified Person (before giving effect to any actions taken to become such in connection with this Agreement), then all costs associated with such Person becoming a Qualified Person shall be borne by the respective assignee Bank or potential assignee Bank. Notwithstanding the foregoing, after a Bank has been replaced pursuant to Section 1.13, the Borrowers shall not be required to reimburse such Bank for any such costs incurred by it after the date of such replacement.

13.02 Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, each Bank is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Credit Party or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by such Bank (including, without limitation, by branches and agencies of such Bank wherever located) to or for the credit or the account of the Credit Parties against and on account of the Obligations and liabilities of the Credit Parties to such Bank under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations purchased by such Bank pursuant to Section 13.06(b), and all other claims of any nature or description arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not such Bank shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured, provided that such right of set-off may only be exercised by any such Bank if Nevada Revised Statutes 40.430(4)(g) (1989) remains in force and effect without modification.

13.03 Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopier or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered: if to Parent or any Borrower, at such Credit Party's address specified opposite its signature below or in the respective Election to Become a Subsidiary Borrower; if to any Bank, at its address specified opposite its name below; and if to the Administrative Agent, at the Notice Office; or, as to any Credit Party or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties

hereto and, as to each Bank, at such other address as shall be designated by such Bank in a written notice to the Company and the Administrative Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by overnight courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or telecopier, except that notices to the Administrative Agent, the Company and any Letter of Credit Issuer shall not be effective until received by such Person.

13.04 Benefit of Agreement. (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, except as provided in Sections 9.02 and 13.17(a), no Borrower may assign or transfer any of its rights, obligations or interest hereunder or under any other Credit Document without the prior written consent of the Administrative Agent and the Banks (although any Subsidiary Borrower may, at its request and with the consent of the Required Banks, otherwise cease to be a Subsidiary Borrower hereunder so long as no Default or Event of Default then exists and all Loans incurred by such Subsidiary are repaid in full and the Company shall become the account party with respect to any outstanding Letters of Credit issued for the account of such Subsidiary Borrower pursuant to documentation satisfactory to the Administrative Agent and the respective Letter of Credit Issuer) and, provided further, that, although any Bank may transfer, assign or grant participations in its rights hereunder, such Bank shall remain a "Bank" for all purposes hereunder (and may not transfer or assign all or any portion of its Revolving Loan Commitments hereunder except as provided in Section 13.04(b)) and the transferee, assignee or participant, as the case may be, shall not constitute a "Bank" hereunder and, provided further, that no Bank shall transfer or grant any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would extend the final scheduled maturity of any Loan, Note or Letter of Credit (unless such Letter of Credit is not extended beyond the Final Maturity Date) in which such participant is participating, or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver

of any Default or Event of Default or of a mandatory reduction in the Total Revolving Loan Commitment shall not constitute a change in the terms of such participation, and that an increase in any Revolving Loan Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof). In the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto) and the Borrowers shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and the other Credit Documents and all amounts payable by the Borrowers hereunder shall be determined as if such Bank had not sold such participation. Any agreement pursuant to which any Bank may grant such a participation shall be in a form approved by the Administrative Agent and Parent and shall be satisfactory under the Gaming Regulations of the State of New Jersey so as not to require participants to be approved financial sources or qualified under such Gaming Regulations applicable to lenders.

(b) Notwithstanding the foregoing, any Bank (or any Bank together with one or more other Banks) may (x) assign all or a portion of its Revolving Loan Commitments and related outstanding Obligations hereunder to its parent company and/or any affiliate of such Bank which is at least 50% owned by such Bank or its parent company or to one or more Banks or (y) assign all, or if less than all, a portion equal to at least \$5,000,000 in the aggregate for the assigning Bank or assigning Banks, of such Revolving Loan Commitments and related outstanding Obligations hereunder, in either case to one or more Qualified Persons, each of which assignees shall become a party to this Agreement as a Bank by execution of an Assignment and Assumption Agreement, provided that, (i) at such time Schedule I shall be deemed modified to reflect the Revolving Loan Commitments of such new Bank and of the existing Banks, (ii) new Notes will be issued to such new Bank and to the assigning Bank upon the request of such new Bank or assigning Bank, such new Notes to be in conformity with the requirements of Section 1.05 to the extent needed to reflect the revised Revolving Loan Commitments, (iii) the consent of BTCo and each Letter of Credit Issuer shall be required in connection with any assignment (which consent shall not be unreasonably withheld), (iv) the Administrative Agent shall receive at the time of each such assignment, from either

the assigning or assignee Bank or Banks, the payment of a non-refundable assignment fee of \$3,500 in the case of any assignment to a Qualified Person which is not a Bank immediately prior to such assignment or \$1,000 in the case of any assignment to a then existing Bank and (v) no such transfer will be effective until recorded by the Administrative Agent on the Register pursuant to Section 13.17(b). To the extent of any assignment pursuant to this Section 13.04(b), the assigning Bank shall be relieved of its obligations hereunder with respect to its assigned Revolving Loan Commitments. At the time of each assignment pursuant to this Section 13.04(b) to a Person which is not already a Bank hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Bank shall, to the extent legally entitled to do so, provide to the Borrowers in the case of a Bank described in clause (ii) or (iv) of Section 4.04(b), the forms described in such clause (ii) or (iv), as the case may be. To the extent that an assignment of all or any portion of a Bank's Revolving Loan Commitments and related outstanding Obligations pursuant to Section 1.13 or this Section 13.04(b) would, at the time of such assignment, result in increased costs under Section 1.10, 1.11 or 4.04 from those being charged by the respective assigning Bank prior to such assignment, then the Borrowers shall not be obligated to pay such increased costs (although the Borrowers shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment).

(c) If the New Jersey Gaming Authorities shall determine that any Bank is not qualified as an approved financial source or otherwise does not meet the standards pursuant to the Gaming Regulations in New Jersey, or the Nevada Gaming Authorities shall determine that any Bank does not meet the Suitability Standards under the Nevada Gaming Regulations or any other Gaming Authority with jurisdiction over the gaming business of Parent and its Subsidiaries shall determine that any Bank does not meet its suitability standards (in any such case, a "Former Bank"), the Administrative Agent and each Letter of Credit Issuer or the Company shall have the right (but not the duty) to designate a bank or banks (in each case, a "Substitute Bank," which may be any Bank or Banks that agree to become a Substitute Bank) that has agreed to assume the rights and obligations of the Former Bank, subject to receipt by the Administrative Agent of evidence that such Substitute Bank is a Qualified Person. The Substitute Bank shall assume the rights and obligations of the Former Bank under this Agreement pursuant to an Assignment and

Assumption Agreement, which assumption shall be required to comply with, and shall become effective in accordance with, the provisions of Section 13.04(b), provided that the purchase price to be paid by the Substitute Bank to the Administrative Agent for the account of the Former Bank for such assumption shall equal the sum of (i) the unpaid principal amount of any Notes held or Loans made by the Former Bank plus accrued interest thereon plus (ii) the Former Bank's pro rata share of the aggregate amount of Drawings under all Letters of Credit that have not been reimbursed by the Borrowers, plus accrued interest thereon, plus (iii) such Former Bank's pro rata share of accrued Fees to the date of the assumption, and, provided further, the Borrowers shall pay all obligations owing to the Former Bank under the Credit Documents (including all obligations, if any, owing pursuant to Section 1.11, but excluding those amounts in respect of which the purchase price is being paid as provided above). Each Bank agrees that if it becomes a Former Bank, upon payment to it by the Borrowers of all such amounts, if any, owing to it under the Credit Documents, it will execute and deliver an Assignment and Assumption Agreement, upon payment of such purchase price.

(d) Notwithstanding the provisions of subsection (c) of this Section 13.04, if any Bank becomes a Former Bank, and if the Administrative Agent or the Company fails to find a Substitute Bank pursuant to subsection (c) of this Section within any time period specified by the appropriate Gaming Authority for the withdrawal of a Former Bank (the "Withdrawal Period"), the Borrowers shall, immediately (i) prepay in full the outstanding principal amount of each Note held or Loan made by such Former Bank, together with accrued interest thereon to the earlier of (x) the date of payment or (y) the last day of any Withdrawal Period, and (ii) at the option of the Company either (A) place an amount equal to such Former Bank's Adjusted Percentage in each Letter of Credit in a separate cash collateral account with the Administrative Agent for each outstanding Letter of Credit which amount will be applied by the Administrative Agent to satisfy the Borrower's reimbursement obligations to the respective Letter of Credit Issuer in respect of Drawings under the applicable Letter of Credit or (B) if no Default or Event of Default then exists, terminate the Revolving Loan Commitment of such Former Bank at which time the other Banks' Percentages and Adjusted Percentages will be automatically adjusted as a result thereof, provided that the option specified in this clause (B) may only be exercised if, immediately after giving effect thereto, no Bank's outstanding Revolving Loans, when added to the product of (a) such Bank's

Adjusted Percentage and (b) the sum of (I) the aggregate amount of all Letter of Credit Outstandings at such time and (II) the aggregate amount of all Swingline Loans then outstanding, would exceed such Bank's Revolving Loan Commitment at such time.

(e) Subject to the last sentence of this Section 13.04(e), each Bank agrees that all participations and assignments made hereunder shall be subject to, and made in compliance with, all Gaming Regulations applicable to lenders. Each Bank agrees further that it will not grant participations or assignments prior to receiving notice from the Administrative Agent that it has completed the primary syndication of this facility. The Administrative Agent shall provide such notice to the Banks promptly after completing such primary syndication. Each Borrower hereby acknowledges that unless the Company has provided the Banks with a written opinion of counsel as to the suitability standards applicable to lenders of any relevant Gaming Authority (excluding New Jersey and Nevada except to the extent that the suitability standards set forth in the Gaming Regulations of such States change from those in effect on the First Restatement Effective Date) with jurisdiction over the Gaming Business of Parent and its Subsidiaries, no Bank shall have the responsibility of determining whether or not a potential assignee of such Bank would be a Qualified Person under the Gaming Regulations of any such jurisdiction.

(f) Nothing in this Agreement shall prevent or prohibit any Bank from pledging its Loans and Notes hereunder to a Federal Reserve Bank in support of borrowings made by such Bank from such Federal Reserve Bank.

13.05 No Waiver; Remedies Cumulative. No failure or delay on the part of the Administrative Agent or any Bank or any holder of any Note in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrowers or any other Credit Party and the Administrative Agent or any Bank or the holder of any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any other Credit Document expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Administrative Agent or any Bank or the holder of any Note would otherwise have. No notice to or demand on any Credit Party in

any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or any Bank or the holder of any Note to any other or further action in any circumstances without notice or demand.

13.06 Payments Pro Rata. (a) Except as otherwise provided in this Agreement, the Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of a Borrower in respect of any Obligations hereunder, it shall distribute such payment to the Banks (other than any Bank that has consented in writing to waive its pro rata share of any such payment) pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) Each of the Banks agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise), which is applicable to the payment of the principal of, or interest on, the Loans, Unpaid Drawings, Commitment Commission or Letter of Credit Fees, of a sum which with respect to the related sum or sums received by other Banks is in a greater proportion than the total of such Obligation then owed and due to such Bank bears to the total of such Obligation then owed and due to all of the Banks immediately prior to such receipt, then such Bank receiving such excess payment shall purchase for cash without recourse or warranty from the other Banks an interest in the Obligations of the respective Party to such Banks in such amount as shall result in a proportional participation by all the Banks in such amount; provided that if all or any portion of such excess amount is thereafter recovered from such Bank, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 13.06(a) and (b) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Banks as opposed to Defaulting Banks.

13.07 Calculations; Computations. (a) The financial statements to be furnished to the Banks pursuant hereto shall be made and prepared in accordance with generally accepted

accounting principles in the United States consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by Parent to the Banks); provided that, (i) except as otherwise specifically provided herein, all computations determining compliance with Sections 9.03 through 9.05, inclusive, and Sections 9.07 through 9.09, inclusive, shall utilize accounting principles and policies in conformity with those used to prepare the historical financial statements delivered to the Banks pursuant to Section 7.05(a), (ii) at such time as the Company and/or Showboat deposits cash and U.S. government obligations with the respective trustees to effect the Existing Showboat Notes Defeasances and/or the 8-3/4% Senior Subordinated Notes Redemption, the Existing Showboat Notes and/or the 8-3/4% Senior Subordinated Notes, as the case may be, shall no longer be considered outstanding for purposes of Sections 9.07, 9.08 and 9.09 and (iii) at no time shall (I) HNOIC (so long as HNOIC's only significant business activities, assets or liabilities are associated with its general partner's interest in Harrah's Jazz), (II) Harrah's Jazz and its Subsidiaries or (III) JCC Holding and its Subsidiaries be treated as Subsidiaries of Parent for purposes of this Agreement even though (x) HNOIC, Harrah's Jazz and its Subsidiaries and JCC Holding and its Subsidiaries may at any time fall within the definition of "Subsidiary" or (y) generally accepted accounting principles would require otherwise, but shall, in each case instead be treated as an equity investment by Parent.

(b) All computations of interest, Commitment Commission and other Fees hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, Commitment Commission or other Fees are payable.

13.08 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL. (a) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF PARENT AND EACH BORROWER HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH OF PARENT AND

EACH BORROWER HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK PERSONAL JURISDICTION OVER IT, AND AGREES NOT TO PLEAD OR CLAIM, IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENTS BROUGHT IN ANY OF THE AFOREMENTIONED COURTS, THAT SUCH COURTS LACK PERSONAL JURISDICTION OVER IT. EACH OF PARENT AND EACH BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH CREDIT PARTY AT ITS ADDRESS SET FORTH OPPOSITE ITS SIGNATURE BELOW, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. EACH OF PARENT AND EACH BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY OTHER CREDIT DOCUMENT THAT SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT, ANY BANK OR THE HOLDER OF ANY NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY SUCH CREDIT PARTY IN ANY OTHER JURISDICTION.

(b) EACH OF PARENT AND EACH BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

13.09 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrowers and the Administrative Agent. Delivery of an executed signature page of this Agreement or any other Credit Document by

facsimile transmission shall be as effective as delivery of a manually executed counterpart thereof.

13.10 Effectiveness. This Agreement shall become effective on the date (the "Second Restatement Effective Date") and at the time on which (i) Parent, the Company, each existing Subsidiary Borrower, the Required Banks (under, and as defined in, the Existing Credit Agreement), each Bank whose Revolving Loan Commitment is being increased on the Second Restatement Effective Date and each New Bank shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered the same to the Administrative Agent at the Notice Office or, in the case of the Banks, shall have given to the Administrative Agent telephonic (confirmed in writing), written or telex notice (actually received) at such office that the same has been signed and mailed to it and (ii) the conditions contained in Sections 5A and 6 are met to the satisfaction of the Administrative Agent and the Required Banks. Unless the Administrative Agent has received actual notice from any Bank that the conditions contained in Sections 5A and 6 have not been met to its satisfaction, upon the satisfaction of the condition described in clause (i) of the immediately preceding sentence and upon the Administrative Agent's good faith determination that the conditions described in clause (ii) of the immediately preceding sentence have been met, then the Second Restatement Effective Date shall have been deemed to have occurred, regardless of any subsequent determination that one or more of the conditions thereto had not been met (although the occurrence of the Second Restatement Effective Date shall not release Parent or any Borrower from any liability for failure to satisfy one or more of the applicable conditions contained in Section 5A or 6). The Administrative Agent will give Parent, the Company, each existing Subsidiary Borrower and each Bank prompt written notice of the occurrence of the Second Restatement Effective Date.

13.11 Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

13.12 Amendment or Waiver. (a) Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto (except as otherwise provided in Section 13.02) and the Required Banks (or

the Required Secured Parties in the case of a change, waiver, discharge or termination with respect to a Collateral Document to the extent provided therein), provided that no such change, waiver, discharge or termination shall, without the consent of each Bank (other than a Defaulting Bank) (with Obligations being directly affected thereby), (i) extend the final scheduled maturity of any Loan or Note or extend the stated maturity of any Letter of Credit beyond the Final Maturity Date, or reduce the rate or extend the time of payment of interest or Fees thereon, or reduce the principal amount thereof, (ii) release all or substantially all of the Collateral (except as expressly provided in the Collateral Documents) under all the Collateral Documents, provided that such release of Collateral may be effected by only the Required Banks if at the time of such release the Company's Indebtedness shall be rated at least BBB- Senior Implied by S&P or Baa3 Senior Implied by Moody's, (iii) amend, modify or waive any provision of this Section 13.12, (iv) reduce the percentage specified in the definition of Required Banks (it being understood that, with the consent of the Required Banks, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Banks on substantially the same basis as the extensions of Revolving Loan Commitments are included on the Restatement Effective Date) or (v) except as set forth in Section 9.02, 9.04(ix) or 13.17(a), consent to the assignment or transfer by any Borrower of any of its rights and obligations under this Agreement (although any Subsidiary Borrower may, at its request and with the consent of the Required Banks, otherwise cease to be a Subsidiary Borrower hereunder so long as no Default or Event of Default exists and all Loans incurred by such Subsidiary Borrower are repaid in full and the Company shall become the account party with respect to any outstanding Letters of Credit issued for the account of such Subsidiary Borrower pursuant to documentation satisfactory to the Administrative Agent and the respective Letter of Credit Issuer); provided further, that no such change, waiver, discharge or termination shall (v) increase the Revolving Loan Commitment of any Bank over the amount thereof then in effect without the consent of such Bank (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or Events of Default or of a mandatory reduction in the Total Revolving Loan Commitment shall not constitute an increase of the Revolving Loan Commitment of any Bank, and that an increase in the available portion of any Revolving Loan Commitment of any Bank shall not constitute an increase in the Revolving Loan Commitment of such Bank), (w) without the consent of each Letter of Credit Issuer, amend, modify or waive any provision of Section

2 or 3.01(c) or alter its rights or obligations with respect to Letters of Credit, (x) without the consent of BTCo, alter its rights and obligations with respect to Swingline Loans, (y) without the consent of the Administrative Agent, amend, modify or waive any provision of Section 12 or any other provision as same relates to the rights or obligations of the Administrative Agent and (z) without the consent of the Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent. Notwithstanding anything to the contrary contained above, any Letter of Credit may be modified by the respective Letter of Credit Issuer so long as the terms thereof would be permitted in a newly issued Letter of Credit in accordance with Section 2.

(b) If, in connection with any proposed change, waiver, discharge or termination to any of the provisions of this Agreement as contemplated by clauses (i) through (v), inclusive, of the first proviso to Section 13.12(a), the consent of the Required Banks is obtained but the consent of one or more of such other Banks whose consent is required is not obtained, then the Company shall have the right, so long as all non-consenting Banks whose individual consent is required are treated as described in either clauses (A) or (B) below, to either (A) replace each such non-consenting Bank or Banks with one or more Replacement Banks pursuant to Section 1.13 so long as at the time of such replacement, each such Replacement Bank consents to the proposed change, waiver, discharge or termination or (B) terminate such non-consenting Bank's Revolving Loan Commitment and repay all outstanding Revolving Loans of such Bank in accordance with Sections 3.02(b) and/or 4.01(iv), provided that, unless the Revolving Loan Commitments are terminated, and Revolving Loans repaid, pursuant to preceding clause (B) are immediately replaced in full at such time through the addition of new Banks or the increase of the Revolving Loan Commitments and/or outstanding Revolving Loans of existing Banks (who in each case must specifically consent thereto), then in the case of any action pursuant to preceding clause (B) the Required Banks (determined before giving effect to the proposed action) shall specifically consent thereto, provided further, that in any event the Company shall not have the right to replace a Bank, terminate its Revolving Loan Commitment or repay its Revolving Loans solely as a result of the exercise of such Bank's rights (and the withholding of any required consent by such Bank) pursuant to the second proviso to Section 13.12(a).

13.13 Survival. All indemnities set forth herein (including, without limitation, in Sections 1.10, 1.11, 2.06, 4.04, 12.06 and 13.01) shall survive the execution, delivery and termination of this Agreement and the Notes and the making and repayment of the Loans. Notwithstanding the occurrence of the Second Restatement Effective Date, all indemnities set forth in the Existing Credit Agreement for the Existing Banks and the Existing Agents shall survive in accordance with the terms thereof.

13.14 Domicile of Loans. (a) Each Bank may transfer and carry its Loans at, to or for the account of any office, Subsidiary or Affiliate of such Bank. In addition, each Bank (each, a "Designating Bank") may, with the prior written consent of the Administrative Agent and the Company (each of which consents shall not be unreasonably withheld) and on terms and conditions reasonably satisfactory to the Administrative Agent and the Company, designate a special purpose corporation (each, a "Designated Bank") to make Revolving Loans in respect of such Designating Bank's Revolving Loan Commitment, provided that (i) such Designating Bank shall remain the "Bank" for all purposes of this Agreement and the other Credit Documents, shall not otherwise be relieved of any of its obligations under this Agreement or any such other Credit Document (including, without limitation, its obligations under Sections 1.01(a), 1.01(c), 2.04 and 12.06) and shall be liable for any losses, claims, damages or expenses incurred by any Credit Party, the Administrative Agent or any Bank as a result of such Designating Bank's designation of any such special purpose corporation as a Designated Bank, (ii) all payments entitled to be received by such Designated Bank with respect to the Revolving Loans made by it in respect of such Designating Bank's Revolving Loan Commitment shall be made directly to such Designating Bank for the distribution to such Designated Bank, (iii) the Credit Parties and the Administrative Agent shall continue to deal solely with the respective Designating Bank and such Designated Bank shall not have any right to approve any amendment, modification or waiver to this Agreement or any other Credit Document, and all amendments, waivers, consents and/or modifications to this Agreement and the other Credit Documents which are binding on such Designating Bank also shall be binding on such Designated Bank regardless of whether or not such Designated Bank actually had notice of any such amendment, waiver, consent and/or other modification and (iv) each Designating Bank may only designate one Designated Bank at any time to make Revolving Loans in respect of such Designating Bank's Revolving Loan Commitment. In addition, each

party hereto hereby agrees that prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any Designated Bank, no party will institute against, or join any other Person in instituting against, such Designated Bank any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under any federal or state bankruptcy or similar law arising from any actions of such Designated Bank under this Agreement.

(b) Notwithstanding anything to the contrary contained herein, to the extent that a transfer of Loans pursuant to this Section 13.14 would, at the time of such transfer, result in increased costs under Section 1.10, 1.11 or 4.04 from those being charged by the respective Bank prior to such transfer, then the Borrowers shall not be obligated to pay such increased costs (although the Borrowers shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective transfer).

13.15 Application of Gaming Regulations. Parent, the Company, each Subsidiary Borrower and the Banks acknowledge that the consummation of the transactions contemplated by the Credit Documents is subject to the Gaming Regulations (and Parent, the Company and each Subsidiary Borrower represent and warrant that all requisite approvals thereunder have been duly obtained).

13.16 Confidentiality. (a) Subject to the provisions of clause (b) of this Section 13.16, each Bank agrees that it will use its best effort not to disclose without the prior consent of the Company (other than to its employees, auditors or counsel or to another Bank if the Bank or such Bank's holding or parent company in its sole discretion determines that any such party should have access to such information) any information with respect to Parent or any of its Subsidiaries which is now or in the future furnished pursuant to this Agreement or any other Credit Document and which is designated by the Company to the Banks in writing as confidential, provided that any Bank may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to any municipal, state or Federal regulatory body having or claiming to have jurisdiction over such Bank or to the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in respect to any summons or subpoena or in connection with any

litigation, (d) in order to comply with any law, order, regulation or ruling applicable to such Bank, and (e) to any prospective or actual transferee or participant in connection with any contemplated transfer or participation of any of the Notes or Revolving Loan Commitments or any interest therein by such Bank, provided, that such prospective transferee or participant executes an agreement with such Bank containing provisions substantially identical to those contained in this Section.

(b) Each Borrower hereby acknowledges and agrees that each Bank may share with any of its affiliates any information related to Parent or any of its Subsidiaries (including, without limitation, any nonpublic customer information regarding the creditworthiness of Parent and its Subsidiaries).

13.17 Miscellaneous; Register. (a) Notwithstanding anything to the contrary contained in this Agreement, the Required Banks may consent to a corporate reorganization of Parent and its Subsidiaries, which corporate reorganization may include the transfer of one or more Subsidiaries of the Company as direct Subsidiaries of Parent. In connection with any such corporate reorganization, the Required Banks may, at their option, require that Parent or one or more of its Subsidiaries become direct borrowers with respect to the Obligations. In addition, any necessary amendments or supplements to this Agreement or the other Credit Documents to effect such corporate reorganization, including to retain the benefits of the Guarantees, may be made with consent of the Required Banks.

(b) The Borrowers hereby designate the Administrative Agent to serve as the Borrowers' agent, solely for purposes of this Section 13.17(b), to maintain a register (the "Register") on which it will record the Revolving Loan Commitment from time to time of each of the Banks, the Loans made by each of the Banks and each Designated Bank, if any, and each repayment in respect of the principal amount of the Loans of each Bank and each Designated Bank, if any (it being understood and agreed that any repayment of Revolving Loans of a Designated Bank is subject to clause (ii) of Section 13.14(a)). Failure to make any such recordation, or any error in such recordation shall not affect the Borrowers' obligations in respect of such Loans. With respect to any Bank, the transfer of the Revolving Loan Commitment of such Bank and the rights to the principal of, and interest on, any Loan made pursuant to such Revolving Loan Commitment shall not be effective until such transfer is recorded

on the Register maintained by the Administrative Agent with respect to ownership of such Revolving Loan Commitment and Loans and prior to such recordation all amounts owing to the transferor with respect to such Revolving Loan Commitment and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Revolving Loan Commitment and Loans shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement pursuant to Section 13.04(b). Coincident with the delivery of such an Assignment and Assumption Agreement to the Administrative Agent for acceptance and registration of assignment or transfer of all or part of a Loan, or as soon thereafter as practicable, the assigning or transferor Bank shall surrender the Note, if any, evidencing such Loan, and thereupon one or more new Notes in the same aggregate principal amount shall be issued to the assigning or transferor Bank and/or the new Bank, if requested by any such Bank. Each Borrower agrees to indemnify the Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties under this Section 13.17(b) (other than any losses, claims, damages and liabilities to the extent incurred by reason of the gross negligence or willful misconduct of the Administrative Agent).

13.18 Requisite Gaming Approvals. Notwithstanding anything to the contrary contained elsewhere in this Agreement or in the other Credit Documents, it is understood and agreed that to become effective, the Laughlin/Las Vegas Stock Restrictions require the approvals described in the definition thereof (the "Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals"). On the Second Restatement Effective Date, the Company in good faith believes that it shall be able to obtain the Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals on or prior to July 31, 1998. Notwithstanding anything to the contrary contained in this Agreement or in any other Credit Document, unless and until the Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals have been obtained, the Laughlin/Las Vegas Stock Restrictions contained in Sections 9.01 and 9.02 shall not apply (although the provisions of Section 10.11 shall be fully effective in accordance with the terms thereof, with the Borrowers hereby representing and warranting that no approvals or consents from any Gaming Authority are required for the effectiveness of said Section in accordance with the express terms thereof). Furthermore, the Company agrees to

use its best efforts to obtain as promptly as practicable the Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals.

SECTION 14. Parent Guaranty.

14.01 The Guaranty. In order to induce the Administrative Agent and Banks to enter into this Agreement and to extend credit hereunder and in recognition of the direct benefits to be received by Parent from the proceeds of the Loans and the issuance of the Letters of Credit, Parent hereby agrees with the Administrative Agent, the Banks and the Interest Rate Protection Creditors as follows: Parent hereby unconditionally and irrevocably guarantees as primary obligor and not merely as surety the full and prompt payment and performance when due, whether upon maturity, by acceleration or otherwise, of any and all of the Guaranteed Obligations of the Borrowers to the Administrative Agent, the Banks and the Interest Rate Protection Creditors. If any or all of the Guaranteed Obligations of the Borrowers to the Administrative Agent, the Banks or the Interest Rate Protection Creditors becomes due and payable, Parent unconditionally promises to pay such indebtedness to the Administrative Agent, the Banks and the Interest Rate Protection Creditors, or order, on demand, together with any and all reasonable expenses which may be incurred by the Administrative Agent, the Banks or the Interest Rate Protection Creditors in collecting any of the Guaranteed Obligations. This Guaranty is a guaranty of payment and not collection.

14.02 Bankruptcy. Additionally, Parent unconditionally and irrevocably guarantees the payment of any and all of the Guaranteed Obligations of the Borrowers to the Administrative Agent, the Banks and the Interest Rate Protection Creditors whether or not due or payable by the Borrowers upon the occurrence in respect of any Borrowers of any of the events specified in Section 10.05, and unconditionally and irrevocably promises to pay such Guaranteed Obligations to the Administrative Agent, the Banks or the Interest Rate Protection Creditors, as the case may be, or order, on demand, in Dollars.

14.03 Nature of Liability. The liability of Parent hereunder is exclusive and independent of any security for or other guaranty of the Guaranteed Obligations of the Borrowers whether executed by Parent, any other Guarantor, any other guarantor or by any other

party, and the liability of Parent hereunder shall not be affected or impaired by (a) any direction as to application of payment by any Borrower or by any other party (other than for misappropriation of funds by the respective Bank), or (b) any other continuing or other guaranty, undertaking or maximum liability of a guarantor or of any other party as to the Guaranteed Obligations of any Borrower, or (c) any payment on or in reduction of any such other guaranty or undertaking, or (d) any dissolution, termination or increase, decrease or change in personnel by any Borrower, or (e) any payment made to the Administrative Agent, the Banks or the Interest Rate Protection Creditors on the indebtedness which the Administrative Agent, such Banks or such Interest Rate Protection Creditors repay to such Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and Parent waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding.

14.04 Independent Obligation. The obligations of Parent hereunder are independent of the obligations of any other Guarantor, any other guarantor or any Borrower, and a separate action or actions may be brought and prosecuted against Parent whether or not action is brought against any other Guarantor, any other guarantor or any Borrower and whether or not any other Guarantor, any other guarantor or any Borrower be joined in any such action or actions. Parent waives, to the fullest extent permitted by law, the benefit of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any payment by any Borrower or other circumstance which operates to toll any statute of limitations as to such Borrower shall operate to toll the statute of limitations as to Parent.

14.05 Authorization. Parent authorizes the Administrative Agent, the Banks and the Interest Rate Protection Creditors without notice or demand (except (i) as shall be required by applicable statute and cannot be waived and (ii) for any consents of the respective Credit Parties required by the terms of the respective Credit Documents), and without affecting or impairing its liability hereunder, from time to time to:

(a) change the manner, place or terms of payment of, and/or change or extend the time of payment of, renew, increase, accelerate or alter, any of the Guaranteed Obligations (including any increase or decrease in the rate of interest thereon), any security therefor, or any liability incurred directly or indirectly in respect thereof, and the Parent Guaranty herein made shall apply to

the Guaranteed Obligations as so changed, extended, renewed or altered;

(b) take and hold security for the payment of the Guaranteed Obligations and sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Guaranteed Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset there against;

(c) exercise or refrain from exercising any rights against any Borrower or others or otherwise act or refrain from acting;

(d) release or substitute any one or more endorsers, guarantors, any Borrower or other obligors;

(e) settle or compromise any of the Guaranteed Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of any Borrower to its creditors other than the Administrative Agent, the Banks and the Interest Rate Protection Creditors;

(f) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of the Borrowers to the Administrative Agent, the Banks and the Interest Rate Protection Creditors regardless of what liability or liabilities of Parent or the Borrowers remain unpaid; and/or

(g) consent to or waive any breach of, or any act, omission or default under, this Agreement or any of the instruments or agreements referred to herein, or otherwise amend, modify or supplement this Agreement or any of such other instruments or agreements.

14.06 Reliance. It is not necessary for the Administrative Agent, the Banks or the Interest Rate Protection Creditors to inquire into the capacity or powers of Parent or its Subsidiaries or the officers, directors, partners or agents acting or purporting to act on its behalf, and any Guaranteed

Obligations made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

14.07 Subordination. Any of the indebtedness of the Borrowers relating to the Guaranteed Obligations now or hereafter owing to Parent is hereby subordinated to the Guaranteed Obligations of the Borrowers owing to the Administrative Agent, the Banks and the Interest Rate Protection Creditors, provided that payment may be made by any Borrower on any such indebtedness relating to the Guaranteed Obligations owing to Parent so long as the same is not prohibited by this Agreement and provided further, that if the Administrative Agent so requests at a time when an Event of Default exists, all such indebtedness relating to the Guaranteed Obligations of the Borrowers to Parent shall be collected, enforced and received by Parent for the benefit of the Banks and the Interest Rate Protection Creditors and be paid over to the Administrative Agent on behalf of the Administrative Agent, the Banks and the Interest Rate Protection Creditors on account of the Guaranteed Obligations of the Borrowers to the Administrative Agent, the Banks, but without affecting or impairing in any manner the liability of Parent under the other provisions of this Parent Guaranty. Prior to the transfer by Parent of any note or negotiable instrument evidencing any of the indebtedness relating to the Guaranteed Obligations of the Borrowers to Parent, Parent shall mark such note or negotiable instrument with a legend that the same is subject to this subordination.

14.08 Waiver. (a) Parent waives any right (except as shall be required by applicable statute and cannot be waived) to require the Administrative Agent, the Banks or the Interest Rate Protection Creditors to (i) proceed against any Borrower, any other Guarantor, any other guarantor or any other party, (ii) proceed against or exhaust any security held from any Borrower, any other Guarantor, any other guarantor or any other party or (iii) pursue any other remedy in the Administrative Agent's, the Banks' or the Interest Rate Protection Creditors' power whatsoever. Parent waives any defense based on or arising out of any defense of any Borrower, any other Guarantor, any other guarantor or any other party other than payment in full of the Guaranteed Obligations, including, without limitation, any defense based on or arising out of the disability of any Borrower, any other Guarantor, any other guarantor or any other party, or the unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of any Borrower other than payment in full of

the Guaranteed Obligations. The Administrative Agent, the Banks and the Interest Rate Protection Creditors may, at their election, foreclose on any security held by the Administrative Agent, the Collateral Agent, the Banks or the Interest Rate Protection Creditors by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Administrative Agent, the Banks and the Interest Rate Protection Creditors may have against any Borrower or any other party, or any security, without affecting or impairing in any way the liability of Parent hereunder except to the extent the Guaranteed Obligations have been paid. Parent waives any defense arising out of any such election by the Administrative Agent, the Banks and the Interest Rate Protection Creditors, even though such election operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of Parent against any Borrower or any other party or any security.

(b) Parent waives all presentments, demands for performance, protests and notices, including without limitation notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Parent Guaranty, and notices of the existence, creation or incurring of new or additional Guaranteed Obligations. Parent assumes all responsibility for being and keeping itself informed of the Borrowers' financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks which Parent assumes and incurs hereunder, and agrees that the Administrative Agent, the Banks and the Interest Rate Protection Creditors shall have no duty to advise Parent of information known to them regarding such circumstances or risks.

* * *

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

Address:

1023 Cherry Road
Memphis, Tennessee 38117
Tel: (901) 762-8600
Fax: (901) 762-8777
Attention: Treasurer

HARRAH'S ENTERTAINMENT, INC.

By /s/ Charles L. Atwood

Title: Vice President & Treasurer

with a copy to the same
address to the attention
of the Corporate Secretary

1023 Cherry Road
Memphis, Tennessee 38117
Tel: (901) 762-8600
Fax: (901) 762-8777
Attention: Treasurer

HARRAH'S OPERATING COMPANY, INC.

By /s/ Josh Hirsberg

Title: Authorized Signatory

with a copy to the same
address to the attention
of the Corporate Secretary

1023 Cherry Road
Memphis, Tennessee 38117
Tel: (901) 762-8600
Fax: (901) 762-8777
Attention: Treasurer

MARINA ASSOCIATES

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

with a copy to the same
address to the attention
of the Corporate Secretary

By /s/ Stephen H. Brammell

Title: Authorized Signatory

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

By /s/ Stephen H. Brammell

Title: Authorized Signatory

130 Liberty Street
New York, New York 10006
Tel: (212) 250-9094
Fax: (212) 250-7200
Attention: May Kay Coyle

BANKERS TRUST COMPANY,
Individually and as
Administrative Agent

By /s/ Gina S. Thompson

Title: Vice President

with a copy to the same
address to the attention
of Philip Saliba

555 South Flower Street
Los Angeles, CA 90071
Tel: (213) 228-2768
Fax: (213) 228-2641
Attention: Scott Faber

BANK OF AMERICA NATIONAL
TRUST AND SAVINGS ASSOCIATION,
Individually and as Documentation
Agent

By /s/ Scott Faber

Title: Vice President

2029 Century Park East
Suite 2900
Los Angeles, CA 90067
Tel: (310) 788-7104
Fax: (310) 551-1537
Attention: Don Schubert

SOCIETE GENERALE, Individually
and as a Co-Syndication Agent

By /s/ Donald L. Schubert

Title: First Vice President

350 South Grand Avenue
Suite 2600
Los Angeles, CA 90071
Tel: (213) 617-6241
Fax: (213) 346-0157
Attention: Chris Stedman

CANADIAN IMPERIAL BANK OF
COMMERCE, Individually
and as a Co-Syndication Agent

By /s/ Paul J. Chakmak

Title: Managing Director
CIBC Oppenheimer Corp., AS AGENT

3680 Route 9 South
Freehold, NJ 07728
Tel: (732) 294-4282
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By /s/ John Harrison

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Attention: Alan Bookspan

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WELLS FARGO BANK, NATIONAL
ASSOCIATION

By /s/ Sue Fuller

Title: Vice President

NATIONSBANK, N.A. (SOUTH)

By /s/ John Ellington

Title: Vice President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By /s/ Alan S. Bookspan

Title: Vice President

By /s/ James Veneau

Title: Associate

THE LONG-TERM CREDIT BANK OF
JAPAN, LIMITED, NEW YORK BRANCH

By /s/ Philip Marsden

Title: Senior Vice President

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By /s/ Denise D. Killen

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By /s/ Alan F. Lyster, Jr.

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CREDIT LYONNAIS ATLANTA AGENCY

By /s/ David M. Cawrse

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Manager

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Attention: Thomas Foley

DEUTSCHE BANK AG, acting through its
New York Branch

By /s/ Stephan A. Wiedemann

Title: Director

By /s/ Thomas Foley

Title: Vice President

Georgia-Pacific Center
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THE SUMITOMO BANK, LIMITED,
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Attention: Gary Franke

By /s/ Gary Franke

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CORP.

By /s/ Toshihiro Hayashi

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OREGON

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By /s/ Dennis S. Losin

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BRANCH

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Attention: Michael Tolentino

By: ABN AMRO NORTH AMERICA,
INC., as its Agent

By /s/ Tamira Treffers-Herrera

Title: Vice President & Director

By /s/ Michael Tolentino

Title: Asst. Vice Pres. &
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By /s/ F.C.H. Ashby

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By /s/ Christian Jagenberg

Title: Sr. Vice President &
Manager

By /s/ Werner Schmidbauer

Title: Vice President

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FIRST SECURITY BANK, N.A.

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Attention: Shinichi Nakatani

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NEW YORK BRANCH

By /s/ Shinichi Nakatani

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HOUSTON AGENCY

By /s/ David P. Camp

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MICHIGAN NATIONAL BANK

By /s/ Joseph M. Redoutey

Title: Relationship Manager

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FIRST NATIONAL BANK OF COMMERCE

By /s/ Louis Ballero

Title: Senior Vice President

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Attention: Shawn Janko

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By /s/ C. Dee O'Dell, II

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By /s/ Elizabeth H. Vaughn

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Attention: James Moore, Jr.

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ASSOCIATION

By /s/ James H. Moore, Jr.

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Attention: Tatsuji Noguchi

THE DAI-ICHI KANGYO BANK, LTD.

By /s/ Tatsuji Noguchi

Title: Joint General Manager

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By /s/ Ross Wales

Title: Assistant Vice President

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Attention: Larry Ratzlaff

DEPOSIT GUARANTY NATIONAL BANK

By /s/ Larry C. Ratzlaff

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ERSTE BANK DER OESTERREICHISCHEN
SPARKASSEN AG

Attention: Dave Manheim

By /s/ John Runnion

Title: First Vice President

By /s/ David Manheim

Title: Assistant Vice President

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Attention: Renee Drake

SUNTRUST BANK, NASHVILLE, N.A.

By /s/ Renee Drake

Title: Vice President

c/o Credit Lyonnais Atlanta Agency
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Tel: (404) 524-3700
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Attention: Christina Earnshaw

CREDIT LYONNAIS CAYMAN ISLAND
BRANCH

By /s/

Title:

SCHEDULE I

REVOLVING LOAN COMMITMENTS

Name	Amount
Bankers Trust Company	\$310,500,000
Bank of America National Trust and Savings Association	\$143,500,000
Societe Generale	\$141,500,000
Canadian Imperial Bank of Commerce	\$139,000,000
Fleet Bank, N.A.	\$146,000,000
Wells Fargo Bank, National Association	\$145,500,000
NationsBank, N.A. (South)	\$138,500,000
Westdeutsche Landesbank Girozentrale, New York Branch	\$71,500,000
The Long-Term Credit Bank of Japan, Limited, New York Branch	\$59,000,000
PNC Bank, National Association	\$56,000,000
The Bank of New York	\$54,000,000
Credit Lyonnais Atlanta Agency	\$54,000,000
Deutsche Bank AG	\$50,000,000
The Sumitomo Bank, Limited, Atlanta Agency	\$43,000,000
The Mitsubishi Trust & Banking Corp.	\$38,000,000
United States National Bank of Oregon	\$37,000,000
The Sanwa Bank, Limited, Atlanta Agency	\$30,000,000
ABN AMRO Bank N.V., San Francisco Branch	\$27,000,000
The Bank of Nova Scotia	\$26,000,000
Commerzbank AG, Los Angeles Branch	\$25,000,000
First Security Bank, N.A.	\$25,000,000
The Industrial Bank of Japan, Limited, Atlanta Agency	\$24,000,000
The Tokai Bank, Limited, New York Branch	\$24,000,000
Banque Nationale De Paris, Houston Agency	\$20,000,000
Michigan National Bank	\$20,000,000
First National Bank of Commerce	\$19,000,000
Wachovia Bank, N.A.	\$15,000,000
First American National Bank	\$12,000,000
First Tennessee Bank National Association	\$12,000,000
The Dai-Ichi Kangyo Bank, Ltd.	\$10,000,000
Hibernia National Bank	\$10,000,000
Deposit Guaranty National Bank	\$8,000,000
Erste Bank der Oesterreichischen Sparkassen AG	\$8,000,000
SunTrust Bank, Nashville, N.A.	\$8,000,000
TOTAL	\$1,950,000,000

CREDIT AGREEMENT

among

HARRAH'S ENTERTAINMENT, INC.,

HARRAH'S OPERATING COMPANY, INC.,

CERTAIN SUBSIDIARIES OF HARRAH'S OPERATING COMPANY, INC.,

VARIOUS BANKS,

CANADIAN IMPERIAL BANK OF COMMERCE

and

SOCIETE GENERALE,
as CO-SYNDICATION AGENTS,

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION,
as DOCUMENTATION AGENT,

and

BANKERS TRUST COMPANY,
as ADMINISTRATIVE AGENT

Dated as of June 9, 1995

and
Amended and Restated
as of April 1, 1998

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SCHEDULE I	Revolving Loan Commitments
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SCHEDULE VII	Existing Liens
SCHEDULE VIII	Litigation

EXHIBIT A-1	Notice of Borrowing
EXHIBIT A-2	Notice of Competitive Bid Borrowing
EXHIBIT B	Revolving Note
EXHIBIT C	Section 3.04(b)(iii) Certificate
EXHIBIT D	Election to Become a Subsidiary Borrower
EXHIBIT E	Assignment and Assumption Agreement

CREDIT AGREEMENT, dated as of June 9, 1995, and amended and restated as of April 1, 1998, among HARRAH'S ENTERTAINMENT, INC., a Delaware corporation ("Parent"), HARRAH'S OPERATING COMPANY, INC., a Delaware corporation (the "Company"), each Subsidiary Borrower (together with the Company, each a "Borrower" and, collectively, the "Borrowers"), the Banks party hereto from time to time, CANADIAN IMPERIAL BANK OF COMMERCE and SOCIETE GENERALE, as Co-Syndication Agents, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Documentation Agent, and BANKERS TRUST COMPANY, as Administrative Agent (all capitalized terms used herein and defined in Section 10 are used herein as therein defined).

W I T N E S S E T H :

WHEREAS, Parent, the Borrowers, the Existing Banks and the Administrative Agent are party to a Credit Agreement, dated as of June 9, 1995 (as the same has been amended, modified or supplemented to, but not including, the First Restatement Effective Date, the "Existing Credit Agreement"); and

WHEREAS, the parties hereto wish to amend and restate the Existing Credit Agreement in its entirety as herein provided;

NOW, THEREFORE, the parties hereto agree that the Existing Credit Agreement shall be and hereby is amended and restated in its entirety as follows:

SECTION 1. Amount and Terms of Credit.

1.01 The Commitments. (a) Subject to and upon the terms and conditions set forth herein, each Bank severally agrees, (A) to convert, on the First Restatement Effective Date, Existing Revolving Loans made by such Bank to the respective Borrower pursuant to the Existing Credit Agreement and outstanding on the First Restatement Effective Date into a Borrowing of Revolving Loans hereunder to such Borrowers (as so converted, together with all Revolving Loans made pursuant to following clause (B), the "Revolving Loans" and each, a "Revolving Loan") and (B) at any time and from time to time on and after the First Restatement Effective Date and prior to the Maturity Date for such Bank, to make one or more additional Revolving Loans to one or more Borrowers, all of which Revolving Loans made pursuant to preceding clauses (A) and (B):

(i) shall, at the option of the respective Borrower, be Base Rate Loans or Eurodollar Loans, provided that, except as otherwise specifically provided in Section

1.11(b), all Revolving Loans comprising the same Borrowing shall at all times be of the same Type;

(ii) may be repaid and reborrowed in accordance with the provisions hereof;

(iii) shall not exceed for any Bank at any time outstanding that aggregate principal amount which equals the Revolving Loan Commitment of such Bank at such time;

(iv) shall not exceed for all Banks at any time outstanding that aggregate principal amount which, when added to the aggregate principal amount of all Competitive Bid Loans (exclusive of Competitive Bid Loans which are repaid with the proceeds of, and simultaneously with the incurrence of, the respective incurrence of Revolving Loans) then outstanding, equals the Total Revolving Loan Commitment at such time (after giving effect to any reductions to the Total Revolving Loan Commitment on such date); and

(v) shall not exceed for any Subsidiary Borrower at any time outstanding that aggregate principal amount which equals such Subsidiary Borrower's Sub-Limit.

(b) Subject to and upon the terms and conditions set forth herein, each Bank severally agrees that the Company may incur a loan or loans (each a "Competitive Bid Loan" and, collectively, the "Competitive Bid Loans") pursuant to a Competitive Bid Borrowing from time to time on and after the First Restatement Effective Date and prior to the date which is the Business Day preceding the date which is 30 days prior to the Final Maturity Date then in effect, provided that after giving effect to any Competitive Bid Borrowing then being made the aggregate principal amount of all Competitive Bid Loans then outstanding, when added to the aggregate principal amount of all Revolving Loans then outstanding, shall not exceed the Total Revolving Loan Commitment at such time. Within the foregoing limits and subject to the terms and conditions set forth in Sections 1.04 and 5, Competitive Bid Loans may be repaid and reborrowed in accordance with the provisions hereof.

(c) Notwithstanding anything to the contrary contained in this Agreement, on the First Restatement Effective Date the Borrowers shall, in coordination with the Administrative Agent and the Banks, repay outstanding Revolving Loans (after giving effect to the conversion of Existing Revolving Loans on such date) of certain Banks and, if necessary, incur additional Revolving Loans from other Banks in each case so that the Banks continue to participate in each Borrowing of Revolving Loans pro rata on the basis of their Revolving Loan Commitments.

1.02 Minimum Amount of Each Borrowing of Revolving Loans. The aggregate principal amount of each Borrowing of Revolving Loans shall not be less than \$5,000,000 and, if greater, shall be in an integral multiple of \$1,000,000. More than one Borrowing of Revolving Loans may occur on the same date, but at no time shall there be outstanding more than six Borrowings of Eurodollar Loans.

1.03 Notice of Borrowing. Whenever a Borrower desires to incur Revolving Loans hereunder, such Borrower shall give the Administrative Agent at the Notice Office at least one Business Day's prior notice of each Base Rate Loan and at least three Business Days' prior notice of each Eurodollar Loan to be made hereunder, provided that any such notice shall be deemed to have been given on a certain day only if given before 12:00 Noon (New York time) on such day. Each such notice (each a "Notice of Borrowing"), except as otherwise expressly provided in Section 1.11, shall be irrevocable and shall be given by such Borrower in the form of Exhibit A-1, appropriately completed to specify the aggregate principal amount of the Revolving Loans to be made pursuant to such Borrowing, the date of such Borrowing (which shall be a Business Day), whether the Revolving Loans being made pursuant to such Borrowing are to be initially maintained as Base Rate Loans or Eurodollar Loans and, if Eurodollar Loans, the initial Interest Period to be applicable thereto. The Administrative Agent shall promptly give each Bank written notice of such proposed Borrowing, of such Bank's proportionate share thereof and of the other matters required by the immediately preceding sentence to be specified in the Notice of Borrowing.

1.04 Competitive Bid Borrowings. (a) Whenever the Company desires to incur a Competitive Bid Borrowing, it shall deliver to the Administrative Agent at the Notice Office not later than 11:00 A.M (New York time) at least three Business Days prior to the date of such proposed Competitive Bid Borrowing, a written notice substantially in the form of Exhibit A-2 (each a "Notice of Competitive Bid Borrowing"), such notice to specify in each case (i) the date (which shall be a Business Day) and the aggregate principal amount of the proposed Competitive Bid Borrowing (which shall not be less than \$5,000,000), (ii) the maturity date for repayment of each Competitive Bid Loan to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than seven days after the date of such Competitive Bid Borrowing or later than the fifth Business Day preceding the Final Maturity Date then in effect), (iii) the interest payment date or dates relating thereto (which shall be at least every three months in the case of maturities in excess of three months), (iv) the Senior Implied Indebtedness rating assigned by S&P and Moody's to the Company's Indebtedness, which ratings shall be at least BBB- Senior Implied in the case of S&P

or Baa3 Senior Implied in the case of Moody's and (v) any other terms to be applicable to such Competitive Bid Borrowing. The Administrative Agent shall promptly notify each Bidder Bank of each such request for a Competitive Bid Borrowing received by it from the Company by telecopying to each such Bidder Bank a copy of the related Notice of Competitive Bid Borrowing.

(b) Each Bidder Bank shall, if in its sole discretion it elects to do so, irrevocably offer to make one or more Competitive Bid Loans to the Company as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Bidder Bank in its sole discretion and determined by such Bidder Bank independently of each other Bidder Bank by notifying the Administrative Agent in writing (which shall give prompt written notice thereof to the Company), before 10:00 A.M. (New York time) on the date (the "Reply Date") which is two Business Days before the date of such proposed Competitive Bid Borrowing of the minimum amount, if any, and maximum amount of each Competitive Bid Loan which such Bidder Bank would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts may, subject to the proviso to the first sentence of Section 1.01(b), exceed such Bank's Revolving Loan Commitment) and the rate or rates of interest therefor; provided, that if the Administrative Agent in its capacity as a Bidder Bank shall, in its sole discretion, elect to make any such offer, it shall notify the Company in writing of such offer before 9:30 A.M. (New York time) on the Reply Date. If any Bidder Bank shall elect not to make such an offer, such Bidder Bank shall so notify the Administrative Agent, before 10:00 A.M. (New York time) on the Reply Date, and such Bidder Bank shall not be obligated to, and shall not, make any Competitive Bid Loan as part of such Competitive Bid Borrowing; provided, that the failure by any Bidder Bank to give such notice shall not cause such Bidder Bank to be obligated to, and such Bidder Bank shall not, make any Competitive Bid Loan as part of such proposed Competitive Bid Borrowing.

(c) The Company shall, in turn, before 12:00 Noon (New York time) on the Reply Date, either:

(1) cancel such Competitive Bid Borrowing by giving the Administrative Agent notice (in writing or by telephone confirmed in writing) to that effect, or

(2) accept one or more of the offers made by any Bidder Bank or Bidder Banks pursuant to clause (b) above by giving notice (in writing or by telephone confirmed in writing) to the Administrative Agent of the amount of each Competitive Bid Loan (which amount shall be equal to or greater than the minimum amount, if any, and equal to or

less than the maximum amount, notified to the Company by the Administrative Agent on behalf of each such Bidder Bank for such Competitive Bid Borrowing) and reject any remaining offers made by Bidder Banks pursuant to clause (b) above by giving the Administrative Agent notice to that effect; provided that acceptance of offers may only be made on the basis of ascending Absolute Rates commencing with the lowest rate so offered; provided further, however, if offers are made by two or more Bidder Banks at the same rate and acceptance of all such equal offers would result in a greater principal amount of Competitive Bid Loans being accepted than the aggregate principal amount requested by the Company, the Company shall have the right to accept one or more such equal offers in their entirety and reject the other equal offer or offers or to allocate acceptance among all such equal offers (but giving effect to the minimum amounts, if any, and maximum amounts specified for each such offer pursuant to clause (b) above), as the Company may elect in its sole discretion.

(d) If the Company notifies the Administrative Agent that such Competitive Bid Borrowing is cancelled pursuant to clause (c)(1) above, the Administrative Agent shall give prompt written notice thereof to the Bidder Banks and such Competitive Bid Borrowing shall not be made.

(e) If the Company accepts one or more of the offers made by any Bidder Bank or Bidder Banks pursuant to clause (c)(2) above, the Administrative Agent shall in turn promptly notify (in writing or by telephone confirmed in writing) (x) each Bidder Bank that has made an offer as described in clause (b) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Bidder Bank pursuant to clause (b) above have been accepted by the Company and (y) each Bidder Bank that is to make a Competitive Bid Loan as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Loan to be made by such Bidder Bank as part of such Competitive Bid Borrowing.

(f) On the last Business Day of each calendar quarter, the Administrative Agent shall notify the Company and the Banks of the aggregate principal amount of Competitive Bid Loans outstanding at such time.

1.05 Disbursement of Funds. Not later than 10:00 A.M. (New York time) on the date specified in each Notice of Borrowing (or in the case of Competitive Bid Borrowings, not later than 10:00 A.M. (New York time) on the date specified pursuant to Section 1.04(b)), each Bank will make available its pro rata portion of each such Borrowing requested to be

made on such date (or in the case of Competitive Bid Loans, each Bidder Bank participating in the respective Competitive Bid Borrowing will make available its share thereof). All such amounts shall be made available in Dollars and in immediately available funds at the Payment Office, and the Administrative Agent will make available to the respective Borrower at the Payment Office the aggregate of the amounts so made available by the Banks. Unless the Administrative Agent shall have been notified by any Bank prior to the date of Borrowing that such Bank does not intend to make available to the Administrative Agent such Bank's portion of any Borrowing to be made on such date, the Administrative Agent may assume that such Bank has made such amount available to the Administrative Agent on such date of Borrowing and the Administrative Agent may, in reliance upon such assumption, make available to the respective Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Bank, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Bank. If such Bank does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the respective Borrower and such Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover on demand from such Bank or such Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to such Borrower until the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (i) if recovered from such Bank, the overnight Federal Funds Rate and (ii) if recovered from such Borrower, the rate of interest applicable to the respective Borrowing, as determined pursuant to Section 1.09. Nothing in this Section 1.05 shall be deemed to relieve any Bank from its obligation to make Loans hereunder or to prejudice any rights which the respective Borrower may have against any Bank as a result of any failure by such Bank to make Loans hereunder.

1.06 Notes. (a) Each Borrower's obligation to pay the principal of, and interest on, the Revolving Loans made by each Bank to such Borrower shall be set forth in the Register maintained by the Administrative Agent pursuant to Section 12.17(b) and shall, if requested by any Bank, be evidenced by a promissory note duly executed and delivered by such Borrower substantially in the form of Exhibit B, with blanks appropriately completed in conformity herewith (each a "Revolving Note" and, collectively, the "Revolving Notes").

(b) The Revolving Note issued by each Borrower to each Bank shall (i) be payable to the order of such Bank and be dated the First Restatement Effective Date, (ii) be in a stated principal amount equal to the Revolving Loan Commitment of such Bank and be payable in the principal amount of the outstanding Revolving Loans evidenced thereby, (iii) mature on such Bank's Maturity Date, (iv) bear interest as provided in the appropriate clause of Section 1.09 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (v) be subject to voluntary prepayment as provided in Section 3.01, and mandatory repayment as provided in Section 3.02, and (vi) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) Each Bank will note on its internal records the amount of each Revolving Loan made by it and each payment in respect thereof and will prior to any transfer of any of its Revolving Notes endorse on the reverse side thereof the outstanding principal amount of Revolving Loans evidenced thereby. Failure to make any such notation (or any error in such notation) shall not affect any Borrower's obligations in respect of such Revolving Loans.

1.07 Conversions. Each Borrower shall have the option to convert, on any Business Day, at least \$5,000,000 of the outstanding principal amount of the Revolving Loans made pursuant to one or more Borrowings of one or more Types of Revolving Loans into a Borrowing of another Type of Revolving Loan, provided that (i) except as otherwise provided in Section 1.11(b), Eurodollar Loans may be converted into Base Rate Loans only on the last day of an Interest Period applicable to the Revolving Loans being converted and no such conversion of Eurodollar Loans shall reduce the outstanding principal amount of such Eurodollar Loans made pursuant to a single Borrowing to less than \$5,000,000, (ii) unless the Required Banks otherwise agree, Base Rate Loans may only be converted into Eurodollar Loans if no Event of Default is in existence on the date of the conversion and (iii) no conversion pursuant to this Section 1.07 shall result in a greater number of Borrowings of Eurodollar Loans than is permitted under Section 1.02. Each such conversion shall be effected by the respective Borrower by giving the Administrative Agent at the Notice Office prior to 12:00 Noon (New York time) at least three Business Days' prior notice (each a "Notice of Conversion") specifying the Revolving Loans to be so converted, the Borrowing(s) pursuant to which such Revolving Loans were made and, if to be converted into Eurodollar Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall give each Bank prompt written notice of any such proposed conversion affecting any of its Revolving Loans. Upon any such conversion the proceeds thereof will be deemed to be

applied directly on the day of such conversion to prepay the outstanding principal amount of the Revolving Loans being converted.

1.08 Pro Rata Borrowings. All Borrowings of Revolving Loans under this Agreement shall be incurred from the Banks pro rata on the basis of their Revolving Loan Commitments. It is understood that no Bank shall be responsible for any default by any other Bank of its obligation to make Revolving Loans hereunder and that each Bank shall be obligated to make the Revolving Loans provided to be made by it hereunder, regardless of the failure of any other Bank to make its Revolving Loans hereunder.

1.09 Interest. (a) Each Borrower agrees to pay interest in respect of the unpaid principal amount of each Base Rate Loan from the date of Borrowing thereof until the earlier of (i) the maturity thereof (whether by acceleration or otherwise) and (ii) the conversion of such Base Rate Loan to a Eurodollar Loan pursuant to Section 1.07 or 1.10, as applicable, at a rate per annum which shall be equal to the Base Rate in effect from time to time.

(b) Each Borrower agrees to pay interest in respect of the unpaid principal amount of each Eurodollar Loan from the date of Borrowing thereof until the earlier of (i) the maturity thereof (whether by acceleration or otherwise) and (ii) the conversion of such Eurodollar Loan to a Base Rate Loan pursuant to 1.06, 1.10 or 1.11, as applicable, at a rate per annum which shall, during each Interest Period applicable thereto, be equal to the sum of the Applicable Margin plus the Eurodollar Rate for such Interest Period.

(c) The Company agrees to pay interest in respect of the unpaid principal amount of each Competitive Bid Loan from the date the proceeds thereof are made available to the Company until the maturity thereof (whether by acceleration or otherwise) at the rate or rates per annum specified pursuant to Section 1.04(b) by the Bidder Bank or Bidder Banks, as the case may be, making such Competitive Bid Loans and accepted by the Company pursuant to Section 1.04(c)(2).

(d) Overdue principal and, to the extent permitted by law, overdue interest in respect of each Loan and any other overdue amount payable hereunder shall, in each case, bear interest at a rate per annum equal to the greater of (x) 2% per annum in excess of the Base Rate in effect from time to time and (y) the rate which is 2% in excess of the rate then borne by such Loans, in each case with such interest to be payable on demand.

(e) Accrued (and theretofore unpaid) interest shall be payable (i) in respect of each Base Rate Loan, quarterly in arrears on the last Business Day of each March, June, September and December, (ii) in respect of each Eurodollar Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three month intervals after the first day of such Interest Period, (iii) in respect of each Competitive Bid Loan, at such times as specified in the Notice of Competitive Bid Borrowing relating thereto and (iv) in respect of each Loan, on any repayment (on the amount repaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(f) Upon each Interest Determination Date, the Administrative Agent shall determine the Eurodollar Rate for each Interest Period applicable to Eurodollar Loans and shall promptly notify the respective Borrower and the Banks thereof. Each such determination shall, absent manifest error, be final and conclusive and binding on all parties hereto.

1.10 Interest Periods. At the time a Borrower gives any Notice of Borrowing or Notice of Conversion in respect of the making of, or conversion into, any Eurodollar Loan (in the case of the initial Interest Period applicable thereto) or on the third Business Day prior to the expiration of an Interest Period applicable to such Eurodollar Loan (in the case of any subsequent Interest Period), such Borrower shall have the right to elect, by giving the Administrative Agent notice thereof, the interest period (each an "Interest Period") applicable to such Eurodollar Loan, which Interest Period shall, at the option of such Borrower, be a one, two, three or six month period, provided that:

(i) all Eurodollar Loans comprising a Borrowing shall at all times have the same Interest Period;

(ii) the initial Interest Period for any Eurodollar Loan shall commence on the date of Borrowing of such Eurodollar Loan (including the date of any conversion thereto from a Base Rate Loan) and each Interest Period occurring thereafter in respect of such Eurodollar Loan shall commence on the day on which the next preceding Interest Period applicable thereto expires;

(iii) if any Interest Period relating to a Eurodollar Loan begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iv) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, however, that if any Interest Period for a Eurodollar Loan would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(v) unless the Required Banks otherwise agree, no Interest Period may be selected at any time when an Event of Default is then in existence; and

(vi) no Interest Period shall be selected which extends beyond the Final Maturity Date as then in effect.

If upon the expiration of any Interest Period applicable to a Borrowing of Eurodollar Loans, the respective Borrower has failed to elect, or is not permitted to elect, a new Interest Period to be applicable to such Eurodollar Loans as provided above, such Borrower shall be deemed to have elected to convert such Eurodollar Loans into Base Rate Loans effective as of the expiration date of such current Interest Period.

1.11 Increased Costs, Illegality, etc. (a) In the event that any Bank shall have determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto but, with respect to clause (i) below, may be made only by the Administrative Agent):

(i) on any Interest Determination Date that, by reason of any changes arising after the First Restatement Effective Date affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that such Bank shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar Loan or Competitive Bid Loan, as the case may be, because of (x) any change since the First Restatement Effective Date in any applicable law or governmental rule, regulation, order, guideline or request (whether or not having the force of law) or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order, guideline or request, such as, for example, but not limited to: (A) a change in the basis of taxation of payment to any Bank of the principal of or interest on any Loans or any other amounts payable hereunder (except for changes in the rate of tax on, or determined by

reference to, the net income or profits of such Bank pursuant to the laws of the jurisdiction in which it is organized or in which its principal office or applicable lending office is located or any subdivision thereof or therein) or (B) a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Eurodollar Rate and/or (y) other circumstances since the First Restatement Effective Date affecting such Bank or the interbank Eurodollar market or the position of such Bank in such market; or

(iii) at any time, that the making or continuance of any Eurodollar Loan or Competitive Bid Loan, as the case may be, has been made (x) unlawful by any law or governmental rule, regulation or order, (y) impossible by compliance by any Bank in good faith with any governmental request (whether or not having force of law) or (z) impracticable as a result of a contingency occurring after the First Restatement Effective Date which materially and adversely affects the interbank Eurodollar market;

then, and in any such event, such Bank (or the Administrative Agent, in the case of clause (i) above) shall promptly give telephonic notice (confirmed in writing) to the respective Borrower and, except in the case of clause (i) above, to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Banks). Thereafter (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as the Administrative Agent notifies the respective Borrower and the Banks that the circumstances giving rise to such notice by the Administrative Agent no longer exist, and any Notice of Borrowing or Notice of Conversion given by such Borrower with respect to Eurodollar Loans which have not yet been incurred (including by way of conversion) shall be deemed rescinded by such Borrower, (y) in the case of clause (ii) above, the respective Borrower shall pay to such Bank, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Bank in its sole discretion shall determine) as shall be required to compensate such Bank for such increased costs or reductions in amounts received or receivable hereunder (a written notice as to the additional amounts owed to such Bank, showing the basis for the calculation thereof, submitted to such Borrower by such Bank shall, absent manifest error, be final and conclusive and binding on all the parties hereto) and (z) in the case of clause (iii) above, the respective Borrower shall take one of the actions specified in Section 1.11(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Eurodollar Loan or Competitive Bid Loan is affected by the circumstances described in Section 1.11(a)(ii) or (iii), the respective Borrower may (and in the case of any Eurodollar Loan or Competitive Bid Loan affected by the circumstances described in Section 1.11(a)(iii) shall) either (x) if the affected Eurodollar Loan or Competitive Bid Loan is then being made initially or pursuant to a conversion, cancel the respective Borrowing by giving the Administrative Agent telephonic notice (confirmed in writing) on the same date that such Borrower was notified by the affected Bank or the Administrative Agent pursuant to Section 1.11(a)(ii) or (iii), (y) if the affected Eurodollar Loan is then outstanding, upon at least three Business Days' written notice to the Administrative Agent, require the affected Bank to convert such Eurodollar Loan into a Base Rate Loan or (z) if the affected Competitive Bid Loan is then outstanding, repay such Competitive Bid Loan in full; provided that, if more than one Bank is affected at any time, then all affected Banks must be treated the same pursuant to this Section 1.11(b).

(c) If at any time any Bank determines that the introduction of or any change in any applicable law or governmental rule, regulation, order, guideline, directive or request (whether or not having the force of law and including, without limitation, those announced or published prior to the First Restatement Effective Date) concerning capital adequacy, or any change in interpretation or administration thereof by any governmental authority, central bank or comparable agency, will have the effect of increasing the amount of capital required or expected to be maintained by such Bank or any corporation controlling such Bank based on the existence of such Bank's Revolving Loan Commitment hereunder or its obligations hereunder, then the Borrowers shall pay (and shall be jointly and severally obligated to pay) to such Bank, upon its written demand therefor, such additional amounts as shall be required to compensate such Bank or such other corporation for the increased cost to such Bank or such other corporation or the reduction in the rate of return to such Bank or such other corporation as a result of such increase of capital. In determining such additional amounts, each Bank will act reasonably and in good faith and will use averaging and attribution methods which are reasonable, provided that such Bank's determination of compensation owing under this Section 1.11(c) shall, absent manifest error, be final and conclusive and binding on all the parties hereto. Each Bank, upon determining that any additional amounts will be payable pursuant to this Section 1.11(c), will give prompt written notice thereof to the Borrowers, which notice shall show the basis for calculation of such additional amounts.

1.12 Compensation. The respective Borrower shall compensate each Bank, upon its written request (which request shall (x) set forth the basis for requesting such compensation and (y) absent manifest error, be final and conclusive and binding upon all the parties hereto), for all reasonable losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Bank to fund its Eurodollar Loans or Competitive Bid Loans) which such Bank may sustain: (i) if for any reason (other than a default by such Bank or the Administrative Agent) a Borrowing of Eurodollar Loans or Competitive Bid Loans, or conversion from or into Eurodollar Loans, does not occur on a date specified therefor in a Notice of Borrowing, Notice of Competitive Bid Borrowing or Notice of Conversion (whether or not withdrawn by such Borrower or deemed withdrawn pursuant to Section 1.11(a)); (ii) if any repayment (including any repayment made pursuant to Section 3.01 or 3.02 or a result of an acceleration of the Loans pursuant to Section 9) or conversion of any of its Eurodollar Loans or Competitive Bid Loans occurs on a date which is not the last day of an Interest Period with respect thereto or the maturity date thereof; (iii) if any prepayment of any of its Eurodollar Loans is not made on any date specified in a notice of prepayment given by such Borrower; or (iv) as a consequence of (x) any other default by such Borrower to repay its Loans when required by the terms of this Agreement or any Revolving Note held by such Bank or (y) any election made pursuant to Section 1.11(b).

1.13 Change of Lending Office. Each Bank agrees that on the occurrence of any event giving rise to the operation of Section 1.11(a)(ii) or (iii), Section 1.11(c) or Section 3.04 with respect to such Bank, it will, if requested by the Company, use reasonable efforts (subject to overall policy considerations of such Bank) to designate another lending office for any Loans affected by such event, provided that such designation is made on such terms that such Bank and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 1.13 shall affect or postpone any of the obligations of any Borrower or the right of any Bank provided in Sections 1.11 and 3.04.

1.14 Replacement of Banks. If any Bank (1) becomes a Defaulting Bank or otherwise defaults in its obligation to make Revolving Loans, (2) is incurring or is reasonably expected to incur costs which are or would be material in amount and are associated with a Gaming Authority's investigation of whether or not such Bank is a Qualified Person, (3) refuses to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the

Required Banks as provided in Section 12.12(b) or (4) becomes a Non-Continuing Bank, the Company shall have the right, if no Default or Event of Default will exist immediately after giving effect to such replacement, to replace such Bank (the "Replaced Bank") with one or more other Qualified Person or Persons, none of whom shall constitute a Defaulting Bank at the time of such replacement (collectively, the "Replacement Bank"), and each of whom shall be reasonably acceptable to the Administrative Agent, provided that:

(i) at the time of any replacement pursuant to this Section 1.14, the Replacement Bank shall enter into one or more Assignment and Assumption Agreements pursuant to, and in accordance with the terms of, Section 12.04(b) (and with all fees payable pursuant to said Section 12.04(b) to be paid by the Replacement Bank) pursuant to which the Replacement Bank shall acquire the Revolving Loan Commitment and all outstanding Loans of the Replaced Bank and, in connection therewith, shall pay to the Replaced Bank in respect thereof an amount equal to the sum of (A) an amount equal to the principal of, and all accrued interest on, all outstanding Loans of the Replaced Bank and (B) an amount equal to all accrued, but theretofore unpaid, Fees owing to the Replaced Bank pursuant to Section 2.01;

(ii) all obligations of the Borrowers owing to the Replaced Bank (including all obligations, if any, owing pursuant to Section 1.12, but excluding those obligations specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid) shall be paid in full to such Replaced Bank concurrently with such replacement; and

(iii) the Maturity Date applicable to the Replacement Bank's Revolving Loan Commitment shall be the Final Maturity Date then in effect (or as same may be extended from time to time thereafter by such Bank pursuant to Section 2.04).

Upon the execution of the respective Assignment and Assumption Agreements, the payment of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Bank, delivery to the Replacement Bank of the appropriate Revolving Notes executed by the Borrowers, the Replacement Bank shall become a Bank hereunder and the Replaced Bank shall cease to constitute a Bank hereunder, except with respect to indemnification provisions under this Agreement (including, without limitation, Sections 1.11, 1.12, 3.04, 12.01 and 12.06), which shall survive as to such Replaced Bank.

SECTION 2. Fees; Reductions of Revolving Loan Commitment; Final Maturity Date Extensions.

2.01 Fees. (a) The Company agrees to pay to the Administrative Agent for distribution to each Non-Defaulting Bank a facility fee (the "Facility Fee") for the period from the First Restatement Effective Date to but excluding the Final Maturity Date then in effect (or such earlier date as the Total Revolving Loan Commitment shall have been terminated), computed at a rate for each day equal to the Applicable Facility Fee Percentage on the daily average Revolving Loan Commitment of such Non-Defaulting Bank. Accrued Facility Fees shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December and on the Final Maturity Date then in effect or such earlier date upon which the Total Revolving Loan Commitment shall have been terminated and, with respect to any Facility Fee owing to any Bank whose Revolving Loan Commitment shall have been terminated pursuant to Section 1.14, on the date on which such Bank's Revolving Loan Commitment shall have been terminated.

(b) Each Borrower agrees to pay to the Administrative Agent, for its own account, such other fees as have been agreed to in writing by such Borrower and the Administrative Agent.

2.02 Voluntary Termination of Unutilized Revolving Loan Commitments. (a) Upon at least two Business Days' prior written notice to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Banks), the Company shall have the right, at any time or from time to time, without premium or penalty, to terminate the Total Unutilized Revolving Loan Commitment, in whole or in part, in integral multiples of \$5,000,000 in the case of partial reductions to the Total Unutilized Revolving Loan Commitment, provided that each such reduction shall apply proportionately to permanently reduce the Revolving Loan Commitment of each Bank.

(b) In the event of certain refusals by a Bank to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Banks as provided in Section 12.12(b), the Company shall have the right, upon five Business Days' prior written notice to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Banks), to terminate the entire Revolving Loan Commitment of such Bank, so long as all Loans, together with accrued and unpaid interest, Fees and all other amounts owing to such Bank are repaid concurrently with the effectiveness of such termination pursuant to Section 3.01(iv) (at which time Schedule I shall be deemed modified to reflect such changed amounts), and at such time, such Bank shall no longer constitute a "Bank" for purposes of this Agreement, except with respect to indemnifications under this Agreement (including, without

limitation, Sections 1.11, 1.12, 3.04, 12.01 and 12.06), which shall survive as to such repaid Bank.

2.03 Mandatory Reduction of Revolving Loan Commitments. (a) (i) In addition to any other mandatory commitment reductions pursuant to this Section 2.03, the Total Revolving Loan Commitment (and the Revolving Loan Commitment of each Bank) shall terminate in its entirety on the Final Maturity Date then in effect.

(ii) In addition to any other mandatory commitment reductions pursuant to this Section 2.03, each Bank's Revolving Loan Commitment shall terminate in its entirety on such Bank's Maturity Date.

(b) In addition to any other mandatory commitment reductions pursuant to this Section 2.03, on the 15th day after the date on which any Change of Control occurs, the Total Revolving Loan Commitment shall be reduced to zero unless the Required Banks otherwise agree in writing in their sole discretion.

(c) In addition to any other mandatory commitment reductions pursuant to this Section 2.03, on each date after the First Restatement Effective Date upon which Parent or any of its Subsidiaries receives any proceeds from any incurrence by Parent or any of its Subsidiaries of Permitted Designated Indebtedness, the Total Revolving Loan Commitment shall be reduced by an amount equal to its Share of the cash proceeds of the respective incurrence of Permitted Designated Indebtedness (net of underwriting or placement discounts and commissions and other reasonable costs associated therewith), provided, to the extent that the 5-Year Banks do not require that their full Share be applied to reduce the Total 5-Year Revolving Loan Commitment, the amount of their Share not so applied shall instead be applied to reduce the Total Revolving Loan Commitment as required by clause (e) of this Section 2.03.

(d) In addition to any other mandatory commitment reductions pursuant to this Section 2.03, on each date after the First Restatement Effective Date upon which Parent or any of its Subsidiaries receives proceeds from any Designated Asset Sale, the Total Revolving Loan Commitment shall be reduced by an amount equal to its Share of the Net Sale Proceeds from the respective Designated Asset Sale, provided that, to the extent that the 5-Year Banks do not require that their full Share be applied to reduce the Total 5-Year Revolving Loan Commitment, the amount of their Share not so applied shall instead be applied to reduce the Total Revolving Loan Commitment as required by clause (e) of this Section 2.03.

(e) In addition to any other mandatory commitment reductions pursuant to this Section 2.03, following any mandatory commitment reduction required by Section 2.03(c) or (d) with respect to which the Shares of the various Issues of Senior Debt have been calculated in accordance with clause (A) of the definition of "Share," on the first date thereafter upon which it is subsequently determined that the amount which will actually be required to mandatorily reduce the Total 5-Year Revolving Loan Commitment is less than the Share applicable thereto (whether because the 5-Year Banks elected not to require such reduction or otherwise), then the amount which will not be so required to mandatorily reduce the Total 5-Year Revolving Loan Commitment shall instead be required to reduce the Total Revolving Loan Commitment as required by Section 2.03(c) or (d), as the case may be.

(f) The Total Revolving Loan Commitment shall be reduced, and the Revolving Loan Commitment of the respective Former Bank shall be terminated, in the amount and at the times provided in Section 12.04(d).

(g) Except as otherwise provided in clauses (a)(ii) and (f) of this Section 2.03, each reduction to the Total Revolving Loan Commitment pursuant to this Section 2.03 shall be applied proportionately to reduce the Revolving Loan Commitment of each Bank.

2.04 Final Maturity Date Extensions. (a) Not less than 45 days and not more than 90 days prior to the Final Maturity Date then in effect, the Company may make a written request to the Administrative Agent, who shall forward a copy of each such request to each of the Banks, that the Final Maturity Date then in effect be extended to the date which occurs 364 days after the Requested Extension Effective Date specified by the Company in its written request as described in the immediately succeeding sentence. Each request by the Company pursuant to the immediately preceding sentence shall specify a date (the "Requested Extension Effective Date"), which shall be not earlier than 15 days after the giving of the respective notice and not later than 15 days prior to the Final Maturity Date then in effect, which would be the date of the effectiveness of the changes to the Final Maturity Date and the Maturity Dates of the consenting Banks. Each request pursuant to the first sentence of this Section 2.04 shall also be accompanied by a certificate of a senior officer of the Company stating that no Default or Event of Default has occurred and is continuing. Each Bank, acting in its sole discretion and with no obligation to grant any extension pursuant to this Section 2.04, shall, by written notice to the Company and the Administrative Agent, such notice to be given on or prior to the earlier of (x) the Requested Extension Effective Date and (y) the 30th day following receipt by such Bank of such

request by the Company, advise the Company and the Administrative Agent whether or not such Bank agrees to such extension, provided that any Bank which fails to so notify the Company and the Administrative Agent as provided above shall be deemed to have elected not to grant such extension. In giving any extensions pursuant to the immediately preceding sentence, any Bank, at its option, may specify that its extension is conditioned upon each other Bank agreeing to the extension of the Final Maturity Date or, in lieu thereof, may specify that Banks with a certain minimum aggregate amount of Revolving Loan Commitments (to be specified by such Bank) shall have agreed to such extension. The Administrative Agent shall notify the Company and each of the Banks as to which Banks have agreed to such extension and as to the new Final Maturity Date as a result thereof.

(b) In the event that the Final Maturity Date is extended by some but not all of the Banks, unless the Non-Continuing Bank or Banks shall have been replaced by a Replacement Bank on or before the Maturity Date of each such Non-Continuing Bank pursuant to Section 1.14, on the Maturity Date of each such Non-Continuing Bank the Borrower shall repay all Loans of each such Non-Continuing Bank, together with all accrued and unpaid interest thereon, and all Fees and other amounts owing to each such Non-Continuing Bank and upon such payment each such Non-Continuing Bank shall cease to constitute a Bank hereunder, except with respect to the indemnification provisions under this Agreement (including, without limitation, Sections 1.11, 1.12, 3.04, 12.01 and 12.06), which shall survive as to each such Non-Continuing Bank.

SECTION 3. Prepayments; Payments; Taxes.

3.01 Voluntary Prepayments. Each Borrower shall have the right to prepay the Loans made to it, without premium or penalty, in whole or in part at any time and from time to time on the following terms and conditions:

(i) except as otherwise provided in clause (iv) of this Section 3.01, such Borrower shall give the Administrative Agent prior to 12:00 Noon (New York time) at the Notice Office (x) at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay Base Rate Loans and (y) at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay Eurodollar Loans, the amount of such prepayment and the Types of Revolving Loans to be prepaid and, in the case of Eurodollar Loans, the specific Borrowing or Borrowings pursuant to which made, which notice the Administrative Agent shall promptly transmit to each of the Banks;

(ii) except as otherwise provided in clause (iv) of this Section 3.01, each prepayment shall be in an aggregate principal amount of at least \$5,000,000, provided that, if any partial prepayment of Eurodollar Loans made pursuant to any Borrowing shall reduce the outstanding Eurodollar Loans made pursuant to such Borrowing to an amount less than \$5,000,000, then such Borrowing may not be continued as a Borrowing of Eurodollar Loans and any election of an Interest Period with respect thereto given by the Borrower shall have no force or effect (and such Borrowing shall be converted at such time into a Borrowing of Base Rate Loans);

(iii) except as otherwise provided in clause (iv) of this Section 3.01, each prepayment in respect of any Revolving Loans made pursuant to a Borrowing shall be applied pro rata among such Revolving Loans, provided that, at the respective Borrower's election in connection with any prepayment of Revolving Loans pursuant to this Section 3.01, such prepayment shall not be applied to any Revolving Loan of a Defaulting Bank;

(iv) in the event of certain refusals by a Bank to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Required Banks as provided in Section 12.12(b), the Borrowers shall have the right, upon five Business Days' prior written notice to the Administrative Agent at the Notice Office (which notice the Administrative Agent shall promptly transmit to each of the Banks), to repay all Loans, together with accrued and unpaid interest, Fees, and other amounts owing to such Bank in accordance with said Section 12.12(b) so long as (A) the Revolving Loan Commitment of such Bank is terminated concurrently with such repayment pursuant to Section 2.02(b) (at which time Schedule I shall be deemed modified to reflect the changed Revolving Loan Commitments) and (B) the consents required by Section 12.12(b) in connection with the repayment pursuant to this clause (iv) have been obtained; and

(v) except as otherwise provided in preceding clause (iv), the Company may not voluntarily prepay any Competitive Bid Loans without the consent of the Bank that had made such Competitive Bid Loans.

3.02 Mandatory Repayments. (a)(i) On any day on which the sum of the aggregate outstanding principal amount of Revolving Loans and Competitive Bids Loans exceeds the Total Revolving Loan Commitment as then in effect, there shall be required to be repaid on such date that principal amount of Revolving Loans and, after all such Revolving Loans have been

repaid in full, Competitive Bid Loans in an amount equal to such excess.

(ii) On any day on which the aggregate outstanding principal amount of Revolving Loans made to any Subsidiary Borrower exceeds such Subsidiary Borrower's Sub-Limit, such Subsidiary Borrower shall repay principal of its Revolving Loans in an amount equal to such excess.

(b) With respect to each repayment of Revolving Loans required by this Section 3.02, the respective Borrower may designate the Types of Revolving Loans which are to be repaid and, in the case of Eurodollar Loans, the specific Borrowing or Borrowings pursuant to which made, provided that: (i) repayments of Eurodollar Loans pursuant to this Section 3.02 may only be made on the last day of an Interest Period applicable thereto unless all Eurodollar Loans with Interest Periods ending on such date of required repayment and all Base Rate Loans have been paid in full; (ii) if any repayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Eurodollar Loans made pursuant to such Borrowing to an amount less than \$5,000,000, such Borrowing shall be converted on such day into a Borrowing of Base Rate Loans; and (iii) each repayment of any Revolving Loans made pursuant to a Borrowing shall be applied pro rata among such Revolving Loans. Each prepayment of Competitive Bid Loans required by this Section 3.02 shall be applied pro rata among all outstanding Competitive Bid Loans. In the absence of a designation by any Borrower as described in the second preceding sentence, the Administrative Agent shall, upon telephonic notice to the Company and subject to the above, make such designation in its sole discretion.

(c) Notwithstanding anything to the contrary contained elsewhere in this Agreement, (i) all then outstanding Competitive Bid Loans shall be repaid in full on the fifth Business Day preceding the Final Maturity Date then in effect and (ii) all then outstanding Revolving Loans shall be repaid in full on the Final Maturity Date then in effect.

3.03 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement or under any Revolving Note shall be made to the Administrative Agent for the account of the Bank or Banks entitled thereto not later than 12:00 Noon (New York time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Office. Whenever any payment to be made hereunder or under any Revolving Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of

principal, interest shall be payable at the applicable rate during such extension.

3.04 Net Payments. (a) All payments made by any Borrower hereunder or under any Revolving Note will be made without setoff, counterclaim or other defense. Except as provided in Section 3.04(b), all such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, except as provided in the immediately succeeding sentence, any tax imposed on or measured by the net income or profits of a Bank pursuant to the laws of the United States and the jurisdiction in which such Bank is organized or in which the principal office or applicable lending office of such Bank is located or any subdivision or taxing authority thereof or therein) and all interest, penalties or similar liabilities with respect thereto (collectively, "Taxes"). If any amounts are payable in respect of Taxes pursuant to the preceding sentence, then the Borrowers agree to reimburse each Bank, upon the written request of such Bank, for taxes imposed on or measured by the net income of such Bank pursuant to the laws of the jurisdiction in which the principal office or applicable lending office of such Bank is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which the principal office or applicable lending office of such Bank is located and for any withholding of income or similar taxes imposed by the United States of America as such Bank shall determine are payable by, or withheld from, such Bank in respect of such amounts so paid to or on behalf of such Bank pursuant to the preceding sentence and in respect of any amounts paid to or on behalf of such Bank pursuant to this sentence. If any Taxes are so levied or imposed, the Borrowers agree to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Revolving Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Revolving Note. The Borrowers will furnish to the Administrative Agent within 45 days after the date the payment of any Taxes is due pursuant to applicable law copies of official tax receipts received from the relevant taxing authority evidencing such payment by the Borrowers. The Borrowers agree to indemnify and hold harmless each Bank, and reimburse such Bank upon its written request, for the amount of any Taxes so levied or imposed and paid by such Bank.

(b) Each Bank which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes agrees (i) in the case of any such

Bank that is a "bank" within the meaning of Section 881(c)(3)(A) of the Code and which constitutes a Bank hereunder on the First Restatement Effective Date, to provide to the Company and the Administrative Agent within five days after the First Restatement Effective Date two original signed copies of Internal Revenue Service Form 4224 or Form 1001 (or successor forms) certifying to such Bank's entitlement (as of such date) to an exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Revolving Note, (ii) in the case of any such Bank that is a "bank" within the meaning of Section 881(c)(3)(A) of the Code, that, to the extent legally entitled to do so, (x) with respect to a Bank that is an assignee or transferee of an interest under this Agreement pursuant to Section 1.14 or 12.04 (unless the respective Bank was already a Bank hereunder immediately prior to such assignment or transfer), within five days after such assignment or transfer to such Bank, and (y) with respect to any such Bank, from time to time upon the reasonable written request of the Company or the Administrative Agent after the First Restatement Effective Date, such Bank will provide to the Company and the Administrative Agent two original signed copies of Internal Revenue Service Form 4224 or Form 1001 (or any successor forms) certifying to such Bank's entitlement to an exemption from, or reduction in, United States withholding tax with respect to payments to be made under this Agreement and under any Revolving Note, (iii) in the case of any such Bank (other than a Bank described in clause (i) or (ii) above) which constitutes a Bank hereunder on the First Restatement Effective Date, to provide to the Company and the Administrative Agent, within five days after the First Restatement Effective Date (x) a certificate substantially in the form of Exhibit C (any such certificate, a "Section 3.04(b)(iii) Certificate") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8, certifying to such Bank's entitlement at the date of such certificate to an exemption from United States withholding tax under the provisions of Section 881(c) of the Code with respect to payments to be made under this Agreement and under any Revolving Note and (iv) in the case of any such Bank (other than a Bank described in clause (i) or (ii) above), to the extent legally entitled to do so, (x) with respect to a Bank that is an assignee or transferee of an interest under this Agreement pursuant to Section 1.14 or 12.04 (unless the respective Bank was already a Bank hereunder immediately prior to such assignment or transfer), within five days after such assignment or transfer to such Bank, and (y) with respect to any such Bank, from time to time upon the reasonable written request of the Company or the Administrative Agent after the First Restatement Effective Date, to provide to the Company and the Administrative Agent such other forms as may be required in order to establish the entitlement of such Bank to an exemption from withholding with respect to payments under this Agreement and under any Revolving Note, or it

shall immediately notify the Borrowers and the Administrative Agent of its inability to deliver such other forms, in which case such Bank shall not be required to deliver any such other forms pursuant to this Section 3.04(b). Notwithstanding anything to the contrary contained in Section 3.04(a), but subject to the immediately succeeding sentence, each Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder (without any obligation to pay the respective Bank additional amounts with respect thereto) for the account of any Bank which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes and which has not provided to the Company such forms required to be provided to the Company pursuant to the first sentence of this Section 3.04(b). Notwithstanding anything to the contrary contained in the preceding sentence and except as set forth in Section 12.04(b), each Borrower agrees to indemnify each Bank in the manner set forth in Section 3.04(a) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes after the First Restatement Effective Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of income or similar Taxes.

(c) If any Borrower pays any additional amount under this Section 3.04 to a Bank and such Bank determines that it has received or realized in connection therewith any refund or any reduction of, or credit against, its Tax liabilities in or with respect to the taxable year in which the additional amount is paid, such Bank shall pay to the respective Borrower an amount that the Bank shall, in its sole discretion, determine is equal to the net benefit, after tax, which was obtained by the Bank in such taxable year as a consequence of such refund, reduction or credit.

SECTION 4A. Conditions Precedent to the First Restatement Effective Date. The occurrence of the First Restatement Effective Date pursuant to Section 12.10, and the obligation of each Bank to make Revolving Loans on the First Restatement Effective Date is subject to the satisfaction of the following conditions:

4A.01 Execution of Agreement; Notes. On or prior to the First Restatement Effective Date, (i) this Agreement shall have been executed and delivered as provided in Section 12.10 and (ii) there shall have been delivered to the Administrative Agent for the account of each Bank that has requested the same the

appropriate Revolving Notes executed by the respective Borrowers, in each case in the amount, maturity and as otherwise provided herein.

4A.02 Officer's Certificate. On the First Restatement Effective Date, the Administrative Agent shall have received a certificate dated the First Restatement Effective Date signed on behalf of the Company by the President, any Senior Vice President or any Vice President of the Company stating that all of the conditions in Sections 4A.06, 4A.07, 4A.08, 4A.09 and 5.01 have been satisfied on such date.

4A.03 Opinions of Counsel. On the First Restatement Effective Date, the Administrative Agent shall have received (i) from Latham & Watkins, counsel to Parent, the Company and the Subsidiary Borrowers, an opinion addressed to the Administrative Agent and each of the Banks and dated the First Restatement Effective Date in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks, (ii) from E.O. Robinson, Jr., General Counsel to Parent and the Company, an opinion addressed to the Administrative Agent and each of the Banks and dated the First Restatement Effective Date in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks and (iii) from local gaming counsel reasonably satisfactory to the Administrative Agent, opinions each of which shall be in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks and shall cover New Jersey, Nevada and Illinois Gaming Regulations and such other matters incident to the transactions contemplated herein as the Administrative Agent may reasonably request.

4A.04 Corporate Documents; Proceedings. (a) On the First Restatement Effective Date, the Administrative Agent shall have received a certificate from each Credit Party, dated the First Restatement Effective Date, signed by the President, any Senior Vice President or any Vice President of such Credit Party, and attested to by the Secretary or any Assistant Secretary of such Credit Party, in the form of Exhibit E to the 5-Year Credit Agreement with appropriate insertions, together with copies of the certificate of incorporation, partnership agreement and by-laws of such Credit Party (or equivalent organizational documents), as the case may be, and the resolutions of such Credit Party referred to in such certificate, and the foregoing shall be reasonably acceptable to the Administrative Agent in its reasonable discretion.

(b) All corporate, partnership, limited liability company and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Documents shall be reasonably satisfactory in form and substance to the Administrative Agent

and the Required Banks, and the Administrative Agent shall have received true and correct copies of all Documents, together with all information and copies of all other documents and papers, including records of corporate proceedings, partnership proceedings, limited liability company proceedings, governmental approvals, good standing certificates and bring-down telegrams, if any, which the Administrative Agent reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or governmental authorities.

4A.05 Company/Sub Guaranty. On the First Restatement Effective Date, the Company and each other Guarantor (other than Parent) shall have duly authorized, executed and delivered an amended and restated Company/Sub Guaranty in the form of Exhibit F to the 5-Year Credit Agreement (as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof, the "Company/Sub Guaranty").

4A.06 8-3/4% Senior Subordinated Notes Redemption. On or prior to the First Restatement Effective Date, (i) the Company shall have mailed, or caused to be mailed, to the trustee for, and to the holders of, the 8-3/4% Senior Subordinated Notes a notice of redemption satisfying the applicable provisions of the 8-3/4% Senior Subordinated Notes Indenture, which notice of redemption shall call for redemption all of the outstanding 8-3/4% Senior Subordinated Notes on a date on or before the 33rd day after the First Restatement Effective Date and (ii) the Administrative Agent shall have received evidence, in form and substance reasonably satisfactory to it, that all outstanding 8-3/4% Senior Subordinated Notes have been called for redemption in accordance with the provisions of this Section 4A.06.

4A.07 Adverse Change. Since December 31, 1997, nothing shall have occurred (and neither the Administrative Agent nor the Banks shall have become aware of any facts or conditions not previously known) which the Administrative Agent or the Required Banks shall determine has had, or could reasonably be expected to have, (i) a material adverse effect on the rights or remedies of the Administrative Agent or the Banks, or on the ability of Parent, any Borrower or any other Credit Party to perform its obligations to the Administrative Agent and the Banks or (ii) a materially adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

4A.08 Litigation. On the First Restatement Effective Date, no litigation by any entity (private or governmental) shall be pending or threatened (i) with respect to the Transaction, this Agreement, the other Documents or any documentation executed

in connection herewith or therewith or the transactions contemplated hereby or thereby, (ii) with respect to any material Indebtedness of Parent or any of its Subsidiaries or (iii) which the Administrative Agent or the Required Banks shall determine could reasonably be expected to have a materially adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

4A.09 Approvals, etc. (a) On or prior to the First Restatement Effective Date, (i) all necessary governmental (domestic and foreign) and third party approvals and consents (including, in any event, (x) all required Gaming Authority approvals and consents, (y) all shareholder and board of director approvals and consents and (z) all approvals and consents (if any) required under Parent's and the Company's guaranty of the Cherokee Casino financing and the proposed Jazz Casino financing) required in connection with the transactions contemplated by this Agreement and the other Credit Documents which are to occur by the First Restatement Effective Date and otherwise referred to herein or therein shall have been obtained and remain in full force and effect and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of such transactions or otherwise referred to herein or therein and (ii) the Administrative Agent shall have received copies or other evidence reasonably satisfactory to it of all such approvals and consents. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the consummation of the transactions contemplated by this Agreement or the other Credit Documents which are to occur by the First Restatement Effective Date or otherwise referred to herein or therein.

(b) On or prior to the First Restatement Effective Date, the Administrative Agent shall have received evidence that the Banks are qualified under the New Jersey Gaming Regulations as financial sources or qualifiers, or are exempt or waived therefrom, and shall be satisfied that no other New Jersey, Nevada or other gaming license, authorization, qualification, waiver or exemption of the Banks is required on or prior to the First Restatement Effective Date by reason of this Agreement. The Administrative Agent also shall be satisfied in its discretion with any conditions or requirements imposed by the New Jersey, Nevada or other relevant Gaming Authorities upon the Banks, this Agreement, the other Documents or the Transaction.

(c) On or prior to the First Restatement Effective Date, Parent, its shareholders and Subsidiaries shall have received any qualifications required under applicable Gaming Regulations in connection with this Agreement and the other Credit Documents, and the Borrowers and the Guarantors shall have received all other approvals, authorizations or consents of, or notices to or registrations with any governmental body and required releases and consents from other appropriate Persons (including, without limitation, the shareholders of Parent) in connection with this Agreement and the other Credit Documents and shall have provided copies or other satisfactory evidence of all approvals, authorizations or consents referred to above to the Administrative Agent.

4A.10 5-Year Credit Agreement. On the First Restatement Effective Date, Parent, the Company, the Subsidiary Borrowers, the 5-Year Banks and the Administrative Agent shall have entered into the 5-Year Credit Agreement, and the 5-Year Credit Agreement shall be in full force and effect. On the First Restatement Effective Date, the Company shall have delivered to the Administrative Agent a true and correct copy of the 5-Year Credit Agreement, which shall be required to be in form and substance satisfactory to the Administrative Agent and the Required Banks.

4A.11 Solvency Certificate. On the First Restatement Effective Date, there shall have been delivered to the Administrative Agent a certificate in the form of Exhibit G to the 5-Year Credit Agreement (appropriately completed), addressed to the Administrative Agent and each of the Banks and dated the First Restatement Effective Date, from the treasurer of Parent, providing the opinion of such treasurer as to the solvency of Parent, the Company, each Subsidiary Borrower and Parent and its Subsidiaries taken as a whole.

4A.12 Historical Financial Statements; Pro Forma Financial Statements and Projections. On or prior to the First Restatement Effective Date, the Administrative Agent shall have received true and correct copies of the historical financial statements, the pro forma financial statements and the Projections referred to in Sections 6.05(a) and (d), which historical financial statements, pro forma financial statements and Projections shall be in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks.

4A.13 Payment of Fees; etc. (a) On the First Restatement Effective Date, all interest and Fees accrued (and not theretofore paid) under the Existing Credit Agreement shall be paid in full, and all other costs, fees and expenses owing to any of the Banks or the Administrative Agent under the Existing

Credit Agreement shall be paid to the extent due. Furthermore, on the First Restatement Effective Date, all costs, fees and expenses (including, without limitation, legal fees and expenses) and other compensation contemplated hereby or otherwise agreed and payable to the Banks or the Administrative Agent shall have been paid to the extent due.

(b) On the First Restatement Effective Date, all Interest Periods with respect to any outstanding Existing Revolving Loans shall have expired in accordance with the terms thereof or shall have been terminated by the Borrowers.

SECTION 4B. Conditions Precedent to the Showboat Merger Effective Date and the incurrence of Loans on such date. The obligation of each Bank to make Loans on the Showboat Merger Effective Date to consummate the Showboat Merger is subject to the satisfaction of the following conditions:

4B.01 First Restatement Effective Date. The First Restatement Effective Date shall have occurred.

4B.02 Officer's Certificate. On the Showboat Merger Effective Date, the Administrative Agent shall have received a certificate dated the Showboat Merger Effective Date signed on behalf of the Company by the President, any Senior Vice President or any Vice President of the Company stating that all of the conditions in Section 4B.05, 4B.06, 4B.07, 4B.08, 5B.09, 4B.10, 4B.11 and 5.01 have been satisfied on such date.

4B.03 Opinions of Counsel. On the Showboat Merger Effective Date, the Administrative Agent shall have received (i) from Latham & Watkins, counsel to Parent, the Company and the Subsidiary Borrowers, an opinion addressed to the Administrative Agent and each of the Banks and dated the Showboat Merger Effective Date in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks, (ii) from E.O. Robinson, Jr., General Counsel to Parent and the Company, an opinion addressed to the Administrative Agent and each of the Banks and dated the Showboat Merger Effective Date in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks and (iii) from local and foreign gaming counsel reasonably satisfactory to the Administrative Agent, opinions each of which shall be in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks and shall cover New Jersey, Nevada, Indiana, Illinois and Australian Gaming Regulations and such other matters incident to the transactions contemplated herein as the Administrative Agent may reasonably request.

4B.04 Corporate Documents; Proceedings. All corporate, partnership, limited liability company and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Documents shall be reasonably satisfactory in form and substance to the Administrative Agent and the Required Banks, and the Administrative Agent shall have received true and correct copies of all the Documents, together with all information and copies of all other documents and papers, including records of corporate proceedings, partnership proceedings, limited liability company proceedings, governmental approvals, good standing certificates and bring-down telegrams, if any, which the Administrative Agent reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or governmental authorities.

4B.05 The Showboat Merger. On the Showboat Merger Effective Date, (i) the Showboat Merger shall have been consummated in accordance with the Showboat Merger Documents and all applicable laws, (ii) each of the conditions precedent to the consummation of the Showboat Merger as set forth in the Showboat Merger Agreement (other than any immaterial conditions precedent) shall have been satisfied and not waived except with the consent of the Administrative Agent and the Required Banks to the satisfaction of the Administrative Agent and the Required Banks and (iii) the Administrative Agent shall have received true and correct copies of the Showboat Merger Agreement and the articles of merger to be filed with the Secretary of State of Nevada and the Administrative Agent shall have received verbal confirmation that such articles of merger have been filed therewith and all of the terms and conditions of the Showboat Merger Documents shall be in form and substance reasonably satisfactory to the Administrative Agent and the Required Banks.

4B.06 Existing Showboat Notes Tender Offers/Consent Solicitations. On or prior to the Showboat Merger Effective Date, Parent, the Company or Showboat shall have commenced the Existing Showboat Notes Tender Offers/Consent Solicitations and the Administrative Agent shall have received true and correct copies of all Existing Showboat Notes Tender Offers/Consent Solicitations Documents and all of the terms and conditions of such Documents shall be in form and substance reasonably satisfactory to the Administrative Agent; it being understood and agreed that, in any event, the terms of the Existing Showboat Notes Tender Offers/Consent Solicitations Documents will provide for each issue of Existing Showboat Notes to be purchased at the same time and for the Existing Showboat Notes Tender Offers/Consent Solicitations to remain open for the period required by law and to expire before the 90th day after the Showboat Merger Effective Date.

4B.07 Existing Showboat Working Capital Facility. On or prior to the Showboat Merger Effective Date (x) the total commitments in respect of the Existing Showboat Working Capital Facility shall have been terminated, all loans with respect thereto shall have been repaid in full, together with interest thereon, all letters of credit issued thereunder shall have been terminated and all other amounts owing with respect thereto shall have been repaid in full and (y) the creditors in respect of the Existing Showboat Working Capital Facility shall have terminated and released all guarantees granted by, and all security interests in and Liens on the capital stock of and assets owned by, Showboat or any of its Subsidiaries, or release arrangements satisfactory to the Administrative Agent with respect thereto shall have been made.

4B.08 Adverse Change. Since December 31, 1997, nothing shall have occurred (and neither the Administrative Agent nor the Banks shall have become aware of any facts or conditions not previously known) which the Administrative Agent or the Required Banks shall determine has had, or could reasonably be expected to have, (i) a material adverse effect on the rights or remedies of the Administrative Agent or the Banks, or on the ability of Parent, any Borrower or any other Credit Party to perform its obligations to the Administrative Agent and the Banks or (ii) a materially adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole or Showboat and its Subsidiaries taken as a whole.

4B.09 Litigation. On the Showboat Merger Effective Date, no litigation by any entity (private or governmental) shall be pending or threatened (i) with respect to the Transaction, this Agreement, the other Documents or any documentation executed in connection herewith or therewith or the transactions contemplated hereby or thereby, (ii) with respect to any material Indebtedness of Parent, Showboat or any of their respective Subsidiaries or (iii) which the Administrative Agent or the Required Banks shall determine could reasonably be expected to have a materially adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole or Showboat and its Subsidiaries taken as a whole.

4B.10 Approvals, etc. (a) On or prior to the Showboat Merger Effective Date (i) all necessary governmental (domestic and foreign) and third party approvals and consents (including, in any event, (x) all required Gaming Authority approvals and consents and (y) all shareholder and board of director approvals and consents) required in connection with the Showboat Merger and the other components of the Transaction that are to occur on or

after such date and otherwise referred to herein or therein shall have been obtained and remain in full force and effect (other than any approvals not then required to be obtained with respect to the Existing Showboat Notes Tender Offers/Consent Solicitations), and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of the Showboat Merger or such other component of the Transaction that is to occur on or after such date or otherwise referred to herein or therein and (ii) the Administrative Agent shall have received copies or other evidence reasonably satisfactory to it of all such approvals and consents. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the consummation of the Showboat Merger or such other component of the Transaction that is to occur on or after such date or otherwise referred to herein or therein.

(b) On or prior to the Showboat Merger Effective Date, the Administrative Agent shall be satisfied that, except as obtained pursuant to Section 4A.09, no other New Jersey, Nevada, Illinois, Indiana or other gaming license, authorization, qualification, waiver or exemption of the Banks is required on or prior to the Showboat Merger Effective Date by reason of this Agreement or the other Documents. The Administrative Agent also shall be satisfied in its discretion with any conditions or requirements imposed by the New Jersey, Nevada, Illinois or Indiana or other relevant Gaming Authorities upon the Banks, this Agreement, the other Documents or the Transaction.

(c) On or prior to the Showboat Merger Effective Date, Parent, its shareholders and Subsidiaries and Showboat and its Subsidiaries shall have received any qualifications required under applicable Gaming Regulations in connection with the Showboat Merger and the other components of the Transaction that are to occur on or after such date, and the Borrowers, the Guarantors and Showboat and its Subsidiaries shall have received all other approvals, authorizations or consents of, or notices to or registrations with any governmental body and required releases and consents from other appropriate Persons (including, without limitation, the shareholders of Parent) in connection therewith and shall have provided copies or other satisfactory evidence of all approvals, authorizations or consents referred to above to the Administrative Agent.

4B.11 Solvency Certificate. On the Showboat Merger Effective Date, there shall have been delivered to the Administrative Agent a certificate in the form of Exhibit G to the 5-Year Credit Agreement (appropriately completed), addressed

to the Administrative Agent and each of the Banks and dated the Showboat Merger Effective Date, from the treasurer of Parent, providing the opinion of such treasurer as to the solvency of Parent, the Company, each Subsidiary Borrower and Parent and its Subsidiaries taken as a whole.

4B.12 Schedules. On the Showboat Merger Effective Date, the Company shall have delivered to the Administrative Agent true and complete copies of supplements to Schedules III through VIII, which Schedules (i) shall be supplemented to set forth the relevant information with respect to Showboat and its Subsidiaries and (ii) shall be in form and substance satisfactory to the Administrative Agent.

SECTION 5. Conditions Precedent to All Loans. The obligation of each Bank to make Loans (including Loans made on the First Restatement Effective Date and on the Showboat Merger Effective Date), is subject, at the time of the making of each such Loan (except as hereinafter indicated), to the satisfaction of the following conditions:

5.01 No Default; Representations and Warranties. At the time of each such Loan and also after giving effect thereto (i) there shall exist no Default or Event of Default and (ii) all representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on the date of the making of such Loan (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

5.02 Notice of Borrowing; Competitive Bid Loans. (a) Prior to the making of each Revolving Loan, the Administrative Agent shall have received a Notice of Borrowing meeting the requirements of Section 1.03.

(b) Prior to the making of any Competitive Bid Loans, (i) all of the applicable conditions specified in Section 1.04 shall have been satisfied and (ii) the Company's Indebtedness shall be rated at least BBB- Senior Implied by S&P or at least Baa3 Senior Implied by Moody's.

5.03 Election to Become a Subsidiary Borrower. Prior to the incurrence of any Loans by a Subsidiary Borrower which is not a Subsidiary Borrower on the First Restatement Effective Date, the following additional conditions shall be satisfied:

(i) such new Subsidiary Borrower shall have duly authorized, executed and delivered to the Administrative

Agent an Election to Become a Subsidiary Borrower in the form of Exhibit D, which shall be in full force and effect; and

(ii) to the extent not previously accomplished, such Subsidiary Borrower shall have duly authorized, executed and delivered to the Administrative Agent counterparts of the Company/Sub Guaranty, together with such other documents, certificates, resolutions, opinions and writings that would have been required to be delivered pursuant to Sections 4.03 and 4.04 if such Subsidiary Borrower had been subject to such Sections on the First Restatement Effective Date, all of which shall be in form and substance reasonably satisfactory to the Administrative Agent.

The occurrence of the First Restatement Effective Date and the acceptance of the proceeds of each Loan shall constitute a representation and warranty by Parent and the respective Borrower to the Administrative Agent and each of the Banks that all the conditions specified in Section 4 and in this Section 5 and applicable to such Loan have been satisfied as of that time. All of the Revolving Notes, certificates, legal opinions and other documents and papers referred to in Section 4 and in this Section 5, unless otherwise specified, shall be delivered to the Administrative Agent at the Notice Office for the account of each of the Banks and, except for the Revolving Notes, in sufficient counterparts for each of the Banks and shall be in form and substance satisfactory to the Required Banks.

Notwithstanding anything to the contrary contained above or in Section 12.10, if the First Restatement Effective Date does not occur on or prior to July 1, 1998, then it shall not thereafter occur (unless the Required Banks agree in writing to an extension of such date), and this Agreement shall cease to be of any force or effect and the Existing Credit Agreement shall continue to be effective, as the same may have been, or may thereafter be, amended, modified or supplemented from time to time.

SECTION 6. Representations, Warranties and Agreements. In order to induce the Banks to enter into this Agreement and to make the Loans, each of Parent, the Company and each Subsidiary Borrower makes the following representations, warranties and agreements, in each case after giving effect to the First Restatement Effective Date, all of which shall survive the execution and delivery of this Agreement and any Revolving Notes issued hereunder and the making of the Loans, with the occurrence of the First Restatement Effective Date and the making of each Loan on or after the First Restatement Effective Date being deemed to constitute a representation and warranty that the matters specified in this Section 6 are true and correct on and

as of the First Restatement Effective Date and on the date of each such Loan (it being understood and agreed that (x) any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date and (y) any representation or warranty as to Showboat or any of its Subsidiaries shall not be made until the consummation of the Showboat Merger).

6.01 Status. Each of Parent and each of its Subsidiaries (i) is a duly organized and validly existing corporation, partnership or limited liability company, in good standing under the laws of the jurisdiction of its organization, (ii) has the corporate, partnership or limited liability company power and authority to own its property and assets and to transact the business in which it is engaged and presently proposes to engage and (iii) is duly qualified and is authorized to do business and is in good standing in each jurisdiction where the ownership, leasing or operation of its property or the conduct of its business requires such qualifications except for failures to be so qualified which, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

6.02 Power and Authority. Each Credit Party has the corporate, partnership or limited liability company power and authority to execute, deliver and perform the terms and provisions of each of the Documents to which it is party and has taken all necessary corporate, partnership or limited liability company action to authorize the execution, delivery and performance by it of each of such Documents. Each Credit Party has duly executed and delivered each of the Documents to which it is party, and each of such Documents constitutes its legal, valid and binding obligation enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law).

6.03 No Violation. Neither the execution, delivery or performance by any Credit Party of the Documents to which it is a party, nor compliance by it with the terms and provisions thereof, (i) will contravene any provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will conflict with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or

result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of Parent or any of its Subsidiaries pursuant to the terms of any indenture (including the indentures governing the terms of the Existing Showboat Notes or any other Indebtedness of Showboat or any of its Subsidiaries which is to remain outstanding after the Showboat Merger Effective Date), mortgage, deed of trust, credit agreement or loan agreement, or any other material agreement, contract or instrument, to which Parent or any of its Subsidiaries is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) will violate any provision of the certificate of incorporation, partnership agreement, limited liability company agreement or by-laws (or equivalent organizational documents) of Parent or any of its Subsidiaries.

6.04 Governmental Approvals. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained or made on or prior to the First Restatement Effective Date or on or prior to the Showboat Merger Effective Date in the case of the Showboat Merger), or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with, (i) the Transaction, (ii) the execution, delivery and performance of any Document or (iii) the legality, validity, binding effect or enforceability of any such Document.

6.05 Financial Statements; Financial Condition; Undisclosed Liabilities; Projections; etc. (a) The statements of financial condition of Parent and its Consolidated Subsidiaries at December 31, 1997, and the related statements of income and cash flow and changes in shareholders' equity of Parent and its Consolidated Subsidiaries for the fiscal year ended on such date, copies of which were furnished to the Banks prior to the First Restatement Effective Date, present fairly the financial condition of Parent and its Consolidated Subsidiaries at the date of such statements of financial condition and the results of the operations of Parent and its Consolidated Subsidiaries for the fiscal year covered thereby. The statements of financial condition of Showboat and its Consolidated Subsidiaries at December 31, 1997, and the related statements of income and cash flow and changes in shareholders' equity of Showboat and its Consolidated Subsidiaries for the fiscal year ended on such date, copies of which were furnished to the Banks prior to the First Restatement Effective Date, present fairly the financial condition of Showboat and its Consolidated Subsidiaries at the date of such statements of financial condition and the results of the operations of Showboat and its Consolidated Subsidiaries for the fiscal year covered thereby. All of the

foregoing historical financial statements have been prepared in accordance with generally accepted accounting principles and practices consistently applied. The pro forma consolidated financial statements of Parent and its Consolidated Subsidiaries as of December 31, 1997, after giving effect to the Transaction and the financing therefor, copies of which have been furnished to the Banks prior to the First Restatement Effective Date, present fairly the pro forma consolidated financial position of Parent and its Consolidated Subsidiaries as of December 31, 1997 and the pro forma consolidated results of operations of Parent and its Consolidated Subsidiaries for the fiscal year covered thereby. All such pro forma financial statements have been prepared in accordance with generally accepted accounting principles and practices consistently applied. Since December 31, 1997, there has been no material adverse change in the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

(b) On and as of the First Restatement Effective Date and the Showboat Merger Effective Date, both before and after giving effect to all Indebtedness (including the Loans) being incurred or assumed and Liens created by Parent and its Subsidiaries in connection therewith, (a) the sum of the assets, at a fair valuation, of each of Parent, the Company, each Subsidiary Borrower, Parent and its Subsidiaries taken as a whole and the Company and its Subsidiaries taken as a whole will exceed their respective debts; (b) none of Parent, the Company, any Subsidiary Borrower, Parent and its Subsidiaries taken as a whole or the Company and its Subsidiaries taken as a whole has incurred, nor do they intend to incur or believe that they will incur, debts beyond their ability to pay such debts as such debts mature; and (c) each of Parent, the Company, each Subsidiary Borrower, Parent and its Subsidiaries taken as a whole and the Company and its Subsidiaries taken as a whole will have sufficient capital with which to conduct its respective business. For purposes of this Section 6.05(b), "debt" means any liability on a claim, and "claim" means (i) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

(c) Except as fully disclosed in the financial statements delivered pursuant to Section 6.05(a), there were as of the First Restatement Effective Date no liabilities or obligations with respect to Parent or any of its Subsidiaries of any

nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in aggregate, would be material to Parent and its Subsidiaries taken as a whole. As of the First Restatement Effective Date, neither Parent nor any Borrower knows of any basis for the assertion against Parent or any of its Subsidiaries of any liability or obligation of any nature whatsoever that is not fully disclosed in the financial statements delivered pursuant to Section 6.05(a) which, either individually or in the aggregate, is material to Parent and its Subsidiaries taken as a whole.

(d) On and as of the First Restatement Effective Date and, assuming the consummation of the Showboat Merger as contemplated herein, on and as of the Showboat Merger Effective Date, (i) the financial projections (the "Projections") set forth in the Confidential Information Memorandum and prepared by Parent were prepared based upon the assumptions concerning various industry trends described therein for the periods presented, (ii) the Projections were based on good faith assumptions and estimates, and (iii) although a range of possible different assumptions and estimates might also be reasonable, neither Parent nor the Company is aware of any facts that would lead either of them to believe that the assumptions and estimates on which the Projections were based are not reasonable; provided that no assurance can be given that the projected results will be realized or with respect to the ability of Parent and its Subsidiaries to achieve the projected results, and while the Projections are necessarily presented with numerical specificity, the actual results achieved during the periods presented in all likelihood will differ from the projected results and such differences may be material.

6.06 Litigation. There are no actions, suits or proceedings pending or, to the best knowledge of Parent or any Borrower, threatened (i) with respect to any Document or the Transaction, (ii) with respect to any material Indebtedness of Parent or any of its Subsidiaries or (iii) except as set forth on Schedule VIII so long as there are no adverse judgments regarding such litigation, that could reasonably be expected to materially and adversely affect the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

6.07 True and Complete Disclosure. All factual information (taken as a whole) furnished by or on behalf of Parent or its Subsidiaries in writing to the Administrative Agent or any Bank (including, without limitation, all information contained in the Confidential Information Memorandum and the Documents) for purposes of or in connection with this Agreement, the other Documents or any transaction contemplated herein or therein is, and all other such factual information (taken as a

whole) hereafter furnished by or on behalf of Parent or its Subsidiaries in writing to the Administrative Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided.

6.08 Use of Proceeds; Margin Regulations. (a) All proceeds of the Loans shall be used by the Borrowers (i) to effect the Transaction, (ii) to pay fees and expenses related to the Transaction and (iii) for the Borrowers' and their Subsidiaries' general corporate purposes.

(b) Except to finance the Showboat Merger and as otherwise permitted by Section 8.05, but in each case subject to the last sentence of this Section 6.08(b), no part of the proceeds of any Loan will be used to purchase or carry any Margin Stock or to extend credit for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Loan nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System. At the time of each Loan and after giving effect thereto (including after giving effect to the application of the proceeds therefrom), no more than 25% of the value of the assets of Parent and its Subsidiaries on a consolidated basis shall constitute Margin Stock.

6.09 Tax Returns and Payments. Each of Parent and each of its Subsidiaries and each Person for whose tax Parent or any of its Subsidiaries could be liable has filed or caused to be filed with the appropriate taxing authority, all Federal and all other material returns, statements, forms and reports for all taxes (the "Returns") required to be filed by it and has paid or caused to be paid (i) all material taxes due for the periods covered thereby and (ii) all taxes pursuant to any assessment received by Parent, any of its Subsidiaries or any such Person, excluding, in each case, any such taxes that have been contested in good faith and for which adequate reserves have been established in accordance with generally accepted accounting principles. Except as disclosed on Schedule II, as of the First Restatement Effective Date, there is no action, suit, proceeding, investigation, audit, or claim now pending or, to the knowledge of Parent or any of its Subsidiaries, threatened by any governmental or taxing authority regarding any material taxes relating to Parent or any of its Subsidiaries. Except as disclosed on Schedule II, as of the First Restatement Effective Date, neither Parent nor any of its Subsidiaries has entered into an agreement or waiver extending any statute of limitations

relating to the payment or collection of any material taxes of Parent or any of its Subsidiaries.

6.10 Compliance with ERISA. Each Plan is in substantial compliance with ERISA and the Code; no Reportable Event has occurred with respect to a Plan; no Plan is insolvent or in reorganization; no Plan has an Unfunded Current Liability; no Plan has an accumulated or waived funding deficiency, has permitted decreases in its funding standard account or has applied for an extension of any amortization period within the meaning of Section 412 of the Code; neither Parent nor any Subsidiary of Parent nor any ERISA Affiliate has incurred any material liability to or on account of a Plan pursuant to Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code or expects to incur any liability under any of the foregoing Sections with respect to any Plan; no proceedings have been instituted by the PBGC to terminate or appoint a trustee to administer any Plan; no condition exists which presents a material risk to Parent or any Subsidiary of Parent or any ERISA Affiliate of incurring a liability to or on account of a Plan pursuant to the foregoing provisions of ERISA and the Code; no lien imposed under the Code or ERISA on the assets of Parent or any Subsidiary of Parent or any ERISA Affiliate exists or is likely to arise on account of any Plan; and Parent and its Subsidiaries may cease contributions to or terminate any employee benefit plan maintained by any of them without incurring any material liability to any person interested therein other than accrued benefits; it being understood that any representation or warranty made in this Section 6.10 with respect to any multiemployer plan (labor union) is to the best knowledge of Parent, the Company and each Subsidiary Borrower.

6.11 Properties. Parent and each of its Subsidiaries have good title to all material properties owned by them, free and clear of all Liens, other than Liens permitted by Section 8.01.

6.12 Capitalization. (a) On the First Restatement Effective Date, the authorized capital stock of Parent shall consist of (i) 360,000,000 shares of common stock, \$.10 par value per share, of which, as of December 31, 1997, 101,035,898 shares were issued and outstanding, (ii) 150,000 shares of preferred stock, \$100 par value per share, of which no shares are issued and outstanding and (iii) 5,000,000 shares of special stock, \$1.125 par value per share, of which no shares are issued and outstanding. All such outstanding shares have been duly and validly issued, are fully paid and nonassessable and are free of preemptive rights. As of the First Restatement Effective Date and except as disclosed in the most recent report on Form 10-K

filed by Parent with the SEC, Parent does not have outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreement providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock.

(b) On the First Restatement Effective Date, the authorized capital stock of the Company shall consist of 1,000 shares of common stock, \$1.00 par value per share, all of which shares were issued and outstanding and owned by Parent. All such outstanding shares have been duly and validly issued, are fully paid and nonassessable and are free of preemptive rights. The Company does not have outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock.

6.13 Subsidiaries. Except as otherwise agreed by the Required Banks, Parent has no Subsidiaries other than (i) the Company and its Subsidiaries and (ii) Aster Insurance Ltd. All Subsidiaries of the Company as of the First Restatement Effective Date, and the direct owner of the capital stock thereof, are listed on Schedule III. Schedule III also accurately shows, as of the First Restatement Effective Date, with respect to each Subsidiary (i) whether such Subsidiary is a Material Subsidiary and (ii) whether such Subsidiary is a Guarantor.

6.14 Compliance with Statutes, etc. Each of Parent and each of its Subsidiaries is in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property (including applicable statutes, regulations, orders and restrictions relating to environmental standards and controls), except such noncompliances as could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

6.15 Investment Company Act. Neither Parent nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

6.16 Public Utility Holding Company Act. Neither Parent nor any of its Subsidiaries is a "holding company," or a

"subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

6.17 Environmental Matters. (a) Parent and each of its Subsidiaries have complied with, and on the date of each such Loan are in compliance with, all applicable Environmental Laws and the requirements of any permits issued under such Environmental Laws. There are no pending or, to the best knowledge of Parent or any Borrower after due inquiry, past or threatened Environmental Claims against Parent or any of its Subsidiaries or any Real Property owned or operated by Parent or any of its Subsidiaries that individually or in the aggregate could reasonably be expected to materially and adversely affect the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole. There are no facts, circumstances, conditions or occurrences on any Real Property owned or operated by Parent or any of its Subsidiaries or, to the best knowledge of Parent or any Borrower after due inquiry, on any property adjoining or in the vicinity of any such Real Property that, to the best knowledge of Parent or any Borrower after due inquiry, could reasonably be expected (i) to form the basis of an Environmental Claim against Parent or any of its Subsidiaries or any such Real Property that individually or in the aggregate could reasonably be expected to materially and adversely affect the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole, or (ii) to cause any such Real Property to be subject to any restrictions on the ownership, occupancy, use or transferability of such Real Property by Parent or any of its Subsidiaries under any applicable Environmental Law.

(b) Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, any Real Property owned or operated by Parent or any of its Subsidiaries where such generation, use, treatment or storage has violated or could reasonably be expected to violate any Environmental Law. Hazardous Materials have not at any time been Released on or from any Real Property owned or operated by Parent or any of its Subsidiaries where such Release has violated or could reasonably be expected to violate any applicable Environmental Law. There are not now any underground storage tanks located on any Real Property owned or operated by Parent or any of its Subsidiaries which are not in compliance with all Environmental Laws.

(c) Notwithstanding anything to the contrary in this Section 6.17, the representations made in this Section 6.17 shall

only be untrue if the effect of any or all failures and noncompliances of the types described above, either individually or in the aggregate, could reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

6.18 Labor Relations. Neither Parent nor any of its Subsidiaries is engaged in any unfair labor practice that could reasonably be expected to have a material adverse effect on Parent and its Subsidiaries taken as a whole. There is (i) no unfair labor practice complaint pending against Parent or any of its Subsidiaries or, to the best knowledge of the Parent or any Borrower, threatened against Parent or any of its Subsidiaries, before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement is so pending against Parent or any of its Subsidiaries or, to the best knowledge of Parent or any Borrower, threatened against any of them, (ii) no strike, labor dispute, slowdown or stoppage pending against Parent or any of its Subsidiaries or, to the best knowledge of Parent or any Borrower, threatened against Parent or any of its Subsidiaries and (iii) to the best knowledge of Parent or any Borrower, no union representation question existing with respect to the employees of Parent or any of its Subsidiaries, except (with respect to any matter specified in clause (i), (ii) or (iii) above, either individually or in the aggregate) such as could not reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

6.19 Patents, Licenses, Franchises and Formulas. Each of Parent and its Subsidiaries own all the patents, trademarks, permits, service marks, trade names, copyrights, licenses, franchises and formulas, or rights with respect to the foregoing, and has obtained assignments of all leases and other rights of whatever nature, necessary for the present conduct of its business, without any known conflict with the rights of others which, or the failure to obtain which, as the case may be, either individually or in the aggregate, could reasonably be expected to result in a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

6.20 Existing Indebtedness. Schedule IV sets forth a true and complete list of all Indebtedness of Parent and its Subsidiaries as of the First Restatement Effective Date and which is to remain outstanding after giving effect thereto, in each case showing the respective borrower thereof (excluding

Indebtedness under this Agreement and the 5-Year Credit Agreement), with Part A of such Schedule IV to indicate that Indebtedness which constitutes "Existing Indebtedness" under Section 8.04(ii) of the Existing Credit Agreement and Part B of such Schedule IV to indicate all such other Indebtedness of Parent and its Subsidiaries.

6.21 Transaction. At the time of consummation thereof, each component of the Transaction shall have been consummated in accordance with the terms of the respective Documents and all applicable laws. At the time of consummation thereof, all consents and approvals of, and filings and registrations with, and all other actions in respect of, all governmental agencies, authorities or instrumentalities required in order to make or consummate each component of the Transaction have been obtained, given, filed or taken and are or will be in full force and effect (or effective judicial relief with respect thereto has been obtained). All applicable waiting periods with respect thereto have or, prior to the time when required, will have, expired without, in all such cases, any action being taken by any competent authority which restrains, prevents, or imposes material adverse conditions upon any component of the Transaction. Additionally, there does not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon any component of the Transaction, or the incurrence of any Loan or the performance by a Credit Party of its obligations under the Documents to which it is party. All actions taken by each Credit Party pursuant to or in furtherance of each component of the Transaction have been taken in compliance with the respective Documents and all applicable laws.

6.22 No Other Ventures. Except as set forth on Schedule V, as of the First Restatement Effective Date, neither Parent nor any of its Subsidiaries is engaged in any Joint Venture or partnership with any other Person.

SECTION 7. Affirmative Covenants. Each of Parent, the Company and each Subsidiary Borrower covenants and agrees that on and after the First Restatement Effective Date and until the Total Revolving Loan Commitment has terminated and the Loans and the Revolving Notes, together with interest, Fees and all other obligations incurred hereunder and thereunder, are paid in full:

7.01 Information Covenants. Parent will furnish to each Bank:

(a) Quarterly Financial Statements. Within 45 days after the close of the first three quarterly accounting periods in each fiscal year of Parent, the consolidated balance sheet of Parent and its Consolidated Subsidiaries as

at the end of such quarterly accounting period and the related consolidated statements of income and retained earnings and statement of cash flows, in each case for such quarterly accounting period and for the elapsed portion of the fiscal year ended with the last day of such quarterly accounting period, in each case setting forth comparative figures for the related periods in the prior fiscal year, all of which shall be certified by the chief financial officer, controller or treasurer of Parent, subject to normal year-end audit adjustments.

(b) Annual Financial Statements. Within 120 days after the close of each fiscal year of Parent, the consolidated balance sheet of Parent and its Consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and statement of cash flows for such fiscal year setting forth comparative figures for the preceding fiscal year and certified by Arthur Andersen LLP or another firm of independent certified public accountants of recognized national standing, together with a statement of the firm of such independent accountants as to whether, in conducting their audit, anything came to their attention to cause them to believe that Parent and the Company were not in compliance with Sections 8.07, 8.08 and 8.09, insofar as such Sections relate to accounting and auditing matters, on the date of such statements.

(c) Budgets. No later than 90 days after the commencement of each fiscal year of Parent, a budget which shall include an annual balance sheet for such fiscal year, quarterly statements of income and sources and uses of cash for each of the four fiscal quarters of such fiscal year, together with a business plan for such fiscal year, in each case consolidated for Parent and its Subsidiaries, and accompanied by a statement of the chief financial officer, controller or treasurer of Parent that the budget has been approved by the Board of Directors of Parent or the Company.

(d) Officer's Certificates. At the time of the delivery of the financial statements provided for in Sections 7.01(a) and (b), a certificate of the chief financial officer, controller or treasurer of Parent to the effect that, to the best of such officer's knowledge, no Default or Event of Default has occurred and is continuing or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof, which certificate shall set forth (i) the calculations required to establish whether Parent and the Borrowers were in compliance with the provisions of Sections 2.03(c) and (d),

8.03(v), 8.04(vi), 8.04(vii), 8.04(x) through and including 8.04(xii) and 8.04(xv), 8.05 and 8.07 through 8.09, inclusive, at the end of such fiscal quarter or year, as the case may be, (ii) the Senior Implied Indebtedness ratings, if any, assigned by Moody's and S&P to the Company's Indebtedness at the end of such fiscal quarter or year, as the case may be, and (iii) the Reduction Discount, if any, for the Margin Reduction Period commencing with the delivery of such financial statements.

(e) Notice of Default or Litigation. Promptly upon, and in any event within three Business Days after, an officer of Parent or any Borrower obtains knowledge thereof, notice of (i) the occurrence of any event which constitutes a Default or an Event of Default and (ii) any litigation or governmental investigation or proceeding (including any investigation by any Gaming Authority) pending (x) against Parent or any of its Subsidiaries which could reasonably be expected to materially and adversely affect the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole, (y) with respect to any material Indebtedness of Parent or any of its Subsidiaries or (z) with respect to the Transaction or any Document.

(f) Other Reports and Filings. Promptly, (i) copies of all financial statements, reports and proxy materials which Parent has mailed to its shareholders generally, (ii) copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalent) which Parent or any of its Subsidiaries shall file with the Securities and Exchange Commission or any successor thereof (the "SEC") and (iii) to the extent not otherwise provided to the Banks, copies of all notices, reports and financial statements which Parent or any of its Subsidiaries shall deliver to holders of any issue of Indebtedness if the aggregate principal amount thereof exceeds (or upon the utilization of any unused commitments may exceed) \$25,000,000 pursuant to the terms of the documentation governing any such issue of Indebtedness (or any trustee, agent or other representative therefor).

(g) Environmental Matters. Promptly upon, and in any event within ten Business Days after, an officer of Parent or any Borrower obtains knowledge thereof, notice of one or more of the following environmental matters, unless such environmental matters could not, individually or when aggregated with all other such environmental matters, be reasonably expected to materially and adversely affect the

business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole: (i) any pending or threatened Environmental Claim against Parent or any of its Subsidiaries or any Real Property owned or operated by Parent or any of its Subsidiaries; (ii) any condition or occurrence on or arising from any Real Property owned or operated by Parent or any of its Subsidiaries that (a) results in noncompliance by Parent or any of its Subsidiaries with any applicable Environmental Law or (b) could reasonably be expected to form the basis of an Environmental Claim against Parent or any of its Subsidiaries or any such Real Property; (iii) any condition or occurrence on any Real Property owned or operated by Parent or any of its Subsidiaries that could reasonably be expected to cause such Real Property to be subject to any restrictions on the ownership, occupancy, use or transferability by Parent or any of its Subsidiaries of such Real Property under any Environmental Law; and (iv) the taking of any removal or remedial action in response to the actual or alleged presence of any Hazardous Material on any Real Property owned or operated by Parent or any of its Subsidiaries as required by any Environmental Law or any governmental or other administrative agency; provided that in any event Parent shall deliver to each Bank all notices received by Parent or any of its Subsidiaries from any government or governmental agency under, or pursuant to, CERCLA. All such notices shall describe in reasonable detail the nature of the claim, investigation, condition, occurrence or removal or remedial action and Parent's or such Subsidiary's response thereto. In addition, Parent will provide the Banks with copies of all material written communications by Parent or any of its Subsidiaries with any government or governmental agency relating to Environmental Laws, all material written communications with any person relating to Environmental Claims, and such detailed reports of any Environmental Claim as may reasonably be requested by the Banks.

(h) Other Information. From time to time, such other information or documents (financial or otherwise) with respect to Parent or its Subsidiaries as the Administrative Agent or any Bank may reasonably request.

7.02 Books, Records and Inspections. Parent will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with generally accepted accounting principles and all requirements of law shall be made of all dealings and transactions in relation to its business and activities. Parent

will, and will cause each of its Subsidiaries to, permit officers and designated representatives of the Administrative Agent or any Bank to visit and inspect, at the Administrative Agent's or such Bank's expense and under guidance of officers of Parent or such Subsidiary, any of the properties of Parent or such Subsidiary, and to examine the books of account of Parent or such Subsidiary and discuss the affairs, finances and accounts of Parent or such Subsidiary with, and be advised as to the same by, its and their officers and independent public accountants, provided that a representative of Parent or such Subsidiary is present, all at such reasonable times and intervals and to such reasonable extent as the Administrative Agent or such Bank may request, provided that the Administrative Agent and the Banks shall have no right pursuant to this Section 7.02 to obtain any information relating to (i) the identity of gaming patrons obligated under Markers or (ii) any filings made pursuant to Regulation 6A or 6.090 of the Regulations of the Nevada Gaming Commission (except that the Administrative Agent and the Banks may review the reports of an independent auditor with respect to such filings).

7.03 Maintenance of Property; Insurance. (a) Parent will, and will cause each of its Material Subsidiaries to, keep all property necessary in the reasonable conduct of its business in good working order and condition.

(b) Schedule VI sets forth a true and complete listing of all insurance maintained by Parent and its Subsidiaries as of the First Restatement Effective Date. Parent will maintain, and will cause each of its Material Subsidiaries to maintain, (i) physical damage insurance on all real and personal property on an all risk basis (including the perils of flood and quake), covering the repair and replacement cost of all such property and consequential loss coverage for business interruption and extra expense, and (ii) such other insurance coverage in such amounts and with respect to such risks as is consistent and in accordance with industry practice for companies similarly situated owning similar properties in the same general areas in which Parent or any of its Subsidiaries operates; provided, however, that flood, earthquake and business interruption insurance will be required only to the extent available on a commercially reasonable basis and so long as it is consistent with reasonable and prudent insurance underwriting practices. All such insurance shall be provided by insurers having an A.M. Best general policyholders service rating of not less than "B+VI" or such other insurers as the Administrative Agent may approve in writing. Parent will deliver to the Banks (i) upon request of any Bank through the Administrative Agent from time to time full information as to the insurance carried, (ii) for all material insurance, within five days of receipt of notice from any insurer, a copy of any notice of cancellation or material change in coverage from that existing

on the date of this Agreement and (iii) forthwith, notice of any cancellation or nonrenewal of any insurance coverage of Parent or any of its Material Subsidiaries with respect to any material insurance coverage of Parent or any of its Subsidiaries. Nothing in this Section 7.03(b) shall be construed to restrict the right of Parent or any Material Subsidiaries from obtaining blanket insurance, or self insurance of certain risks to the extent such insurance is consistent with the past practices of Parent or such Material Subsidiary and consistent with reasonable and prudent insurance underwriting practices. If Parent or any of its Material Subsidiaries shall fail to insure its property in accordance with this Section 7.03(b), the Administrative Agent shall have the right (but shall be under no obligation) upon notice to Parent or the respective Material Subsidiary to procure such insurance and Parent and each Borrower agrees to reimburse the Administrative Agent for all costs and expenses of procuring such insurance.

7.04 Corporate Franchises. Parent will, and will cause each of its Material Subsidiaries to, do or cause to be done, all things necessary to preserve and keep in full force and effect its existence and its material rights, franchises, licenses and patents; provided, however, that nothing in this Section 7.04 shall prevent (i) sales of stock or assets by Parent or any of its Subsidiaries in accordance with Section 8.02, (ii) the withdrawal by Parent or any of its Subsidiaries of its qualification as a foreign corporation in any jurisdiction where such withdrawal could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole or (iii) the taking of any action respecting any right, franchise, license or patent determined by the management of Parent or such Subsidiary to be in the best interest of Parent or such Subsidiary.

7.05 Compliance with Statutes, etc. Parent will, and will cause each of its Subsidiaries to, comply with all applicable statutes, regulations (including Gaming Regulations) and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property, except such noncompliances as could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

7.06 Compliance with Environmental Laws. Except where the failure to do so could not, individually or in the aggregate,

reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole, (i) Parent will comply, and will cause each of its Subsidiaries to comply, with all Environmental Laws applicable to the ownership or use of its Real Property now or hereafter owned, leased or operated by Parent or any of its Subsidiaries, (ii) Parent will, and will cause each of its Subsidiaries to, promptly pay or cause to be paid all costs and expenses incurred in such compliance, (iii) Parent will, and will cause each of its Subsidiaries to, keep or cause to be kept all such Real Property free and clear of any Liens imposed pursuant to such Environmental Laws and (iv) neither Parent nor any of its Subsidiaries will generate, use, treat, store, release or dispose of, or permit (to the extent within Parent's or such Subsidiary's reasonable control) the generation, use, treatment, storage, release or disposal of Hazardous Materials on any Real Property now or hereafter owned, leased or managed by Parent or any of its Subsidiaries, or transport or permit (to the extent within Parent's or such Subsidiary's reasonable control) the transportation of Hazardous Materials to or from any such Real Property except in compliance with all applicable Environmental Laws and as reasonably required in connection with the operation, use and maintenance of any such Real Property in the conduct of Parent's or such Subsidiary's business.

7.07 ERISA. As soon as possible and, in any event, within 10 days after Parent or any Borrower or any ERISA Affiliate knows or has reason to know of the occurrence of any of the following, Parent will deliver to each of the Banks a certificate of the chief financial officer, controller or treasurer of Parent setting forth details as to such occurrence and the action, if any, which Parent, such Subsidiary or such ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given to or filed with or by Parent, such Subsidiary, such ERISA Affiliate, the PBGC, a Plan participant or the Plan administrator with respect thereto: that a Reportable Event has occurred (except to the extent to that Parent has previously delivered to the Banks a certificate and notices (if any) concerning such event pursuant to the next clause hereof); that a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Plan subject to Title IV of ERISA is subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (without regard to subparagraph (b)(1) thereof), and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 is reasonably expected to occur with respect to such Plan within the following 30 days; that an accumulated funding deficiency has been incurred or an application may be or has been made to the Secretary of the Treasury for a waiver or modification of the

minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code with respect to a Plan; that a Plan has been or may be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA; that a Plan has an Unfunded Current Liability giving rise to a lien under ERISA or the Code; that proceedings may be or have been instituted by the PBGC to terminate or appoint a trustee to administer a Plan; that a proceeding has been instituted pursuant to Section 515 of ERISA to collect a delinquent contribution to a Plan; that Parent, any Subsidiary of Parent or any ERISA Affiliate will or may incur any material liability (including any contingent, or secondary liability) to or on account of the termination of or withdrawal from a Plan under Section 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or with respect to a Plan under Section 401(a)(29), 4971 or 4975 of the Code or Section 409 or 502(i) or 502(l) of ERISA. At the request of any Bank, Parent will deliver to such Bank (i) a complete copy of the annual report (Form 5500) of each Plan (including, to the extent required to be filed with Form 5500, the related financial and actuarial statements and opinions and other supporting statements, certifications, schedules and information) required to be filed with the Internal Revenue Service and (ii) in addition to any certificates or notices delivered to the Banks pursuant to the first sentence hereof, copies of any records, documents or other information required to be furnished to the PBGC, and any material notices received by Parent or any Subsidiary of Parent or any ERISA Affiliate with respect to any Plan.

7.08 End of Fiscal Years; Fiscal Quarters. Parent and the Company will cause (i) each of its fiscal years to end on December 31, and (ii) each of its fiscal quarters to end on March 31, June 30, September 30 and December 31.

7.09 Performance of Obligations. Parent will, and will cause each of its Subsidiaries to, perform all of its obligations under the terms of each mortgage, indenture, security agreement and other debt instrument by which it is bound, except such non-performances as could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

7.10 Payment of Taxes. Parent will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, in each case on a timely basis, and all lawful claims which, if unpaid, might become a lien or charge upon any

properties of Parent or any of its Subsidiaries; provided that neither Parent nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings if it has maintained adequate reserves with respect thereto in accordance with generally accepted accounting principles.

7.11 Additional Guarantors; etc. (a) In the event that at any time after the First Restatement Effective Date (A) Des Plaines Development L.P. becomes a Wholly-Owned Subsidiary of the Company, (B) any Person becomes (x) a First-Tier Material Subsidiary, (y) a Material Subsidiary pursuant to clause (ii) of the definition thereof or (z) a guarantor under the 5-Year Credit Agreement or (C) any Person is required to comply with the provisions of this Section 7.11(a) as a result of a merger or consolidation permitted by Section 8.02(vi) or a transfer permitted by Section 8.02(vii) (it being understood and agreed that any such Person under this clause (C) shall be required to take the action required below contemporaneously with such merger, consolidation or transfer), then Parent and the Company will, except as otherwise provided in the last sentence of this clause (a), cause Des Plaines Development L.P. and each such other Person (Des Plaines Development L.P. and each such other Person, together with any Person required to execute a counterpart of the Company/Sub Guaranty pursuant to clause (b) of this Section 7.11, a "Required Additional Guarantor"), within 30 days after it becomes (or at the time it becomes, as the case may be) a Required Additional Guarantor, to duly authorize, execute and deliver to the Administrative Agent a counterpart of the Company/Sub Guaranty, together with such other documents, certificates, resolutions, opinions and writings that would have been required to be delivered pursuant to Sections 4A.03 and 4A.04 if such Subsidiary had been a Guarantor on the First Restatement Effective Date and subject to such Sections on such date, all of which shall be in form and substance reasonably satisfactory to the Administrative Agent. Notwithstanding the foregoing, (x) any Subsidiary of the Company which is not a Wholly-Owned Subsidiary or which has outstanding Non-Recourse Indebtedness pursuant to Section 8.04(x) shall not be required to become a Guarantor pursuant to the Company/Sub Guaranty and (y) neither Showboat nor any of its Subsidiaries shall be required to become a Guarantor under the Company/Sub Guaranty pursuant to this clause (a) until the consummation of the Existing Showboat Notes Tender Offers/Consent Solicitations, the Existing Showboat Notes Defeasances or such earlier time as the terms of the Existing Showboat Notes would permit.

(b) In addition to the requirements of clause (a) of this Section 7.11, within 30 days following the consummation of the Existing Showboat Notes Tender Offers/Consent Solicitations,

the Existing Showboat Notes Defeasances or such earlier time as the terms of the Existing Showboat Notes would permit, Showboat, Ocean Showboat, Inc., Atlantic City Showboat, Inc., Showboat Operating Company, Showboat Indiana Investment Limited Partnership and, if and when it becomes a Wholly-Owned Subsidiary of the Company and to the extent permitted by the terms of its existing indebtedness agreements, Showboat Marino Casino Partnership, each shall execute and deliver to the Administrative Agent a counterpart of the Company/Sub Guaranty, together with the other documents, certificates, resolutions, opinions and writings required to be delivered by a Required Additional Guarantor pursuant to clause (a) of this Section 7.11.

7.12 Showboat Change of Control Offers to Purchase and Showboat Change of Control Purchases; Existing Showboat Notes Tender Offers/Consent Solicitations. (a) Parent, the Company or Showboat will commence the Showboat Change of Control Offers to Purchase in accordance with (and to the extent required by) the terms of the respective Existing Showboat Notes Indentures and all applicable laws. In addition, Parent, the Company or Showboat will purchase all Existing Showboat Notes required to be purchased by it pursuant to the terms of the Showboat Change of Control Offers to Purchase, it being understood that the Showboat Change of Control Offers to Purchase shall occur before the 90th day after the Showboat Merger Effective Date.

(b) At the expiration of the Existing Showboat Notes Tender Offers/Consents Solicitations, and provided that the Minimum Condition and the other conditions precedent described in the Existing Showboat Notes Tender Offers/Consent Solicitations Documents have been satisfied, (i) Parent, the Company or Showboat will purchase all Existing Showboat Notes tendered, and not theretofore withdrawn, pursuant to the Existing Showboat Notes Tender Offers/Consents Solicitations and (ii) in the event that less than 100% of the Existing Showboat Notes have been so purchased, Showboat and each of the trustees for the Existing Showboat Notes shall have duly executed and delivered the respective Existing Showboat Notes Indenture Supplements. It is understood and agreed that, notwithstanding anything to the contrary contained above in this clause (b) or elsewhere in this Agreement, in the event that the Minimum Condition has not been satisfied on or prior to the 90th day following the Showboat Merger Effective Date, then no Existing Showboat Notes will be accepted for purchase pursuant to the Existing Showboat Notes Tender Offers/Consent Solicitations or otherwise (other than pursuant to the Showboat Change of Control Offers to Purchase or pursuant to the Existing Showboat Notes Defeasances).

(c) Parent and the Company will promptly deliver to the Administrative Agent evidence reasonably satisfactory to it

that the applicable provisions of this Section 7.12 have been complied with in accordance with the terms hereof.

7.13 Existing Showboat Notes Defeasances. In the event that Parent, the Company or Showboat elects to consummate the Existing Showboat Notes Defeasances (and to the extent) as permitted by Section 8.10, Parent, the Company or Showboat shall take all actions as are required pursuant to the applicable provisions of the Existing Showboat Note Indentures to ensure that Showboat's and its Subsidiaries' respective obligations under the Existing Showboat Note Indentures and the Existing Showboat Notes are terminated (other than those limited obligations which expressly survive such defeasances as set forth in the respective Existing Showboat Note Indentures) and that all collateral securing such obligations are released (other than those Liens permitted by Section 8.01(xx)). Within 95 days following the deposit of cash and/or U.S. government obligations by Parent, the Company or Showboat to consummate the Existing Showboat Notes Defeasances, Parent, the Company or Showboat shall deliver to the Administrative Agent evidence, in form and substance reasonably satisfactory to the Administrative Agent, that the Existing Showboat Notes Defeasances have become effective in accordance with the terms of the Existing Showboat Note Indentures and that the Existing Showboat Notes are no longer deemed "outstanding".

7.14 8-3/4% Senior Subordinated Notes Redemption. On or prior to the 33rd day after the First Restatement Effective Date, (i) the Company shall have consummated the 8-3/4% Senior Subordinated Notes Redemption in accordance with the 8-3/4% Senior Subordinated Note Redemption Documents, the 8-3/4% Senior Subordinated Notes Indenture and all applicable laws and (ii) the Administrative Agent shall have received evidence, in form and substance reasonably satisfactory to it, that all outstanding 8-3/4% Senior Subordinated Notes have been redeemed in full and that the 8-3/4% Senior Subordinated Notes Indenture has been discharged.

SECTION 8. Negative Covenants. Each of Parent, the Company and each Subsidiary Borrower covenants and agrees that on and after the First Restatement Effective Date and until the Total Revolving Loan Commitment has terminated and the Loans and the Revolving Notes, together with interest, Fees and all other Obligations incurred hereunder and thereunder, are paid in full:

8.01 Liens. Parent will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets (real or personal, tangible or intangible) of Parent or any of its Subsidiaries, whether now owned or hereafter acquired, or sell

any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable with recourse to Parent or any of its Subsidiaries), or assign any right to receive income or permit the filing of any financing statement under the UCC or any other similar notice of Lien under any similar recording or notice statute; provided that the provisions of this Section 8.01 shall not prevent the creation, incurrence, assumption or existence of the following (Liens described below are herein referred to as "Permitted Liens"):

(i) inchoate Liens for taxes, assessments or governmental charges or levies not yet due or Liens for taxes, assessments or governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves have been established in accordance with generally accepted accounting principles;

(ii) Liens in respect of property or assets of Parent or any of its Subsidiaries imposed by law, which were incurred in the ordinary course of business and do not secure Indebtedness for borrowed money, such as carriers', warehousemen's, materialmen's and mechanics' liens and other similar Liens arising in the ordinary course of business, and (x) which do not in the aggregate materially detract from the value of Parent's or such Subsidiary's property or assets or materially impair the use thereof in the operation of the business of Parent or such Subsidiary or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or assets subject to any such Lien;

(iii) Liens permitted pursuant to Section 8.01(iii) of the Existing Credit Agreement which remain in existence on the First Restatement Effective Date and which are listed, and the property subject thereto described, in Schedule VII, but only to the respective date, if any, set forth in such Schedule VII for the removal and termination of any such Liens, without any renewals or extensions thereof and Liens on the assets of Showboat and its Subsidiaries which remain in existence on the Showboat Merger Effective Date and which are listed, and the property thereto described, in the supplement to Schedule VIII delivered pursuant to Section 5B.12, but only to the respective date, if any, set forth in such supplement to Schedule VIII for the removal and termination of any such Liens, without any renewals or extensions thereof;

(iv) Liens on cash and/or U.S. government obligations that are deposited by the Company with the trustee under the

8-3/4% Senior Subordinated Notes Indenture pending the consummation of the 8-3/4% Senior Subordinated Notes Redemption;

(v) leases or subleases granted to other Persons not materially interfering with the conduct of the business of Parent or any of its Subsidiaries or materially detracting from the value of the respective assets of Parent or such Subsidiary;

(vi) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security in the ordinary course of business;

(vii) Liens placed upon equipment or machinery used in the ordinary course of business of the Company or any of its Subsidiaries at the time of acquisition thereof by the Company or any such Subsidiary or within 90 days thereafter to secure Indebtedness incurred to pay all or a portion of the purchase price thereof provided that (x) the aggregate principal amount of all Indebtedness secured by Liens permitted by this clause (vii) incurred in any fiscal year of Parent does not exceed \$1,000,000 and (y) in all events, the Lien encumbering the equipment or machinery so acquired does not encumber any other asset of Parent or such Subsidiary;

(viii) easements, rights-of-way, restrictions, encroachments and other similar charges or encumbrances, and minor title deficiencies, in each case not securing Indebtedness and not materially interfering with the conduct of the business of Parent or any of its Subsidiaries;

(ix) Liens arising from precautionary UCC financing statement filings regarding operating leases;

(x) Liens arising out of judgments or awards in respect of which Parent or any of its Subsidiaries shall in good faith be prosecuting an appeal or proceedings for review in respect of which there shall have been secured a subsisting stay of execution pending such appeal or proceedings, provided that the aggregate amount of all such judgments or awards (and any cash and the fair market value of any property subject to such Liens) does not exceed \$15,000,000 at any time outstanding;

(xi) statutory and common law landlords' liens under leases to which Parent or any of its Subsidiaries is a party;

(xii) Liens incurred or deposits made to secure the performance of tenders, bids, statutory obligations, government contracts, performance and return-of-money bonds and other obligations of a like nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(xiii) Liens securing reimbursement obligations with respect to commercial and standby letters of credit incurred by the Company or any of its Subsidiaries in the ordinary course of business provided that (x) each such letter of credit is in a face amount of less than \$1,000,000 and (y) the aggregate face amount of all such letters of credit does not exceed \$5,000,000;

(xiv) restrictions pursuant to legends on stock required by (x) Gaming Regulations and (y) the partnership agreement for Harrah's Jazz (as such partnership agreement is in effect on the Restatement Effective Date), in each case to the extent such restrictions constitute a Lien;

(xv) any Lien existing on any asset of any corporation at the time such corporation becomes a Subsidiary of Parent so long as any such Lien was not created in contemplation of such event;

(xvi) any Lien existing on any asset prior to the acquisition thereof by the Company or any of its Subsidiaries so long as any such Lien was not created in contemplation of such acquisition;

(xvii) Liens on equipment or machinery subject to Capitalized Lease Obligations to the extent permitted by Section 8.04(v);

(xviii) Liens securing Non-Recourse Indebtedness of Specified Subsidiaries permitted under Section 8.04(x) so long as such Liens only encumber the Gaming Properties owned by Specified Subsidiaries being developed or financed with such Non-Recourse Indebtedness, including any Real Property and furniture, fixtures and equipment related thereto, it being understood and agreed that such assets of Specified Subsidiaries also may secure Non-Recourse Indebtedness incurred by other Specified Subsidiaries pursuant to Section 8.04(x);

(xix) Liens on the Company's or any of its Subsidiaries' respective equity interest in any Joint Venture so long as such Liens only secure Indebtedness of such Joint Venture; and

(xx) Liens on cash and/or U.S. government obligations that are deposited by the Company or Showboat with the respective trustees under the Existing Showboat Notes Indenture in order to effect the Existing Showboat Notes Defeasances.

8.02 Consolidation, Merger, Purchase or Sale of Assets, etc. (a) Parent will not, and will not permit any of its Subsidiaries to, wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation, or convey, sell, lease or otherwise dispose of (or agree to do any of the foregoing at any future time) all or any part of its assets, whether in a single transaction or a series of related transactions, except that:

(i) the Company and its Subsidiaries may sell assets, whether in a single sale or series of related sales, having a fair market value (as determined in good faith by Parent or the Company) of less than \$50,000,000 so long as (i) no Default or Event of Default then exists or would result therefrom, (ii) each such sale is in an arm's-length transaction and the Company or the respective Subsidiary receives at least fair market value (as determined in good faith by Parent or the Company), (iii) the total consideration received by the Company or such Subsidiary is at least 50% cash and is received at the time of the closing of such sale and (iv) any Net Sale Proceeds in excess of \$75,000,000 that are received in any fiscal year of the Company in connection with all asset sales made pursuant to this clause (i) are applied to reduce the Total Revolving Loan Commitment pursuant to Section 2.03(d);

(ii) the Company and its Subsidiaries may sell assets, whether in a single sale or series of related sales, having a fair market value (as determined in good faith by Parent or the Company) of more than or equal to \$50,000,000 but less than \$100,000,000 so long as (i) no Default or Event of Default then exists or would result therefrom, (ii) each such sale is in an arm's length transaction and the Company or the respective Subsidiary receives at least fair market value (as determined in good faith by Parent or the Company), (iii) the total consideration received by the Company or such Subsidiary is at least 50% cash and is received at the time of the closing of such sale and (iv) the Net Sale Proceeds therefrom are applied to reduce the Total Revolving Loan Commitment pursuant to Section 2.03(d);

(iii) Showboat and its Subsidiaries may sell the Showboat Las Vegas Hotel Casino so long as (i) no Default or Event of Default then exists or would result therefrom, (ii) such sale is in an arm's-length transaction and Showboat or

the respective Subsidiary receives at least fair market value (as determined in good faith by Parent or the Company) and (iii) the total consideration received by Showboat or such Subsidiary is at least 75% cash and is received at the time of the closing of such sale;

(iv) Showboat and its Subsidiaries may sell their equity interest in Sydney Harbour Casino Holdings Limited as well as the management contract for the Sydney Harbour Casino so long as (i) no Default or Event of Default then exists or would result therefrom, (ii) each such sale is in an arm's-length transaction and Showboat or the respective Subsidiary receives at least fair market value (as determined in good faith by Parent or the Company), (iii) the total consideration received by Showboat or such Subsidiary is at least 90% cash and is received at the time of the closing of each such sale and (iv) the Net Sale Proceeds therefrom are applied to reduce the Total Revolving Loan Commitment pursuant to Section 2.03(d);

(v) any Subsidiary of the Company may be merged or consolidated with or into the Company so long as the Company is the surviving corporation of such merger or consolidation;

(vi) any Subsidiary of the Company may be merged or consolidated with or into any other Subsidiary of the Company so long as (i) in the case of any such merger or consolidation involving a Subsidiary that is a Guarantor, the Guarantor is the surviving corporation of such merger or consolidation or such surviving corporation becomes a Required Additional Guarantor contemporaneously with such merger or consolidation pursuant to Section 7.11(a) and (ii) in addition to the requirements of preceding clause (i), in the case of any such merger or consolidation involving a Wholly-Owned Subsidiary of the Company, the Wholly-Owned Subsidiary is the surviving corporation of such merger or consolidation;

(vii) any Subsidiary of the Company may transfer assets to the Company, any Subsidiary Guarantor or any other Wholly-Owned Subsidiary of the Company, provided, to the extent that any Guarantor transfers a Gaming Property (or any gaming license with respect thereto) to a Wholly-Owned Subsidiary that is not a Guarantor at such time, such Wholly-Owned Subsidiary shall become a Required Additional Guarantor contemporaneously with such transfer pursuant to Section 7.11(a); and

(viii) the Showboat Merger shall be permitted.

(b) Notwithstanding anything to the contrary contained in this Agreement, (i) sales of inventory, materials and equipment may be made in the ordinary course of business (which sales shall not be included as sales made pursuant to clause (a) of this Section 8.02 unless made in connection with the sale of a Gaming Property), (ii) sales of obsolete, uneconomic or worn out equipment or materials shall be permitted (which sales shall not be included as sales made pursuant to clause (a) of this Section 8.02 unless made in connection with the sale of a Gaming Property), (iii) the "Harrah's" or "Showboat" name may not be sold pursuant to this Agreement (although either such name may be used or licensed on a non-exclusive basis in connection with the extension of the Gaming Business of the Company and its Subsidiaries and Joint Ventures or in connection with the sale of the Showboat Las Vegas Hotel Casino) and (iv) in the event that any Subsidiary Borrower is sold in connection with a sale permitted by this Agreement, such Subsidiary Borrower shall cease to be a Subsidiary Borrower and all Loans incurred by it shall be repaid in full on or before the date of such sale and the Company shall become the account party with respect to all Letters of Credit issued for the account of such Subsidiary Borrower pursuant to documentation satisfactory to the Administrative Agent and the respective Letter of Credit Issuer.

8.03 Dividends. Parent will not, and will not permit any of its Subsidiaries to, authorize, declare or pay any Dividends with respect to Parent or any of its Subsidiaries, except that:

(i) any Subsidiary of the Company may pay Dividends to the Company or any Wholly-Owned Subsidiary of the Company;

(ii) any non-Wholly-Owned Subsidiary of the Company may pay cash Dividends to its shareholders generally on a pro rata basis;

(iii) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), the Company may pay cash Dividends to Parent which are used by Parent to pay cash Dividends to its shareholders to the extent necessary, as determined in the good faith judgment of the Board of Directors of Parent or the Company, to prevent the filing of any disciplinary action by any Gaming Authority or to prevent the loss or secure the reinstatement of any license or franchise from any governmental agency, including Gaming Authorities, held by Parent or any of its Subsidiaries which license or franchise is conditioned upon some or all of the holders of Parent's capital stock possessing prescribed qualifications, in each case only if such loss or failure to reinstate would have a material adverse effect on the business, operations,

property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole, provided that the aggregate amount of cash Dividends permitted to be paid pursuant to this clause (iii) shall not exceed \$5,000,000;

(iv) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), the Company may pay cash Dividends to Parent in the amounts permitted pursuant to clauses (v) and (vi) of this Section 8.03, provided that Parent uses the proceeds thereof to pay Dividends within three days after receipt thereof for the purposes set forth in such clauses (v) and (vi);

(v) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), Parent may pay cash Dividends in an aggregate amount for any fiscal year of Parent not to exceed the lesser of (x) 10% of Consolidated Net Income for the prior fiscal year and (y) \$20,000,000;

(vi) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), Parent may redeem the Rights outstanding pursuant to the terms of the Rights Agreement, provided that (i) Parent shall not pay more than \$.05 per Right in connection therewith and (ii) the aggregate amount of Dividends paid pursuant to this clause (vi) shall not exceed \$2,500,000;

(vii) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), the Company may pay cash Dividends to Parent so long as the proceeds thereof are promptly used by Parent to pay (i) operating expenses in the ordinary course of business and other similar corporate overhead costs and expenses and (ii) amounts necessary to fund Aster Insurance Ltd. in the ordinary course of its business;

(viii) the Company may pay cash Dividends to Parent in the amounts and at the times of any payment by Parent in respect of federal, state, franchise or other taxes (provided that any refund shall be promptly returned by Parent to the Company);

(ix) the Showboat Merger consideration may be paid pursuant to the terms of the Showboat Merger Agreement; and

(x) in the event that the Existing Showboat Notes Tender Offers/Consent Solicitations, the Showboat Change of Control Purchases and/or the Existing Showboat Notes

Defeasances are to be consummated by Parent, then the Company may pay cash Dividends to Parent at the times, and in the amounts, necessary to consummate same.

Nothing in this Section 8.03 shall prohibit the making of any Dividend within 45 days after the declaration thereof if such declaration was not prohibited by this Section 8.03 at the time of such declaration.

8.04 Indebtedness. Parent will not, and will not permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness, except:

(i) Indebtedness incurred pursuant to this Agreement and the other Credit Documents;

(ii) (x) Indebtedness of Parent and its Subsidiaries permitted under Section 8.04(ii) of the Existing Credit Agreement which remains outstanding on the First Restatement Effective Date and which is listed on Part A of Schedule IV, provided that no refinancings or renewals thereof shall be permitted except as expressly set forth on Part A of Schedule IV and then, in any event, such refinancings and renewals shall not be in excess of the respective amounts set forth on Part A of Schedule IV and (y) from and after the consummation of the Showboat Merger, Indebtedness of Showboat and its Subsidiaries which remains outstanding on the First Restatement Effective Date and which is listed on the supplement to Schedule IV delivered pursuant to Section 4B.12, provided that no refinancings or renewals thereof shall be permitted except as expressly set forth on the supplement to Schedule IV and then, in any event, such refinancings and renewals shall not be in excess of the respective amounts set forth on the supplement to Schedule IV;

(iii) accrued expenses and current trade accounts payable incurred in the ordinary course;

(iv) unsecured Indebtedness of Parent or the Company under performance bonds and guarantees in respect of the completion of the construction of any property in accordance with the plans or standards as agreed with the obligee of such guarantee so long as such bonds or guarantees are incurred by Parent or the Company in the ordinary course of the Gaming Property development business of the Company and its Subsidiaries;

(v) Indebtedness of the Company or any of its Subsidiaries subject to Liens permitted under Section 8.01(vii) or evidenced by Capitalized Lease Obligations provided that

such Capitalized Lease Obligations only relate to equipment or machinery of the Company or any of its Subsidiaries acquired after the Effective Date;

(vi) Indebtedness of the Company or any of its Subsidiaries consisting of (x) reimbursement obligations on letters of credit, bankers acceptances or similar instruments, provided that (i) the aggregate amount thereof at any one time outstanding shall not exceed \$5,000,000 and (ii) any such Indebtedness in excess of \$1,000,000 in the aggregate at any one time outstanding shall be unsecured other than by documents of title and (y) surety, performance or appeal bonds to the extent permitted by Section 8.01(x);

(vii) Indebtedness of Parent and the other Guarantors under the 5-Year Credit Agreement (but only to the extent that Parent or such other Guarantors are Guarantors under, or in respect of, this Agreement) in an aggregate principal amount not to exceed \$1,950,000,000 (as reduced by any mandatory reductions thereto as contemplated by Section 2.03(c) and (d)) at any one time outstanding;

(viii) Indebtedness of Parent, the Company or any Wholly-Owned Subsidiary of the Company to Parent, the Company or any Subsidiary of the Company (other than a Subsidiary that has incurred Non-Recourse Indebtedness) or Indebtedness of any Subsidiary of Parent to the Parent, the Company or any Wholly-Owned Subsidiary of the Company (other than a Subsidiary that has incurred Non-Recourse Indebtedness), provided that in the case of any Indebtedness of a Credit Party to a non-Credit Party, such Indebtedness shall be subordinated to the Obligations on a basis satisfactory to the Administrative Agent;

(ix) [intentionally omitted];

(x) Non-Recourse Indebtedness of Specified Subsidiaries to finance the development of Gaming Properties (other than Specified Casino Properties) so long as the aggregate principal amount of all such Non-Recourse Indebtedness at any time outstanding does not exceed \$25,000,000, it being understood and agreed, however, that (i) a Specified Subsidiary which has incurred outstanding Non-Recourse Indebtedness pursuant to this Section 8.04(x) may guaranty the Non-Recourse Indebtedness incurred pursuant to this Section 8.04(x) by other Specified Subsidiaries, and (ii) such Non-Recourse Indebtedness may be guaranteed by the Company and its other Subsidiaries to the extent provided in Section 8.04(xii);

(xi) Additional Unsecured Senior Debt of the Company and Subordinated Debt of the Company (which, in each case, may be guaranteed on a like basis by Parent) not otherwise outstanding on October 15, 1996 so long as (i) (x) the covenants and the events of default of any such Subordinated Debt (including, but not limited to, subordination provisions) are no more favorable to the holders of such Subordinated Debt than those set forth in the 8-3/4% Senior Subordinated Notes Indenture (provided that the indebtedness covenant contained in any such issue of Subordinated Debt shall have sufficient availability (without relying on any incurrence ratios) to justify the full amount of the Total Revolving Loan Commitment and the Total 5-Year Revolving Loan Commitment, in each case as such commitments are in effect at the time of the issuance of such Subordinated Debt) and (y) the terms and conditions of any such Subordinated Debt do not have any mandatory repayment, prepayment, redemption, sinking fund, amortization or maturity prior to the date that is one year after the Final Maturity Date (other than an option of the holders to require the Company to repurchase such Subordinated Debt upon a change of control thereunder), (ii) any such Additional Unsecured Senior Debt (x) does not contain any financial maintenance or capital expenditure covenants or defaults, (y) does not have any mandatory repayment, prepayment, redemption, sinking fund, amortization or maturity prior to the date that is one year after the Final Maturity Date (other than an option of the holders thereof to require the Company to repurchase such Additional Unsecured Senior Debt upon a change of control thereunder) and (z) does not contain any covenants or events of default that are more favorable to the holders of such Additional Unsecured Senior Debt than those set forth in this Agreement (provided that the indebtedness covenant contained in any such issue of Additional Unsecured Senior Debt shall have sufficient availability (without relying on any incurrence ratios) to justify the full amount of the Total Revolving Loan Commitment and the Total 5-Year Revolving Loan Commitment, in each case as such commitments are in effect at the time of the issuance of such Additional Unsecured Senior Debt), and (iii) the Total Revolving Loan Commitment shall be reduced as (and to the extent) required by Section 2.03(e);

(xii) Parent and its Subsidiaries may guarantee on an unsecured basis obligations of Specified Subsidiaries, Joint Ventures and parties to management agreements with the Company or its Subsidiaries or with such Joint Ventures, in each case with respect to the development of Gaming Property in an amount not to exceed \$150,000,000 at any one time outstanding for any individual Gaming Property and

\$425,000,000 at any one time outstanding for all such Gaming Properties, provided that (i) the aggregate limitation set forth above shall be (A) increased (or decreased if Consolidated Net Income is negative) on the first day of each fiscal year of the Company commencing on January 1, 1996 by an amount equal to 50% (or 100% for each fiscal year for which Consolidated Net Income is negative) of the Consolidated Net Income for the fiscal year last ended, and (B) decreased from time to time by the amount of Dividends paid by the Company to Parent pursuant to Section 8.03(iv) on and after January 1, 1998 and prior to the date of determination and (ii) the aggregate amount of guarantees permitted to be outstanding by Parent and its Subsidiaries pursuant to this Section 8.04(xii) shall be reduced by the amount of Investments outstanding pursuant to clause (i) of the proviso to Section 8.05;

(xiii) Parent and the Company may guarantee on an unsecured basis any obligations of their respective Subsidiaries (except that neither Parent nor the Company may provide any guaranties, direct or indirect, of Non-Recourse Indebtedness, any Existing Showboat Notes or any Designated Showboat Indebtedness, in each case pursuant to this clause (xiii));

(xiv) on and after the Jazz Casino Trigger Date, Parent and/or the Company may enter into the Jazz Casino Completion Guaranties, the Jazz Casino Minimum Payment Guaranty, the Jazz Casino Bank Guaranties, the Jazz Casino Loan Guaranty, and the Jazz Casino Indemnity Arrangements and perform their respective obligations thereunder; and

(xv) Indebtedness of Parent or any of its Subsidiaries not otherwise permitted under this Section 8.04 in an aggregate principal amount not to exceed \$25,000,000 at any one time outstanding.

8.05 Advances, Investments and Loans. Parent will not, and will not permit any of its Subsidiaries to, directly or indirectly, lend money or credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person (collectively, "Investments") other than Investments in the ordinary course of business, Subsidiary Investments, other Investments existing on the Restatement Effective Date and Investments by Showboat and its Subsidiaries existing on the Showboat Merger Effective Date, provided that:

(i) Investments other than Subsidiary Investments shall not be made with respect to the development or operation of Gaming Properties or in connection with Gaming

Businesses (and reasonable extensions thereof), except that Investments in any Joint Venture relating to the Gaming Business or Investments in parties to management agreements with the Company or its Subsidiaries or such Joint Ventures for gaming projects may be made so long as the aggregate amount thereof does not exceed \$150,000,000 at any one time outstanding (determined without regard to any write-downs or write-offs of such Investments) for any individual Gaming Business or gaming project or \$425,000,000 at any one time outstanding (determined without regard to any write-downs or write-offs of such Investments) for all such Gaming Businesses and gaming projects, provided that (x) the aggregate limitation set forth above shall be (A) increased (or decreased if Consolidated Net Income is negative) on the first day of each fiscal year of the Company commencing on January 1, 1996 by an amount equal to 50% (or 100% for each fiscal year for which Consolidated Net Income is negative) of the Consolidated Net Income for the fiscal year last ended and (B) decreased from time to time by the amount of Dividends paid by the Company to Parent pursuant to Section 8.03(iv) on and after January 1, 1998, (y) the aggregate amount of such Investments permitted to be made pursuant to this Section 8.05(i) shall be reduced by the aggregate amount of guarantees outstanding pursuant to Section 8.04(xii) and (z) Investments in, to or for the benefit of Harrah's Jazz and its Subsidiaries and JCC Holding and its Subsidiaries shall not be permitted to be made pursuant to this Section 8.05(i), provided that, after the Jazz Casino Trigger Date, up to \$25,000,000 of Investments in, to or for the benefit of JCC Holding and its Subsidiaries may be made pursuant to this Section 8.05(i) as well as any Investments made in JCC Holding as a result of the exercise by the Company or a Subsidiary thereof of any warrants to purchase shares of common stock of JCC Holding issued to the Company or a Subsidiary thereof as part of the Harrah's Jazz Reorganization Plan;

(ii) Investments constituting Harrah's Jazz Investments shall be permitted, provided that the aggregate amount of all such Investments (other than in respect of the Harrah's Jazz Completion Obligation Loans, the Harrah's Jazz Title Indemnity Arrangements and the Harrah's Jazz Completion Guaranties), whether made prior to, on or after the Restatement Effective Date, shall not exceed \$180,000,000, provided further, that (x) no part of the Investments permitted by this clause (ii) may be used to make Investments in, to or for the benefit of, JCC Holding and its Subsidiaries except to the extent that any then existing Harrah's Jazz Investments are converted into equity of JCC Holding as part of the Harrah's Jazz Reorganization Plan and

(y) on and after the Jazz Casino Trigger Date, Parent and its Subsidiaries may not make any additional Harrah's Jazz Investments;

(iii) on and after the Jazz Casino Trigger Date, Parent and/or the Company may enter into (x) the Jazz Casino Completion Guaranties, the Jazz Casino Bank Guaranties, the Jazz Casino Loan Guaranty and the Jazz Casino Indemnity Arrangements and perform their respective obligations thereunder, and make (or be deemed to make) Jazz Casino Completion Obligation Loans to Jazz Casino as a result of such performance and (y) the Jazz Casino Minimum Payment Guaranty and perform their respective obligations thereunder so long as their aggregate exposure under the Jazz Casino Minimum Payment Guaranty (including the amount of any unreimbursed guarantee drawings thereunder) does not exceed \$100,000,000 (plus any applicable interest and attorney's fees) at any time outstanding; and

(iv) on and after the Jazz Casino Trigger Date, Parent and its Subsidiaries may make the Jazz Casino Loans to Jazz Casino and may make additional Investments in, to or for the benefit of, JCC Holding and its Subsidiaries in an aggregate amount not to exceed the remainder of (x) \$75,000,000 less (y) the aggregate amount of Harrah's Jazz Investments made by Parent and/or its Subsidiaries in excess of \$130,500,000.

Notwithstanding (x) the foregoing provisions of this Section 8.05, (A) Investments in the ordinary course of business shall not include the purchases of (i) Margin Stock and (ii) non-investment grade debt securities of any Person, it being understood and agreed, however that in connection with any Investment in a Joint Venture as permitted by Section 8.05(i) or in connection with any Subsidiary Investment made in a Subsidiary acquired or created after March 31, 1996, the Company may, subject to Section 6.08(b), make an Investment consisting of Margin Stock or non-investment grade debt securities of such Joint Venture or such Subsidiary, as the case may be, and (B) prior to the consummation of the Existing Showboat Notes Tender Offers/Consent Solicitations or in the event that same is not consummated unless the Existing Showboat Notes Defeasances have become effective in accordance with the terms of the Existing Showboat Note Indentures, Parent and its Subsidiaries (other than Showboat and its Subsidiaries) may only make Investments in Showboat and its Subsidiaries in an aggregate amount not to exceed \$100,000,000 at any time outstanding (determined without regard to any write-downs or write-offs thereof) plus that amount necessary to fund any Showboat Change of Control Purchases, and with such Investments only to be made pursuant to, and to the extent permitted by, Section 8.05(i), it being understood and agreed however, to the extent that the conditions set forth above

in this clause (B) are satisfied after any such Investments in Showboat or its Subsidiaries have been made, such Investments shall be reclassified as Subsidiary Investments and shall not reduce the amount of Investments permitted to be made under Section 8.05(i), and (y) the foregoing provisions of this Section 8.05 or Section 8.04, (A) in no event shall the aggregate amount of Jazz Casino Loans made by Parent and its Subsidiaries plus the amount of the Jazz Casino Loan Guaranty and the Jazz Casino Bank Guarantees exceed \$180,000,000 (with such amount to be reduced by any permanent reductions in any Jazz Casino Loans theretofore made (whether or not made by Parent or any of its Subsidiaries) and/or any permanent reductions in the Jazz Casino Loan Guaranty and/or Jazz Casino Bank Guarantees) and (B) the terms and conditions of the Jazz Casino Surety Bond shall be in form and substance satisfactory to the Administrative Agent.

8.06 Transactions with Affiliates. Parent will not, and will not permit any of its Subsidiaries to, enter into any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of Parent or any of its Subsidiaries, other than in the ordinary course of business and on terms and conditions substantially as favorable to Parent or such Subsidiary as would reasonably be obtained by Parent or such Subsidiary at that time in a comparable arm's-length transaction with a Person other than an Affiliate, except that (i) Dividends may be paid to the extent provided in Section 8.03, (ii) loans may be made and other transactions may be entered into by Parent and its Subsidiaries to the extent permitted by Sections 8.04 and 8.05 and (iii) transactions among Parent, the Company and any Subsidiary of the Company shall be permitted so long as any such transactions are otherwise permitted by this Agreement and such transactions, individually or in the aggregate, would not have a material adverse effect on the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

8.07 Maximum Leverage Ratio. (a) Prior to the consummation of the Showboat Merger, Parent will not permit the ratio of Consolidated Debt to Consolidated Net Worth at any time during a period set forth below to be greater than the ratio set forth opposite such period below:

Period -----	Ratio -----
January 1, 1998 to and including December 31, 1998	2.80:1.00
January 1, 1999 to and including December 31, 1999	2.30:1.00
January 1, 2000 and thereafter	2.00:1.00

(b) On or after the consummation of the Showboat Merger, Parent will not permit the ratio of Consolidated Debt at any time to Consolidated EBITDA for the Test Period then most recently ended at any time during a period set forth below to be greater than the ratio set forth opposite such period below:

Period -----	Ratio -----
Showboat Merger Effective Date to and including June 30, 1998	5.50: 1.00
July 1, 1998 to and including September 30, 1998	5.00: 1.00
October 1, 1998 to and including December 31, 1998	4.50: 1.00
January 1, 1999 to and including December 31, 1999	4.00: 1.00
Thereafter	3.50: 1.00

8.08 Consolidated Interest Coverage Ratio. (a) Prior to the consummation of the Showboat Merger, Parent will not permit the Consolidated Interest Coverage Ratio for any Test Period ended on the last day of a fiscal quarter of Parent set forth below to be less than the ratio set forth opposite such fiscal quarter below:

Fiscal Quarter -----	Ratio -----
Fiscal quarters ending March 31, 1998, June 30, 1998 and September 30, 1998	2.50:1.00
Fiscal quarters ending December 31, 1998 and thereafter	3.00:1.00

(b) On or after the consummation of the Showboat Merger, Parent will not permit the Consolidated Interest Coverage Ratio for any Test Period ended on the last day of a fiscal quarter of Parent set forth below to be less than the ratio set forth opposite such fiscal quarter below:

Fiscal Quarter -----	Ratio -----
Fiscal quarters ending June 30, 1998, September 30, 1998 and December 31, 1998	2.00: 1.00
Fiscal quarters ending March 31, 1999, June 30, 1999, September 30, 1999 and December 31, 1999	2.25: 1.00
Fiscal quarters ending March 31, 2000 and thereafter	3.00: 1.00

8.09 Minimum Consolidated Net Worth. Parent will not permit Consolidated Net Worth at any time during a period set forth below to be less than the amount set forth opposite such period below:

Period -----	Amount -----
Year ending December 31, 1998	\$ 650,000,000
Year ending December 31, 1999	\$ 800,000,000
Year ending December 31, 2000	\$1,000,000,000

8.10 Limitation on Payments and Modifications of Certain Other Debt; Modifications of Certificate of Incorporation, Partnership Agreements, Limited Liability Company Agreements and By-Laws; etc. Parent will not, and will not permit any of its Subsidiaries to, (i) make (or give any notice in respect of) any voluntary or optional payment or prepayment on or redemption or acquisition for value of (including, without limitation, by way of depositing with the trustee with respect thereto money or securities before due for the purpose of paying when due) any Subordinated Debt, any Additional Unsecured Senior Debt, any Designated Showboat Indebtedness or any Existing Showboat Notes, provided that, from and after the consummation of the Showboat Merger, the Company or any of its Subsidiaries and, in the case of the following clause (A), Parent, may (A) repurchase Existing Showboat Notes (x) pursuant to the Existing Showboat Notes Tender Offers/Consent Solicitations so long as such repurchases are permitted by Section 8.12 and pursuant to the Showboat Change of Control Offers to Purchase and (y) pursuant to the Existing Showboat Notes Defeasances so long as all then outstanding Existing Showboat Notes are defeased and the cash and/or the U.S. government obligations necessary to consummate the Existing Showboat Notes Defeasances are deposited with the trustee for the Existing Showboat Notes on or prior to the 90th day after the Showboat Merger Effective Date) and (B) repurchase the East Chicago Showboat Notes so long as (i) the Company or a Wholly-Owned Subsidiary thereof owns at least 79% of

the total equity interest (as determined on a fully diluted basis) in the Showboat East Chicago Riverboat Casino and (ii) such repurchases are made with the proceeds of Subordinated Debt issued under Section 8.04(xi) or with proceeds of Loans, provided that, to the extent proceeds of Loans are used, the sum of the Total Unutilized Revolving Loan Commitment plus the total unutilized revolving loan commitment under the 5-Year Credit Agreement immediately after giving effect to such repurchase is at least \$100,000,000, (ii) make (or give any notice in respect of) any mandatory payment or prepayment on or redemption or acquisition for value of (including, without limitation, by way of depositing with the trustee with respect thereto money or securities before due for the purpose of when due) any Subordinated Debt, any Additional Unsecured Senior Debt, any Existing Showboat Notes or any Designated Showboat Indebtedness as a result of any sale of assets by Parent or any of its Subsidiaries or any "change of control" provision other than pursuant to the Showboat Change of Control Offers to Purchase, (iii) amend or modify, or permit the amendment or modification of, any provision of (x) any Subordinated Debt or any Additional Unsecured Senior Debt or of any agreement (including, without limitation, any purchase agreement, indenture or loan agreement) relating thereto or (y) any Existing Showboat Notes or any Designated Showboat Indebtedness other than pursuant to the Existing Showboat Notes Tender Offers/Consent Solicitations and such amendments or modifications that would make the terms of such Indebtedness less restrictive on Showboat and its Subsidiaries and would not otherwise be adverse to the interests of the Banks in any material respects, (iv) amend or modify, or permit the amendment or modification of, any financial or business covenants and/or defaults of the 5-Year Credit Agreement which would have the effect of making the same more stringent or restrictive as applied to Parent or any of its Subsidiaries in each case unless parallel changes are made to both this Agreement and the 5-Year Credit Agreement, (v) amend, modify or change its certificate of incorporation (including, without limitation, by the filing or modification of any certificate of designation), partnership agreement, limited liability company agreement or by-laws except such modifications which would not have a material adverse effect on Parent and its Subsidiaries taken as a whole or an adverse effect on the rights and remedies of the Administrative Agent or the Banks under any of the Credit Documents or (vi) after the commencement of the Existing Showboat Notes Tender Offers/Consent Solicitations, amend or modify, or permit the amendment or modification of, any of the terms of the Existing Showboat Notes Tender Offers/Consent Solicitations in a way that would be material to Parent and its Subsidiaries taken as a whole. Notwithstanding anything to the contrary contained in clause (i) of this Section 8.10, the Company or, in the case of Indebtedness of Showboat and its Subsidiaries, Showboat, may

prepay, repurchase, redeem, defease or otherwise retire Subordinated Debt, Additional Unsecured Senior Debt or such Indebtedness of Showboat and its Subsidiaries if no Default or Event of Default then exists or would result therefrom to the extent necessary in the good faith judgment of the Board of Directors of Parent or the Company to prevent the filing of a disciplinary action by any Gaming Authority or to prevent the loss or secure the reinstatement of any license or franchise from any governmental agency (including the Gaming Authorities) held by Parent, the Company or any Subsidiary of Parent or the Company which license or franchise is conditioned upon some or all of the holders of such Subordinated Debt, such Additional Unsecured Senior Debt or such Indebtedness of Showboat and its Subsidiaries possessing prescribed qualifications, if such loss or failure to reinstate would have a material adverse effect on the business, operations, property, assets, liabilities, conditions (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole.

8.11 Limitation on Certain Restrictions on Subsidiaries. Parent will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary of Parent to (a) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by Parent or any Subsidiary of Parent, or pay any Indebtedness owed to Parent or a Subsidiary of Parent, (b) make loans or advances to Parent or any Subsidiary of Parent or (c) transfer any of its properties or assets to Parent or any Subsidiary of Parent, except for such encumbrances or restrictions existing under or by reason of (i) regulatory actions or applicable law, (ii) this Agreement, the other Credit Documents and the 5-Year Credit Agreement, (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of Parent or a Subsidiary of Parent, (iv) customary provisions restricting the assignment or transfer of any licensing agreement, franchise agreement, management contract, joint venture agreement or any similar types of agreement entered into by Parent or a Subsidiary of Parent in the ordinary course of business, (v) customary restrictions imposed in connection with any asset sale permitted by this Agreement for the benefit of the purchaser or owner of such asset, (vi) restrictions existing in any document executed in connection with Non-Recourse Indebtedness permitted under Section 8.04(x) so long as such restrictions only apply to the property serving as security for such Non-Recourse Indebtedness, (vii) customary restrictions on the transfer of assets used to secure Indebtedness permitted to be incurred (and so long as the Liens are permitted to exist) by this Agreement, (viii) restrictions set forth in any Indebtedness of Showboat and its

Subsidiaries as such restrictions are in effect on the Showboat Merger Effective Date and (ix) restrictions imposed in connection with any new gaming Subsidiaries of the Company which are not Material Subsidiaries.

8.12 Limitation on Issuance of Capital Stock. Parent will not permit any of its Material Subsidiaries to issue any capital stock (including by way of sales of treasury stock) or any options or warrants to purchase, or securities convertible into, capital stock, except (i) for transfers and replacements of then outstanding shares of capital stock, (ii) for stock splits, stock dividends and similar issuances which do not decrease the percentage ownership of Parent or any of its Subsidiaries in any class of the capital stock of such Subsidiary and (iii) to qualify directors to the extent required by applicable law.

8.13 Business. Parent will not, and will not permit any of its Subsidiaries to, engage (directly or indirectly) in any business other than the business in which Parent or such Subsidiary is engaged on the Restatement Effective Date and any other reasonably related businesses.

8.14 Ownership of Subsidiaries. Parent will maintain its direct 100% ownership interest in the Company, and, except in the case of the sale of all of the capital stock or other equity interests of a Subsidiary pursuant to Section 8.02(a), the Company will maintain the same direct or indirect 100% ownership interest in each of the Material Subsidiaries, provided that if the Company owns (directly or indirectly) less than 100% of the capital stock or other equity interest of any Material Subsidiary at the time such Material Subsidiary becomes a Material Subsidiary, then the Company shall maintain at least such direct or indirect ownership interest in such Material Subsidiary so long as it remains a Material Subsidiary.

8.15 Special Purpose Corporation. Parent will engage in no material business activities other than the ownership of the capital stock of the Company.

SECTION 9. Events of Default. Upon the occurrence of any of the following specified events (each an "Event of Default"):

9.01 Payments. Any Borrower shall (i) default in the payment when due of any principal of any Loan or any Revolving Note or (ii) default, and such default shall continue unremedied for three or more days, in the payment when due of interest on any Loan or Revolving Note or any regularly accruing Fees or (iii) default, and such default shall continue unremedied for five or more days after written notice to the Company by the

Administrative Agent or any Bank, in the payment when due of any other Fees or amounts owing hereunder or under any other Credit Document, provided, however, that such notice shall not be required to be given if a Bankruptcy Event shall have occurred and be continuing; or

9.02 Representations, etc. Any representation, warranty or statement made or deemed made by any Credit Party herein or in any other Credit Document or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

9.03 Covenants. Parent or any Borrower shall (i) default in the due performance or observance by it of any term, covenant or agreement contained in Section 7.01(e)(i), 7.08 or 8 or (ii) default in the due performance or observance by it of any other term, covenant or agreement contained in this Agreement and such default shall continue unremedied for a period of 30 days after written notice to the Company by the Administrative Agent or any Bank; or

9.04 Default Under Other Agreements. (i) Parent or any Subsidiary of Parent shall (x) default in any payment of any Indebtedness (other than the Loans and the Revolving Notes) beyond the period of cure or grace, if any, provided in the instrument or agreement under which such Indebtedness was created or (y) default in the observance or performance of any agreement or condition relating to any Indebtedness (other than the Loans and the Revolving Notes) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Indebtedness to become due prior to its stated maturity, or (ii) any Indebtedness (other than the Loans and the Revolving Notes) of Parent or any Subsidiary of Parent shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof, provided that it shall not be a Default or an Event of Default under this Section 9.04 unless the aggregate principal amount of all Indebtedness as described in preceding clauses (i) and (ii) is at least \$25,000,000; or

9.05 Bankruptcy, etc. Parent or any Subsidiary of Parent shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "Bankruptcy

Code"); or an involuntary case is commenced against Parent or any Subsidiary of Parent, and the petition is not controverted within 10 days, or is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of Parent or any Subsidiary of Parent, or Parent or any Subsidiary of Parent commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to Parent or any Subsidiary of Parent, or there is commenced against Parent or any Subsidiary of Parent any such proceeding which remains undismissed for a period of 60 days, or Parent or any Subsidiary of Parent is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or Parent or any Subsidiary of Parent suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or Parent or any Subsidiary of Parent makes a general assignment for the benefit of creditors; or any corporate action is taken by Parent or any Subsidiary of Parent for the purpose of effecting any of the foregoing; or

9.06 ERISA. (a) Any Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code, any Plan shall have had a trustee appointed by the PBGC to administer such Plan, any Plan is, shall have been or is likely to be terminated or to be the subject of termination proceedings under ERISA, any Plan shall have an Unfunded Current Liability, Parent or any Subsidiary of Parent or any ERISA Affiliate has incurred or is likely to incur a liability to or on account of a Plan under Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971 or 4975 of the Code, or Parent or any Subsidiary of Parent has incurred or is likely to incur liabilities pursuant to one or more employee welfare benefit plans (as defined in Section 3(1) of ERISA) which provide benefits to retired employees (other than as required by Section 601 of ERISA) or employee pension benefit plans (as defined in Section 3(2) of ERISA); (b) there shall result from any such event or events the imposition of a lien, the granting of a security interest, or a liability or a material risk of incurring a liability; and (c) which lien, security interest or liability, in the opinion of the Required Banks, could reasonably be expected to have a material adverse effect upon the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of Parent and its Subsidiaries taken as a whole; or

9.07 Guarantees. Any Guaranty or any provision thereof shall cease to be a legal, valid and binding obligation enforceable against the obligor thereof, or any Guarantor or any Person acting by or on behalf of any Guarantor shall deny or disaffirm such Guarantor's obligations under its Guaranty, or any Guarantor shall default in its due performance of any term, covenant or agreement on its part to be performed or observed pursuant to its Guaranty; or

9.08 Judgments. One or more judgments or decrees shall be entered against Parent or any Subsidiary of Parent involving in the aggregate for Parent and its Subsidiaries a liability (not paid or fully covered by a reputable insurance company) and such judgments and decrees either shall be final and non-appealable or shall not be vacated, discharged or stayed or bonded pending appeal for any period of 30 consecutive days, and the aggregate amount of all such judgments exceeds \$10,000,000; or

9.09 Gaming Authority. Any Gaming Authority having jurisdiction over any Specified Casino Property shall determine that Parent or any of its Subsidiaries that is required to be qualified under the Gaming Regulations does not qualify, or that the qualification or license of any of them with respect to any Specified Casino Property should be revoked, not renewed or suspended for more than 30 days, or any such Gaming Authority shall have appointed a conservator, supervisor or trustee to oversee any of the operations of any of them; or

9.10 Change of Control. A Change of Control shall occur; or

9.11 Laughlin/Las Vegas Stock Restrictions. (x) At any time on or prior to the Laughlin/Las Vegas Stock Restrictions Approval Date, any Lien shall be created with respect to, or any disposition shall occur with respect to, any capital stock of Harrah's Laughlin or Harrah's Las Vegas, Inc., if such Lien or disposition, as the case may be, would not have been permitted in the Laughlin/Las Vegas Stock Restrictions contained in this Agreement were then fully effective in accordance with the terms hereof or (y) the Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals shall not have been obtained on or before July 31, 1998;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent, upon the written request of the Required Banks, shall by written notice to the Borrowers, take any or all of the following actions, without prejudice to the rights of the Administrative Agent, any Bank or the holder of any Revolving Note to enforce

its claims against any Credit Party (provided that, if an Event of Default specified in Section 9.05 shall occur with respect to Parent or any Borrower, the result which would occur upon the giving of written notice by the Administrative Agent to the Borrowers as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Total Revolving Loan Commitment terminated, whereupon the Revolving Loan Commitment of each Bank shall forthwith terminate immediately and any Facility Fees shall forthwith become due and payable without any other notice of any kind; and (ii) declare the principal of and any accrued interest in respect of all Loans and the Revolving Notes and all Obligations owing hereunder and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Credit Party.

SECTION 10. Definitions and Accounting Terms.

10.01 Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Absolute Rate" shall mean an interest rate (rounded to the nearest .0001) expressed as a decimal.

"Additional Unsecured Senior Debt" shall mean each issue of unsecured senior Indebtedness issued by the Company pursuant to Section 8.04(xi) so long as any such issue of unsecured senior Indebtedness is issued pursuant to an effective registration statement under the Securities Act or pursuant to Rule 144A thereunder.

"Adjusted Certificate of Deposit Rate" shall mean, on any day, the sum (rounded to the nearest 1/100 of 1%) of (1) the rate obtained by dividing (x) the most recent weekly average dealer offering rate for negotiable certificates of deposit with a three-month maturity in the secondary market as published in the most recent Federal Reserve System publication entitled "Select Interest Rates," published weekly on Form H.15 as of the date hereof, or if such publication or a substitute containing the foregoing rate information shall not be published by the Federal Reserve System for any week, the weekly average offering rate determined by the Administrative Agent on the basis of quotations for such certificates received by it from three certificate of deposit dealers in New York of recognized standing or, if such quotations are unavailable, then on the basis of other sources reasonably selected by the Administrative Agent, by (y) a percentage equal to 100% minus the stated maximum rate of all reserve requirements as specified in Regulation D applicable

on such day to a three-month certificate of deposit of a member bank of the Federal Reserve System in excess of \$100,000 (including, without limitation, any marginal, emergency, supplemental, special or other reserves), plus (2) the then daily net annual assessment rate as estimated by the Administrative Agent for determining the current annual assessment payable by the Administrative Agent to the Federal Deposit Insurance Corporation for insuring three-month certificates of deposit.

"Administrative Agent" shall mean Bankers Trust Company, in its capacity as Administrative Agent for the Banks hereunder, and shall include any successor to the Administrative Agent appointed pursuant to Section 11.09.

"Affiliate" shall mean, with respect to any Person, any other Person (i) directly or indirectly controlling (including, but not limited to, all directors and officers of such Person), controlled by, or under direct or indirect common control with, such Person or (ii) that directly or indirectly owns more than 5% of the voting securities or capital stock of such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" shall mean this Credit Agreement, as modified, supplemented or amended from time to time.

"Applicable Facility Fee Percentage" shall mean 15/100 of 1% less the then applicable Reduction Discount.

"Applicable Margin" shall mean 7/8 of 1% less the then applicable Reduction Discount.

"Assignment and Assumption Agreement" shall mean the Assignment and Assumption Agreement substantially in the form of Exhibit E (appropriately completed).

"Atlantic City Showboat Land Debt" shall mean the \$100,000,000 aggregate face principal amount of Showboat Land, L.L.C.'s 7.09% Promissory Note due February 1, 2028.

"Bank" shall mean each financial institution listed on Schedule I, as well as any institution which becomes a "Bank" hereunder pursuant to Section 1.14 or 12.04(b) or (c), provided that in any event each such institution shall be a Qualified Person.

"Bank Default" shall mean (i) the refusal (which has not been retracted) of a Bank to make available its portion of

any Borrowing or (ii) a Bank having notified in writing the Borrowers and/or the Administrative Agent that it does not intend to comply with its obligations under Section 1.01(a), in the case of either clause (i) or (ii) above as a result of any takeover of such Bank by any regulatory authority or agency.

"Bankruptcy Code" shall have the meaning provided in Section 9.05.

"Bankruptcy Event" shall mean any Default or Event of Default of the type described in Section 9.05.

"Base Rate" at any time shall mean the highest of (i) 1/2 of 1% in excess of the Adjusted Certificate of Deposit Rate, (ii) the Prime Lending Rate and (iii) 1/2 of 1% in excess of the overnight Federal Funds Rate.

"Base Rate Loan" shall mean any Revolving Loan designated or deemed designated as such by a Borrower at the time of the incurrence thereof or conversion thereto.

"Bidder Bank" shall mean each Bank that has informed the Administrative Agent and the Company in writing (which has not been retracted) that such Bank desires to participate generally in the bidding arrangements relating to Competitive Bid Borrowings.

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"Borrowing" shall mean and include (i) the borrowing of one Type of Revolving Loan from all the Banks on a given date (or resulting from a conversion or conversions on such date) having in the case of Eurodollar Loans the same Interest Period, provided that Base Rate Loans incurred pursuant to Section 1.11(b) shall be considered part of the related Borrowing of Eurodollar Loans and (ii) a Competitive Bid Borrowing.

"BTCO" shall mean Bankers Trust Company in its individual capacity.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day except Saturday, Sunday and any day which shall be in New York City a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (i) above and which is also a day for trading by and between banks in the New York interbank Eurodollar market.

"Capitalized Lease Obligations" of any Person shall mean all rental obligations which, under generally accepted accounting principles, are or will be required to be capitalized on the books of such Person, in each case taken at the amount thereof accounted for as indebtedness in accordance with such principles.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as the same may be amended from time to time, 42 U.S.C. ss. 9601 et seq.

"Change of Control" shall mean (i) Parent shall cease to own 100% of the capital stock of the Company, (ii) the direct or indirect acquisition by any Person or group (as such term is defined in Section 13(d)(3) of the Securities Exchange Act) of beneficial ownership (as such term is defined in Rule 13D-3 promulgated under the Securities Exchange Act) of 25% or more of the outstanding shares of common stock of Parent, (iii) the Board of Directors of Parent shall not consist of a majority of Continuing Directors or (iv) any "change of control" or similar event shall occur under any issue of Indebtedness of Parent or any of its Subsidiaries in an aggregate principal amount which exceeds (or upon utilization of any unused commitments may exceed) \$25,000,000 (other than under the Existing Showboat Notes as a result of the Merger).

"Cherokee Casino" shall mean the casino constructed, developed and operated by the Eastern Band of Cherokee Indians in Cherokee, North Carolina, and the manager of which is Parent or a Wholly-Owned Subsidiary of Parent.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and the rulings issued thereunder. Section references to the Code are to the Code, as in effect on the date of this Agreement, and to any subsequent provision of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Collateral Agent" shall have the meaning provided in the Existing Credit Agreement.

"Collateral Documents" shall have the meaning provided in the Existing Credit Agreement.

"Company" shall have the meaning provided in the first paragraph of this Agreement.

"Company/Sub Guaranty" shall have the meaning provided in Section 4A.05.

"Competitive Bid Borrowing" shall mean a Borrowing of Competitive Bid Loans pursuant to Section 1.04 with respect to which the Company has requested that the Bidder Banks offer to make Competitive Bid Loans at Absolute Rates.

"Competitive Bid Loans" shall have the meaning provided in Section 1.01(b).

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum dated February 1998 delivered by the Administrative Agent to the Banks in connection with the Transaction.

"Consolidated Debt" shall mean, at any time, the sum of the aggregate outstanding principal amount of all Indebtedness (including, without limitation, guarantees, Non-Recourse Indebtedness and the principal component of Capitalized Lease Obligations) of Parent and its Consolidated Subsidiaries.

"Consolidated EBIT" shall mean, for any period, the Consolidated Net Income plus Consolidated Interest Expense (to the extent same was deducted in determining Consolidated Net Income) and provision for taxes, and without giving effect to any extraordinary gains or losses or gains or losses from sales of assets other than inventory sold in the ordinary course of business.

"Consolidated EBITDA" shall mean, for any period, Consolidated EBIT for such period, adjusted by (x) adding thereto (i) the amount of all amortization of intangibles and depreciation and the amount of all other non-cash expenses, in each case that were deducted in arriving at Consolidated EBIT for such period and (ii) the amount of all pre-opening expenses that were recorded during such period with respect to the opening of new Gaming Properties to the extent that such expenses were deducted in arriving at Consolidated EBIT for such period and (y) subtracting therefrom any cash expenses, cash charges or cash payments arising from any non-cash expenses that were deducted in arriving at Consolidated EBIT in a previous period.

"Consolidated Interest Coverage Ratio" for any period shall mean the ratio of Consolidated EBIT to Consolidated Interest Expense.

"Consolidated Interest Expense" shall mean, for any period, the total consolidated interest expense of Parent and its Consolidated Subsidiaries (without deduction for minority interests in Subsidiaries) for such period (calculated without regard to any limitations on the payment thereof) plus, without duplication, (i) that portion of Capitalized Lease Obligations of Parent and its Consolidated Subsidiaries representing the

interest factor for such period and (ii) the Company's or such Consolidated Subsidiary's share of interest expense of any Joint Venture.

"Consolidated Net Income" shall mean, for any period, net income of Parent and its Consolidated Subsidiaries (without deduction for minority interests in Subsidiaries) for such period.

"Consolidated Net Worth" shall mean, at any time, the net worth of Parent and its Consolidated Subsidiaries determined on a consolidated basis.

"Consolidated Subsidiaries" shall mean, as to any Person, all Subsidiaries of such Person which are consolidated with such Person for financial reporting purposes in accordance with generally accepted accounting principles in the United States.

"Contingent Obligation" shall mean, as to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing (including, without limitation, as a result of such Person being a general partner of the other Person, unless the underlying obligation is expressly made non-recourse as to such general partner) any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation (whether arising by virtue of partnership arrangements, by agreement to keepwell, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect the obligee against loss in respect thereof (in whole or in part), provided that the term Indebtedness shall not include endorsements for collection or deposit in the ordinary course of business.

"Continuing Directors" shall mean the directors of Parent on the First Restatement Effective Date and each other director, if such other director's nomination for election to the Board of Directors of Parent is recommended by a majority of the then Continuing Directors.

"Credit Documents" shall mean this Agreement, each Revolving Note and each Guaranty.

"Credit Party" shall mean Parent, the Company and each other Subsidiary of Parent that is a Subsidiary Borrower or a Guarantor.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Bank" shall mean any Bank with respect to which a Bank Default is in effect.

"Designated Asset Sale" shall mean any asset sale pursuant to Section 8.02(a) (other than pursuant to clause (iii) thereof), provided that an asset sale pursuant to Section 8.02(a)(i) shall only be a Designated Asset Sale to the extent set forth in Section 8.02(a)(i)(iv).

"Designated Bank" shall have the meaning provided in Section 12.14.

"Designated Showboat Indebtedness" shall mean the East Chicago Showboat Notes and the Showboat Land Debt.

"Designating Bank" shall have the meaning provided in Section 12.14.

"Disqualified Stock" shall mean any capital stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part on, or prior to, or is exchangeable for debt securities of Parent or its Subsidiaries prior to, the first anniversary of the Final Maturity Date.

"Dividend" with respect to any Person shall mean that such Person has declared or paid a dividend or returned any equity capital to its stockholders or authorized or made any other distribution, payment or delivery of property (other than common stock of such Person) or cash to its stockholders as such, or redeemed, retired, purchased or otherwise acquired, directly or indirectly, for a consideration any shares of any class of its capital stock outstanding on or after the First Restatement Effective Date (or any options or warrants issued by such Person with respect to its capital stock), or set aside any funds for any of the foregoing purposes, or shall have permitted any of its Subsidiaries to purchase or otherwise acquire for a consideration any shares of any class of the capital stock of such Person outstanding on or after the First Restatement Effective Date (or any options or warrants issued by such Person with respect to its

capital stock). Without limiting the foregoing, "Dividends" with respect to any Person shall also include all payments made or required to be made by such Person with respect to any stock appreciation rights, plans, equity incentive or achievement plans or any similar plans or setting aside of any funds for the foregoing purposes.

"Documents" shall mean (i) the Credit Documents, (ii) the 8-3/4% Senior Subordinated Note Redemption Documents, (iii) the Showboat Merger Documents and (iv) the Existing Showboat Notes Tender Offers/Consent Solicitations Documents.

"Dollars" and the sign "\$" shall each mean freely transferable lawful money of the United States.

"East Chicago Showboat Notes" shall mean the \$140,000,000 aggregate face principal amount of Showboat Marina Casino Partnership's and Showboat Marina Finance Corporation's Series A and Series B 13-1/2% First Mortgage Notes due 2003.

"Effective Date" shall mean the "Effective Date" under, and as defined in, the Existing Credit Agreement.

"8-3/4% Senior Subordinated Notes" shall mean the Company's 8-3/4% Senior Subordinated Notes due 2000. "8-3/4% Senior Subordinated Notes Indenture" shall mean the indenture relating to the 8-3/4% Senior Subordinated Notes.

"8-3/4% Senior Subordinated Notes Redemption" shall mean the redemption by the Company of all of its outstanding 8-3/4% Senior Subordinated Notes pursuant to the 8-3/4% Senior Subordinated Notes Redemption Documents and the 8-3/4% Senior Subordinated Notes Indenture.

"8-3/4% Senior Subordinated Notes Redemption Documents" shall mean all of the documents entered into by the Company in connection with the 8-3/4% Senior Subordinated Notes Redemption.

"Election to Become a Subsidiary Borrower" shall mean an Election to Become a Subsidiary Borrower substantially in the form of Exhibit D, which shall be executed by each Subsidiary of the Company which becomes a Subsidiary Borrower after the date hereof.

"End Date" shall have the meaning provided in the definition of Reduction Discount.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, notices of noncompliance or

violation, investigations of which Parent, any Borrower or Showboat has received notice or proceedings relating in any way to any Environmental Law or any permit issued, or any approval given, under any such Environmental Law (hereafter, "Claims"), including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief in connection with alleged injury or threat of injury to health, safety or the environment due to the presence of Hazardous Materials.

"Environmental Law" shall mean any Federal, state, foreign or local statute, law, rule, regulation, ordinance, code, guideline, written policy and rule of common law now or hereafter in effect and in each case as amended, including any judicial or administrative order, consent decree or judgment, relating to the environment, employee health and safety or Hazardous Materials, including, without limitation, CERCLA; RCRA; the Federal Water Pollution Control Act, 33 U.S.C. ss. 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. ss. 2601 et seq.; the Clean Air Act, 42 U.S.C. ss. 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. ss. 3803 et seq.; the Oil Pollution Act of 1990, 33 U.S.C. ss. 2701 et seq.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 U.S.C. ss. 11001 et seq.; the Hazardous Material Transportation Act, 49 U.S.C. ss. 1801 et seq.; the Occupational Safety and Health Act, 29 U.S.C. ss. 651 et seq.; and any state and local or foreign counterparts or equivalents, in each case as amended from time to time.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the date of this Agreement, and to any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA Affiliate" shall mean each person (as defined in Section 3(9) of ERISA) which together with Parent or any Subsidiary of Parent would be deemed to be a "single employer" within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"Eurodollar Loan" shall mean each Revolving Loan designated as such by a Borrower at the time of the incurrence thereof or conversion thereto.

"Eurodollar Rate" shall mean (a) the arithmetic average (rounded to the nearest 1/1000 of 1%) of the offered quotation to first-class banks in the New York interbank Eurodollar market by each Reference Bank for Dollar deposits of amounts in immediately available funds comparable to the outstanding principal amount of the Eurodollar Loan of such Reference Bank with maturities comparable to the Interest Period applicable to such Eurodollar Loan commencing two Business Days thereafter as of 10:00 A.M. (New York time) on the date which is two Business Days prior to the commencement of such Interest Period, divided by (b) a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves required by applicable law) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency funding or liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D); provided that if one or more of the Reference Banks fails to provide the Administrative Agent with its aforesaid rate, then the Eurodollar Rate shall be determined based on the rate or rates provided to the Administrative Agent by the other Reference Bank or Banks.

"Event of Default" shall have the meaning provided in Section 9.

"Existing Agents" shall mean the "Agents" under, and as defined in, the Existing Credit Agreement.

"Existing Banks" shall mean those lenders which were party to the Existing Credit Agreement.

"Existing Credit Agreement" shall have the meaning provided in the first WHEREAS clause of this Agreement.

"Existing Revolving Loans" shall mean the "Revolving Loans" under, and as defined in, the Existing Credit Agreement.

"Existing Showboat 9-1/4% First Mortgage Bonds" shall mean the \$275,000,000 aggregate face principal amount of Showboat's 9-1/4% First Mortgage Bonds due 2008.

"Existing Showboat Note Indenture Supplements" shall mean each of the supplemental indentures to the Existing Showboat Note Indentures in the forms delivered to the Administrative Agent pursuant to Section 4B.06 and entered into by Showboat and the respective trustee for the respective issue of Existing Showboat Notes in connection with the Existing Showboat Notes Tender Offers/Consent Solicitations, which supplemental indentures shall eliminate substantially all of the covenants contained in the Existing Showboat Note Indentures.

"Existing Showboat Note Indentures" shall mean each of the respective indentures entered into by Showboat in connection with the Existing Showboat 13% Senior Subordinated Notes and the Existing Showboat 9-1/4% First Mortgage Bonds.

"Existing Showboat Notes" shall mean each of (i) the Existing Showboat 13% Senior Subordinated Notes and (ii) the Existing Showboat 9-1/4% First Mortgage Bonds.

"Existing Showboat Notes Defeasances" shall mean legal or covenant defeasances of the Existing Showboat Notes pursuant to, and in accordance with, the respective terms and conditions of the Existing Showboat Note Indentures.

"Existing Showboat Notes Tender Offers/Consent Solicitations" shall mean (i) the offer by Parent, the Company or Showboat to purchase for cash any and all of the Existing Showboat Notes and (ii) the solicitation by Parent, the Company or Showboat of consents from the holders of each issue of Existing Showboat Notes to amend each Existing Showboat Note Indenture, each of the foregoing to be effected pursuant to the Existing Showboat Notes Tender Offers/Consent Solicitations Documents and the Existing Showboat Note Indentures.

"Existing Showboat Notes Tender Offers/Consent Solicitations Documents" shall mean each of the documents distributed and/or executed by Parent, the Company and/or Showboat to effectuate the Existing Showboat Notes Tender Offers/Consent Solicitations, including the Existing Showboat Note Indenture Supplements and the offers to purchase the Existing Showboat Notes.

"Existing Showboat 13% Senior Subordinated Notes" shall mean the \$120,000,000 aggregate face principal amount of Showboat's 13% Senior Subordinated Notes due 2009.

"Existing Showboat Working Capital Facility" shall mean the existing \$35,000,000 senior secured working capital facility of Showboat.

"Facility Fee" shall have the meaning provided in Section 2.01(a).

"Federal Funds Rate" shall mean for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of

the quotations for such day on such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent.

"Fees" shall mean all amounts payable pursuant to or referred to in Section 2.01.

"Final Maturity Date" shall mean May 27, 1998, as the same may be extended from time to time pursuant to Section 2.04, it being understood and agreed, however, that no extension pursuant to such Section 2.04 shall be effective if the Final Maturity Date would extend beyond July 31, 2000.

"First Restatement Effective Date" shall have the meaning provided in Section 12.10.

"First-Tier Material Subsidiary" shall mean each Material Subsidiary which is a direct Subsidiary of the Company.

"5-Year Banks" shall mean the lenders from time to time party to the 5-Year Credit Agreement.

"5-Year Credit Agreement" shall mean the Credit Agreement, dated as of July 22, 1993 and amended and restated as of June 9, 1995 and further amended and restated as of April 1, 1998, among Parent, the Company, the Subsidiaries of the Company party thereto, the 5-Year Banks, Canadian Imperial Bank of Commerce and Societe Generale, as Co-Syndication Agents, Bank of America National Trust and Savings Association, as Documentation Agent, and Bankers Trust Company, as Administrative Agent, as amended, modified, supplemented, extended, refinanced or replaced from time to time in accordance with the terms thereof and hereof.

"Former Bank" shall have the meaning provided in Section 12.04(c).

"Gaming Authority" shall mean the governmental authorities charged with the administration and enforcement of the Gaming Regulations.

"Gaming Business" shall mean the businesses and operations of the Company and its Subsidiaries with respect to, and the properties and assets of the Company and its Subsidiaries used in connection with, the Specified Casino Properties and any other casinos, hotel casinos or gaming businesses now or in the future owned by the Company or any of its Subsidiaries or in which Parent or any of its Subsidiaries has an interest either through a Joint Venture or as a party to a management agreement.

"Gaming Property" of any Person shall mean those properties and assets of such Person which relate to such Person's casino or hotel casino businesses and operations.

"Gaming Regulations" shall mean the laws, rules, regulations and orders applicable to the casino and gaming business or activities of Parent, the Company or any of their Subsidiaries, as in effect from time to time, including the policies, interpretations and administration thereof by the Gaming Authorities.

"Guaranteed Obligations" shall mean the irrevocable and unconditional guaranty made by Parent under the Parent Guaranty (i) to the Administrative Agent and each Bank for the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of the principal and interest on each Revolving Note issued by each Borrower to such Bank, and Loans made, under this Agreement, together with all the other obligations and liabilities (including, without limitation, indemnities, fees and interest thereon) of each of the Borrowers to the Administrative Bank and such Bank now existing or hereafter incurred under, arising out of or in connection with this Agreement or any other Credit Document and the due performance and compliance with the terms of the Credit Documents by the Borrowers and (ii) to each Interest Rate Protection Creditor which has entered into, or in the future enters into, an Interest Rate Protection or Other Hedging Agreement with any Borrower, the full and prompt payment when due (whether by acceleration or otherwise) of all obligations of each Borrower owing under, or with respect to, any such Interest Rate Protection or Other Hedging Agreement, whether now in existence or hereafter arising, and the due performance and compliance with all terms, conditions and agreements contained therein.

"Guarantor", at any time, shall mean each of the Initial Guarantors and each Required Additional Guarantor which has executed and delivered a counterpart of the Company/Sub Guaranty in accordance with Section 7.11, provided that, from and after the date of the release of any Subsidiary of the Company from the provisions of the Company/Sub Guaranty in accordance with the terms thereof or hereof, such Subsidiary shall cease to constitute a Guarantor.

"Guaranty" shall mean and include the Parent Guaranty and the Company/Sub Guaranty.

"Harrah's Atlantic City" shall mean Harrah's Atlantic City, Inc., a New Jersey corporation.

"Harrah's Jazz" shall mean Harrah's Jazz Company, a Louisiana general partnership.

"Harrah's Jazz Completion Guaranties" shall mean one or more completion guaranties heretofore given by Parent and/or the Company in favor of certain lenders to Harrah's Jazz, the City of New Orleans and one or more other governmental agencies of the State of Louisiana.

"Harrah's Jazz Completion Obligation Loans" shall mean any payments made by Parent and/or the Company under the Harrah's Jazz Completion Guaranties or the Harrah's Jazz Title Indemnity Arrangements to the extent that such payments are characterized as additional loans or advances made by Parent and/or the Company to Harrah's Jazz.

"Harrah's Jazz Investments" shall mean Investments in or to Harrah's Jazz and/or for the benefit of Harrah's Jazz, including the Harrah's Jazz Completion Obligation Loans, the Harrah's Jazz Completion Guaranties and the Harrah's Jazz Title Indemnity Arrangements.

"Harrah's Jazz Plan Effective Date" shall mean the effective date of the Harrah's Jazz Reorganization Plan.

"Harrah's Jazz Reorganization Plan" shall mean Harrah's Jazz's and Harrah's Jazz Finance Corp.'s joint plan of reorganization under Chapter 11 of the Bankruptcy Code, as amended from time to time.

"Harrah's Jazz Title Indemnity Arrangements" shall mean those certain indemnity agreements heretofore given by Parent and the Company to the title insurance companies providing title insurance for Harrah's Jazz's casino in the City of New Orleans.

"Harrah's Laughlin" shall mean Harrah's Laughlin, Inc., a Nevada corporation.

"Harrah's New Jersey" shall mean Harrah's New Jersey, Inc., a New Jersey corporation.

"Hazardous Materials" shall mean (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous waste," "hazardous materials," "extremely hazardous substances," "restricted hazardous waste," "toxic substances," "toxic pollutants," "contaminants," or "pollutants," or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, exposure to which

is prohibited, limited or regulated by any governmental authority.

"HNOIC" shall mean Harrah's New Orleans Investment Company, a Nevada corporation.

"Indebtedness" shall mean, as to any Person, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all obligations of such Person to reimburse or repay any bank or other Person in respect of amounts paid or available to be drawn under a letter of credit, banker's acceptance, surety, performance or appeal bond or any similar instrument (each such obligation to be valued at the face amount of such instrument), (vi) all Indebtedness of others secured by a Lien on any asset of such Person, (vii) all Contingent Obligations of such Person with respect to any Indebtedness of any other Person and (viii) the amount of any Disqualified Stock.

"Initial Guarantors" shall mean each of Parent, the Company, Marina, Harrah's Atlantic City, Harrah's Las Vegas, Inc., Harrah's Laughlin, Harrah's New Jersey, Harrah's Reno Holding Company, Inc., Harrah's Illinois Corporation, Tunica Partners II, L.P., Harrah's Tunica Corporation, Harrah's Vicksburg Corporation and Harrah's-North Kansas City Corporation.

"Interest Determination Date" shall mean, with respect to any Eurodollar Loan, the second Business Day prior to the commencement of any Interest Period relating to such Eurodollar Loan.

"Interest Period" shall have the meaning provided in Section 1.10.

"Interest Rate Protection Creditor" shall have the meaning provided in the Company/Sub Guaranty.

"Interest Rate Protection or Other Hedging Agreements" shall mean one or more (i) interest rate protection agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements), (ii) foreign exchange contracts, currency swap agreements or other similar agreements or arrangements designed to protect against the fluctuations in currency values and/or (iii) other types of hedging agreements

from time to time entered into by the Company or any of its Subsidiaries.

"Investments" shall have the meaning provided in Section 8.05.

"Issue" shall mean each of the two different types of Senior Debt, there being two separate Issues for purposes of this Agreement, i.e., the Indebtedness under this Agreement and the Indebtedness under the 5-Year Credit Agreement.

"Jazz Casino" shall mean Jazz Casino Company, L.L.C., a Louisiana limited liability company.

"Jazz Casino Bank Guarantees" shall mean one or more additional guarantees, put agreements, keep-well agreements and/or other similar credit support to be provided by Parent and/or the Company in favor of the lenders under the Jazz Casino Construction Credit Facility.

"Jazz Casino Completion Guaranties" shall mean one or more completion guaranties to be given by Parent and/or the Company in favor of the lenders to Jazz Casino under the Jazz Casino Construction Credit Facility, the City of New Orleans, the Rivergate Development Corporation, the Louisiana Gaming Control Board, the holders of the New Jazz Casino Senior Subordinated Bonds and the holders of the New Jazz Casino Contingent Bonds.

"Jazz Casino Completion Obligation Loans" shall mean any payments made by Parent and/or the Company under the Jazz Casino Completion Guaranties or the Jazz Casino Indemnity Arrangements to the extent that such payments are characterized as additional loans or advances made by Parent and/or the Company to Jazz Casino.

"Jazz Casino Construction Credit Facility" shall mean the construction and working capital credit facility to be entered into by Jazz Casino as part of the Harrah's Jazz Reorganization Plan.

"Jazz Casino Indemnity Arrangements" shall mean those certain indemnity agreements to be given by Parent and the Company to the title insurance companies providing the title insurance for the New Orleans Casino and to the provider of the Jazz Casino Surety Bonds.

"Jazz Casino Loan Guaranty" shall mean, with respect to any Jazz Casino Loans made to Jazz Casino by a Person other than Parent or any of its Subsidiary, any guaranty of Parent and/or the Company in respect thereof.

"Jazz Casino Loans" shall mean loans made to Jazz Casino (other than as part of the Jazz Casino Construction Credit Facility) by Parent and/or its Subsidiaries or by a third Person, provided that the aggregate amount of Jazz Casino Loans made by Parent and its Subsidiaries, when added to the amount of the Jazz Casino Bank Guarantees and the amount of the Jazz Casino Loan Guaranty, shall not exceed \$180,000,000.

"Jazz Casino Minimum Payment Guaranty" shall mean any guaranty to be given by Parent and/or the Company in favor of the Louisiana Gaming Control Board guaranteeing Jazz Casino's minimum payment obligations to the Louisiana Gaming Control Board of \$100,000,000 per year.

"Jazz Casino Surety Bond" shall mean a surety bond to be provided in connection with the completion of the New Orleans Casino.

"Jazz Casino Trigger Date" shall mean the date on which (i) the Harrah's Jazz Plan Effective Date shall have occurred in accordance with the terms of the Harrah's Jazz Reorganization Plan and (ii) all material governmental and material third party approvals with respect to the construction and operation of the New Orleans Casino to the extent required to be obtained by the Harrah's Jazz Plan Effective Date shall have been obtained and remain in full force and effect, including, without limitation any vote of the legislature of Louisiana.

"JCC Holding" shall mean JCC Holding Company, a Delaware corporation.

"Joint Venture" shall mean any entity or arrangement between the Company or any of its Subsidiaries (so long as the Company and its Subsidiaries own 50% or less of such entity) and one or more Persons other than Parent or any of its Subsidiaries (whether now existing or created in the future) for (i) the joint ownership, management, construction or development of any Gaming Property or (ii) the joint ownership or operation of any Gaming Business.

"Laughlin/Las Vegas Stock Restrictions" shall mean the negative pledge (i.e., the prohibition of Liens pursuant to Section 8.01), and restrictions on transfers pursuant to Section 8.02, on the capital stock of Harrah's Laughlin and Harrah's Las Vegas, Inc., in each case to the extent such restrictions require the approval of the Nevada Gaming Authority.

"Laughlin/Las Vegas Stock Restrictions Approval Date" shall mean the first date occurring after the First Restatement Effective Date upon which (i) all requisite approvals of Gaming Authorities have been obtained to permit the Laughlin/Las Vegas

Stock Restrictions, so that same may be fully effective in accordance with the terms of this Agreement (without giving effect to the limitations provided in Section 12.18) and (ii) the Administrative Agent shall have received a satisfactory opinion of Nevada gaming counsel to the Company to the effect that such approvals have been obtained and that the Laughlin/Las Vegas Stock Restrictions contained in this Agreement are fully enforceable in accordance with the terms hereof, which opinions shall be in form and substance reasonably satisfactory to the Administrative Agent.

"Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals" shall have the meaning provided in Section 12.18.

"Leaseholds" of any Person means all the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC or any other similar recording or notice statute, and any lease having substantially the same effect as any of the foregoing).

"Loan" shall mean each Revolving Loan and each Competitive Bid Loan.

"Margin Reduction Period" shall mean each period which shall commence on a date on which the financial statements are delivered pursuant to Section 7.01(a) or (b) and which shall end on the earlier of (i) the date of actual delivery of the next financial statements pursuant to Section 7.01(a) or (b) and (ii) the latest date on which the next financial statements are required to be delivered pursuant to Section 7.01(a) or (b).

"Margin Stock" shall have the meaning provided in Regulation U.

"Marina" shall mean Marina Associates, a New Jersey general partnership.

"Material Subsidiary" shall mean each of (a) each Initial Guarantor other than Parent and the Company, (b) each Subsidiary Borrower, (c) from and after the consummation of the Showboat Merger, Showboat, Ocean Showboat, Inc., Atlantic City Showboat, Inc., Showboat Operating Company, Showboat Indiana Investment Partnership and Showboat Marina Casino Partnership and (d) as at the date of determination, (i) any direct or indirect

Subsidiary of Parent that holds any license or licenses needed to conduct gaming operations with respect to any Specified Casino Property, (ii) any direct or indirect Subsidiary of Parent that owns or leases any Specified Casino Property or that directly or indirectly owns stock of a Subsidiary which owns or leases any Specified Casino Property, or (iii) any Subsidiary of Parent that (together with its Subsidiaries) accounts for, or holds, at least 10% of any of (x) the consolidated assets of Parent and its Subsidiaries, (y) the consolidated revenues of Parent and its Subsidiaries or (z) the Consolidated EBIT of Parent and its Subsidiaries, in each case as determined at the end of each fiscal quarter of Parent and, in the case of preceding clauses (y) and (z), for the Test Period then last ended, it being understood and agreed that Harrah's Jazz, JCC Holding and Desplaines Development Limited Partnership and their respective Subsidiaries shall not be considered Material Subsidiaries under this sub-clause (iii) to the extent that such Subsidiaries would otherwise constitute such a Material Subsidiary so long as such Subsidiaries would not otherwise constitute a Material Subsidiary under any of the other clauses of this definition.

"Maturity Date" shall mean, with respect to each Bank, the Final Maturity Date in effect at the time such Bank first became party to this Agreement, as the same may be extended pursuant to Section 2.04, provided that such extension has been consented to by such Bank. It is understood that in the event that a Bank does not consent to an extension of the Final Maturity Date, the Maturity Date for such Bank shall be the Final Maturity Date in effect immediately prior to the effectiveness of such extension.

"Minimum Condition" shall mean that condition which shall be satisfied only when at least a majority of the outstanding Existing Showboat 13% Senior Subordinated Notes and at least a majority of the outstanding Existing Showboat 9-1/4% First Mortgage Bonds shall have been validly tendered, and not withdrawn, pursuant to the Existing Showboat Notes Tender Offers/Consent Solicitations.

"Moody's" shall mean Moody's Investors Service, Inc.

"Net Sale Proceeds" shall mean for any Designated Asset Sale, the gross cash proceeds (including any cash received by way of deferred payment pursuant to a promissory note, receivable or otherwise, but only as and when received) received from any Designated Asset Sale, net of reasonable transaction costs and payments of unassumed liabilities relating to the assets sold at the time of, or within 60 days after, the date of such sale and the amount of such gross cash proceeds required to be used to repay any Indebtedness (other than Indebtedness of the Banks pursuant to the Credit Documents) which is secured by the

respective assets which were sold, and net of the incremental taxes paid or payable as a result of such Designated Asset Sale.

"New Jazz Casino Contingent Bonds" shall mean the Senior Subordinated Contingent Notes due 2009 to be issued by Jazz Casino as part of the Harrah's Jazz Reorganization Plan.

"New Jazz Casino Senior Subordinated Bonds" shall mean the \$187,500,000 aggregate principal amount of Senior Subordinated Notes due 2009 to be issued by Jazz Casino as part of the Harrah's Jazz Reorganization Plan.

"New Orleans Casino" shall mean the land based casino to be constructed in New Orleans, Louisiana which is currently owned by Harrah's Jazz and which will be owned by Jazz Casino as part of the Harrah's Jazz Reorganization Plan.

"Non-Continuing Bank" shall mean, at any time, each Bank the Maturity Date of which has not been extended pursuant to Section 2.04.

"Non-Defaulting Bank" shall mean and include each Bank other than a Defaulting Bank.

"Non-Recourse Indebtedness" shall mean with respect to any Specified Subsidiary, Indebtedness incurred by such Specified Subsidiary which shall be (i) secured only by Gaming Properties being developed with Non-Recourse Indebtedness incurred pursuant to Section 8.04(x), including any fixtures, furniture and equipment related thereto and (ii) non-recourse to Parent and its Subsidiaries, provided that recourse may be had to the extent permitted by Section 8.04(x) and to the respective property or properties serving as security therefor.

"Notice of Borrowing" shall have the meaning provided in Section 1.03(a).

"Notice of Competitive Bid Borrowing" shall have the meaning provided in Section 1.04(a).

"Notice of Conversion" shall have the meaning provided in Section 1.07.

"Notice Office" shall mean the office of the Administrative Agent located at 130 Liberty Street, New York, New York 10006, Attention: Patricia Rapisarda, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"Obligations" shall mean all amounts owing to the Administrative Agent or any Bank pursuant to the terms of this Agreement or any other Credit Document.

"Parent" shall have the meaning provided in the first paragraph of this Agreement.

"Parent Guaranty" shall mean the guaranty provided by Parent pursuant to Section 13.

"Payment Office" shall mean the office of the Administrative Agent located at One Bankers Trust Plaza, New York, New York 10006, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

"Percentage" of any Bank at any time shall mean a fraction (expressed as a percentage) the numerator of which is the Revolving Loan Commitment of such Bank at such time and the denominator of which is the Total Revolving Loan Commitment at such time, provided that, if the Percentage of any Bank is to be determined after the Total Revolving Loan Commitment has been terminated, then the Percentage of such Bank shall be determined immediately prior (and without giving effect) to such termination.

"Permitted Designated Indebtedness" shall mean (i) all Subordinated Debt (or portions thereof) incurred pursuant to Section 8.04(xi) to the extent that the aggregate amount of Subordinated Debt incurred after the First Restatement Effective Date pursuant to said Section is in excess of \$200,000,000 and (ii) all Additional Unsecured Senior Debt.

"Permitted Liens" shall have the meaning provided in Section 8.01.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" shall mean any multiemployer or single-employer plan, as defined in Section 4001 of ERISA, which is maintained or contributed to by (or to which there is an obligation to contribute of), Parent or a Subsidiary of Parent or an ERISA Affiliate, and each such plan for the five year period

immediately following the latest date on which Parent, or a Subsidiary of Parent or an ERISA Affiliate maintained, contributed to or had an obligation to contribute to such plan.

"Prime Lending Rate" shall mean the rate which BTPCo announces from time to time as its prime lending rate, the Prime Lending Rate to change when and as such prime lending rate changes. The Prime Lending Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. BTPCo may make commercial loans or other loans at rates of interest at, above or below the Prime Lending Rate.

"Projections" shall have the meaning provided in Section 6.05(d).

"Qualified Person" shall mean, with respect to any Bank party to this Agreement on the First Restatement Effective Date or that becomes a Bank pursuant to Section 1.14, 12.04(b) or 12.04(c), a banking or other licensed lending institution within the meaning of the New Jersey Gaming Regulations or a financial source or qualifier approved under the Gaming Regulations of the State of New Jersey applicable to lenders (or waived or exempted from the applicable requirements thereof) and which shall not have been found unsuitable under the Gaming Regulations of the State of Nevada applicable to lenders and which meets the requirements of all other jurisdictions regulating the gaming business of Parent and its Subsidiaries to the extent that the Company has so notified the Banks of such requirements of such other jurisdiction pursuant to Section 12.04(e).

"RCRA" shall mean the Resource Conservation and Recovery Act, as the same may be amended from time to time, 42 U.S.C. ss. 6901 et seq.

"Real Property" of any Person shall mean all the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Reduction Discount" shall mean initially zero and from and after the first day of any Margin Reduction Period (the "Start Date") to and including the last day of such Margin Reduction Period (the "End Date"), the Reduction Discount shall be the respective percentage per annum set forth in clause (A), (B) or (C) below if, but only if, as of the last day of the most recent fiscal quarter of Parent ended immediately prior to such Start Date (the "Test Date") the conditions in clause (A), (B) or (C) below are met:

(A) (x) in the case of Eurodollar Loans, 1/4 of 1% and (y) in the case of the Facility Fee, 4/100 of 1% in each case if, but only if, as of the Test Date for such Start

Date either of the following conditions are met and none of the conditions set forth in clauses (B) and (C) below are satisfied:

(i) the Consolidated Interest Coverage Ratio for the Test Period ended on such Test Date shall be greater than 3.00:1.00; or

(ii) the Indebtedness of the Company on such Test Date shall be rated at least BBB- Senior Implied by S&P or Baa3 Senior Implied by Moody's;

(B) (x) in the case of Eurodollar Loans, 1/2 of 1% and (y) in the case of the Facility Fee, 5.5/100 of 1% in each case if, but only if, as of the Test Date for such Start Date either of the following conditions are met and none of the conditions set forth in clause (C) below are satisfied:

(i) the Consolidated Interest Coverage Ratio for the Test Period ended on such Test Date shall be greater than 3.50:1.00; or

(ii) the Indebtedness of the Company on such Test Date shall be rated at least BBB Senior Implied by S&P or Baa2 Senior Implied by Moody's; or

(C) (x) in the case of Eurodollar Loans, 5/8 of 1% and (y) in the case of the Facility Fee, 7/100 of 1% in each case if, but only if, as of the Test Date for such Start Date either of the following conditions are met:

(i) the Consolidated Interest Coverage Ratio for the Test Period ended on such Test Date shall be greater than 4.00:1.00; or

(ii) the Indebtedness of the Company on such Test Date shall be rated at least BBB+ Senior Implied by S&P or Baa1 Senior Implied by Moody's.

Notwithstanding anything to the contrary above in this definition, (i) for the period from the First Restatement Effective Date through, but not including, the first Start Date thereafter, the Reduction Discount shall be (x) in the case of Eurodollar Loans, 1/2 of 1% and (y) in the case of the Facility Fee, 5.5/100 of 1% and (ii) the Reduction Discount shall be reduced to zero at all times when a Default under Section 7.01(a) or (b) shall exist or an Event of Default shall exist.

"Reference Banks" shall mean BCo, Bank of America National Trust and Savings Association and Canadian Imperial Bank of Commerce.

"Register" shall have the meaning provided in Section 12.17(b).

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation G" shall mean Regulation G of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation T" shall mean Regulation T of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation U" shall mean Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Regulation X" shall mean Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Release" means disposing, discharging, injecting, spilling, pumping, leaking, leaching, dumping, emitting, escaping, emptying, seeping, placing, pouring and the like, into or upon any land or water or air, or otherwise entering into the environment.

"Replaced Bank" shall have the meaning provided in Section 1.14.

"Replacement Bank" shall have the meaning provided in Section 1.14.

"Reply Date" shall have the meaning provided in Section 1.04(b).

"Reportable Event" shall mean an event described in Section 4043(c) of ERISA with respect to a Plan as to which the 30-day notice requirement has not been waived by the PBGC.

"Requested Extension Effective Date" shall have the meaning provided in Section 2.04(a).

"Required Additional Guarantor" shall have the meaning provided in Section 7.11(a).

"Required Banks" shall mean Non-Defaulting Banks, the sum of whose Revolving Loan Commitments (or after the termination

thereof, outstanding Revolving Loans and Competitive Bid Loans) represent an amount greater than fifty percent of the sum of the Total Revolving Loan Commitment (or after the termination thereof, the sum of the then total outstanding Revolving Loans and Competitive Bid Loans).

"Returns" shall have the meaning provided in Section 6.09.

"Revolving Loan" shall have the meaning provided in Section 1.01(a).

"Revolving Loan Commitment" shall mean, for each Bank, the amount set forth opposite such Bank's name in Schedule I directly below the column entitled "Revolving Loan Commitment," as same may (x) be reduced from time to time pursuant to Sections 2.02, 2.03 and/or 9 or (y) be adjusted from time to time as a result of assignments to or from such Bank pursuant to Section 1.14, 12.04(b) or 12.04(c).

"Revolving Note" shall have the meaning provided in Section 1.06(a).

"Rights" shall have the meaning provided in the Rights Agreement.

"Rights Agreement" shall mean the Rights Agreement, dated as of February 7, 1990, between Parent and The Bank of New York, as Rights Agent, as in effect on the date hereof.

"S&P" shall mean Standard & Poor's Ratings Services.

"SEC" shall have the meaning provided in Section 7.01(f).

"Section 3.04(b)(iii) Certificate" shall have the meaning provided in Section 3.04(b).

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Senior Debt" shall mean the Indebtedness under this Agreement and the Indebtedness under the 5-Year Credit Agreement.

"Share" shall mean, for each Issue, (A) if the event requiring a mandatory commitment reduction to Senior Debt pursuant to Section 2.03(c) or (d) would, in accordance with the

terms of the 5-Year Credit Agreement, give rise to a mandatory commitment reduction to the Total 5-Year Revolving Loan Commitment, then the "Share" (x) applicable to the Total 5-Year Revolving Loan Commitment shall equal the lesser of (1) the amount required to be applied to reduce the commitments in respect of Senior Debt pursuant to Section 2.03(c) or (d) multiplied by a fraction the numerator of which is the amount of the Total 5-Year Revolving Loan Commitment then in effect and the denominator of which is the sum of (i) the Total 5-Year Revolving Loan Commitment then in effect plus (ii) the Total Revolving Loan Commitment then in effect and (2) the maximum amount which would be required to be applied to mandatorily reduce the Total 5-Year Revolving Loan Commitment in accordance with the terms of the 5-Year Credit Agreement as a result of the respective event requiring a reduction to the commitments in respect of Senior Debt pursuant to Section 2.03(c) or (d) and (y) applicable to the Total Revolving Loan Commitment shall equal the remainder of the amount required to be applied to reduce the commitments in respect of Senior Debt pursuant to Section 2.03(c) or (d), less the "Share" applicable to the Total 5-Year Revolving Loan Commitment as determined pursuant to preceding clause (x), and (B) if the event giving rise to a mandatory commitment reduction in respect of Senior Debt would not require a mandatory reduction to the Total 5-Year Revolving Loan Commitment of the 5-Year Credit Agreement in accordance with the terms of the 5-Year Credit Agreement, the "Share" of each Issue shall equal (x) in the case of the 5-Year Credit Agreement, \$0 and (y) in the case of this Agreement, the amount required to be applied to Senior Debt pursuant to Section 2.03(c) or (d).

"Showboat" shall mean Showboat, Inc., a Nevada corporation.

"Showboat Change of Control Offers to Purchase" shall mean any required offers by Showboat under the Existing Showboat Note Indentures to purchase the outstanding Existing Showboat Notes as a result of the Merger.

"Showboat Change of Control Purchases" shall mean any purchases made by Parent, the Company or Showboat of the Existing Showboat Notes pursuant to any Showboat Change of Control Offer to Purchase.

"Showboat Merger" shall mean the merger of HEI Acquisition Corp. with and into Showboat, pursuant to and in accordance with the terms of the Showboat Merger Agreement.

"Showboat Merger Agreement" shall mean the Agreement and Plan of Merger, dated as of December 18, 1997, among Parent, HEI Acquisition Corp. and Showboat.

"Showboat Merger Documents" shall mean the Showboat Merger Agreement and all other agreements and documents entered into by Parent, Showboat or any Subsidiary of Parent or Showboat and relating to the Showboat Merger.

"Showboat Merger Effective Date" shall mean the date on which the Showboat Merger occurs in accordance with the terms of the Showboat Merger Agreement.

"Specified Casino Owner" shall mean any Subsidiary of the Company that owns a Specified Casino Property or an interest in an entity owning a Specified Casino Property.

"Specified Casino Property" shall mean and include each of the Harrah's Reno Hotel Casino, Harrah's Lake Tahoe Hotel Casino (including Bill's Casino), Harrah's Las Vegas Hotel Casino, Harrah's Atlantic City Hotel Casino, Harrah's Laughlin Hotel Casino, Harrah's Tunica Riverboat Casino, Harrah's North Kansas Riverboat Casino, Harrah's Joliet Riverboat Casino, East Showboat Chicago Riverboat Casino and Showboat Atlantic City Hotel Casino.

"Specified Subsidiary" shall mean any Subsidiary of the Company (other than any Subsidiary Borrower or Specified Casino Owner) created after the First Restatement Effective Date so long as such Subsidiary has no material assets other than the Gaming Properties to be developed and financed with Non-Recourse Indebtedness incurred pursuant to Section 8.04(x).

"Start Date" shall have the meaning provided in the definition of Reduction Discount.

"Sub-Limit" shall mean (i) with respect to Marina, \$150,000,000 and (ii) with respect to each other Subsidiary of the Company that becomes a Subsidiary Borrower after the date hereof, such aggregate amount as shall be established by the Administrative Agent and the Required Banks at the time such Subsidiary becomes a Subsidiary Borrower hereunder.

"Subordinated Debt" shall mean each issue of subordinated debt of the Company that is issued under Section 8.04(xi).

"Subsidiary" shall mean, as to any Person, (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (ii)

any partnership, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time.

"Subsidiary Borrower" shall mean Marina and any other Wholly-Owned Subsidiary of the Company that is found acceptable to, and approved in writing by, the Administrative Agent and the Required Banks, provided that at the time any such Subsidiary is sold pursuant to Section 8.02, such Subsidiary shall cease to be a Subsidiary Borrower.

"Subsidiary Investments" shall mean any Investment by the Company in one or more of its Subsidiaries, provided that (x) any acquisition of a new Subsidiary shall be through a transaction not involving the acquisition by the Company or any of its Subsidiaries of Margin Stock (other than as permitted by Sections 6.08(b) and 8.05) and (y) any new Subsidiary so acquired shall be engaged primarily in the Gaming Business.

"Substitute Bank" shall have the meaning in Section 12.04(c).

"Taxes" shall have the meaning provided in Section 3.04(a).

"Test Date" shall have a meaning provided in the definition of Reduction Discount.

"Test Period" shall mean the four consecutive fiscal quarters of Parent then last ended (in each case taken as one accounting period).

"Total 5-Year Revolving Loan Commitment" shall mean the "Total Revolving Loan Commitment" under, and as defined in, the 5-Year Credit Agreement.

"Total Revolving Loan Commitment" shall mean, at any time, the sum of the Revolving Loan Commitments of each of the Banks.

"Total Unutilized Revolving Loan Commitment" shall mean, at any time, an amount equal to the remainder of (x) the then Total Revolving Loan Commitment less (y) the sum of the aggregate principal amount of Revolving Loans and Competitive Bid Loans then outstanding.

"Transaction" shall mean, collectively, (i) the consummation of the 8-3/4% Senior Subordinated Notes Redemption, (ii) the consummation of the Showboat Merger, (iii) the Existing Showboat Notes Tender Offers/Consent Solicitations, (iv) the entering into of this Agreement and the 5-Year Credit Agreement,

(v) the Showboat Change of Control Purchases, the consummation of the Existing Showboat Notes Defeasances and (vi) the payment of fees and expenses in connection with the foregoing.

"Type" shall mean the type of Revolving Loan determined with regard to the interest option applicable thereto, i.e., whether a Base Rate Loan or a Eurodollar Loan.

"UCC" shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

"Unfunded Current Liability" of any Plan means the amount, if any, by which the actuarial present value of the accumulated benefits under the Plan as of the close of its most recent plan year, determined in accordance with Statement of Financial Accounting Standards No. 87, based upon the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of the Plan, exceeds the fair market value of the assets allocable thereto, determined in accordance with Section 412 of the Code.

"United States" and "U.S." shall each mean the United States of America.

"Wholly-Owned Subsidiary" shall mean, as to any Person, (i) any corporation 100% of whose capital stock (other than director's qualifying shares) is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person and (ii) any partnership, association, joint venture or other entity in which such Person and/or one or more Wholly-Owned Subsidiaries of such Person has a 100% equity interest at such time.

"Withdrawal Period" shall have the meaning provided in Section 12.04(d).

SECTION 11. The Administrative Agent.

11.01 Appointment. The Banks hereby designate Bankers Trust Company as Administrative Agent to act as specified herein and in the other Credit Documents. Each Bank hereby irrevocably authorizes, and each holder of any Revolving Note by the acceptance of such Revolving Note shall be deemed irrevocably to authorize, the Administrative Agent to take such action on its behalf under the provisions of this Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Administrative Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Administrative Agent may perform any of its duties

hereunder by or through its respective officers, directors, agents or employees.

11.02 Nature of Duties. The Administrative Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement. Neither the Administrative Agent nor any of its officers, directors, agents or employees shall be liable for any action taken or omitted by it or them hereunder or under any other Credit Document or in connection herewith or therewith, unless caused by its or their gross negligence or willful misconduct. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Bank or the holder of any Revolving Note; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

11.03 Lack of Reliance on the Administrative Agent. Independently and without reliance upon the Administrative Agent, each Bank and the holder of each Revolving Note, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of Parent and its Subsidiaries in connection with the making and the continuance of the Loans and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of Parent and its Subsidiaries and, except as expressly provided in this Agreement, the Administrative Agent shall not have any duty or responsibility, either initially or on a continuing basis, to provide any Bank or the holder of any Revolving Note with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter. The Administrative Agent shall not be responsible to any Bank or the holder of any Revolving Note for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Agreement or any other Credit Document or the financial condition of Parent or any of its Subsidiaries or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Credit Document, or the financial condition of Parent or any of its Subsidiaries or the existence or possible existence of any Default or Event of Default.

11.04 Certain Rights of the Administrative Agent. If the Administrative Agent shall request instructions from the Required Banks with respect to any act or action (including failure to act) in connection with this Agreement or any other Credit Document, the Administrative Agent shall be entitled to refrain from such act or taking such action unless and until the Administrative Agent shall have received instructions from the Required Banks; and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Bank or the holder of any Revolving Note shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Banks.

11.05 Reliance. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that the Administrative Agent believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and any other Credit Document and its duties hereunder and thereunder, upon advice of counsel selected by the Administrative Agent.

11.06 Indemnification. To the extent the Administrative Agent is not reimbursed and indemnified by the Credit Parties, the Banks will reimburse and indemnify the Administrative Agent, in proportion to their respective "percentages" as used in determining the Required Banks, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties hereunder or under any other Credit Document, in any way relating to or arising out of this Agreement or any other Credit Document; provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct.

11.07 The Administrative Agent in its Individual Capacity. With respect to its obligation to make Loans under this Agreement, the Administrative Agent shall have the rights and powers specified herein for a "Bank" and may exercise the same rights and powers as though it were not performing the duties specified herein; and the term "Banks," "Required Banks,"

"holders of Revolving Notes" or any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity. The Administrative Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with any Credit Party or any Affiliate of any Credit Party as if it were not performing the duties specified herein, and may accept fees and other consideration from the Borrowers or any other Credit Party for services in connection with this Agreement and otherwise without having to account for the same to the Banks.

11.08 Holders. The Administrative Agent may deem and treat the payee of any Revolving Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Administrative Agent. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Revolving Note shall be conclusive and binding on any subsequent holder, transferee, assignee or indorsee, as the case may be, of such Revolving Note or of any Revolving Note or Revolving Notes issued in exchange therefor.

11.09 Resignation by the Administrative Agent. (a) The Administrative Agent may resign from the performance of all its functions and duties hereunder and/or under the other Credit Documents at any time by giving 15 Business Days' prior written notice to the Company and the Banks. Such resignation shall take effect upon the appointment of a successor Administrative Agent pursuant to clauses (b) and (c) below or as otherwise provided below.

(b) Upon any such notice of resignation, the Company shall appoint a successor Administrative Agent hereunder or thereunder who shall be a commercial bank or trust company reasonably acceptable to the Required Banks (it being understood and agreed that any Bank is deemed to be acceptable to the Required Banks), provided that, if a Default or an Event of Default exists at the time of such resignation, the Required Banks shall appoint such successor Administrative Agent.

(c) If a successor Administrative Agent shall not have been so appointed within such 15 Business Day period, the Administrative Agent, with the consent of the Company, shall then appoint a successor Administrative Agent who shall serve as Administrative Agent hereunder or thereunder until such time, if any, as the Company or Required Banks, as the case may be, appoint a successor Administrative Agent as provided above.

(d) If no successor Administrative Agent has been appointed pursuant to clause (b) or (c) above by the 30th Business Day after the date such notice of resignation was given by the Administrative Agent, the Administrative Agent's resignation shall become effective and the Banks shall thereafter perform all the duties of the Administrative Agent hereunder and/or under any other Credit Document until such time, if any, as the Required Banks appoint a successor Administrative Agent.

11.10 The Documentation Agent and the Co-Syndication Agents.

Notwithstanding anything else to the contrary contained in this Agreement or in any other Credit Document, none of Canadian Imperial Bank of Commerce, Societe Generale or Bank of America National Trust and Savings Association in their capacities as Documentation Agent or Co-Syndication Agents, as the case may be, shall have any rights, duties or responsibilities under this Agreement or under any other Credit Document, or any fiduciary relationship with the Company, the Parent, any Borrower or any other Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Credit Document or otherwise exist against either the Documentation Agent or the Co-Syndication Agents in such capacities.

12.01 Payment of Expenses, etc. (a) The Borrowers jointly and severally shall: (i) whether or not the transactions herein contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Administrative Agent (including, without limitation, the reasonable fees and disbursements of White & Case LLP and local counsel) in connection with the preparation, execution and delivery of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein and any amendment, waiver or consent relating hereto or thereto, of the Administrative Agent in connection with its syndication efforts with respect to this Agreement and of the Administrative Agent and each of the Banks in connection with the enforcement of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein (including, without limitation, the reasonable fees and disbursements of counsel (including allocated costs of in-house counsel) for the Administrative Agent and for each of the Banks); (ii) pay and hold each of the Banks harmless from and against any and all present and future stamp, excise and other similar taxes with respect to the foregoing matters and save each of the Banks harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Bank) to pay such taxes; and (iii) indemnify the Administrative Agent and each Bank, and each of their respective officers, directors, employees, representatives and agents from and hold each of them harmless against any and all liabilities, obligations (including removal or remedial actions), losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements (including reasonable attorneys' (including allocated costs of in-house counsel) and consultants' fees and disbursements) incurred by, imposed on or assessed against any of them as a result of, or arising out of, or in any way related to, or by reason of, (a) any investigation, litigation or other proceeding (whether or not the Administrative Agent or any Bank is a party thereto) related to the entering into and/or performance of this Agreement or any other Credit Document or the proceeds of any Loans hereunder or the consummation of any transactions contemplated herein (including, without limitation, the Transaction) or in any other Credit Document or the exercise of any of their rights or remedies provided herein or in the other Credit Documents, or (b) the actual or alleged presence of Hazardous Materials in the air, surface water or groundwater or on the surface or subsurface of any Real Property owned or at any time operated by Parent or any of its Subsidiaries, the generation, storage, transportation, handling or disposal of Hazardous Materials at any location, whether or not owned or operated by Parent or any of its Subsidiaries, the non-compliance of any Real Property with foreign, federal, state and local laws, regulations, and ordinances (including applicable permits

thereunder) applicable to any Real Property, or any Environmental Claim relating in any way to Parent, any of its Subsidiaries, their operations or any Real Property owned or at any time operated by Parent or any of its Subsidiaries, including, in each case, without limitation, the reasonable fees and disbursements of counsel and other consultants incurred in connection with any such investigation, litigation or other proceeding (but excluding any losses, liabilities, claims, damages or expenses to the extent incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified). To the extent that the undertaking to indemnify, pay or hold harmless the Administrative Agent or any Bank set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrowers shall make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities which is permissible under applicable law.

(b) The Borrowers further jointly and severally agree to pay the reasonable legal fees of gaming counsel for the Administrative Agent in Nevada and New Jersey and any other relevant state or other jurisdiction and all reasonable costs (including costs of investigation) associated with any qualification (or exemption or waiver therefrom) of any Bank under, or compliance in connection with the Gaming Regulations in connection with the syndication under this Agreement, provided that in the event that any assignee Bank or potential assignee Bank is not already a Qualified Person (before giving effect to any actions taken to become such in connection with this Agreement), then all costs associated with such Person becoming a Qualified Person shall be borne by the respective assignee Bank or potential assignee Bank. Notwithstanding the foregoing, after a Bank has been replaced pursuant to Section 1.14, the Borrowers shall not be required to reimburse such Bank for any such costs incurred by it after the date of such replacement.

12.02 Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, each Bank is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Credit Party or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by such Bank (including, without limitation, by branches and agencies of such Bank wherever located) to or for the credit or the account of the Credit Parties against and on account of the Obligations and liabilities of the Credit Parties to such Bank under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations pur-

chased by such Bank pursuant to Section 12.06(b), and all other claims of any nature or description arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not such Bank shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured, provided that such right of set-off may only be exercised by any such Bank if Nevada Revised Statutes 40.430(4)(g) (1989) remains in force and effect without modification.

12.03 Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopier or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered: if to Parent or any Borrower, at such Credit Party's address specified opposite its signature below or in the respective Election to Become a Subsidiary Borrower; if to any Bank, at its address specified opposite its name below; and if to the Administrative Agent, at the Notice Office; or, as to any Credit Party or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties hereto and, as to each Bank, at such other address as shall be designated by such Bank in a written notice to the Company and the Administrative Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by overnight courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or telecopier, except that notices to the Administrative Agent and the Company shall not be effective until received by such Person.

12.04 Benefit of Agreement. (a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, except as provided in Sections 8.02 and 12.17(a), no Borrower may assign or transfer any of its rights, obligations or interest hereunder or under any other Credit Document without the prior written consent of the Administrative Agent and the Banks (although any Subsidiary Borrower may, at its request and with the consent of the Required Banks, otherwise cease to be a Subsidiary Borrower hereunder so long as no Default or Event of Default then exists and all Loans incurred by such Subsidiary are repaid in full and, provided further, that, although any Bank may transfer, assign or grant participations in its rights hereunder, such Bank shall remain a "Bank" for all purposes hereunder (and may not transfer or assign all or any portion of its Revolving Loan Commitments hereunder except as provided in Section 12.04(b)) and the transferee, assignee or participant, as the case may be, shall not constitute a "Bank"

hereunder and, provided further, that no Bank shall transfer or grant any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would extend the final scheduled maturity of any Loan or Revolving Note in which such participant is participating, or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Total Revolving Loan Commitment shall not constitute a change in the terms of such participation, and that an increase in any Revolving Loan Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof). In the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto) and the Borrowers shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and the other Credit Documents and all amounts payable by the Borrowers hereunder shall be determined as if such Bank had not sold such participation. Any agreement pursuant to which any Bank may grant such a participation shall be in a form approved by the Administrative Agent and Parent and shall be satisfactory under the Gaming Regulations of the State of New Jersey so as not to require participants to be approved financial sources or qualified under such Gaming Regulations applicable to lenders.

(b) Notwithstanding the foregoing, any Bank (or any Bank together with one or more other Banks) may (x) assign all or a portion of its Revolving Loan Commitments and related outstanding Obligations hereunder to its parent company and/or any affiliate of such Bank which is at least 50% owned by such Bank or its parent company or to one or more Banks or (y) assign all, or if less than all, a portion equal to at least \$5,000,000 in the aggregate for the assigning Bank or assigning Banks, of such Revolving Loan Commitments and related outstanding Obligations hereunder, in either case to one or more Qualified Persons, each of which assignees shall become a party to this Agreement as a Bank by execution of an Assignment and Assumption Agreement, provided that, (i) at such time Schedule I shall be deemed modified to reflect the Revolving Loan Commitments of such new Bank and of the existing Banks, (ii) new Revolving Notes will be issued to such new Bank and to the assigning Bank upon the

request of such new Bank or assigning Bank, such new Revolving Notes to be in conformity with the requirements of Section 1.06 to the extent needed to reflect the revised Revolving Loan Commitments, (iii) the consent of BTCo shall be required in connection with any assignment (which consent shall not be unreasonably withheld), (iv) the Administrative Agent shall receive at the time of each such assignment, from either the assigning or assignee Bank or Banks, the payment of a non-refundable assignment fee of \$3,500 in the case of any assignment to a Qualified Person which is not a Bank immediately prior to such assignment or \$1,000 in the case of any assignment to a then existing Bank and (v) no such transfer will be effective until recorded by the Administrative Agent on the Register pursuant to Section 12.17(b). To the extent of any assignment pursuant to this Section 12.04(b), the assigning Bank shall be relieved of its obligations hereunder with respect to its assigned Revolving Loan Commitments. At the time of each assignment pursuant to this Section 12.04(b) to a Person which is not already a Bank hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Bank shall, to the extent legally entitled to do so, provide to the Borrowers in the case of a Bank described in clause (ii) or (iv) of Section 3.04(b), the forms described in such clause (ii) or (iv), as the case may be. To the extent that an assignment of all or any portion of a Bank's Revolving Loan Commitments and related outstanding Obligations pursuant to Section 1.14 or this Section 12.04(b) would, at the time of such assignment, result in increased costs under Section 1.11, 1.12 or 3.04 from those being charged by the respective assigning Bank prior to such assignment, then the Borrowers shall not be obligated to pay such increased costs (although the Borrowers shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment).

(c) If the New Jersey Gaming Authorities shall determine that any Bank is not qualified as an approved financial source or otherwise does not meet the standards pursuant to the Gaming Regulations in New Jersey, or the Nevada Gaming Authorities shall determine that any Bank does not meet the Suitability Standards under the Nevada Gaming Regulations or any other Gaming Authority with jurisdiction over the gaming business of Parent and its Subsidiaries shall determine that any Bank does not meet its suitability standards (in any such case, a "Former Bank"), the Administrative Agent or the Company shall have the right (but not the duty) to designate a bank or banks (in each case, a "Substitute Bank," which may be any Bank or Banks that agree to become a Substitute Bank) that has agreed to assume the rights

and obligations of the Former Bank, subject to receipt by the Administrative Agent of evidence that such Substitute Bank is a Qualified Person. The Substitute Bank shall assume the rights and obligations of the Former Bank under this Agreement pursuant to an Assignment and Assumption Agreement, which assumption shall be required to comply with, and shall become effective in accordance with, the provisions of Section 12.04(b), provided that the purchase price to be paid by the Substitute Bank to the Administrative Agent for the account of the Former Bank for such assumption shall equal the sum of (i) the unpaid principal amount of any Revolving Notes held or Loans made by the Former Bank plus accrued interest thereon plus (ii) such Former Bank's pro rata share of accrued Fees to the date of the assumption, and, provided further, the Borrowers shall pay all obligations owing to the Former Bank under the Credit Documents (including all obligations, if any, owing pursuant to Section 1.12, but excluding those amounts in respect of which the purchase price is being paid as provided above). Each Bank agrees that if it becomes a Former Bank, upon payment to it by the Borrowers of all such amounts, if any, owing to it under the Credit Documents, it will execute and deliver an Assignment and Assumption Agreement, upon payment of such purchase price.

(d) Notwithstanding the provisions of subsection (c) of this Section 12.04, if any Bank becomes a Former Bank, and if the Administrative Agent or the Company fails to find a Substitute Bank pursuant to subsection (c) of this Section within any time period specified by the appropriate Gaming Authority for the withdrawal of a Former Bank (the "Withdrawal Period"), the Borrowers shall, immediately (i) prepay in full the outstanding principal amount of each Revolving Note held or Loan made by such Former Bank, together with accrued interest thereon to the earlier of (x) the date of payment or (y) the last day of any Withdrawal Period, and (ii) if no Default or Event of Default then exists, terminate the Revolving Loan Commitment of such Former Bank at which time the other Banks' Percentages will be automatically adjusted as a result thereof.

(e) Subject to the last sentence of this Section 12.04(e), each Bank agrees that all participations and assignments made hereunder shall be subject to, and made in compliance with, all Gaming Regulations applicable to lenders. Each Bank agrees further that it will not grant participations or assignments prior to receiving notice from the Administrative Agent that it has completed the primary syndication of this facility. The Administrative Agent shall provide such notice to the Banks promptly after completing such primary syndication. Each Borrower hereby acknowledges that unless the Company has provided the Banks with a written opinion of counsel as to the suitability standards applicable to lenders of any relevant Gaming Authority (excluding New Jersey and Nevada except to the extent that the suitability standards set forth in the Gaming Regulations of such States change from those in effect on the

Effective Date) with jurisdiction over the Gaming Business of Parent and its Subsidiaries, no Bank shall have the responsibility of determining whether or not a potential assignee of such Bank would be a Qualified Person under the Gaming Regulations of any such jurisdiction.

(f) Nothing in this Agreement shall prevent or prohibit any Bank from pledging its Loans and Revolving Notes hereunder to a Federal Reserve Bank in support of borrowings made by such Bank from such Federal Reserve Bank.

12.05 No Waiver; Remedies Cumulative. No failure or delay on the part of the Administrative Agent or any Bank or any holder of any Revolving Note in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrowers or any other Credit Party and the Administrative Agent or any Bank or the holder of any Revolving Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any other Credit Document expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Administrative Agent or any Bank or the holder of any Revolving Note would otherwise have. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or any Bank or the holder of any Revolving Note to any other or further action in any circumstances without notice or demand.

12.06 Payments Pro Rata. (a) Except as otherwise provided in this Agreement, the Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of a Borrower in respect of any Obligations hereunder, it shall distribute such payment to the Banks (other than any Bank that has consented in writing to waive its pro rata share of any such payment) pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) Each of the Banks agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise), which is applicable to the payment of the principal of, or interest on, the Loans or Facility Fees, of a sum which with respect to the related sum or sums received by other Banks is in a greater proportion than the total of such Obligation then

owed and due to such Bank bears to the total of such Obligation then owed and due to all of the Banks immediately prior to such receipt, then such Bank receiving such excess payment shall purchase for cash without recourse or warranty from the other Banks an interest in the Obligations of the respective Party to such Banks in such amount as shall result in a proportional participation by all the Banks in such amount; provided that if all or any portion of such excess amount is thereafter recovered from such Bank, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 12.06(a) and (b) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Banks as opposed to Defaulting Banks.

12.07 Calculations; Computations. (a) The financial statements to be furnished to the Banks pursuant hereto shall be made and prepared in accordance with generally accepted accounting principles in the United States consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by Parent to the Banks); provided that, (i) except as otherwise specifically provided herein, all computations determining compliance with Sections 8.03 through 8.05, inclusive, and Sections 8.07 through 8.09, inclusive, shall utilize accounting principles and policies in conformity with those used to prepare the historical financial statements delivered to the Banks pursuant to Section 6.05(a) (ii) at such time as the Company and/or Showboat deposits cash and U.S. government obligations with the respective trustees to effect the Existing Showboat Notes Defeasances and/or the 8-3/4% Senior Subordinated Notes Redemption, the Existing Showboat Notes and/or the 8-3/4% Senior Subordinated Notes, as the case may be, shall no longer be considered outstanding for purposes of Sections 8.07, 8.08 and 8.09 and (iii) at no time shall (I) HNOIC (so long as HNOIC's only significant business activities, assets or liabilities are associated with its general partner's interest in Harrah's Jazz), (II) Harrah's Jazz and its Subsidiaries or (III) JCC Holding and its Subsidiaries be treated as Subsidiaries of Parent for purposes of this Agreement even though (x) HNOIC, Harrah's Jazz and its Subsidiaries and JCC Holding and its Subsidiaries may at any time fall within the definition of "Subsidiary" or (y) generally accepted accounting principles would require otherwise, but shall, in each case instead be treated as an equity investment by Parent.

(b) All computations of interest, Facility Fees and other Fees hereunder shall be made on the basis of a year of 360

days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, Facility Fees or other Fees are payable.

12.08 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL. (a) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF PARENT AND EACH BORROWER HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH OF PARENT AND EACH BORROWER HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK PERSONAL JURISDICTION OVER IT, AND AGREES NOT TO PLEAD OR CLAIM, IN ANY LEGAL ACTION PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENTS BROUGHT IN ANY OF THE AFOREMENTIONED COURTS, THAT SUCH COURTS LACK PERSONAL JURISDICTION OVER IT. EACH OF PARENT AND EACH BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH CREDIT PARTY AT ITS ADDRESS SET FORTH OPPOSITE ITS SIGNATURE BELOW, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. EACH OF PARENT AND EACH BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY OTHER CREDIT DOCUMENT THAT SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT, ANY BANK OR THE HOLDER OF ANY REVOLVING NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY SUCH CREDIT PARTY IN ANY OTHER JURISDICTION.

(b) EACH OF PARENT AND EACH BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS

AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

12.09 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrowers and the Administrative Agent. Delivery of an executed signature page of this Agreement or any other Credit Document by facsimile transmission shall be as effective as delivery of a manually executed counterpart thereof.

12.10 Effectiveness. This Agreement shall become effective on the date (the "First Restatement Effective Date") and at the time on which (i) Parent, the Company, each existing Subsidiary Borrower and the Required Banks (under, and as defined in, the Existing Credit Agreement) shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered the same to the Administrative Agent at the Notice Office or, in the case of such Required Banks, shall have given to the Administrative Agent telephonic (confirmed in writing), written or telex notice (actually received) at such office that the same has been signed and mailed to it and (ii) the conditions contained in Sections 4A and 5 are met to the satisfaction of the Administrative Agent and the Required Banks. Unless the Administrative Agent has received actual notice from any Bank that the conditions contained in Sections 4A and 5 have not been met to its satisfaction, upon the satisfaction of the condition described in clause (i) of the immediately preceding sentence and upon the Administrative Agent's good faith determination that the conditions described in clause (ii) of the immediately preceding sentence have been met, then the First Restatement Effective Date shall have been deemed to have occurred, regardless of any subsequent determination that one or more of the conditions thereto had not been met (although the occurrence of the First Restatement Effective Date shall not release Parent or any Borrower from any liability for failure to satisfy one or more of the applicable conditions contained in Section 4A or 5). The Administrative Agent will give Parent, the Company, each existing Subsidiary Borrower and each Bank prompt written notice of the occurrence of the First Restatement Effective Date.

12.11 Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

12.12 Amendment or Waiver. (a) Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto (except as otherwise provided in Section 12.02) and the Required Banks (or the Required Secured Parties in the case of a change, waiver, discharge or termination with respect to a Collateral Document to the extent provided therein), provided that no such change, waiver, discharge or termination shall, without the consent of each Bank (other than a Defaulting Bank) (with Obligations being directly affected thereby), (i) extend the final scheduled maturity of any Loan or Revolving Note, or reduce the rate or extend the time of payment of interest or Fees thereon, or reduce the principal amount thereof, (ii) release all or substantially all of the Collateral (except as expressly provided in the Collateral Documents) under all the Collateral Documents, provided that such release of Collateral may be effected by only the Required Banks if at the time of such release the Company's Indebtedness shall be rated at least BBB- Senior Implied by S&P or Baa3 Senior Implied by Moody's, (iii) amend, modify or waive any provision of this Section 12.12, (iv) reduce the percentage specified in the definition of Required Banks (it being understood that, with the consent of the Required Banks, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Banks on substantially the same basis as the extensions of Revolving Loan Commitments are included on the Effective Date) or (v) except as set forth in Section 8.02, 8.04(ix) or 12.17(a), consent to the assignment or transfer by any Borrower of any of its rights and obligations under this Agreement (although any Subsidiary Borrower may, at its request and with the consent of the Required Banks, otherwise cease to be a Subsidiary Borrower hereunder so long as no Default or Event of Default exists and all Loans incurred by such Subsidiary Borrower are repaid in full; provided further, that no such change, waiver, discharge or termination shall (x) increase the Revolving Loan Commitment of any Bank over the amount thereof then in effect without the consent of such Bank (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or Events of Default or of a mandatory reduction in the Total Revolving Loan Commitment shall not constitute an increase of the Revolving Loan Commitment of any Bank, and that an increase in the available portion of any Revolving Loan Commitment of any Bank shall not constitute an increase in the Revolving Loan Commitment of such Bank), (y) without the consent of the Administrative Agent, amend, modify or waive any provision of Section 11 or any other provision as same relates to the rights or obligations of the Administrative Agent and (z) without the consent of the Collateral Agent, amend,

modify or waive any provision relating to the rights or obligations of the Collateral Agent.

(b) If, in connection with any proposed change, waiver, discharge or termination to any of the provisions of this Agreement as contemplated by clauses (i) through (v), inclusive, of the first proviso to Section 12.12(a), the consent of the Required Banks is obtained but the consent of one or more of such other Banks whose consent is required is not obtained, then the Company shall have the right, so long as all non-consenting Banks whose individual consent is required are treated as described in either clauses (A) or (B) below, to either (A) replace each such non-consenting Bank or Banks with one or more Replacement Banks pursuant to Section 1.14 so long as at the time of such replacement, each such Replacement Bank consents to the proposed change, waiver, discharge or termination or (B) terminate such non-consenting Bank's Revolving Loan Commitment and repay all outstanding Revolving Loans of such Bank in accordance with Sections 2.02(b) and/or 3.01(iv), provided that, unless the Revolving Loan Commitments are terminated, and Loans repaid, pursuant to preceding clause (B) are immediately replaced in full at such time through the addition of new Banks or the increase of the Revolving Loan Commitments and/or outstanding Loans of existing Banks (who in each case must specifically consent thereto), then in the case of any action pursuant to preceding clause (B) the Required Banks (determined before giving effect to the proposed action) shall specifically consent thereto, provided further, that in any event the Company shall not have the right to replace a Bank, terminate its Revolving Loan Commitment or repay its Loans solely as a result of the exercise of such Bank's rights (and the withholding of any required consent by such Bank) pursuant to the second proviso to Section 12.12(a).

12.13 Survival. All indemnities set forth herein (including, without limitation, in Sections 1.11, 1.12, 3.04, 11.06 and 12.01) shall survive the execution, delivery and termination of this Agreement and the Revolving Notes and the making and repayment of the Loans. Notwithstanding the occurrence of the First Restatement Effective Date, all indemnities set forth in the Existing Credit Agreement for the benefit of the Existing Banks and the Existing Agents shall survive in accordance with the terms thereof.

12.14 Domicile of Loans. (a) Each Bank may transfer and carry its Loans at, to or for the account of any office, Subsidiary or Affiliate of such Bank. In addition, each Bank (each, a "Designating Bank") may, with the prior written consent of the Administrative Agent and the Company (each of which consents shall not be unreasonably withheld) and on terms and conditions reasonably satisfactory to the Administrative Agent and the Company, designate a special purpose corporation (each, a

"Designated Bank") to make Revolving Loans in respect of such Designating Bank's Revolving Loan Commitment, provided that (i) such Designating Bank shall remain the "Bank" for all purposes of this Agreement and the other Credit Documents, shall not otherwise be relieved of any of its obligations under this Agreement or any such other Credit Document (including, without limitation, its obligations under Sections 1.01(a), 1.01(c), 2.04 and 12.06) and shall be liable for any losses, claims, damages or expenses incurred by any Credit Party, the Administrative Agent or any Bank as a result of such Designating Bank's designation of any such special purpose corporation as a Designated Bank, (ii) all payments entitled to be received by such Designated Bank with respect to the Revolving Loans made by it in respect of such Designating Bank's Revolving Loan Commitment shall be made directly to such Designating Bank for the distribution to such Designated Bank, (iii) the Credit Parties and the Administrative Agent shall continue to deal solely with the respective Designating Bank and such Designated Bank shall not have any right to approve any amendment, modification or waiver to this Agreement or any other Credit Document, and all amendments, waivers, consents and/or modifications to this Agreement and the other Credit Documents which are binding on such Designating Bank also shall be binding on such Designated Bank regardless of whether or not such Designated Bank actually had notice of any such amendment, waiver, consent and/or other modification and (iv) each Designating Bank may only designate one Designated Bank at any time to make Revolving Loans in respect of such Designating Bank's Revolving Loan Commitment. In addition, each party hereto hereby agrees that prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any Designated Bank, no party will institute against, or join any other Person in instituting against, such Designated Bank any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under any federal or state bankruptcy or similar law arising from any actions of such Designated Bank under this Agreement.

(b) Notwithstanding anything to the contrary contained herein, to the extent that a transfer of Loans pursuant to this Section 12.14 would, at the time of such transfer, result in increased costs under Section 1.11, 1.12 or 3.04 from those being charged by the respective Bank prior to such transfer, then the Borrowers shall not be obligated to pay such increased costs (although the Borrowers shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective transfer).

12.15 Application of Gaming Regulations. Parent, the Company, each Subsidiary Borrower and the Banks acknowledge that the consummation of the transactions contemplated by the Credit Documents is subject to the Gaming Regulations (and Parent, the

Company and each Subsidiary Borrower represent and warrant that all requisite approvals thereunder have been duly obtained).

12.16 Confidentiality. (a) Subject to the provisions of clause (b) of this Section 12.16, each Bank agrees that it will use its best effort not to disclose without the prior consent of the Company (other than to its employees, auditors or counsel or to another Bank if the Bank or such Bank's holding or parent company in its sole discretion determines that any such party should have access to such information) any information with respect to Parent or any of its Subsidiaries which is now or in the future furnished pursuant to this Agreement or any other Credit Document and which is designated by the Company to the Banks in writing as confidential, provided that any Bank may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to any municipal, state or Federal regulatory body having or claiming to have jurisdiction over such Bank or to the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in respect to any summons or subpoena or in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to such Bank, and (e) to any prospective or actual transferee or participant in connection with any contemplated transfer or participation of any of the Revolving Notes or Revolving Loan Commitments or any interest therein by such Bank, provided, that such prospective transferee or participant executes an agreement with such Bank containing provisions substantially identical to those contained in this Section.

(b) Each Borrower hereby acknowledges and agrees that each Bank may share with any of its affiliates any information related to Parent or any of its Subsidiaries (including, without limitation, any nonpublic customer information regarding the creditworthiness of Parent and its Subsidiaries).

12.17 Miscellaneous; Register. (a) Notwithstanding anything to the contrary contained in this Agreement, the Required Banks may consent to a corporate reorganization of Parent and its Subsidiaries, which corporate reorganization may include the transfer of one or more Subsidiaries of the Company as direct Subsidiaries of Parent. In connection with any such corporate reorganization, the Required Banks may, at their option, require that Parent or one or more of its Subsidiaries become direct borrowers with respect to the Obligations. In addition, any necessary amendments or supplements to this Agreement or the other Credit Documents to effect such corporate

reorganization, including to retain the benefits of the Guarantees, may be made with consent of the Required Banks.

(b) The Borrowers hereby designate the Administrative Agent to serve as the Borrowers' agent, solely for purposes of this Section 12.17(b), to maintain a register (the "Register") on which it will record the Revolving Loan Commitment from time to time of each of the Banks, the Loans made by each of the Banks and each Designated Bank, if any, and each repayment in respect of the principal amount of the Loans of each Bank and each Designated Bank, if any (it being understood and agreed that any repayment of Revolving Loans of a Designated Bank is subject to clause (ii) of Section 12.14(a)). Failure to make any such recordation, or any error in such recordation shall not affect the Borrowers' obligations in respect of such Loans. With respect to any Bank, the transfer of the Revolving Loan Commitment of such Bank and the rights to the principal of, and interest on, any Loan made pursuant to such Revolving Loan Commitment shall not be effective until such transfer is recorded on the Register maintained by the Administrative Agent with respect to ownership of such Revolving Loan Commitment and Loans and prior to such recordation all amounts owing to the transferor with respect to such Revolving Loan Commitment and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Revolving Loan Commitment and Loans shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement pursuant to Section 12.04(b). Coincident with the delivery of such an Assignment and Assumption Agreement to the Administrative Agent for acceptance and registration of assignment or transfer of all or part of a Revolving Loan, or as soon thereafter as practicable, the assigning or transferor Bank shall surrender the Revolving Note, if any, evidencing such Revolving Loan, and thereupon one or more new Revolving Notes in the same aggregate principal amount shall be issued to the assigning or transferor Bank and/or the new Bank, if requested by any such Bank. Each Borrower agrees to indemnify the Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties under this Section 12.17(b) (other than any losses, claims, damages and liabilities to the extent incurred by reason of the gross negligence or willful misconduct of the Administrative Agent).

12.18 Requisite Gaming Approvals. Notwithstanding anything to the contrary contained elsewhere in this Agreement or in the other Credit Documents, it is understood and agreed that to become effective, the Laughlin/Las Vegas Stock Restrictions require the approvals described in the definition thereof (the

"Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals"). On the First Restatement Effective Date, the Company in good faith believes that it shall be able to obtain the Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals on or prior to July 31, 1998. Notwithstanding anything to the contrary contained in this Agreement or any other Credit Document, unless and until the Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals have been obtained, the Laughlin/Las Vegas Stock Restrictions contained in Sections 8.01 and 8.02 shall not apply (although the provisions of Section 9.11 shall be fully effective in accordance with the terms thereof, with the Borrowers hereby representing and warranting that no approvals or consents from any Gaming Authority are required for the effectiveness of said Section in accordance with the express terms thereof). Furthermore, the Company agrees to use its best efforts to obtain as promptly as practicable the Laughlin/Las Vegas Stock Restrictions Requisite Gaming Approvals.

SECTION 13. Parent Guaranty.

13.01 The Guaranty. In order to induce the Administrative Agent and Banks to enter into this Agreement and to extend credit hereunder and in recognition of the direct benefits to be received by Parent from the proceeds of the Loans, Parent hereby agrees with the Administrative Agent, the Banks and the Interest Rate Protection Creditors as follows: Parent hereby unconditionally and irrevocably guarantees as primary obligor and not merely as surety the full and prompt payment and performance when due, whether upon maturity, by acceleration or otherwise, of any and all of the Guaranteed Obligations of the Borrowers to the Administrative Agent, the Banks and the Interest Rate Protection Creditors. If any or all of the Guaranteed Obligations of the Borrowers to the Administrative Agent, the Banks or the Interest Rate Protection Creditors becomes due and payable, Parent unconditionally promises to pay such indebtedness to the Administrative Agent, the Banks and the Interest Rate Protection Creditors, or order, on demand, together with any and all reasonable expenses which may be incurred by the Administrative Agent, the Banks or the Interest Rate Protection Creditors in collecting any of the Guaranteed Obligations. This Guaranty is a guaranty of payment and not collection.

13.02 Bankruptcy. Additionally, Parent unconditionally and irrevocably guarantees the payment of any and all of the Guaranteed Obligations of the Borrowers to the Administrative Agent, the Banks and the Interest Rate Protection Creditors whether or not due or payable by the Borrowers upon the occurrence in respect of any Borrowers of any of the events specified in Section 9.05, and unconditionally and irrevocably promises to pay such Guaranteed Obligations to the Administrative

Agent, the Banks or the Interest Rate Protection Creditors, as the case may be, or order, on demand, in Dollars.

13.03 Nature of Liability. The liability of Parent hereunder is exclusive and independent of any security for or other guaranty of the Guaranteed Obligations of the Borrowers whether executed by Parent, any other Guarantor, any other guarantor or by any other party, and the liability of Parent hereunder shall not be affected or impaired by (a) any direction as to application of payment by any Borrower or by any other party (other than for misappropriation of funds by the respective Bank), or (b) any other continuing or other guaranty, undertaking or maximum liability of a guarantor or of any other party as to the Guaranteed Obligations of any Borrower, or (c) any payment on or in reduction of any such other guaranty or undertaking, or (d) any dissolution, termination or increase, decrease or change in personnel by any Borrower, or (e) any payment made to the Administrative Agent, the Banks or the Interest Rate Protection Creditors on the indebtedness which the Administrative Agent, such Banks or such Interest Rate Protection Creditors repay to such Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and Parent waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding.

13.04 Independent Obligation. The obligations of Parent hereunder are independent of the obligations of any other Guarantor, any other guarantor or any Borrower, and a separate action or actions may be brought and prosecuted against Parent whether or not action is brought against any other Guarantor, any other guarantor or any Borrower and whether or not any other Guarantor, any other guarantor or any Borrower be joined in any such action or actions. Parent waives, to the fullest extent permitted by law, the benefit of any statute of limitations affecting its liability hereunder or the enforcement thereof. Any payment by any Borrower or other circumstance which operates to toll any statute of limitations as to such Borrower shall operate to toll the statute of limitations as to Parent.

13.05 Authorization. Parent authorizes the Administrative Agent, the Banks and the Interest Rate Protection Creditors without notice or demand (except (i) as shall be required by applicable statute and cannot be waived and (ii) for any consents of the respective Credit Parties required by the terms of the respective Credit Documents), and without affecting or impairing its liability hereunder, from time to time to:

(a) change the manner, place or terms of payment of, and/or change or extend the time of payment of, renew, increase, accelerate or alter, any of the Guaranteed

Obligations (including any increase or decrease in the rate of interest thereon), any security therefor, or any liability incurred directly or indirectly in respect thereof, and the Parent Guaranty herein made shall apply to the Guaranteed Obligations as so changed, extended, renewed or altered;

(b) take and hold security for the payment of the Guaranteed Obligations and sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Guaranteed Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and/or any offset thereagainst;

(c) exercise or refrain from exercising any rights against any Borrower or others or otherwise act or refrain from acting;

(d) release or substitute any one or more endorsers, guarantors, any Borrower or other obligors;

(e) settle or compromise any of the Guaranteed Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of any Borrower to its creditors other than the Administrative Agent, the Banks and the Interest Rate Protection Creditors;

(f) apply any sums by whomsoever paid or howsoever realized to any liability or liabilities of the Borrowers to the Administrative Agent, the Banks and the Interest Rate Protection Creditors regardless of what liability or liabilities of Parent or the Borrowers remain unpaid; and/or

(g) consent to or waive any breach of, or any act, omission or default under, this Agreement or any of the instruments or agreements referred to herein, or otherwise amend, modify or supplement this Agreement or any of such other instruments or agreements.

13.06 Reliance. It is not necessary for the Administrative Agent, the Banks or the Interest Rate Protection Creditors to inquire into the capacity or powers of Parent or its Subsidiaries or the officers, directors, partners or agents acting or purporting to act on its behalf, and any Guaranteed Obligations made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

13.07 Subordination. Any of the indebtedness of the Borrowers relating to the Guaranteed Obligations now or hereafter owing to Parent is hereby subordinated to the Guaranteed Obligations of the Borrowers owing to the Administrative Agent, the Banks and the Interest Rate Protection Creditors, provided that payment may be made by any Borrower on any such indebtedness relating to the Guaranteed Obligations owing to Parent so long as the same is not prohibited by this Agreement and provided further, that if the Administrative Agent so requests at a time when an Event of Default exists, all such indebtedness relating to the Guaranteed Obligations of the Borrowers to Parent shall be collected, enforced and received by Parent for the benefit of the Banks and the Interest Rate Protection Creditors and be paid over to the Administrative Agent on behalf of the Administrative Agent, the Banks and the Interest Rate Protection Creditors on account of the Guaranteed Obligations of the Borrowers to the Administrative Agent and the Banks, but without affecting or impairing in any manner the liability of Parent under the other provisions of this Parent Guaranty. Prior to the transfer by Parent of any note or negotiable instrument evidencing any of the indebtedness relating to the Guaranteed Obligations of the Borrowers to Parent, Parent shall mark such note or negotiable instrument with a legend that the same is subject to this subordination.

13.08 Waiver. (a) Parent waives any right (except as shall be required by applicable statute and cannot be waived) to require the Administrative Agent, the Banks or the Interest Rate Protection Creditors to (i) proceed against any Borrower, any other Guarantor, any other guarantor or any other party, (ii) proceed against or exhaust any security held from any Borrower, any other Guarantor, any other guarantor or any other party or (iii) pursue any other remedy in the Administrative Agent's, the Banks' or the Interest Rate Protection Creditors' power whatsoever. Parent waives any defense based on or arising out of any defense of any Borrower, any other Guarantor, any other guarantor or any other party other than payment in full of the Guaranteed Obligations, including, without limitation, any defense based on or arising out of the disability of any Borrower, any other Guarantor, any other guarantor or any other party, or the unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of any Borrower other than payment in full of the Guaranteed Obligations. The Administrative Agent, the Banks and the Interest Rate Protection Creditors may, at their election, foreclose on any security held by the Administrative Agent, the Banks or the Interest Rate Protection Creditors by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Administrative Agent, the Banks and the

Interest Rate Protection Creditors may have against any Borrower or any other party, or any security, without affecting or impairing in any way the liability of Parent hereunder except to the extent the Guaranteed Obligations have been paid. Parent waives any defense arising out of any such election by the Administrative Agent, the Banks and the Interest Rate Protection Creditors, even though such election operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of Parent against any Borrower or any other party or any security.

(b) Parent waives all presentments, demands for performance, protests and notices, including without limitation notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Parent Guaranty, and notices of the existence, creation or incurring of new or additional Guaranteed Obligations. Parent assumes all responsibility for being and keeping itself informed of the Borrowers' financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks which Parent assumes and incurs hereunder, and agrees that the Administrative Agent, the Banks and the Interest Rate Protection Creditors shall have no duty to advise Parent of information known to them regarding such circumstances or risks.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

Address:

1023 Cherry Road
Memphis, Tennessee 38117
Tel: (901) 762-8600
Fax: (901) 762-8777
Attention: Treasurer

HARRAH'S ENTERTAINMENT, INC.

By /s/ Charles L. Atwood

Title: Vice President &
Treasurer

with a copy to the same
address to the attention
of the Corporate Secretary

1023 Cherry Road
Memphis, Tennessee 38117
Tel: (901) 762-8600
Fax: (901) 762-8777
Attention: Treasurer

HARRAH'S OPERATING COMPANY, INC.

By /s/ Josh Hirsberg

Title: Authorized Signatory

with a copy to the same
address to the attention
of the Corporate Secretary

1023 Cherry Road
Memphis, Tennessee 38117
Tel: (901) 762-8600
Fax: (901) 762-8777
Attention: Treasurer

MARINA ASSOCIATES

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

with a copy to the same
address to the attention
of the Corporate Secretary

By /s/ Stephen H. Brammell

Title: Authorized Signatory

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

By /s/ Stephen H. Brammell

Title: Authorized Signatory

130 Liberty Street
New York, New York 10006
Tel: (212) 250-9094
Fax: (212) 250-7200
Attention: Mary Kay Coyle

BANKERS TRUST COMPANY,
Individually and as
Administrative Agent

By /s/ Gina S. Thompson

Title: Vice President

with a copy to the same
address to the attention
of Philip Saliba

350 South Grand Avenue
Suite 2600
Los Angeles, CA 90071
Tel: (213) 617-6241
Fax: (213) 346-0157
Attention: Chris Stedman

CANADIAN IMPERIAL BANK OF
COMMERCE, Individually
and as a Co-Syndication Agent

By /s/ Paul J. Chakmak

Title: Managing Director
CIBC Oppenheimer Corp.
as Agent

2029 Century Park East
Suite 2900
Los Angeles, CA 90067
Tel: (310) 788-7104
Fax: (310) 551-1537
Attention: Don Schubert

SOCIETE GENERALE, Individually
and as a Co-Syndication Agent

By /s/ Donald L. Schubert

Title: First Vice President

555 South Flower Street
Los Angeles, CA 90071
Tel: (213) 228-2768
Fax: (213) 228-2641
Attention: Scott Faber

BANK OF AMERICA NATIONAL
TRUST AND SAVINGS ASSOCIATION,
Individually and as Documentation
Agent

By /s/ Scott Faber

Title: Vice President

100 North Tryon Street
Charlotte, NC 28255
Tel: (704) 386-0649
Fax: (704) 386-1270
Attention: Mark Halmrast

NATIONSBANK, N.A. (SOUTH)

By /s/ John Ellington

Title: Vice President

One Wall Street
New York, NY 10286
Tel: (212) 635-1339
Fax: (212) 635-6434
Attention: Anne Marie Hughes

THE BANK OF NEW YORK

By /s/ Alan F. Lyster, Jr.

Title: Vice President

One Peachtree Center
303 Peachtree Street, N.E.
Suite 4400
Atlanta, GA 30308
Tel: (404) 524-3700
Fax: (404) 584-5249
Attention: Christina Earnshaw

CREDIT LYONNAIS ATLANTA AGENCY

By /s/ David M. Cawrse

Title: First Vice President
& Manager

165 Broadway
New York, NY 10006
Tel: (212) 335-4578
Fax: (212) 608-2371

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, NEW YORK BRANCH

By /s/ Philip Mersder

Title: Senior Vice President

555 S.W. Oak Street, PL-4
Portland, OR 97204
Tel: (503) 275-3476
Fax: (503) 275-5428
Attention: Dale Parshall

UNITED STATES NATIONAL BANK OF
OREGON

By /s/ Dale Parshall

Title: Vice President

Georgia-Pacific Center
Suite 3210
133 Peachtree Street, N.E.
Atlanta, GA 30303
Tel: (404) 526-8511
Fax: (404) 521-1187
Attention: Gary Franke

THE SUMITOMO BANK, LIMITED,
ATLANTA AGENCY

By /s/ Gary Franke

Title: Vice President

600 Peachtree Street, N.E.
Suite 2700
Atlanta, GA 30308
Tel: (404) 877-1500
Fax: (404) 888-8998
Attention: F.C.H. Ashby

THE BANK OF NOVA SCOTIA

By /s/ F.C.H. Ashby

Title: Senior Manager
Loan Operations

191 Peachtree Tower
191 Peachtree Street, N.E.
Suite 3600
Atlanta, GA 30303-1757
Tel: (404) 524-8770
Fax: (404) 524-8509
Attention: James Masters

THE INDUSTRIAL BANK OF JAPAN,
LIMITED, ATLANTA AGENCY

By /s/ Kazuo Iida

Title: General Manager

520 Madison Avenue
26th Floor
New York, NY 10022
Tel: (212) 891-8363
Fax: (212) 644-6825
Attention: Bea Kossodo

THE MITSUBISHI TRUST & BANKING
CORP.

By /s/ Toshihiro Hayashi

Title: Senior Vice President

Park Avenue Plaza
55 East 52nd Street
New York, NY 10005
Tel: (212) 339-1200
Fax: (212) 754-2153
Attention: Shinichi Nakatani

THE TOKAI BANK, LIMITED,
NEW YORK BRANCH

By /s/ Schinichi Nakatani

Title: Assistant General Manager

Georgia-Pacific Center
Suite 4950
133 Peachtree Street, N.E.
Atlanta, GA 30303
Tel: (404) 586-6880
Fax: (404) 589-1629
Attention: Dennis Losin

THE SANWA BANK, LIMITED,
ATLANTA AGENCY

By /s/ Dennis S. Losin

Title: Vice President

One East First Street
Suite 300
Reno, NV 89501
Tel: (702) 339-5636
Fax: (702) 334-5637
Attention: Sue Fuller

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By /s/ Sue Fuller

Title: Vice President

3680 Route 9 South
Freehold, NJ 07728
Tel: (732) 294-4282
Fax: (732) 780-0754
Attention: John Harrison

FLEET BANK, N.A.

By /s/ John Harrison

Title: Vice President

Two Tower Center Boulevard
East Brunswick, NJ 08816
Tel: (732) 220-3262
Fax: (732) 220-3270
Attention: Denise D. Killen

PNC BANK, NATIONAL ASSOCIATION

By /s/ Denise D. Killen

Title: Vice President

1211 Avenue of the Americas
New York, NY
Tel: (212) 852-6000
Fax: (212) 852-6300
Attention: Alan Bookspan

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By /s/ Alan S. Bookspar

Title: Vice President

By /s/ James Veneau

Title: Associate

101 California Street
Suite 4550
San Francisco, CA 94111
Tel: (415) 984-3700
Fax: (415) 362-3524
Attention: Michael Tolentino

ABN AMRO BANK N.V., SAN FRANCISCO
BRANCH

By: ABN AMRO NORTH AMERICA,
INC., as its Agent

By /s/ Tamira Treffers-Herrera

Title: Vice President & Director

By /s/ Michael Tolentino

Title: Assistant Vice President

600 Poplar Avenue
Suite 300
Memphis, TN 38119
Tel: (901) 762-5671
Fax: (901) 762-5665
Attention: Elizabeth Vaughn

FIRST AMERICAN NATIONAL BANK

By /s/ Elizabeth H. Vaughn

Title: Senior Vice President

165 Madison Avenue
9th Floor
Memphis, TN 38103-2723
Tel: (901) 523-4108
Fax: (901) 523-4267
Attention: James Moore, Jr.

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

By /s/ James H. Moore, Jr.

Title: Vice President

210 East Capitol Street
Jackson, MS 39201
Tel: (601) 968-4749
Fax: (601) 354-8315
Attention: Larry Ratzlaff

DEPOSIT GUARANTY NATIONAL BANK

By /s/ Larry C. Ratzlaff

Title: Senior Vice President

280 Park Avenue, West Building
New York, NY 10017
Tel: (212) 984-5633
Fax: (212) 984-5627
Attention: Dave Manheim

ERSTE BANK DER OESTERREICHISCHEN
SPARKASSEN AG

By /s/ John Runnion

Title: First Vice President

By /s/ David Manheim

Title: Assistant Vice President

6410 Poplar Avenue
Suite 320
Memphis, TN 38119
Tel: (901) 766-7561
Fax: (901) 766-7565
Attention: Renee Drake

SUNTRUST BANK, NASHVILLE, N.A.

By /s/ Renee D. Drake

Title: Vice President

210 Baronne Street
New Orleans, LA 70160
Tel: (504) 623-1989

FIRST NATIONAL BANK OF COMMERCE

Fax: (504) 623-3616
Attention: Louis Ballero

By /s/ Louis Ballero

Title: Senior Vice President

SCHEDULE I

REVOLVING LOAN COMMITMENTS

Bank ----	Amount -----
Bankers Trust Company	\$ 10,500,000
Canadian Imperial Bank of Commerce	\$ 11,000,000
Societe Generale	\$ 8,500,000
Bank of America National Trust and Savings Association	\$ 6,500,000
NationsBank, N.A. (South)	\$ 11,500,000
The Bank of New York	\$ 8,500,000
Credit Lyonnais Atlanta Agency	\$ 8,500,000
The Long-Term Credit Bank of Japan, Limited, New York Branch	\$ 8,500,000
United States National Bank of Oregon	\$ 8,000,000
The Sumitomo Bank, Limited, Atlanta Agency	\$ 7,000,000
The Bank of Nova Scotia	\$ 6,500,000
The Industrial Bank of Japan, Limited, Atlanta Agency	\$ 6,000,000
The Mitsubishi Trust & Banking Corp.	\$ 6,000,000
The Tokai Bank, Limited, New York Branch	\$ 6,000,000
The Sanwa Bank, Limited, Atlanta Agency	\$ 5,000,000
Wells Fargo Bank, National Association	\$ 4,500,000
Fleet Bank, N.A	\$ 4,000,000
PNC Bank, National Association	\$ 4,000,000
Westdeutsche Landesbank Girozentrale, New York Branch	\$ 3,500,000
ABN AMRO Bank N.V., San Francisco Branch	\$ 3,000,000
First American National Bank	\$ 3,000,000
First Tennessee Bank National Association	\$ 3,000,000
Deposit Guaranty National Bank	\$ 2,000,000
Erste Bank der Oesterreichischen Sparkassen AG	\$ 2,000,000
SunTrust Bank, Nashville, N.A	\$ 2,000,000
First National Bank of Commerce	\$ 1,000,000
 TOTAL	 \$150,000,000

Execution Copy

=====

Showboat, Inc.
Issuer

Ocean Showboat, Inc.
Atlantic City Showboat, Inc.
Showboat Operating Company
Guarantors

9 1/4 % First Mortgage Bonds Due 2008

Indenture

Dated as of May 18, 1993

IBJ Schroder Bank & Trust Company
as trustee

=====

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10; 12.10
(a)(3)	N.A.
(a)(4)	N.A.
(b)	7.08; 7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.05
(b)	12.03
(c)	12.03
313(a)	7.06
(b)(1)	7.06
(b)(2)	7.06
(c)	7.06; 12.02
(d)	7.06
314(a)	4.02
(b)	10.02
(c)(1)	12.04
(c)(2)	12.04
(c)(3)	N.A.
(d)	10.02
(e)	12.05
(f)	N.A.
315(a)	7.01(b)
(b)	7.05; 12.02
(c)	7.01(a)
(d)	7.01(c)
(e)	6.11
316(a)(last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318(a)	12.01

N.A means not applicable.

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* This Cross-Reference Table is not part of the Indenture.

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EXHIBIT B-1	FORM OF INTERCREDITOR AGREEMENT FOR PARI PASSU INDEBTEDNESS FOR ACSI
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EXHIBIT C	FORM OF FIRST MORTGAGE BOND
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EXHIBIT G	FORM OF TRADEMARK SECURITY AGREEMENT
EXHIBIT H	FORM OF ISSUER COLLATERAL ASSIGNMENT
EXHIBIT I	FORM OF SBOC SECURITY AGREEMENT
EXHIBIT J	FORM OF INTERCOMPANY NOTE
EXHIBIT K	FORM OF TAX SHARING AGREEMENT
EXHIBIT L-1	FORM OF ASSIGNMENT OF LEASES AND RENTS IN FAVOR OF THE TRUSTEE
EXHIBIT L-2	FORM OF ASSIGNMENT OF LEASES AND RENTS IN FAVOR OF THE COMPANY

INDENTURE dated as of May 18, 1993 by and among SHOWBOAT, INC., a Nevada corporation (the "Issuer"), OCEAN SHOWBOAT, INC., a New Jersey corporation, ATLANTIC CITY SHOWBOAT, INC., a New Jersey corporation, and SHOWBOAT OPERATING COMPANY, a Nevada corporation, as guarantors (the "Guarantors"), and IBJ SCHRODER BANK & TRUST COMPANY, a banking corporation organized and existing under the laws of the State of New York, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Issuer's 9 1/4% First Mortgage Bonds due 2008 (the "Bonds").

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions.

"ACSI" means Atlantic City Showboat, Inc.

"ACSI Guaranty" means the Subsidiary Guaranty issued by ACSI, substantially in the form of Exhibit D hereto, as amended, supplemented or modified from time to time as permitted by this Indenture.

"Affiliate" of any specified Person means any other individual, corporation, partnership, trust, incorporated or unincorporated associated, joint venture, joint stock company, government or other entity of any kind directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided, however, that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Affiliate Transaction" shall have the meaning provided in Section 4.11 hereof.

"Agent" means each Registrar, Paying Agent or Authenticating Agent.

"Asset Sale" means (i) any sale, lease, transfer, conveyance or other disposition of any assets (including by way of a sale-and-leaseback) other than the sale or transfer of inventory or goods held for sale in the ordinary course of business (provided that the sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of the Issuer shall be governed by the provisions of this Indenture described below under the caption "Change of Control" or "Merger, Consolidation or Sale of Assets"), (ii) any issuance, sale, lease, transfer, conveyance or other disposition of any equity securities of any of its Subsidiaries (other than a Non-Recourse Subsidiary) to any Person other than the Issuer or any wholly owned Subsidiary (other than a Non-Recourse Subsidiary), or (iii) any Event of Loss, in each case, whether in a single transaction or a series of related transactions, that in the case of each of (i), (ii) and (iii), (a) has a fair market value in excess of \$3 million or (b) results in Net Proceeds in excess of \$3 million.

"Asset Sale Offer" shall have the meaning provided in Section 4.10 hereof.

"Assignments of Leases and Rents" means that certain Assignment of Leases and Rents issued by ACSI in favor of the Trustee and that certain Assignment of Leases and Rents issued by ACSI in favor of the Issuer, each dated as of the Issue Date, substantially in the form of Exhibit L, hereto, as amended, supplemented or modified from time to time as permitted by the Indenture.

"Atlantic City Showboat" means (i) all of ACSI's interest in its hotel casino and related properties located at 801 Boardwalk, Atlantic City, New Jersey and any Project Expansion relating thereto and (ii) any contiguous property acquired by the Issuer or any of its Subsidiaries and any Project Expansion relating thereto.

"Authenticating Agent" shall have the meaning provided in Section 2.02 hereof.

"Bankruptcy Law" shall have the meaning provided in Section 6.01 hereof.

"Benefitted Party" shall have the meaning provided in Section 11.01 hereof.

"Board of Directors" means the Board of Directors of the Issuer, the Guarantors, or any Subsidiary thereof, as the context may require, or any authorized committee of such Board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Issuer, the Guarantors, or any Subsidiary thereof, as the context may require, to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification.

"Bonds" means the 9 1/4% First Mortgage Bonds due 2008 of the Issuer that are issued under this Indenture, as amended or supplemented from time to time, in accordance with this Indenture.

"Business Day" means any day that is not a Legal Holiday.

"Capital Stock" means any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, including, without limitation, partnership interests.

"Change of Control" means any of the following events: (i) the sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Subsidiaries; (ii) the liquidation or dissolution of the Issuer, (iii) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy vote, written notice or otherwise) the acquisition by any "Person" or related group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision to either of the foregoing, including any "group" acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than the Existing Management, in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of 30% or more of the total voting power entitled to vote in the election of the Board of Directors of the Issuer or such other Person surviving the transaction; (iv) during any period of two consecutive years, individuals who at the beginning of such period constituted the Issuer's Board of Directors (together with any new directors whose election or appointment by such board or whose nomination for election by the shareholders of the Issuer was approved by a vote of a majority of the

directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Issuer's Board of Directors then in office; or (v) the Issuer fails to own, directly or indirectly, 100% of the Las Vegas Showboat or the Atlantic City Showboat or 100% of any Person holding a gaming license to operate either the Las Vegas Showboat or the Atlantic City Showboat.

"Collateral" means any assets of the Issuer, the Guarantors or any of their respective Subsidiaries defined as Collateral in any of the Related Documents.

"Commencement Date" shall have the meaning provided in Section 4.10 or 4.13 hereof, as the case may be.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus (a) an amount equal to any extraordinary loss plus any net loss realized in connection with an Asset Sale (to the extent such losses were deducted in computing Consolidated Net Income, plus (b) provision for taxes based on income or profits to the extent such provision for taxes was included in computing Consolidated Net Income, plus (c) consolidated interest expense of such Person for such period, whether paid or accrued (including amortization of original issue discount, non-cash interest payments, amortization of deferred financing charges and the interest component of capital lease obligations), to the extent such expense was deducted in computing Consolidated Net Income, plus (d) depreciation, amortization (including amortization of goodwill and other intangibles) and other non-cash charges (excluding any such non-cash charge that requires an accrual of or reserve for cash charges for any future period and excluding any such non-cash charge that is included in consolidated interest expense or consolidated tax expense) of such Person for such period to the extent such depreciation, amortization and other non-cash charges were deducted in computing Consolidated Net Income, in each case, on a consolidated basis and determined in accordance with GAAP.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Subsidiaries (other than Non-Recourse Subsidiaries) for such period, on a consolidated basis, determined in accordance with GAAP; provided that (i) the Net Income of any Person that is not a Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid to the referent Person or a wholly owned Subsidiary, (ii) the Net Income of any Person that is a Subsidiary (other than a Subsidiary of which at least 80% of the Capital Stock having ordinary voting power for the election of directors or other governing body of such Subsidiary is owned by the referent Person directly or indirectly through one or more Subsidiaries) shall be included only to the extent of the amount of dividends or distributions paid to the referent Person, (iii) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded, and (iv) the cumulative effect of a change in accounting principles shall be excluded.

"Consolidated Net Worth" means, with respect to any Person, the sum of (i) the consolidated equity of the common stockholders of such Person and its consolidated Subsidiaries plus (ii) the respective amounts reported on such Person's most recent balance sheet with respect to any series of preferred stock (other than Disqualified Stock) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment, but only to the extent of any cash received by such Person upon issuance of such preferred stock, less (x) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made within 12 months after the acquisition of such

business) subsequent to the date of this Indenture in the book value of any asset owned by such Person or a consolidated Subsidiary of such Person, (y) all investments in unconsolidated Subsidiaries and in Persons that are not Subsidiaries (except, in each case, Permitted Investments), and (z) all unamortized debt discount and expense and unamortized deferred charges, all of the foregoing determined in accordance with GAAP.

"Custodian" shall have the meaning provided in Section 6.01 hereof.

"Deed of Trust" means that certain Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing issued by the Issuer in favor of the Trustee, dated as of the Issue Date, substantially in the form of Exhibit A-1 hereto, as amended, supplemented or modified from time to time as permitted by this Indenture.

"Default" means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

"Delay Period" shall have the meaning provided in Section 8.02 hereof.

"Disqualified Stock" means any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the scheduled maturity date of the Bonds.

"11 3/8% Bonds" means the 11 3/8% Mortgage-Backed Bonds Due 2002 issued by Ocean Showboat Finance Corporation.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for Capital Stock).

"Event of Default" shall have the meaning provided in Section 6.01 hereof.

"Event of Loss" means, with respect to any property or asset (tangible or intangible, real or personal), any of the following: (i) any loss, destruction or damage of such property or asset; (ii) any institution of any proceedings for the condemnation or seizure of such property or asset or for the exercise of any right of eminent domain or navigational servitude; or (iii) any actual condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such property or asset, or confiscation of such property or asset or the requisition of the use of such property or asset, in each case involving a property or asset.

"Excess Non-Recourse Subsidiary Cash Proceeds" means 50% of all cash received by the Issuer or any wholly owned Subsidiary (other than a Non-Recourse Subsidiary) from any Non-Recourse Subsidiary (other than cash that is or may be required to be returned or repaid to such Non-Recourse Subsidiary) in excess of \$125 million in the aggregate.

"Excess Proceeds" shall have the meaning provided in Section 4.10 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

"Existing Hotel Casinos" means the Las Vegas Showboat and the Atlantic City Showboat.

"Existing Indebtedness" means Indebtedness of the Issuer or its Subsidiaries (other than under the Working Capital Credit Agreement) in existence on the date of this Indenture, until such amounts are repaid.

"Existing Management" means J.K. Houssels, members of his family and his estate.

"Fixed Charges" means, with respect to any Person for any period, the sum of (a) consolidated interest expense of such Person for such period, whether paid or accrued, to the extent such expense was deducted in computing Consolidated Net Income (including amortization of original issue discount, non-cash interest payments and the interest component of capital leases but excluding amortization of deferred financing fees and excluding capitalized interest) and (b) the product of (i) all cash dividend payments (and non-cash dividend payments in the case of a Person that is a Subsidiary) on any series of preferred stock of such Person, times (ii) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Charge Coverage Ratio" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period; provided that

- (a) in the event that the Issuer or any of its Subsidiaries (other than any Non-Recourse Subsidiary) incurs, assumes, guarantees or redeems any Indebtedness (other than revolving credit borrowings) or issues preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the event for which the calculation of the Fixed Charge Coverage Ratio is made, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, guaranty or redemption of Indebtedness, or such issuance or redemption of preferred stock, as if the same had occurred at the beginning of the applicable period,
- (b) in making such computation, the Fixed Charges of such person attributable to interest on any Indebtedness bearing a floating interest rate shall be computed on a pro forma basis as if the rate in effect on the date of computation had been the applicable rate for the entire period,
- (c) in making such computation, the Fixed Charges of such person attributable to interest on any Indebtedness under a revolving credit facility shall be computed on a pro forma basis based upon the average daily balance of such Indebtedness outstanding during the applicable period,
- (d) in the event that the Company or any of its Subsidiaries (other than any Non-Recourse Subsidiary) consummates a Material Acquisition or an Asset Sale subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Material Acquisition or Asset Sale (including the incurrence of any Indebtedness in connection therewith), as if the same had occurred at the beginning of the applicable period, and
- (e) in the event that the Company or any of its Subsidiaries (other than any Non-Recourse Subsidiary) purchases any assets or property (including the real property on which the Atlantic City Showboat is situated) which was previously leased by the Company or any of its

Subsidiaries (other than any Non-Recourse Subsidiary) subsequent to the commencement of the period for which the calculation of the Fixed Charge Coverage Ratio is being calculated, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such purchase as if the same had occurred at the beginning of the applicable period.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession, which are in effect from time to time.

"Gaming Authority" means any agency, authority, board, bureau, commission, department, office or instrumentality of any nature whatsoever of the United States federal or foreign government, any state, province or any city or other political subdivision or otherwise and whether now or hereafter in existence, or any officer or official thereof, including, without limitation, the Nevada Commission, the Nevada State Gaming Control Board, the City Council of the City of Las Vegas, and the New Jersey Casino Control Commission with authority to regulate any gaming operation (or proposed gaming operation) owned, managed or operated by the Issuer or any of its Subsidiaries.

"Gaming Control Acts" means the Nevada Gaming Control Act and the New Jersey Casino Control Act, as from time to time amended, or any successor provision of law, and the regulations promulgated thereunder.

"Gaming Permits" means every license, franchise, permit or other authorization on the date of this Indenture or thereafter required to own, lease, operate or otherwise conduct casino gaming at the Las Vegas Showboat and the Atlantic City Showboat, including, without limitation, all such licenses granted under the Gaming Control Acts, the regulations of the Gaming Authorities and other applicable laws.

"Gaming Related Business" means the gaming business and other businesses necessary for, incident to, connected with or arising out of the gaming business (including developing and operating lodging facilities, sports or entertainment facilities, transportation services or other related activities or enterprises and any additions or improvements thereto).

"Guarantors" means each of (i) SBOC, OSI and ACSI and (ii) any other Subsidiary that executes a Subsidiary Guaranty in accordance with the provisions of this Indenture, and their respective successors and assigns.

"Guarantor Pledge Agreement" means that certain Pledge and Security Agreement dated as of the Issue Date issued by OSI in favor of the Trustee (for the benefit of the Bondholders), substantially in the form of Exhibit F hereto, as amended, supplemented or modified from time to time as permitted by this Indenture.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"Holder" or "Bondholder" means a Person in whose name a Bond is registered.

"Indebtedness" of any Person means, without duplication, (i) the principal of and premium (if any) in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all capitalized lease obligations of such Person; (iii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (i), (ii) and (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit); (v) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (but excluding any accrued distributions or dividends); (vi) all obligations existing at the time under Hedging Obligations, foreign currency hedges and similar agreements; (vii) all obligations of the type referred to in clauses (i) through (vi) of other Persons and all dividends and distributions of other Persons for the payment of which, in either case, such Person is responsible or liable as obligor, guarantor or otherwise; and (viii) all obligations of the type referred to in clauses (i) through (vi) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured.

"Indenture" means this Indenture as amended or supplemented from time to time.

"Intercompany Note" means that certain Intercompany Note in the amount of \$215,000,000 issued by ACSI in favor of the Issuer, substantially in the form of Exhibit I hereto.

"Intercreditor Agreement" means the Intercreditor Agreement, a form of which is attached as an exhibit to this Indenture.

"Investment Grade Securities" means (i) Marketable Securities, (ii) any other debt securities or debt instruments with a rating of "BBB-" or higher by S&P, "Baa-3" or higher by Moody's or the equivalent of such rating by any other nationally recognized securities rating agency, and (iii) any fund investing exclusively in investments of the types described in clauses (i) and (ii) above.

"Investment Guaranty" means, with respect to any Person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any Indebtedness of another Person, including, without limitation, any Indebtedness directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of which such Person is otherwise directly or indirectly liable, or any other obligation under any contract which, in economic effect, is substantially equivalent to a guaranty, including, without limitation, any Indebtedness of a Non-Recourse Subsidiary, a partnership in which such Person is a general partner or a joint venture in which such Person is a joint venturer, and any Indebtedness in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such Indebtedness or any security therefor, or to provide funds for the payment or discharge of such Indebtedness (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the solvency or any balance sheet or other financial condition of the obligor of such Indebtedness, or to make payment for any products, materials

or supplies or for any transportation or services regardless of the non-delivery or nonfurnishing thereof, in any such case if the purpose or intent of such agreement is to provide assurance that such Indebtedness will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such Indebtedness will be protected against loss in respect thereof.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of loans, Investment Guaranties, advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"Issue Date" means May 18, 1993, the date on which the Bonds are first authenticated and issued.

"Issuer Collateral Assignment" means that certain Collateral Assignment Agreement issued by the Issuer in favor of the Trustee, dated as of the Issue Date, substantially in the form of Exhibit H hereto, as amended, supplemented or modified from time to time as permitted by this Indenture.

"Issuer Pledge Agreement" means that certain Security and Pledge Agreement, issued by the Issuer in favor of the Trustee, dated as of the Issue Date, substantially in the form of Exhibit E hereto, as amended, supplemented or modified from time to time as permitted by this Indenture.

"Las Vegas Showboat" means (i) the Issuer's hotel casino and related properties at 2800 Fremont Street, Las Vegas, Nevada and any Project Expansion relating thereto and (ii) any contiguous property acquired by the Issuer or any of its Subsidiaries and any Project Expansion relating thereto.

"Legal Holiday" shall have the meaning provided in Section 12.07 hereof.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Marketable Securities" means (1) U.S. Government Obligations; (2) any certificate of deposit, maturing not more than 270 days after the date of acquisition, issued by, or time deposit of, a commercial banking institution that has combined capital and surplus of not less than \$100,000,000 or its equivalent in foreign currency, whose debt is rated at the time as of which any investment is made, of "A" (or higher) according to S&P or Moody's, or if none of S&P or Moody's shall then exist, the equivalent of such rating by any other nationally recognized securities rating agency; (3) commercial paper, maturing not more than 270 days after the date of acquisition, issued by a corporation (other than an Affiliate or Subsidiary of the Issuer) with a rating, at the time as of which any investment therein is made, of "A-1" (or higher) according to S&P or "P-1" (or higher) according to Moody's, or if neither of S&P and Moody's shall then exist, the equivalent of such rating by any other nationally recognized securities ratings agency; (4) any bankers acceptances or any money market deposit accounts, in each case, issued or offered by any commercial bank having capital and surplus in excess of \$100,000,000 or its equivalent in foreign currency, whose debt is rated at the time as of which any investment there is made of "A" (or

higher) according to S&P or Moody's, or if none of S&P or Moody's shall then exist, the equivalent of such rating by any other nationally recognized securities rating agency; and (5) any fund investing exclusively in investments of the types described in clauses (1) through (4) above, and if such fund has at least \$500,000,000 under management, including investments in repurchase obligations of the foregoing investments.

"Material Acquisition" means any acquisition of a business, including the acquisition of operating commercial real estate, that has a fair market value in excess of \$3 million and which the Issuer intends to continue to operate.

"Mortgage Documents" means that certain Leasehold Mortgage, Assignment of Rents, Security Agreement and Fixture Filing issued by ACSI in favor of the Trustee and that certain Leasehold Mortgage, Assignment of Rents, Security Agreement and Fixture Filing issued by ACSI in favor of the Issuer, each dated as of the Issue Date, substantially in the form of Exhibit A-2 hereto, as amended, supplemented or modified from time to time as permitted by this Indenture.

"Net Income" means, with respect to any Person the net income (loss) of such Person, determined in accordance with GAAP, excluding, however, (i) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with any Asset Sale (including, without limitation, dispositions pursuant to sale and leaseback transactions), (ii) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss), and (iii) any loss on the retirement of the 11 3/8% Bonds (including write-off of associated deferred financing charges).

"Net Proceeds" means the aggregate cash proceeds received by the Issuer or any of its Subsidiaries in respect of any Asset Sale (including insurance proceeds), net of the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, and sales commissions) and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets which are the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets.

"Non-Recourse Debt" means Indebtedness or that portion of Indebtedness (a) as to which none of the Issuer, the Guarantors and any of their respective Subsidiaries (other than a Non-Recourse Subsidiary); (i) provides credit support (including any undertaking, agreement or instrument which would constitute Indebtedness); (ii) is directly or indirectly liable; and (iii) constitutes the lender; and (b) no default with respect to which (including any rights which the holders thereof may have to take enforcement action against a Non-Recourse Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Issuer, the Guarantors or any of their respective Subsidiaries (other than a Non-Recourse Subsidiary) to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

"Non-Recourse Subsidiary" means (i) a Subsidiary (other than any Guarantor) or (ii) any entity in which the Issuer or any of its Subsidiaries has an equity investment and pursuant to a contract or otherwise has the right to direct the day-to-day operation of such entity that, in each case, (a) at the time of its designation as a Non-Recourse Subsidiary has not acquired any assets (other than as specifically permitted by Section 4.09), at any previous time, directly or indirectly from the Issuer, any of the Guarantors, or any of their respective Subsidiaries, (b) does not own, operate or manage any Existing

Hotel Casino on the Issue Date, and (c) has no Indebtedness other than Non-Recourse Debt: provided that at the time of such designation, after giving pro forma effect to such designation as if it occurred at the beginning of the applicable four-quarter period, (x) the Issuer could incur \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.08(a), and (y) the Issuer's Fixed Charge Coverage Ratio is not less than 70% of the Issuer's Fixed Charge Coverage Ratio immediately prior to such designation.

"Notice of Default" shall have the meaning provided in Section 6.01 hereof.

"Offer Amount" shall have the meaning provided in either Section 4.10 or 4.13 hereof, as the case may be.

"Officer" means the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, any Vice President, the Chief Financial Officer, the Treasurer, the Secretary, the Assistant Secretary or the Controller of the Issuer, the Guarantors or any Subsidiary thereof, as the context may require.

"Officers' Certificate" means a certificate signed by two Officers, one of whom must be the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Treasurer or a Vice-President of the Issuer, the Guarantors or any Subsidiary thereof, as the context may require.

"Opinion of Counsel" means a written opinion from legal counsel which opinion (as a matter of substantive law) is acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer, the Guarantors, any Subsidiary thereof or the Trustee.

"OSI" means Ocean Showboat, Inc.

"OSI Guaranty" means the Subsidiary Guaranty issued by OSI, substantially in the form of Exhibit D hereto, as amended, supplemented or modified from time to time as permitted by this Indenture.

"Pari Passu Indebtedness" means senior secured Indebtedness of the Issuer or its Subsidiaries secured by the Collateral other than Indebtedness permitted by clause (ii) under Section 4.08(b) or the Bonds.

"Paying Agent" shall have the meaning provided in Section 2.03 hereof.

"Payment Default" shall have the meaning provided in Section 6.01 hereof.

"Permitted Investments" means (a) any Investments in the Issuer or in a wholly owned Subsidiary of the Issuer (other than a Non-Recourse Subsidiary); (b) any investments in Marketable Securities; and (c) Investments by the Issuer or any Subsidiary of the Issuer in a Person, if as a result of such Investment (i) such Person becomes a wholly owned Subsidiary of the Issuer (other than a Non-Recourse Subsidiary) or (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a wholly owned Subsidiary of the Issuer (other than a Non-Recourse Subsidiary).

"Permitted Liens" means (a) Liens in favor of the issuer; (b) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Issuer or any Subsidiary of the Issuer; provided, that such Liens were in existence prior to the contemplation of such merger or consolidation and less than one year prior to such Person becoming merged into or consolidated with the Issuer or any of its Subsidiaries; (c) Liens on property existing at the time of acquisition thereof by the Issuer or any Subsidiary of the Issuer; provided, that such Liens were in existence prior to the contemplation of such acquisition and less than one year prior to such acquisition; (d) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business; (e) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; provided, that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor; (f) ground leases in respect of the real property on which facilities owned or leased by the Issuer or any of its Subsidiaries are located; (g) Liens arising from UCC financing statements regarding property leased by the Issuer or any of its Subsidiaries; (h) easements, rights-of-way, navigational servitudes, restrictions, minor defects or irregularities in title and other similar charges or encumbrances which do not interfere in any material respect with the ordinary conduct of business of the Issuer and its Subsidiaries; and (i) Liens securing purchase money obligations incurred or assumed in connection with the purchase of real or personal property to be used in the business of the Issuer or any of its Subsidiaries (other than a Non-Recourse Subsidiary) within 180 days of such incurrence or assumption.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or governmental or any agency or political subdivision thereof.

"principal" of a debt security means the principal of the security plus the premium, if any, on the security.

"Project Costs" means, with respect to a Project Expansion, the aggregate costs required to complete such Project Expansion, including direct costs related thereto including, but not limited to, construction management, architectural, engineering, interior design, legal and other professional fees, site work, utility installation, permits, certificates and bonds, but excluding principal or interest payments on any Indebtedness, operating expenses (including, but not limited to non-construction supplies and pre-opening payroll) and any allocation to corporate overhead or administrative expenses of the Issuer, any Guarantor, or any Subsidiary thereof.

"Project Expansion" means any addition, improvement, extension or capital repair to the Las Vegas Showboat or the Atlantic City Showboat or any contiguous or adjacent property, including the purchases of real estate or improvements thereon, but excluding separable furniture.

"Purchase Date" shall have the meaning provided in Section 3.09 hereof.

"Purchase Offer" shall have the meaning provided in Section 4.10 or 4.13 hereof, as the case may be.

"Purchase Price" shall have the meaning provided in Section 4.13 hereof.

"Registrar" shall have the meaning provided in Section 2.03 hereof.

"Related Documents" means, collectively, the OSI Guaranty, the ACSI Guaranty, the SBOC Guaranty, the Deed of Trust, the Mortgage Documents, the Issuer Pledge Agreement, the Guarantor Pledge Agreement, the SBOC Security Agreement, the Trademark Security Agreement, the Issuer Collateral Assignment, the Assignments of Leases and Rents and any and all pledges, security agreements, guaranties, financing statements, filings, instruments or other agreements or assignments executed by the Issuer or the Guarantors in order to evidence, secure, perfect, notice or guaranty the Bonds or any guaranty of the foregoing obligations.

"Refinancing Indebtedness" shall have the meaning provided in Section 4.08 hereof.

"Resorts Bonds" means the First Mortgage Non-Recourse Pass-Through Notes due June 30, 2000 of Resorts International, Inc.

"Restricted Payments" shall have the meaning provided in Section 4.09 hereof.

"Restricted Investment" means an Investment other than a Permitted Investment.

"SBOC" means Showboat Operating Company.

"SBOC Guaranty" means the Subsidiary Guaranty issued by SBOC, substantially in the form of Exhibit D hereto, as amended, supplemented or modified from time to time as permitted by this Indenture.

"SBOC Security Agreement" means that certain Security Agreement, dated as of the Issue Date, issued by SBOC in favor of the Trustee, substantially in the form of Exhibit I hereto, as amended, supplemented or modified from time to time as permitted by this Indenture.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the regulations promulgated thereunder.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof).

"Subsidiary" means (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more of the other Subsidiaries of that Person or a combination thereof and (ii) any Non-Recourse Subsidiary.

"Subsidiary Guaranties" means, collectively, the OSI Guaranty, the ACSI Guaranty, the SBOC Guaranty and any guaranties issued pursuant to Article 11 hereof with respect to the Issuer's obligations under this Indenture and the Bonds.

"Surviving Entity" shall have the meaning provided in Section 5.01 hereof.

"Tax Sharing Agreement" means the Tax Sharing Agreement, substantially in the form attached hereto as Exhibit K, as amended, supplemented or modified from time to time as permitted by this Indenture.

"Tender Period" shall have the meaning provided in Section 3.09 hereof.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbbb) as in effect on the date of execution of this Indenture.

"Trademark Security Agreement" means that certain Trademark Security Agreement issued by the Issuer in favor of the Trustee, dated as of the Issue Date, substantially in the form of Exhibit G hereto, as amended, supplemented or modified from time to time as permitted by the Indenture.

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"U.S. Government Obligations" means securities that are (a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended), as custodian with respect to any such U.S. Government Obligation or a specific payment of principal of or interest on any such U.S. Government Obligation held by such custodian for the account of the holder of such depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal of or interest on the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means stock of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of a corporation (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"Working Capital Credit Agreement" means that certain Credit Agreement, dated as of September 30, 1992, by and among ACSI and National Westminster Bank, including any related notes, guaranties, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time.

Section 1.02. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC;

"indenture securities" means the Bonds;

"indenture security holder" means a Bondholder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee;
and

"obligor" on the Bonds means the Issuer, the Guarantors and each other obligor on the Bonds.

All other terms used in this Indenture that are defined by the TIA by reference to another statute or defined by SEC rule under the TIA have the meanings so assigned by them.

Section 1.03. Rules of Construction.

Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
- (3) "or" is not exclusive;
- (4) words in the singular include the plural, and in the plural include the singular; and
- (5) provisions apply to successive events and transactions.

ARTICLE 2

THE BONDS

Section 2.01. Form and Dating.

The Bonds shall be substantially in the form of Exhibit C which Exhibit is a part of this Indenture. The notation on each of the Bonds relating to the Subsidiary Guaranties shall be substantially in the form set forth on Exhibit D, as the case may be, which is a part of this Indenture. The Bonds may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Bond shall be dated the date of its authentication.

The terms and provisions contained in the Bonds shall constitute, and are hereby expressly made, a part of this Indenture and to the extent applicable, the Issuer, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Section 2.02. Execution and Authentication.

One Officer shall sign the Bonds for the Issuer by manual or facsimile signature. The Issuer's seal shall be reproduced on the Bonds. One Officer of each of OSI, ACSI and SBOC shall sign the Subsidiary Guaranty for the respective Guarantors by manual or facsimile signature.

If an Officer whose signature is on a Bond no longer holds that office at the time the Bond is authenticated, the Bond shall nevertheless be valid.

A Bond shall not be entitled to the benefits of this Indenture nor be valid for any purpose until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence, and the only evidence, that the Bond has been authenticated and delivered under this Indenture.

Upon a written order of the Issuer signed by two Officers, the Trustee shall authenticate Bonds with the Subsidiary Guaranties endorsed thereon for original issue in the aggregate principal amount of \$275,000,000.

Except as provided in Section 2.07 hereof, the aggregate principal amount of Bonds outstanding under this Indenture at any time may not exceed \$275,000,000.

The Trustee may appoint an authenticating agent acceptable to the Issuer (an "Authenticating Agent") to authenticate the Bonds. An Authenticating Agent may authenticate the Bonds whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such Authenticating Agent.

The Bonds shall be issuable only in registered form without coupons and only in denominations of \$1,000 and integral multiples thereof.

Section 2.03. Registrar and Paying Agent.

The Issuer shall maintain in the State of Nevada (if required by the Gaming Control Acts), and in the Borough of Manhattan, City of New York, State of New York, and in such other locations as it shall determine: (i) an office or agency where Bonds may be presented for registration of transfer or for

exchange ("Registrar"), and (ii) an entity as whose office or agency the Bonds may be presented for payment ("Paying Agent") and notices and demands to or upon the Issuer in respect of Bonds and this Indenture may be served. The Registrar shall keep a register of the Bonds and of their transfer and exchange. The Issuer may appoint one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent. The term "Registrar" includes any co-registrar, where applicable. The Issuer may change any Paying Agent or Registrar upon thirty (30) days notice to the Trustee without prior notice to any Bondholder.

The Issuer shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Registrar or Paying Agent. The Issuer shall notify the Trustee of the name and address of any Registrar or Paying Agent not a party to this Indenture. If the Issuer fails to appoint or maintain an entity as Registrar or Paying Agent, the Trustee shall act as such. The Issuer may act as Paying Agent or Registrar.

Whenever, pursuant to this Indenture, the Trustee is obligated, empowered or authorized to perform any act with respect to the authentication and issuance of the Bonds, or their transfer, other than the authentication and issuance of Bonds upon original issue or in cases of Bonds mutilated, destroyed, lost or stolen, such act may be performed by the Authenticating Agent and Registrar, notwithstanding anything in this Indenture to the contrary. Whenever, pursuant to this Indenture, the Trustee is obligated, empowered or authorized to perform any act with respect to payment of the principal of or interest on the Bonds, such acts may be performed by the Paying Agent, notwithstanding anything in this Indenture to the contrary.

The Issuer covenants that whenever necessary to avoid or fill a vacancy in the office of Registrar or Paying Agent, the Issuer will appoint a successor Registrar or Paying Agent so that there shall, at all times be one or more offices or agencies in the Borough of Manhattan, City of New York, State of New York where Bonds may be presented or surrendered for payment and where Bonds may be surrendered for registration of transfer or exchange.

In case, at the time of the appointment of a successor to the Authenticating Agent, any of the Bonds shall have been authenticated but not delivered, any such successor Authenticating Agent may adopt the certificate of authentication of the original Authenticating Agent or of any successor to it as authenticating agent hereunder, and deliver such Bonds so authenticated; and in case at any time any of the Bonds shall not have been authenticated, any successor to the Authenticating Agent by merger or consolidation may authenticate such Bonds either in the name of its predecessor hereunder or in the name of the successor Authenticating Agent; and in all such cases such certificate shall have the full force that the Bonds or this Indenture provide that the certificate of authentication shall have.

Section 2.04. Paying Agent to Hold Money in Trust.

The Issuer (or any other obligor on the Bonds, including the Guarantors) shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Bondholders or the Trustee all money held by the Paying Agent for the payment of principal or interest on the Bonds (whether such money has been paid to it by the Issuer or any other obligor on the Bonds, including the Guarantors), and will notify the Trustee of any default by the Issuer (or any other obligor on the Bonds, including the Guarantors) in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Issuer may at any time require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Issuer) shall have no further liability for the money. If the Issuer acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Bondholders all money held by it as Paying Agent.

Section 2.05. Bondholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Bondholders and shall otherwise comply with TIA ss. 312(a). If the Trustee is not the Registrar, the Issuer (or any other obligor upon the Bonds, including the Guarantors) shall furnish to the Trustee on or before the record date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Bondholders.

Section 2.06. Transfer and Exchange.

Where Bonds are presented to the Registrar with a request to register a transfer or to exchange them for an equal principal amount of Bonds of other denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. To permit registrations of transfers and exchanges, the Issuer shall issue and the Trustee shall authenticate Bonds (accompanied by a notation of the Subsidiary Guaranties duly endorsed by the Guarantors) at the Registrar's request. No service charge shall be made for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer tax or similar governmental charge payable upon exchanges pursuant to Sections 2.10, 3.06 or 9.05 hereof).

The Issuer shall not be required (i) to issue, register the transfer of or exchange Bonds during a period beginning at the opening of business 15 days before the day of any selection of Bonds for redemption under Section 3.02 hereof and ending at the close of business on the day of selection, (ii) to register the transfer or exchange of any Bonds so selected for redemption in whole or in part, except the unredeemed portion of any Bond being redeemed in part or (iii) to register the transfer or exchange of a Bond between the record date and the next succeeding interest payment date.

Section 2.07. Replacement Bonds.

If a mutilated Bond is surrendered to the Trustee or if the Holder of a Bond claims that such Bond has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee, upon the written order of the Issuer signed by two Officers, shall authenticate a replacement Bond (accompanied by a notation of the Subsidiary Guaranties duly endorsed by the Guarantors) if the Trustee's requirements are met. If required by the Trustee, the Issuer or the Guarantors, an indemnity bond must be furnished by and at the sole cost of such Bondholder in an amount sufficient in the judgment of the Trustee, the Issuer and the Guarantors to protect the Trustee, the Issuer, the Guarantors, any Paying Agent or any Authenticating Agent from any loss which any of them may suffer if a Bond is replaced. The Issuer may charge for its expenses in replacing a Bond.

Every replacement Bond and replacement Subsidiary Guaranty constitute an additional obligation of the Issuer and the Guarantors, respectively, and shall be entitled to the benefits of this Indenture.

Section 2.08. Outstanding Bonds.

The Bonds outstanding at any time are all the Bonds authenticated by the Trustee or any Authenticating Agent, except for those cancelled by the Trustee, those delivered to the Trustee for cancellation, and those described in this Section 2.08 as not outstanding.

If a Bond is replaced pursuant to Section 2.07 hereof (other than a mutilated Bond surrendered for replacement), it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Bond is held by a bona fide purchaser. A mutilated Bond ceases to be outstanding upon surrender of such Bond and replacement thereof pursuant to Section 2.07 hereof.

If the principal amount of any Bond is considered paid under Section 4.01, they cease to be outstanding and interest on them ceases to accrue.

Subject to Section 2.09 hereof, a Bond does not cease to be outstanding because any of the Guarantors or Subsidiaries or Affiliates thereof holds the Bond.

Section 2.09. Treasury Bonds.

(a) In determining whether the Bondholders of the required principal amount of Bonds have concurred in any direction, waiver or consent, Bonds owned by the Issuer, the Guarantors, any Subsidiary thereof, or any Affiliate thereof shall be considered as though they are not outstanding (including for purposes of determining the outstanding principal amount of Bonds), except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Bonds which the Trustee knows are so owned shall be so disregarded.

(b) With respect to any Bonds beneficially owned by the Issuer or any of its wholly owned Subsidiaries (other than any Non-Recourse Subsidiary), any accrued interest due and payable on such Bonds shall be deemed to have been paid by the Issuer to itself or to its wholly owned Subsidiary (other than any Non-Recourse Subsidiary) on the date on which such interest payment is due and the Issuer may deduct from the interest payment payable to the other Holders all accrued interest payments on such Bonds; provided that (i) such Bonds are registered in the name of the Issuer or such wholly owned Subsidiary at the close of business on the applicable record date and (ii) at least ten Business Days prior to the date on which such interest payment is to be made, the Issuer delivers to the Trustee an Officers' Certificate certifying that such Bonds were registered in the name of the Issuer or such wholly owned Subsidiary at the close of business on the applicable record date.

Section 2.10. Temporary Bonds.

Until definitive Bonds are ready for delivery, the Issuer may prepare and the Trustee shall authenticate temporary Bonds (accompanied by a notation of the Subsidiary Guaranties duly endorsed by the Guarantors). Temporary Bonds shall be substantially in the form of definitive Bonds but may have variations that the Issuer considers appropriate for temporary Bonds. Without unreasonable delay, the Issuer shall prepare and the Trustee or any Authenticating Agent, upon receipt of the written order of the Issuer signed by two Officers, shall authenticate definitive Bonds (accompanied by a notation of the Subsidiary Guaranties duly endorsed by the Guarantors) in exchange for temporary Bonds without charge to the Bondholder. Until such exchange, such temporary Bonds shall be entitled to the same rights, benefits and privileges as the definitive Bonds.

Section 2.11. Cancellation.

The Issuer may at any time deliver Bonds to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Bonds surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Bonds surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall dispose of cancelled Bonds as the Issuer directs. The issuer may not issue new Bonds to replace Bonds that it has paid or that have been delivered to the Trustee for cancellation.

Section 2.12. Defaulted Interest.

If the Issuer or the Guarantors fails to make a payment of interest on the Bonds, the Issuer or the Guarantors shall pay such defaulted interest, plus, to the extent lawful, any interest payable on the defaulted interest, to the Persons who are Bondholders on a subsequent special record date in each case

at the rate provided in the Bonds and in Section 4.01 hereof. The Issuer shall fix any such special record date and payment date. At least 15 days before any such record date, the Issuer (or the Trustee, in the name of and at the expense of the Issuer) shall mail to Bondholders a notice that states the record date, payment date, and amount of such interest to be paid.

ARTICLE 3

REDEMPTIONS AND OFFERS TO REPURCHASE

Section 3.01. Notices to Trustee.

If the Issuer elects to redeem Bonds pursuant to the optional redemption provisions of any of the Bonds and Section 3.07 hereof, it shall notify the Trustee by delivery of an Officers' Certificate at least 45 days but not more than 75 days (unless a shorter notice period shall be agreed to by the Trustee) before a redemption date, of the paragraph of the applicable Bond pursuant to which the redemption shall occur, the principal amount of Bonds to be redeemed, the redemption date and the redemption price.

Section 3.02. Section of Bonds to be Redeemed.

If less than all of the Bonds are to be redeemed, the Trustee shall select the Bonds to be redeemed pro rata or by lot, in accordance with a method that the Trustee considers fair and appropriate. The Trustee shall make the selection not more than 75 days and not less than 30 days before the redemption date from Bonds outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Bonds that have denominations larger than \$1,000. Bonds and portions of them it selects shall be in amounts of \$1,000 or integral multiples of \$1,000. Provisions of this Indenture that apply to Bonds called for redemption also apply to portions of Bonds called for redemption. The Trustee shall notify the Issuer promptly of the Bonds or portions of Bonds to be called for redemption.

Section 3.03. Notice of Redemption.

At least 30 days but not more than 60 days before a redemption date, the Issuer shall mail, by first class mail, a notice of redemption to each Bondholder whose Bonds are to be redeemed.

The notice shall identify the Bonds to be redeemed and shall state:

- (1) the redemption date;
- (2) the redemption price;
- (3) if any Bond is being redeemed in part, the portion of the principal amount of such Bonds to be redeemed and that, after the redemption date, upon surrender of such Bonds, a new Bond or Bonds in principal amount equal to the unredeemed portion will be issued;
- (4) the name and address of the Paying Agent;
- (5) that Bonds called for redemption must be surrendered to the Paying Agent to collect the redemption price plus accrued interest;

(6) that, unless the Issuer defaults in making the redemption payment, interest on Bonds called for redemption ceases to accrue on and after the redemption date;

(7) if less than all the Bonds are to be redeemed, the identification of the particular Bonds (or portion thereof) to be redeemed, as well as the aggregate principal amount of Bonds to be redeemed and the aggregate principal amount of Bonds estimated to be outstanding after such partial redemption; and

(8) the paragraph of the Bonds pursuant to which the Bonds called for redemption are being redeemed.

At the Issuer's request, the Trustee shall give the notice of redemption in writing for each redemption in the Issuer's name and at the Issuer's expense; provided, however, that the Issuer shall deliver to the Trustee, at least 45 days prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.04. Effect of Notice of Redemption.

Once notice of redemption is mailed, Bonds called for redemption become due and payable on the redemption date at the price set forth in the applicable Bond.

Section 3.05. Deposit of Redemption Price.

At least one Business Day prior to the redemption date, the Issuer shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and accrued interest on all Bonds to be redeemed on that date. The Trustee or the Paying Agent shall return to the Issuer any money not required for that purpose.

Section 3.06. Bonds Redeemed in Part.

Upon surrender of a Bond that is redeemed in part, the Issuer shall issue and the Trustee (or an Authenticating Agent) shall authenticate for the Bondholder at the expense of the Issuer a new Bond (accompanied by a notation of the Subsidiary Guaranties duly endorsed by the Guarantors) equal in principal amount to the unredeemed portion of the Bond surrendered.

Section 3.07. Optional Redemption.

The Issuer may redeem all or any portion of the Bonds, upon the terms and at the redemption prices set forth in each of the Bonds. Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.09 hereof.

Section 3.08. Redemption Pursuant to Gaming Control Acts.

Notwithstanding any other provision of this Article 3, if any Gaming Authority requires that a Bondholder or beneficial owner of Bonds must be licensed, qualified or found suitable under the Gaming Control Acts or other applicable law and the Bondholder or beneficial owner fails to apply for a license, qualification or a finding of suitability within 30 days after being requested to do so by the Gaming Authority, or if such Bondholder or such beneficial owner is not so licensed, qualified or found

suitable, the Issuer shall have the right, at its option, (i) to require such Bondholder or beneficial owner to dispose of such Bondholder's or beneficial owner's Bonds within 30 days of receipt of such notice of such finding by the applicable Gaming Authority or such earlier date as may be ordered by such Gaming Authority or (ii) to call for the redemption of the Bonds of such Bondholder or beneficial owner at the lesser of the principal amount thereof or the price at which such Bondholder or beneficial owner acquired the Bonds, together with, in either case, accrued interest to the earlier of the date of redemption or the date of the finding of unsuitability by such Gaming Authority, which may be less than 30 days following the notice of redemption, if so ordered by such Gaming Authority. The Issuer shall notify the Trustee in writing of any such redemption as soon as practicable. The Bondholder or beneficial owner applying for a license, qualification or a finding of suitability must pay all costs of the licensure or investigation for such finding of suitability.

Section 3.09. Purchase Offer.

(a) In the event that, pursuant to Sections 4.10, or 4.13 hereof, the Issuer shall commence an Asset Sale Offer or a Purchase Offer, as the case may be, the Issuer shall follow the procedures in this Section 3.09.

(b) The Asset Sale Offer or the Purchase Offer, as the case may be, shall remain open for a period specified by the Issuer which shall be no less than 30 calendar days and no more than 40 calendar days after the Commencement Date (as determined in accordance with Section 4.10 or 4.13 hereof, as the case may be) and no longer, except to the extent that a longer period is required by applicable law (the "Tender Period"). Upon the expiration of the Tender Period (the "Purchase Date"), the Issuer shall purchase at the Purchase Price the Offer Amount (as determined in accordance with Section 4.10 or 4.13 hereof, as the case may be) of Bonds tendered or, if less than the Offer Amount has been tendered, all Bonds tendered in response to the Asset Sale Offer or the Purchase Offer, as the case may be.

(c) If the Purchase Date is on or after an interest payment record date and on or before the related interest payment date, any accrued interest will be paid to the Person in whose name a Bond is registered at the close of business on such record date, and no additional interest will be payable to Bondholders who tender Bonds pursuant to the Asset Sale Offer or the Purchase Offer, as the case may be.

(d) The Issuer shall provide the Trustee with notice of the Asset Sale Offer or the Purchase Offer, as the case may be, at least 10 days before the Commencement Date.

(e) On or before the Commencement Date, the Issuer or the Trustee shall (at the expense of the Issuer) send, by first class mail, a notice to each of the Bondholders, which shall govern the terms of the Asset Sale Offer or the Purchase Offer and shall state:

- (i) that the Asset Sale Offer or the Purchase Offer is being made pursuant to this Section 3.09 and, as applicable, Section 4.10 or 4.13 hereof and the length of time the Asset Sale Offer or the Purchase Offer will remain open;
- (ii) the Offer Amount, the Purchase Price and the Purchase Date, and in the case of a Purchase Offer made pursuant to Section 4.13 hereof, that all Bonds tendered will be accepted for payment;
- (iii) that any Bond not tendered or accepted for payment will continue to accrue interest;

- (iv) that, unless the Issuer defaults in the payment of the Purchase Price, any Bond accepted for payment pursuant to the Asset Sale Offer or the Purchase Offer shall cease to accrue interest after the Purchase Date;
- (v) that Bondholders electing to have a Bond purchased pursuant to any Asset Sale Offer or Purchase Offer will be required to surrender the Bond, with the form entitled "Option of Bondholder to Elect Purchase" on the reverse of the Bond completed, to the Issuer, a depository, if appointed by the Issuer, or a Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Purchase Date;
- (vi) that Bondholders will be entitled to withdraw their election if the Issuer, depository or Paying Agent, as the case may be, receives, not later than the close of business on the second Business Day preceding the Purchase Date, or such longer period as may be required by law, a letter or a telegram, telex, facsimile transmission (receipt of which is confirmed and promptly followed by a letter) setting forth the name of the Bondholder, the principal amount of the Bond the Bondholder delivered for purchase and a statement that such Bondholder is withdrawing his election to have the Bond purchased;
- (vii) that, if the aggregate principal amount of Bonds surrendered by Bondholders exceeds the Offer Amount (as defined in Section 4.10 hereof), the Issuer shall select the Bonds to be purchased pro rata with such adjustments as may be deemed appropriate by the Issuer so that only Bonds in denominations of \$1,000, or integral multiples thereof, shall be purchased; and
- (viii) that Bondholders whose Bonds were purchased only in part will be issued new Bonds equal in principal amount to the unpurchased portion of the Bonds surrendered.

In addition, the notice shall, to the extent permitted by applicable law, be accompanied by a copy of the information regarding the Issuer and its Subsidiaries which is required to be contained in the most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K (including any financial statements or other information required to be included or incorporated by reference therein) and any Reports on Form 8-K filed since the date of such Quarterly Report or Annual Report, as the case may be, which the Issuer and Guarantors have filed with the SEC on or prior to the date of the notice. The notice shall contain all instructions and materials necessary to enable such Bondholders to tender Bonds pursuant to the Asset Sale Offer or the Purchase Offer, as the case may be.

(f) At least one Business Day prior to the Purchase Date, the Issuer shall irrevocably deposit with the Trustee or a Paying Agent in immediately available funds an amount equal to the Offer Amount to be held for payment in accordance with the terms of this Section. On the Purchase Date, the Issuer shall, to the extent lawful, (i) accept for payment pro rata Bonds or portions thereof tendered pursuant to the Asset Sale Offer or the Purchase Offer, (ii) deliver or cause the depository or Paying Agent to deliver to the Trustee Bonds so accepted and (iii) deliver to the Trustee an Officers' Certificate stating such Bonds or portions thereof accepted for payment by the Issuer in accordance with the terms of this Section 3.09. The depository, the Paying Agent or the Issuer, as the case may be, shall promptly (but in any case not later than ten (10) calendar days after the Purchase Date) mail or deliver to each tendering Bondholder an amount equal to the Purchase Price of the Bonds tendered by such Bondholder and accepted by the Issuer for purchase, and the Trustee shall promptly authenticate and mail or deliver to such Bondholders a new Bond (accompanied by a notation of the Subsidiary Guaranties duly endorsed

by the Guarantors) equal in principal amount to any unpurchased portion of the Bond surrendered. Any Bonds not so accepted shall be promptly mailed or delivered by or on behalf of the Issuer to the Holder thereof. The Issuer will publicly announce in a newspaper of general circulation the results of the Asset Sale Offer or the Purchase Offer on the Purchase Date.

(g) The Asset Sale Offer or the Purchase Offer shall be made by the Issuer in compliance with all applicable provisions of the Exchange Act, and all applicable tender offer rules promulgated thereunder, and shall include all instructions and materials necessary to enable such Bondholders to tender their Bonds.

ARTICLE 4

COVENANTS

Section 4.01. Payment of Bonds.

The Issuer shall pay the principal of and interest on the Bonds on the dates and in the manner provided in the Bonds. An installment of principal and interest shall be considered paid on the date due if a Paying Agent (other than the Issuer or any Affiliate) holds on that date money designated for and sufficient to pay all principal and interest then due. To the extent lawful, the Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on:

- (i) overdue principal, at the rate borne by the Bonds, compounded semiannually; and
- (ii) overdue installments of interest (without regard to any applicable grace period) at the same rate per annum, compounded semiannually.

Section 4.02. SEC Reports, Financial Reports.

The Issuer or the Guarantors, as the case may be, shall deliver to the Trustee within 15 days after it files them with the SEC copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Issuer, the Guarantors, or any Subsidiary thereof is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

So long as the Bonds remain outstanding, the Issuer, the Guarantors, and their respective Subsidiaries shall cause to be mailed to the Bondholders at their addresses appearing in the register of Bonds maintained by the Registrar within 15 days of when such report would have been required to be filed under Section 13 of the Exchange Act:

- (i) quarterly reports (containing unaudited financial statements for the Issuer and its Subsidiaries on a consolidated basis) for the first three quarters of each fiscal year;
- (ii) annual reports (containing audited financial statements for the Issuer and its Subsidiaries on a consolidated basis and an opinion thereon by the Issuer's independent certified public accountants); and

- (iii) all other information, documents or other reports, including a "Management Discussion and Analysis of Financial Condition and Results of Operations," comparable to that which it would have been required to file under Section 13 of the Exchange Act if it had a class of securities listed on a national securities exchange, to be filed with the SEC.

As of the date hereof, the fiscal year of the Issuer, the Guarantors, and their respective Subsidiaries ends on December 31 of each year.

The Issuer shall promptly notify the Trustee, but in no case later than 15 days, after any announced change in fiscal reporting periods for any of the Issuer, the Guarantors, or their respective Subsidiaries.

The Issuer, the Guarantors and their respective Subsidiaries also shall comply with the other provisions of TIA ss. 314(a). The Issuer, the Guarantors and their respective Subsidiaries shall timely comply with their reporting and filing obligations under the applicable federal securities law.

Section 4.03. Compliance Certificate.

(a) The Issuer, the Guarantors and their respective Subsidiaries shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Issuer, the Guarantors and their respective Subsidiaries, an Officers' Certificate (signed by at least one of the following: the President or Chief Financial Officer) stating that a review of the activities of the Issuer, the Guarantors, and their respective Subsidiaries, as the case may be, during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether each of the Issuer, the Guarantors or any Subsidiary, as the case may be, has kept, observed, performed and fulfilled its obligations under this Indenture and the Related Documents, and further stating, as to each such Officer signing such certificate, that each of the Issuer, the Guarantors and their respective Subsidiaries, as the case may be, has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and the Related Documents and is not in default in the performance or observance of any of the terms, provisions and conditions hereof or thereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default and what action the Issuer, the Guarantors, or their respective Subsidiaries, as the case may be, are taking or propose to take with respect thereto), that no event has occurred and is continuing which is, or after notice or lapse of time or both would become, an Event of Default (or, if such an event has occurred and is continuing, specifying each such event and the nature and status thereof) and that no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Bonds are prohibited (or if such event has occurred, a description of the event and what action is proposed to be taken with respect thereto).

(b) The Issuer and its Subsidiaries shall deliver to the Trustee, within 45 days after the end of each fiscal quarter of the Issuer and its Subsidiaries, an Officers' Certificate stating that any Restricted Payment made during such fiscal quarter was permitted and setting forth the basis upon which the calculations required by Section 4.09 were computed, which calculations may be based upon the Issuer's latest available financial statements.

(c) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants or to a written policy adopted by the Issuer's, the Guarantors' or any Subsidiaries' independent public accountants which has been previously applied (a copy of which shall be delivered to the Trustee), the audited financial statements delivered pursuant to Section 4.02 hereof shall be accompanied by a written statement of the Issuer's, the Guarantors' or any Subsidiary's

independent public accountants, as the case may be, (each of which shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements nothing has come to their attention which would lead them to believe that the Issuer, any Guarantor or any Subsidiary thereof, as the case may be, has violated any provisions of Article 4 (other than Sections 4.04, 4.05, 4.13, 4.16, 4.17, 4.18 and 4.20) or Article 5 hereof or that any Event of Default has occurred under Section 6.01 hereof (other than 6.01(c), 6.01(d) (with respect to a Default under Section 4.13) or 6.01(h)), or if any such violation or Event of Default has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

Section 4.04. Stay, Extension and Usury Laws.

Each of the Issuer, the Guarantors and their respective Subsidiaries covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law which would prohibit or forgive the Issuer or the Guarantors in respect of the Subsidiary Guaranties, from paying all or any portion of the principal of or interest on the Bonds as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may materially affect the covenants or the performance of this Indenture or the Related Documents in a manner inconsistent with the provisions of this Indenture or the Related Documents and (to the extent that it may lawfully do so) each of the Issuer and the Guarantors in respect of the Subsidiary Guaranties, hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.05. Corporate Existence.

Subject to Article 5 hereof, each of the Issuer and the Guarantors will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, and the corporate, partnership or other existence of each of their respective Subsidiaries, in accordance with the respective organizational documents of each Subsidiary and the rights (charter and statutory), licenses and franchises of each of the Issuer, the Guarantors and their respective Subsidiaries; provided, however, that none of the Issuer or the Guarantors shall be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any Subsidiary, if the Board of Directors of the Issuer or the Guarantors, as the case may be, shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Issuer and its Subsidiaries on a combined basis or the Guarantors and its Subsidiaries taken as a whole and that the loss thereof is not adverse in any material respect to the Bondholders.

Section 4.06. Use of Proceeds.

All net proceeds from the offering of the Bonds which are not applied as set forth in section 4.5 hereof shall be invested in Investment Grade Securities pending use of such excess net proceeds to benefit the Existing Hotel Casinos and to expand into new facilities or gaming jurisdictions.

Section 4.07. Limitations on Liens.

Neither the Issuer nor any of its Subsidiaries may directly or indirectly create, incur, assume or suffer to exist any Lien on any asset now owned or hereafter acquired, or any income or profits therefrom or assign or convey any right to receive income therefrom, except:

(a) Liens existing on the date of the issuance of the Bonds, provided that, after the defeasance of the 11 3/8% Bonds pursuant to Section 4.15, the Liens securing the 11 3/8% Bonds, any guaranty or any intercompany Indebtedness securing the 11 3/8% Bonds shall be excluded from Liens permitted under this clause (a);

(b) Liens on the assets acquired or leased with the proceeds of Indebtedness permitted to be incurred under Section 4.08 to acquire or lease tangible assets other than Indebtedness incurred for a Project Expansion, provided that such Lien does not extend to any property or asset other than the tangible assets so acquired;

(c) Liens on the Las Vegas Showboat or Atlantic City Showboat or any related facilities or real estate securing Indebtedness and related obligations under the Working Capital Credit Agreement to the extent such Indebtedness and related obligations are permitted under Section 4.08, provided that the holders of such Indebtedness or any trustee or other representative thereof become a party to an Intercreditor Agreement and exercise rights and remedies in accordance with the provisions thereof;

(d) Permitted Liens;

(e) Liens on the Las Vegas Showboat or the Atlantic City Showboat or any related facilities or real estate securing any Indebtedness permitted to be incurred under Section 4.08, which is used to finance the Project Costs of a Project Expansion; provided that:

- (i) such Lien is junior to or pari passu with the Lien securing the Bonds;
- (ii) the aggregate principal amount of such Indebtedness does not exceed 70% of the aggregate Project Costs of such Project Expansion; and
- (iii) the Bonds are secured by such Project Expansion on a senior or pari passu basis with respect to such Lien; and provided further that with respect to any Indebtedness secured by a Lien ranking pari passu with the Lien securing the Bonds, the holders of such Indebtedness or any trustee or other representative thereof become a party to an Intercreditor Agreement and exercise rights and remedies in accordance with the provisions thereof;

(f) Liens securing Refinancing Indebtedness incurred pursuant to Section 4.08(b)(vi); provided that the Refinancing Indebtedness so issued and secured by such Lien shall not be secured by any property or assets of the Issuer or any of its Subsidiaries other than the property or assets subject to the Liens securing such Indebtedness being refinanced; and provided further that if such Refinancing Indebtedness is Pari Passu Indebtedness, the holders of such Indebtedness or any trustee or other representative thereof becomes a party to an Intercreditor Agreement and exercises rights and remedies in accordance with the provisions thereof;

(g) Liens on the assets of any Non-Recourse Subsidiary to secure Non-Recourse Debt of such Non-Recourse Subsidiary;

(h) Liens created pursuant to the Related Documents to secure the Issuer's obligations under the Bonds and the Indenture and each Guarantor's obligations under its Subsidiary Guaranty and the Indenture; and

(i) Liens on the real property underlying the Atlantic City Showboat securing the Resorts Bonds; provided that the obligations under the Resorts Bonds can be assumed under Section 4.08 at the time such real property is acquired by the Issuer or any of its Subsidiaries.

Section 4.08. Limitation on Indebtedness.

(a) The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, issue, assume, guaranty or otherwise become directly or indirectly, liable with respect to or become responsible for (collectively, "incur") any Indebtedness and the Issuer will not issue any Disqualified Stock and will not permit any of its Subsidiaries to issue any shares of preferred stock; provided, however, that the Issuer or any Subsidiary may incur Indebtedness if (i) the Fixed Charge Coverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred is greater than 2.25 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom) as if the additional Indebtedness had been incurred at the beginning of such four-quarter period and (ii) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

(b) The foregoing limitations in Section 4.08(a) above will not apply to:

- (i) the incurrence by the Issuer or any Subsidiary (other than a Non-Recourse Subsidiary) of up to \$25 million in aggregate principal amount of Indebtedness outstanding at any one time, the proceeds of which are used to acquire or lease tangible assets;
- (ii) the incurrence by the Issuer or any Subsidiary (other than a Non-Recourse Subsidiary) of Indebtedness for working capital purposes in an aggregate principal amount not to exceed \$25 million outstanding at any one time; provided that there shall be no such Indebtedness outstanding for a period of 14 consecutive days in each calendar year (other than in respect of standby letters of credit);
- (iii) the incurrence by the Issuer and its Subsidiaries of the Existing Indebtedness (which, after the redemption of the 11 3/8% Bonds pursuant to Section 4.15, shall exclude Indebtedness under the 11 3/8% Bonds, intercompany Indebtedness securing the 11 3/8% Bonds and any guaranty thereof);
- (iv) the incurrence by the Issuer of Indebtedness represented by the Bonds and the incurrence by the Guarantors of the Subsidiary Guaranties;
- (v) Indebtedness incurred in connection with Hedging Obligations with respect to Indebtedness otherwise permitted under this Section 4.08(b);

- (vi) the incurrence by the Issuer of Indebtedness issued in exchange for, or the proceeds of which are used to extend, refinance, renew, replace, or refund Indebtedness referred to in clauses (i) through (v) above and (viii) below (the "Refinancing Indebtedness"); provided, however, that (1) the principal amount of such Refinancing Indebtedness shall not exceed the principal amount of Indebtedness so extended, refinanced, renewed, replaced, substituted or refunded (plus the amount of reasonable expenses incurred in connection therewith); (2) the Refinancing Indebtedness shall have a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, refinanced, renewed, replaced or refunded; (3) the Refinancing Indebtedness shall be subordinated in right of payment to the Bonds on terms at least as favorable to the Holders of Bonds as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced or refunded; and (4) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;
- (vii) Non-Recourse Debt incurred by a Non-Recourse Subsidiary;
- (viii) Indebtedness between the Issuer and any wholly owned Subsidiary (other than a Non-Recourse Subsidiary), provided, however, that if any wholly owned Subsidiary ceases to be a wholly owned Subsidiary or transfers such Indebtedness (other than to the Company or a wholly owned Subsidiary that is not a Non-Recourse Subsidiary), such events shall be deemed, in each case, to constitute the incurrence of such Indebtedness by the Issuer or by such wholly owned Subsidiary, as the case may be, at the time of such event; and
- (ix) the incurrence by the Issuer or any Subsidiary of Indebtedness that is not otherwise permitted under this covenant not to exceed an aggregate principal amount of \$10 million outstanding at any one time.

Section 4.09. Limitation on Restricted Payments.

- (a) The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly:
 - (i) declare or pay any dividend or make any distribution on account of the Issuer's or any of its Subsidiaries' Equity Interests (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer or such Subsidiary or dividends or distributions payable to the Issuer or any wholly owned Subsidiary (other than a Non-Recourse Subsidiary) of the Issuer);
 - (ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Issuer or any Subsidiary or other Affiliate of the Issuer (other than any such Equity Interests owned by the Issuer or any wholly owned Subsidiary (other than a Non-Recourse Subsidiary) of the Issuer);
 - (iii) voluntarily purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is pari passu with or subordinated to the Bonds; or
 - (iv) make any Restricted Investment

(all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of such Restricted Payment:

(1) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(2) the Issuer would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.08(a); and

(3) such Restricted Payment, together with the aggregate of all other Restricted Payments made by the Issuer and its Subsidiaries after the date of this Indenture (including Restricted Payments permitted by clauses (i) and (ii) of Section 4.09(b) but excluding any Restricted Payments permitted by clauses (iii)-(viii) of Section 4.09(b)), is less than the sum of (x) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from April 1, 1993 to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, 100% of such deficit), plus (y) 100% of the aggregate net cash proceeds received by the Issuer from the issuance or sale of Equity Interests of the Issuer (other than Equity Interests sold to a Subsidiary of the Issuer and other than Disqualified Stock) since the Issue Date, plus (z) Excess Non-Recourse Subsidiary Cash Proceeds received after the Issue Date.

(b) The foregoing provisions will not prohibit:

- (i) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of this Indenture;
- (ii) the redemption, repurchase, retirement or other acquisition of any Equity Interests of the Issuer in exchange for, or out of the proceeds of, the substantially concurrent sale (other than to a Subsidiary of the Issuer) of other Equity Interests of the Issuer (other than any Disqualified Stock);
- (iii) Investments by the Issuer or any Subsidiary engaged in a Gaming Related Business in an amount not to exceed \$75 million in the aggregate (measured as of the date such Investments were made) in any Non-Recourse Subsidiaries; provided that any loan to, or Investment Guaranty in favor of, a Non-Recourse Subsidiary that is not a Subsidiary shall mature prior to the earlier of (x) the termination of the management contract pursuant to which the Issuer or any of its Subsidiaries (other than any Non-Recourse Subsidiary) manages such Non-Recourse Subsidiary and (y) the Issuer or any of its Subsidiaries (other than any Non-Recourse Subsidiary) otherwise ceasing to have control over the day-to-day operations of such Non-Recourse Subsidiary;
- (iv) Investments by the Issuer or any Subsidiary in any Non-Recourse Subsidiary engaged in a Gaming Related Business in an amount (measured as of the date such Investments were made) not to exceed in the aggregate 100% of all cash received by the Issuer or any wholly owned Subsidiary (other than a Non-Recourse Subsidiary) from any Non-Recourse Subsidiary (other than cash which is or may be required to be repaid or returned to such

Non-Recourse Subsidiary) up to \$75 million in the aggregate and thereafter 50% of all cash received by the Issuer or any wholly owned Subsidiary (other than a Non-Recourse Subsidiary) from any Non-Recourse Subsidiary (other than cash which is or may be required to be repaid or returned to such Non-Recourse Subsidiary); provided that the aggregate amount of Investments pursuant to this clause (iv) shall not exceed \$125 million in the aggregate;

- (v) the purchase, redemption, defeasance, or other acquisition or retirement for value of any Pari Passu Indebtedness with the substantially concurrent purchase, redemption, defeasance, or other acquisition or retirement for value of the Bonds (on a pro rata basis in relation to the outstanding aggregate principal amount of such Indebtedness and the aggregate principal amount of the outstanding Bonds);
- (vi) any voluntary purchase, redemption, defeasance or other acquisition or retirement for value of any Pari Passu Indebtedness with the proceeds of the substantially concurrent issuance of Refinancing Indebtedness relating to such Pari Passu Indebtedness in accordance with Section 4.08(b)(vi) hereof;
- (vii) dividends or distributions from a Non-Recourse Subsidiary payable to another Non-Recourse Subsidiary; and
- (viii) any purchase, redemption, defeasance or other acquisition or retirement for value of any Pari Passu Indebtedness (other than pursuant to clause (v) or (vi) above) up to \$30 million in aggregate principal amount;

provided that, with respect to clauses (iii)-(viii), (x) immediately after giving effect to the transaction contemplated therein, no Default or Event of Default would occur as a consequence thereof and (y) at the time of such transaction and after giving pro forma effect thereto as if such transaction had been entered into by the Issuer at the beginning of the applicable four-quarter period, the Issuer would have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.08(a).

(c) Any Investment in a Subsidiary that becomes a Non-Recourse Subsidiary or any Investment in a wholly owned Subsidiary that becomes a non-wholly owned Subsidiary shall become a Restricted Payment on such date in the amount of the greater of (x) the book value of such Subsidiary on such date and (y) the fair market value of such Subsidiary on such date as determined (A) in good faith by the Board of Directors of such Subsidiary if such fair market value is determined to be less than \$10 million and (B) by an investment banking firm of national standing with high yield underwriting expertise if such fair market value is determined to be in excess of \$10 million.

(d) Any Guaranty that is an Investment in a Non-Recourse Subsidiary shall cease to be deemed an Investment (and shall be deemed to have not been made) to the extent that the Guaranty is released without payment on the obligations so guaranteed by the Issuer or any Subsidiary (other than a Non-Recourse Subsidiary).

Section 4.10. Asset Sales.

(a) The Issuer will not, and will not permit any of its Subsidiaries (other than a Non-Recourse Subsidiary) to, cause, make or suffer to exist any Asset Sale unless:

- (i) no Default exists or is continuing immediately prior to and after giving effect to such Asset Sale;
- (ii) the Issuer (or the Subsidiary, as the case may be) receives consideration at the time of each such Asset Sale at least equal to the fair market value (evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee) of the assets or equity securities sold or otherwise disposed of; and
- (iii) at least 90% of the consideration therefor received by the Issuer or such Subsidiary is in the form of cash; provided, however, that the amount of (x) any liabilities (as shown on the Issuer's or such Subsidiary's most recent balance sheet or in the notes thereto) of the Issuer or any Subsidiary (other than liabilities that are by their terms subordinated to the Bonds or any Guaranty thereof) that are assumed by the transferee of any such assets and (y) any notes or other obligations received by the Issuer or any such Subsidiary from such transferee that are immediately converted by the Issuer or such Subsidiary into cash, shall be deemed to be cash (to the extent of the cash received) for purposes of this provision.

(b) Within 360 days after any Asset Sale, the Issuer (or the Subsidiary, as the case may be) may reinvest or cause to be reinvested the Net Proceeds from such Asset Sale in another asset or business in a Gaming Related Business; provided that if any Collateral is sold and the Net Proceeds from such sale (either individually or when combined with the Excess Proceeds from sales of Collateral during such 360-day period) exceeds \$3 million, then such Net Proceeds shall be held in a segregated account (which may, at the Issuer's option, be invested in Marketable Securities) which will be pledged to the Trustee as collateral agent to secure the Issuer's obligations under the Bonds or the Indenture or the obligations of the Guarantors under each of their respective Subsidiary Guaranties or the Indenture until such Net Proceeds are either reinvested or applied to redeem the Bonds as described below; provided further that if any Collateral is sold and the Net Proceeds from such Asset Sale is reinvested, such Net Proceeds shall only be reinvested in assets defined as Collateral under the Related Documents and the assets acquired by such reinvestment will be pledged to the Trustee to secure the Issuer's obligations under the Bonds or the Indenture or the obligations of the Guarantors under each of their respective Subsidiary Guaranties or the Indenture.

(c) Any Net Proceeds from any Asset Sale that are not reinvested as provided in the preceding sentence constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds \$10 million (the "Offer Amount"), the Issuer will make an offer (an "Asset Sale Offer") to (i) all Holders of Bonds to purchase the maximum principal amount of Bonds that may be purchased out of the Offer Amount or (ii) at the Issuer's option, make an Asset Sale Offer to redeem outstanding Bonds and Pari Passu Indebtedness on a pro rata basis in relation to the outstanding aggregate principal amount of such Indebtedness and the aggregate principal amount of the Bonds then outstanding, in each case at an offer price (the "Purchase Price") in cash in an amount equal to 100% of the outstanding principal amount thereof plus accrued and unpaid interest, if any, to the date fixed for the closing of such offer, in accordance with Section 3.09. To the extent that the aggregate amount of Bonds rendered pursuant to an Asset Sale Offer to purchase is less than the Offer Amount, the Issuer may use such deficiency for general corporate purposes. If the aggregate principal amount of Bonds surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee will select the Bonds to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds will be reset at zero.

(d) Notwithstanding Section 4.10(c) but subject to Section 4.10(b), in the case of an Asset Sale involving an Event of Loss in excess of \$10 million, the Issuer shall make an Asset Sale Offer to all Holders of Bonds to purchase the maximum principal amount of Bonds that may be purchased out of such Net Proceeds at the Purchase Price in accordance Section 3.09, provided that the Issuer may reinvest the Net Proceeds from such Asset Sale so long as (i) the Issuer delivers or causes to be delivered to the Trustee a written opinion from a reputable architect and an Officers' Certificate that an operating casino containing at least 80% of the slot machines and table games which existed immediately prior to the Event of Loss and such reinvestment will be completed within one year of such Asset Sale and (ii) the Net Proceeds from such Event of Loss is less than \$200 million.

(e) No later than 360 days after the closing of the Asset Sale, the issuer shall, if a Purchase Offer is required under this Section 4.10, notify the Trustee of such Purchase Offer in accordance with Sections 3.09 hereof and commence or cause to be commenced the Purchase Offer on a date no later than 10 Business Days after such notice (the "Commencement Date").

Section 4.11. Limitation on Transactions with Affiliates.

(a) The Issuer will not, and will not permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or maintain any contract, agreement, understanding, loan, advance or guaranty with, or for the benefit of, any Affiliate (each of the foregoing, an "Affiliate Transaction"), unless:

- (i) such Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person;
- (ii) with respect to any Affiliate Transaction with a Non-Recourse Subsidiary, which, either individually or when combined with all other Affiliate Transactions with Non-Recourse Subsidiaries during the past year, involves aggregate payments in excess of \$1 million, a majority of the Board of Directors approves each such transaction;
- (iii) with respect to any Affiliate Transaction (other than with any Non-Recourse Subsidiary) involving aggregate payments in excess of \$1 million, or with respect to any Affiliate Transaction with all Non-Recourse Subsidiaries, which, either individually or when combined with all other Affiliate Transactions with Non-Recourse Subsidiaries during the past year, involves aggregate payments in excess of \$3 million, the Issuer delivers to the Trustee a resolution of the Board of Directors set forth in an Officers' Certificate certifying that any such Affiliate Transaction complies with clause (i) above and such Affiliate Transaction is approved by a majority of the Board of Directors; and
- (iv) with respect to any Affiliate Transaction involving aggregate payments in excess of \$10 million, the Issuer delivers to the Trustee an opinion as to the fairness to the Issuer or such Subsidiary from a financial point of view issued by an investment banking firm of national standing with expertise in high yield debt offerings or in the case of a transaction involving the sale or transfer of assets subject to valuation, such as real estate, an appraisal by a nationally recognized appraisal firm.

(b) Notwithstanding the foregoing, the following shall not be deemed Affiliate Transactions:

- (i) any employment agreement entered into by the Issuer or any of its Subsidiaries in the ordinary course of business and consistent with the past practice of the Issuer or such Subsidiary;
- (ii) transactions between or among the Issuer and/or its wholly owned Subsidiaries (other than Non-Recourse Subsidiaries);
- (iii) payments made pursuant to the Tax Sharing Agreement;
- (iv) transactions permitted by Section 4.09;
- (v) payments made by the Issuer pursuant to the indemnification agreement with its directors and officers in such director's or officer's capacity as a director or officer of the Issuer or a wholly owned Subsidiary (other than any Non-Recourse Subsidiary);
- (vi) the engagement of Vargas & Bartlett for legal services in connection with the business of the Issuer or its Subsidiaries; provided that the payment for such services do not exceed \$1 million per fiscal year;
- (vii) loans to employees of the Issuer or any wholly owned Subsidiary (other than any Non-Recourse Subsidiary), other than relocation loans, in an amount not to exceed \$500,000 outstanding at any one time;
- (viii) loans to employees of the Issuer or any wholly owned Subsidiary (other than any Non-Recourse Subsidiary) in an amount not to exceed \$2 million in aggregate principal amount outstanding at any one time;
- (ix) transactions pursuant to any management agreement or trademark license agreement between the Issuer and any of its Subsidiaries; provided that such transactions do not involve any payment by the Issuer to any Subsidiary (other than to any wholly owned Subsidiary that is not a Non-Recourse Subsidiary);
- (x) the engagement of International Insurance Services, Ltd. for insurance adjustment services in the ordinary course of business of the Issuer or its Subsidiaries, provided that the payments for such services do not exceed \$1 million per fiscal year; and
- (xi) the lease of a gift shop in the Atlantic City Showboat to Ocean 11, a sole proprietorship, provided that the payments for such lease do not exceed \$1 million per fiscal year.

Section 4.12. Limitation on Dividends and Other Payment Restrictions Affecting Subsidiaries.

The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to:

- (i) pay dividends or make any other distributions to the Issuer or any of its Subsidiaries (x) on its Capital Stock or (y) with respect to any other interest or participation in, or measured by, its profits,

- (ii) pay any Indebtedness owed to the Issuer or any of its Subsidiaries;
- (iii) make loans or advances to the issuer or any of its Subsidiaries; or
- (iv) transfer any of its properties or assets to the Issuer or any of its Subsidiaries,

except for such encumbrances or restrictions existing under or by reasons of (1) Existing Indebtedness as in effect on the Issue Date, (2) the Working Capital Credit Agreement as in effect as of the Issue Date, (3) this Indenture and the Bonds, (4) applicable law, (5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any of its Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that the Consolidated Cash Flow of such Person is not taken into account in determining whether such acquisition was permitted by the terms of this Indenture, (6) by reason of customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices, (7) with respect to clause (iii) above, purchase money obligations for property acquired in the ordinary course of business, (8) permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Refinancing Indebtedness are no more restrictive than those contained in the agreements governing the Indebtedness being refinanced, or (9) restrictions imposed on any Non-Recourse Subsidiary by any Non-Recourse Debt.

Section 4.13. Change of Control.

(a) Upon the occurrence of a Change of Control, each Holder of Bonds shall have the right, in accordance with this Section 4.13 and Section 3.09 hereof, to require that the Issuer purchase all or any part of such Holder's Bonds at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued interest to the Purchase Date (the "Purchase Price")

(b) No later than 5 days after a Change of Control, the Issuer shall notify the Trustee of such Change of Control and commence or cause to be commenced an offer to all Bondholders to purchase all outstanding Notes (the "Offer Amount") at the Purchase Price pursuant to the procedures set forth in Section 3.09 hereof (the "Purchase Offer") on a date no later than 30 days after such Change in Control (the "Commencement Date").

Section 4.14. Additional Subsidiary Guaranties.

If the Issuer or any of its Subsidiaries shall transfer or cause to be transferred, in one or a series of related transactions, any Collateral having a book value in excess of \$5 million to any Subsidiary that is not a Guarantor, then such transferee or acquired Subsidiary shall execute a Subsidiary Guaranty and deliver an opinion of counsel, in accordance with the terms of this Indenture.

Section 4.15. Redemption of 11 3/8% Bonds.

On the date hereof, the Issuer shall defease the indenture governing the 11 3/8% bonds by depositing with the trustee for the 11 3/8% bonds sufficient funds to pay all obligations with respect to the outstanding 11 3/8% Bonds. Within 10 days after the Issue Date, the Issuer will instruct the trustee for the 11 3/8% Bonds to send a notice of redemption to redeem all of the outstanding 11 3/8% Bonds issued by Ocean Showboat Finance Corporation on a date that is no later than 30 days after the date of such notice.

The Issuer shall cause the trustee for the 11 3/8% Bonds to redeem the 11 3/8% Bonds no later than such redemption date.

Section 4.16. Limitation on Business Activities of the Issuer and the Subsidiaries.

The Issuer will not, and will not permit any Subsidiary to, engage in any business other than:

- (i) those necessary for, incident to, connected with or arising out of the gaming business (including developing and operating hotel casinos, sports or entertainment facilities, transportation services or other related activities or enterprises and any additions or improvements thereto); and
- (ii) such other businesses as the Issuer or its Subsidiaries are engaged in on the Issue Date. The Issuer or its Subsidiaries may not enter into any gaming jurisdictions in which the Issuer or its Subsidiary is not presently licensed if all of the Holders of Bonds will be required to be licensed, provided that this sentence shall not prohibit the Issuer or its Subsidiary from entering any jurisdiction that does not require the licensing or qualification of all of the Holders of the Bonds, but reserves the discretionary right to license or qualify any Holder of Bonds.

Section 4.17. Insurance.

Until the Bonds have been paid in full, the Issuer shall, and shall cause its Subsidiaries, to maintain insurance with responsible carriers against such risks and in such amounts as is customarily carried by similar businesses with such deductibles, retentions, self insured amounts and co-insurance provisions as are customarily carried by similar businesses of similar size, including, without limitation, property and casualty loss, workers' compensation and interruption of business insurance, and shall provide satisfactory evidence of such insurance to the Trustee prior to the anniversary or renewal date of each such policy, which certificate shall expressly state such expiration date for each policy listed. Notwithstanding the foregoing, customary insurance coverage for the purposes of this Indenture shall include the following:

- (i) workers' compensation insurance in full compliance with all applicable state and federal laws and regulations;
- (ii) property insurance protecting property, including, without limitation, the Las Vegas Showboat and the Atlantic City Showboat, against loss or damage by fire, lightning, windstorm, tornado, water damage, vandalism, riot, earthquake, civil commotion, malicious mischief, hurricane, and such other risks and hazards as are from time to time covered by an "all-risk" policy or a property policy covering "special" causes of loss. Such insurance shall provide coverage in not less than 100% of actual replacement value and with a deductible no greater than \$1,000,000 (as determined at each policy renewal based on the F.W. Dodge Building Index or some other nationally recognized means) of any improvements; and
- (iii) business interruption insurance for a period not less than 1 year, and in an amount based upon 100% of estimated continuing expenses and lost cash flow for the fiscal year with respect to which the insurance coverage is in effect less non-continuing expenses.

All insurance under this provision shall name the Trustee as an additional insured or loss payee, as applicable. All such insurance shall be issued by carriers having an A.M. Best & Company, Inc. rating of A- or higher and a financial size category of not less than XII, or if such carrier is not rated by A.M. Best & Company, Inc., having the financial stability and size deemed appropriate by the Issuer after consultation with a reputable insurance broker.

Section 4.18. Investment Company Act.

None of the Issuer, the Guarantors and their respective Subsidiaries shall become an investment company subject to registration under the Investment Company Act of 1940, as amended.

Section 4.19. Related Documents.

None of the Issuer, the Guarantors and their respective Subsidiaries will amend, waive or modify, or take or refrain from taking any action which has the effect of amending, waiving or modifying, any provision of the Related Documents to the extent that such amendment, waiver, modification or action would have an adverse effect on the rights of the Trustee or the Bondholders (as provided in the Related Documents), provided that:

- (1) Collateral may be released or modified as expressly provided herein and in the Related Documents;
- (2) guaranties, Liens, and pledges may be released as expressly provided herein and in the Related Documents; and
- (3) this Indenture and any of the Related Documents may be otherwise amended, waived or modified pursuant to Article 9 hereof.

Section 4.20. Further Assurances.

The Issuer and the Guarantors shall (and shall cause any of their Subsidiaries to) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register, any and all such further acts, deeds, conveyances, security agreements, mortgages, assignments, estoppel certificates, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments as may be required from time to time in order (i) to carry out more effectively the purposes of the Related Documents, (ii) to subject the Liens created by any of the Related Documents or any of the properties, rights or interests covered by any of the Related Documents, (iii) to perfect and maintain the validity, effectiveness and priority of any of the Related Documents and the Liens intended to be created thereby, and (iv) to better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Trustee any of the rights granted or now or hereafter intended to be granted to the Trustee or under any other instrument executed in connection therewith or granted to the Issuer under the Related Documents or under any other instrument executed in connection therewith.

Section 4.21. Redesignation of Non-Recourse Subsidiary.

Any Non-Recourse Subsidiary may be redesignated by the Issuer as a Subsidiary that is not a Non-Recourse Subsidiary, provided that at the time of such designation, after giving pro forma effect to such designation as if it occurred at the beginning of the applicable four-quarter period, the Issuer could

incur \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.08(a).

ARTICLE 5

SUCCESSORS

Section 5.01. Consolidation. Merger or Sale of Assets.

(a) The Issuer may not consolidate or merge with or into (whether or not the Issuer is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, another corporation, Person or entity (the "Surviving Entity") unless:

- (i) the Issuer is the surviving corporation or the entity or the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia;
- (ii) the entity or Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the entity or Person to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made assumes all the obligations of the Issuer pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee, under the Bonds and this Indenture;
- (iii) immediately after such transaction no Default or Event of Default exists;
- (iv) the Issuer or any entity or Person formed by or surviving any such consolidation or merger, or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made (A) will have Consolidated Net Worth (immediately after the transaction but prior to any purchase accounting adjustments resulting from the transaction) equal to or greater than the Consolidated Net Worth of the Issuer immediately preceding the transaction and (B) will, at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.08(a);
- (v) such transactions would not require any Holder of Bonds to obtain a gaming license or be qualified under the laws of any applicable Gaming jurisdiction, provided that such Holder would not have been required to obtain a gaming license or be qualified under the laws of any applicable gaming jurisdiction in the absence of such transactions; and
- (vi) such transactions would not result in the loss of any qualification or any material license of the Issuer or its Subsidiaries necessary for any Gaming Related Business then operated by the Issuer or its Subsidiary.

(b) The Issuer shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture complies with this Indenture and the assumptions, if any, of the Related Documents are effective.

Section 5.02. Successor Corporation Substituted.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer in accordance with Section 5.01 hereof or of any Guarantor or any Subsidiary thereof, the Surviving Entity (including any entity surviving any Guarantor or any Subsidiaries thereof) shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer, any Guarantor or any Subsidiary thereof, as the case may be, under this Indenture with the same effect as if such successor Person has been named herein as the Issuer, any Guarantor or any Subsidiary thereof, as the case may be; provided, however, that the Surviving Entity (including any entity surviving any Guarantor or any Subsidiaries thereof) or acquiring corporation shall:

- (i) assume all of the obligations of the acquired Person under this Indenture, the Bonds, and, if applicable, the Related Documents;
- (ii) acquire and own and operate, directly or through wholly owned Subsidiaries, all or substantially all of the properties and assets then constituting the Las Vegas Showboat or the Atlantic City Showboat;
- (iii) have been issued, or have a consolidated Subsidiary which has been issued, Gaming Permits to operate the Las Vegas Showboat or the Atlantic City Showboat substantially in the manner and scope operated prior to such transaction, which Gaming Permits are in full force and effect;
- (iv) comply fully with the provisions of Section 5.01 hereof (in the case of any Surviving Entity other than any entity surviving any Guarantor or any Subsidiaries thereof); and
- (v) the Issuer and the Guarantors, respectively, have delivered to the Trustee the Officers' Certificate and Opinion of Counsel required by this Indenture.

ARTICLE 6

DEFAULTS AND REMEDIES

Section 6.01. Events of Default.

An "Event of Default" occurs if:

(a) The Issuer or any Guarantor defaults in the payment of the principal of any Bond when the same becomes due and payable at maturity;

(b) The Issuer or any Guarantor defaults in the payment of interest on any Bonds when the same becomes due and payable and the Default continues for a period of 30 days after the date due and payable;

(c) The Issuer, any Guarantor or any Subsidiary thereof fails to observe or perform any covenant or agreement contained in Section 4.05, 4.06, 4.15 or 5.01;

(d) The Issuer, any Guarantor or any Subsidiary thereof fails to observe or perform any covenant or agreement contained in Sections 4.07, 4.08, 4.09, 4.10, 4.11, and 4.13 required by any of them to be performed and the Default continues for a period of 30 days after the notice specified below;

(e) The Issuer, any Guarantor or any Subsidiary thereof fails to observe or perform any other covenant or agreement contained in this Indenture or the Bonds, required by any of them to be performed and the Default continues for a period of 60 days after the notice specified below;

(f) The Issuer, any Guarantor or any Subsidiary thereof defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer, any Guarantor or any Subsidiary thereof (other than a Non-Recourse Subsidiary), or the payment of which is guaranteed by the Issuer, any Guarantor or any Subsidiary thereof (other than a Non-Recourse Subsidiary), whether such Indebtedness or guaranty now exists, or is created after the date of this Indenture, which default (i) is caused by a failure to pay when due principal or interest on such Indebtedness within the grace period provided in such Indebtedness, (which failure continues beyond any applicable grace period) (a "Payment Default") or (ii) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$10 million or more;

(g) A final judgment or final judgments for the payment of money are entered by a court or courts of competent jurisdiction against the Issuer, any Guarantor, or any of their respective Subsidiaries (other than any Non-Recourse Subsidiary), and such remains undischarged for a period (during which execution shall not be effectively stayed) of 60 days, provided that the aggregate of all such judgments exceeds \$5,000,000;

(h) There is an event of default under any of the Related Documents (as defined in such Related Document);

(i) Except as permitted by this Indenture, any Subsidiary Guaranty is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Subsidiary Guaranty;

(j) There has occurred any revocation, suspension or loss of any Gaming Permit required to operate the Las Vegas Showboat or the Atlantic City Showboat (other than any revocation, suspension or loss resulting from an Event of Loss) which results in the cessation of business at either the Las Vegas Showboat or the Atlantic City Showboat for a period of more than 90 consecutive days;

(k) There has occurred an Event of Loss that results in the cessation of business at either the Las Vegas Showboat or the Atlantic City Showboat beyond such time period covered by business interruption insurance;

(l) The Issuer, any Guarantor, or any Subsidiary thereof (other than a Non-Recourse Subsidiary) pursuant to or within the meaning of any Bankruptcy Law:

- (i) commences a voluntary case,
 - (ii) consents to the entry of an order for relief against it in an involuntary case in which it is the debtor,
 - (iii) consents to the appointment of a Custodian of it or for all or substantially all of its property,
 - (iv) makes a general assignment for the benefit of its creditors, or
 - (v) admits in writing its inability generally to pay its debts as the same become due;
- (m) A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:
- (i) is for relief against the Issuer, any Guarantor or any Subsidiary thereof (other than a Non-Recourse Subsidiary) in an involuntary case in which it is the debtor,
 - (ii) appoints a Custodian of the Issuer, any Guarantor or any Subsidiary thereof (other than a Non-Recourse Subsidiary) or for all or substantially all of the property of the Issuer, any Guarantor or any Subsidiary thereof (other than a Non-Recourse Subsidiary), or
 - (iii) orders the liquidation of the Issuer, any Guarantor or any Subsidiary thereof (other than a Non-Recourse Subsidiary) and the order or decree remains unstayed and in effect for 60 days;

The term "Bankruptcy Law" means Title II, U.S. Code or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

An Event of Default under clause (d) or (e) of this Section occurs when the Trustee or the Holders of at least 25% in principal amount of the then outstanding Bonds has notified the Issuer of the Default, and the Issuer or the Guarantor, as the case may be, fails to cure the Default or cause the Default to be cured within time period specified therein after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default."

In the case of any Event of Default pursuant to the provisions of this Section 6.01 occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Issuer or any Guarantor with the intention of avoiding payment of the premium which the Issuer would have had to pay if the Issuer then had elected to redeem the Bonds pursuant to paragraph 8 of the Bonds, an equivalent premium (or, in the event that the Issuer would not be permitted to redeem the Bonds pursuant to paragraph 8 of the Bonds, the premium payable on the first date thereafter on which such redemption would be permissible) shall also become and be immediately due and payable to the extent permitted by law, anything in this Indenture or in the Bonds contained to the contrary notwithstanding

Section 6.02. Acceleration.

If an Event of Default (other than an Event of Default specified in clauses (l) and (m) of Section 6.01 hereof) occurs and is continuing, the Trustee by notice to the Issuer and the Guarantors, or the Bondholders of at least 25% in principal amount of the then outstanding Bonds by notice to the

Trustee, the Issuer and the Guarantors may declare the unpaid principal of and any accrual interest on all the Bonds to be immediately due and payable. For purposes of the preceding sentence, if a Default or Event of Default is cured prior to acceleration of the Bonds, it shall no longer be deemed to be continuing. Upon such declaration the principal and interest shall be due and payable immediately. If an Event of Default specified in clause (l) or (m) of Section 6.01 hereof occurs, such an amount shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Bondholder. The Bondholders of a majority in principal amount of the then outstanding Bonds by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration.

Section 6.03. Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may, pursue any available remedy to collect the payment of principal or interest on the Bonds or to enforce the performance of any provision of the Bonds, the Subsidiary Guaranties or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Bondholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04. Waiver of Defaults.

The Bondholders of a majority in principal amount of the then outstanding Bonds by notice to the Trustee may waive an existing Default or Event of Default and its consequences except a continuing Default or Event of Default in the payment of the principal of or interest on any Bond. When a Default or Event of Default is waived, it is cured and ceases; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05. Control by Majority.

The Bondholders of a majority in principal amount of the then outstanding Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Bondholders, or would subject the Trustee to personal liability.

Section 6.06. Limitation on Suits.

A Bondholder may pursue a remedy with respect to this Indenture or the Bonds only if:

(a) the Bondholder gives to the Trustee notice of a continuing Event of Default;

(b) the Bondholders of at least 25% in principal amount of the then outstanding Bonds make a request to the Trustee to pursue the remedy;

(c) such Bondholder or Bondholders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(e) during such 60-day period the Bondholders of a majority in principal amount of the then outstanding Bonds do not give the Trustee a direction inconsistent with the request.

A Bondholder may not use this Indenture to prejudice the rights of another Bondholder or to obtain a preference or priority over another Bondholder.

Section 6.07. Rights of Bondholders to Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Bondholder of a Bond to receive payment of principal and interest on the Bond, on or after the respective due dates expressed in the Bond, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Bondholder, except that no Bondholder shall have the right to institute any such suit or take any action, if and to the extent that the institution or prosecution thereof or the entry of judgment therein would under applicable law result in the surrender, impairment, waiver, or loss of the Lien of the Related Documents upon any property subject to such Lien.

Section 6.08. Collection Suit by Trustee.

If an Event of Default specified in Section 6.01(a) or (b) hereof occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Issuer or the Guarantors or any other obligor on the Bonds for the whole amount of principal and interest remaining unpaid on the Bonds and interest, to the extent lawful, on overdue principal and interest, in each case at the rate per annum borne by the Bonds as applicable, and such further amount as shall be sufficient to cover the costs and, to the extent lawful, expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09. Trustee May File Proofs of Claim.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due under Section 7.07 hereof), and the Bondholders allowed in any judicial proceedings relative to the Issuer, the Guarantors (or any other obligor upon the Bonds), its creditors or its property and shall be entitled and empowered to collect and receive any monies or other property payable or deliverable on any such claims and to distribute it, and any Custodian in any such judicial proceedings is hereby authorized by each Bondholder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement,

adjustment or composition affecting the Bonds or the rights of any Bondholder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

Section 6.10. Priorities.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order.

- First: to the Trustee for amounts due under Section 7.07 hereof;
- Second: to Bondholders for amounts due and unpaid on the Bonds for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal and interest, respectively; and
- Third: to the Issuer, the Guarantors or any other obligor on the Bonds, as their interests may appear or as a court of competent jurisdiction may direct.

The Trustee may fix a record date and payment date for any payment to Bondholders.

Section 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Bondholder pursuant to Section 6.07 hereof, or a suit by Bondholders of more than 10% in principal amount of the then outstanding Bonds.

Section 6.12. Management of the Existing Hotel Casinos.

Notwithstanding any provision of this Article 6 to the contrary:

(a) Following an Event of Default which permits the taking of possession of the trust property by the Trustee or the appointment of a receiver for the trust property or any part thereof pursuant to the Deed of Trust or the Mortgage Documents, on or after such taking of possession or such appointment, the Trustee or any such receiver shall be authorized, in addition to the rights and powers of the Trustee and such receiver set forth elsewhere in this Indenture and the Related Documents, subject to compliance with applicable law, to retain one or more experienced operators of hotels or casinos to manage or operate the Existing Hotel Casinos on behalf of the Bondholders, provided, however, that any operator shall, and the Bondholders shall, have all necessary legal qualifications, including all Gaming Permits, to manage or operate the Existing Hotel Casinos; and

(b) No Bondholder shall have any right to take possession of, operate or manage all or any portion of the Existing Hotel Casinos, individually or as a member of a group, unless such Bondholder (i) shall have all necessary legal qualifications, including all Gaming Permits, to do so, (ii) shall otherwise be qualified to be retained to manage or operate the Existing Hotel Casinos and

(iii) is retained by the Trustee or receiver to manage or operate the Existing Hotel Casinos, in the case of each of clauses (i), (ii) and (iii), pursuant to subsection (a) of this Section 6.12.

ARTICLE 7

TRUSTEE

Section 7.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default;

(i) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee other than those provided in the TIA.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of certificates or opinions which by any provision hereof are specifically furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) This paragraph does not limit the effect of paragraph (b) of this Section 7.01

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(iii) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bondholders pursuant to this Indenture, unless such Bondholders or the Issuer shall have offered the Trustee reasonable indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(e) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (d) of this Section 7.01.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuer or the Guarantors. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.02. Rights of Trustee.

(a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer and the Subsidiaries personally or by agent or attorney.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel, or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this indenture.

Section 7.03. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the Issuer, the Subsidiaries, or the Guarantors or an Affiliate with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Sections 7.10 and 7.11 hereof.

Section 7.04. Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture, the Bonds or the Related Documents; it shall not be accountable for the Issuer's use of the proceeds from the Bonds; and it shall not be responsible for any statement of the Issuer in this Indenture or any statement in the Bonds other than its authentication. The Trustee makes no representation as to the validity, value or condition of any property covered or intended to be covered by the Lien arising out of the Related Documents or as to the title of the Subsidiaries thereto or as to the security afforded by the Deed of Trust or the Mortgage Documents.

The Trustee shall not be under any obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Issuer or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee shall have no responsibility in respect of the validity, sufficiency, due execution, acknowledgement, or filing or refiling of this Indenture or the validity or sufficiency of the security provided hereunder or the perfection or continuation of perfection of such Security or in respect of the validity of the Bonds or the due execution or issuance thereof.

The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

Section 7.05. Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Bondholders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment on any Bond (including any failure to make any mandatory redemption payment required hereunder), the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of Bondholders.

Section 7.06. Reports by Trustee.

Within 60 days after the reporting date stated in Section 12.10 hereof, the Trustee shall mail to Bondholders a brief report dated as of such reporting date that complies with TIA ss. 313(a); provided, however, if no such event listed in TIA ss. 313(a) has occurred within the reporting period, no report need be transmitted. The Trustee also shall comply with TIA ss. 313(b). The Trustee shall also transmit by mail all reports as required by TIA ss. 313(c).

A copy of each report at the time of its mailing to Bondholders shall be filed with the SEC and each stock exchange on which the Bonds are listed, if any. The Issuer shall notify the Trustee when the Bonds are listed on any stock exchange.

At the expense of the Issuer, the Trustee or, if the Trustee is not the Registrar, the Registrar, shall report the names of record Holders of the Bonds to any Gaming Authority when requested to do so by the Issuer.

At the express direction of the Issuer and at the Issuer's expense, the Trustee will provide any Gaming Authority with:

- (i) copies of all notices, reports and other written communications which the Trustee gives to Holders;
- (ii) a list of all of the Holders promptly after the original issuance of the Bonds and periodically thereafter if the Issuer so directs;
- (iii) notice of any Default under this Indenture, any acceleration of the Indebtedness evidenced hereby, the institution of any legal actions or proceedings before any court or governmental authority in respect of a Default or Event of Default hereunder;
- (iv) notice of the removal or resignation of the Trustee within five Business Days of the effectiveness thereof;
- (v) notice of any transfer or assignment of rights under this Indenture or the Subsidiary Guaranties known to the Trustee within five Business Days thereof; and
- (vi) a copy of any amendment to the Bonds or this Indenture within five Business Days of the effectiveness thereof.

To the extent requested by the Issuer and at the Issuer's expense, the Trustee shall cooperate with any Gaming Authority in order to provide such Gaming Authority with the information and documentation requested and as otherwise required by applicable law,

Section 7.07. Compensation and Indemnity.

The Issuer shall pay to the Trustee from time to time reasonable compensation for its services hereunder in accordance with the Trustees standard fees for such services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it in the performance of its duties hereunder. Such expenses may include the reasonable compensation and out-of-pocket expenses of the Trustee's agents and counsel.

The Issuer shall indemnify the Trustee and its agents for, and hold them harmless against, any loss, liability or expense incurred without negligence or bad faith on their part, arising out of or in connection with the acceptance or administration of this Indenture, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder and the costs and expenses of any investigation by, or other proceedings before, any Gaming Authority. The Trustee shall notify the Issuer promptly of any claim for which it may seek indemnity. The Issuer shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Issuer shall pay the reasonable fees and expenses of such counsel. The Issuer need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The Issuer need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or bad faith on the part of the Trustee.

To secure the Issuer's payment obligations in this Section 7.07, the Trustee shall have a Lien prior to the Bonds on all money or property held or collected by the Trustee in its capacity as trustee under this Indenture, except that held in trust to pay principal and interest on particular Bonds.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(1) or (m) hereof occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

Section 7.08. Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

The Trustee may resign and be discharged from the trust hereby by so notifying the Issuer. The Bondholders of a majority in principal amount of the then outstanding Bonds may remove the Trustee by so notifying the Trustee and the Issuer. A majority of the Holders of the Bonds may remove the Trustee if:

- (1) the Trustee fails to comply with Section 7.10 hereof;
- (2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a Custodian or public officer takes charge of the trustee or its property; or

(4) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuer, the Guarantors and any other obligor shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Bondholders of a majority in principal amount of the then outstanding Bonds may appoint a successor Trustee to replace the successor Trustee appointed by the Issuer, the Guarantors and any other obligor.

If any Gaming Authority requires a Trustee to be approved, licensed or qualified and the Trustee fails or declines to do so, which approval, license or qualification shall be obtained upon the request of, and at the expense of, the Issuer unless the Trustee declines to do so, or, if the Trustee's relationship with any of the Subsidiaries may, in the Issuer's discretion, jeopardize any material gaming license or franchise or right or approval granted thereto, the Trustee shall resign, and, in addition, the Trustee may at its option resign if the Trustee in its sole discretion determines not to be so approved, licensed or qualified.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Bondholders of at least 10% in principal amount of the then outstanding Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10 hereof, any Bondholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Bondholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Issuer's obligations and any other obligor's obligations under Section 7.07 hereof shall continue for the benefit of the retiring trustee with respect to expenses and liabilities incurred by it prior to such replacement.

Section 7.09. Successor Trustee by Merger, etc.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section 7.10. Eligibility, Disqualification.

This Indenture shall always have a Trustee who satisfies the requirements of TIA ss. 310(a)(1). The Trustee shall always have a combined capital and surplus as stated in Section 12.10. The Trustee is subject to TIA ss. 310(b), including the optional provision permitted by the second sentence of TIA ss. 310(b)(9); provided, however, that there shall be excluded from the operation of TIA ss. 310(b)(1) any indenture or indentures under which other securities, or certificate of interest or participation in other

securities, of the Issuer or the Guarantors are outstanding, if the requirements for such exclusion set forth in TIA ss. 310(b)(1) are met.

Section 7.11. Preferential Collection of Claims Against the Issuer.

The Trustee is subject to TIA ss. 311(a), excluding any creditor relationship listed in TIA ss. 311(b). A Trustee who has resigned or been removed shall be subject to TIA ss. 311(a) to the extent indicated therein.

Section 7.12. Co-Trustee.

It is the purpose hereof that there shall be no violation of any law of any jurisdiction denying or restricting the right of banks or trust companies to transact business as trustee in such jurisdiction. It is recognized that in case of litigation hereunder or under the Related Documents and in particular in case of the enforcement of this Indenture or any of the Related Documents upon the occurrence of an Event of Default or an event of default under any of the Related Documents, it may be necessary that the Trustee appoint an additional bank or trust company as a separate Trustee or Co-Trustee. The following provisions of this Section are adopted to these ends.

Upon the incapacity or lack of authority of the Trustee, by reason of any present or future law of any jurisdiction, to exercise any of the rights, powers and trusts herein granted to the Trustee or to hold title to the trust estate or to take any other action which may be necessary or desirable in connection therewith, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in a separate Trustee or Co-Trustee appointed by the Trustee and every agreement and obligation necessary to the exercise thereof by such separate Trustee or Co-Trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Issuer be required by the separate Trustee or Co-Trustee so appointed by the Trustee in order to more fully and certainly vest in and confirm to such Trustee such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments shall, on request, be executed, acknowledged and delivered by the Issuer upon the written request of the Trustee. In case any separate Trustee or Co-Trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Trustee or Co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Trustee or Co-Trustee.

ARTICLE 8

DISCHARGE OF INDENTURE

Section 8.01. Defeasance and Discharge of this Indenture and the Bonds.

(a) When (i) the Issuer delivers to the Trustee all outstanding Bonds theretofore authenticated and issued (other than Bonds replaced pursuant to Section 2.07) for cancellation; or (ii) all outstanding Bonds have become due and payable and the Issuer irrevocably deposits with the Trustee funds sufficient to pay at maturity all outstanding Bonds, including interest thereon (other than Bonds replaced pursuant

to Section 2.07 hereof), and if in either case the Issuer pays all other sums payable hereunder by the Issuer, then this Indenture shall, subject to Sections 8.01(c), 8.04 and 8.06 hereof, cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Issuer accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Issuer.

(b) Subject to Sections 8.01(c), 8.02 and 8.06 hereof, the Issuer at any time may terminate (i) all its obligations under the Bonds and this Indenture ("legal defeasance option") or (ii) its obligations under Sections 4.02, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.19, 4.20 and 4.21 hereof and the operation of Sections 5.01(a)(iv), 6.01(d), 6.01(e), and 6.01(f) hereof ("covenant defeasance option"). The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Issuer exercises its legal defeasance option, payment of the Bonds may not be accelerated because of an Event of Default. If the Issuer exercises its covenant defeasance option, payment of the Bonds may not be accelerated because of the failure of the Issuer to comply with Section 4.02 or clause (iv) of Section 5.01(a) hereof.

Upon satisfaction of the conditions set forth herein and upon request of the Issuer, the Trustee shall acknowledge in writing the discharge of those obligations that the Issuer terminates.

(c) Notwithstanding clauses (a) and (b) above, the Issuer's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 4.01, 4.04, 7.07, 7.08, 8.04, 8.05 and 8.06 hereof and the Guarantors' or any Issuer's Subsidiary's obligation in Section 11.01 shall survive until the Bonds have been paid in full. Thereafter, the Issuer's obligations in Sections 7.07 and 8.04 and 8.05 hereof shall survive.

(d) If the Issuer exercises its legal defeasance option or its covenant defeasance option in accordance with Section 8.02 hereof, then upon the request of the Issuer and after the effective time of such defeasance, the Trustee shall release all Collateral subject to a Lien held by the Trustee pursuant to the Related Documents (other than the security interest in the deposited U.S. Government Obligations).

Section 8.02. Conditions to Defeasance.

The Issuer may exercise its legal defeasance option or its covenant defeasance option only if:

- (i) the Issuer irrevocably deposits in trust with the Trustee money or U.S. Government Obligations or a combination thereof sufficient to pay the principal of, premium, if any, and interest on the Bonds to redemption or maturity, as the case may be, and such deposit shall not cause the Trustee to have a conflicting interest as defined in and for purposes of the TIA;
- (ii) the Issuer delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Bonds to maturity or redemption, as the case may be;

- (iii) since the Issuers irrevocable deposit provided for in clause (i) of this Section 8.02, the number of days (the "Delay Period") have passed that an Opinion of Counsel (such opinion shall have no material qualifications and be of an independent counsel acceptable to the Trustee) states to be necessary so that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, and during the Delay Period no Default specified in Sections 6.01(l) and 6.01(m) hereof occurs which is continuing at the end of the Delay Period:
- (iv) no Default has occurred and is continuing on the date of such deposit and after giving effect thereto:
- (v) the deposit does not constitute a default under any other material agreement or instrument to which the Issuer is a party or by which the Issuer is bound;
- (vi) the Issuer delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940, as amended;
- (vii) the issuer shall have delivered an Opinion of Counsel to the effect that the Bondholders shall have a perfected security interest under applicable law in the U.S. Government Obligations so deposited;
- (viii) in the case of the legal defeasance option, the Issuer shall have delivered to the Trustee an Opinion of Counsel confirming that (i) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of this indenture there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Bondholders will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;
- (ix) in the case of the covenant defeasance option, the Issuer shall have delivered to the Trustee an Opinion of Counsel confirming that the Bondholders will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and
- (xi) the issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of Bonds as contemplated by this Article 8 have been complied with.

Before or after a deposit, the Issuer may make arrangements satisfactory to the Trustee for the redemption of a Bond at a future date in accordance with Article 3 hereof.

Section 8.03. Application of Trust Money.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.01 hereof. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal and interest on the Bonds.

Section 8.04. Repayment to Issuer.

The Trustee and the Paying Agent shall promptly pay to the Issuer upon request any excess money or securities held by them at any time.

The Trustee and the Paying Agent shall pay to the Issuer upon request any money held by them for the payment of principal or interest that remains unclaimed for two years after the date upon which such payment shall have become due; provided, however, that the Issuer shall have first caused notice of such payment to the Issuer to be mailed to each Bondholder entitled thereto no less than 30 days prior to such payment. After payment to the Issuer, Bondholders entitled to the money must look to the Issuer or the Guarantors for payment as general creditors unless an applicable abandoned property law designates another Person.

Section 8.05. Indemnity for Government Obligations.

The Issuer or the Guarantors shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

Section 8.06. Reinstatement.

If the Trustee or the Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 8.02 hereof by reason of any legal proceeding or any order or judgment of any court or governmental authority (other than any order of any Gaming Authority restricting the payment of such money to any particular Bondholder) enjoining, restraining or otherwise prohibiting such application, the Issuer's and the Guarantors' obligations under this Indenture and the Bonds shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.01 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 hereof; provided, however, that if the Issuer or the Guarantors make any payment of interest on or principal of any Bond following the reinstatement of its obligations, the Issuer or the Guarantors shall be subrogated to the rights of the Bondholders of such Bonds to receive such payment from the money or the U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 9

AMENDMENTS

Section 9.01. Without the Consent of Bondholders.

(a) In addition to those amendments and modifications permitted by Section 4.19, without the consent of any Holder of the Bonds, the Issuer, any Guarantor, any other guarantor or obligor on the

Bonds and the Trustee may amend or supplement this Indenture, the Bonds, any Related Document, or any document the form of which is set forth as an Exhibit to this Indenture:

- (i) to cure any ambiguity, defect or inconsistency;
- (ii) to provide for uncertificated Bonds in addition to or in place of certificated Bonds;
- (iii) to provide for the assumption of the Issuer's or any Guarantor's obligations as provided in this Indenture;
- (iv) to comply with the requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;
- (v) to execute and deliver any documents necessary or appropriate to release Liens on any Collateral as permitted by Section 10.04 hereof;
- (vi) to provide an additional Collateral for the benefit of the Bondholders;
- (vii) to make any change that would not provide any additional rights under this Indenture or that does not adversely affect the legal rights under this Indenture of any Holder of the Bonds.

Section 9.02. With Consent of Bondholders.

(a) Subject to Section 6.07 hereof, the Issuer, the Guarantors and the Trustee may amend this Indenture, the Bonds, any Related Document or any document the form of which is an Exhibit to this Indenture with the written consent of the Bondholders of at least a majority in principal amount of the then outstanding Bonds (including consents obtained in connection with a tender offer or exchange offer for Bonds). Subject to Sections 6.04 and 6.07 hereof (other than a continuing Default or Event of Default in the payment of principal of or interest on any Bonds), the Bondholders of a majority in principal amount of the Bonds then outstanding (including consents obtained in connection with a tender offer or exchange offer for Bonds) may also waive compliance in a particular instance by the Issuer or the Guarantors with any provision of this Indenture, the Bonds, any Related Document or any document the form of which is an Exhibit to this Indenture.

However, without the consent of each Bondholder affected, an amendment or waiver under this Section 9.02 may not:

- (i) reduce the principal amount of Bonds whose Holders are necessary to consent to an amendment of this Indenture;
- (ii) reduce the principal of or change the Stated Maturity of any Bond or alter the redemption provisions with respect thereto;
- (iii) reduce the rate of or change the time for payment of interest on any Bond;
- (iv) waive a Default in the payment of principal or interest on any Bonds (except a revision of acceleration of the Bonds by the Holders of at least a majority in aggregate principal

amount of the Bonds and a waiver of the payment default that resulted from such acceleration);

- (v) make any Bond payable in money other than that stated in the Bonds;
- (vi) make any change to Section 6.04 or 6.07 hereof or this sentence of this Section 9.02;
- (vii) waive a redemption payment with respect to any Bond; and
- (viii) directly or indirectly release Liens on all or substantially all of either the Atlantic City Showboat or the Las Vegas Showboat securing the obligations under the Indenture, the Bonds or any Subsidiary Guaranty thereof or directly or indirectly release the Lien on all or substantially all of the Collateral securing the obligation under the Indenture, the Bonds or any Subsidiary Guaranty thereof.

(b) Any amendment or waiver shall be effective upon receipt by the Trustee of an Officers' Certificate and Opinion of Counsel from the Issuer that such amendment or waiver has been authorized by the Issuer and that the consent of the majority of an aggregate principal amount of the Bonds has been obtained, unless such consents specify that they shall become effective at a later date, in which case such amendment or waiver shall become effective in the terms of such consent.

(c) After an amendment or waiver under this Section 9.02 becomes effective, the Issuer shall mail to Bondholders a notice briefly describing the amendment or waiver. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any supplemental indenture.

(d) It shall not be necessary for the consent of the Bondholders under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

Section 9.03. Consideration for Consent.

Neither the issuer nor any of its Subsidiaries shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder of any Bonds for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Bonds unless such consideration is offered to be paid or agreed to be paid to all Holders of the Bonds that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Section 9.04. Compliance with Trust Indenture Act.

Every amendment to this Indenture or the Bonds shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

Section 9.05. Revocation and Effect of Consents.

Until an amendment or waiver becomes effective, a consent to it by a Bondholder is a continuing consent by the Bondholder and every subsequent Holder of a Bond or portion of a Bond that evidences the same Indebtedness as the consenting Bondholder's Bond, even if notation of the consent

is not made on any Bond. However, any such Bondholder or subsequent Bondholder may revoke the consent as to his Bond or portion of a Bond if the Trustee receives the notice of revocation before the date on which the Trustee receives an Officers' Certificate certifying that the Bondholders of the requisite principal amount of Bonds have consented to the amendment or waiver.

The Issuer may, but shall not be obligated to, fix a record date for the purpose of determining the Bondholders entitled to consent to any amendment or waiver. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those persons who were Bondholders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment or waiver or to revoke any consent previously given, whether or not such Persons continue to be Bondholders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from Bondholders of the principal amount of Bonds required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.

After an amendment, supplement or waiver becomes effective it shall bind every Bondholder, unless it is of the type described in any of clauses (a) through (d) of Section 9.02 hereof, in which case, the amendment, supplement or waiver shall bind each Bondholder of a Bond who has consented to it and every subsequent Bondholder of a Bond that evidences the same Indebtedness as the consenting Bondholder's Bond; provided that any such waiver shall not impair or affect the right of any Bondholder to receive payment of principal of and interest on a Bond, on or after the respective due dates expressed in such Bond, or to bring suit for the enforcement of any such payment on or after such respective dates without the consent of such Bondholder.

Section 9.06. Notation on or Exchange of Bonds.

The Trustee may place an appropriate notation about an amendment or waiver on any Bond thereafter authenticated. The Issuer in exchange for all Bonds may issue and the Trustee shall authenticate new Bonds that reflect the amendment or waiver.

Section 9.07. Trustee Protected.

The Trustee shall sign all supplemental indentures, except that the Trustee need not sign any supplemental indenture that adversely affects its rights. An Opinion of Counsel and an Officers' Certificate shall be furnished to the Trustee stating that such supplemental indenture is permitted hereunder and all conditions precedent have been complied with.

ARTICLE 10

SECURITY

Section 10.01. Security.

The Bonds will be secured by (i) the Deed of Trust executed by the Issuer in favor of the Trustee creating a first priority Lien on the Las Vegas Showboat (including, without limitation, its fee and leasehold interests as well as interests in all furniture, furnishings, fixtures, equipment and other personal property, which are not subject to any Lien permitted to be granted under Section 4.07 in favor of any third party lender providing financing for the acquisition or the lease thereof), (ii) the pledge of

all of the outstanding shares of Capital Stock of OSI and the Intercompany Note pursuant to the Issuer Pledge Agreement, (iii) the pledge of the Issuer's trademarks, tradenames and other related rights pursuant to the Trademark Security Agreement, and (iv) the assignment to the Trustee of all of the Issuer's rights under the collateral securing the Intercompany Note pursuant to the Issuer Collateral Assignment. The obligations of ACSI under the ACSI Guaranty and the Intercompany Note will be secured by the Mortgage Documents and the Assignments of Leases and Rents executed by ACSI in favor of the Trustee (in the case of the ACSI Guaranty) and the Issuer (in the case of the Intercompany Note) creating a first priority Lien on the Atlantic City Showboat (including, without limitation, its fee and leasehold interests as well as interests in all furniture, furnishings, fixtures, equipment and other personal property, which are not subject to any Lien permitted to be granted under Section 4.07 in favor of any third party lender providing financing for the acquisition or the lease thereof). Such Lien will be subject and subordinate to the lessor's rights under the lease and its fee interest in the premises. The obligations of OSI under the OSI Guaranty will be secured by a pledge of all shares of Capital Stock of ACSI to the Trustee, as collateral agent, pursuant the Guarantor Pledge Agreement. SBOC's obligations under the SBOC Guaranty will be secured by a pledge of all of its interest in all furnishings, furniture, fixtures, equipment and other personal property used in connection with the Las Vegas Showboat which are not subject to any Lien permitted to be granted under Section 4.07 in favor of any third party lender providing financing for the acquisition or the lease thereof pursuant to the Guarantor Pledge Agreement. The Related Documents will secure the payment and performance when due of all of the obligations of the Issuer under this Indenture and the Bonds as provided in the Related Documents.

Section 10.02. Recording, etc.

The Guarantors and the Issuer will cause the applicable Related Documents including the Deed of Trust, the Mortgage Documents, and any financing statement, all amendments or supplements to each of the foregoing and any other similar security documents as necessary, to be registered, recorded and filed and/or re-recorded, re-filed and renewed in such manner and in such place or places, if any, as may be required by law or reasonably requested by the Trustee in order fully to preserve and protect the Lien of the Trustee securing (for the ratable benefit of the Bondholders) the Bonds or the Subsidiary Guaranties and to effectuate and preserve the security of the Bondholders and all rights of the Trustee.

The Issuer, the Guarantors and any other obligor shall furnish to the Trustee:

(a) promptly after the execution and delivery of this Indenture, and promptly after the execution and delivery of any other instrument of further assurance or amendment, an Opinion of Counsel either (i) stating that, in the opinion of such counsel, this Indenture, the Deed of Trust, the Mortgage Documents, and applicable Related Documents and all other instruments of further assurance or amendment have been properly recorded, registered and filed to the extent necessary to make effective the Lien intended to be created by such Related Documents and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that as to such Related Documents and such other instruments such recording, registering and filing are the only recordings, registrations and filings necessary to give notice thereof and that no re-recordings, re-registrations or re-filings are necessary to maintain such notice, and further stating that all financing statements and continuation statements have been executed and filed that are necessary fully to preserve and protect the rights of the Bondholders and the Trustee hereunder and under the Related Documents or (ii) stating that, in the opinion of such counsel, no such action is necessary to make any other Lien created under any of the Related Documents effective as intended by such Related Documents; and

(b) within 30 days after January 1 in each year beginning with the year 1994, an Opinion of Counsel, dated as of such date, either (i) Stating that, in the opinion of such counsel, such action has been taken with respect to the recording, registering, filing, re-recording, re-registering and re-filing of this Indenture and all supplemental indentures, financing statements, continuation statements or other instruments of further assurance as is necessary to maintain the Lien of this Indenture and the Related Documents and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary fully to preserve and protect the rights of the Holders and the Trustee hereunder and under the Related Documents or (ii) stating that, in the opinion of such counsel, no such action is necessary to maintain such Lien.

Section 10.03. Protection of the Trust Estate.

The Trustee shall have the power to enforce the obligations of the Guarantors, the Issuer or any Subsidiary under this Indenture or the Related Documents, to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral under any of the Related Documents and in the profits, rents, revenues and other income arising therefrom, including the power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair any Collateral or be prejudicial to the interests of the Bondholders or the Trustee, to the extent permitted thereunder. Upon receipt of notice that the Issuer or ACSI is not in compliance with any of the requirements of the Deed of Trust or the Mortgage Documents, with respect to maintenance of insurance, the Trustee may, but shall have no obligation to purchase, at the Issuer's expense, such insurance coverage necessary to comply with the appropriate section of the respective Related Documents.

Section 10.04. Release of Lien.

(a) Collateral may be released from the Lien and security interest created by this Indenture and the Related Documents at any time or from time to time in accordance with the provisions of the Related Documents and as provided hereby.

(b) Upon the request of the Issuer pursuant to an Officers' Certificate and Opinion of Counsel certifying that all conditions precedent hereunder have been met (and at the sole cost and expense of the Issuer) and upon the satisfaction of such conditions precedent hereunder, the Trustee, must release (i) Collateral which is the subject of an Asset Sale, provided that the Net Proceeds from such Asset Sale are applied in accordance with Section 4.10 hereof, (ii) Collateral which may be released with the consent of the Bondholders pursuant to Article 8 hereof, and (iii) all Collateral (except as provided in Article 8 hereof) upon discharge or defeasance of this Indenture in accordance with Article 8 hereof.

(c) Upon receipt of such Officers' Certificate, the Trustee must execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of any Collateral permitted to be released pursuant to this Indenture or the Related Documents.

(d) The release of any Collateral from the terms of this Indenture and the Related Documents will not be deemed to impair the security under this Indenture in contravention of the provisions hereof if and to the extent the Collateral is released pursuant to the terms hereof. To the extent applicable, the Issuer, the Guarantors and any other obligor shall cause TIA. ss. 314(d) relating to the release of property from the Lien arising out of the Related Documents to be complied with. Any certificate or opinion

required by TIA ss. 314(d) may be made by the Chairman of the Board, any Vice Chairman of the Board, the President, any Vice President, the Treasurer or Secretary of the issuer or the Guarantors, provided, however, that to the extent required by TIA ss. 314(d), any such certificate or opinion shall be made by an independent engineer, appraiser or other expert (as such terms are set forth in TIA ss. 314(d)), who is not an Affiliate of the Issuer or the Guarantors.

Whenever Collateral is to be released pursuant to this Section 10.04, the Trustee will execute any reasonable document or termination statement necessary to release the Lien of this Indenture and Related Documents.

ARTICLE 11

SUBSIDIARY GUARANTIES

Section 11.01. Subsidiary Guaranties.

Subject to the provisions of this Article 11, the Guarantors hereby unconditionally guaranty (such guaranty being the "Subsidiary Guaranties") to each Bondholder of a Bond authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this indenture, the Bonds or the obligations of the Issuer under this Indenture or the Bonds, that: (i), the principal of and interest on the Bonds will be paid in full when due, whether at the maturity or interest payment or mandatory redemption date, by acceleration, call for redemption or otherwise, and interest on the overdue principal of and interest, if any, on the Bonds and all other obligations of the Issuer to the Bondholders or the Trustee under this Indenture, the Related Documents, or the Bonds will be promptly paid in full or performed, all in accordance with the terms of this Indenture, the Related Documents, and the Bonds; (ii) in case of any extension of time of payment or renewal of any Bonds or any of such other obligations, they will be paid in full when due or performed in accordance with the terms of the extension or renewal, whether at maturity, by acceleration or otherwise; and (iii) the payment of any and all costs and expenses (including reasonable attorneys' fees) incurred by the Trustee or any Bondholder in enforcing any rights under the Subsidiary Guaranties. Failing payment when due of any amount so guaranteed for whatever reason, the Guarantors will be obligated to pay the same whether or not such failure to pay has become an Event of Default which could cause acceleration pursuant to Section 6.02 hereof. The Guarantors agree that this is a guaranty of payment and not a guaranty of collection.

The Guarantors hereby agree that their obligations with regard to the Subsidiary Guaranties shall be unconditional, irrespective of the validity, regularity or enforceability of the Bonds, the Related Documents, or this Indenture, the absence of any action to enforce the same, any delays in obtaining or realizing upon or failures to obtain or realize upon the Collateral, the recovery of any judgment against the Issuer or any other obligor on the Bonds, any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Except as otherwise provided by Nevada Revised Statutes Sections 40.495(I) and (3), and to the extent permitted by applicable law, the Guarantors further waive and relinquish all claims, rights and remedies accorded by applicable law, to guarantors and agree not to assert or take advantage of any such claims, rights or remedies, including but not limited to: (a) any right to require the Trustee, the Bondholders or the Issuer (each, a "Benefitted Party") to proceed against the Issuer, the Subsidiaries, or any other Person or to proceed against or exhaust any security held by a Benefitted Party at any time or to pursue any other remedy in any secured party's power before proceeding against the Guarantors; (b) the defense of the

statute of limitations in any action hereunder or in any action for the collection of any indebtedness or the performance of any obligation hereby guaranteed; (c) any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other Person or Persons or the failure of a Benefitted Party to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other Person or Persons; (d) appraisal, valuation, stay, extension, marshalling of assets, redemption, exemptions, demand, presentment, protest and (except as provided in Nevada Revised Statutes Sections 107.095 concerning mandatory notices to "persons with an interest in real property) notice of any kind including but not limited to notice of the existence, creation or incurring of any new or additional Indebtedness or obligation or of any action or non-action on the part of the Guarantors, the issuer, the Subsidiaries, any Benefitted Party, any creditor of the Guarantors, the Issuer or the Subsidiaries or on the part of any other Person whomsoever in connection with any obligation or evidence of indebtedness held by a Benefitted Party as collateral or in connection with any obligations the performance of which are hereby guaranteed; (e) any defense based upon an election of remedies by a Benefitted Party, including but not limited to an election to proceed by non-judicial rather than judicial foreclosure which destroys or otherwise impairs the subrogation rights of the Guarantors, the right of the Guarantors to proceed against the Issuer or any other Person for reimbursement, or both; (f) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; (g) any duty on the part of a Benefitted Party to disclose to the Guarantors any facts a Benefitted Party may now or hereafter know about the Issuer or any other Person, regardless of whether a Benefitted Party has reason to believe that any such facts materially increase the risk beyond that which the Guarantors intend to assume, or has reason to believe that such facts are unknown to the Guarantors, or has a reasonable opportunity to communicate such facts to the Guarantors, since the Guarantors acknowledge that the Guarantors are fully responsible for being and keeping informed of the financial condition of the Issuer or any other Person and of all circumstances bearing on the risk of non-payment of any obligations hereby guaranteed (h) any defense arising because of a Benefitted Party's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code; (i) any defense based on any borrowing or grant of a security interest under Section 364 of the Federal Bankruptcy Code; (j) except as may otherwise be required by the provisions of Nevada Revised Statutes Sections 40.475 and 40.485 concerning flail and partial satisfaction of Indebtedness, which may only be waived after default, any claim or other rights which the Guarantors may now or hereafter acquire against the Issuer or any other Person that arise from the existence or performance of the Guarantors' obligations under these Guaranties or the Intercompany Note, the Mortgage Document in favor of the issuer and the Assignment of Lease and Rents in favor of the Issuer, including, without limitation. (x) any right of subrogation, reimbursement, exoneration, contribution, or indemnification, or (y) any right to participate in any claim or remedy by a Benefitted Parry against the Issuer or, any collateral which a Benefitted Party now has or hereafter acquires, in each case, whether or not such claim, remedy or right arises in equity or under contract, stature or common law, by any payment made hereunder or otherwise, including without limitation, the right to take or receive from the Issuer or any other Person or entity, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim or other rights; (k) any rights which the Guarantors may acquire by way of contribution under these Guaranties or the Intercompany Note, the Mortgage Document in favor of the Issuer and the Assignment of Leases and Rents in favor of the Issuer, by any payment made hereunder or otherwise. including without limitation, the right to take or receive from any other guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such contribution rights; and (I) any action or defense that pertains to a release of Collateral or any defect in title, perfection or priority of Liens with respect to the Collateral. Without limiting the generality of the foregoing, pursuant to Nevada Revised Statutes Section 40.495(2), the Guarantors hereby expressly waive any and all benefits which might otherwise be available to the Guarantors under the Nevada one-action

rule set forth in Nevada Revised Statute Section 40.430. The Guarantors hereby covenant that the Subsidiary Guaranties will not be discharged except by complete performance of the obligations contained in these Subsidiary Guaranties and this Indenture.

If any Bondholder or the Trustee is requital by any court or otherwise to return to either the Issuer or the Guarantors, or any Custodian, trustee, or similar official acting in relation to either the Issuer or the Guarantors. any amount paid by the Issuer or the Guarantors to the Trustee or such Bondholder, these Subsidiary Guaranties, to the extent theretofore discharged, shall be reinstated in full force and effect. The Guarantors agree that they will not be entitled to any right of subrogation in relation to the Bondholders in respect of any obligations guarantied hereby until payment in full of all obligations guarantied hereby.

The Guarantors further agree that, as between the Guarantors. on the one hand, and the Bondholders and the Trustee, on the other hand, (i) the maturity of the obligations guarantied hereby may be accelerated as provided in Section 6.02 hereof for the purposes of these Subsidiary Guaranties, notwithstanding any stay, injunction or other prohibition preventing such acceleration as to the Issuer or any other obligor on the Bonds of the obligations guarantied hereby, and (ii) in the event of any declaration of acceleration of those obligations as provided in Section 6.02 hereof, those obligations (whether or not due and payable) will forthwith become due and payable by the Guarantors for the purpose of these Subsidiary Guaranties.

Section 11.02. Limitation of Guarantor's Liability.

Each Guarantor and by its acceptance hereof, each beneficiary hereof, hereby confirm that it is its intention that the Subsidiary Guaranty by such Guarantor not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Subsidiary Guaranties To effectuate the foregoing intention, each such Person hereby irrevocably agrees that the obligation of such Guarantor under its Subsidiary Guaranty under this Article 11 shall be limited to the maximum amount as will, after giving effect to such maximum amount and all other (Contingent or otherwise) liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 11, result in the obligations of such Guarantor in respect of such maximum amount not constituting a fraudulent conveyance. Each beneficiary under the Subsidiary Guaranties, by accepting the benefits hereof, confirms its intention that, in the event of a bankruptcy. reorganization or other similar proceeding of the Issuer or any Guarantor in which concurrent claims are made upon such Guarantor hereunder, to the extent such claims will not be fully satisfied, each such claimant with a valid claim against the Issuer shall be entitled to a ratable share of all payments by such Guarantor in respect of such concurrent claims.

Section 11.03. Execution and Delivery of Subsidiary Guaranties.

To evidence the Subsidiary Guaranties set forth in Section 11.01 hereof, the Guarantors agree that a notation of the Subsidiary Guaranties substantially in the form included in Exhibit D shall be endorsed on each Bond authenticated and delivered by the Trustee and that this Indenture shall be executed on behalf of the Guarantors by the Chairman of the Board, the President or one of the Vice Presidents of the Guarantors, under a facsimile of its seal reproduced on this Indenture and arrested to by an Officer other than the Officer executing this Indenture.

The Guarantors agree that the Subsidiary Guaranties set forth in this Article 11 will remain in full force and effect and apply to all the Bonds notwithstanding any failure to endorse on each Bond a notation of the Subsidiary Guaranties.

If an Officer whose facsimile signature is on a Bond no longer holds that office at the time the Trustee authenticates the Bond on which the Subsidiary Guaranties is endorsed, the Subsidiary Guaranties shall be valid nevertheless.

The delivery of any Bond by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Subsidiary Guaranties set forth in this Indenture on behalf of the Guarantors

ARTICLE 12

MISCELLANEOUS

Section 12.01. Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required to be included in this Indenture by the TIA. the required provision shall control.

Section 12.02. Notices.

Any notice or communication by the Issuer, the Guarantors or the Trustee to the other parties hereto is duly given if in writing and delivered in Person or mailed by first-class mail to such party's address stated in Section 12.10 hereof. The Issuer, the Guarantors or the Trustee by notice to any other party hereto may designate additional or different addresses for subsequent notices or communications

Any notice or communication to a Bondholder shall be mailed by first-class mail to his address shown on the register kept by the Registrar Failure to mail a notice or communication to a Bondholder or any defect in it shall not affect its sufficiency with respect to other Bondholders.

Except for a notice to the Trustee, which is deemed to be given only when received, if a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Issuer or the Guarantors mails a notice or communication to Bondholders, it shall mail a copy to the Trustee, and each Agent at the same time.

All other notices or communications shall be in writing.

Section 12.03. Communication by Bondholders with Other Bondholders.

Bondholders may communicate pursuant to TIA ss. 312(b) with other Bondholders with respect to their rights under this Indenture or the Bonds. The Issuer, the Guarantors, the Trustee, the Registrar and anyone else shall have the protection of TIA ss. 3 12(c).

Section 12.04. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Issuer or the Guarantors to the Trustee to take any action under this Indenture, the Issuer or the Guarantors shall furnish to the Trustee at the request of the Trustee;

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 12.05. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition:

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with;

provided, however, that with respect to matters of law, an Officers' Certificate may be based upon an Opinion of Counsel, unless the signers know, or in the exercise of reasonable care should know, that such Opinion of Counsel is erroneous, and provided further, that with respect to matters of fact an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials, unless the signer knows, or in the exercise of reasonable care should know, that any such document is erroneous.

Section 12.06. Rules by Trustee, the Registrar and Paying Agents.

The Trustee may make reasonable rules for action by or a meeting of Bondholders. Any Agent may make reasonable rules and set reasonable requirements for its functions.

Section 12.07. Legal Holidays.

A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions in the State of New York are not required to be open. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday. and no interest shall accrue for the intervening period.

Section 12.08 No Recourse Against Others.

A director, officer, employee or shareholder, as such of any of the Issuer or the Guarantors shall not have any liability for any obligations of the Issuer or the Guarantors under the Bonds or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Bondholder by accepting a Bond waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Bonds.

Section 12.09. Counterparts.

This Indenture may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section 12.10. Variable Provisions.

The Issuer initially appoints the Trustee as Paying Agent and Registrar. The Trustee will initially act as Authenticating Agent.

The first certificate pursuant to Section 4.03 hereof shall be for the fiscal year ending on December 31, 1993.

The reporting date for Section 7.06 hereof is May 15 of each year. The first reporting date is May 15, 1994.

The Trustee or, in the case of a corporation included in a bank holding company system acting as Trustee, the related bank holding company, shall, always have a combined capital and surplus of at least 525,000,000 as set forth in its most recent published annual report of condition.

The Issuer's address:

Showboat, Inc.
2800 Fremont Street
Las Vegas, Nevada 89104

The Guarantors's address is:

Ocean Showboat, Inc.
801 Boardwalk
P.O. Box 840
Atlantic City, New Jersey 08404

Atlantic City Showboat, Inc.
801 Boardwalk
P.O. Box 840
Atlantic City, New Jersey 08404

Showboat Operating Company
2800 Fremont Street
Las Vegas, Nevada 89104

The Trustees address is:

IBJ Schroder Bank & Trust Company
One State Street
New York, New York 10004
Attention: Corporate Trust and Agencies Administration

Section 12.11. Governing Law.

The internal laws of the State of New York shall govern this Indenture, the Bonds and the Subsidiary Guaranties, without regard to the conflicts of laws rules thereof. Each of the Issuer and the Guarantors hereby irrevocably submits to the jurisdiction of any New York State court sitting in the First Judicial Department in respect of any suit, action or proceeding arising out of or in relation to this Indenture or the Subsidiary Guaranties if such suit, action or proceeding is commenced by the Trustee or the Bondholders in such jurisdiction or if the Issuer or any of the Guarantors commences any such suit, action or proceeding, and each of the Issuer and the Guarantors irrevocably agrees that all claims in respect of any such suit, action or proceeding commenced in such jurisdiction by such parties may be heard and determined in any such court. Each of the Issuer and the Guarantors irrevocably waives, to the fullest extent it may effectively do so under applicable law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The two immediately preceding sentences shall not be read to prohibit the Trustee or the Bondholders from commencing any action in any other jurisdiction which the Trustee or the Bondholders, as the case may be, may deem appropriate.

Section 12.12. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Issuer or a Subsidiary except as expressly stated herein. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 12.13. Successors.

All agreements of the Issuer in this Indenture and the Bonds shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

Section 12.14. Severability.

In case any provision in this Indenture or in the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 12.15. Table of Contents, Headings, Etc.

The Table of Contents, Cross-Reference Table, and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 12.16. Benefits of Indenture.

Nothing in this Indenture or the Bonds, express or implied, shall give to any Person, other than the panics hereto and there successors hereunder, and the Bondholders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 12.17. Amendment to Related Documents.

Unless the context otherwise requires, any reference to any of the Related Documents or any document the form of which is set forth as an Exhibit hereto shall be deemed to be a reference to such Related Document or other document as it may be amended, supplemented or modified from time to time as permitted by this Indenture.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the date first written above.

SHOWBOAT, INC.

By: /s/ Leann Schneider

Name: Leann Schneider

Title: V.P. Finance & CFO

IBJ SCHRODER BANK & TRUST COMPANY, as Trustee

By: /s/ Barbara McCluskey

Name: Barbara McCluskey

Title: Asst. V.P.

Guarantor:

OCEAN SHOWBOAT, INC.

By: /s/ Mark Miller

Name: Mark Miller

Title: V.P. Finance

Guarantor:

ATLANTIC CITY SHOWBOAT, INC.

By: /s/ Mark Miller

Name: Mark Miller

Title: V.P. Finance & CFO

Guarantor:

SHOWBOAT OPERATING COMPANY

By: /s/ Leann Schneider

Name: Leann Schneider

Title: V.P. Finance & CFO

SHOWBOAT, INC.

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 12th day of May, 1993, within my jurisdiction, the within named Leann Schneider who acknowledged that she is V.P. Finance, CFO of Showboat, Inc., a Nevada corporation, and that for and on behalf of the said corporation, and as its act and deed she executed the above and foregoing instrument, after first having been duly authorized by said corporation so to do.

/s/ Ann K. Mallari

NOTARY PUBLIC

My Commission expires:

ANN K. MALLARI
Notary Public, State of New York
No. 4936031
Qualified in New York County
Commission Expires July 5, 1995

(Affix official seal, if applicable)

IBJ SCHRODER BANK & TRUST COMPANY

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 12th day of May, 1993, within my jurisdiction, the within named Barbara McCluskey, who acknowledged that she is Assistant Vice President of IBJ Schroder Bank & Trust Company, and that for and on behalf of the said corporation, and as its act and deed she executed the above and foregoing instrument, after first having been duly authorized by said corporation so to do.

/s/ Ann K. Mallari

NOTARY PUBLIC

My Commission expires:

ANN K. MALLARI
Notary Public, State of New York
No. 4936031
Qualified in New York County
Commission Expires July 5, 1995

(Affix official seal, if applicable)

OCEAN SHOWBOAT, INC.:

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 17th day of May, 1993, within my jurisdiction, the within named Mark Miller who acknowledged that he is V.P. Finance of Ocean Showboat, Inc., a New Jersey corporation, and that for and on behalf of the said corporation, and as its act and deed he executed the above and foregoing Instrument, after first having been duly authorized by said corporation so to do.

/s/ Ann K. Mallari

NOTARY PUBLIC

My Commission expires:

- -----
(Affix official seal, if applicable)

ATLANTIC CITY SHOWBOAT, INC.:

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 17th day of May, 1993, within my jurisdiction, the within named Mark Miller who acknowledged that he is V.P. Finance, CFO Atlantic City Showboat, Inc., a New Jersey corporation, and that for and on behalf of the said corporation, and as its act and deed he executed the above and foregoing instrument, after first having been duly authorized by said corporation so to do.

/s/ Ann K. Mallari

NOTARY PUBLIC

My Commission expires:

ANN K. MALLARI
Notary Public, State of New York
No. 4936031
Qualified in New York County
Commission Expires July 5, 1995

- -----
(Affix official seal, if applicable)

SHOWBOAT OPERATING COMPANY

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

Personally appeared before me, the undersigned authority in and for the said county and state, on this, [illegible] day of May, 1993, within my jurisdiction, the within named Leann Schroeder who acknowledged that she is V. P. Finance, CFO of Showboat Operating Company, a Nevada corporation, and that for and on behalf of the said corporation, and as its act and deed she executed the above and foregoing Instrument, after first having been duly authorized by said corporation so to do.

/s/ Ann K. Mallari

NOTARY PUBLIC

My Commission expires:

ANN K. MALLARI
Notary Public, State of New York
No. 4936031
Qualified in New York County
Commission Expires July 5, 1995

(Affix official seal, if applicable)

EXHIBIT C
(Face of First Mortgage Bond)

No. _____

\$ _____

Cusip No. 825390 AB 3

9 1/4% FIRST MORTGAGE BOND
DUE MAY 1, 2008

SHOWBOAT, INC.

promises to pay to

or registered assigns, the principal sum of _____ Dollars on May 1, 2008.

Interest Payment Dares: May 1 and November 1

Record Dates: April 15 and October 15

Reference is hereby made to the further provisions of this Bond set forth on the reverse hereof which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, Showboat, Inc. has caused this Bond to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

Dated: May 18, 1992

SHOWBOAT, INC.

By _____

By _____

(SEAL)

TRUSTEES CERTIFICATE
OF AUTHENTICATION

This is one of the 9 1/4% First Mortgage Bonds due May 1, 2008 described in the within-mentioned Indenture.

IBJ Schroder Bank & Trust Company,
as Trustee

By _____
Authorized Signature

(Back of First Mortgage Bond)

SHOWBOAT, INC.

9 1/4% First Mortgage Bond Due May 1, 2008

1. Interest. SHOWBOAT, INC., a Nevada corporation ("Showboat"), promises to pay interest on the principal amount of this 9 1/4% First Mortgage Bond due May 1, 2008 (the "Bond") at the rate per annum shown above. Showboat will pay interest semi-annually on May 1 and November 1 of each year, commencing November 1, 1993. Interest on the Bonds will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from May 18, 1993. To the extent lawful, Showboat shall pay interest on overdue principal and premium, if any, and on overdue installments of interest (without regard to any applicable grace periods) at the rate of interest specified in the Indenture. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payments. Showboat will pay interest on the Bonds (except defaulted interest) to the persons who are registered holders of Bonds at the close of business on the record date for the next interest payment date even though Bonds are cancelled after the record date and on or before the interest payment date. Bondholders must surrender Bonds to a Paying Agent to collect principal payments. Showboat will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Showboat, however, may pay principal and interest by check payable in such money, which shall be mailed to a holder's registered address.

3. Paying Agent and Registrar. The Trustee will initially act as Paying Agent and Registrar. Showboat may change any Paying Agent, Registrar or co-registrar upon thirty (30) days notice to the Trustee without prior notice to any Bondholder. Showboat may act in any such capacity.

4. Indenture. Showboat issued the Bonds under an Indenture dated as of May 18, 1993 (the "Indenture") among Showboat, Ocean Showboat, Inc., a New Jersey corporation ("OSI"), Atlantic City Showboat Inc., a New Jersey corporation ("ASCI"), and Showboat Operating Company, a Nevada corporation ("SBOC"), as guarantors (the "Guarantors"), and IBJ Schroder Bank & Trust Company, as Trustee. The terms of the Bonds include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbb) as in effect on the date of the Indenture. The Bonds are subject to, and qualified by, all such terms, certain of which are summarized herein, and Bondholders are referred to the Indenture and such Act for a statement of such terms. All capitalized terms not defined herein shall have the meanings assigned to such terms in the Indenture. The Bonds are secured general obligations of Showboat, collateralized by a lien on the security as described in Section 10.01 of the Indenture. The Bonds are limited to \$275,000,000 in aggregate principal amount.

5. Optional Redemption. Showboat may redeem the Bonds, in whole or in part, at redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest thereon, if any, to the redemption date, if redeemed during the 12-month period beginning May 1 of the years indicated below. The Bonds may not be so redeemed before May 1, 2000.

Year ----	Percentage -----
2000	102.775%
2001	101.850%
2002	100.925%
2003 and thereafter	100.000%

6. Notice of Redemption. Notice of Redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Bondholder of the Bonds to be redeemed at his address of record. The Bonds in denominations larger than \$1,000 may be redeemed in part but only in integral multiples of \$1,000. In the event of a redemption of less than all of the Bonds, the Bonds will be chosen for redemption by the Trustee in accordance with the Indenture. On and after the redemption date, interest cease to accrue on the Bonds or portions of them called for redemption.

If this Bond is redeemed subsequent to a record date with respect to any interest payment date specified above and on or prior to such interest payment date, then any accrued interest will be paid to the person in whose name this Bond is registered a the close of business on such record date.

7. Transfer Required by the Gaming Authorities. Notwithstanding the foregoing, each Bondholder by accepting a Bond agrees that if any Gaming Authority requires that the Bondholder or beneficial owner of a Bond must be licensed, qualified or found suitable under the Gaming Control Acts or other applicable laws, and such Bondholder or beneficial owner fails to apply for a license) qualification or a finding of suitability within 30 days after being requested to do so by the Gaming Authority, or if such Bondholder or such beneficial owner is nor so licensed, qualified or found suitable, Showboat shall have the right, at its option, (i) to require such Bondholder or beneficial owner to dispose of such Bondholder's or beneficial owner's Bonds within 30 days of receipt of such notice of such finding by the applicable Gaming Authority or such earlier date as may be ordered by such Gaming Authority or (ii) to call for the redemption of the Bonds of such Bondholder or beneficial owner at the lesser of the principal amount thereof or the price at which such Bondholder or beneficial owner acquired the Bonds, together with, in either ease, accrued interest to the earlier of the date of redemption or the date of the finding of unsuitability by such Gaming Authority, which may be less than 30 days following the notice of redemption, if so ordered by such Gaming Authority Showboat shall notify the Trustee in writing of any such redemption as soon as practicable. The Bondholder or beneficial owner applying for a license, qualification or a finding of suitability must pay all costs of the licensure or investigation for such finding of suitability.

8. Denominations, Transfer, Exchange. The Bonds arc in registered form, without coupons, in denominations of \$1,000 and integral multiples of \$1,000. The transfer of Bonds may be registered, and Bonds may be exchanged, as provided in the Indenture. The Registrar may require a Bondholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not exchange or resister the transfer of any Bond or portion of a Bond selected for redemption (except the unredeemed portion of any Bond being redeemed in part). Also, it need not exchange or register the transfer of any Bond for a period of 15 days before a selection of Bond to be redeemed.

9. Persons Deemed Owners. The registered Bondholder of a Bond may be treated as its owner for all purposes.

10. Unclaimed Money. If money for the payment of principal or interest remains unclaimed for two years, the Trustee and the Paying Agent shall pay the money back to Showboat at its written

request. After that, Bondholders of Bonds entitled to the money must look to Showboat for payment unless an abandoned property law designates another Person and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

11. Defaults and Remedies. The Bonds shall have the Events of Default as set forth in Section 6.01 of the Indenture. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee by notice to Showboat and the Guarantors or the Bondholders of at least 25% in aggregate principal amount of the then outstanding Bonds by notice to Showboat, the Guarantors, and the Trustee may declare all unpaid principal and interest accrual on the Bonds to be due and payable immediately, except that in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all unpaid principal and interest accrued on the Bonds shall become due and payable immediately without further action or notice. The Bondholders of a majority in principal amount of the Bonds then outstanding by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration. Bondholders may not enforce the Indenture or the Bonds except as provided in the Indenture. Subject to certain limitations, Bondholders of a majority in principal amount of the then outstanding Bonds issued under the Indenture may direct the Trustee in its exercise of any trust or power. Showboat, the Guarantors and their respective Subsidiaries must furnish annually compliance certificates to the Trustee. The above description of Events of Default and remedies is qualified by reference, and subject in its entirety, to the more complete description thereof contained in the Indenture.

12. Amendments and Waivers. Subject to certain exceptions, the Indenture or the Bonds may be amended with the consent of the Bondholders of at least a majority in principal amount of the then outstanding Bonds (including consents obtained in connection with a tender offer or exchange offer for Bonds), and any existing default may be waived with the consent of the Bondholders of a majority in principal amounts of the then outstanding Bonds. Without the consent of any Bondholder, the Indenture or the Bonds may be amended, among other things, to cure any ambiguity, defect or inconsistency, to provide for assumption of Showboat's or the Guarantors' obligations to Bondholders or to make any change that does not adversely affect the rights of any Bondholder.

13. Restrictive Covenants. The Indenture imposes certain limitations on the ability of Showboat and its Subsidiaries to, among other things, incur additional Indebtedness, make payments in respect of Capital Stock, merge or consolidate with or into any other person or sell, lose, transfer, convey or otherwise dispose of all or substantially all of its properties or assets, and engage in certain transactions with Affiliates. The limitations are subject to a number of important qualifications and exceptions.

14. Guaranties. Payment of principal and interest (including interest on overdue principal and overdue interest, if lawful) on the Bonds is unconditionally guarantied by the Guarantors pursuant to Article 11 of the Indenture.

15. Security. The performance of the obligations of Showboat under the Bonds shall be secured by the Deed of Trust representing a first priority lien on the Las Vegas Showboat, a pledge of all of the outstanding shares of Capital Stock of OSI and the Intercompany Note issued by ACSI in favor of Showboat, a pledge of Showboat's trademarks, tradenames and other related rights, and an assignment to the Trustee of all of Showboat's rights under the collateral securing the Intercompany Note. Showboat's obligations under the Bonds and the Indenture will be unconditionally guarantied by each of ACSI, OSI and SBOC. ACSI's obligations under its guaranty and the Intercompany Note shall be secured by the Mortgage Documents and the Assignments of Leases and Rents representing a first priority lien on the Atlantic City Showboat. OSI's obligations under its guaranty shall be secured by a pledge

of all of the outstanding shares of Capital Stock of ACSI. SBOC's obligations under its guaranty shall be secured by a pledge of all of its interest in all furniture, furnishings, fixtures, machinery, equipment and other personal property used in connection with the Las Vegas Showboat which are not subject to any lien permitted to be granted under Section 4.07 of the Indenture in favor of any third party lender providing financing for the acquisition or the lease thereof.

16. Trustee Dealings with Showboat. The Trustee, in its individual or any other capacity may become the owner or pledgee of the Bonds and may otherwise deal with Showboat, the Guarantors or an Affiliate with the same rights it would have, as if it were not Trustee, subject to certain limitations provided for in the Indenture. Any Agent may do the same with like rights.

17. No Recourse Against Others. A director, officer, employee or stockholder, as such, of Showboat, or the Guarantors shall not have any liability for any obligations of Showboat or the Guarantors under the Bonds or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Bondholder of the Bonds by accepting a Bond waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Bonds.

18. Governing Law. The internal laws of the State of New York shall govern the Indenture and the Bonds without regard to conflict of law provisions thereof.

19. Authentication. The Bonds shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

20. Abbreviations. Customary abbreviations may be used in the name of a Bondholder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

Showboat will furnish to any Bondholder of the Bonds upon written request and without charge a copy of the Indenture. Request may be made to:

Showboat, Inc.
2800 Fremont Street
Las Vegas, Nevada 89104
Attn: H. Gregory Nasky
Secretary

GUARANTY

Each of the Guarantors listed below (hereinafter referred to as the "Guarantors" which term includes any successor or assign under the Indenture (the "Indenture") has irrevocably and unconditionally guaranteed (i) the due and punctual payment of the principal of, premium, if any, and interest on 9 1/4% First Mortgage Bonds due 2008 (the "Bonds") whether at stated maturity, by acceleration or otherwise, the due and punctual payment of interest on the overdue principal of and interest, if any, on the Bonds, to the extent lawful, and the due and punctual performance of all other obligations of Showboat to the Bondholders or the Trustee all in accordance with the terms set forth in Article 11 of the Indenture, (ii) in case of any extension of time of payment or renewal of any Bonds or any such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise and (iii) the payment of any and all costs and expenses (including reasonable attorneys' fees) incurred by the Trustee or any Bondholder in enforcing any rights under this Guaranty.

The obligations of each Guarantor to the Bondholder and to the Trustee pursuant to this Guaranty and the Indenture are expressly set forth in Article 11 of the Indenture and reference is hereby made to such Indenture for the precise terms of this Guaranty.

This is a continuing Guaranty and shall remain in full force and effect and shall be binding upon each Guarantor and its successors and assigns until full and final payment of all of Showboat's obligations under the Bonds and the Indenture and shall inure to the benefit of the successors and assigns of the Trustee and the Bondholders and, in the event of any transfer or assignment of rights by any Bondholder or the Trustee, the rights and privileges herein conferred upon that party shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. This is a Guaranty of payment and not a guaranty of collection.

This Guaranty shall not be valid or obligatory for any purpose until the certificate of authentication on the Bond upon which this Guaranty is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

THE TERMS OF ARTICLE 11 OF THE INDENTURE ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Indenture unless otherwise indicated.

Guarantors:

OCEAN SHOWBOAT, INC.

By:

Name: H. Gregory Nasky
Title: Secretary

ATLANTIC CITY SHOWBOAT, INC.

By:

Name: H. Gregory Nasky
Title: Secretary

SHOWBOAT OPERATING COMPANY

By:

Name: H. Gregory Nasky
Title: Secretary

ASSIGNMENT FORM

To assign this Bond, fill in the form below:

(I) or (we) assign and transfer this Bond to

(Insert assignee's social security or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ agent to transfer this Bond on
the Books of Showboat. The agent may substitute another to act for him.

Your Signature: _____

(Sign exactly as your name appears on the other side of
this Bond.)

Date: _____

Signature Guaranty. _____

OPTION OF BONDHOLDER TO ELECT PURCHASE

If you want to elect to have this Bond repurchased by Showboat pursuant to Section 3.09, 4.10 or 4.13 of the Indenture, check the box: ☐

If you want to elect to have only part of the Bond repurchased by Showboat pursuant to Section 3.09, 4.10 or 4.13 of the Indenture, state the amount (which must be \$1,000 or an integral multiple of \$1,000) you elect to have repurchased: \$_____.

Your Signature:_____

(Sign exactly as your name appears on the other side of this Bond.)

Date:_____

Signature Guaranty_____

EXHIBIT D

GUARANTY

Each of the Guarantors listed below (hereinafter referred to as the "Guarantors," which term includes any successor or assign under the Indenture (the "Indenture"), has irrevocably and unconditionally guaranteed (i) the due and punctual payment of the principal of, premium, if any, and interest on 9 1/4% First Mortgage Bonds due 2008 (the "Bonds"), whether at stated maturity, by acceleration or otherwise, the due and punctual payment of interest on the overdue principal of and interest, if any, on the Bonds, to the extent lawful, and the due and punctual performance of all other obligations of Showboat, Inc., a Nevada corporation ("Showboat"), to the Bondholders or the Trustee all in accordance with the terms set forth in Article 11 of the indenture, (ii) in case of any extension of time of payment or renewal of any Bonds or any such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise and (iii) the payment of any and all costs and expenses (including reasonable attorneys' fees) incurred by the Trustee or any Bondholder in enforcing any rights under this Guaranty.

The obligations of each Guarantor to the Bondholder and to the Trustee pursuant to this Guaranty and the Indenture are expressly set forth in Article 11 of the Indenture and reference is hereby made to such Indenture for the precise terms of this Guaranty.

This is a continuing Guaranty and shall remain in full force and effect and shall be binding upon each Guarantor and its successors and assigns until full and final payment of all of Showboat's obligations under the Bonds and the Indenture and shall inure to the benefit of the successors and assigns of the Trustee and the Bondholders and, in the event of any transfer or assignment of rights by any Bondholder or the Trustee, the rights and privileges herein conferred upon that party shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. This is a Guaranty of payment and not a guaranty of collection.

This Guaranty shall not be valid or obligatory for any purpose until the certificate of authentication on the Bond upon which this Guaranty is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

THE TERMS OF ARTICLE 11 OF THE INDENTURE ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Indenture unless otherwise indicated.

Guarantors:
OCEAN SHOWBOAT, INC.

By _____
Name:
Title:

ATLANTIC CITY SHOWBOAT, INC.

By _____
Name:
Title:

SHOWBOAT OPERATING COMPANY

By _____
Name:
Title:

\$275,000,000

9 1/4 % First Mortgage Bonds due 2008

of

Showboat, Inc.
Issuer

Ocean Showboat, Inc.
Atlantic City Showboat, Inc.
Showboat Operating Company
Guarantors

SECOND SUPPLEMENTAL INDENTURE
Dated as of May 27 1998

to

INDENTURE
Dated as of May 18, 1993

IBJ Schroder Bank & Trust Company
as Trustee

This SECOND SUPPLEMENTAL INDENTURE, dated as of May 27, 1998 (this "Supplemental Indenture"), to the Indenture (as defined below) is by and between IBJ SCHRODER BANK & TRUST COMPANY, a banking corporation organized and existing under the laws of the State of New York ("Trustee"), and SHOWBOAT, INC., a Nevada corporation (the "Issuer") and OCEAN SHOWBOAT, INC., a New Jersey corporation, ATLANTIC CITY SHOWBOAT, INC., a New Jersey corporation, and SHOWBOAT OPERATING COMPANY, a Nevada corporation (collectively, the "Guarantors").

RECITALS

A. The Issuer is a party to that certain Indenture dated as of May 18, 1993, as amended as of July 18, 1994 (the "Indenture"), pursuant to which the Issuer's 9 1/4% First Mortgage Bonds due 2008 (the "Bonds") were originally issued.

B. Section 9.02 of the Indenture provides that, with the consent of at least a majority in principal amount of the outstanding Bonds, the Issuer and the Trustee may amend the Indenture and the Bonds as set forth below, subject to the provisions of Sections 6.07 thereof.

C. Pursuant to an Agreement and Plan of Merger, dated as of December 18, 1997, by and among the Issuer, Harrah's Entertainment, Inc., a Delaware corporation ("Harrah's"), HEI Acquisition Corp., a Delaware corporation and an indirect, wholly owned subsidiary of Harrah's ("HEI"), subject to certain conditions, HEI will be merged with and into the Issuer (the "Merger"), with the Issuer being the surviving corporation in the Merger and as a result thereof, the Issuer will become an indirect, wholly owned subsidiary of Harrah's.

D. In connection with the Merger, Harrah's Operating Company, Inc., a Delaware corporation and a wholly owned subsidiary of Harrah's ("HOC"), has offered to purchase any and all of the Bonds for cash, upon the terms and subject to the conditions set forth in that certain Offer to Purchase and Consent Solicitation Statement dated May 13, 1998 and accompanying Letter of Transmittal and Consent, as supplemented (collectively, the "Offer to Purchase").

E. Under the terms of the Offer to Purchase, holders that tender Bonds in accordance with the terms of the Offer to Purchase and who deliver a duly executed Letter of Transmittal and Consent are deemed to consent to certain amendments to the Indenture which would permanently delete or amend certain of the covenants, events of default and other related provisions of the Indenture (the "Proposed Amendments").

F. In accordance with the terms of the Indenture, holders of in excess of a majority in principal amount of the Bonds have tendered their Bonds and consented to the Proposed Amendments to be effected by this Supplemental Indenture.

G. The Issuer has authorized the execution and delivery of this Supplemental indenture and the Trustee has received an Opinion of Counsel pursuant to Section 12.04 of the Indenture and an Officers' Certificate of the Issuer pursuant to Section 12.04 of the Indenture, and therefore the Issuer and the Trustee are authorized to execute and deliver this Supplemental Indenture.

H. All other conditions precedent and requirements necessary to make this Supplemental Indenture when duly executed and delivered, a valid and binding agreement, enforceable in accordance with its terms (subject to the provisions of this Supplemental Indenture becoming operative as provided in Section below), have been performed and fulfilled

NOW, THEREFORE, the parties hereto agree as follows (defined terms used herein and nor otherwise defined herein shall have the meanings ascribed to them in the indenture):

1. Amendments to Indenture.

1.1 Deletions.

(a) The text contained in each of the following Sections of the Indenture is hereby deleted in its entirety and replaced, in each case, with "Intentionally omitted"

Section 4.04 (Stay, Extension and Usury Laws); Section 4.05 (Corporate Existence); Section 4.06 (Use of Proceeds); Section 4.07 (Limitation on Liens); Section 4.08 (Limitation on Indebtedness); Section 4.09 (Limitation on Restricted Payments); Section 4.10 (Asset Sales); Section 4.11 (Limitation on Transaction with Affiliates); Section 4.12 (Limitation on Dividends and Other Payment Restrictions Affecting Subsidiaries); Section 4.13 (Change of Control); Section 4.14 (Additional Subsidiary Guaranties); Section 4.15 (Redemption of 11-3/8% Bonds); Section 4.16 (Limitation on Business Activities of the Issuer and the Subsidiaries) Section 4.17 (Insurance) and Section 4.21 (Redesignation of Non-Recourse Subsidiary).

1.2 Amendments. The following Sections of the Indenture are hereby amended as set forth below:

1.2.1 Section 4.02. SEC Reports. Financial Reports. Section 4.02 of the Indenture is hereby amended to read in its entirety as follows:

"The Issuer, the Guarantors and their respective Subsidiaries shall comply with the provisions of TIA ss.314(a)."

1.2.2 Section 4.03. Compliance Certificate. Section 4.03 of the Indenture is hereby amended by deleting the text contained in clauses (b) and (c) and, in each case, replacing such deleted text with "Intentionally omitted."

1.2.3 Section 5.01. Consolidation, Merger or Sale of Assets. Section 5.01 of the Indenture is hereby amended by deleting the text contained in clauses (a)(iv), (v) and (vi) and, in each case, replacing such deleted text with "Intentionally omitted."

1.2.4 Section 5.02. Successor Corporation Substituted. Section 5.02 of the Indenture is hereby amended by deleting the text contained in clauses (ii) and (iii) and, in each case, replacing such deleted text with "Intentionally omitted."

1.2.5 Section 6.01. Events of Default. Section 6.01 of the Indenture is hereby amended by deleting the text contained in clauses (f), (g), (i), (j) and (k) and, in each case, replacing such deleted text with "Intentionally omitted."

1.2.6 Section 8.01. Defeasance and Discharge of this Indenture and the Bonds Section 8.01 of the Indenture is hereby amended by amending subsection (b) to replace the words "Section 4.02 or clause (iv) of Section 5.01(a)" with "any covenant or provision listed in clause (ii) of the preceding paragraph."

1.2.7 Section 1.01. Definitions. All definitions set forth in Section 1.01 of the Indenture that relate to defined terms used solely in sections deleted hereby are deleted in their entirety.

2. Confirmations: Effectiveness. As amended by this Supplemental Indenture, the Indenture and the Bonds are ratified and confirmed in all respects and the Indenture as so amended shall be read, taken and construed as one and the same instrument, The provisions of this Supplemental Indenture shall become operative only upon the Acceptance Date, as defined in the Offer to Purchase. This Supplemental Indenture may be executed in any number of counterparts, each of which counterparts together shall constitute but one and the same instrument.

3. Trust Indenture Act. If and to the extent that any provision of this Supplemental Indenture limits, qualifies or conflicts with another provision included in this Supplemental Indenture or in the Indenture, which is required to be included in this Supplemental Indenture or the Indenture by the Trust Indenture Act of 1939, as amended (the "TIA"), such required provision of the TIA shall control.

4. Exchanged Bonds. Pursuant to Section 9.06 of the Indenture, all Bonds authenticated and delivered after the date hereof in exchange for or in lieu of any Bonds theretofore issued shall have imprinted or stamped thereon a legend in substantially the following form:

"The Indenture has been amended pursuant to an Amendment to Indenture dated July 18, 1994 and a Second Supplemental Indenture dated as of May 27, 1998, copies of which are available from the Issuer or the Trustee."

5. Governing Law. This Supplemental Indenture shall be deemed governed by, and construed in accordance with, the internal laws of the State of New York, but without giving effect to applicable principles of conflicts of law thereof to the extent that the application of the laws of another jurisdiction would be required thereby.

6. Rights of Trustee. Without limiting any other protections or rights afforded the Trustee a law, by contract or otherwise, the Trustee will be entitled to the full benefits afforded by Sections 7.02 and 7.03 of the Indenture in connection with its execution and delivery of this Supplemental Indenture.

IN WITNESS WHEREOF, the parties have caused this Supplemental Indenture to be duly executed as of the date first written above.

SHOWBOAT, INC.,
a Nevada corporation

By: /s/ J. K. Houssels III

Name: J. Kell Houssels III

Title: President & Chief Exec Officer

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

By: -----

Name: -----

Title: -----

OCEAN SHOWBOAT, INC.
a New Jersey corporation

By: /s/ J. K. Houssels III

Name: J. Kell Houssels III

Title: Chairman of the Board, President

& Chief Executive Officer

ATLANTIC CITY SHOWBOAT, INC.
a New Jersey corporation

By: /s/ J. K. Houssels III

Name: J. Kell Houssels III

Title: Chairman of the Board

SHOWBOAT OPERATING COMPANY
a Nevada corporation

By: /s/ J. K. Houssels III

Name: J. Kell Houssels III

Title: Vice Chairman

\$120,000,000

13% Senior Subordinated Notes due 2009

of

Showboat, Inc.
Company

Ocean Showboat, Inc.
Atlantic City Showboat, Inc.
Showboat Operating Company
Guarantors

FIRST SUPPLEMENTAL INDENTURE
Dated as of May 28, 1998

To

INDENTURE
Dated as of August 10, 1994

Marine Midland Bank
As Trustee

This FIRST SUPPLEMENTAL INDENTURE, dated as of May 28, 1998 (this "Supplemental Indenture"), to the Indenture (as defined below) is by and between MARINE MIDLAND BANK, as Trustee (the "Trustee"), and SHOWBOAT, INC., a Nevada corporation (the "Company") and OCEAN SHOWBOAT, INC, a New Jersey corporation, ATLANTIC CITY SHOWBOAT, INC. a New Jersey corporation, and SHOWBOAT OPERATING COMPANY, a Nevada corporation (collectively, the "Guarantors").

RECITALS

A. The Company and the Guarantors are a party to that certain Indenture dated as of August 10, 1994 (the "Indenture"), pursuant to which the Company's 13% Senior Subordinated Notes due 2009 (the "Notes") were originally issued.

B. Section 9.02 of the Indenture provides that, with the consent of at least a majority in principal amount of the outstanding Notes, the Company and the Trustee may amend the Indenture and the Notes as set forth below, subject to the provisions of Sections 6.04 and 6.07 thereof.

C. Pursuant to an Agreement and Plan of Merger, dated as of December 18, 1997, by and between the Company, Harrah's Entertainment, Inc., a Delaware corporation ("Harrah's"), HEI Acquisition Corp., a Delaware corporation and an indirect, wholly owned subsidiary of Harrah's ("HEI"), subject to certain conditions, HEI will be merged with and into the Company (the "Merger"), with the Company being the surviving corporation in the Merger and as a result thereof, the Company will become an indirect, wholly owned subsidiary of Harrah's.

D. In connection with the Merger, Harrah's Operating Company, Inc., a Delaware corporation and a wholly owned subsidiary of Harrah's ("HOC"), has offered to purchase any and all of the Notes for cash, upon the terms and subject to the conditions set forth in that certain Offer to Purchase and Consent Solicitation Statement dated May 13, 1998 and accompanying Letter of Transmittal and Consent as supplemented (collectively, the "Offer to Purchase").

E. Under the terms of the Offer to Purchase) holders that tender Notes in accordance with the terms of the Offer to Purchase and who deliver a duly executed Letter of Transmittal and Consent are deemed to consent to certain amendments to the Indenture which would permanently delete or amend certain of the covenants, events of default and other related provisions of the Indenture (the "Proposed Amendments").

F. In accordance with the terms of the Indenture, holders of in excess of a majority in principal amount of the Notes have tendered their Notes and consented to the Proposed Amendments to be effected by this Supplemental Indenture.

G. The Company has authorized the execution and delivery of this Supplemental Indenture and the Trustee has received an Opinion of Counsel pursuant to Sections 9.06 and 12.04 of the Indenture and an Officers' Certificate of the Company pursuant to Sections 9.06 and 12.04 of the Indenture, and therefore the Company and the Trustee are authorized to execute and deliver this Supplemental Indenture.

H. All other conditions precedent and requirements necessary to make this Supplemental Indenture when duly executed and delivered, a valid and binding agreement, enforceable in accordance with its terms (subject to the provisions of this Supplemental Indenture becoming operative as provided in Section 2 below), have been performed and fulfilled.

NOW, THEREFORE, the parties hereto agree as follows (defined terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the indenture):

1. Amendments to Indenture.

1.1 Deletions.

(a) The text contained in each of the following Sections of the Indenture is hereby deleted in its entirety and replaced, in each case, with "Intentionally omitted."

Section 4.05 (Taxes); Section 4.06 (Stay, Extension and Usury Laws); Section 4.07 (Restricted Payments); Section 4.08 (Dividend and Other Payment Restrictions Affecting Subsidiaries), Section 4.09 (Incurrence of Indebtedness and Issuance of Disqualified Stock), Section 4.10 (Asset Sales); Section 4.11 (Transactions With Affiliates); Section 4.12 (Liens); Section 4.13 (Additional Subsidiary Guarantees); Section 4.14 (Redesignation of Non-Recourse Subsidiary); Section 4.15 (Offer to Purchase upon Change of Control); Section 4.16 (Corporate Existence); Section 4.17 (Line of Business); Section 4.18 (No Senior Subordinated Indebtedness); Section 4.19 (Escrow Agent).

1.2 Amendments. The following Sections of the Indenture are hereby amended as set forth below:

1.2.1 Section 4.03. Reports. Section 4.03 of the Indenture is hereby amended to read in its entirety as follows' "The Company shall at all times comply with TIA Section 314(a)."

1.2.2 Section 4.04. Compliance Certificate. Section 4.03 of the Indenture is hereby amended by deleting "(including with respect to any Restricted Payments made during such year, the basis upon which the calculations required by Section 4.07 were computed, which calculations may be based on the Company's latest available financial statements)" from clause (a), and deleting clauses (b) and (c) and replacing them with "(b) Intentionally omitted."

1.2.3 Section 5.01. Merger. Consolidation or Sale of Assets. Section 5.01 of the Indenture is hereby amended by deleting the text contained in clause (a)(iv) and replacing it with "Intentionally omitted;" deleting the text contained in clause (a)(v) and replacing it with "Intentionally omitted," and deleting the text contained in clause (a)(vi) and replacing it with "Intentionally omitted."

1.2.4 Section 6.01. Events of Default. Section 601 of the Indenture is hereby amended by deleting the text contained in clauses (e), (f) and (g) and, in each case, replacing such deleted text with "Intentionally omitted;".

1.2.5 Section 1.01. Definitions. All definitions set forth in Section 1.01 of the Indenture that relate to defined terms used solely in sections deleted hereby are deleted in their entirety.

2. Confirmations Effectiveness. As amended by this Supplemental Indenture, the Indenture and the Notes are ratified and confirmed in all respects and the Indenture as so amended shall be read, taken and construed as one and the same instrument. The provisions of this Supplemental Indenture shall become operative only upon the Acceptance Date, as defined in the Offer to Purchase. This Supplemental Indenture may be executed in any number of counterparts, each of which counterparts together shall constitute but one and the same instrument.

3. Trust Indenture Act. If and to the extent that any provision of this Supplemental Indenture limits, qualifies or conflicts with another provision included in this Supplemental Indenture or in the Indenture, which is required to be included in this Supplemental Indenture or the Indenture by the Trust Indenture Act of 1939, as amended (the "TIA"), such required provision of the TIA shall control.

4. Exchanged Notes. Pursuant to Section 9.05 of the Indenture, all Notes authenticated and delivered after the date hereof in exchange for or in lieu of any Notes theretofore issued shall have imprinted or stamped thereon a legend in substantially the following form:

"The Indenture has been amended pursuant to a First Supplemental Indenture dated as of May 27, 1998, copies of which are available from the Company or the Trustee."

5. Governing Law. This Supplemental Indenture shall be deemed governed by, and construed in accordance with, the internal laws of the State of New York, but without giving effect to applicable principles of conflicts of law thereof to the extent that the application of the laws of another jurisdiction would be required thereby.

6. Rights of Trustee Without limiting any other protections or rights afforded the Trustee at Law, by contract or otherwise, the Trustee will be entitled to the full benefits afforded by Sections 7.02 and 7.03 of the Indenture in connections with its execution and delivery of this Supplemental Indenture. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity and sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company.

IN WITNESS WHEREOF, the parties have caused this Supplemental Indenture to be duly executed as of the date first written above.

SHOWBOAT, INC.,
a Nevada corporation

By: /s/ J. K. Houssels III

Name: J. Kell Houssels III

Title: President & Chief Executive Officer

MARINE MIDLAND BANK
as Trustee

By: _____
Name: _____
Title: _____

OCEAN SHOWBOAT, INC.
a New Jersey corporation

By: /s/ J. K. Houssels III

Name: J. Kell Houssels III

Title: President & Chief Executive Officer

ATLANTIC CITY SHOWBOAT, INC.
a New Jersey corporation

By: /s/ J. K. Houssels III

Name: J. Kell Houssels III

Title: Chairman of the Board

SHOWBOAT OPERATING COMPANY
a Nevada corporation

By: /s/ J. K. Houssels III

Name: J. Kell Houssels III

Title: Vice Chairman

EMPLOYMENT AGREEMENT

AGREEMENT, dated as of June 1, 1998 (this "Agreement"), by and between Harrah's Entertainment, Inc., a Delaware corporation (the "Company"), and J. Kell Houssels, III (the "Executive").

W I T N E S S E T H

WHEREAS, the Executive has heretofore been President and Chief Executive Officer of Showboat, Inc., a Nevada corporation ("Showboat");

WHEREAS, Showboat will merge with HEI Acquisition Corp., ("HEI") an indirect wholly-owned subsidiary of the Company pursuant to the Agreement and Plan of Merger, dated December 18, 1997, (the "Merger Agreement") by and between the Company, Showboat and HEI, whereupon Showboat will be a wholly-owned subsidiary of the Company.

WHEREAS, the Company desires to employ the Executive as the President of Showboat and the Company's Showboat Division, and the Executive desires to provide his services to the Company in such capacity, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties set forth below, intending to be legally bound hereby, the parties hereby agree as follows:

1. Employment. Subject to all of the terms and conditions set forth in this Agreement, the Company agrees to employ the Executive as the President of Showboat and the Company's Showboat division, and the Executive hereby accepts such employment. Executive will be an employee of Harrah's Operating Company, Inc. in Nevada. The term of employment contemplated hereby shall commence on the date of the Filing of the Articles of Merger between Showboat and HEI with the Nevada Secretary of State (the "Commencement Date") and shall end on the fourth anniversary of the date hereof, unless sooner terminated as hereinafter provided (the "Term").

2. Duties; Location.

(a) During the Term, the Executive shall perform all duties and functions reasonably appurtenant to the office of

President of Showboat and the Company's Showboat Division, and as reasonably directed by the Board of Directors or Chief Executive Officer of the Company. The Executive hereby agrees that he will devote substantially all of his working time, attention, knowledge and skills, faithfully, diligently, and to the best of his ability, in furtherance of the business of the Company and as otherwise necessary to such employment.

(b) It is also the intention of the parties that the Executive shall serve as a director of the Company for the term ending not earlier than the annual stockholders' meeting of the Company in 2001, whether or not the Executive's employment is earlier terminated. Such service will be subject to the Company's certificate of incorporation, bylaws and provisions of Delaware law. Such election shall occur at a meeting of the Company's Board of Directors on or before July 31, 1998. The Executive shall be entitled to no additional remuneration for serving on the Board or as an officer or director of any other subsidiary unless the Executive's employment is terminated prior to the end of the Executive's terms as a director of the Company, in which event the Executive shall then commence to receive all benefits provided to non-employee directors of the Company.

(c) Executive shall be based in Las Vegas, Nevada unless the parties mutually agree otherwise.

(d) Anything herein to the contrary notwithstanding, nothing shall preclude the Executive from engaging in charitable, community and business affairs, managing his personal investments and serving as a member of boards of directors of industry associations or non-profit or for profit organizations and companies so long as such activities do not materially interfere with the Executive carrying out his duties and responsibilities under the Agreement and are not competitive or in conflict with the Company's business per the Company's Conflict of Interest policy.

3. Compensation.

(a) Salary. During the Term, the Executive shall receive an annual base salary of \$350,000, payable every two weeks and subject to applicable withholding requirements. The Executive's salary shall be subject to appropriate increases pursuant to the Company's compensation policy for senior executives assigned to salary grade #33.

(b) During the Term, the Executive shall participate in the Company's Annual Management Bonus Plan (the "Bonus Plan"), as amended from time to time, or in any successor incentive bonus

plans or programs applicable to senior executives that may be adopted from time to time by the Company. For each year that the Executive is employed as of December 31, the Executive's target award under the Bonus Plan shall be equal to fifty percent (50%) of his annual salary. The maximum bonus available under the Bonus Plan for any year shall be one hundred percent (100%) of the Executive's annual salary. The amount of such award to the Executive shall be calculated with reference to the attainment by the Company and by the Executive of performance goals for the relevant year, which goals shall be established pursuant to the Bonus Plan. Executive's 1998 bonus will be pro-rated for the number of months he is employed by the Company during 1998.

(c) Stock Options. The Executive shall be eligible for participation in the Company's Stock Option Plan, as amended from time to time, and in any other equity compensation plans applicable to senior executives that may be adopted from time to time by the Company. Under the Company's Stock Option Plan, the Executive shall be entitled to an annual grant of options to purchase 70,400 shares of common stock par value \$.10 per share of the Company (the "Common Stock") which grant will be made on or about July 30, 1998 if the Merger closes prior to that date. If the closing is later, the grant will be made as soon as practicable after the closing. The initial grant of 70,400 options shall vest in equal tranches (17,600 of such options per tranche) and become exercisable on January 1 of each 1999, 2000, 2001 and 2002. Each such stock option shall have a per share exercise price of one hundred percent (100%) of the fair market value of the common stock on the date such option is granted. After 1998, Executive will be eligible for annual 'long term' compensation grants per the terms and operation of the Company's long term compensation plan as and when applicable to executives of his grade level.

(d) Employment Benefit Programs.

(1) During the Term, the Executive and his dependents shall be entitled, per the payment provisions applicable to other senior executives of the Company, to participate in all medical, surgical, hospitalization, long term disability, life, dental and visual insurance coverage now or hereafter made available by the Company to its senior executives in Las Vegas or where he is employed by the Company.

(2) During the Term, the Executive shall be entitled to participate in all employee incentive programs of the Company now or hereafter made available to the Company's senior executives or salaried employees generally, as such programs may be in effect from time-to-time, including, without limitation, pension and other retirement plans, profit-sharing plans and holidays.

(3) During the Term, the Executive shall be entitled to the maximum PTO (paid time off) allowed for Company executives in Memphis at his grade level. He will be able to accrue and cash in PTO time per the same plan that applies to other executives.

(4) As of the Commencement Date, the Executive has accrued 285.33 hours of vacation time and 48 hours of sick leave time. The Executive shall be entitled to transfer 80 hours of accrued vacation time and 48 hours of accrued sick leave time to the Company's PTO plan which shall be treated in accordance with Section 3(d)(3) hereof. In addition, upon the termination of the employment of the Executive for any reason the Executive shall be entitled to receive cash in the amount of \$192.31 per hour for the portion of the 205.33 hours of accrued vacation time that remains unused on the Date of Termination (as defined below).

(5) During the Term, the Executive shall be eligible for \$7,500 annual allowance for executive financial counseling.

(6) During the Term, the Executive shall be eligible for the Company's Executive Deferred Compensation Plan and Deferred Compensation Plan.

(e) Expenses. During the Term, the Executive shall be entitled to receive reimbursement for all reasonable first-class travel and business expenses incurred by him (in accordance with the policies and procedures of the Company) in performing services hereunder, provided that the Executive promptly and properly accounts therefor in accordance with the Company's expense reimbursement policies.

4. Termination.

(a) Termination Without Cause. Executive may terminate his employment upon at least 30 days prior written notice to the Company. The Company may terminate Executive's employment upon at least 30 days prior written notice to Executive.

(1) If, on or prior to the first anniversary of the Commencement Date, (x) the Company terminates the employment of the Executive other than (i) for Cause (as defined in Section 4(c) below) or (ii) on account of the death of the Executive or (y) the Executive terminates his employment for any reason, the Executive shall receive a payment of \$1.1 million payable in cash on the Date of Termination (as defined below) and the parties shall enter into a consulting and non-compete agreement in the form attached as hereto Annex A. In addition, the Executive shall receive the payments described in Section 3(d)(4) hereof.

(2) If, after the first anniversary of the Commencement Date, but prior to the expiration of the Term, the Company terminates the employment of the Executive other than (i) for Cause (as defined in Section 4(c) below) or (ii) on account of the death or Disability (as defined in Section 4(c) below) of the Executive, the Executive shall continue to receive his salary set forth in Section 3(a) for a period of eighteen (18) months following such termination but will no longer participate in incentive bonus and equity compensation plans including those under 2(b) and (c) of this Agreement. In all cases, Executive shall receive payment of salary through the Date of Termination (as defined below). In addition, the Executive shall receive the payments described in Section 3(d)(4) hereof.

(b) Other Termination. In the event that the employment of the Executive is terminated (i) due to the death or, after the first anniversary of the Commencement Date, the Disability of the Executive, (ii) by the Company for Cause or (iii) by the Executive after the first anniversary of the Commencement Date, the Executive shall have no right to receive any compensation hereunder after the Date of Termination except for the payments described in Section 3(d)(4) hereof.

(c) Definitions. For purposes of this Agreement, (i) "Disability" shall mean the inability (as determined by the Board of Directors of the Company in its sole discretion) of the Executive, as a result of incapacity due to physical or mental illness or disability, to perform his duties with the Company for six consecutive months or shorter periods aggregating six months during any twelve-month period; and (ii) "Cause" shall mean the occurrence of one or more of the following events: (A) any embezzlement or intentional misappropriation by the Executive of any property of the Company or its affiliates (including any violation of Section 5 of this Agreement), (B) the denial, revocation or suspension of a license, qualification or certificate of suitability to the Executive by any federal, state, local or tribal gaming authority to which the Company is now subject or may be subject during the Term (collectively, the "Gaming Authorities") or (C) the Executive's conviction or entry of a plea of nolo contendere in respect of any felony, or of a misdemeanor which results in or is reasonably expected to result in economic or reputational injury, to the Company or any of its respective subsidiaries or affiliates.

(d) Notice of Termination. Any termination of the Executive's employment by the Company (other than a termination due to the death of the Executive) shall be communicated by a written notice of termination (the "Notice of Termination") in accordance with the notice provisions hereof.

(e) Date of Termination. For purposes of this Agreement, the "Date of Termination" shall mean (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated due to Disability, ten days after delivery to the Executive of the Notice of Termination, (iii) if the Executive's employment is terminated due to his resignation, on the date of such resignation, and (iv) in any other case, the date specified in the Notice of Termination.

5. Proprietary Information; Non-Disclosure. In the course of his service to the Company and Showboat, the Executive has had and shall continue to have access to confidential business and financial documents, product, marketing, supplier and customer data, budgets, projections, expansion plans and other business information, software and other intellectual property developed by the Company, Showboat or their affiliates, all of which are confidential and proprietary. Such information shall hereinafter be called "Proprietary Information" and shall include any and all items enumerated in the preceding sentence to which the Executive has had or may have access, whether previously existing, now existing or arising hereafter, whether or not conceived or developed by others or by the Executive alone or with others during the period of his service to the Company and its predecessors, and whether or not conceived or developed during regular working hours; provided, however, that "Proprietary Information" shall not include (i) any information which is in the public domain, provided such information is not in the public domain as a consequence of disclosure by the Executive in violation of this Agreement or any other nondisclosure obligation and (ii) any information that becomes available to the Executive after he ceases to be an employee of the Company on a nonconfidential basis from a source other than the Company or any of its affiliates. The Executive shall not at any time, before or after the Term, disclose, directly or indirectly (except as required by law and after consultation with the Company), any Proprietary Information to any person or entity other than (A) the Company or its affiliates or (B) in the course of the Executive's service to the Company.

6. Severability. The provisions of this Agreement are severable, and the invalidity of any provision shall not affect the validity of any other provision. It is the intention of the parties that this Agreement be enforced to the fullest extent permitted and, therefore, in the event that any provision of this Agreement or the application thereof is held to be unenforceable in any jurisdiction because of the duration or scope thereof, the parties hereto agree that the court or panel of arbitrators making such determination shall have the power to reduce the

duration and scope of such provision to the extent necessary to make it enforceable, and that the Agreement in its reduced form shall be valid and enforceable to the full extent permitted by law, but no such reduction shall affect the enforceability of the express terms hereof in any other jurisdiction.

7. Notices. Any and all notices or any other communication provided for herein shall be made in writing by hand-delivery, first-class mail (registered or certified, with return receipt requested), or overnight air courier guaranteeing next day delivery, effective upon receipt, to the address of the party appearing under his or its name below (or to such other address as may be designated in writing by such party): (i) if to the Executive, to: J. Kell Houssels, III, 3720 Howard Hughes Parkway, Suite 200, Las Vegas, Nevada, 89109, and (ii) if to the Company to: Harrah's Entertainment Company, 1023 Cherry Road, Memphis, TN 38117, Attn: Secretary.

8. Miscellaneous.

(a) Entire Agreement. This Agreement supersedes any other agreement, whether written or oral, that may have been made or entered into between the parties hereto and constitutes the entire agreement by the parties related to the matters specified herein.

(b) Prior Agreement. This Agreement supersedes the Severance Agreement dated November 1, 1994, between Showboat and the Executive (the "Severance Agreement") and neither party thereto shall have any further obligation thereunder, provided, however, that the Severance Agreement shall be in full force and effect until the Commencement Date.

(c) Amendment; Waiver. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is agreed to in writing signed by the Executive and a duly authorized officer of the Company (other than the Executive). No waiver by any party hereto at any time of any breach of another party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of any other provision hereof or any prior or subsequent breach of such provision.

(d) Assignment. This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns. This Agreement and all rights hereunder are personal to the Executive and may not be assigned or delegated by him without the prior express written consent of the Board of Directors of the Company, and any purported assignment or delegation without such consent shall be void and of no effect.

(e) Captions. Captions herein have been inserted solely for convenience of reference and in no way define, limit or describe the scope or substance of any provision of this Agreement.

(f) Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Nevada without giving effect to the conflict of laws provisions thereof.

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

[signature page follows]

IN WITNESS WHEREOF, the parties have signed and delivered this Agreement
as of the date first above written.

HARRAH'S ENTERTAINMENT, INC.

By: /s/ Stephen H. Brammell

Name: Stephen H. Brammell
Title: Vice President

/s/ J. Kell Houssels, III

J. Kell Houssels, III

CONSULTING AND NON-COMPETITION AGREEMENT

THIS AGREEMENT, dated as of the ____ day of _____, 1998, by and between Harrah's Entertainment, Inc., a Delaware corporation, whose principal place of business is 1023 Cherry Road, Memphis, Tennessee 38117 (hereinafter referred to as "Harrah's") and J. Kell Houssels, III, an individual, whose residence address is 5353 W. Desert Inn #2013, Las Vegas, Nevada 89102 (hereinafter referred to as "Consultant").

RECITALS

A. Consultant was an employee of Harrah's pursuant to an Employment Agreement dated as of _____, 1998.

B. Consultant's employment was terminated and Harrah's desires to engage Consultant as an independent contractor to render consulting services for Harrah's and its subsidiaries and affiliates upon the terms and conditions set forth herein.

C. Consultant desires to be engaged by Harrah's as an independent contractor to render consulting services to Harrah's upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants, promises and agreements contained herein, and intending to be legally bound hereby, the parties hereto covenant and agree that the Recitals are true and correct and further agree as follows:

SECTION 1

Consulting Services

A. Term of Engagement. Harrah's hereby engages Consultant, and Consultant hereby accepts his engagement by Harrah's, as an independent contractor, to render services in the capacity of a consultant, subject to the terms and conditions set forth herein for a period of 1 year, commencing as of the first day after Consultant's employment with Harrah's terminated (the "Commencement Date"), and terminating as of the 366th day thereafter (the "Term").

B. Consulting Services.

(i) The Consultant's services to be rendered hereunder shall include, but not be limited to, the advising, directing, and/or assisting with or the partial or complete handling of the matters described on Exhibit A attached hereto (collectively, these duties shall be referred to as the "Consulting Services").

(ii) The Consultant shall diligently and conscientiously devote the necessary time and attention to the Consulting Services; provided, however, that the time commitment required of the Consultant in undertaking and completing the Consulting Services shall not exceed, in the aggregate, 875 hours during the Term. In the event that the parties reasonably anticipate that the Consulting Services shall require more than 875 hours during the Term, then the parties shall mutually agree upon additional compensation for the anticipated additional time required.

(iii) Phil Satre, as Chief Executive Officer or a successor Chief Executive Officer ("Satre") shall have the exclusive authority to communicate requests for Consulting Services desired of the Consultant. After such request, Satre and the Consultant will mutually agree and approve a reasonable schedule for the performance of the requested Consulting Services which approval shall not be unreasonably withheld by either party.

(iv) Notwithstanding Section I(B)(i) above, in no event shall the Consulting Services include or require Consultant to (a) relocate or (b) travel outside the continental United States of America except to Australia.

C. Reimbursements. Consultant will incur out-of-pocket expenses including ordinary and necessary expenses such as travel, communication charges, copy costs, mailing and courier service costs, secretarial costs and the like in performing the Consulting Services hereunder for which he will be promptly reimbursed by Harrah's. Consultant shall provide a detailed accounting, with supporting documentation, of such expenses on a monthly or more frequent basis.

D. Independent Contractor. Consultant is entering into this Agreement and in the performance of his duties hereunder as an independent contractor. No term or condition under this Agreement nor any manner or method of payment hereunder shall create any relationship between Harrah's and Consultant other than as expressed in this Section I(D). Consultant shall not in any way, at any time, or under any circumstances, be, or be construed to be, an employee, partner or joint venturer of Harrah's.

Section II

Non-Competition

A. Non-Competition. The Consultant acknowledges that reasonable limits on his ability to engage in activities competitive with the Company are warranted. Accordingly, the Consultant hereby covenants and agrees that during the Term, he shall not, without the express prior written consent of the Company, directly or indirectly, own, manage, operate, control, bid for, advise (or advise others with respect to) or otherwise participate in, or be connected with, or become or act as a partner, manager, member, director, officer, employee, consultant, representative or agent of, any business, individual, partnership, firm, corporation (other than the Company), limited liability company or other entity which is in competition with, or is otherwise engaged anywhere in the United States of America or Australia in the same business as, the business of the Company and its subsidiaries as conducted on the date hereof (which business includes the gaming and casino operations as presently conducted and as presently proposed to be conducted); provided, however, that the Consultant may purchase or own, solely as a passive investor, the securities of any entity if (i) such securities are publicly traded on a nationally-recognized stock exchange or on the Nasdaq Stock Market and (ii) the aggregate holdings of such securities by the Consultant and his immediate family do not exceed five percent of the voting power or one percent of the capital stock of such entity.

B. No Solicitation. The Consultant hereby agrees that during the Term he shall not, directly or indirectly, for his own account or jointly with another, or for or on behalf of any entity, as principal, agent or otherwise, (i) solicit or induce or in any manner attempt to solicit or induce any person employed by or acting as a consultant to or agent of the Company or any of its direct or indirect subsidiaries to leave such position or (ii) interfere with, disrupt or attempt to disrupt any relationship, contractual or otherwise, between the Company or any of its subsidiaries any any of the customers, clients or suppliers of the Company or any of its direct or indirect subsidiaries.

Section III

Compensation

A. Consulting and Non-Competition Fees. For and in complete consideration of Consultant's full and faithful performance of the Consulting Services and obligations, duties

and non-competition covenants under this Agreement, Harrah's agrees to pay Consultant compensation in the amount of Eight Hundred Thousand Dollars (\$800,000.00) of which \$400,000 shall be paid in respect of the non-competition covenant (the "Non-Competition Fees") on the Commencement Date in funds immediately available and \$400,000 shall be paid in respect of the Consulting Services (the "Consulting Fee") in 12 equal installments, in funds immediately available, as follows:

(i) The first installment of the Consulting Fee shall be paid on the Commencement Date.

(ii) The second through the twelfth installment of the Consulting Fee shall be paid on the first day of each successive 30 day period following the Commencement Date.

B. Taxes. Consultant shall be solely responsible for and shall pay when due all federal, state and local income taxes and all other taxes due on his behalf for any compensation or benefit received under this Agreement, including, without limitation, all federal withholding taxes, FICA and Social Security, and any worker's compensation premiums.

C. Insurance. Until the later of the end of the Term or two years after the date hereof, at its sole expense, Harrah's shall provide Consultant with complete and uninterrupted medical, dental, vision, life and disability insurance as elected by Consultant, with available coverages substantially equivalent to the insurance coverages offered by Harrah's to its senior executives. To the extent required by the Internal Revenue Code of 1986, as amended, as determined by Harrah's counsel to maintain the tax qualification of its plans, the premium cost of such medical, dental, vision, and life insurance provided to Consultant will be taxable income to Consultant and Harrah's will provide a Form 1099 to Consultant reporting this income. This coverage is in lieu of COBRA rights (other than for spouse and dependent COBRA coverage for a maximum period of 36 months from the date hereof).

Section IV

Termination

A. This Agreement, the non-competition covenant in Section II and the engagement of Consultant by Harrah's and, subject to Section IV(B) below, any installment fees payable to Consultant shall terminate prior to the expiration of the Term, upon the occurrence of any one of the following events except the non-

competition covenant will not terminate until the end of the Term upon Consultant's disability or upon termination of this Agreement upon the events described in Section IV (A) (ii) or (iv):

(i) Upon Consultant's death, disability or incapacity;

(ii) Consultant's continuing or repeated breach of any material terms and conditions of this Agreement following written notice to Consultant of such breach and following a thirty (30) day period to cure such breach;

(iii) Upon thirty (30) days written notice from Harrah's to Consultant; or

(iv) The denial, revocation or suspension of a license, qualification or certificate of suitability to Consultant by any Gaming Regulatory Agency (as defined in Section V) because of any action or failure to act by Consultant that Harrah's reasonably believes, as a result of a communication or action by any Gaming Regulatory Agency or on the basis of consultation with its gaming counsel and/or professional advisers, will likely cause any Gaming Regulatory Agency to: (A) fail to license, qualify and/or approve Harrah's or an Affiliate to own or operate a gaming business; (B) grant any such licensing, qualification and/or approval only upon terms and conditions which are unacceptable to Harrah's or an Affiliate; (C) significantly delay any such licensing, qualification and/or approval process; (D) discipline Harrah's or an Affiliate; or (E) revoke or suspend any existing license of Harrah's or an Affiliate. "Affiliate" shall mean Harrah's or any of its subsidiaries.

B. In the event that this Agreement is terminated prior to the expiration of the Term pursuant to Section IV(A)(iii) above, Harrah's obligations pursuant to (i) Section III(A), regarding payment of the Consulting Fee and the Non-Competition Fee and (ii) Section III(C), regarding insurance coverage, shall not be abrogated and Harrah's shall make the installment payments of the Consulting Fee at the times specified in Section III(A) and continue all insurance coverage as provided in Section III(C).

C. For purposes of this Agreement, determination of the disability or incapacity of the Consultant shall be made by the normal or attending physician of the Consultant.

Section V

Regulatory Compliance

Consultant and Harrah's acknowledge and agree that any gaming authority whose jurisdiction Harrah's or any Affiliate is subject to ("Gaming Regulatory Agency") may assert a right to review and approve this Agreement, as well as a right to insist that Consultant be licensed. Consultant and Harrah's each agree to comply expeditiously with all such requests from any Gaming Regulatory Agency. Harrah's shall pay all related costs and expenses incurred in connection with such investigations and proceedings pertaining to Consultant while Consultant remains engaged by Harrah's pursuant to this Agreement, except disciplinary or enforcement proceedings against Consultant. Consultant and Harrah's shall comply with and be bound by all decisions, opinions and orders issued by any Gaming Regulatory Agency regarding this Agreement and any matter related thereto.

Section VI

Indemnity

Harrah's shall indemnify the Consultant and hold him harmless for all acts or decisions made by him in good faith in connection with performing the Consulting Services. Harrah's shall also use its best efforts to obtain coverage for him under any insurance policy now in force or hereinafter obtained during the term of this Agreement covering the other officers and directors of Harrah's against lawsuits. Harrah's shall pay all expenses including reasonable attorney's fees, actually and necessarily incurred by the Consultant in connection with the defense of such act, suit or proceeding, and in connection with the defense of such act, suit or proceeding, and in connection with any related appeal, including the cost of court settlements.

Section VII

Miscellaneous

A. Assignments. Neither party shall have the right to assign any rights or obligations under this Agreement without the prior written approval of the other party other than an assignment to a successor of Harrah's.

B. Attorney Fees. If either party to this Agreement breaches any of the terms hereof, that party shall pay to the non-defaulting party all of the non-defaulting party's costs and expenses, including reasonable attorney's fees, incurred by that party in enforcing the terms of this Agreement.

C. Headings. The headings have been inserted for convenience only and are not to be considered when construing the provisions of this Agreement.

D. Authority/No Violation. Harrah's represents and warrants that it is fully authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any agreement between it and any other person, firm or organization. The Consultant represents that he knows of no agreement between him and any other person, firm or organization that would be violated by the performance of his obligations under this Agreement.

E. Compliance with Laws. At all times during the term hereof, each party agrees that its actions and those of its representatives, agents and consultants will be entirely in accordance with all applicable laws, rules, ordinances and regulations of all states, countries, and municipalities in which such party conducts business. In connection with this Agreement, Consultant acknowledges that there exist certain casino gaming licenses currently issued to Harrah's and its Affiliates, the laws of which may require Harrah's to disclose private or otherwise confidential information about Consultant. Consultant agrees to refrain from all conduct that may negatively affect such licenses as well as prospective licenses.

F. Cooperation. The Parties agree to cooperate fully with each other in order to achieve the purposes of this Agreement and to take all actions not specifically described that may be required to carry out the purposes and intent of this Agreement.

G. Modification of Agreement. Any modification of this Agreement or additional obligation assumed by either party in connection with this Agreement shall be binding only if evidenced in writing signed by each party or an authorized representative of each party.

H. Notices. Any notice provided for or concerning this Agreement shall be in writing and be deemed sufficiently given when sent by certified mail, return receipt requested, Express Mail, Federal Express, or similar conventional means of expedited delivery and proof of delivery, to the respective address of each

party as set forth at the beginning of this Agreement. A copy of a notice to Harrah's shall also be provided to Harrah's General Counsel at the same address. Any change of address for notices shall be given to all parties by notice in writing the receipt of which is duly acknowledged in writing or sent certified mail to the then proper address of each other party.

I. Governing Law. It is agreed that this Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Nevada.

J. Severability. The invalidity of any portion of this Agreement will not and shall not be deemed to affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the parties agree that the remaining provisions shall be deemed to be in full force and effect as if they had been executed by both parties subsequent to the expungement of the invalid provision.

K. Survival. The obligations contained in Section VI, regarding Indemnity, shall survive the expiration, cancellation or termination, for any reason whatsoever, of this Agreement and shall continue in full force and effect.

L. Entire Agreement. This Agreement shall constitute the entire agreement between the parties with respect to the matters described herein, and any prior understanding or representation of any kind preceding the date of this Agreement shall not be binding upon either party except to the extent incorporated in this Agreement.

M. Dispute Resolution. Any and all claims, disputes, or controversies arising between the parties hereto regarding any of the terms of this Agreement or the breach thereof, on the written demand of either of the parties hereto, shall be submitted to and be determined by final and binding arbitration held in Memphis, Tennessee, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. This Agreement to arbitrate shall be specifically enforceable in any state or federal court of competent jurisdiction.

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

O. Neutral Interpretation. The provisions contained herein shall not be construed in favor of or against any party because that party or its counsel drafted this Agreement, but shall be construed as if all parties prepared this Agreement, and any rules of construction to the contrary are hereby specifically waived. The terms of this Agreement were negotiated at arm's length by the parties hereto.

P. Proprietary Information; Non-Disclosure. In the course of his service to the Company and Showboat, Inc., the Consultant has had and shall continue to have access to confidential business and financial documents, product, marketing, supplier and customer data, budgets, projections, expansion plans and other business information, software and other intellectual property developed by the Company, Showboat or their affiliates, all of which are confidential and proprietary. Such information shall hereinafter be called "Proprietary Information" and shall include any and all items enumerated in the preceding sentence to which the Consultant has had or may have access, whether previously existing, now existing or arising hereafter, whether or not conceived or developed by others or by the Consultant alone or with others during the period of his service to the Company and its predecessors, and whether or not conceived or developed during regular working hours; provided, however, that "Proprietary Information" shall not include (i) any information which is in the public domain, provided such information which is in the public domain as a consequence of disclosure by the Consultant in violation of this Agreement or any other nondisclosure obligation and (ii) any information that becomes available to the Consultant after he ceases to be an employee or Consultant of the Company on a nonconfidential basis from a source other than the Company or any of its affiliates. The Consultant shall not at any time, during or after the Term, disclose, directly or indirectly (except as required by law and after consultation with the Company), any Proprietary Information to any person or entity other than (A) the Company or its affiliates or (B) in the course of the Consultant's service to the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives and to be effective as of the date first above written.

HARRAH'S ENTERTAINMENT, INC.
a Delaware corporation

CONSULTANT

By:

Name:
Title:

J. Kell Houssels, III

Kell Houssels

Duties Under Consulting Agreement

- o advise Harrah's CEO on strategic plans;
- o advise and evaluate for the Harrah's CEO strategies for Star City;
- o advise and consult with the Harrah's CEO on Harrah's relations with key Showboat management and business associates;
- o advise Harrah's CEO regarding marketing strategies and services for key Showboat customers; and
- o such other similar projects that may be assigned by Harrah's CEO

AMENDMENT TO THE
RESTORATION PLAN FOR EMPLOYEES OF SHOWBOAT

THIS AMENDMENT to THE RESTORATION PLAN FOR EMPLOYEES OF SHOWBOAT (the "Plan") is made as of the 7th day of March, 1997.

WHEREAS, Showboat, Inc. (the "Employer") adopted the Plan, which was generally effective as of April 1, 1994; and

WHEREAS, the Employer has reserved the right to amend the Plan pursuant to Article III, Section 3.01 thereof, and

WHEREAS, the Employer wishes to amend the Plan to clarify and/or provide certain additional provisions.

NOW, THEREFORE, the Employer, intending to be legally bound, adopts this Amendment to the Plan as follows:

1. Section 1.07 is hereby amended by deleting the second sentence thereof and substituting thereof the following: "To calculate Earnings the Committee shall adopt, on an annual basis, a fixed interest rate to be effective as of the first day of each Plan Year. The Committee, or its nominee, shall notify the Participants, and those eligible to participate in the Plan, at least 45 days prior to the beginning of the next Plan Year of the new fixed interest to be used to calculate Earnings for said next Plan Year." For Plan Year 1997, Earnings shall equal Nine and One-Half (9 1/2%) Percent per annum.

2. Section 2.06 is hereby amended by the deleting the second sentence thereof and substituting thereof the following: "Earnings shall be the amount established pursuant to Section 1.07 of the Plan".

3. Section 3.05 is hereby amended by adding the following sentence to the end thereof. "The Committee is hereby authorized to annually adjust the fixed interest rate established pursuant to Section 1.07 by a duly adopted resolution consented to by a majority of the Committee, without a formal Plan amendment".

4. Section 2.08 is hereby amended by deleting said Section in its entirety and substituting thereof the following: "All vested benefits under this Plan shall be paid as follows: (I) in the event of a Participant's death, total disability or termination of employment, said benefits shall be paid out, at the Participant's option, in up to two (2) substantially equal lump sum installments, with the first lump sum payment to be made as soon as administratively possible following the death, total disability or termination of the Participant, and the second lump sum payment, if any, to be made on or about the next anniversary date of first lump sum payment, or (ii) in the event of a Participant's retirement, said benefits shall be paid out, at the Participant's option, in up to five (5) substantially equal lump sum installments, with the first lump sum payment to be made as

soon as administratively possible following the retirement of the Participant, and the second through fifth lump sum payment, if any, to be made on or about the next successive anniversary dates of said first lump sum payment. All requests for payments as set for the above shall be made on approved Plan forms".

5. Any capitalized terms herein not defined shall have the same meanings as set forth in the Plan.

The foregoing amendments shall be effective as of the 1st day of January, 1997 unless otherwise provided herein. In all other respects, the Plan is hereby reaffirmed.

IN WITNESS WHEREOF, the undersigned has adopted the foregoing amendment as of the date and year above.

ATTEST:

SHOWBOAT, INC.

/s/ Terry De Pompo

- - - - -

By: /s/ Paul S. Harris

- - - - -

Executive Vice President
Human Resources

AMENDMENT TO THE
RESTORATION PLAN FOR EMPLOYEES OF SHOWBOAT

THIS AGREEMENT to THE RESTORATION PLAN FOR EMPLOYEES OF SHOWBOAT (the "Plan") is made as of the 12th day of May, 1998.

WHEREAS, Showboat, Inc. (the "Employer") adopted the Plan, which was generally effective as of April 1, 1994; and

WHEREAS, the Employer has reserved the right to amend the Plan pursuant to Article III, Section 3.01 thereof; and

WHEREAS, the Employer wishes to amend the Plan to clarify and/or provide certain additional provisions.

NOW, THEREFORE, the Employer, intending to be legally bound, adopts this Amendment to the Plan as follows:

1. Section 2.08 is hereby amended by deleting the test of said Section in its entirety and substituting therefor the following:

"All vested benefits under this Plan shall be paid as follows:

(i) In the event of a Participant's death, total disability or termination of employment, said benefits shall be paid out in two lump sum installments as follows:

(a) One-half (1/2) of the amount in the Participant's vested Accounts shall be paid as soon as

administratively possible following the death, total disability or termination of the Participant, and

(b) The remaining balance in the Participant's vested Accounts shall be paid on or about the next anniversary date of said first lump sum payment.

(ii) In the event of a Participant's retirement, including any termination of employment determined by the Company, in its sole discretion, to be retirement, said benefits shall be paid out in five lump sum installments as follows:

(a) One-Fifth ($1/5$) of the amount in the Participant's vested Accounts shall be paid as soon as administratively possible following the retirement of the Participant;

(b) One-Fourth ($1/4$) of the remaining balance in the Participant's vested Accounts shall be paid on or about the next successive anniversary date of said first lump sum payment;

(c) One-Third ($1/3$) of the remaining balance in the Participant's vested Accounts shall be paid on or about the next successive anniversary date of said second lump sum payment;

(d) One-Half ($1/2$) of the remaining balance in the Participant's vested Accounts shall be paid on or about the next successive anniversary date of said lump sum payment.

(e) The remaining balance in the Participant's vested Accounts shall be paid on or about the next anniversary date of said fourth lump sum Payment."

2. Article IV is hereby amended by deleting the text of said Article in its entirety and substituting therefor the following:

"In the event of a Change of Control prior to a Participant's death, total disability, termination of employment or retirement, then, unless otherwise agreed to by the Company, the entire amount of vested benefits in a Participant's Accounts will be paid to the Participant as soon as administratively possible following the end of the Plan Year in which the change of control occurred. For purposes of this plan, a "Change of Control" of Showboat, Inc. ("SBI") shall be deemed to have occurred at such time as (a) any "person" (as term is used in Section 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of SBI representing 25.0% or more of the combined voting power of SBI's outstanding securities ordinarily having the right to vote at the election of directors; or (b) individuals who constitute the Board of Directors of SBI on the date hereof (the "Incumbent Board") cease for any reason to constitute at least a

majority thereof, provided that any person becoming director subsequent to the date hereof whose election was approved by at least a majority of the directors comprising the Incumbent Board, or whose nomination or election was approved by a majority of the Board of Directors of SBI serving under an Incumbent Board, shall be, for purposes of this clause (b) considered as he or she were a member of the Incumbent Board or (c) merger, consolidation or sale of all or substantially all the assets of SBI occurs, unless such merger or consolidation shall have been affirmatively recommended to SBI's stockholders by a majority of the Incumbent Board; or (d) a proxy statement soliciting proxies from Stockholder of SBI, by someone other than the current management of SBI seeking stockholder approval of a plan of reorganization, merger or consolidation of SBI, with one or more corporations as a result of which the outstanding shares of SBI's securities are actually exchanged for or converted into cash or property or securities not issued by SBI unless the reorganization, merger or consolidation shall have been affirmatively recommended to SBI's stockholder by a majority of the Incumbent Board."

3. Any capitalized terms herein not defined shall have the same meanings as set forth in the Plan.

The foregoing amendments shall be effective as of the 12th day of May, 1998, unless otherwise provided herein. In all other respects, the Plan is hereby affirmed.

IN WITNESS WHEREOF, the undersigned has adopted the foregoing amendment as of the date and year above.

ATTEST:

SHOWBOAT, INC.

By: /s/ Paul S. Harris

Title: Exec. Vice Pres. H.R.

Amendment dated April 30, 1998 to the
Harrah's Entertainment, Inc.
Executive Deferred Compensation Plan ("Plan")

Pursuant to approval by the Human Resources Committee of the Harrah's Entertainment, Inc. Board of Directors, the following proviso is added after the second sentence of Section 2.17:

"Provided, however, for a Participant who is age 50 or older upon termination of employment (or termination of salary continuation if salary continuation is given to such Participant) and who has or receives an executive employment agreement with the Company or with one of its subsidiaries, "Retirement" shall also mean involuntary termination without cause (as cause is defined in said employment agreement) on or after the date such Participant's combined age and years of credited service (which for this purpose includes any period of salary continuation) equals 65 or more."

IN WITNESS WHEREOF, this Amendment has been executed as of this 30th day of April, 1998.

Harrah's Entertainment, Inc.

By: /s/ Neil F. Barnhart

Title: Vice President

Amendment to The
Harrah's Entertainment, Inc.
1990 Stock Option Plan

Harrah's Entertainment, Inc. (the "Company") hereby adopts this Amendment to The Harrah's Entertainment, Inc. 1990 Stock Option Plan (the "Plan"), effective April 30, 1998.

Section L of the Company's 1990 Stock Option Plan is amended to add the following provision at the end thereof:

"Provided, however, the Committee shall have authority from time to time to approve the grant of a nonqualified option containing terms that extend the vesting and/or exercisability of the option grant in whole or in part for a period of time as may be approved by the Committee beyond employment termination, including during salary continuation, not to exceed the term of the option, and shall further have authority from time to time to approve such an extension for any outstanding nonqualified option where such approval occurs before or within 90 days after the date of termination of employment or the date salary continuation commences."

This Amendment was duly adopted by the Human Resources Committee of the Board of Directors of the Company on April 30, 1998.

/s/ Rebecca W. Ballou

Rebecca W. Ballou
Secretary of Harrah's
Entertainment, Inc.

Amendment to The
Harrah's Entertainment, Inc.
1990 Stock Option Plan

Harrah's Entertainment, Inc. (the "Company") hereby adopts this Amendment to The Harrah's Entertainment, Inc. 1990 Stock Option Plan (the "Plan"), effective April 30, 1998.

Section L of the Company's 1990 Stock Option Plan is amended to add the following provision at the end thereof:

"Provided, however, the Committee shall have authority from time to time to approve the grant of a nonqualified option containing terms that extend the vesting and/or exercisability of the option grant in whole or in part for a period of time as may be approved by the Committee beyond employment termination, including during salary continuation, not to exceed the term of the option, and shall further have authority from time to time to approve such an extension for any outstanding nonqualified option where such approval occurs before or within 90 days after the date of termination of employment or the date salary continuation commences."

This Amendment was duly adopted by the Human Resources Committee of the Board of Directors of the Company on April 30, 1998.

/s/ Rebecca W. Ballou

Rebecca W. Ballou
Secretary of Harrah's
Entertainment, Inc.

Description of Terms of Stock Option and

TARSAP Grants for Gary W. Loveman on April 30, 1998

Stock Options

1. Grant date will be May 4, 1998 and is contingent upon his commencement of employment on or before that date (employment commenced 5/3/98).

2. Exercise price will be the average of the high and low price of the Company's stock on May 4, 1998.

3. Annual Vesting:

Options	Vesting Date
33,500	1/1/99
50,000	1/1/00
50,000	1/1/01
41,500	1/1/02

4. Set forth on the Attachment "Gary W. Loveman, Extended Vesting/Exercisability" is a description of limited additional vesting/exercisability that can occur in the event of certain types of termination of employment.

If terminated for cause as defined in his employment agreement, no further vesting or exercisability will occur.

5. Except as modified by these terms, all other provisions of the Company's Stock Option Plan and the administrative regulations thereunder apply to Participant's options.

TARSAP Grant

1. Grant amount is 75,000 shares.
2. Grant date is May 4, 1998 and grant is contingent upon commencement of employment on or before that date (employment commenced 5/3/98). The grant is further contingent upon stockholder approval of additional shares for the Restricted Stock Plan on May 1, 1998 (approval obtained).
3. Vesting will be identical to vesting for previous TARSAP grants under the TARSAP Program, except that for March 1, 1999, his vesting will be two-thirds (.67) of any achieved performance vesting percentage; and for any annual performance vesting thereafter the incremental target will be 30% similar to other participants. See attachment "Gary Loveman - TARSAP"
4. Set forth on the Attachment "Gary W. Loveman, Extended Vesting/Exercisability" is a description of limited additional vesting that can occur in the event of certain types of employment termination.
5. Except as modified by these terms and by the Attachments, all other provisions of the Restricted Stock Plan and the administrative regulations thereunder, as modified by the TARSAP program, will be applicable to his TARSAP grant.

Gary W. Loveman

Extended Vesting/Exercisability

=====				
Years of Active Service				
=====				
Event	Benefit Plan	Less Than Two Years	Two-Three Years	Three Years +
=====				
Resigns	Stock Options	No further vesting	Next annual vesting	Next annual vesting
		No further exercisability	1 year to exercise after termination	2 years to exercise after termination

	TARSAP	No further vesting	Next vesting at CEO and HRC discretion	Next vesting at CEO and HRC discretion

Termination Without Cause	Stock Options	Next annual vesting	Next annual vesting	Next annual vesting
		1 year to exercise after termination	1 year to exercise after termination	2 years to exercise after termination

	TARSAP	Next performance vesting at CEO and HRC discretion	Next vesting at CEO and HRC discretion	Next vesting at CEO and HRC discretion

Resigns, Then Change in Control Within One Year	Stock Options	No further vesting	Next annual vesting is accelerated upon Change in Control	Next annual vesting is accelerated upon Change in Control
		No further exercisability	1 year to exercise after termination unless cashed out per merger	2 years to exercise after termination unless cashed out per merger

	TARSAP	No further vesting	Next vesting accelerated at CEO and HRC discretion	Next vesting accelerated at CEO and HRC discretion

Termination Without Cause, Then Change in Control Within One Year	Stock Options	Accelerated vesting of all remaining options upon Change in Control 1 year to exercise after termination unless cashed out per merger	Accelerated vesting of all remaining options upon Change in Control 1 year to exercise after termination unless cashed out per merger	Accelerated vesting of all remaining options upon Change in Control 2 years to exercise after termination unless cashed out per merger
	TARSAP	Accelerated vesting of all remaining shares upon Change in Control	Accelerated vesting of all remaining shares upon Change in Control	Accelerated vesting of all remaining shares upon Change in Control
* Death	Stock Options	50% vesting of remaining shares 1 year for estate to exercise after death	50% vesting of remaining shares 1 year for estate to exercise after death	50% vesting of remaining shares 1 year for estate to exercise after death
	TARSAP	No acceleration or further vesting	No acceleration or further vesting	No acceleration or further vesting
* Disability Under LTD plan	Stock Options	50% vesting of remaining shares 1 year to exercise after disability	50% vesting of remaining shares 1 year to exercise after disability	50% vesting of remaining shares 1 year to exercise after disability
	TARSAP	No acceleration or further vesting	No acceleration or further vesting	No acceleration or further vesting

Disability As Determined by HRC (not under LTD)	Stock Options	Continued vesting during 1 year salary continuation	Continued vesting during 1 year salary continuation	Continued vesting during 1 year salary continuation
		Exercisable during 1 year salary continuation	Exercisable during 1 year salary continuation	Exercisable during 1 year salary continuation
	TARSAP	Continued vesting during 1 year salary continuation	Continued vesting during 1 year salary continuation	Continued vesting during 1 year salary continuation

* These rights are the same as currently provided under the Stock Option plan and TARSAP program.

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

	Second Quarter Ended		Six Months Ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
	-----	-----	-----	-----
Income before extraordinary loss	\$ 37,019,000	\$ 25,373,000	\$ 61,922,000	\$ 42,484,000
Extraordinary loss, net	(16,613,000)	(8,134,000)	(18,280,000)	(8,134,000)
	-----	-----	-----	-----
Net income	\$ 20,406,000	\$ 17,239,000	\$ 43,642,000	\$ 34,350,000
	=====	=====	=====	=====
BASIC EARNINGS PER SHARE				
Weighted average number of common shares outstanding	100,206,703	100,549,789	100,167,488	101,125,128
	=====	=====	=====	=====
BASIC EARNINGS PER COMMON SHARE				
Income before extraordinary loss	\$ 0.37	\$ 0.25	\$ 0.62	\$ 0.42
Extraordinary loss, net	(0.17)	(0.08)	(0.18)	(0.08)
	-----	-----	-----	-----
Net Income	\$ 0.20	\$ 0.17	\$ 0.44	\$ 0.34
	=====	=====	=====	=====
DILUTED EARNINGS PER SHARE				
Weighted average number of common shares outstanding	100,206,703	100,549,789	100,167,488	101,125,128
Additional shares based on average market price for period applicable to:				
Restricted stock	280,648	19,902	256,294	964
Stock options	1,248,649	452,258	1,056,030	476,844
	-----	-----	-----	-----
Average number of common and common equivalent shares outstanding	101,736,000	101,021,949	101,479,812	101,602,936
	=====	=====	=====	=====
DILUTED EARNINGS PER COMMON AND COMMON EQUIVALENT SHARES				
Income before extraordinary loss	\$ 0.36	\$ 0.25	\$ 0.61	\$ 0.42
Extraordinary loss, net	(0.16)	(0.08)	(0.18)	(0.08)
	-----	-----	-----	-----
Net income	\$ 0.20	\$ 0.17	\$ 0.43	\$ 0.34
	=====	=====	=====	=====

5
1,000

6-MOS

DEC-31-1998
JUN-30-1998
151,881
0
82,101
15,526
15,388
281,578
2,594,454
734,656
3,138,310
253,848
1,949,061
0
0
10,129
772,532
3,138,310
0
893,081
0
738,813
0
0
44,949
103,652
37,952
61,922
0
18,280
0
43,642
0.44
0.43

1,000

9-MOS			
	DEC-31-1997		
	SEP-30-1997		
		99,782	
		0	
		46,476	
		11,394	
		12,486	
	194,997		
		2,158,358	
		655,612	
	2,033,431		
229,935			
		918,064	
	0		
		0	
		10,095	
		727,282	
2,033,431			
		0	
	1,221,240		
		0	
		1,034,001	
		0	
		13,000	
	57,901		
		162,086	
		60,978	
	95,373		
		0	
		8,134	
		0	
		87,239	
		0.87	
		0.86	

5
1,000

12-MOS
DEC-31-1996
DEC-31-1996
105,594
0
55,267
14,064
10,838
201,587
1,977,960
588,066
1,974,073
204,642
889,538
0
0
10,297
709,449
1,974,073
0
1,588,169
0
1,301,335
0
0
70,915
172,110
67,316
98,897
0
0
0
98,897
0.96
0.95

9-MOS			
	DEC-31-1996		
	SEP-30-1996		
		85,954	
		0	
		61,185	
		16,098	
		22,458	
	195,693		
		1,918,291	
		569,566	
	1,919,488		
	217,359		
		802,360	
	0		
		0	
		10,290	
		739,439	
1,919,488			
		0	
	1,213,523		
		0	
		961,829	
		34,564	
		5,848	
	51,768		
	181,836		
		70,612	
	103,737		
		0	
		0	
		0	
		103,737	
		1.01	
		1.00	

6-MOS			
	DEC-31-1996		
	JUN-30-1996		
		93,246	
		0	
		53,793	
		14,213	
		11,297	
	192,665		
		1,854,749	
		551,253	
	1,831,334		
	206,319		
		810,514	
	0		
		0	
		10,290	
		675,581	
1,831,334			
		0	
	784,322		
		0	
		614,153	
		24,213	
		4,564	
	33,595		
	109,157		
		61,783	
	61,387		
		0	
		0	
		0	
		61,387	
		0.60	
		0.59	

1,000

3-MOS			
	DEC-31-1996		
	MAR-31-1996		
		86,252	
		0	
		48,529	
		11,696	
		11,303	
	178,022		
		1,793,358	
		537,769	
	1,730,411		
	223,256		
		749,306	
	0		
		0	
		10,282	
		634,249	
1,730,411			
		0	
	383,107		
		0	
		300,122	
		9,672	
		883	
	16,579		
		56,380	
		21,383	
	31,410		
		0	
		0	
		0	
		31,410	
		0.31	
		0.30	

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
	0.77
	0.76