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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

or

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

Commission File No. 1-10410

HARRAH'S ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

None

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of January 31, 2003, based upon the closing price of $36.28 for the Common Stock on the New York Stock Exchange on that date, was $3,856,458,715.

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

As of January 31, 2003, the Registrant had 109,880,622 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2003 Annual Meeting of Stockholders, which will be filed within 120 days after the end of the fiscal year, are incorporated by reference into Part III hereof and portions of the Company's Annual Report to Stockholders for the year ended December 31, 2002 (the "Annual Report") are incorporated by reference into Parts I and II hereof.

PART I

ITEMS 1 and 2. Business and Properties.

Harrah's Entertainment, Inc., a Delaware corporation, operates 26 casinos in 13 states. We conduct our business through a wholly owned subsidiary, Harrah's Operating Company, Inc. ("HOC"), and through HOC's subsidiaries. Our principal asset is the stock of HOC, which holds, directly or indirectly through subsidiaries, substantially all of the assets of our businesses. We were incorporated on November 2, 1989, and prior to such date operated under predecessor companies. Our principal executive offices are located at One Harrah's Court, Las Vegas, Nevada 89119, telephone (702) 407-6000.

In June 2002, we acquired additional common shares of JCC Holding Company, which, together with its subsidiary, Jazz Casino Company LLC (collectively, "JCC"), owns and operates the Harrah's casino in New Orleans, Louisiana. This acquisition increased our ownership from 49% to 63%. In December 2002, we acquired the remaining shares of JCC common stock to increase our ownership to 100%. In the aggregate, we acquired the additional ownership interest in JCC for a total of $72.4 million ($10.54 per share), in addition to which we acquired approximately $45.8 million of JCC's debt, assumed approximately $28.2 million of JCC's Senior Notes, which we subsequently retired, and incurred approximately $1.9 million of acquisition costs. We financed the acquisition and retired JCC's debt with funds from various sources, including cash flows from operations and borrowings under the Company's established debt programs.

In August 2002 we opened Harrah's Rincon Casino and Resort, owned by the Rincon San Luiseno Band of Mission Indians ("Rincon") in Southern California.

With our acquisition of Harveys in 2001, we assumed a $50 million contingent liability, which was dependent on the results of a referendum that was decided by the voters in Pottawattamie County, Iowa, in November 2002. The referendum, which re-approved gaming at racetracks and on riverboats for another eight years, passed and we paid an additional $50 million in acquisition costs in fourth quarter 2002.

In December 2002, we acquired a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana. The agreement gives Harrah's a 95% ownership interest in a company that now owns both Louisiana Downs and Harrah's Shreveport. We plan to install slot machines at the racetrack and expand and renovate the entertainment facility, which will be the only land-based gaming facility in northern Louisiana. Plans call for Louisiana Downs to offer approximately 900 slot machines by the time racing season begins in June 2003, approval for which was granted by the Louisiana Gaming Control Board in February 2003. We expect to open a new permanent facility with approximately 1,500 slot machines by June 2004. We paid approximately $81.6 million, including $29.3 million in short-term notes that were paid in full in January 2003 and $6.0 million in equity interest in Harrah's Shreveport, for the interest in Louisiana Downs and approximately $0.1 million of acquisition costs. The purchase price allocation of this acquisition has not been completed, and we may adjust amounts allocated to the various components of this transaction when completed.

Information concerning the status of expansions and improvements in our other properties during 2002 is set forth below under the heading "Casino Entertainment" where specific properties are discussed.

Operating data for the three most recent fiscal years is set forth on page 16 of the Annual Report. This information is incorporated into this document by reference.

For information on operating results and a discussion of those results, see "Management's Discussion and Analysis—Operating Results and Development Plans" on pages 17 through 32 of the Annual Report, which information is incorporated into this document by reference.

This Annual Report on Form 10-K includes "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements contains words such as "may," "will," "project," "might," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue" or "pursue," or the negative or other variations thereof or comparable terminology. In particular, they include statements relating to, among other things, future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings and future financial results. We have based these forward-looking statements on our current expectations and projections about future events.

We caution the reader that forward-looking statements involve risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors as well as other factors described from time to time in our reports filed with the Securities and Exchange Commission:

- the effect of economic, credit and capital market conditions on the economy in general, and on gaming and hotel companies in particular;
- construction factors, including delays, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues;
- the effects of environmental and structural building conditions relating to our properties;
- our ability to timely and cost effectively integrate into our operations the companies that we acquire;
- access to available and feasible financing;

- changes in laws (including increased tax rates), regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies;
- litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;
- ability of our customer-tracking and yield-management programs to continue to increase customer loyalty;
- our ability to recoup costs of capital investments through higher revenues;
- acts of war or terrorist incidents;
- abnormal gaming holds; and
- the effects of competition, including locations of competitors and operating and market competition.

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. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Available Information

Our Internet address is *www.harrahs.com*. We make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

CASINO ENTERTAINMENT

General

Our casino business commenced operations in 1937. As of December 31, 2002, we owned and/or operated a total of approximately 1,547,645 square feet of casino space, 42,585 slot machines, 1,167 table games, 14,431 hotel rooms or suites, approximately 365,422 square feet of convention space, and 108 restaurants.

Summary of Property Information*

Property	Casino Space— Sq. Ft.(1)	Slot Machines	Table Games	Hotel Rooms & Suites	Convention Space— Sq. Ft.(1)	Restaurants(2)	Acres of Land(1)(3)	Parking Spaces(1)
Harrah's Las Vegas	87,700	1,529	82	2,526	30,860	7	17.7	2,720
Rio	106,971	1,280	84	2,548	94,540	11	89.0	6,293
Harrah's Reno	57,000	1,362	57	946	15,450	5	5.1	1,221
Harrah's Lake Tahoe	65,517	1,322	71	531	18,000	6	23.0	1,952
Harrah's Laughlin	47,000	1,250	40	1,561	16,000	5	44.9	2,584
Harveys Lake Tahoe	67,500	1,130	90	740	19,000	7	18.5	2,932
Bill's Lake Tahoe	18,000	514	14	—	—	1	2.1	116
Harrah's Atlantic City	127,049	4,238	73	1,630	22,498	7	35.8	3,822
Atlantic City Showboat	103,878	3,490	55	800(4)	22,454	6	20.7	3,061
Harveys Central City(5)	40,000	1,004	15	118	2,000	1	50.0	730
Harrah's Joliet	39,160	1,138	31	204	4,747	3	7.9	1,720
Harrah's Metropolis	29,600	1,200	22	120(6)	7,040	2	8.6	932
Harrah's East Chicago	49,210	1,964	65	292	4,500	3	11.0	2,812
Harrah's Council Bluffs	28,006	1,272	30	251	14,500	3	99.0	4,975
Harrah's Shreveport	28,384	1,235	32	514	18,700	4	11.2	1,805
Harrah's Lake Charles	60,000	1,531	55	264	6,000	5	34.0	2,783
Harrah's Tunica	50,000	1,214	21	201	13,464	4	88.0	2,708
Harrah's Vicksburg	20,879	665	15	117	6,793	3	10.3	996
Harrah's St. Louis	120,000	2,982	56	291	12,150	4	214.0	4,071
Harrah's North Kansas City	60,133	2,068	49	198	10,000	4	55.0	2,942
Harrah's New Orleans(7)	100,000	2,322	117	—	10,000	1	7.3	1,888
Harrah's Ak Chin(8)	38,000	475	6	146	5,100	3	20.0	892
Harrah's Prairie Band(8)	32,958	968	30	100	—	1	80.0	750
Harrah's Cherokee(8)	80,000	3,424	24	252	11,626	4	67.6	2,875
Bluffs Run Casino(9)	35,200	1,500	—	—	—	3	63.5	1,991
Harrah's Rincon(8)	55,500	1,508	33	201	—	5	65.0	2,000

* As of December 31, 2002.

(1) Approximate.

(2) Includes owned facilities and those operated by third parties.

(3) Owned, leased or occupied by agreement.

(4) Construction is under way on a 544-room hotel tower, which is expected to open in the second quarter of 2003.

(5) We have entered into an agreement to sell Harveys Central City. Closing is subject to customary regulatory approvals and is expected in the first half of 2003.

(6) A hotel is adjacent to the Metropolis facility in which the Company owns a 12.5% special limited partnership interest.

(7) Harrah's New Orleans is owned and operated by JCC and managed by a Harrah's subsidiary. In December 2002, we acquired additional shares of JCC common stock to increase our ownership to 100%.

(8) Managed.

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

OWNED CASINOS

Atlantic City, New Jersey

Harrah's Atlantic City is situated in the Marina area of Atlantic City. It consists of four hotel towers (three 16-story and one 24-story) and adjoining low-rise buildings that house the casino space and the convention center. The facilities include an 800-seat showroom and a health club with a swimming pool. We also own 174 acres of predominantly wetlands in the Brigantine area and parcels totaling approximately 6.2 acres in Atlantic City outside the Marina area. Construction was completed in 2002 on an expansion of the casino floor space and a buffet area, at an estimated cost of $180 million.

The Mardi Gras-themed Atlantic City Showboat is located on the Boardwalk in Atlantic City. Construction is under way on a new 544-room hotel tower at the Showboat, which is expected to be completed in the second quarter of 2003 at an approximate cost of $90 million.

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

Las Vegas, Nevada

Harrah's Las Vegas is located on the Las Vegas Strip and consists of a 15-floor hotel tower, a 23-floor hotel tower, two 35-floor hotel towers, and adjacent low-rise buildings. Also included are the 543-seat Commander's Theatre, a 365-seat cabaret, an arcade, a health club and a heated pool.

The Rio All-Suite Hotel & Casino is situated adjacent to Interstate 15 near the heart of the Las Vegas Strip. The carnival and Mardi Gras-themed hotel and casino has three interconnected 21-story "Ipanema Towers," a 42-story "Masquerade Tower" and nine luxury Palazzo Suites in a complex adjoining the casino. In addition, the facility contains a 2,995-seat entertainment complex, a 53,000 square foot shopping area, and a 152,600 square foot outdoor entertainment area featuring a landscaped sand beach and three swimming pools. Rio also owns the Rio Secco Golf Club in nearby Henderson, Nevada, and approximately 30 acres of undeveloped land adjacent to and across Twain Avenue from the casino.

Rio also has a showroom complex that includes a 1,500-seat, state-of-the-art theater with a balcony, a three-level lobby with hospitality center, and a theater promenade. The showroom complex

is located adjacent to the Pavilion, which is Rio's 110,000 square foot entertainment/convention complex.

The primary feeder markets for Harrah's Las Vegas are the Midwest, California and Canada. For Rio, the primary feeder market is Southern California.

Lake Tahoe, Nevada

Harrah's Lake Tahoe is situated near Lake Tahoe and consists of an 18-story tower and adjoining low-rise building. The casino hotel includes the 800-seat South Shore Showroom, a 50-seat cabaret, a health club, retail shops and a heated pool.

Harveys Resort & Casino is also located near Lake Tahoe. The facility includes two towers (17-story and 12-story) and adjoining buildings. The resort has a 250-seat showroom, a wedding chapel, retail shops, a pool, and an arcade.

We also own and operate Bill's Casino, which is located immediately adjacent to Harrah's Lake Tahoe.

The primary feeder market for these casinos is California.

Reno, Nevada

Harrah's Reno, located in downtown Reno, consists of a casino hotel complex with a 24-story two-tower structure. The facilities include the 420-seat Sammy's Showroom, a pool, a health club and an arcade.

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

Laughlin, Nevada

Harrah's Laughlin is located adjacent to a natural cove on the Colorado River and features a 378-seat showroom and a 3,000-seat outdoor amphitheater. Other amenities include a park for recreational vehicles, a health club, swimming pools, an arcade and retail shops. It is the only property in Laughlin with a developed beachfront on the River.

The casino's primary feeder markets are the Los Angeles and Phoenix metropolitan areas.

Central City, Colorado

Harveys Wagon Wheel is situated in Central City approximately 35 miles west of Denver. Additionally, we own approximately 40 acres of undeveloped land adjacent to the facility.

We have entered into an agreement to sell Harveys Central City. Closing is subject to customary regulatory approvals and is expected in the second quarter of 2003.

The primary feeder market for the casino is the Denver metropolitan area.

Joliet, Illinois

Harrah's Joliet is a dockside casino in downtown Joliet on the Des Plaines River. The casino, now located on two dockside barges, is a Las Vegas-style casino on a single floor. The shoreside facilities adjacent to the casino include a pavilion featuring a lounge and a retail shop. Harrah's Joliet also has an 11-story luxury hotel with a fitness center. The hotel is located adjacent to the shoreside pavilion. We own 1.14 acres of additional land adjacent to the facility as a site for future development.

A limited partnership, in which an indirect subsidiary of the Company is the 80 percent general partner, owns the shoreside facilities, hotel and underlying real property, the barges, and the riverboat and hotel businesses. The businesses are operated by Harrah's as general partner in the partnership. The partnership also holds an easement for the boat basin/berth.

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

East Chicago, Indiana

Harrah's East Chicago Casino is a riverboat casino operated on four different boat levels. The shoreside facilities include a pavilion. A new 292-room luxury hotel at Harrah's East Chicago was completed in February 2002 at a total cost of approximately $47 million.

The Harrah's East Chicago Casino and Hotel is owned by the Showboat Marina Casino Partnership ("SMCP"), an Indiana general partnership, in which the Company now has an almost 100% ownership interest. We acquired a 55% interest in SMCP in connection with our acquisition of Showboat in June 1998 and in February 1999 increased our ownership interest by buying out substantially all of the minority partners in SMCP. Some of the minority partners have retained the right to repurchase shares of SMCP at, essentially, the original purchase price plus interest. If this occurs, it would reduce our interest to no less than 91%.

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

Tunica, Mississippi

Harrah's Tunica is a dockside casino complex located approximately 30 miles south of downtown Memphis, Tennessee. The casino is constructed on a floating stationary barge. Shoreside facilities include a hotel, which features a 250-seat showroom and retail shops.

The dockside casino facilities are owned by a partnership that is 100% owned by the Company. The underlying land is held under a long-term lease to the partnership. Two nearby competitors and the partnership that owns Harrah's Tunica own a golf course and related facilities adjacent to Harrah's Tunica.

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

Vicksburg, Mississippi

Harrah's Vicksburg is a dockside casino entertainment complex. The facility, which is located in downtown Vicksburg on the Yazoo Diversion Canal of the Mississippi River, includes a 297-foot stationary riverboat casino designed in the spirit of a traditional 1800s riverboat. The casino is docked next to a shoreside complex, which features a seven-story hotel and retail outlet. The Company owns the riverboat and hotel and owns or holds long-term rights to all real property pertaining to the project.

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

New Orleans, Louisiana

Harrah's New Orleans is located in downtown New Orleans. It has parking for 1,888 cars and approximately 145,000 square feet of back-of-house and support areas in the basement level of the casino under the main gaming floor. The second floor of the casino premises contains approximately 150,000 square feet of unfinished multipurpose non-gaming entertainment space.

Harrah's New Orleans is owned and operated by JCC and managed by a subsidiary of the Company pursuant to a management agreement with JCC. In December 2002, we acquired the remaining shares of JCC common stock to increase our ownership to 100%.

The primary feeder market for Harrah's New Orleans casino is the New Orleans metropolitan area.

Shreveport, Louisiana

Harrah's Shreveport is a dockside casino in downtown Shreveport comprised of a 254-foot 19th-century design paddlewheeler riverboat, the ShreveStar. A pavilion adjoins the casino on the banks of the Red River. The facility includes a hotel as well as restaurants, a convention center, health spa and 430-space valet parking garage.

The casino and related facilities are owned by a partnership, with the underlying land held by the partnership under long-term leases from the City of Shreveport that expire on April 30, 2004, with eight 5-year renewal terms, for the pavilion and hotel. The partnership also leases the boat basin from the State of Louisiana under a lease that expires on July 6, 2004 with three 10-year renewal terms. As a result of our December 2002 acquisition of a controlling interest in Louisiana Downs, we own 95% of a limited liability company which owns both the partnership and Louisiana Downs.

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

North Kansas City, Missouri

Harrah's North Kansas City is a dockside casino located in North Kansas City. Shoreside facilities, which are situated on land that is under a long-term lease expiring on December 31, 2004 with four 5-year renewal terms, include a hotel and pavilion. Additional amenities include a swimming pool and an exercise room.

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

St. Louis, Missouri

Harrah's St. Louis is a dockside casino complex in Maryland Heights in northwest St. Louis County, 16 miles from downtown St. Louis. Shoreside facilities include a hotel, an entertainment lounge, restaurants and retail space. Development has begun on an expansion of Harrah's St. Louis, which will include a second hotel tower. The cost of this project is expected to be approximately $75 million.

The primary feeder market for Harrah's St. Louis is the St. Louis metropolitan area.

Metropolis, Illinois

Harrah's Metropolis is a dockside casino located in Metropolis on the Ohio River. The facility includes a 350-seat showroom.

The primary feeder markets for the Metropolis facility are southern Illinois, western Kentucky and central Tennessee.

Lake Charles, Louisiana

Harrah's Lake Charles is a dockside casino facility located in Lake Charles. The facility operates two riverboat casinos docked at a common site over waterbottoms subject to long-term leases from the

State of Louisiana that expire on July 11, 2005 and August 27, 2005, respectively, with eight 5-year renewal terms.

The primary feeder markets for the casino are southwestern Louisiana and eastern Texas, including the Houston metropolitan area.

Council Bluffs, Iowa

Harrah's Council Bluffs Casino Hotel is a riverboat casino facility located next to the Missouri River, directly across from Omaha, Nebraska, in Council Bluffs, Iowa. Amenities in the shoreside hotel include a 160-seat cabaret, a health club/spa, and a beauty salon/barber shop. Work is under way on a renovation of the hotel at an estimated cost of $8.4 million which is expected to be complete in third quarter 2003.

The primary feeder market for the casino is the Omaha, Nebraska metropolitan area.

MANAGED CASINOS

Ak-Chin, Arizona

Harrah's Phoenix Ak-Chin casino is owned by the Ak-Chin Indian Community and is located on the Community's reservation, approximately 25 miles south of Phoenix. The casino includes an entertainment lounge and a retail shop. We manage the casino for a fee under a management agreement that expires in December 2004.

The facility includes a 146-room resort hotel, which we manage for a fee under a management agreement that expires in December 2004.

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

Cherokee, North Carolina

We manage the Harrah's Cherokee Smoky Mountains Casino for the Eastern Band of Cherokee Indians on their reservation in Cherokee, North Carolina. The facility includes a multi-purpose entertainment room with approximately 1,500 theater-style seats and two gift shops. We manage the casino for a fee under a management contract expiring in November 2004.

A 15-story, 252-room hotel and convention center connected to the casino via an elevated skywalk opened in second quarter 2002. It includes 11,626 square feet of convention and conference space, retail and dining space, a 700-space parking structure, a health club, and an indoor pool/spa. Construction was completed in fourth quarter 2002 on approximately 22,000 square feet of casino space. We have guaranteed a loan in an approximate amount of $123 million in connection with these expansions and refinancing of existing debt.

The casino's primary feeder markets are eastern Tennessee, western North Carolina, as well as northern Georgia and South Carolina.

Topeka, Kansas

Harrah's Prairie Band Casino-Topeka, located approximately 17 miles north of Topeka is managed by the Company for the Prairie Band Potawatomi Nation ("Prairie Band") on land owned by the Prairie Band. In addition to the casino and hotel, the complex includes an entertainment lounge and a gift shop. The facilities are managed by the Company for a fee under a management contract expiring in January 2008.

Construction is expected to begin later this year on a $55 million expansion project which will add 198 hotel rooms, a 12,000 square foot convention center and a restaurant to the facility.

Topeka and Wichita, Kansas are the primary feeder markets for the casino.

Bluffs Run, Iowa

We own the assets, other than gaming equipment, comprising the Bluffs Run Casino, a dog racing facility located in Council Bluffs, Iowa. We lease these assets to the Iowa West Racing Association ("IWRA"), a nonprofit corporation which, as required by Iowa law, holds the facility's gaming and pari-mutuel licenses and owns the facility's gaming equipment. We manage the facility for the IWRA for a fee. The management agreement and other rights associated with this property were acquired in connection with the Harveys acquisition and expire in October 2024. In addition to management fees, we receive lease income from the facility, which includes wagering on the on-site greyhound racetrack and a recreational vehicle park for 123 vehicles.

Rincon, California

Harrah's Rincon Casino and Resort, located less than 50 miles north of San Diego, opened for business in August 2002. We manage the casino and hotel for the Rincon San Luiseno Band of Mission Indians pursuant to an agreement that expires in August 2007. The facility has 55,500 square feet of gaming space and a 201-room hotel. Funding for the project was provided under a $125 million loan guaranteed by the Company. We also loaned the Band $29.2 million (which has since been repaid) to enable it to operate a temporary casino pending the opening of the permanent casino.

The primary feeder markets for the casino are San Diego, La Jolla, Del Mar, Escondido and Orange County, California.

OTHER

We own and operate Bluegrass Downs, a harness racetrack located in Paducah, Kentucky, which we acquired as part of the Players acquisition. The track holds live racing meets each fall, as well as year-round simulcasting of horse racing events. In addition, we manage a greyhound racing track in Council Bluffs, Iowa. The underlying property of this racetrack is owned by the Company and leased to the operator for whom we manage the operation.

We also own a one-third interest in Turfway Park LLC, which is the owner of the Turfway Park thoroughbred race track located on 197 acres in Boone County, Kentucky, and 47 acres of undeveloped land in the vicinity of the Turfway Park race track, which are currently held for sale. Turfway Park LLC owns a minority interest in Kentucky Downs LLC, which is the owner of the Kentucky Downs race track located on approximately 262 acres in Simpson County, Kentucky. In the event casino gaming is established in Kentucky, we hold certain management rights, directly or through Turfway Park LLC, at both Turfway Park and Kentucky Downs.

In December 2002, we acquired a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana. The agreement gives Harrah's a 95% ownership interest in a limited liability company that now owns both Louisiana Downs and Harrah's Shreveport. We plan to install slot machines at the racetrack and expand and renovate the entertainment facility, which will be the only land-based gaming facility in northern Louisiana. Plans call for Louisiana Downs to offer approximately 900 slot machines by the time racing season begins in June 2003, approval for which was granted by the Louisiana Gaming Control Board in February 2003. We expect to open a new permanent facility with approximately 1,500 slot machines by June 2004.

PATENTS AND TRADEMARKS

We own the following trademarks used in this document: Harrah's®; Rio®; Showboat®; Bill's®; Harveys®, Total Rewards®, Bluffs Run®, Wagon Wheel®; Louisiana Downs℠; Palazzo Suites℠; Sammy's Showroom℠; North Star℠, ShreveStar℠, South Shore Showroom℠ and Rio Secco Golf Club®. Trademark rights are perpetual provided that the mark remains in use by the Company. We consider all of these marks, and the associated name recognition, to be valuable to our business. We hold five U.S. patents covering the technology associated with our Total Rewards program-U.S. Patent No. 5,613,912 issued March 25, 1997, expiring April 5, 2015 (which is the subject of a license agreement with Mikohn Gaming Corporation); U.S. Patent No. 5,761,647 issued June 2, 1998, expiring May 24, 2016; U.S. patent No. 5,809,482 issued September 15, 1998, expiring September 15, 2015; U.S. patent No. 6,003,013 issued December 14, 1999, expiring May 24, 2016; and U.S. Patent No. 6,183,362, issued February 6, 2001, expiring May 24, 2016. We consider these patents to be

valuable to our business, and we have initiated a suit against a competitor casino company seeking to enforce several of these patents. The defendant counterclaimed, in part seeking to declare these patents invalid and unenforceable. While we expect to prevail in the litigation, a finding that such patents are invalid or unenforceable could adversely affect our business or operations.

COMPETITION

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

In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas. In major casino destinations, such as Las Vegas and Atlantic City, we face competition from other markets in addition to direct competition within our market areas.

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

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

Moreover, the casino entertainment industry is subject to political and regulatory uncertainty. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Effects of Current Economic and Political Conditions" on page 29 and portions of "Management's Discussion and Analysis —Operating Results" and "—Regional Results and Development Plans" on pages 17 through 25 of the Annual Report, which information is incorporated into this document by reference.

GOVERNMENTAL REGULATION

Gaming Regulation

The gaming industry is highly regulated and we must maintain our licenses and pay gaming taxes to continue our operations. Each of our casinos is subject to extensive regulation under the laws, rules and regulations of the jurisdiction where it is located or docked. These laws, rules and regulations generally concern the responsibility, financial stability and character of the owners, managers, and persons with financial interests in the gaming operations. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions.

A more detailed description of the regulations to which we are subject is contained in Exhibit 99 to this Annual Report on Form 10-K, which Exhibit is incorporated herein by reference.

Other Regulations

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

EMPLOYEE RELATIONS

Harrah's Entertainment, through its subsidiaries, has approximately 42,000 employees. Labor relations with employees are believed by management to be good.

Our subsidiaries have collective bargaining agreements covering approximately 6,850 employees. These agreements relate to certain casino, hotel and restaurant employees at Harrah's Atlantic City, Harrah's Las Vegas, Rio, Harrah's East Chicago, Showboat Atlantic City and Harrah's New Orleans.

ITEM 3. Legal Proceedings.

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

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

Not applicable.

PART II

ITEM 5. Market for the Company's Common Stock and Related Stockholder Matters.

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

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

	High	Low
2002		
First Quarter	$ 45.39	$ 34.95
Second Quarter	51.35	41.70
Third Quarter	49.24	39.51
Fourth Quarter	50.60	37.65
2001		
First Quarter	$ 33.24	$ 23.44
Second Quarter	38.29	27.50
Third Quarter	36.02	22.00
Fourth Quarter	37.51	25.02

The approximate number of holders of record of our Common Stock as of January 31, 2003, was 9,526.

We have not declared any cash dividends in the past two years. We do not presently intend to declare cash dividends. Our Board of Directors may reevaluate this dividend policy in the future in light of our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board.

ITEM 6. Selected Financial Data.

See the information for the years 1998 through 2002 set forth under "Financial and Statistical Highlights" on page 16 of the Annual Report, which information is incorporated herein by reference.

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

See the information set forth on pages 17 through 32 of the Annual Report, which information is incorporated herein by reference.

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

We are exposed to market risk, primarily changes in interest rates. We do not currently hold or issue derivative financial instruments for trading purposes and do not enter into derivative transactions that would be considered speculative positions. We attempt to limit our exposure to interest rate risk by managing the mix of our debt between fixed rate and variable rate obligations. Of our approximate $3.8 billion total debt at December 31, 2002, $1.5 billion is subject to variable interest rates, which averaged 2.3% at December 31, 2002. Assuming a constant outstanding balance for our variable rate debt for the next twelve months, a hypothetical 1% increase in interest rates would increase interest expense for the next twelve months by approximately $14.6 million.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents notional amounts and weighted average interest rates by contractual maturity dates.

	2003	2004	2005	2006	2007	Thereafter	Total	Fair Value(1)
	(Dollars in millions)							
Liabilities								
Short-term debt								
Variable rate	$ 31.0	$ –	$ –	$ –	$ –	$ –	$ 31.0	$ 31.0
Average interest rate	2.4%	–%	–%	–%	–%	–%	2.4%	
Short-term debt								
Fixed rate	29.3	–	–	–	–	–	29.3	29.3
Average interest rate	3.0%	–%	–%	–%	–%	–%	3.0%	
Long-term debt								

Fixed rate	1.5	1.6	751.7	1.7	500.1	1,082.7	2,339.3	2,606.4
Average interest rate	7.5%	7.5%	7.9%	7.3%	7.1%	7.7%	7.6%	
Variable rate	–	1,425.2	–	–	–	–	1,425.2	1,425.2
Average interest rate	–	2.3%	–%	–%	–%	–%	2.3%	

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

Our long-term variable rate debt reflects borrowings under revolving credit and letter of credit facilities provided to us by a consortium of banks with a total capacity of $1.857 billion. The interest rates charged on borrowings under these facilities are a function of the London Inter-Bank Offered Rate, or LIBOR and prime rate. As such, the interest rates charged to us for borrowings under the facilities are subject to change as LIBOR changes.

Foreign currency translation gains and losses were not material to our results of operations for the year ended December 31, 2002. We sold our management contract for a casino in a foreign country in January 2000. As a result of this transaction, we no longer have any ownership interests in businesses in foreign countries. Accordingly, we are not currently subject to material foreign currency exchange rate risk from the effects that exchange rate movements of foreign currencies would have on our future operating results or cash flows.

We also hold investments in various available-for-sale equity securities. Our exposure to price risk arising from the ownership of these investments is not material to our consolidated financial position, results of operations or cash flows.

ITEM 8. Financial Statements and Supplementary Data.

See the information set forth on pages 34 through 55 of the Annual Report, which information is incorporated herein by reference.

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

See our Current Reports on Form 8-K filed with the Securities and Exchange Commission on May 3, 2002 and February 4, 2003.

PART III

ITEM 10. Directors and Executive Officers.

Directors

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

Executive Officers

Name and Age	Positions and Offices Held and Principal Occupations or Employment During Past 5 Years
Philip G. Satre (53)	Director since 1990, Chairman of the Board since January 1997. Chief Executive Officer from April 1994 through December 2002. Member of three-executive Office of the President (1999-2001), and President (1991-1999). He is also a director of TABCORP Holdings Limited, an Australia public company in the leisure and entertainment business, and JDN Realty Corporation, a real estate development and asset management company.
Gary W. Loveman (42)	Director since 2000; Chief Executive Officer since January 2003; President since April 2001. Chief Operating Officer from May 1998 to January 2003; member of the three-executive Office of the President from May 1999 to April 2001; Executive Vice President from May 1998 to May 1999. Mr. Loveman was Associate Professor of Business Administration, Harvard University Graduate School of Business Administration from 1994 to 1998, where his responsibilities included teaching MBA and executive education students, research and publishing in the field of service management, and consulting and advising large service companies. He is also a director of Coach, Inc., a designer and marketer of high quality handbags and women's and men's accessories, and Ventas, Inc., a healthcare real estate investment trust.
Charles L. Atwood (54)	Senior Vice President and Chief Financial Officer since April 2001, Treasurer since October 1996. Vice President from October 1996 to April 2001.
John M. Boushy (48)	Senior Vice President, Operations Products & Services and Information Technology since February 2001, Chief Information Officer from February 2001 to January 2003. Senior Vice President Brand Operations and Information Technology from 1999 to

	2001, Senior Vice President Information Technology and Marketing Services from 1993 to 1999.
Stephen H. Brammell (45)	Senior Vice President and General Counsel since July 1999. Secretary since November 2002 and from May 2000 to February 2001. Vice President and Associate General Counsel from 1997 to 1999; Associate General Counsel from 1993 to 1997.
Janis L. Jones (53)	Senior Vice President, Communications/Government Relations since November 1999. Mayor of Las Vegas, Nevada, from 1991 to 1999.
Richard E. Mirman (37)	Senior Vice President, New Business Development and Chief Marketing Officer since January 2003; Senior Vice President, Marketing from April 2000 to January 2003; Vice President, Relationship Marketing from 1998 to 2000. Consultant in the financial and health services group for Booz-Allen & Hamilton, New York, a management and technology consulting firm, from 1994 to 1998.

Timothy J. Wilmott (44)	Chief Operating Officer since January 2003; Eastern Division President from 1997 to January 2003.
Marilyn G. Winn (50)	Senior Vice President, Human Resources since May 1999. Senior Vice President and General Manager of Harrah's Shreveport from 1997 to 1999; Director of Slot Operations of Harrah's Las Vegas from 1995 to 1997.

Audit Committee Financial Expert Disclosure

Our Board of Directors has determined that each of the members of our Audit Committee is an "audit committee financial expert" as defined by the Securities and Exchange Commission. Each of them is also independent as that term is defined by the listing requirements of the New York Stock Exchange.

Code of Ethics

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

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

ITEM 11. Executive Compensation.

See the information set forth in the sections of the Proxy Statement entitled "Compensation of Directors," "Summary Compensation Table," "Option Grants in the Last Fiscal Year," "Aggregated Option Exercises in 2002 and December 31, 2002 Option Values" and "Certain Employment Arrangements", which sections are incorporated herein by reference.

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

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

Equity Compensation Plan Information

	(a)	(b)	(c)
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans(1)**

Equity compensation plans approved by stockholders(2)	8,814,597	$ 31.30	4,431,877
Equity compensation plans not approved by stockholders(3)	189,675	47.03	10,325
Total	9,004,272	31.63	4,442,202

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

(2) Includes the Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan

(3) Includes the Harrah's Entertainment, Inc. 2001 Broad-Based Stock Incentive Plan, a description of which is set forth in Note 15 to the consolidated financial statements set forth on pages 34 through 54 of the Annual Report. The 2001 Broad-Based Stock Incentive Plan is intended to qualify as a "broadly-based" plan under Section 312.03 of the New York Stock Exchange Listed Company Manual.

ITEM 13. Certain Relationships and Related Transactions.

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

ITEM 14. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Within 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective.

There have not been any significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation described above. We determined that there were no significant deficiencies or material weaknesses, and therefore no corrective actions were taken.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

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

Report of Independent Public Accountants.

Consolidated Balance Sheets as of December 31, 2002 and 2001.

Consolidated Statements of Operations for the Years Ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for the Years Ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2001 and 2000.

2. Schedules for the years ended December 31, 2002, 2001 and 2000, are as follows:

No.	
II	Consolidated valuation and qualifying accounts

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

* Incorporated by reference from pages 33 through 55 of the Annual Report.

3. Exhibits

No.	
2(1)	Stock Purchase Agreement dated as of April 24, 2001 by and among Harrah's Entertainment, Inc., Colony HCR Voteco, LLC, Colony Investors III, L.P., and Harveys Casino Resorts. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 13, 2001, File No. 1-10410.)
2(2)	Agreement and Plan of Merger dated July 30, 2002 among Harrah's Operating Company, Inc., Satchmo Acquisition, Inc. and JCC Holding Company. (Incorporated by reference from the Company's Schedule 13D/A filed August 2, 2002, File No. 5-54911.)
3(1)	Certificate of Incorporation of The Promus Companies Incorporated; Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated April 29, 1994; Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated May 26, 1995; and Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated June 30, 1995, changing its name to Harrah's Entertainment, Inc. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, filed March 6, 1996, File No. 1-10410.)
**3(2)	Bylaws of Harrah's Entertainment, Inc., as amended November 12, 2002.
4(1)	Rights Agreement dated as of October 5, 1996, between Harrah's Entertainment, Inc. and The Bank of New York, which includes the form of Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc. as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Special Shares as Exhibit C. (Incorporated by reference from the Company's Current Report on Form 8-K, filed August 9, 1996, File No. 1-10410.)
4(2)	First Amendment, dated as of February 21, 1997, to Rights Agreement between Harrah's Entertainment, Inc. and The Bank of New York. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
4(3)	Second Amendment, dated as of April 25, 1997, to Rights Agreement, dated as of October 25, 1996, between Harrah's Entertainment, Inc. and The Bank of New York. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed May 13, 1997, File No. 1-10410.)
4(4)	Letter to Stockholders dated July 23, 1997 regarding Summary of Rights To Purchase Special Shares As Amended Through April 25, 1997. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, filed August 13, 1997, File No. 1-10410.)
4(5)	Certificate of Elimination of Series B Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)

4(6)	Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
10(1)	Five Year Loan Agreement dated as of April 30, 1999 among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc. and Marina Associates, as Borrowers, The Lenders, Syndication Agent, Document Agents and Co-Documentation Agents and Bank of America National Trust and Savings Association, as Administrative Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, File No. 1-10410.)
10(2)	First Amendment, dated as of April 3, 2000, to the Five Year Loan Agreement among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc. and Marina Associates, as Borrowers, The Lenders, Syndication Agent, Document Agents and Co-Documentation Agents and Bank of America National Trust and Savings Association, as Administrative Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, Filed No. 1-10410.)
10(3)	Form of Second Amendment, dated as of April 26, 2001, to the Five year Loan Agreement among Harrah's Entertainment, Inc. as Guarantor, Harrah's Operating Company, Inc. and Marina Associates, as Borrowers, The Lenders, Syndication Agent, Document Agents and Co-Documentation Agents and Bank of America National Trust and Savings Association (now known as Bank of America, N.A., as Administrative Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 13, 2001, File No. 1-10410.)
10(4)	Form of Amended and Restated 364-Day Loan Agreement dated as of April 26, 2001 among Harrah's Entertainment, Inc. as Guarantor, Harrah's Operating Company, Inc. and Marina Associates, as Borrowers, The Lenders, Syndication Agent, Documentation Agents and Bank of America, N.A., as Administrative Agent (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 13, 2001, File No. 1-10410.)
10(5)	Second Amended and Restated 364-Day Loan Agreement dated April 25, 2002 among Harrah's Entertainment, Inc. as Guarantor, Harrah's Operating Company, Inc. as Initial Borrower, The Lenders, Syndication Agent, Documentation Agents and Co-Documentation Agents and Bank of America, N.A. as Administrative Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 13, 2002, File No. 1-10410.)

10(6)	First Amendment, dated as of April 3, 2000, to the 364 Day Credit Agreement among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc. and Marina Associates, and Red River Entertainment of Shreveport, Partnership in Commendam, as Borrowers, The Lenders, Syndication Agent, Document Agents and Co-Documentation Agents and Bank of America National Trust and Savings Association, as Administrative Agent; Request for Extension to the Short Term Loan Agreement (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, Filed No. 1-10410.)

10(7)	Form of Guaranty and Loan Purchase Agreement dated as of May 1, 2001 made by Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and Harrah's NC Casino Company, LLC, as Guarantors. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.)
10(8)	Form of Put Agreement made and entered into as of July 11, 2001 by and among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and HCAL Corporation (collectively, the "Purchasers") and Wells Fargo Bank, National Association, as Administrative Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.)
10(9)	Indenture, dated as of December 9, 1998, among Harrah's Operating Company, Inc. as Issuer, Harrah's Entertainment, Inc., as Guarantor and IBJ Schroder Bank & Trust Company, as Trustee relating to the $7^{7}/_{8}$% Senior Subordinated Notes Due 2005. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)
10(10)	Indenture, dated as of December 18, 1998, among Harrah's Operating Company, Inc. as obligor, Harrah's Entertainment, Inc., as Guarantor, and IBJ Schroder Bank & Trust Company, as Trustee relating to the $7^{1}/_{2}$% Senior Notes Due 2009. (Incorporated by reference from the Company's Registration Statement on Form S-3 of Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc., File No. 333-69263, filed December 18, 1998.)
10(11)	Indenture, dated as of January 29, 2001, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Bank One Trust Company, N.A., as Trustee, relating to the 8.0% Senior Notes Due 2011. (Incorporated by reference from the Company's Annual Report on Form 10-K filed on March 28, 2001, File No. 1-10410.)
10(12)	Indenture, dated as of June 14, 2001, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Firstar Bank, N.A., as Trustee, relating to the $7^{1}/_{8}$% Senior Notes due 2007. (Incorporated by reference from the Company's Registration Statement on Form S-4 of Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc., File No. 333-68360, filed August 24, 2001.)
10(13)	Registration Rights Agreement, dated January 29, 2001 among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Salomon Smith Barney, Inc., on behalf of the Initial Purchasers, relating to the 8.00% Senior Notes Due 2011. (Incorporated by reference from the Company's Annual Report on Form 10-K filed on March 28, 2001, File No. 1-10410.)
10(14)	Registration Rights Agreement, dated June 14, 2001 among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Salomon Smith Barney, Inc., on behalf of the Initial Purchasers, relating to the $7^{1}/_{8}$% Senior Notes due 2007. (Incorporated by reference from the Company's Registration Statement on Form S-4 of Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc., File No. 333-68360, filed August 24, 2001.)

10(15)	Issuing and Paying Agent Agreement, dated as of May 19, 2000, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Bank One, National Association, as issuing and paying agent; Corporate Commercial Paper Master Note in favor of Cede & Co., as nominee of The Depository Trust Company, by Harrah's Operating Company, Inc., as Issuer, and Bank One, N.A., as Paying Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
10(16)	Commercial Paper Dealer Agreement, dated as of May 3, 2000, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Banc of America Securities LLC, as Dealer. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
10(17)	Commercial Paper Dealer Agreement, dated as of May 3, 2000, among Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and Credit Suisse First Boston Corporation, as Dealer. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
10(18)	Tax Sharing Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, filed August 14, 1995, File No. 1-10410.)

†10(19)	Form of Indemnification Agreement entered into by The Promus Companies Incorporated and each of its directors and executive officers. (Incorporated by reference from the Company's Registration Statement on Form 10, File No. 1-10410, filed on December 13, 1989.)
†10(20)	Financial Counseling Plan of Harrah's Entertainment, Inc. as amended January 1996. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, filed March 6, 1996, File No. 1-10410.)
†10(21)	The Promus Companies Incorporated 1996 Non-Management Director's Stock Incentive Plan dated April 5, 1995. (Incorporated by reference from the Company's Proxy Statement for the May 26, 1995 Annual Meeting of Stockholders, filed April 25, 1995.)
†10(22)	Amendment dated February 20, 1997 to 1996 Non-Management Director's Stock Incentive Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed May 13, 1997, File No. 1-10410.)
†10(23)	Amendment dated as of November 15, 2000 to the Harrah's Entertainment, Inc. Non-Management Directors Stock Incentive Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K filed on March 28, 2001, File No. 1-10410.)
†10(24)	Description of Amendments to Benefits for Non-Management Directors, effective February 21, 2001. (Incorporated by reference from page 11 of the Company's Proxy Statement for the May 3, 2001 Annual Meeting of Shareholders, filed March 27, 2001.)

†10(25)	Summary Plan Description of Executive Term Life Insurance Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
†10(26)	Description of Executive Life Insurance Plan effective September 1, 2001. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.)
†10(27)	Executive Supplemental Savings Plan dated February 21, 2001. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed May 11, 2001, File No. 1-10410.)
†10(28)	First Amendment, dated May 2, 2001, to the Executive Supplemental Savings Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 13, 2001, File No. 1-10410.)
†10(29)	2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan, amended and restated effective April 1, 2001. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.)
†10(30)	Second Amendment to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan approved November 13, 2001. (Incorporated by reference from the Company's Annual Report on form 10-K for the fiscal year ended December 31, 2001 filed March 8, 2002, File No. 1-10410.)
**†10(31)	Third Amendment dated January 1, 2003 to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan.
†10(32)	Employment Agreement dated as of September 4, 2002, between Harrah's Entertainment, Inc. and Philip G. Satre. (Incorporated by reference from the Company's Annual Report on Form 10-Q filed November 12, 2002, File No. 1-10410.)
**†10(33)	Severance Agreement dated January 1, 2003, entered into with Philip G. Satre.
†10(34)	Amendment, dated as of May 9, 2001, to Deferred Compensation Agreement dated October 1, 1986, between Philip G. Satre and Harrah's Operating Company, Inc. successor to Harrah's Club, as amended January 1, 1987 and December 13, 1993. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 13, 2001, File No. 1-10410.)
†10(35)	Employment Agreement dated as of September 4, 2002, between Harrah's Entertainment, Inc. and Gary W. Loveman. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 2002, File No. 1-10410.)
**†10(36)	Severance Agreement dated January 1, 2003 entered into with Gary W. Loveman.
†10(37)	Employment Agreement dated June 22, 2001 between Harrah's Operating Company, Inc. and Charles Atwood. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed March 8, 2002, File No. 1-10410.)

†10(38)	Severance Agreement dated April 23, 2001 between Harrah's Entertainment, Inc. and Charles L. Atwood. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 13, 2001, File No. 1-10410.)
**†10(39)	Severance Agreement dated January 1, 2003, commencing January 1, 2004, entered into with Charles L. Atwood.
†10(40)	Form of Employment Agreement dated April 1, 1998, between Harrah's Entertainment, Inc. and John M. Boushy. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)
†10(41)	Addendum dated April 1, 1998, to Employment Agreement between Harrah's Entertainment, Inc. and John M. Boushy. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)
†10(42)	Amendment to Employment Agreement, dated August 2, 2000, between Harrah's Operating Company, Inc. and John M. Boushy. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
†10(43)	Amendment to Employment Agreement, dated April 30, 2001, between Harrah's Operating Company, Inc. and John M. Boushy. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 13, 2001, File No. 1-10410.)
**†10(43)(a)	Employment Agreement dated March 1, 2003 between Harrah's Operating Company, Inc. and John Boushy.
†10(44)	Form of Severance Agreement dated October 29, 1998 entered into with John M. Boushy. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed March 10, 1998, File No. 1-10410.)
**†10(45)	Severance Agreement dated January 1, 2003, commencing January 1, 2004, entered into with John M. Boushy.
†10(46)	Employment Agreement dated July 30, 1999, between Harrah's Operating Company, Inc. and Stephen H. Brammell. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 1999, File No. 1-10410.)
†10(47)	Amendment to Employment Agreement dated August 2, 2000, between Harrah's Operating Company, Inc. and Stephen H. Brammell. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
†10(48)	Severance Agreement dated July 30, 1999, between Harrah's Entertainment, Inc. and Stephen H. Brammell. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 1999, File No. 1-10410.)
**†10(49)	Severance Agreement dated January 1, 2003, commencing January 1, 2004, entered into with Stephen H. Brammell.

†10(50)	Employment Agreement dated November 1, 1999, between Harrah's Operating Company, Inc. and Janis L. Jones. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed March 13, 2000, File No. 1-10410.)
†10(51)	Amendment to Employment Agreement, dated August 2, 2000, between Harrah's Operating Company, Inc. and Janis L. Jones. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
†10(52)	Severance Agreement dated November 1, 1999, between Harrah's Entertainment, Inc. and Janis L. Jones. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed March 13, 2000, File No. 1-10410.)
**†10(53)	Severance Agreement dated January 1, 2003, commencing January 1, 2004, entered into with Janis L. Jones.
**†10(54)	Employment Agreement, dated January 1, 2003, between Harrah's Operating Company, Inc. and Richard E. Mirman.
†10(55)	Severance Agreement, dated April 27, 2000, between Harrah's Entertainment, Inc. and Richard Mirman. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
**†10(56)	Severance Agreement dated January 1, 2003, commencing January 1, 2004, entered into with Richard E. Mirman.
**†10(57)	Employment Agreement dated as of September 4, 2002, between Harrah's Entertainment, Inc. and Timothy J. Wilmott.
**†10(58)	Severance Agreement dated January 1, 2003, entered into with Timothy J. Wilmott.
†10(59)	Employment Agreement dated May 7, 1999, between Harrah's Operating Company, Inc. and Marilyn G. Winn. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, File No. 1-10410.)

†10(60)	Amendment to Employment Agreement, dated August 2, 2000, between Harrah's Operating Company, Inc. and Marilyn G. Winn. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
†10(61)	Severance Agreement dated May 7, 1999, between Harrah's Entertainment, Inc. and Marilyn G. Winn. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, File No. 1-10410.)
**†10(62)	Severance Agreement dated January 1, 2003, commencing January 1, 2004, entered into with Marilyn G. Winn.
†10(63)	2001 Restatement of Harrah's Entertainment, Inc. Savings and Retirement Plan, effective January 1, 2002. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed May 9, 2002, File No. 10410.)

†10(64)	The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, filed August 11, 1994, File No. 1-10410.)
†10(65)	Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Stock Option Plan as adjusted on December 12, 1996. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
†10(66)	Amendment, dated February 26, 1998, to the Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 1998, filed May 14, 1998, File No. 1-10410.)
†10(67)	Amendment, dated April 30, 1998, to the Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, filed August 7, 1998, File No. 1-10410.)
†10(68)	Amendment, dated October 29, 1998, to the Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)
†10(69)	The Promus Companies Incorporated 1990 Restricted Stock Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1989, filed March 28, 1990, File No. 1-10410.)
†10(70)	Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Restricted Stock Plan. (Incorporated by reference from the Company's Proxy Statement for the May 26, 1995 Annual Meeting of Stockholders, filed April 25, 1995.)
†10(71)	Amendment, dated February 26, 1998, to the Harrah's Entertainment, Inc. 1990 Restricted Stock Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 1998, filed May 14, 1998, File No. 1-10410.)
†10(72)	Amendment, dated April 30, 1998, to the Harrah's Entertainment, Inc. 1990 Restricted Stock Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, filed August 7, 1998, File No. 1-10410.)
†10(73)	Amendment, dated October 29, 1998, to the Harrah's Entertainment, Inc. 1990 Restricted Stock Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)
†10(74)	Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated October 27, 1995. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, filed March 6, 1996, File No. 1-10410.)

†10(75)	Amendment to Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated December 12, 1996. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
†10(76)	Administrative Regulations, effective July 25, 2001, of the Harrah's Entertainment, Inc. Long-Term Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.)
†10(77)	Deferred Compensation Plan dated October 16, 1991. (Incorporated by reference from Amendment No. 2 to the Company's and Embassy's Registration Statement on Form S-1, File No. 33-43748, filed March 18, 1992.)

†10(78)	Amendment, dated May 26, 1995, to The Promus Companies Incorporated Deferred Compensation Plan. (Incorporated by reference from the Company's Current Report on Form 8-K, filed June 15, 1995, File No. 1-10410.)
†10(79)	Amendment dated April 24, 1997, to Harrah's Entertainment, Inc.'s Deferred Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, filed August 13, 1997, File No. 1-10410.)
†10(80)	Amendment dated as of November 15, 2000 to the Harrah's Entertainment, Inc. Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K filed on March 28, 2001, File No. 1-10410.)
**†10(81)	Amendment dated as of February 26, 2003 to the Harrah's Entertainment, Inc. Deferred Compensation Plan.
†10(82)	Amended and Restated Executive Deferred Compensation Plan dated as of October 27, 1995. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, filed March 6, 1996, File No. 1-10410.)
†10(83)	Amendment dated April 24, 1997 to Harrah's Entertainment, Inc.'s Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, filed August 13, 1997, File No. 1-10410.)
†10(84)	Amendment dated April 30, 1998 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, filed August 7, 1998, File No. 1-10410.)
†10(85)	Amendment dated October 29, 1998 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)
†10(86)	Description of Amendments to Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, filed November 13, 1997, File No. 1-10410.)

†10(87)	Restated Amendment, dated July 18, 1996, to Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
†10(88)	Amendment dated as of November 15, 2000 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K filed on March 28, 2001, File No. 1-10410.)
†10(89)	Amendment dated as of February 21, 2001 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed May 11, 2001, File No. 1-10410.)
**†10(90)	Amendment dated as of January 1, 2003 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan.
†10(91)	Letter Agreement with Wells Fargo Bank Minnesota, N.A., dated August 31, 2000, concerning appointment as Escrow Agent under Escrow Agreement for deferred compensation plans. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
†10(92)	Amendment to Escrow Agreement, dated April 26, 2000, between Harrah's Entertainment, Inc. and Wells Fargo Bank Minnesota, N.A., Successor to Bank of America, N.A. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
10(93)	Trust Agreement dated June 20, 2001 by and between Harrah's Entertainment, Inc. (the "Company") and Wells Fargo Bank Minnesota, N.A. (the "Trustee"). (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 9, 2001, File No. 1-10410.)
†10(94)	Time Accelerated Restricted Stock Award Plan ("TARSAP") program dated December 12, 1996. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
†10(95)	Amendment to Harrah's Entertainment, Inc. 1990 Stock Option Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, File No. 1-10410.)
†10(96)	Amendment to Harrah's Entertainment, Inc. 1990 Stock Option Plan, dated as of February 23, 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
†10(97)	Harrah's Entertainment, Inc. Senior Executive Incentive Plan approved by the Stockholders on April 27, 2000, following approval by the Company's Human Resources Committee of the Board of Directors on February 23, 2000, and the Board of Directors on February 24, 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)

†10(98)	TARSAP Deferral Plan dated July 28, 1999. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 1999, Filed No. 1-10410.)

†10(99)	TARSAP Deferral Plan—Deferral Agreement dated August 30, 1999, between Harrah's Entertainment, Inc. and Philip G. Satre. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 1999, Filed No. 1-10410.)
†10(100)	TARSAP Deferral Plan—Deferral Agreement dated June 29, 2001, between Harrah's Entertainment, Inc. and Stephen H. Brammell. (Incorporated by reference from the Company's Annual Report on form 10-K for the fiscal year ended December 31, 2001, filed March 8, 2002, File No. 1-10410.)
†10(101)	TARSAP Deferral Plan—Deferral Agreement dated May 7, 2001, between Harrah's Entertainment, Inc. and Marilyn G. Winn. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, filed March 8, 2002, File No. 1-10410.)
**†10(102)	TARSAP Deferral Plan—Deferral Agreement dated August 30, 2002, between Harrah's Entertainment, Inc. and Stephen H. Brammell.
†10(103)	Time Accelerated Restricted Stock Award Plan II (TARSAP II) approved by the Human Resources Committee of the Board of Directors on April 26, 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
†10(104)	Description of amendment to Time Accelerated Restricted Stock Program (TARSAP II) approved by the Human Resources Committee of the Board of Directors on July 26, 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
†10(105)	Harrah's Entertainment, Inc.'s Restated Annual Management Bonus Plan dated February 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed May 12, 2000, File No. 1-10410.)
†10(106)	Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan approved by the Company's stockholders on May 3, 2001. (Incorporated by reference from the Company's Registration Statement on Form S-8 of Harrah's Entertainment, Inc., File No. 333-63856, filed June 26, 2001.)
**†10(107)	Amendment dated as of January 1, 2003 to the Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan.
10(108)	Form of Four Year Unconditional Minimum Guaranty Agreement for Four Fiscal Year Period Beginning April 1, 2001 and Ending March 31, 2005, entered into as of March 31, 2001 by the Company in favor of the State of Louisiana. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed May 11, 2001, File No. 1-10410.)
**10(109)	Harrah's Entertainment, Inc. Code of Business Conduct and Ethics for Principal Officers, adopted February 26, 2003.
**11	Computations of per share earnings.
**12	Computations of ratios.
**13	Portions of Annual Report to Stockholders for the year ended December 31, 2002. (Filed herewith to the extent portions of such report are specifically incorporated herein by reference.)

**21	List of subsidiaries of Harrah's Entertainment, Inc.
**99	Description of Governmental Regulation.

** Filed herewith.

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

(b) The following reports on Form 8-K were filed by the Company during the fourth quarter of 2002 and thereafter through March 7, 2003:

(i) Form 8-K filed October 22, 2002, regarding third quarter earnings.

(ii)

Form 8-K filed December 12, 2002, regarding the acquisition of JCC Holding Company.

(iii) Form 8-K filed February 4, 2003, regarding the re-audit of the Company's 2001 financial statements by Deloitte & Touche LLP.

(iv) Form 8-K filed February 5, 2003, regarding fourth quarter and full year results for 2002.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HARRAH'S ENTERTAINMENT, INC.

Dated: March 7, 2003 By: /s/ GARY W. LOVEMAN

Gary W. Loveman,
Chief Executive Officer and President

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

Signature	Title	Date
/s/ BARBARA T. ALEXANDER Barbara T. Alexander	Director	March 7, 2003
/s/ FRANK J. BIONDI, JR. Frank J. Biondi, Jr.	Director	March 7, 2003
/s/ JOE M. HENSON Joe M. Henson	Director	March 7, 2003
/s/ RALPH HORN Ralph Horn	Director	March 7, 2003
/s/ GARY W. LOVEMAN Gary W. Loveman	Director, Chief Executive Officer and President	March 7, 2003
/s/ R. BRAD MARTIN R. Brad Martin	Director	March 7, 2003
/s/ GARY G. MICHAEL Gary G. Michael	Director	March 7, 2003
/s/ ROBER G. MILLER Robert G. Miller	Director	March 7, 2003
/s/ PHILIP G. SATRE Philip G. Satre	Director and Chairman	March 7, 2003
/s/ BOAKE A. SELLS Boake A. Sells	Director	March 7, 2003
/s/ EDDIE N. WILLIAMS Eddie N. Williams	Director	March 7, 2003
/s/ CHARLES L. ATWOOD Charles L. Atwood	Senior Vice President, Chief Financial Officer and Treasurer	March 7, 2003
/s/ ANTHONY D. MCDUFFIE Anthony D. McDuffie	Vice President, Controller and Chief Accounting Officer	March 7, 2003

CERTIFICATIONS

I, Gary W. Loveman, certify that:

1. I have reviewed this annual report on Form 10-K of Harrah's Entertainment, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 7, 2003

By: /s/ GARY W. LOVEMAN

Gary W. Loveman
Chief Executive Officer and President

I, Charles L. Atwood, certify that:

1. I have reviewed this annual report on Form 10-K of Harrah's Entertainment, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 7, 2003

By: /s/ CHARLES L. ATWOOD

Charles L. Atwood
Senior Vice President, Chief Financial Officer and Treasurer

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Harrah's Entertainment, Inc. and subsidiaries ("Harrah's Entertainment") as of December 31, 2002 and 2001, and for each of the three years in the period ended December 31, 2002, and have issued our report thereon dated February 5, 2003 (which report expresses an unqualified opinion and includes an explanatory paragraph as to Harrah's Entertainment's change in its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets"); such consolidated financial statements and report are included in your 2002 Annual Report and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of Harrah's Entertainment, listed in Item 15(a)(2). This consolidated financial statement schedule is the responsibility of Harrah's Entertainment's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Deloitte & Touche LLP

Las Vegas, Nevada
February 5, 2003

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-57214, 333-39840, 333-63854 and 333-63856 of Harrah's Entertainment, Inc. on the respective Forms S-8, of our reports dated February 5, 2003 (which reports express an unqualified opinion and include or refer to an explanatory paragraph relating to Harrah's Entertainment, Inc.'s change in its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets"), appearing in and incorporated by reference in the Annual Report on Form 10-K of Harrah's Entertainment, Inc. for the year ended December 31, 2002.

Deloitte & Touche LLP

Las Vegas, Nevada
March 6, 2003

Schedule II

HARRAH'S ENTERTAINMENT, INC.

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions from Reserves	Balance at Close of Period

YEAR ENDED DECEMBER 31, 2002					
Allowance for doubtful accounts					
Current	$ 60,958	$ (1,401)	$ 8,225	$ (10,917)(A)	$ 56,865
Long-term	$ 24,989	$ –	$ –	$ (24,834)	$ 155
Reserve for impairment of long-lived assets(C)	$ 14,314	$ 42	$ —	$ (4,076)	$ 10,280
Reserve for contingent liability exposure	$ 29,996	$ 5,000	$ (13)	$ (5,018)	$ 29,965
Insurance allowances and reserves	$ 67,516	$ 146,073	$ –	$ (139,806)	$ 73,783
YEAR ENDED DECEMBER 31, 2001					
Allowance for doubtful accounts					
Current(D)	$ 49,357	$ 4,886	$ 10,937	$ (4,222)(A)	$ 60,958
Long-term	$ 156	$ –	$ 24,833	$ –	$ 24,989
Reserve against investments in and advances to nonconsolidated affiliates(B)	$ 249,850	$ –	$ (24,833)	$ (225,017)	$ –
Reserve for impairment of long-lived assets(C)	$ 5,923	$ 8,501	$ –	$ (110)	$ 14,314
Reserve for contingent liability exposure	$ 48,741	$ 13	$ –	$ (18,758)	$ 29,996
Insurance allowances and reserves	$ 57,718	$ 159,568	$ –	$ (149,770)	$ 67,516
YEAR ENDED DECEMBER 31, 2000					
Allowance for doubtful accounts					
Current	$ 44,086	$ 8,900	$ 239	$ (3,868)(A)	$ 49,357
Long-term	$ 8,005	$ (4,534)	$ –	$ (3,315)	$ 156
Reserve against investments in and advances to nonconsolidated affiliates(B)	$ 13,000	$ 236,850	$ –	$ –	$ 249,850
Reserve for impairment of long-lived assets(C)	$ 13,237	$ 5,923	$ (2,385)	$ (10,852)	$ 5,923
Reserve for contingent liability exposure	$ 878	$ 22,550	$ 26,191	$ (878)	$ 48,741
Insurance allowances and reserves	$ 51,008	$ 94,184	$ –	$ (87,474)	$ 57,718

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

(B) See Note 16 to our Consolidated Financial Statements.

(C) Reduction of reserve due to disposition of property.

(D) 2001 amounts have been restated to reflect Harveys Colorado as discontinued operations.

Exhibit 3(2)

BYLAWS

OF

HARRAH'S ENTERTAINMENT, INC.

(Amended November 12, 2002)

ARTICLE I

OFFICES

SECTION 1. ***Registered Office.*** The registered office of Harrah's Entertainment, Inc. (the "Corporation") shall be at 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle, State of Delaware.

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

ARTICLE II

MEETINGS OF STOCKHOLDERS

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

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

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

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

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procedures set forth in this Article II, Section 2. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance with the provisions of this Article II, Section 2, and if such officer should so determine, such officer shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted.

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

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

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

SECTION 5. ***Voting.*** Unless otherwise required by law, the Certificate of Incorporation or these Bylaws, any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat, excluding any shares that are voted "Abstain" on such question, so that abstentions shall not be counted in the decision. Each stockholder represented at a meeting of stockholders shall be entitled to

cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, unless otherwise provided by the Certificate of Incorporation. Such votes may be cast in person or by proxy but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

SECTION 6. ***List of Stockholders Entitled to Vote.*** The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

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

ARTICLE III

DIRECTORS

SECTION 1. ***Nomination of Directors.*** Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such meeting by or at the direction of the Board of Directors, by any committee or persons appointed by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Article III, Section 1. Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (d) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended; and (ii) as to the stockholder giving the notice (a) the name and record address of the stockholder and (b) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The directors shall be elected at the annual meeting of the stockholders, except as provided in the Certificate of Incorporation, and each director elected shall hold office until his successor is elected and qualified; provided, however, that unless otherwise restricted by the Certificate of Incorporation or by law, any director or the entire Board of Directors may be removed, either with or without cause, from the Board of Directors at any meeting of stockholders by a majority of the stock represented and entitled to vote thereat.

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

SECTION 3. ***Quorum.*** Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of

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Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

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

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

SECTION 6. ***Committees.*** The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a

member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

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

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

ARTICLE IV

OFFICERS

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

SECTION 2. ***Election.*** The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers who are directors of the Corporation shall be fixed by the Board of Directors.

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

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

SECTION 5. ***President.*** The President shall be selected by the Board and shall, subject to the control of the Board of Directors, and if there be one, the Chief Executive Officer, have general supervision of the business of the Corporation. The President shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall individually have the authority to execute all bonds, mortgages, contracts and other instruments of the Corporation, including those requiring a seal under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these Bylaws, the Board of Directors or a Committee thereof, or the President. In the absence or disability of the Chairman of the Board of Directors, the person having the title of Chief Executive Officer, or in his absence or there being none, having the title of President, shall preside at all meetings of the stockholders and the Board of Directors. The

President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these Bylaws or by the Board of Directors.

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

inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

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

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

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

SECTION 10. ***Assistant Treasurers.*** Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors,

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

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

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

ARTICLE V

STOCK

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

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

SECTION 3. ***Lost Certificates.*** The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

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

SECTION 5. ***Record Date.*** In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect

of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

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

ARTICLE VI

NOTICES

SECTION 1. ***Notices.*** Whenever written notice is required by law, the Certificate of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

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

ARTICLE VII

GENERAL PROVISIONS

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

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

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

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

Exhibit 10(31)

Third Amendment Dated January 1, 2003, To
2001 Restatement of the Harrah's Entertainment, Inc.
Executive Supplemental Savings Plan ("Plan")

Pursuant to approval granted by the Human Resources Committee of the Board of Directors of Harrah's Entertainment, Inc. ("Company"), the Plan is amended by the Company effective the date hereof as follows:

1. Section 2.6 of the Plan is amended in its entirety to read as follows:

"2.6 "**Change of Control**" means and includes each of the following:

(1) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (3) below that would not be a Change of Control under clause (3);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided, however,* that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change of Control; or

(2) during any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clauses (1) or (3) of this Section) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(3) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of

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the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(4) the Company's stockholders approve a liquidation or dissolution of the Company.

(5) The Human Resources Committee of the Board shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change of Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change of Control and any incidental matters relating thereto."

IN WITNESS WHEREOF, this Amendment has been duly executed and acknowledged by the Company as of the date written above.

HARRAH'S ENTERTAINMENT, INC.

By: /s/ MARILYN G. WINN

Marilyn G. Winn
Title: Sr. Vice President-Human Resources

Acknowledgment

State of Nevada
County of Clark

This instrument was acknowledged before me on March 6, 2003, by Marilyn G. Winn as Sr. Vice President, Human Resources of Harrah's Entertainment, Inc.

/s/ Shirley W. Ramsey

Notary Public

My commission expires: 10/19/2003

(stamp)

I hereby certify this instrument was delivered to the EDCP Committee under the Plan on , .

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Exhibit 10(33)

HARRAH'S ENTERTAINMENT, INC.

January 1, 2003

Philip G. Satre
Harrah's Reno
219 North Center Street
Reno, NV 89501

Re: ***Severance Agreement***

Dear Phil:

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

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

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

1. *Term of Agreement.* This Agreement shall commence on January 1, 2003 and shall continue in effect through December 31, 2003; *provided, however,* that commencing on January 1, 2004 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company shall have given you written notice that it does not wish to extend this Agreement not later than January 1 of the preceding year in the event a Potential Change in Control has occurred or the failure to extend is done in contemplation of a Change in Control or a Potential Change in Control, or June 30 of the preceding year in all other events; *provided, further*, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred. This Agreement will terminate and have no force or effect if your active employment terminates for any reason prior to a Change in Control except if such termination occurs within six months prior to the Change in Control under the circumstances described in Section 4.(2) below.

2. *Change in Control*

(a) Change in Control means and includes each of the following:

(i) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of

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directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided, however,* that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

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

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(iv) the Company's stockholders approve a liquidation or dissolution of the Company.

(v) The Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

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

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

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

(iii) Any person (other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases such beneficial ownership of such securities by an additional five percentage points or more thereby beneficially owning 14.5% or more of such securities; or

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

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

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

(i) The assignment to you of any duties materially inconsistent with your status as Chairman of the Board of Directors of the Company or a material adverse alteration in the nature or status of your responsibilities;

(ii) The requirement that you report to anyone other than the Board;

(iii) The failure of you to be elected/re-elected as a member of the Board during your term as Chairman;

(iv) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may have been increased from time to time;

(v) The relocation of the Company's principal executive offices just prior to the Change in Control to a location more than fifty (50) miles from such offices, or the Company's requiring you

to serve as Chairman of the Board at anywhere other than the location of the Company's principal executive offices just prior to the Change in Control (except for required travel on the Company's business to an extent substantially consistent with your business travel obligations during the year prior to the Change in Control);

(vi) The failure by the Company to pay to you any material portion of your current compensation, except pursuant to a compensation deferral elected by you or required by any agreement with you, or to pay to you any material portion of an installment of deferred compensation under any deferred

compensation program of the Company within thirty (30) days of the date such compensation is due;

(vii) Except as permitted by any agreement with you, the failure by the Company to continue in effect any compensation plan in which you are participating immediately prior to the Change in Control which is material to your total compensation, including but not limited to, the ESSP or any substitute plans, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants at your grade level;

(viii) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which you are participating at the time of the Change in control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control, except as permitted in any agreement with you;

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

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

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

3. *Termination Following Change in Control (or Prior to a Change in Control in Specific Circumstances).* If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, then following such Change in Control, you shall be entitled to the benefits provided in Subsection 4(c) hereof: (1) if your employment was terminated within six months prior to the Change in Control under the circumstances described in Section 4.(2) below, or (2) if your employment is terminated during the term of this Agreement after such Change in Control if such termination is (y) by the Company, other than for Cause, your Disability or death, or (z) by you for Good Reason as provided in Subsection 3(c)(i) hereof or by your Voluntary Termination as provided in Subsection 3(c)(ii) hereof.

(a) *Disability; Retirement*. If, as a result of your meeting the definition of disability under the Company's Long Term Disability Plan, you shall have been absent from the full-time performance of your duties with the Company for twenty-six consecutive weeks, and within thirty days after written notice of termination is given, you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your

employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) *Cause*. For purposes of this Agreement, "Cause" shall mean:

(i) Your willful failure to perform substantially your duties or to follow a lawful reasonable directive from your supervisor (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties or to follow a lawful reasonable directive and you are given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(ii) (A) any willful act of fraud, or embezzlement or theft by you, in each case, in connection with your duties to the Company or in the course of your employment with the Company or (B) your admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(iii) Your being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina;

(iv) (A) your willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002 if applicable to you, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting you from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

For purposes of this Subsection, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company. Your termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with your counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, you are guilty of conduct within the definition of Cause herein and specifying the particulars thereof in detail; *provided*, that if you are a member of the Board, you shall not vote on such resolution nor shall you be counted in determining the "entire membership" of the Board.

(c) *Voluntary Resignation.* After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control

of the Company hereunder, *provided* you are actively employed by the Company at such time and such resignation is (i) by you for Good Reason or (ii) by you voluntarily without the necessity of asserting or establishing Good Reason and regardless of your age or any disability and regardless of any grounds that may exist for the termination of your employment if such voluntary termination occurs by written notice given by you to the Company during the thirty days immediately following the one year anniversary of the Change in Control (your "Voluntary Termination"), provided,

however, for purposes of this Subsection 3(c)(ii) only, the language "25% or more" wherever referred to in Subsection 2(a) hereof is changed to "a majority". Such resignation shall not be deemed a breach of any employment contract between you and the Company.

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

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

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

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

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

4. *Compensation Upon Termination Following a Change in Control (or if Termination Occurs Prior to a Change in Control in Specific Circumstances).* Following a Change in Control of the Company as defined in Subsection 2(a), then: (1) upon termination of your employment after such Change in Control, or (2) notwithstanding anything in this Agreement to the contrary, if termination of your employment occurred within six months prior to the Change in Control if such termination was by the Company without Cause by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change of Control transaction, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by reason of your death or Disability, by your voluntary Retirement, by your voluntary termination without Good Reason, or by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the

rate in effect at the time Notice of Termination is given, plus the Company shall pay all other amounts and honor all rights to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no other obligations to you under this Agreement.

(c) If your employment shall be terminated (y) after a Change in Control by the Company (other than by reason of your death or Disability, your voluntary Retirement or Voluntary Termination without Good Reason (except for your Voluntary Termination as provided in Subsection 3(c)(ii)), or by the Company for Cause), or (z) after a Change in Control, by you for Good Reason or by your Voluntary Termination as provided in Subsection 3(c)(ii), or (yy) within six months prior to a Change in Control, by the Company under the circumstances described in Section 4.(2) above, then you shall be entitled to the benefits provided below:

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

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to your remaining unpaid salary for the remaining term of your agreement to serve as Chairman of the Company. Your salary for this purpose will be determined without any reduction for deferrals of such salary under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from salary for any reason.

(iii) Deleted.

(iv) At the election of the Company, in lieu of shares of common stock of the Company or any securities of a successor company which shall have replaced such common stock ("Company Shares") issuable upon exercise of outstanding and unexercised options (whether or not they are

fully exercisable or "vested"), if any, granted to you under the Option Plans including options granted under the plan of any successor company that replaced or assumed the options under said Option Plans ("Options") (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of the higher of the closing price of Company Shares as reported on the New York Stock Exchange on the Date of Termination or the preceding business day if such Date is not a business day (or, if such Shares are not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price (including cash, securities and any other consideration) for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable or "vested"), times (z) the number of Company Shares covered by each such option (referred to herein as "Company Cash Out Election"). The Company may exercise the Company Cash Out Election as to all or part of your Options. Whether the Company Cash Out Election is exercised and to what extent will be decided by the Company in its discretion before a termination of your employment that entitles you to the benefits under this Subsection (c). The Company will have no obligation to exercise the Company Cash Out Election. The Company Cash Out Election will not apply to Options you exercised before your termination or that were already cashed out in connection with the Change in Control. To the extent the Company Cash Out Election is not exercised as to any of your Options that are outstanding at the time of a termination which entitles you to the benefits under this

Subsection (c), such Options will become 100% vested upon such termination (if not already vested) and fully exercisable and you will have the right to exercise such Options at any time prior to midnight on the date of such termination (or prior to such other time as the terms of the Option may allow) or prior to such extended date as may be authorized in the discretion of the Board or the Human Resources Committee.

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

(vi) In the event that you become entitled to the payments, benefits or other rights (the "Severance Payments") provided under paragraphs (ii) and (iv), above (and Subsection (d) below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you (such net amount to be the amount remaining after deducting any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax payable on the payment provided for by this paragraph), shall be equal to the amount of the Severance Payments after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any federal, state and local income tax and Excise tax payable on the payment provided for by this paragraph. For example, if the Severance Payments are $1,000,000 and if you are subject to the Excise Tax, then the Gross-Up Payment will be such that you will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount. (The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this paragraph will not be deemed normal and ordinary taxes). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

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

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

(C) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with proposed,

temporary or final regulations under Sections 280G(d)(3) and (4) of the Code or, in the absence of such regulations, in accordance with the principles of Section 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the time of termination of your employment then, subject to applicable law, appropriate adjustments will be made with respect to the payments hereunder.

(vii) The payments provided for in paragraphs (ii), (iv) and (vi) above, shall be made as soon as practicable but not later than the thirtieth day following the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above).

(d) If your employment shall be terminated (y) after a Change in Control, by the Company (other than by reason of your death, your Disability, your voluntary Retirement or Voluntary Termination without Good Reason (except for your Voluntary Termination as provided in Subsection 3(c)(ii)) or by the

Company for Cause), or (z) after a Change in Control by you voluntarily for Good Reason or by your Voluntary Termination as provided in Subsection 3(c)(ii), or (yy) by the Company within six months prior to a Change in Control under the circumstances described in Section 4.(2) hereof, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In exchange for the payments and benefits provided in paragraphs (ii), (iv) (v) and (vi) of Subsection 4(c) above and in Subsection 4(d) above, you expressly agree that, for a period of two years from the Date of Termination, you:

(i) will not, directly or indirectly, engage in any activity, including development activity, whether as an employee, consultant, director, investor, contractor, or otherwise, in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico, except with the prior specific approval of the Company. You acknowledge that these restrictions are reasonable as to both time and geographic scope as the Company competes with all gaming establishments in these areas;

(ii) will not, directly or indirectly, induce, persuade or attempt to induce or persuade, any salary grade 20 or higher employee of the Company, its subsidiaries or affiliates, to leave or abandon employment with the Company, its subsidiaries or its affiliates, for any reason whatsoever (other than your personal secretary and/or assistants); and

(iii) will not communicate with employees, customers, or suppliers of the company, or its it subsidiaries or affiliates or any principals thereof, or any person or organization in any manner whatsoever that is detrimental to the interest of the Company, its subsidiaries and affiliates. You further agree not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the company, its subsidiaries, affiliates or employees without the express written prior authorization of the

Company, and the Company agrees that it will not make statements to the press or general public that are detrimental to you without your express prior written authorization. Notwithstanding the foregoing, you shall not be prohibited at the expiration of the non-competition period from pursuing business interests which may conflict with the interests of the Company.

It is further agreed:

(i) If, in any action before any court, agency or arbitration tribunal, legally empowered to enforce the covenants in this Subsection (e), any term, restriction, covenant, or promise contained therein is found to be unreasonable and, accordingly, unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency;

(ii) Should any court, agency or arbitration tribunal legally empowered to enforce the covenants contained in this Subsection (e) find that you have breached the terms, restrictions, covenants or promises herein (except if it has been modified to make it enforceable): (x) the Company will not be obligated to make the payments and benefits provided in paragraphs (ii), (iv), (v) and (vi) of Subsection (c)above and in Subsection 4(d) above, and (y) you will reimburse to the Company any such payments and benefits received by you, as well as any reasonable costs and attorneys fees to secure such repayments. In addition, the Company shall be entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief.

(f) *Confidentiality*

(i) Your position with the Company will or has resulted in your exposure and access to confidential and proprietary information which you did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by you, directly or indirectly, would be irreparably injurious and detrimental to the Company. During your employment and without limitation thereafter, you agree to use your best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to the third parties. You shall not any time during and after the end of full time active employment, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Subsection (f), unless expressly authorized to do so by the Company in writing. Notwithstanding the above, you may provide such Confidential Information if ordered by a federal or state court or any governmental authority or pursuant to a subpoena. In such case, you will notify the Company at least five (5) days prior to providing such information, and the nature of the information required to provide.

(ii) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries and affiliates, whether or not a "trade secret" within the meaning of applicable law, which at the time of your initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by you as a result of your employment with the Company. Confidential Information includes, but is not limited to, the Company's product development and marketing programs, data, future plans, formulas, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether

prepared by you or others, and any other information which you are told or reasonably ought to know the Company regards as confidential.

(iii) You agree that upon termination of your employment for any reason whatsoever, you shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and

address books, rolodex cards, computer tapes, disks, and any and all records in your possession (and all copies thereof) containing any such Confidential Information created in whole or in part by you within the scope of your employment, even if the items do not contain Confidential Information.

(iv) You may also have signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided that*, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(v) This Subsection (f) will survive your termination of employment for any reason.

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

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

(i) Notwithstanding any provision in this Agreement to the contrary, this Severance Agreement shall not replace or supersede Paragraph 11 of your Employment Agreement with the Company and the provisions of such Paragraph 11 shall survive any replacement by this Severance Agreement of your Employment Agreement.

5. *Successors; Binding Agreement.*

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

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

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6. *Notices.* For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, by FAX if available, or by overnight courier service, addressed as follows:

To the Company:

General Counsel
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119
FAX: 702-407-6418

To you:

Addressed to your name at your office address (or FAX number) with the Company or its affiliates (or any successor thereto) at the time the notice is sent and your home address at that time; and if you are not employed by the Company at the time of the notice, your home address as shown on the records of the Company or its affiliates (or any successor thereto) on the date of the notice.

To such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

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

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

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

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

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

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/ STEPHEN H. BRAMMELL

Stephen H. Brammell
Senior Vice President

Agreed:

/s/ PHILIP G. SATRE

Philip G. Satre

QuickLinks

Exhibit 10(33)

Exhibit 10(36)

HARRAH'S ENTERTAINMENT, INC.

January 1, 2003

Mr. Gary W. Loveman
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119-4312

Re: ***Severance Agreement***

Dear Mr. Loveman:

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

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

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

1. *Term of Agreement.* This Agreement shall commence on January 1, 2003 and shall continue in effect through December 31, 2003; *provided, however*, that commencing on January 1, 2004 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company shall have given you written notice that it does not wish to extend this Agreement not later than January 1 of the preceding year in the event a Potential Change in Control has occurred or the failure to extend is done in contemplation of a Change in Control or a Potential Change in Control, or June 30 of the preceding year in all other events; *provided, further*, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred. This Agreement will terminate on the last day of the sixth full month following the date your active employment terminates for any reason prior to a Change in Control.

2. *Change in Control*

(a) Change in Control means and includes each of the following:

(i) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person

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controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided, however,* that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

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

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(iv) the Company's stockholders approve a liquidation or dissolution of the Company.

(v) The Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a

Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

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

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

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

(iii) Any person (other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases such beneficial ownership of such securities by an additional five percentage points or more thereby beneficially owning 14.5% or more of such securities; or

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

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

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

(i) The assignment to you of any duties materially inconsistent with your status as Chief Executive Officer of the Company or a material adverse alteration in the nature or status of your responsibilities;

(ii) The requirement that you report to anyone other than the Board;

(iii) The failure of you to be elected/re-elected as a member of the Board;

(iv) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may have been increased from time to time;

(v) The relocation of the Company's principal executive offices just prior to the Change in Control to a location more than fifty (50) miles from such offices, or the Company's requiring you either: (y) to be based any where other than the location of the Company's principal executive offices just prior to the Change in Control (except for required travel on the Company's business to an extent substantially consistent with your business travel obligations during the year prior to the Change in Control), or (z) to relocate your primary residence from Boston to Las Vegas;

(vi) The failure by the Company to pay to you any material portion of your current compensation, except pursuant to a compensation deferral elected by you or required by any agreement with you, or to pay to you any material portion of an installment of deferred compensation under any deferred

compensation program of the Company within thirty (30) days of the date such compensation is due;

(vii) Except as permitted by any agreement with you, the failure by the Company to continue in effect any compensation plan in which you are participating immediately prior to the Change in Control which is material to your total compensation, including but not limited to, the Company's annual bonus plan, the ESSP, or the Stock Option Plan or any substitute plans, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants at your grade level;

(viii) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which you are participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control, except as permitted in any agreement with you;

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

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

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

3. *Termination Following Change in Control (or Prior to a Change in Control in Specific Circumstances).* If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, then following such Change in Control, you shall be entitled to the benefits provided in Subsection 4(c) hereof: (1) if your employment was terminated within six months prior to the Change in Control under the circumstances described in Section 4.(2) below, or (2) if your employment is terminated during the term of this Agreement after such Change in Control if such termination is (y) by the Company, other than for Cause, your Disability or death, or (z) by you for Good Reason as provided in Subsection 3(c)(i) hereof or by your Voluntary Termination as provided in Subsection 3(c)(ii) hereof.

(a) *Disability; Retirement.* If, as a result of your meeting the definition of disability under the Company's Long Term Disability Plan, you shall have been absent from the full-time performance of your duties with the Company for twenty-six consecutive weeks, and within thirty days after written notice of termination is given, you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) *Cause.* For purposes of this Agreement, "Cause" shall mean:

(i) Your willful failure to perform substantially your duties or to follow a lawful reasonable directive from the Board (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties or to follow a lawful reasonable directive and you are given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(ii) (A) any willful act of fraud, or embezzlement or theft by you, in each case, in connection with your duties to the Company or in the course of your employment with the Company or (B) your admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(iii) Your being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina;

(iv) (A) your willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting you from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

For purposes of this Subsection, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company. Your termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with your counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, you are guilty of conduct within the definition of Cause herein and specifying the particulars thereof in detail; *provided*, that if you are a member of the Board, you shall not vote on such resolution nor shall you be counted in determining the "entire membership" of the Board.

(c) *Voluntary Resignation.* After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder, *provided* you are actively employed by the Company at such time and such resignation is (i) by you for Good Reason or (ii) by you voluntarily without the necessity of asserting or establishing Good Reason and regardless of your age or any disability and regardless of any grounds that may exist for the termination of your employment if such voluntary termination occurs by written notice given by you to

the Company during the thirty days immediately following the one year anniversary of the Change in Control (your "Voluntary Termination"), provided, however, for purposes of this Subsection 3(c)(ii) only, the language "25% or more" wherever referred to in Subsection 2(a) hereof is changed to "a

majority". Such resignation shall not be deemed a breach of any employment contract between you and the Company.

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

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

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

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

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

4. *Compensation Upon Termination Following a Change in Control (or if Termination Occurs Prior to a Change in Control in Specific Circumstances).* Following a Change in Control of the Company as defined in Subsection 2(a), then: (1) upon termination of your employment after such Change in Control, or (2) notwithstanding anything in this Agreement to the contrary, if termination of your employment occurred within six months prior to the Change in Control if such termination was by the Company without Cause by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change of Control transaction, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by reason of your death or Disability, by your voluntary Retirement, by your voluntary termination without Good Reason, or by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus the Company shall pay all other

amounts and honor all rights to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no other obligations to you under this Agreement.

(c) If your employment shall be terminated (y) after a Change in Control by the Company (other than by reason of your death or Disability, your voluntary Retirement or Voluntary Termination without Good Reason (except for your Voluntary Termination as provided in Subsection 3(c)(ii)), or by the Company for Cause), or (z) after a Change in Control, by you for Good Reason or by your Voluntary Termination as provided in Subsection 3(c)(ii), or (yy) within six months prior to a Change in Control, by the Company under the circumstances described in Section 4.(2) above, then you shall be entitled to the benefits provided below:

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

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 3.0 times the average of the Annual Compensation (as defined below) payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"). Annual Compensation is defined to consist of two components: (a) Your annual salary in effect immediately prior to the Change in Control or in effect as of the Date of Termination, whichever annual salary is higher. Your annual salary for this purpose will be determined without any reduction for deferrals of such salary under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from salary for any reason; *plus* (b) The average of your annual bonuses under the Company's Annual Management Bonus Plan, or any substitute or successor plan including the Senior Executive Incentive Plan, for the three highest calendar years, in terms of annual bonus paid to you in such years, during the five calendar years preceding the calendar year in which the Change in Control occurred. Your annual bonuses for this purpose will be determined without any reduction for deferrals under any deferred compensation plan

(qualified or unqualified) and without any reduction for salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from bonus for any reason. If you were not employed by the Company or its affiliates for a sufficient period of time to receive annual bonuses during each of the five calendar years before the Change in Control occurred, then the average bonus will be measured using the three highest calendar years, in terms of annual bonus paid to you, in all the consecutive calendar years immediately preceding the date the Change in Control occurred. If you were not eligible for three years of bonuses paid during the calendar years immediately preceding the date the Change in Control occurred, then the average bonus will be the average of the annual bonuses that were paid to you during such time under such Plan. If you were not eligible for any bonus during such time because of not being employed by the Company for a sufficient period of time to qualify for a previous bonus payment, then Annual Compensation will only consist of the salary component as provided above and will not include a bonus component.

(iii) The Company shall also pay to you a pro rata amount of target bonus (the bonus amount for your grade level assuming 100 bonus points are earned) as shown on the matrix for the Annual Management Bonus Plan (or any successor plan) attributable to the bonus plan year which contains your Date of Termination, regardless of whether or not any bonus is

determined to be actually earned for such year, provided that the target bonus for calculating this pro rata payment will not be less than the target bonus under such Plan for the Plan year that contains the day immediately prior to the Change in Control (which target bonus will be the one that applies to your grade level at that time) regardless of whether or not any bonus was payable for such year. The pro-rata amount will be based on the percentage of days of your employment in the calendar year of the Date of Termination. For example, if the Date of Termination is October 1 in a year with 365 days, with October 1 counted as the last day of employment for a total of 274 days of employment that year, then the pro-rata amount will be 75.06849% of target bonus (274 days ÷ 365 days). It is understood this target bonus will be based on the *Annual Management Bonus Plan* target and not the target for the Senior Executive Incentive Plan even if such Plan applies to you. In addition, the Company shall pay to you the amounts of any approved compensation or awards payable to you or due to you under any incentive compensation plan of the Company including, without limitation, the Company's Restricted Stock Plan, Stock Option Plan and Executive Stock Incentive Plan (the "Option Plans") and Annual Management Bonus Plan (or any substitute or successor plan including the Senior Executive Incentive Plan) and under any agreements with you in connection therewith, and shall make any other payments and take any other actions and honor such rights you may have accrued under such plans and agreements including any rights you may have to payments after the Date of Termination, which will include the payment to you of any bonus earned during the bonus year fully completed prior to the Date of Termination if such Date of Termination occurs prior to the payment date for such bonus, it being understood, however, that the pro-rata payment provided for in the first sentence of this paragraph 4(c)(iii) is in lieu of any bonus earned for the bonus plan year during which occurred the Date of Termination.

(iv) At the election of the Company, in lieu of shares of common stock of the Company or any securities of a successor company which shall have replaced such common stock ("Company Shares") issuable upon exercise of outstanding and unexercised options (whether or not they are fully exercisable or "vested"), if any, granted to you under the Option Plans including options granted under the plan of any successor company that replaced or assumed the options under said Option Plans ("Options") (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of the higher of the closing price of Company Shares as reported on the New York Stock Exchange on the Date of Termination or the preceding business day if such Date is not a business day (or, if such Shares are not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price (including cash, securities and any other consideration) for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable or "vested"), times (z) the number of Company Shares covered by each such option (referred to herein as "Company Cash Out Election"). The Company may exercise the Company Cash Out Election as to all or part of your Options. Whether the Company Cash Out Election is exercised and to what extent will be decided by the Company in its discretion before a termination of your employment that entitles you to the benefits under this Subsection (c). The Company will have no obligation to exercise the Company Cash Out Election. The Company Cash Out Election will not apply to Options you exercised before your termination or that were already cashed out in connection with the Change in Control. To the extent the Company Cash Out Election is not exercised as to any of your Options that are outstanding at the time of a termination which entitles you to the benefits under this Subsection (c), such Options will become 100% vested upon such termination (if not already vested) and fully exercisable and you will have the right to exercise such Options at any time

prior to midnight on the date of such termination (or prior to such other time as the terms of the Option may allow) or prior to such extended date as may be authorized in the discretion of the Board or the Human Resources Committee.

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

(vi) In the event that you become entitled to the payments, benefits or other rights (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsection (d) below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you (such net amount to be the amount remaining after deducting any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax payable on the payment provided for by this paragraph), shall be equal to the amount of the Severance Payments after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any federal, state and local income tax and Excise tax payable on the payment provided for by this paragraph. For example, if the Severance Payments are $1,000,000 and if you are subject to the Excise Tax, then the Gross-Up Payment will be such that you will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount. (The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this

paragraph will not be deemed normal and ordinary taxes). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

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

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

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

(4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the time of termination of your employment then, subject to applicable law, appropriate adjustments will be made with respect to the payments hereunder.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made as soon as practicable but not later than the thirtieth day following the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above).

(d) If your employment shall be terminated (y) after a Change in Control, by the Company (other than by reason of your death, your Disability, your voluntary Retirement or Voluntary Termination without Good Reason (except for your Voluntary Termination as provided in Subsection 3(c)(ii)) or by the Company for Cause), or (z) after a Change in Control by you voluntarily for Good Reason or by your Voluntary Termination as provided in Subsection 3(c)(ii), or (yy) by the Company within six months prior to a Change in Control under the circumstances described in Section 4.(2) hereof, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In exchange for the payments and benefits provided in paragraphs (ii), (iii), (iv) (v) and (vi) of Subsection 4(c) above and in Subsection 4(d) above, you expressly agree that, for a period of two years from the Date of Termination, you:

(i) will not, directly or indirectly, engage in any activity, including development activity, whether as an employee, consultant, director, investor, contractor, or otherwise, in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico, except with the prior specific approval of the Company. You acknowledge that these restrictions are reasonable as to both time and geographic scope as the Company competes with all gaming establishments in these areas;

(ii) will not, directly or indirectly, induce, persuade or attempt to induce or persuade, any salary grade 20 or higher employee of the Company, its subsidiaries or affiliates, to leave or abandon employment with the Company, its subsidiaries or its affiliates, for any reason whatsoever (other than your personal secretary and/or assistants); and

(iii) will not communicate with employees, customers, or suppliers of the company, or its it subsidiaries or affiliates or any principals thereof, or any person or organization in any manner whatsoever that is detrimental to the interest of the Company, its subsidiaries and affiliates. You further agree not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the company, its subsidiaries, affiliates or employees without the express written prior authorization of the Company, and the Company agrees that it will not make statements to the press or general public that are detrimental to you without your express prior written authorization.

Notwithstanding the foregoing, you shall not be prohibited at the expiration of the non-competition period from pursuing business interests which may conflict with the interests of the Company.

It is further agreed:

(i) If, in any action before any court, agency or arbitration tribunal, legally empowered to enforce the covenants in this Subsection (e), any term, restriction, covenant, or promise contained therein is found to be unreasonable and, accordingly, unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency;

(ii) Should any court, agency or arbitration tribunal legally empowered to enforce the covenants contained in this Subsection (e) find that you have breached the terms, restrictions, covenants or promises herein (except if it has been modified to make it enforceable): (x) the Company will not be obligated to make the payments and benefits provided in paragraphs (ii), (iii), (iv), (v) and (vi) of Subsection (c) above and in Subsection 4(d) above, and (y) you will reimburse to the Company any such payments and benefits received by you, as well as any reasonable costs and attorneys fees to secure such repayments. In addition, the Company shall be entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief.

(f) *Confidentiality*

(i) Your position with the Company will or has resulted in your exposure and access to confidential and proprietary information which you did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by you, directly or indirectly, would be irreparably injurious and detrimental to the Company. During your employment and without limitation thereafter, you agree to use your best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to the third parties. You shall not any time during and after the end of full time active employment, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Subsection (f), unless expressly authorized to do so by the Company in writing. Notwithstanding the above, you may provide such Confidential Information if ordered by a federal or state court or any governmental authority or pursuant to a subpoena. In such case, you will notify the Company at least five (5) days prior to providing such information, and the nature of the information required to provide.

(ii) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries and affiliates, whether or not a "trade secret" within the meaning of applicable law, which at the time of your initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by you as a result of your employment with the Company. Confidential Information includes, but is not limited to, the Company's product development and marketing programs, data, future plans, formulas, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by you or others, and any other information which you are told or reasonably ought to know the Company regards as confidential.

(iii) You agree that upon termination of your employment for any reason whatsoever, you shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in your possession (and all copies thereof) containing any such Confidential Information created in whole or in part by you within the scope of your employment, even if the items do not contain Confidential Information.

(iv) You may also have signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided that*, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(v) This Subsection (f) will survive your termination of employment for any reason.

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

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

(i) Notwithstanding any provision in this Agreement to the contrary, this Severance Agreement shall not replace or supersede Paragraph 7.2 of your Employment Agreement with the Company and the provisions of such Paragraph 7.2 shall survive any replacement by this Severance Agreement of your Employment Agreement.

5. *Successors; Binding Agreement.*

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

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

6. *Notices.* For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered

or mailed by United States registered or certified mail, return receipt requested, postage prepaid, by FAX if available, or by overnight courier service, addressed as follows:

To the Company:

General Counsel
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119
FAX: 702-407-6418

To you:

Addressed to your name at your office address (or FAX number) with the Company or its affiliates (or any successor thereto) at the time the notice is sent and your home address at that time; and if you are not employed by the Company at the time of the notice, your home address as shown on the records of the Company or its affiliates (or any successor thereto) on the date of the notice.

To such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

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

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

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

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

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

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/ STEPHEN H. BRAMMELL

Stephen H. Brammell
Senior Vice President

Agreed:

/s/ GARY W. LOVEMAN

Gary W. Loveman

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Exhibit 10(39)

HARRAH'S ENTERTAINMENT, INC.

January 1, 2003

Charles L. Atwood
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119-4312

Re: **Severance Agreement**

Dear Chuck:

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

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

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

1. *Term of Agreement.* This Agreement shall commence on January 1, 2004 and shall continue in effect through December 31, 2004; *provided, however,* that commencing on January 1, 2005 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company shall have given you written notice that it does not wish to extend this Agreement not later than January 1 of the preceding year in the event a Potential Change in Control has occurred or the failure to extend is done in contemplation of a Change in Control or a Potential Change in Control, or June 30 of the preceding year in all other events; *provided, further,* if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred. This Agreement will terminate and have no force or effect if your active employment terminates for any reason prior to a Change in Control except if such termination occurs within six months prior to the Change in Control under the circumstances described in Section 4.(2) below.

2. *Change in Control*

(a) Change in Control means and includes each of the following:

(i) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

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(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided, however,* that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

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

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(iv) the Company's stockholders approve a liquidation or dissolution of the Company.

(v) The Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

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

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

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

(iii) Any person (other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases such beneficial ownership of such securities by an additional five percentage points or more thereby beneficially owning 14.5% or more of such securities; or

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

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

(c) *Good Reason.* For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Company, of any of the following circumstances unless such circumstances occur by reason of your death, Disability or your voluntary termination or voluntary Retirement, or, in the case of paragraphs (i), (ii), (iii), (iv) or (v), such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections 3(e) and 3(d), respectively, given in respect thereof:

(i) The assignment to you of any duties materially inconsistent with your status immediately prior to the Change in Control or a material adverse alteration in the nature or status of your responsibilities;

(ii) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may have been increased from time to time;

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

(iv) The failure by the Company to pay to you any material portion of your current compensation, except pursuant to a compensation deferral elected by you or required by any

agreement with you, or to pay to you any material portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) Except as permitted by any agreement with you, the failure by the Company to continue in effect any compensation plan in which you are participating immediately prior to the Change in Control which is material to your total compensation, including but not limited to, the Company's annual bonus plan, the ESSP, or the Stock Option Plan or any substitute plans, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative

plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants at your grade level;

(vi) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which you are participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control, except as permitted in any agreement with you;

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

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

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

3. *Termination Following Change in Control (or Prior to a Change in Control in Specific Circumstances).* If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, then following such Change in Control, you shall be entitled to the benefits provided in Subsection 4(c) hereof: (1) if your employment was terminated within six months prior to the Change in Control under the circumstances described in Section 4.(2) below, or (2) if your employment is terminated during the term of this Agreement after such Change in Control if such termination is (y) by the Company, other than for Cause, your Disability or death, or (z) by you for Good Reason as provided in Subsection 3(c)(i) hereof.

(a) *Disability; Retirement.* If, as a result of your meeting the definition of disability under the Company's Long Term Disability Plan, you shall have been absent from the full-time performance of your duties with the Company for twenty-six consecutive weeks, and within thirty days after written notice of termination is given, you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) *Cause.* For purposes of this Agreement, "Cause" shall mean:

(i) Your willful failure to perform substantially your duties or to follow a lawful reasonable directive from your supervisor (other than any such failure resulting from incapacity due to

physical or mental illness), after a written demand for substantial performance is delivered to you by your supervisor which specifically identifies the manner in which your supervisor believes that you have not substantially performed your duties or to follow a lawful reasonable directive and you are given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(ii) (A) any willful act of fraud, or embezzlement or theft by you, in each case, in connection with your duties to the Company or in the course of your employment with the Company or (B) your admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(iii) Your being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina;

(iv) (A) your willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002 if applicable to you, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting you from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

For purposes of this Subsection, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon a directive from your supervisor or the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company. Your termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with your counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, you are guilty of conduct within the definition of Cause herein and specifying the particulars thereof in detail.

(c) *Resignation For Good reason.* After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder, *provided* you are actively employed by the Company at such time and such resignation is by you for Good Reason.

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

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

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

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

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

4. *Compensation Upon Termination Following a Change in Control (or if Termination Occurs Prior to a Change in Control in Specific Circumstances).* Following a Change in Control of the Company as defined in Subsection 2(a), then: (1) upon termination of your employment after such Change in Control, or (2) notwithstanding anything in this Agreement to the contrary, if termination of your employment occurred within six months prior to the Change in Control if such termination was by the Company without Cause by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change of Control transaction, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by reason of your death or Disability, by your voluntary Retirement, by your voluntary termination without Good Reason, or by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus the Company shall pay all other amounts and honor all rights to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no other obligations to you under this Agreement.

(c) If your employment shall be terminated (y) after a Change in Control by the Company (other than by reason of your death or Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you for Good Reason, or (yy) within six months prior to a Change in Control, by the Company under the circumstances described in Section 4.(2) above, then you shall be entitled to the benefits provided below:

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

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 3.0 times the average of the Annual Compensation (as defined below) payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"). Annual Compensation is defined to consist of two components: (a) Your annual salary in effect immediately prior to the Change in Control or in effect as of the Date of Termination, whichever annual salary is higher. Your annual salary for this purpose will be determined without any reduction for deferrals of such salary under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from salary for any reason; *plus* (b) The average of your annual bonuses under the Company's Annual Management Bonus Plan, or any substitute or successor plan including the Senior Executive Incentive Plan, for the three highest calendar years, in terms of annual bonus paid to you in such years, during the five calendar years preceding the calendar year in which the Change in Control occurred. Your annual bonuses for this purpose will be determined without any reduction for deferrals under any deferred compensation plan (qualified or unqualified) and without any reduction for salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from bonus for any reason. If you were not employed by the Company or its affiliates for a sufficient period of time to receive annual bonuses during each of the five calendar years before the Change in Control occurred, then the average bonus will be measured using the three highest calendar years, in terms of annual bonus paid to you, in all the consecutive calendar years immediately preceding the date the Change in Control occurred. If you were not eligible for three years of bonuses paid during the calendar years immediately preceding the date the Change in Control occurred, then the average bonus will be the average of the annual bonuses that were paid to you during such time under such Plan. If you were not eligible for any bonus during such time because of not being employed by the Company for a sufficient period of time to qualify for a previous bonus payment, then Annual Compensation will only consist of the salary component as provided above and will not include a bonus component.

(iii) The Company shall also pay to you a pro rata amount of target bonus (the bonus amount for your grade level assuming 100 bonus points are earned) as shown on the matrix for the Annual Management Bonus Plan (or any successor plan) attributable to the bonus plan year which contains your Date of Termination, regardless of whether or not any bonus is determined to be actually earned for such year, provided that the target bonus for calculating this pro rata payment will not be less than the target bonus under such Plan for the Plan year that contains the day immediately prior to the Change in Control (which target bonus will be the one that applies to your grade level at that time) regardless of whether or not any bonus was payable for such year. The pro-rata amount will be based on the percentage of days of your employment in the calendar year of the Date of Termination. For example, if the Date of Termination is October 1 in a year with 365 days, with October 1 counted as the last day of employment for a total of 274 days of employment that year, then the pro-rata amount will be 75.06849% of target bonus (274 days ÷ 365 days). It is understood this target bonus will be based on the Annual Management Bonus Plan target and not the target for the Senior Executive Incentive Plan even if such Plan applies to you. In addition, the Company shall pay to you the amounts of any approved compensation or awards payable to you or due to you under any incentive compensation plan of the Company including, without limitation, the Company's Restricted Stock Plan,

Stock Option Plan and Executive Stock Incentive Plan (the "Option Plans") and Annual Management Bonus Plan (or any substitute or successor plan

including the Senior Executive Incentive Plan) and under any agreements with you in connection therewith, and shall make any other payments and take any other actions and honor such rights you may have accrued under such plans and agreements including any rights you may have to payments after the Date of Termination, which will include the payment to you of any bonus earned during the bonus year fully completed prior to the Date of Termination if such Date of Termination occurs prior to the payment date for such bonus, it being understood, however, that the pro-rata payment provided for in the first sentence of this paragraph 4(c)(iii) is in lieu of any bonus earned for the bonus plan year during which occurred the Date of Termination.

(iv) At the election of the Company, in lieu of shares of common stock of the Company or any securities of a successor company which shall have replaced such common stock ("Company Shares") issuable upon exercise of outstanding and unexercised options (whether or not they are fully exercisable or "vested"), if any, granted to you under the Option Plans including options granted under the plan of any successor company that replaced or assumed the options under said Option Plans ("Options") (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of the higher of the closing price of Company Shares as reported on the New York Stock Exchange on the Date of Termination or the preceding business day if such Date is not a business day (or, if such Shares are not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price (including cash, securities and any other consideration) for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable or "vested"), times (z) the number of Company Shares covered by each such option (referred to herein as "Company Cash Out Election"). The Company may exercise the Company Cash Out Election as to all or part of your Options. Whether the Company Cash Out Election is exercised and to what extent will be decided by the Company in its discretion before a termination of your employment that entitles you to the benefits under this Subsection (c). The Company will have no obligation to exercise the Company Cash Out Election. The Company Cash Out Election will not apply to Options you exercised before your termination or that were already cashed out in connection with the Change in Control. To the extent the Company Cash Out Election is not exercised as to any of your Options that are outstanding at the time of a termination which entitles you to the benefits under this Subsection (c), such Options will become 100% vested upon such termination (if not already vested) and fully exercisable and you will have the right to exercise such Options at any time prior to midnight on the date of such termination (or prior to such other time as the terms of the Option may allow) or prior to such extended date as may be authorized in the discretion of the Board or the Human Resources Committee.

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

(vi) In the event that you become entitled to the payments, benefits or other rights (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsection (d) below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net

amount retained by you (such net amount to be the amount remaining after deducting any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax payable on the payment provided for by this paragraph), shall be equal to the amount of the Severance Payments after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any federal, state and local income tax and Excise tax payable on the payment provided for by this paragraph. For example, if the Severance Payments are $1,000,000 and if you are subject to the Excise Tax, then the Gross-Up Payment will be such that you will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount. (The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this paragraph will not be deemed normal and ordinary taxes). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

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

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

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

the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the time of termination of your employment then, subject to applicable law, appropriate adjustments will be made with respect to the payments hereunder.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made as soon as practicable but not later than the thirtieth day following the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above).

(d) If your employment shall be terminated (y) after a Change in Control, by the Company (other than by reason of your death, your Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you voluntarily for Good Reason, or (yy) by the Company within six months prior to a Change in Control under the circumstances described in Section 4.(2) hereof, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In exchange for the payments and benefits provided in paragraphs (i), (ii), (iv), (v) and (vi) of Subsection 4(c) above and in Subsection 4(d) above, you expressly agree that, for a period of two years from the Date of Termination, you:

(i) will not, directly or indirectly, engage in any activity, including development activity, whether as an employee, consultant, director, investor, contractor, or otherwise, in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico, except with the prior specific approval of the Company. You acknowledge that these restrictions are reasonable as to both time and geographic scope as the Company competes with all gaming establishments in these areas;

(ii) will not, directly or indirectly, induce, persuade or attempt to induce or persuade, any salary grade 20 or higher employee of the Company, its subsidiaries or affiliates, to leave or abandon employment with the Company, its subsidiaries or its affiliates, for any reason whatsoever (other than your personal secretary and/or assistants); and

(iii) will not communicate with employees, customers, or suppliers of the company, or its it subsidiaries or affiliates or any principals thereof, or any person or organization in any manner whatsoever that is detrimental to the interest of the Company, its subsidiaries and affiliates. You further agree not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the company, its subsidiaries, affiliates or employees without the express written prior authorization of the Company, and the Company agrees that it will not make statements to the press or general public that are detrimental to you without your express prior written authorization. Notwithstanding the foregoing, you shall not be prohibited at the expiration of the non-competition period from pursuing business interests which may conflict with the interests of the Company.

It is further agreed:

(i) If, in any action before any court, agency or arbitration tribunal, legally empowered to enforce the covenants in this Subsection (e), any term, restriction, covenant, or promise contained therein is found to be unreasonable and, accordingly, unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency;

(ii) Should any court, agency or arbitration tribunal legally empowered to enforce the covenants contained in this Subsection (e) find that you have breached the terms, restrictions, covenants or promises herein (except if it has been modified to make it enforceable): (x) the Company will not be obligated to make the payments and benefits provided in paragraphs (ii), (iii), (iv), (v) and (vi) of Subsection (c)above and in Subsection 4(d) above, and (y) you will reimburse to the Company any such payments and benefits received by you, as well as any

reasonable costs and attorneys fees to secure such repayments. In addition, the Company shall be entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief.

(f) *Confidentiality*

(i) Your position with the Company will or has resulted in your exposure and access to confidential and proprietary information which you did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by you, directly or indirectly, would be irreparably injurious and detrimental to the Company. During your employment and without limitation thereafter, you agree to use your best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to the third parties. You shall not any time during and after the end of full time active employment, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Subsection (f), unless expressly authorized to do so by the Company in writing. Notwithstanding the above, you may provide such Confidential Information if ordered by a federal or state court or any governmental authority or pursuant to a subpoena. In such case, you will notify the Company at least five (5) days prior to providing such information, and the nature of the information required to provide.

(ii) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries and affiliates, whether or not a "trade secret" within the

meaning of applicable law, which at the time of your initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by you as a result of your employment with the Company. Confidential Information includes, but is not limited to, the Company's product development and marketing programs, data, future plans, formulas, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by you or others, and any other information which you are told or reasonably ought to know the Company regards as confidential.

(iii) You agree that upon termination of your employment for any reason whatsoever, you shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in your possession (and all copies thereof) containing any such Confidential Information created in whole or in part by you within the scope of your employment, even if the items do not contain Confidential Information.

(iv) You may also have signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, provided that, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(v) This Subsection (f) will survive your termination of employment for any reason.

(g) You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or

benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise (except as specifically provided in this Section 4 and this Subsection 4(g) will not limit or affect any remedies of the Company for your violation of Subsection 4(e) above or Subsection 4(f) above).

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

(i) Notwithstanding any provision in this Agreement to the contrary, this Severance Agreement shall not replace or supersede Paragraph 10 of your Employment Agreement with the Company and the provisions of such Paragraph 10 shall survive any replacement by this Severance Agreement of your Employment Agreement.

5. *Successors; Binding Agreement.*

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

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

6. *Notices.* For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, by FAX if available, or by overnight courier service, addressed as follows:

To the Company:

General Counsel
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119
FAX: 702-407-6418

To you:

Addressed to your name at your office address (or FAX number) with the Company or its affiliates (or any successor thereto) at the time the notice is sent and your home address at that time; and if you are not employed by the Company at the time of the notice, your home address as shown on the records of the Company or its affiliates (or any successor thereto) on the date of the notice.

To such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

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

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

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

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

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

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/ STEPHEN H. BRAMMEL

Stephen H. Brammell
Senior Vice President

Agreed:

/s/ CHARLES L. ATWOOD

Charles L. Atwood

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EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is entered into as of this 1st day of March, 2003, by and between Harrah's Operating Company, Inc. ("Company") and John Boushy ("Executive").

The Company and Executive agree as follows:

1. *Employment.* The Company hereby employs Executive as Senior Vice President of Operations, Products, and Services and Information Technology.

2. *Duties.* During the term of this Agreement ("active employment"), Executive shall devote substantially all of his working time, energies, and skills to the benefit of the Company's business. Executive agrees to serve the Company diligently and to the best of his ability, and to follow the policies and directions of the Company.

3. *Compensation.* Executive's compensation and benefits during his active employment shall be as follows:

(a) *Base Salary.* Beginning March 1, 2003, the Company shall pay Executive a base salary ("Base Salary") of $400,000 per year, which will be reviewed annually by the Company during the term of this Agreement in accordance with its compensation practices regarding senior executives. Executive's Base Salary shall be paid biweekly in accordance with the Company's normal payroll schedule. All payments shall be subject to Executive's chosen benefit deductions and the deduction of payroll taxes and similar assessments as required by law.

(b) *Bonus.* In addition to the Base Salary, Executive shall be eligible for an annual bonus in accordance with the Company's bonus plan.

4. *Insurance and Benefits.* Executive will be eligible to participate in each employee benefit plan and receive each executive benefit that the Company provides for its senior executives, in accordance with the applicable plan rules.

5. *Term.* The term of this Agreement shall be for four (4) years, beginning on March 1, 2003, and ending February 28, 2007.

6. *No Cause Termination/Non-Renewal of Agreement.* The Company may terminate Executive's active employment at any time without cause upon thirty (30) days' prior written notice ("no cause termination"). The Company also, in its sole discretion, may elect not to renew this Agreement upon its expiration ("non-renewal of Agreement"). In the event of such termination without cause or non-

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renewal by the Company, Executive shall be entitled only to the salary and benefits set forth below after the termination date unless otherwise specified in this Agreement.

Benefits	Benefit Termination Date
Base Salary (rate as of Separation Date)	Eighteen (18) months (78 weeks) ("Salary Continuation Period") from last day worked ("Separation Date").
PTO and Service Credit	Separation Date (accrued PTO will be paid within thirty (30) days of Separation Date)
Use of Credit Cards	Separation Date.
Bonus — Payment Eligibility	(i) Eligible for prior year bonus if terminated during payment year but prior to payment; (ii) eligible for prorated bonus for current year if in job for more than six (6) months and separation occurs after June 30; (iii) not eligible for bonus for year following Separation Date.
Group Health	End of Salary Continuation Period. Eighteen (18) month COBRA rights period for health insurance will commence on Separation Date. (See also paragraph 10)
Retaining Existing Stock Options for Vesting and Other Rights	Annual options continue to vest and can be exercised through the end of Salary Continuation Period. Exercise of vested annual options after Salary Continuation Period per plan rules. Accelerated vesting of all annual options if Change of Control (as defined in paragraph 11) occurs during Salary Continuation Period
Restricted Stock (Non-TARSAP)	Separation Date.
Eligibility for New Stock Options	Separation Date.
TARSAP II	Next potential vesting installment of TARSAP II, after Separation Date, if the installment is earned will vest for Executive (all, part, or none) at the CEO's and HRC's discretion. If a Change in Control as defined in Executive's Severance Agreement occurs during Salary Continuation Period, Executive will only be entitled to the next potential vesting installment of TARSAP II

	not otherwise earned. Unvested shares at the end of Salary Continuation are forfeited.
Use of Financial Counseling per Plan Provisions	End of Salary Continuation Period. The maximum remaining benefit shall be annual benefit remaining as of Separation Date.
Savings and Retirement Plan Deduction (Active Participation)	Separation Date.
Employee Supplemental Savings Plan (ESSP) (Active Participation)	Separation Date. ESSP distribution date will commence when Salary Continuation ends, in accordance with plan and as selected by Executive previously.

7. *Death of Executive.* Upon the death of Executive during his active employment, his salary and all rights and benefits hereunder will terminate, and his estate and beneficiary(ies) will receive the benefits to which they are entitled under the terms of the Company's benefit plans and programs by reason of a participant's death during employment, including the applicable rights and benefits under the Company's stock plans. Under the Stock Option Plan, upon death fifty percent (50%) of the unvested annual stock options, if any, will vest, and the other fifty percent (50%) of the unvested annual stock options will terminate. All earned PTO will also be paid to Executive's estate. The amount of PTO is fixed at $50,256 minus standard deductions. If Executive dies during the Salary Continuation Period, all of the provisions of the previous sentence apply except that the remaining salary continuation will be paid in a lump sum to Executive's estate.

8. *Termination by Company for Cause.* The Company shall have the right to terminate Executive's active employment for cause. All salary and benefits shall cease, except COBRA rights and as otherwise provided in applicable benefit plans. All earned PTO will be paid to Executive. The amount of PTO is fixed at $50,256 minus standard deductions. Termination for cause shall be effective immediately upon notice sent or given to Executive. For purposes of this Agreement, the term "cause" shall mean: (i) conviction of any crime that materially discredits the Company or is materially detrimental to the reputation or goodwill of the Company; (ii) being found unsuitable for a gaming license or having a gaming license denied or revoked by any gaming regulatory authority in the states of Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina; (iii) commission of any material act of fraud or dishonesty against the Company, or commission of an immoral or unethical act that materially reflects negatively on the Company, or engaging in willful misconduct; (iv) material breach of Executive's obligations under paragraph 2 of this Agreement, as so determined by the Board of Directors; and (v) Executive's (a) willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to the Company, or (b) a final judicial order or determination prohibiting Executive from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the New York Stock Exchange. Executive shall first be provided with written notice of the claim(s) against him under the above provisions and given a reasonable opportunity (not to exceed thirty (30) days) to cure, if possible, and to contest said claim(s) before the Board of Directors.

9. *Voluntary Termination/Notice Period.* Executive may terminate this Agreement voluntarily at any time and for any or no reason during its term upon thirty (30) days' prior written notice to the Company, except as specified in this paragraph. If Executive is going to work or act in competition with the Company as described in paragraph 13 of this Agreement, Executive must give the Company six (6) months' prior written notice of his intention to do so. The written notice provided by Executive shall specify the last day to be worked by Executive ("Separation Date"), which Separation Date must be at least thirty (30) days or six (6) months (as appropriate) after the date the notice is received by the Company. Unless otherwise specified herein, or in writing executed by both parties, Executive shall not receive any of the benefits provided in this Agreement after the Separation Date set forth in his written notice except for applicable rights and benefits that apply to employees generally upon termination of employment.

10. *Certain Health Insurance Benefits.* If (i) Executive reaches the age of fifty (50) and, when added to his number of years of continuous service with the Company, including any period of salary continuation, the sum of his age and years of service equals or exceeds sixty-five (65), and at any time

after the occurrence of both such events Executive's employment is terminated pursuant to paragraph 6 above; or (ii) Executive reaches the age of fifty-five (55) and has attained ten (10) years of continuous service with the Company, including any period of salary continuation, and at any time after the occurrence of both such events Executive's employment terminates for any reason other than by the Company for "Cause" as described in paragraph 6 above, Executive and his then-eligible dependents shall be entitled to participate in the Company's group health insurance plan, as amended from time to time by the Company, after Executive's Separation Date or the end of the Salary Continuation Period, as applicable, for the remainder of Executive's life ("Life Coverage Period"). During the Life Coverage Period, Executive shall pay twenty percent (20%) of the current premium (revised annually) on an after-tax basis each quarter, and the Company shall pay eighty percent (80%) of said premium on an after-tax basis, which contribution will be imputed income to Executive. As soon after the Separation Date as Executive becomes eligible for Medicare coverage, the Company's group health insurance plan shall become secondary to Medicare.

If Executive engages in any of the activities described in paragraph 13(a) below, during the Life Coverage Period, the entitlement of Executive and his then-eligible dependents to participate in the Company's group health insurance plan shall terminate automatically, without any further action or notice by either party, subject to applicable COBRA rights, which shall commence on the Separation Date. If Executive engages in any of the activities described in said paragraph 13(a)(i) in a business which does not compete with the Company or any of its subsidiaries during the Life Coverage Period, the Company's group health insurance plan shall become secondary to any primary health insurance plan or coverage made available to Executive by that business.

Executive also shall receive the benefits and be bound by the provisions of this paragraph 10 if a Change in Control, as defined in Executive's Severance Agreement, occurs during Executive's active employment and if the Severance Agreement is in force when the Change of Control occurs.

11. *Change in Control.* If a Change in Control, as defined in Executive's Severance Agreement, occurs during Executive's active employment, and if the Severance Agreement is in force when the Change in Control occurs, then the Severance Agreement supersedes and replaces this Agreement, except paragraphs 10, 12, 13 (to the extent provided in paragraph 13) and 14. If, prior to a Change in Control (as defined above), Executive's active employment has been terminated for any reason by either party or this Agreement is not renewed by the Company, then Executive's Severance Agreement terminates automatically.

12. *Disability.* If Executive becomes disabled (as defined below) prior to the termination of his active employment or the non-renewal of this Agreement, he will be entitled to apply at his option for the Company's long-term disability benefits. If he is accepted for such benefits, then the terms and provisions of the Company's benefit plans and the programs (including the Company's Stock Option and Restricted Stock Plans) that are applicable in the event of such disability of an employee shall apply in lieu of the salary and benefits under this Agreement, except that he will be entitled to the lifetime group insurance benefits described in paragraph 10. If Executive is disabled so that he cannot perform his duties (as reasonably determined by the Human Resources Committee (HRC)), then the Company may terminate his duties under this Agreement. For purposes of this Agreement, disability will be the inability of Executive, with or without reasonable accommodation, to perform the essential functions of the job. In such event, he will receive eighteen (18) months salary continuation (offset by any long term disability benefits to which he is entitled), together with all other benefits, and during such period of salary continuation any stock options and restricted stock grants then in existence will continue in force for vesting purposes. Executive, if disabled, shall also be eligible for lifetime health benefits as if he has completed the eligibility requirements of paragraph 10 and at the rates set forth in paragraph 10. However, during such period of salary continuation for disability, Executive will not be eligible to participate in the annual bonus plan, nor will he be eligible to receive stock option or restricted stock grants or any other long-term incentive awards except to the extent approved by the

HRC. After the eighteen (18) months of salary continuation has expired, per plan documents, fifty percent (50%) of any remaining unvested annual options, if any, will vest and the other fifty percent (50%) of the unvested annual options will terminate. All PTO will also be paid out. The amount of PTO is fixed at $50,256 minus standard deductions. The payment of PTO will also survive the occurrence of a Change in Control and be paid out pursuant to its terms.

If Executive becomes disabled during the Salary Continuation Period, he will be entitled only to the salary and benefits described in paragraphs 6 and 10 above, for the periods set forth in those respective paragraphs.

Executive shall also receive the benefits and be bound by the provisions of this paragraph 12 if a Change in Control, as defined in Executive's Severance Agreement, occurs during Executive's active employment and if the Severance Agreement is in force when the Change in Control occurs.

13. *Non-Competition.*

(a) *Non-Competition.* During Executive's active employment, and during the Salary Continuation Period described in paragraph 6 above, Executive:

(i) shall not engage in any activity, including development activity, whether as employer, proprietor, partner, stockholder (other than the holder of less than five percent (5%) of the stock of a corporation, the securities of which are traded on a national securities exchange or in the over-the-counter market), director, officer, employee, consultant or otherwise, in competition with (x) the casino, casino/hotel and/or casino/resort businesses conducted at the date hereof by the Company or any subsidiary or affiliate ("Company" for purposes of this paragraph 13) or (y) any casino, casino/hotel and/or casino/resort business in which the Company is substantially engaged at any time during the active employment period;

(ii) shall not solicit, in competition with the Company, any person who is a customer of the businesses conducted by the Company at the date hereof or of any business in which the Company is substantially engaged at any time during the term of this Agreement.

(b) *Scope of Covenants; Remedies.* The following provisions shall apply to the covenants of Executive contained in this paragraph 13:

(i) the covenants contained in paragraphs (i) and (ii) of paragraph 13(a) shall apply within the United States, Canada and Mexico, plus any territories in which Company is actively engaged in the conduct of business while Executive is employed under this Agreement, including, without limitation, the territories in which customers are then being solicited;

(ii) without limiting the right of the Company to pursue all other legal and equitable remedies available for violation by Executive of the covenants contained in this paragraph 13, it is expressly agreed by Executive and the Company that such other remedies cannot fully compensate the Company for any such violation and that the Company shall be entitled to injunctive relief to prevent any such violation or any continuing violation thereof;

(iii) each party intends and agrees that if, in any action before any court or agency legally empowered to enforce the covenants contained in this paragraph 13, any term, restriction, covenant or promise contained therein is found to be unreasonable and accordingly unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency.

(c) Executive shall also be bound by the provisions of this paragraph 13 if (i) a Change in Control, as defined in Executive's Severance Agreement, occurs during Executive's active employment, (ii) the Severance Agreement is in full force and effect when the Change in Control

occurs and (iii) Executive receives the payments and benefits provided in Section 4 of the Severance Agreement, in which events this paragraph 13 will supersede any noncompete provision in Executive's Severance Agreement.

14. *Confidential Information.*

(a) Executive's position with the Company will or has resulted in his exposure and access to confidential and proprietary information which he did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by him, directly or indirectly, would be irreparably injurious and detrimental to the Company. During his term of employment and without limitation thereafter, Executive agrees to use his best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to third parties. Executive shall not at any time during and after his Separation Date, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any firm, corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Agreement, unless

expressly authorized to do so by the Company in writing. Executive is not prohibited from taking with him the general experience, knowledge, memory and skill acquired while employed by the Company, and using it in the future.

(b) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries, affiliates, whether or not a "trade secret" within the meaning of applicable law, that is not generally known to the general public or to the Company's competitors, and which has been or is from time to time disclosed to or developed by Executive as a result of his employment with the Company. Confidential Information includes, but is not limited to the Company's product development and marketing programs, data, future plans, formula, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by him or others, and any other Company information or documents which Executive is told or reasonably ought to know that the Company regards as confidential. Notwithstanding the above, Confidential Information will not include: (1) information to which Executive had knowledge from a source outside the Company, including previous employment, prior to a subsequent disclosure by the Company; (2) information that is or becomes known or available to the public at large or to the Company's competitors other than through the Executive or with the assistance of the Executive; and (3) information that the Company has made a conscious decision to make public.

(c) Executive agrees that upon separation of employment for any reason whatsoever, he shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondence, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in his possession (and all copies thereof) containing any such Confidential Information created in whole or in part by Executive within the scope of his employment.

(d) Executive has signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided* that, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(e) This paragraph 14 shall supersede any confidentiality provision contained in Executive's Severance Agreement.

15. *Injunctive Relief.* Executive acknowledges and agrees that the terms provided in paragraphs 13 and 14 are the minimum necessary to protect the Company, its affiliates and subsidiaries, its successors and assigns in the use and enjoyment of the Confidential Information and the good will of the business of the Company. Executive further agrees that damages cannot fully and adequately compensate the Company in the event of a breach or violation of the restrictive covenants (Confidential Information and Non-Competition) and that without limiting the right of the Company to pursue all other legal and equitable remedies available to it, that the Company shall be entitled to seek injunctive relief, including but not limited to a temporary restraining order, temporary injunction and permanent injunction, to prevent any such violations or any continuation of such violations for the protection of the Company. The granting of injunctive relief will not act as a waiver by the Company to pursue any and all additional remedies.

16. *Post Employment Cooperation.* Upon the termination of his active employment, Executive will cooperate with, and provide information to, the Company in assuring an orderly transition of all matters being handled by him. Upon the Company providing reasonable notice to him, he will also appear as a witness at the Company's request and/or assist the Company in any litigation, bankruptcy or similar matter in which the Company or any affiliate thereof is a party; *provided* that the Company will defray any approved out-of-pocket expenses incurred by him in connection with any such appearance and that, if Executive is no longer receiving salary compensation from the Company, the Company will compensate him for all time spent, at either his then current compensation rate or his salary rate as of the Separation Date, whichever is higher. The Company agrees further to indemnify him as prescribed in his Indemnification Agreement and Article TENTH of the Certificate of Incorporation of Harrah's Entertainment, Inc.

17. *Release.* Upon the termination of Executive's active employment, and in consideration of the receipt of the salary and benefits described in this Agreement, except for claims arising from the covenants, agreements, and undertakings of the Company as set forth herein and except as prohibited by statutory language, Executive will be required to sign an agreement that forever and unconditionally waives, and releases Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., their subsidiaries and affiliates, and their officers, directors, agents, benefit plan trustees, and employees ("Released Parties") from any and all claims, whether known or unknown, and regardless of type, cause or nature, including but not limited to claims arising under all salary, vacation, insurance, bonus, stock, and all other benefit plans, and all state and federal anti-discrimination, civil rights and human rights laws, ordinances and statutes, including Title VII of the Civil Rights Act of 1964 and the Age Discrimination in Employment Act, concerning his employment with Harrah's Operating Company, Inc., its subsidiaries and affiliates, and the cessation of that employment. The release does not waive his indemnification rights described in the Indemnification Agreement applicable to all senior executives.

18. *General Provisions.*

Notices. Any notice to be given hereunder by either party to the other may be effected by personal delivery, in writing, or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses set forth below, but each

party may change his or its address by written notice in accordance with this paragraph 18. Notices shall be deemed communicated as of the actual receipt or refusal of receipt.

If to Executive: John Boushy
159 Augusta
Street
Henderson, NV
89074

If to Company: Harrah's Operating Company, Inc.
One Harrah's Court.
Las Vegas,
Nevada 89119
Attn: General Counsel

19. *Governing Law.* This Agreement shall be governed by the laws of the State of Nevada as to all matters, including but not limited to matters of validity, construction, effect and performance.

20. *Jurisdiction.* Any judicial proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement or any agreement identified herein may be brought only in state or federal courts of the State of Nevada, and by the execution and delivery of this Agreement, each of the parties hereto accepts for themselves the exclusive jurisdiction of the aforesaid courts and irrevocably consents to the jurisdiction of such courts (and the appropriate appellate courts) in any such proceedings, waives any objection to venue laid therein and agrees to be bound by the judgment rendered thereby in connection with this Agreement or any agreement identified herein.

21. *No Conflicting Agreement.* By signing this Agreement, Executive warrants that he is not a party to any restrictive covenant, agreement or contract which limits the performance of his duties and responsibilities under this Agreement or under which such performance would constitute a breach.

22. *Headings.* The paragraph and subparagraph headings are for convenience or reference only and shall not define or limit the provisions hereof.

23. *Amendments.* Any amendments to this Agreement must be in writing and signed by both parties.

24. *Binding Agreement.* This Agreement is binding on the parties and their heirs, successors and assigns.

25. *Survival of Provisions.* The provisions of this Agreement shall survive any termination thereof if so provided herein and if necessary or desirable fully to accomplish the purposes of such provisions, including without limitation the rights and obligations of Executive under paragraphs 6, 13, 14, 15 and 16 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Harrah's Operating Company, Inc.

By: /s/ STEVE BRAMMELL

Steve Brammell
Senior Vice President and
General Counsel

/s/ JOHN BOUSHY

John Boushy
Executive

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Exhibit 10(45)

HARRAH'S ENTERTAINMENT, INC.

January 1, 2003

John M. Boushy
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119-4312

Re: **Severance Agreement**

Dear John:

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

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

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

1. *Term of Agreement.* This Agreement shall commence on January 1, 2004 and shall continue in effect through December 31, 2004; provided, however, that commencing on January 1, 2005 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company shall have given you written notice that it does not wish to extend this Agreement not later than January 1 of the preceding year in the event a Potential Change in Control has occurred or the failure to extend is done in contemplation of a Change in Control or a Potential Change in Control, or June 30 of the preceding year in all other events; provided, further, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred. This Agreement will terminate and have no force or effect if your active employment terminates for any reason prior to a Change in Control except if such termination occurs within six months prior to the Change in Control under the circumstances described in Section 4.(2) below.

2. *Change in Control*

(a) Change in Control means and includes each of the following:

(i) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

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(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided, however,* that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

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

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(iv) the Company's stockholders approve a liquidation or dissolution of the Company.

(v) The Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

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

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

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

(iii) Any person (other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases such beneficial ownership of such securities by an additional five percentage points or more thereby beneficially owning 14.5% or more of such securities; or

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

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

(c) *Good Reason.* For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Company, of any of the following circumstances unless such circumstances occur by reason of your death, Disability or your voluntary termination or voluntary Retirement, or, in the case of paragraphs (i), (ii), (iii), (iv) or (v), such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections 3(e) and 3(d), respectively, given in respect thereof:

(i) The assignment to you of any duties materially inconsistent with your status immediately prior to the Change in Control or a material adverse alteration in the nature or status of your responsibilities;

(ii) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may have been increased from time to time;

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

(iv) The failure by the Company to pay to you any material portion of your current compensation, except pursuant to a compensation deferral elected by you or required by any

agreement with you, or to pay to you any material portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) Except as permitted by any agreement with you, the failure by the Company to continue in effect any compensation plan in which you are participating immediately prior to the Change in Control which is material to your total compensation, including but not limited to, the Company's annual bonus plan, the ESSP, or the Stock Option Plan or any substitute plans, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative

plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants at your grade level;

(vi) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which you are participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control, except as permitted in any agreement with you;

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

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

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

3. *Termination Following Change in Control (or Prior to a Change in Control in Specific Circumstances).* If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, then following such Change in Control, you shall be entitled to the benefits provided in Subsection 4(c) hereof: (1) if your employment was terminated within six months prior to the Change in Control under the circumstances described in Section 4.(2) below, or (2) if your employment is terminated during the term of this Agreement after such Change in Control if such termination is (y) by the Company, other than for Cause, your Disability or death, or (z) by you for Good Reason as provided in Subsection 3(c)(i) hereof.

(a) *Disability; Retirement.* If, as a result of your meeting the definition of disability under the Company's Long Term Disability Plan, you shall have been absent from the full-time performance of your duties with the Company for twenty-six consecutive weeks, and within thirty days after written notice of termination is given, you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) *Cause.* For purposes of this Agreement, "Cause" shall mean:

(i) Your willful failure to perform substantially your duties or to follow a lawful reasonable directive from your supervisor (other than any such failure resulting from incapacity due to

physical or mental illness), after a written demand for substantial performance is delivered to you by your supervisor which specifically identifies the manner in which your supervisor believes that you have not substantially performed your duties or to follow a lawful reasonable directive and you are given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(ii) (A) any willful act of fraud, or embezzlement or theft by you, in each case, in connection with your duties to the Company or in the course of your employment with the Company or (B) your admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(iii) Your being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina;

(iv) (A) your willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002 if applicable to you, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting you from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

For purposes of this Subsection, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon a directive from your supervisor or the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company. Your termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with your counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, you are guilty of conduct within the definition of Cause herein and specifying the particulars thereof in detail.

(c) *Resignation For Good reason.* After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder, provided you are actively employed by the Company at such time and such resignation is by you for Good Reason.

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

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

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

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

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

4. *Compensation Upon Termination Following a Change in Control (or if Termination Occurs Prior to a Change in Control in Specific Circumstances).* Following a Change in Control of the Company as defined in Subsection 2(a), then: (1) upon termination of your employment after such Change in Control, or (2) notwithstanding anything in this Agreement to the contrary, if termination of your employment occurred within six months prior to the Change in Control if such termination was by the Company without Cause by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change of Control transaction, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by reason of your death or Disability, by your voluntary Retirement, by your voluntary termination without Good Reason, or by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus the Company shall pay all other amounts and honor all rights to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no other obligations to you under this Agreement.

(c) If your employment shall be terminated (y) after a Change in Control by the Company (other than by reason of your death or Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you for Good Reason, or (yy) within six months prior to a Change in Control, by the Company under the circumstances described in Section 4.(2) above, then you shall be entitled to the benefits provided below:

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

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 3.0 times the average of the Annual Compensation (as defined below) payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"). Annual Compensation is defined to consist of two components: (a) Your annual salary in effect immediately prior to the Change in Control or in effect as of the Date of Termination, whichever annual salary is higher. Your annual salary for this purpose will be determined without any reduction for deferrals of such salary under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from salary for any reason; plus (b) The average of your annual bonuses under the Company's Annual Management Bonus Plan, or any substitute or successor plan including the Senior Executive Incentive Plan, for the three highest calendar years, in terms of annual bonus paid to you in such years, during the five calendar years preceding the calendar year in which the Change in Control occurred. Your annual bonuses for this purpose will be determined without any reduction for deferrals under any deferred compensation plan (qualified or unqualified) and without any reduction for salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from bonus for any reason. If you were not employed by the Company or its affiliates for a sufficient period of time to receive annual bonuses during each of the five calendar years before the Change in Control occurred, then the average bonus will be measured using the three highest calendar years, in terms of annual bonus paid to you, in all the consecutive calendar years immediately preceding the date the Change in Control occurred. If you were not eligible for three years of bonuses paid during the calendar years immediately preceding the date the Change in Control occurred, then the average bonus will be the average of the annual bonuses that were paid to you during such time under such Plan. If you were not eligible for any bonus during such time because of not being employed by the Company for a sufficient period of time to qualify for a previous bonus payment, then Annual Compensation will only consist of the salary component as provided above and will not include a bonus component.

(iii) The Company shall also pay to you a pro rata amount of target bonus (the bonus amount for your grade level assuming 100 bonus points are earned) as shown on the matrix for the Annual Management Bonus Plan (or any successor plan) attributable to the bonus plan year which contains your Date of Termination, regardless of whether or not any bonus is determined to be actually earned for such year, provided that the target bonus for calculating this pro rata payment will not be less than the target bonus under such Plan for the Plan year that contains the day immediately prior to the Change in Control (which target bonus will be the one that applies to your grade level at that time) regardless of whether or not any bonus was payable for such year. The pro-rata amount will be based on the percentage of days of your employment in the calendar year of the Date of Termination. For example, if the Date of Termination is October 1 in a year with 365 days, with October 1 counted as the last day of employment for a total of 274 days of employment that year, then the pro-rata amount will be 75.06849% of target bonus (274 days ÷ 365 days). It is understood this target bonus will be based on the Annual Management Bonus Plan target and not the target for the Senior Executive Incentive Plan even if such Plan applies to you. In addition, the Company shall pay to you the amounts of any approved compensation or awards payable to you or due to you under any incentive compensation plan of the Company including, without limitation, the Company's Restricted Stock Plan, Stock Option Plan and Executive Stock Incentive Plan (the "Option Plans") and Annual Management Bonus Plan (or any substitute or successor plan including the Senior Executive Incentive Plan) and under any agreements with you in connection therewith, and shall make any other payments and take any

other actions and honor such rights you may have accrued under such plans and agreements including any rights you may have to payments after the Date of Termination, which will include the payment to you of any bonus earned during the bonus year fully completed prior to the Date of Termination if such Date of Termination occurs prior to the payment date for such bonus, it being understood, however, that the pro-rata payment provided for in the first sentence of this paragraph 4(c)(iii) is in lieu of any bonus earned for the bonus plan year during which occurred the Date of Termination.

(iv) At the election of the Company, in lieu of shares of common stock of the Company or any securities of a successor company which shall have replaced such common stock ("Company Shares") issuable upon exercise of outstanding and unexercised options (whether or not they are fully exercisable or "vested"), if any, granted to you under the Option Plans including options granted under the plan of any successor company that replaced or assumed the options under said Option Plans ("Options") (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of the higher of the closing price of Company Shares as reported on the New York Stock Exchange on the Date of Termination or the preceding business day if such Date is not a business day (or, if such Shares are not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price (including cash, securities and any other consideration) for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable or "vested"), times (z) the number of Company Shares covered by each such option (referred to herein as "Company Cash Out Election"). The Company may exercise the Company Cash Out Election as to all or part of your Options. Whether the Company Cash Out Election is exercised and to what extent will be decided by the Company in its discretion before a termination of your employment that entitles you to the benefits under this Subsection (c). The Company will have no obligation to exercise the Company Cash Out Election. The Company Cash Out Election will not apply to Options you exercised before your termination or that were already cashed out in connection with the Change in Control. To the extent the Company Cash Out Election is not exercised as to any of your Options that are outstanding at the time of a termination which entitles you to the benefits under this Subsection (c), such Options will become 100% vested upon such termination (if not already vested) and fully exercisable and you will have the right to exercise such Options at any time prior to midnight on the date of such termination (or prior to such other time as the terms of the Option may allow) or prior to such extended date as may be authorized in the discretion of the Board or the Human Resources Committee.

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

(vi) In the event that you become entitled to the payments, benefits or other rights (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsection (d) below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you (such net amount to be the amount remaining after deducting any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax payable on the payment provided for by this paragraph), shall be equal to the amount of the Severance Payments

after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any federal, state and local income tax and Excise tax payable on the payment provided for by this paragraph. For example, if the Severance Payments are $1,000,000 and if you are subject to the Excise Tax, then the Gross-Up Payment will be such that you will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount. (The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this paragraph will not be deemed normal and ordinary taxes). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

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

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

(C) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with proposed, temporary or final regulations under Sections 280G(d)(3) and (4) of the Code or, in the absence of such regulations, in accordance with the principles of Section 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the time of termination of your employment then, subject to applicable law, appropriate adjustments will be made with respect to the payments hereunder.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made as soon as practicable but not later than the thirtieth day following the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above).

(d) If your employment shall be terminated (y) after a Change in Control, by the Company (other than by reason of your death, your Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you voluntarily for Good Reason, or (yy) by the Company within six months prior to a Change in Control under the circumstances described in Section 4.(2) hereof, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, accident and health

insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In exchange for the payments and benefits provided in paragraphs (i), (ii), (iv), (v) and (vi) of Subsection 4(c) above and in Subsection 4(d) above, you expressly agree that, for a period of two years from the Date of Termination, you:

(i) will not, directly or indirectly, engage in any activity, including development activity, whether as an employee, consultant, director, investor, contractor, or otherwise, in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico, except with the prior specific approval of the Company. You acknowledge that these restrictions are reasonable as to both time and geographic scope as the Company competes with all gaming establishments in these areas;

(ii) will not, directly or indirectly, induce, persuade or attempt to induce or persuade, any salary grade 20 or higher employee of the Company, its subsidiaries or affiliates, to leave or abandon employment with the Company, its subsidiaries or its affiliates, for any reason whatsoever (other than your personal secretary and/or assistants); and

(iii) will not communicate with employees, customers, or suppliers of the company, or its it subsidiaries or affiliates or any principals thereof, or any person or organization in any manner whatsoever that is detrimental to the interest of the Company, its subsidiaries and affiliates. You further agree not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the company, its subsidiaries, affiliates or employees without the express written prior authorization of the Company, and the Company agrees that it will not make statements to the press or general public that are detrimental to you without your express prior written authorization. Notwithstanding the foregoing, you shall not be prohibited at the expiration of the non-competition period from pursuing business interests which may conflict with the interests of the Company.

It is further agreed:

(i) If, in any action before any court, agency or arbitration tribunal, legally empowered to enforce the covenants in this Subsection (e), any term, restriction, covenant, or promise contained therein is found to be unreasonable and, accordingly, unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency;

(ii) Should any court, agency or arbitration tribunal legally empowered to enforce the covenants contained in this Subsection (e) find that you have breached the terms, restrictions, covenants or promises herein (except if it has been modified to make it enforceable): (x) the Company will not be obligated to make the payments and benefits provided in paragraphs (ii), (iii), (iv), (v) and (vi) of Subsection (c)above and in Subsection 4(d) above, and (y) you will reimburse to the Company any such payments and benefits received by you, as well as any reasonable costs and attorneys fees to secure such repayments. In addition, the Company shall be entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief.

(f) *Confidentiality*

(i) Your position with the Company will or has resulted in your exposure and access to confidential and proprietary information which you did not have access to prior to holding the

position, which information is of great value to the Company and the disclosure of which by you, directly or indirectly, would be irreparably injurious and detrimental to the Company. During your employment and without limitation thereafter, you agree to use your best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to the third parties. You shall not any time during and after the end of full time active employment, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Subsection (f), unless expressly authorized to do so by the Company in writing. Notwithstanding the above, you may provide such Confidential Information if ordered by a federal or state court or any governmental authority or pursuant to a subpoena. In such case, you will notify the Company at least five (5) days prior to providing such information, and the nature of the information required to provide.

(ii) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries and affiliates, whether or not a "trade secret" within the meaning of applicable law, which at the time of your initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by you as a result of your employment with the Company. Confidential Information includes, but is not limited to, the Company's product development and marketing programs, data, future plans, formulas, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by you or others, and any other information which you are told or reasonably ought to know the Company regards as confidential.

(iii) You agree that upon termination of your employment for any reason whatsoever, you shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in your possession (and all copies thereof) containing any such Confidential Information created in whole or in part by you within the scope of your employment, even if the items do not contain Confidential Information.

(iv) You may also have signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, provided that, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(v) This Subsection (f) will survive your termination of employment for any reason.

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

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

(i) Notwithstanding any provision in this Agreement to the contrary, this Severance Agreement shall not replace or supersede Paragraph 10 of your Employment Agreement with the Company and the provisions of such Paragraph 10 shall survive any replacement by this Severance Agreement of your Employment Agreement.

5. *Successors; Binding Agreement.*

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

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

6. *Notices.* For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, by FAX if available, or by overnight courier service, addressed as follows:

To the Company:

General Counsel
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119
FAX: 702-407-6418

To you:

Addressed to your name at your office address (or FAX number) with the Company or its affiliates (or any successor thereto) at the time the notice is sent and your home address at that time; and if you are not employed by the Company at the time of the notice, your home address as shown on the records of the Company or its affiliates (or any successor thereto) on the date of the notice.

To such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. *Miscellaneous.* No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or

otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of

any applicable withholding required under federal, state or local law. The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

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

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

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

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

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/ STEPHEN H. BRAMMELL

Stephen H. Brammell
Senior Vice President

Agreed:

/s/ JOHN M. BOUSHY

John M. Boushy

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Exhibit 10(49)

HARRAH'S ENTERTAINMENT, INC.

January 1, 2003

Stephen H. Brammell
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119-4312

Re: ***Severance Agreement***

Dear Steve:

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

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

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

1. *Term of Agreement.* This Agreement shall commence on January 1, 2004 and shall continue in effect through December 31, 2004; *provided*, *however*, that commencing on January 1, 2005 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company shall have given you written notice that it does not wish to extend this Agreement not later than January 1 of the preceding year in the event a Potential Change in Control has occurred or the failure to extend is done in contemplation of a Change in Control or a Potential Change in Control, or June 30 of the preceding year in all other events; *provided*, *further*, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred. This Agreement will terminate and have no force or effect if your active employment terminates for any reason prior to a Change in Control except if such termination occurs within six months prior to the Change in Control under the circumstances described in Section 4.(2) below.

2. *Change in Control*

(a) Change in Control means and includes each of the following:

(i) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of

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directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided*, *however,* that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

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

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(iv) the Company's stockholders approve a liquidation or dissolution of the Company.

(v) The Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

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

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

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

(iii) Any person (other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases such beneficial ownership of such securities by an additional five percentage points or more thereby beneficially owning 14.5% or more of such securities; or

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

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

(c) *Good Reason.* For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Company, of any of the following circumstances unless such circumstances occur by reason of your death, Disability or your voluntary termination or voluntary Retirement, or, in the case of paragraphs (i), (ii), (iii), (iv) or (v), such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections 3(e) and 3(d), respectively, given in respect thereof:

(i) The assignment to you of any duties materially inconsistent with your status immediately prior to the Change in Control or a material adverse alteration in the nature or status of your responsibilities;

(ii) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may have been increased from time to time;

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

(iv) The failure by the Company to pay to you any material portion of your current compensation, except pursuant to a compensation deferral elected by you or required by any agreement with you, or to pay to you any material portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

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

(vi) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which you are participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control, except as permitted in any agreement with you;

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

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

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

3. *Termination Following Change in Control (or Prior to a Change in Control in Specific Circumstances).* If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, then following such Change in Control, you shall be entitled to the benefits provided in Subsection 4(c) hereof: (1) if your employment was terminated within six months prior to the Change in Control under the circumstances described in Section 4.(2) below, or (2) if your employment is terminated during the term of this Agreement after such Change in Control if such termination is (y) by the Company, other than for Cause, your Disability or death, or (z) by you for Good Reason as provided in Subsection 3(c)(i) hereof.

(a) *Disability; Retirement.* If, as a result of your meeting the definition of disability under the Company's Long Term Disability Plan, you shall have been absent from the full-time performance of your duties with the Company for twenty-six consecutive weeks, and within thirty days after written notice of termination is given, you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) *Cause.* For purposes of this Agreement, "Cause" shall mean:

(i) Your willful failure to perform substantially your duties or to follow a lawful reasonable directive from your supervisor (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to you by your supervisor which specifically identifies the manner in which your supervisor believes that you have not substantially performed your duties or to follow a lawful reasonable directive and you are given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(ii) (A) any willful act of fraud, or embezzlement or theft by you, in each case, in connection with your duties to the Company or in the course of your employment with the Company or (B) your admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(iii) Your being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina;

(iv) (A) your willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002 if applicable to you, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting you from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

For purposes of this Subsection, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon a directive from your supervisor or the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company. Your termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with your counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, you are guilty of conduct within the definition of Cause herein and specifying the particulars thereof in detail.

(c) *Resignation For Good reason.* After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder, provided you are actively employed by the Company at such time and such resignation is by you for Good Reason.

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

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

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

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

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

4. *Compensation Upon Termination Following a Change in Control (or if Termination Occurs Prior to a Change in Control in Specific Circumstances).* Following a Change in Control of the Company as defined in Subsection 2(a), then: (1) upon termination of your employment after such Change in Control, or (2) notwithstanding anything in this Agreement to the contrary, if termination of your employment occurred within six months prior to the Change in Control if such termination was by the Company without Cause by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change of Control transaction, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by reason of your death or Disability, by your voluntary Retirement, by your voluntary termination without Good Reason, or by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus the Company shall pay all other amounts and honor all rights to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no other obligations to you under this Agreement.

(c) If your employment shall be terminated (y) after a Change in Control by the Company (other than by reason of your death or Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you for Good Reason, or (yy) within six months prior to a Change in Control, by the

Company under the circumstances described in Section 4.(2) above, then you shall be entitled to the benefits provided below:

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

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 3.0 times the average of the Annual Compensation (as defined below) payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"). Annual Compensation is defined to consist of two components: (a) Your annual salary in effect immediately prior to the Change in Control or in effect as of the Date of Termination, whichever annual salary is higher. Your annual salary for this purpose will be determined without any reduction for deferrals of such salary under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from salary for any reason; *plus* (b) The average of your annual bonuses under the Company's Annual Management Bonus Plan, or any substitute or successor plan including the Senior Executive Incentive Plan, for the three highest calendar years, in terms of annual bonus paid to you in such years, during the five calendar years preceding the calendar year in which the Change in Control occurred. Your annual bonuses for this purpose will be determined without any reduction for deferrals under any deferred compensation plan (qualified or unqualified) and without any reduction for salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from bonus for any reason. If you were not employed by the Company or its affiliates for a sufficient period of time to receive annual bonuses during each of the five calendar years before the Change in Control occurred, then the average bonus will be measured using the three highest calendar years, in terms of annual bonus paid to you, in all the consecutive calendar years immediately preceding the date the Change in Control occurred. If you were not eligible for three years of bonuses paid during the calendar years immediately preceding the date the Change in Control occurred, then the average bonus will be the average of the annual bonuses that were paid to you during such time under such Plan. If you were not eligible for any bonus during such time because of not being employed by the Company for a sufficient period of time to qualify for a previous bonus payment, then Annual Compensation will only consist of the salary component as provided above and will not include a bonus component.

(iii) The Company shall also pay to you a pro rata amount of target bonus (the bonus amount for your grade level assuming 100 bonus points are earned) as shown on the matrix for the Annual Management Bonus Plan (or any successor plan) attributable to the bonus plan year which contains your Date of Termination, regardless of whether or not any bonus is determined to be actually earned for such year, provided that the target bonus for calculating this pro rata payment will not be less than the target bonus under such Plan for the Plan year that contains the day immediately prior to the Change in Control (which target bonus will be the one that applies to your grade level at that time) regardless of whether or not any bonus was payable for such year. The pro-rata amount will be based on the percentage of days of your employment in the calendar year of the Date of Termination. For example, if the Date of Termination is October 1 in a year with 365 days, with October 1 counted as the last day of employment for a total of 274 days of employment that year, then the pro-rata amount will be

75.06849% of target bonus (274 days ÷ 365 days). It is understood this target bonus will be based on the Annual Management Bonus Plan target and not the target for the Senior Executive Incentive Plan even if such Plan applies to you. In addition, the Company shall pay to you the amounts of any approved compensation or awards payable to you or due to you under any incentive compensation plan of the Company including, without limitation, the Company's Restricted Stock Plan, Stock Option Plan and Executive Stock Incentive Plan (the "Option Plans") and Annual Management Bonus Plan (or any substitute or successor plan including the Senior Executive Incentive Plan) and under any agreements with you in connection therewith, and shall make any other payments and take any other actions and honor such rights you may have accrued under such plans and agreements including any rights you may have to payments after the Date of Termination, which will include the payment to you of any bonus earned during the bonus year fully completed prior to the Date of Termination if such Date of Termination occurs prior to the payment date for such bonus, it being understood, however, that the pro-rata payment provided for in the first sentence of this paragraph 4(c)(iii) is in lieu of any bonus earned for the bonus plan year during which occurred the Date of Termination.

(iv) At the election of the Company, in lieu of shares of common stock of the Company or any securities of a successor company which shall have replaced such common stock ("Company Shares") issuable upon exercise of outstanding and unexercised options (whether or not they are fully exercisable or "vested"), if any, granted to you under the Option Plans including options granted under the plan of any successor company that replaced or assumed the options under said Option Plans ("Options") (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of the higher of the closing price of Company Shares as reported on the New York Stock Exchange on the Date of Termination or the preceding business day if such Date is not a business day (or, if such Shares are not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price (including cash, securities and any other consideration) for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable or "vested"), times (z) the number of Company Shares covered by each such option (referred to herein as "Company Cash Out Election"). The Company may exercise the Company Cash Out Election as to all or part of your Options. Whether the Company Cash Out Election is exercised and to what extent will be decided by the Company in its discretion before a termination of your employment that entitles you to the benefits under this Subsection (c). The Company will have no obligation to exercise the Company Cash Out Election. The Company Cash Out Election will not apply to Options you exercised before your termination or that were already cashed out in connection with the Change in Control. To the extent the Company Cash Out Election is not exercised as to any of your Options that are outstanding at the time of a termination which entitles you to the benefits under this Subsection (c), such Options will become 100% vested upon such termination (if not already vested) and fully exercisable and you will have the right to exercise such Options at any time prior to midnight on the date of such termination (or prior to such other time as the terms of the Option may allow) or prior to such extended date as may be authorized in the discretion of the Board or the Human Resources Committee.

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

extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder).

(vi) In the event that you become entitled to the payments, benefits or other rights (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsection (d) below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you (such net amount to be the amount remaining after deducting any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax payable on the payment provided for by this paragraph), shall be equal to the amount of the Severance Payments after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any federal, state and local income tax and Excise tax payable on the payment provided for by this paragraph. For example, if the Severance Payments are $1,000,000 and if you are subject to the Excise Tax, then the Gross-Up Payment will be such that you will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount. (The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this paragraph will not be deemed normal and ordinary taxes). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

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

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

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

the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the

time of termination of your employment then, subject to applicable law, appropriate adjustments will be made with respect to the payments hereunder.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made as soon as practicable but not later than the thirtieth day following the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above).

(d) If your employment shall be terminated (y) after a Change in Control, by the Company (other than by reason of your death, your Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you voluntarily for Good Reason, or (yy) by the Company within six months prior to a Change in Control under the circumstances described in Section 4.(2) hereof, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In exchange for the payments and benefits provided in paragraphs (i), (ii), (iv), (v) and (vi) of Subsection 4(c) above and in Subsection 4(d) above, you expressly agree that, for a period of two years from the Date of Termination, you:

(i) will not, directly or indirectly, engage in any activity, including development activity, whether as an employee, consultant, director, investor, contractor, or otherwise, in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico, except with the prior specific approval of the Company. You acknowledge that these restrictions are reasonable as to both time and geographic scope as the Company competes with all gaming establishments in these areas;

(ii) will not, directly or indirectly, induce, persuade or attempt to induce or persuade, any salary grade 20 or higher employee of the Company, its subsidiaries or affiliates, to leave or abandon employment with the Company, its subsidiaries or its affiliates, for any reason whatsoever (other than your personal secretary and/or assistants); and

(iii) will not communicate with employees, customers, or suppliers of the company, or its it subsidiaries or affiliates or any principals thereof, or any person or organization in any manner whatsoever that is detrimental to the interest of the Company, its subsidiaries and affiliates. You further agree not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the company, its subsidiaries, affiliates or employees without the express written prior authorization of the Company, and the Company agrees that it will not make statements to the press or general public that are detrimental to you without your express prior written authorization. Notwithstanding the foregoing, you shall not be prohibited at the expiration of the non-competition period from pursuing business interests which may conflict with the interests of the Company.

It is further agreed:

(i) If, in any action before any court, agency or arbitration tribunal, legally empowered to enforce the covenants in this Subsection (e), any term, restriction, covenant, or promise contained therein is found to be unreasonable and, accordingly, unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency;

(ii) Should any court, agency or arbitration tribunal legally empowered to enforce the covenants contained in this Subsection (e) find that you have breached the terms, restrictions, covenants or promises herein (except if it has been modified to make it enforceable): (x) the Company will not be obligated to make the payments and benefits provided in paragraphs (ii), (iii), (iv), (v) and (vi) of Subsection (c)above and in Subsection 4(d) above, and (y) you will reimburse to the Company any such payments and benefits received by you, as well as any reasonable costs and attorneys fees to secure such repayments. In addition, the Company shall be entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief.

(f) *Confidentiality*

(i) Your position with the Company will or has resulted in your exposure and access to confidential and proprietary information which you did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by you, directly or indirectly, would be irreparably injurious and detrimental to the Company. During your employment and without limitation thereafter, you agree to use your best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to the third parties. You shall not any time during and after the end of full time active employment, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Subsection (f), unless expressly authorized to do so by the Company in writing. Notwithstanding the above, you may provide such Confidential Information if ordered by a federal or state court or any governmental authority or pursuant to a subpoena. In such case, you will notify the Company at least five (5) days prior to providing such information, and the nature of the information required to provide.

(ii) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries and affiliates, whether or not a "trade secret" within the meaning of applicable law, which at the time of your initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by you as a result of your employment with the Company. Confidential Information includes, but is not limited to, the Company's product development and marketing programs, data, future plans, formulas, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by you or others, and any other information which you are told or reasonably ought to know the Company regards as confidential.

(iii) You agree that upon termination of your employment for any reason whatsoever, you shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in your possession (and all copies thereof) containing any such Confidential Information created in whole or in part by you within the scope of your employment, even if the items do not contain Confidential Information.

(iv) You may also have signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided that*, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(v) This Subsection (f) will survive your termination of employment for any reason.

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

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

(i) Notwithstanding any provision in this Agreement to the contrary, this Severance Agreement shall not replace or supersede Paragraph 10 of your Employment Agreement with the Company and the provisions of such Paragraph 10 shall survive any replacement by this Severance Agreement of your Employment Agreement.

5. *Successors; Binding Agreement.*

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

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

6. *Notices.* For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, by FAX if available, or by overnight courier service, addressed as follows:

To the Company:

General Counsel
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119
FAX: 702-407-6418

To you:

Addressed to your name at your office address (or FAX number) with the Company or its affiliates (or any successor thereto) at the time the notice is sent and your home address at that time; and if you are not employed by the Company at the time of the notice, your home address as shown on the records of the Company or its affiliates (or any successor thereto) on the date of the notice.

To such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

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

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

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

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

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

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/ PHILIP G. SATRE

Philip G. Satre

Agreed:

/s/ STEPHEN H. BRAMMELL

Stephen H. Brammell

Exhibit 10(53)

HARRAH'S ENTERTAINMENT, INC.

January 1, 2003

Janis L. Jones
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119-4312

Re: ***Severance Agreement***

Dear Jan:

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

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

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

1. *Term of Agreement.* This Agreement shall commence on January 1, 2004 and shall continue in effect through December 31, 2004; *provided, however*, that commencing on January 1, 2005 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company shall have given you written notice that it does not wish to extend this Agreement not later than January 1 of the preceding year in the event a Potential Change in Control has occurred or the failure to extend is done in contemplation of a Change in Control or a Potential Change in Control, or June 30 of the preceding year in all other events; *provided, further*, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred. This Agreement will terminate and have no force or effect if your active employment terminates for any reason prior to a Change in Control except if such termination occurs within six months prior to the Change in Control under the circumstances described in Section 4.(2) below.

2. *Change in Control*

(a) Change in Control means and includes each of the following:

(i) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of

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directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided, however,* that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

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

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(iv) the Company's stockholders approve a liquidation or dissolution of the Company.

(v) The Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

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

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

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

(iii) Any person (other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases such beneficial ownership of such securities by an additional five percentage points or more thereby beneficially owning 14.5% or more of such securities; or

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

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

(c) *Good Reason.* For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Company, of any of the following circumstances unless such circumstances occur by reason of your death, Disability or your voluntary termination or voluntary Retirement, or, in the case of paragraphs (i), (ii), (iii), (iv) or (v), such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections 3(e) and 3(d), respectively, given in respect thereof:

(i) The assignment to you of any duties materially inconsistent with your status immediately prior to the Change in Control or a material adverse alteration in the nature or status of your responsibilities;

(ii) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may have been increased from time to time;

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

(iv) The failure by the Company to pay to you any material portion of your current compensation, except pursuant to a compensation deferral elected by you or required by any agreement with you, or to pay to you any material portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

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

(vi) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which you are participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control, except as permitted in any agreement with you;

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

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

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

3. *Termination Following Change in Control (or Prior to a Change in Control in Specific Circumstances).* If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, then following such Change in Control, you shall be entitled to the benefits provided in Subsection 4(c) hereof: (1) if your employment was terminated within six months prior to the Change in Control under the circumstances described in Section 4.(2) below, or (2) if your employment is terminated during the term of this Agreement after such Change in Control if such termination is (y) by the Company, other than for Cause, your Disability or death, or (z) by you for Good Reason as provided in Subsection 3(c)(i) hereof.

(a) *Disability; Retirement.* If, as a result of your meeting the definition of disability under the Company's Long Term Disability Plan, you shall have been absent from the full-time performance of your duties with the Company for twenty-six consecutive weeks, and within thirty days after written notice of termination is given, you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) *Cause.* For purposes of this Agreement, "Cause" shall mean:

(i) Your willful failure to perform substantially your duties or to follow a lawful reasonable directive from your supervisor (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to you by your supervisor which specifically identifies the manner in which your supervisor believes that you have not substantially performed your duties or to follow a lawful reasonable directive and you are given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(ii) (A) any willful act of fraud, or embezzlement or theft by you, in each case, in connection with your duties to the Company or in the course of your employment with the Company or (B) your admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(iii) Your being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina;

(iv) (A) your willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002 if applicable to you, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting you from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

For purposes of this Subsection, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon a directive from your supervisor or the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company. Your termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with your counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, you are guilty of conduct within the definition of Cause herein and specifying the particulars thereof in detail.

(c) *Resignation For Good reason.* After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder, provided you are actively employed by the Company at such time and such resignation is by you for Good Reason.

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

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

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

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

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

4. *Compensation Upon Termination Following a Change in Control (or if Termination Occurs Prior to a Change in Control in Specific Circumstances).* Following a Change in Control of the Company as defined in Subsection 2(a), then: (1) upon termination of your employment after such Change in Control, or (2) notwithstanding anything in this Agreement to the contrary, if termination of your employment occurred within six months prior to the Change in Control if such termination was by the Company without Cause by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change of Control transaction, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by reason of your death or Disability, by your voluntary Retirement, by your voluntary termination without Good Reason, or by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus the Company shall pay all other amounts and honor all rights to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no other obligations to you under this Agreement.

(c) If your employment shall be terminated (y) after a Change in Control by the Company (other than by reason of your death or Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you for Good Reason, or (yy) within six months prior to a Change in Control, by the Company under the

circumstances described in Section 4.(2) above, then you shall be entitled to the benefits provided below:

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

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 3.0 times the average of the Annual Compensation (as defined below) payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"). Annual Compensation is defined to consist of two components: (a) Your annual salary in effect immediately prior to the Change in Control or in effect as of the Date of Termination, whichever annual salary is higher. Your annual salary for this purpose will be determined without any reduction for deferrals of such salary under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from salary for any reason; *plus* (b) The average of your annual bonuses under the Company's Annual Management Bonus Plan, or any substitute or successor plan including the Senior Executive Incentive Plan, for the three highest calendar years, in terms of annual bonus paid to you in such years, during the five calendar years preceding the calendar year in which the Change in Control occurred. Your annual bonuses for this purpose will be determined without any reduction for deferrals under any deferred compensation plan (qualified or unqualified) and without any reduction for salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from bonus for any reason. If you were not employed by the Company or its affiliates for a sufficient period of time to receive annual bonuses during each of the five calendar years before the Change in Control occurred, then the average bonus will be measured using the three highest calendar years, in terms of annual bonus paid to you, in all the consecutive calendar years immediately preceding the date the Change in Control occurred. If you were not eligible for three years of bonuses paid during the calendar years immediately preceding the date the Change in Control occurred, then the average bonus will be the average of the annual bonuses that were paid to you during such time under such Plan. If you were not eligible for any bonus during such time because of not being employed by the Company for a sufficient period of time to qualify for a previous bonus payment, then Annual Compensation will only consist of the salary component as provided above and will not include a bonus component.

(iii) The Company shall also pay to you a pro rata amount of target bonus (the bonus amount for your grade level assuming 100 bonus points are earned) as shown on the matrix for the Annual Management Bonus Plan (or any successor plan) attributable to the bonus plan year which contains your Date of Termination, regardless of whether or not any bonus is determined to be actually earned for such year, provided that the target bonus for calculating this pro rata payment will not be less than the target bonus under such Plan for the Plan year that contains the day immediately prior to the Change in Control (which target bonus will be the one that applies to your grade level at that time) regardless of whether or not any bonus was payable for such year. The pro-rata amount will be based on the percentage of days of your employment in the calendar year of the Date of Termination. For example, if the Date of Termination is October 1 in a year with 365 days, with October 1 counted as the last day of employment for a total of 274 days of employment that year, then the pro-rata amount will be 75.06849% of target bonus (274 days ÷ 365 days). It is understood this target bonus will be based on the Annual

Management Bonus Plan target and not the target for the Senior Executive Incentive Plan even if such Plan applies to you. In addition, the Company shall pay to you the amounts of any approved compensation or awards payable to you or due to you under any incentive compensation plan of the Company including, without limitation, the Company's Restricted Stock Plan, Stock Option Plan and Executive Stock Incentive Plan (the "Option Plans") and Annual Management Bonus Plan (or any substitute or successor plan including the Senior Executive Incentive Plan) and under any agreements with you in connection therewith, and shall make any other payments and take any other actions and honor such rights you may have accrued under such plans and agreements including any rights you may have to payments after the Date of Termination, which will include the payment to you of any bonus earned during the bonus year fully completed prior to the Date of Termination if such Date of Termination occurs prior to the payment date for such bonus, it being understood, however, that the pro-rata payment provided for in the first sentence of this paragraph 4(c)(iii) is in lieu of any bonus earned for the bonus plan year during which occurred the Date of Termination.

(iv) At the election of the Company, in lieu of shares of common stock of the Company or any securities of a successor company which shall have replaced such common stock ("Company Shares") issuable upon exercise of outstanding and unexercised options (whether or not they are fully exercisable or "vested"), if any, granted to you under the Option Plans including options granted under the plan of any successor company that replaced or assumed the options under said Option Plans ("Options") (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of the higher of the closing price of Company Shares as reported on the New York Stock Exchange on the Date of Termination or the preceding business day if such Date is not a business day (or, if such Shares are not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price (including cash, securities and any other consideration) for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable or "vested"), times (z) the number of Company Shares covered by each such option (referred to herein as "Company Cash Out Election"). The Company may exercise the Company Cash Out Election as to all or part of your Options. Whether the Company Cash Out Election is exercised and to what extent will be decided by the Company in its discretion before a termination of your employment that entitles you to the benefits under this Subsection (c). The Company will have no obligation to exercise the Company Cash Out Election. The Company Cash Out Election will not apply to Options you exercised before your termination or that were already cashed out in connection with the Change in Control. To the extent the Company Cash Out Election is not exercised as to any of your Options that are outstanding at the time of a termination which entitles you to the benefits under this Subsection (c), such Options will become 100% vested upon such termination (if not already vested) and fully exercisable and you will have the right to exercise such Options at any time prior to midnight on the date of such termination (or prior to such other time as the terms of the Option may allow) or prior to such extended date as may be authorized in the discretion of the Board or the Human Resources Committee.

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

(vi) In the event that you become entitled to the payments, benefits or other rights (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsection

(d) below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you (such net amount to be the amount remaining after deducting any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax payable on the payment provided for by this paragraph), shall be equal to the amount of the Severance Payments after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any federal, state and local income tax and Excise tax payable on the payment provided for by this paragraph. For example, if the Severance Payments are $1,000,000 and if you are subject to the Excise Tax, then the Gross-Up Payment will be such that you will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount. (The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this paragraph will not be deemed normal and ordinary taxes). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

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

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

(C) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with proposed, temporary or final regulations under Sections 280G(d)(3) and (4) of the Code or, in the absence of such regulations, in accordance with the principles of Section 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes.

In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the time of termination of your employment then, subject to applicable law, appropriate adjustments will be made with respect to the payments hereunder.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made as soon as practicable but not later than the thirtieth day following the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above).

(d) If your employment shall be terminated (y) after a Change in Control, by the Company (other than by reason of your death, your Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you voluntarily for Good Reason, or (yy) by the Company within six months prior to a Change in Control under the circumstances described in Section 4.(2) hereof, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In exchange for the payments and benefits provided in paragraphs (i), (ii), (iv), (v) and (vi) of Subsection 4(c) above and in Subsection 4(d) above, you expressly agree that, for a period of two years from the Date of Termination, you:

(i) will not, directly or indirectly, engage in any activity, including development activity, whether as an employee, consultant, director, investor, contractor, or otherwise, in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico, except with the prior specific approval of the Company. You acknowledge that these restrictions are reasonable as to both time and geographic scope as the Company competes with all gaming establishments in these areas;

(ii) will not, directly or indirectly, induce, persuade or attempt to induce or persuade, any salary grade 20 or higher employee of the Company, its subsidiaries or affiliates, to leave or abandon employment with the Company, its subsidiaries or its affiliates, for any reason whatsoever (other than your personal secretary and/or assistants); and

(iii) will not communicate with employees, customers, or suppliers of the company, or its it subsidiaries or affiliates or any principals thereof, or any person or organization in any manner whatsoever that is detrimental to the interest of the Company, its subsidiaries and affiliates. You further agree not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the company, its subsidiaries, affiliates or employees without the express written prior authorization of the Company, and the Company agrees that it will not make statements to the press or general public that are detrimental to you without your express prior written authorization. Notwithstanding the foregoing, you shall not be prohibited at the expiration of the non-competition period from pursuing business interests which may conflict with the interests of the Company.

It is further agreed:

(i) If, in any action before any court, agency or arbitration tribunal, legally empowered to enforce the covenants in this Subsection (e), any term, restriction, covenant, or promise contained therein is found to be unreasonable and, accordingly, unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency;

(ii) Should any court, agency or arbitration tribunal legally empowered to enforce the covenants contained in this Subsection (e) find that you have breached the terms, restrictions, covenants or promises herein (except if it has been modified to make it enforceable): (x) the Company will not be obligated to make the payments and benefits provided in paragraphs (ii), (iii), (iv), (v) and (vi) of Subsection (c)above and in Subsection 4(d) above, and (y) you will reimburse to the Company any such payments and benefits received by you, as well as any reasonable costs and attorneys fees to secure such repayments. In addition, the Company shall be

entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief.

(f) *Confidentiality*

(i) Your position with the Company will or has resulted in your exposure and access to confidential and proprietary information which you did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by you, directly or indirectly, would be irreparably injurious and detrimental to the Company. During your employment and without limitation thereafter, you agree to use your best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to the third parties. You shall not any time during and after the end of full time active employment, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Subsection (f), unless expressly authorized to do so by the Company in writing. Notwithstanding the above, you may provide such Confidential Information if ordered by a federal or state court or any governmental authority or pursuant to a subpoena. In such case, you will notify the Company at least five (5) days prior to providing such information, and the nature of the information required to provide.

(ii) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries and affiliates, whether or not a "trade secret" within the meaning of applicable law, which at the time of your initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by you as a result of your employment with the Company. Confidential Information includes, but is not limited to, the Company's product development and marketing programs, data, future plans, formulas, food and beverage procedures, recipes, finances, financial management systems,

player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by you or others, and any other information which you are told or reasonably ought to know the Company regards as confidential.

(iii) You agree that upon termination of your employment for any reason whatsoever, you shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in your possession (and all copies thereof) containing any such Confidential Information created in whole or in part by you within the scope of your employment, even if the items do not contain Confidential Information.

(iv) You may also have signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided that*, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(v) This Subsection (f) will survive your termination of employment for any reason.

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

owed by you to the Company, or otherwise (except as specifically provided in this Section 4 and this Subsection 4(g) will not limit or affect any remedies of the Company for your violation of Subsection 4(e) above or Subsection 4(f) above).

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

(i) Notwithstanding any provision in this Agreement to the contrary, this Severance Agreement shall not replace or supersede Paragraph 10 of your Employment Agreement with the Company and the provisions of such Paragraph 10 shall survive any replacement by this Severance Agreement of your Employment Agreement.

5. *Successors; Binding Agreement.*

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

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

6. *Notices*. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, by FAX if available, or by overnight courier service, addressed as follows:

To the Company:

General Counsel
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119
FAX: 702-407-6418

To you:

Addressed to your name at your office address (or FAX number) with the Company or its affiliates (or any successor thereto) at the time the notice is sent and your home address at that time; and if you are not employed by the Company at the time of the notice, your home address as shown on the records of the Company or its affiliates (or any successor thereto) on the date of the notice.

To such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. *Miscellaneous.* No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction

and performance of this Agreement shall be governed by the laws of the State of Delaware. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

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

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

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

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

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/ STEPHEN H. BRAMMELL

Stephen H. Brammell
Senior Vice President

Agreed:

/s/ JANIS L. JONES

Janis L. Jones

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Exhibit 10(54)

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is entered into as of this 1st day of January, 2003, by and between Harrah's Operating Company, Inc. ("Company") and Richard Mirman ("Executive").

The Company and Executive agree as follows:

1. *Employment.* The Company hereby employs Executive as Senior Vice President New Business Development and Chief Marketing Officer.

2. *Duties.* During the term of this Agreement ("active employment"), Executive shall devote substantially all of his working time, energies, and skills to the benefit of the Company's business. Executive agrees to serve the Company diligently and to the best of his ability, and to follow the policies and directions of the Company.

3. *Compensation.* Executive's compensation and benefits during his active employment shall be as follows:

(a) *Base Salary.* Beginning January 25, 2003, the Company shall pay Executive a base salary ("Base Salary") of $360,000 per year, which will be reviewed annually by the Company during the term of this Agreement in accordance with its compensation practices regarding senior executives. Executive's Base Salary shall be paid biweekly in accordance with the Company's normal payroll schedule. All payments shall be subject to Executive's chosen benefit deductions and the deduction of payroll taxes and similar assessments as required by law.

(b) *Bonus.* In addition to the Base Salary, Executive shall be eligible for an annual bonus in accordance with the Company's bonus plan.

4. *Insurance and Benefits.* Executive will be eligible to participate in each employee benefit plan and receive each executive benefit that the Company provides for its senior executives, in accordance with the applicable plan rules.

5. *Term.* The term of this Agreement shall be for four (4) years, beginning on January 25, 2003, and ending January 24, 2007.

6. *No Cause Termination/Non-Renewal of Agreement.* The Company may terminate Executive's active employment at any time without cause upon thirty (30) days' prior written notice ("no cause termination"). The Company also, in its sole discretion, may elect not to renew this Agreement upon its expiration ("non-renewal of Agreement"). In the event of such termination without cause or

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non-renewal by the Company, Executive shall be entitled only to the salary and benefits set forth below after the termination date unless otherwise specified in this Agreement.

Benefits	Benefit Termination Date
Base Salary (rate as of Separation Date)	Eighteen (18) months(78 weeks) ("Salary Continuation Period") from last day worked ("Separation Date").
PTO and Service Credit	Separation Date (accrued PTO will be paid within thirty (30) days of Separation Date)
Use of Credit Cards	Separation Date.
Bonus—Payment Eligibility	(i) Eligible for prior year bonus if terminated during payment year but prior to payment; (ii) eligible for prorated bonus for current year if in job for more than six (6) months and separation occurs after June 30; (iii) not eligible for bonus for year following Separation Date.
Group Health	End of Salary Continuation Period. Eighteen (18) month COBRA rights period for health insurance will commence on Separation Date. (See also paragraph 10)
Retaining Existing Stock Options for Vesting and Other Rights	Annual options continue to vest and can be exercised through the end of Salary Continuation Period. Exercise of vested annual options after Salary Continuation Period per plan rules. Accelerated vesting of all annual options if Change of Control (as defined in paragraph 11) occurs during Salary Continuation Period
Eligibility for New Restricted Stock or New Stock Options	Separation Date.
TARSAP II	Next potential vesting installment of TARSAP II, after Separation Date, if the installment is earned will vest for Executive (all, part, or none) at the CEO's and HRC's discretion. If a Change in Control as defined in Executive's Severance Agreement occurs during Salary Continuation Period, Executive will only be entitled to the next potential vesting installment of TARSAP II not otherwise earned. Unvested shares at the end of Salary Continuation are forfeited.

Use of Financial Counseling per Plan Provisions	End of alary Continuation Period. The maximum remaining benefit shall be annual benefit remaining as of Separation Date.
Savings and Retirement Plan Deduction (Active Participation)	Separation Date.
Deferred Compensation Plan (DCP)	Separation Date. DCP distribution date will commence when Salary Continuation ends, in accordance with plan and as selected by Executive previously.
Employee Supplemental Savings Plan (ESSP) (Active Participation)	Separation Date. ESSP distribution date will commence when Salary Continuation ends, in accordance with plan and as selected by Executive previously.

7. *Death of Executive.* Upon the death of Executive during his active employment, his salary and all rights and benefits hereunder will terminate, and his estate and beneficiary(ies) will receive the benefits to which they are entitled under the terms of the Company's benefit plans and programs by reason of a participant's death during employment, including the applicable rights and benefits under the Company's stock plans. Under the Stock Option Plan, upon death fifty percent (50%) of the unvested annual stock options, if any, will vest, and the other fifty percent (50%) of the unvested annual stock options will terminate. All earned PTO will also be paid to Executive's estate. If Executive dies during the Salary Continuation Period, all of the provisions of the previous sentence apply except that the remaining salary continuation will be paid in a lump sum to Executive's estate.

8. *Termination by Company for Cause.* The Company shall have the right to terminate Executive's active employment for cause. All salary and benefits shall cease, except COBRA rights and as otherwise provided in applicable benefit plans. All earned PTO will be paid to Executive. Termination for cause shall be effective immediately upon notice sent or given to Executive. For purposes of this Agreement, the term "cause" shall mean: (i) conviction of any crime that materially discredits the Company or is materially detrimental to the reputation or goodwill of the Company; (ii) being found unsuitable for a gaming license or having a gaming license denied or revoked by any gaming regulatory authority in the states of Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina; (iii) commission of any material act of fraud or dishonesty against the Company, or commission of an immoral or unethical act that materially reflects negatively on the Company, or engaging in willful misconduct; (iv) material breach of Executive's obligations under paragraph 2 of this Agreement, as so determined by the Board of Directors; and (v) Executive's (a) willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to the Company, or (b) a final judicial order or determination prohibiting Executive from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the New York Stock Exchange. Executive shall first be provided with written notice of the claim(s) against him under the above provisions and given a reasonable opportunity (not to exceed thirty (30) days) to cure, if possible, and to contest said claim(s) before the Board of Directors.

9. *Voluntary Termination/Notice Period.* Executive may terminate this Agreement voluntarily at any time and for any or no reason during its term upon thirty (30) days' prior written notice to the Company, except as specified in this paragraph. If Executive is going to work or act in competition with the Company as described in paragraph 13 of this Agreement, Executive must give the Company six (6) months' prior written notice of his intention to do so. The written notice provided by Executive shall specify the last day to be worked by Executive ("Separation Date"), which Separation Date must be at least thirty (30) days or six (6) months (as appropriate) after the date the notice is received by the Company. Unless otherwise specified herein, or in writing executed by both parties, Executive shall not receive any of the benefits provided in this Agreement after the Separation Date set forth in his written notice except for applicable rights and benefits that apply to employees generally upon termination of employment.

10. *Certain Health Insurance Benefits.* If (i) Executive reaches the age of fifty (50) and, when added to his number of years of continuous service with the Company, including any period of salary continuation, the sum of his age and years of service equals or exceeds sixty-five (65), and at any time after the occurrence of both such events Executive's employment is terminated pursuant to paragraph 6 above; or (ii) Executive reaches the age of fifty-five (55) and has attained ten (10) years of continuous service with the Company, including any period of salary continuation, and at any time after the occurrence of both such events Executive's employment terminates for any reason other than by the Company for "Cause" as described in paragraph 6 above, Executive and his then-eligible dependents

shall be entitled to participate in the Company's group health insurance plan, as amended from time to time by the Company, after Executive's Separation Date or the end of the Salary Continuation Period, as applicable, for the remainder of Executive's life ("Life Coverage Period"). During the Life Coverage Period, Executive shall pay twenty percent (20%) of the current premium (revised annually) on an after-tax basis each quarter, and the Company shall pay eighty percent (80%) of said premium on an after-tax basis, which contribution will be imputed income to Executive. As soon after the Separation Date as Executive becomes eligible for Medicare coverage, the Company's group health insurance plan shall become secondary to Medicare.

If Executive engages in any of the activities described in paragraph 13(a) below, during the Life Coverage Period, the entitlement of Executive and his then-eligible dependents to participate in the Company's group health insurance plan shall terminate automatically, without any further action or notice by either party, subject to applicable COBRA rights, which shall commence on the Separation Date. If Executive engages in any of the activities described in said paragraph 13(a)(i) in a business which does *not* compete with the Company or any of its subsidiaries during the Life Coverage Period, the Company's group health insurance plan shall become secondary to any primary health insurance plan or coverage made available to Executive by that business.

Executive also shall receive the benefits and be bound by the provisions of this paragraph 10 if a Change in Control, as defined in Executive's Severance Agreement, occurs during Executive's active employment and if the Severance Agreement is in force when the Change of Control occurs.

11. *Change in Control.* If a Change in Control, as defined in Executive's Severance Agreement, occurs during Executive's active employment, and if the Severance Agreement is in force when the Change in Control occurs, then the Severance Agreement supersedes and replaces this Agreement, except paragraph 10. If, prior to a Change in Control (as defined above), Executive's active employment has been terminated for any reason by either party or this Agreement is not renewed by the Company, then Executive's Severance Agreement terminates automatically.

12. *Disability.* If Executive becomes disabled (as defined below) prior to the termination of his active employment or the non-renewal of this Agreement, he will be entitled to apply at his option for the Company's long-term disability benefits. If he is accepted for such benefits, then the terms and provisions of the Company's benefit plans and the programs (including the Company's Stock Option and Restricted Stock Plans) that are applicable in the event of such disability of an employee shall apply in lieu of the salary and benefits under this Agreement, except that he will be entitled to the lifetime group insurance benefits described in paragraph 10. If Executive is disabled so that he cannot perform his duties (as reasonably determined by the Human Resources Committee (HRC)), then the Company may terminate his duties under this Agreement. For purposes of this Agreement, disability will be the inability of Executive, with or without reasonable accommodation, to perform the essential functions of the job. In such event, he will receive eighteen (18) months salary continuation (offset by any long term disability benefits to which he is entitled), together with all other benefits, and during such period of salary continuation any stock options and restricted stock grants then in existence will continue in force for vesting purposes. Executive, if disabled, shall also be eligible for lifetime health benefits as if he has completed the eligibility requirements of paragraph 10 and at the rates set forth in paragraph 10. However, during such period of salary continuation for disability, Executive will not be eligible to participate in the annual bonus plan, nor will he be eligible to receive stock option or restricted stock grants or any other long-term incentive awards except to the extent approved by the HRC. After the eighteen (18) months of salary continuation has expired, per plan documents, fifty percent (50%) of any remaining unvested annual options, if any, will vest and the other fifty percent (50%) of the unvested annual options will terminate. All PTO will also be paid out.

If Executive becomes disabled during the Salary Continuation Period, he will be entitled only to the salary and benefits described in paragraphs 6 and 10 above, for the periods set forth in those respective paragraphs.

13. *Non-Competition.*

(a) *Non-Competition.* During Executive's active employment, and during the Salary Continuation Period described in paragraph 6 above, Executive:

(i) shall not engage in any activity, including development activity, whether as employer, proprietor, partner, stockholder (other than the holder of less than five percent (5%) of the stock of a corporation, the securities of which are traded on a national securities exchange or in the over-the-counter market), director, officer, employee, consultant or otherwise, in competition with (x) the casino, casino/hotel and/or casino/resort businesses conducted at the date hereof by the Company or any subsidiary or affiliate ("Company" for purposes of this paragraph 13) or (y) any casino, casino/hotel and/or casino/resort business in which the Company is substantially engaged at any time during the active employment period;

(ii) shall not solicit, in competition with the Company, any person who is a customer of the businesses conducted by the Company at the date hereof or of any business in which the Company is substantially engaged at any time during the term of this Agreement.

(b) *Scope of Covenants; Remedies.* The following provisions shall apply to the covenants of Executive contained in this paragraph 13:

(i) the covenants contained in paragraphs (i) and (ii) of paragraph 13(a) shall apply within the United States, Canada and Mexico, plus any territories in which Company is actively engaged in the conduct of business while Executive is employed under this Agreement, including, without limitation, the territories in which customers are then being solicited;

(ii) without limiting the right of the Company to pursue all other legal and equitable remedies available for violation by Executive of the covenants contained in this paragraph 13, it is expressly agreed by Executive and the Company that such other remedies cannot fully compensate the Company for any such violation and that the Company shall be entitled to injunctive relief to prevent any such violation or any continuing violation thereof;

(iii) each party intends and agrees that if, in any action before any court or agency legally empowered to enforce the covenants contained in this paragraph 13, any term, restriction, covenant or promise contained therein is found to be unreasonable and accordingly unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency.

14. *Confidential Information.*

(a) Executive's position with the Company will or has resulted in his exposure and access to confidential and proprietary information which he did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by him, directly or indirectly, would be irreparably injurious and detrimental to the Company. During his term of employment and without limitation thereafter, Executive agrees to use his best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to third parties. Executive shall not at any time during and after his Separation Date, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any firm, corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Agreement, unless expressly authorized to do so by the Company in writing.

(b) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries, affiliates, whether or not a "trade secret" within the meaning of applicable law, which at the time of Executive's initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by Executive as a result of his employment with the Company. Confidential Information includes, but is not limited to the Company's product development and marketing programs, data, future plans, formula, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by him or others, and any other information or documents which Executive is told or reasonably ought to know that the Company regards as confidential.

(c) Executive agrees that upon separation of employment for any reason whatsoever, he shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in his possession (and all copies thereof) containing any such Confidential Information created in whole or in part by Executive within the scope of his employment, even if the items do not contain Confidential Information.

(d) Executive shall also be required to sign a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided that*, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(e) This paragraph and any of its provision will survive Executive's separation of employment for any reason.

15. *Injunctive Relief.* Executive acknowledges and agrees that the terms provided in paragraphs 13 and 14 are the minimum necessary to protect the Company, its affiliates and subsidiaries, its successors and assigns in the use and enjoyment of the Confidential Information and the good will of the business of the Company. Executive further agrees that damages cannot fully and adequately compensate the Company in the event of a breach or violation of the restrictive covenants (Confidential Information and Non-Competition) and that without limiting the right of the Company to pursue all other legal and equitable remedies available to it, that the Company shall be entitled to seek injunctive relief, including but not limited to a temporary restraining order, temporary injunction and permanent injunction, to prevent any such violations or any continuation of such violations for the protection of the Company. The granting of injunctive relief will not act as a waiver by the Company to pursue any and all additional remedies.

16. *Post Employment Cooperation.* Upon the termination of his active employment, Executive will cooperate with, and provide information to, the Company in assuring an orderly transition of all matters being handled by him. Upon the Company providing reasonable notice to him, he will also appear as a witness at the Company's request and/or assist the Company in any litigation, bankruptcy or similar matter in which the Company or any affiliate thereof is a party; *provided* that the Company will defray any approved out-of-pocket expenses incurred by him in connection with any such appearance and that, if Executive is no longer receiving salary compensation from the Company, the Company will compensate him for all time spent, at either his then current compensation rate or his salary rate as of the Separation Date, whichever is higher. The Company agrees further to indemnify him as prescribed in his Indemnification Agreement and Article TENTH of the Certificate of Incorporation of Harrah's Entertainment, Inc.

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17. *Release.* Upon the termination of Executive's active employment, and in consideration of the receipt of the salary and benefits described in this Agreement, except for claims arising from the covenants, agreements, and undertakings of the Company as set forth herein and except as prohibited by statutory language, Executive will be required to sign an agreement forever and unconditionally waives, and releases Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., their subsidiaries and affiliates, and their officers, directors, agents, benefit plan trustees, and employees ("Released Parties") from any and all claims, whether known or unknown, and regardless of type, cause or nature, including but not limited to claims arising under all salary, vacation, insurance, bonus, stock, and all other benefit plans, and all state and federal anti-discrimination, civil rights and human rights laws, ordinances and statutes, including Title VII of the Civil Rights Act of 1964 and the Age Discrimination in Employment Act, concerning his employment with Harrah's Operating Company, Inc., its subsidiaries and affiliates, and the cessation of that employment. The release does not waive his indemnification right.

18. *General Provisions.*

Notices. Any notice to be given hereunder by either party to the other may be effected by personal delivery, in writing, or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses set forth below, but each party may change his or its address by written notice in accordance with this paragraph 18. Notices shall be deemed communicated as of the actual receipt or refusal of receipt.

If to Executive:	Richard Mirman
If to Company:	Harrah's Operating Company, Inc. One Harrah's Court. Las Vegas, Nevada 89119 Attn: General Counsel

19. *Governing Law.* This Agreement shall be governed by the laws of the State of Nevada as to all matters, including but not limited to matters of validity, construction, effect and performance.

20. *Jurisdiction.* Any judicial proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement or any agreement identified herein may be brought only in state or federal courts of the State of Nevada, and by the execution and delivery of this Agreement, each of the parties hereto accepts for themselves the exclusive jurisdiction of the aforesaid courts and irrevocably consents to the jurisdiction of such courts (and the appropriate appellate courts) in any such proceedings, waives any objection to venue laid therein and agrees to be bound by the judgment rendered thereby in connection with this Agreement or any agreement identified herein.

21. *No Conflicting Agreement.* By signing this Agreement, Executive warrants that he is not a party to any restrictive covenant, agreement or contract which limits the performance of his duties and responsibilities under this Agreement or under which such performance would constitute a breach.

22. *Headings.* The paragraph and subparagraph headings are for convenience or reference only and shall not define or limit the provisions hereof.

23. *Amendments.* Any amendments to this Agreement must be in writing and signed by both parties.

24. *Binding Agreement.* This Agreement is binding on the parties and their heirs, successors and assigns.

25. *Survival of Provisions.* The provisions of this Agreement shall survive any termination thereof if so provided herein and if necessary or desirable fully to accomplish the purposes of such provisions,

including without limitation the rights and obligations of Executive under paragraphs 6, 13, 14, 15 and 16 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

HARRAH'S OPERATING COMPANY, INC.

By: /s/ STEPHEN H. BRAMMELL

Stephen H. Brammell
Senior Vice President and General Counsel

/s/ RICHARD E. MIRMAN

Richard Mirman
Executive

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Exhibit 10(56)

HARRAH'S ENTERTAINMENT, INC.

January 1, 2003

Richard E. Mirman
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119-4312

Re: Severance Agreement

Dear Rich:

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

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

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

1. *Term of Agreement.* This Agreement shall commence on January 1, 2004 and shall continue in effect through December 31, 2004; *provided*, *however*, that commencing on January 1, 2005 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company shall have given you written notice that it does not wish to extend this Agreement not later than January 1 of the preceding year in the event a Potential Change in Control has occurred or the failure to extend is done in contemplation of a Change in Control or a Potential Change in Control, or June 30 of the preceding year in all other events; *provided*, *further*, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred. This Agreement will terminate and have no force or effect if your active employment terminates for any reason prior to a Change in Control except if such termination occurs within six months prior to the Change in Control under the circumstances described in Section 4.(2) below.

2. *Change in Control*

(a) Change in Control means and includes each of the following:

(i) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

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(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided, however,* that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

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

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(iv) the Company's stockholders approve a liquidation or dissolution of the Company.

(v) The Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

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

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

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

(iii) Any person (other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases such beneficial ownership of such securities by an additional five percentage points or more thereby beneficially owning 14.5% or more of such securities; or

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

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

(c) *Good Reason*. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Company, of any of the following circumstances unless such circumstances occur by reason of your death, Disability or your voluntary termination or voluntary Retirement, or, in the case of paragraphs (i), (ii), (iii), (iv) or (v), such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections 3(e) and 3(d), respectively, given in respect thereof:

(i) The assignment to you of any duties materially inconsistent with your status immediately prior to the Change in Control or a material adverse alteration in the nature or status of your responsibilities;

(ii) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may have been increased from time to time;

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

(iv) The failure by the Company to pay to you any material portion of your current compensation, except pursuant to a compensation deferral elected by you or required by any

agreement with you, or to pay to you any material portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) Except as permitted by any agreement with you, the failure by the Company to continue in effect any compensation plan in which you are participating immediately prior to the Change in Control which is material to your total compensation, including but not limited to, the Company's annual bonus plan, the ESSP, or the Stock Option Plan or any substitute plans, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative

plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants at your grade level;

(vi) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which you are participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control, except as permitted in any agreement with you;

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

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

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

3. *Termination Following Change in Control (or Prior to a Change in Control in Specific Circumstances).* If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, then following such Change in Control, you shall be entitled to the benefits provided in Subsection 4(c) hereof: (1) if your employment was terminated within six months prior to the Change in Control under the circumstances described in Section 4.(2) below, or (2) if your employment is terminated during the term of this Agreement after such Change in Control if such termination is (y) by the Company, other than for Cause, your Disability or death, or (z) by you for Good Reason as provided in Subsection 3(c)(i) hereof.

(a) *Disability; Retirement.* If, as a result of your meeting the definition of disability under the Company's Long Term Disability Plan, you shall have been absent from the full-time performance of your duties with the Company for twenty-six consecutive weeks, and within thirty days after written notice of termination is given, you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) *Cause.* For purposes of this Agreement, "Cause" shall mean:

(i) Your willful failure to perform substantially your duties or to follow a lawful reasonable directive from your supervisor (other than any such failure resulting from incapacity due to

physical or mental illness), after a written demand for substantial performance is delivered to you by your supervisor which specifically identifies the manner in which your supervisor believes that you have not substantially performed your duties or to follow a lawful reasonable directive and you are given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(ii) (A) any willful act of fraud, or embezzlement or theft by you, in each case, in connection with your duties to the Company or in the course of your employment with the Company or (B) your admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(iii) Your being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina;

(iv) (A) your willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002 if applicable to you, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting you from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

For purposes of this Subsection, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon a directive from your supervisor or the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company. Your termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with your counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, you are guilty of conduct within the definition of Cause herein and specifying the particulars thereof in detail.

(c) *Resignation For Good reason.* After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder, provided you are actively employed by the Company at such time and such resignation is by you for Good Reason.

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

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

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

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

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

4. *Compensation Upon Termination Following a Change in Control (or if Termination Occurs Prior to a Change in Control in Specific Circumstances).* Following a Change in Control of the Company as defined in Subsection 2(a), then: (1) upon termination of your employment after such Change in Control, or (2) notwithstanding anything in this Agreement to the contrary, if termination of your employment occurred within six months prior to the Change in Control if such termination was by the Company without Cause by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change of Control transaction, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by reason of your death or Disability, by your voluntary Retirement, by your voluntary termination without Good Reason, or by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus the Company shall pay all other amounts and honor all rights to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no other obligations to you under this Agreement.

(c) If your employment shall be terminated (y) after a Change in Control by the Company (other than by reason of your death or Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you for Good Reason, or (yy) within six months prior to a Change in Control, by the Company under the circumstances described in Section 4.(2) above, then you shall be entitled to the benefits provided below:

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

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 3.0 times the average of the Annual Compensation (as defined below) payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"). Annual Compensation is defined to consist of two components: (a) Your annual salary in effect immediately prior to the Change in Control or in effect as of the Date of Termination, whichever annual salary is higher. Your annual salary for this purpose will be determined without any reduction for deferrals of such salary under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from salary for any reason; *plus* (b) The average of your annual bonuses under the Company's Annual Management Bonus Plan, or any substitute or successor plan including the Senior Executive Incentive Plan, for the three highest calendar years, in terms of annual bonus paid to you in such years, during the five calendar years preceding the calendar year in which the Change in Control occurred. Your annual bonuses for this purpose will be determined without any reduction for deferrals under any deferred compensation plan (qualified or unqualified) and without any reduction for salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from bonus for any reason. If you were not employed by the Company or its affiliates for a sufficient period of time to receive annual bonuses during each of the five calendar years before the Change in Control occurred, then the average bonus will be measured using the three highest calendar years, in terms of annual bonus paid to you, in all the consecutive calendar years immediately preceding the date the Change in Control occurred. If you were not eligible for three years of bonuses paid during the calendar years immediately preceding the date the Change in Control occurred, then the average bonus will be the average of the annual bonuses that were paid to you during such time under such Plan. If you were not eligible for any bonus during such time because of not being employed by the Company for a sufficient period of time to qualify for a previous bonus payment, then Annual Compensation will only consist of the salary component as provided above and will not include a bonus component.

(iii) The Company shall also pay to you a pro rata amount of target bonus (the bonus amount for your grade level assuming 100 bonus points are earned) as shown on the matrix for the Annual Management Bonus Plan (or any successor plan) attributable to the bonus plan year which contains your Date of Termination, regardless of whether or not any bonus is determined to be actually earned for such year, provided that the target bonus for calculating this pro rata payment will not be less than the target bonus under such Plan for the Plan year that contains the day immediately prior to the Change in Control (which target bonus will be the one that applies to your grade level at that time) regardless of whether or not any bonus was payable for such year. The pro-rata amount will be based on the percentage of days of your employment in the calendar year of the Date of Termination. For example, if the Date of Termination is October 1 in a year with 365 days, with October 1 counted as the last day of employment for a total of 274 days of employment that year, then the pro-rata amount will be 75.06849% of target bonus (274 days ÷ 365 days). It is understood this target bonus will be based on the Annual Management Bonus Plan target and not the target for the Senior Executive Incentive Plan even if such Plan applies to you. In addition, the Company shall pay to you the amounts of any approved compensation or awards payable to you or due to you under any incentive compensation plan of the Company including, without limitation, the Company's Restricted Stock Plan, Stock Option Plan and Executive Stock Incentive Plan (the "Option Plans") and Annual Management Bonus Plan (or any substitute or successor plan including the Senior Executive Incentive Plan) and under any agreements with you in connection therewith, and shall make any other payments and take any

other actions and honor such rights you may have accrued under such plans and agreements including any rights you may have to payments after the Date of Termination, which will include the payment to you of any bonus earned during the bonus year fully completed prior to the Date of Termination if such Date of Termination occurs prior to the payment date for such bonus, it being understood, however, that the pro-rata payment provided for in the first sentence of this paragraph 4(c)(iii) is in lieu of any bonus earned for the bonus plan year during which occurred the Date of Termination.

(iv) At the election of the Company, in lieu of shares of common stock of the Company or any securities of a successor company which shall have replaced such common stock ("Company Shares") issuable upon exercise of outstanding and unexercised options (whether or not they are fully exercisable or "vested"), if any, granted to you under the Option Plans including options granted under the plan of any successor company that replaced or assumed the options under said Option Plans ("Options") (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of the higher of the closing price of Company Shares as reported on the New York Stock Exchange on the Date of Termination or the preceding business day if such Date is not a business day (or, if such Shares are not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price (including cash, securities and any other consideration) for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable or "vested"), times (z) the number of Company Shares covered by each such option (referred to herein as "Company Cash Out Election"). The Company may exercise the Company Cash Out Election as to all or part of your Options. Whether the Company Cash Out Election is exercised and to what extent will be decided by the Company in its discretion before a termination of your employment that entitles you to the benefits under this Subsection (c). The Company will have no obligation to exercise the Company Cash Out Election. The Company Cash Out Election will not apply to Options you exercised before your termination or that were already cashed out in connection with the Change in Control. To the extent the Company Cash Out Election is not exercised as to any of your Options that are outstanding at the time of a termination which entitles you to the benefits under this Subsection (c), such Options will become 100% vested upon such termination (if not already vested) and fully exercisable and you will have the right to exercise such Options at any time prior to midnight on the date of such termination (or prior to such other time as the terms of the Option may allow) or prior to such extended date as may be authorized in the discretion of the Board or the Human Resources Committee.

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

(vi) In the event that you become entitled to the payments, benefits or other rights (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsection (d) below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you (such net amount to be the amount remaining after deducting any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax payable on the payment provided for by this paragraph), shall be equal to the amount of the Severance Payments after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any

federal, state and local income tax and Excise tax payable on the payment provided for by this paragraph. For example, if the Severance Payments are $1,000,000 and if you are subject to the Excise Tax, then the Gross-Up Payment will be such that you will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount. (The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this paragraph will not be deemed normal and ordinary taxes). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

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

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

(C) The value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with proposed, temporary or final regulations under Sections 280G(d)(3) and (4) of the Code or, in the absence of such regulations, in accordance with the principles of Section 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the time of termination of your employment then, subject to applicable law, appropriate adjustments will be made with respect to the payments hereunder.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made as soon as practicable but not later than the thirtieth day following the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above).

(d) If your employment shall be terminated (y) after a Change in Control, by the Company (other than by reason of your death, your Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you voluntarily for Good Reason, or (yy) by the Company within six months prior to a Change in Control under the circumstances described in Section 4.(2) hereof, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of

Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In exchange for the payments and benefits provided in paragraphs (i), (ii), (iv), (v) and (vi) of Subsection 4(c) above and in Subsection 4(d) above, you expressly agree that, for a period of two years from the Date of Termination, you:

(i) will not, directly or indirectly, engage in any activity, including development activity, whether as an employee, consultant, director, investor, contractor, or otherwise, in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico, except with the prior specific approval of the Company. You acknowledge that these restrictions are reasonable as to both time and geographic scope as the Company competes with all gaming establishments in these areas;

(ii) will not, directly or indirectly, induce, persuade or attempt to induce or persuade, any salary grade 20 or higher employee of the Company, its subsidiaries or affiliates, to leave or abandon employment with the Company, its subsidiaries or its affiliates, for any reason whatsoever (other than your personal secretary and/or assistants); and

(iii) will not communicate with employees, customers, or suppliers of the company, or its it subsidiaries or affiliates or any principals thereof, or any person or organization in any manner whatsoever that is detrimental to the interest of the Company, its subsidiaries and affiliates. You further agree not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the company, its subsidiaries, affiliates or employees without the express written prior authorization of the Company, and the Company agrees that it will not make statements to the press or general public that are detrimental to you without your express prior written authorization. Notwithstanding the foregoing, you shall not be prohibited at the expiration of the non-competition period from pursuing business interests which may conflict with the interests of the Company.

It is further agreed:

(i) If, in any action before any court, agency or arbitration tribunal, legally empowered to enforce the covenants in this Subsection (e), any term, restriction, covenant, or promise contained therein is found to be unreasonable and, accordingly, unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency;

(ii) Should any court, agency or arbitration tribunal legally empowered to enforce the covenants contained in this Subsection (e) find that you have breached the terms, restrictions, covenants or promises herein (except if it has been modified to make it enforceable): (x) the Company will not be obligated to make the payments and benefits provided in paragraphs (ii), (iii), (iv), (v) and (vi) of Subsection (c)above and in Subsection 4(d) above, and (y) you will reimburse to the Company any such payments and benefits received by you, as well as any reasonable costs and attorneys fees to secure such repayments. In addition, the Company shall be entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief.

(f) *Confidentiality*

(i) Your position with the Company will or has resulted in your exposure and access to confidential and proprietary information which you did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by you,

directly or indirectly, would be irreparably injurious and detrimental to the Company. During your employment and without limitation thereafter, you agree to use your best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to the third parties. You shall not any time during and after the end of full time active employment, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Subsection (f), unless expressly authorized to do so by the Company in writing. Notwithstanding the above, you may provide such Confidential Information if ordered by a federal or state court or any governmental authority or pursuant to a subpoena. In such case, you will notify the Company at least five (5) days prior to providing such information, and the nature of the information required to provide.

(ii) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries and affiliates, whether or not a "trade secret" within the meaning of applicable law, which at the time of your initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by you as a result of your employment with the Company. Confidential Information includes, but is not limited to, the Company's product development and marketing programs, data, future plans, formulas, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by you or others, and any other information which you are told or reasonably ought to know the Company regards as confidential.

(iii) You agree that upon termination of your employment for any reason whatsoever, you shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in your possession (and all copies thereof) containing any such Confidential Information created in whole or in part by you within the scope of your employment, even if the items do not contain Confidential Information.

(iv) You may also have signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided that*, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(v) This Subsection (f) will survive your termination of employment for any reason.

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

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

(i) Notwithstanding any provision in this Agreement to the contrary, this Severance Agreement shall not replace or supersede Paragraph 10 of your Employment Agreement with the Company and the provisions of such Paragraph 10 shall survive any replacement by this Severance Agreement of your Employment Agreement.

5. *Successors; Binding Agreement.*

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

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

6. *Notices.* For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, by FAX if available, or by overnight courier service, addressed as follows:

To the Company:

General Counsel
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119
FAX: 702-407-6418

To you:

Addressed to your name at your office address (or FAX number) with the Company or its affiliates (or any successor thereto) at the time the notice is sent and your home address at that time; and if you are not employed by the Company at the time of the notice, your home address as shown on the records of the Company or its affiliates (or any successor thereto) on the date of the notice.

To such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. *Miscellaneous.* No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or

otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of

any applicable withholding required under federal, state or local law. The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

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

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

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

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

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/ STEPHEN H. BRAMMELL

Stephen H. Brammell
Senior Vice President

Agreed:

/s/ RICHARD E. MIRMAN

Richard E. Mirman

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Exhibit 10(57)

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is entered into as of this 4th day of September, 2002, by and between Harrah's Entertainment, Inc., ("Company") and Timothy J. Wilmott ("Executive").

The Company and Executive agree as follows:

1. *Employment.* The Company hereby employs Executive as Chief Operating Officer or in such other more senior or equal capacity as the Company shall designate.

2. *Duties.* During the term of this Agreement ("active employment"), Executive shall devote substantially all of his working time, energies, and skills to the benefit of the Company's business. Executive agrees to serve the Company diligently and to the best of his ability, and to follow the policies and directions of the Company. Executive shall report directly to the Chief Executive Officer of the Company. Subject to the policies of the Company's Board of Directors, Executive may serve on other corporate Boards of Directors as long as it does not, in the opinion of the Company, interfere with his primary duties or create a conflict of interest. At all times during Executive's employment with the Company, and thereafter, the Company will provide Executive with indemnification and D&O insurance insuring Executive against insurable events which occur or have occurred while Executive was an Officer of the Company, on terms and conditions that are at least as generous as that then provided to officers of the Company.

3. *Compensation.* Executive's compensation during his active employment shall be as follows:

(a) *Base Salary.* Beginning January 1, 2003, the Company shall pay Executive a base salary ("Base Salary") of $800,000 per year, which will be reviewed annually by the Company during the term of this Agreement in accordance with its compensation practices regarding senior executives and shall not be reduced during Executive's active employment without his written consent. Executive's Base Salary shall be paid biweekly in accordance with the Company's normal payroll schedule. All payments shall be subject to Executive's chosen benefit deductions and the deduction of payroll taxes and similar assessments as required by law.

(b) *Bonus.* In addition to the Base Salary, Executive shall be eligible for an annual bonus in accordance with the Company's bonus plan.

(c) *Travel.* Executive will be able to use the Company's aircraft or charter aircraft for security purposes for himself and his family for business and personal travel (with standard charges for family members and for non-Company business usage). Executive will also be entitled to be reimbursed for first class travel or charter aircraft travel expenses. The Company also will provide Executive, if he so chooses, with appropriate security arrangements at his residences.

4. *Insurance and Benefits.* Executive will be eligible to participate in each employee benefit plan and receive each executive benefit that the Company provides for its senior executives, in accordance with the applicable plan rules.

5. *Term.* This Agreement is effective on September 4, 2002, and shall expire January 1, 2008, subject to the terms and conditions herein. From the period of September 4, 2002, through December 31, 2002, Executive will continue performing his duties as Division President-Eastern Division.

6. *Promotional Award.* The Company shall pay Executive, as further consideration for entering into this Agreement, including the non-competition provisions, a Promotional Award of a stock option grant valued by the Human Resources Committee (the committee, or successor committee, responsible for setting compensation levels for executives, the "HRC") at Three Million Dollars ($3,000,000). The options will be based on the model currently used by the Company for its current executives, with the strike price being set by the HRC as the average of the high and low prices on September 4, 2002. The option grant will vest in increments of twenty-five percent (25%) on January 1, 2006, twenty-five percent (25%) on January 1, 2007, and fifty percent (50%) on January 1, 2008. After the Employment

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Agreement has terminated, Executive may continue to exercise his vested Promotional options for one additional year until January 15, 2009. Given the fact that this Agreement ends on January 1, 2008, Executive is granted up to January 15, 2009, to exercise the vested Promotional Awards.

7. *No Cause Termination/Non-Renewal of Agreement.* The Company may terminate Executive's active employment at any time without cause upon thirty (30) days' prior written notice ("no cause termination"). The Company also, in its sole discretion, may elect not to renew this Agreement upon its expiration ("non-renewal of Agreement"). In the event of such termination without cause or non-renewal by the Company, Executive shall be entitled only to the salary and benefits set forth below after the termination date unless otherwise specified in this Agreement.

Benefit	Benefit Termination Date
Base Salary (rate as of Separation Date)	18 months (78 weeks) ("Salary Continuation Period") from last day worked ("Separation Date").
PTO and Service Credit	Separation Date.
Use of Credit Cards	Separation Date.
Bonus—Payment Eligibility	(i) Eligible for prior year bonus if terminated during payment year but prior to payment; (ii) eligible for prorated bonus for current year if in job for more than 6 months and termination occurs after June 30; (iii) not eligible for bonus for year following termination year.

Group Health	End of Salary Continuation Period. 18 month COBRA rights period for health insurance will commence on Separation Date. (See also paragraph 11)
Retaining Existing Stock Options for Vesting and Other Rights	Annual options continue to vest and can be exercised through the end of Salary Continuation Period. Exercise of vested annual options after Salary Continuation Period per plan rules. Accelerated vesting of all annual options if Change of Control (as defined in paragraph 12) occurs during Salary Continuation Period
Eligibility for New Restricted Stock or New Stock Options	Separation Date.
TARSAP II	If Executive is separated Without Cause prior to January 1, 2006, Executive will receive a taxable lump sum cash payment equal to 20,000 shares times the high and low price of the stock on the Separation Date. If a Change in Control as defined in Executive's Severance Agreement occurs during Salary Continuation Period, Executive will only be entitled to the next potential vesting installment of TARSAP II not otherwise earned. Unvested shares at the end of Salary Continuation are forfeited.

Use of Financial Counseling per Plan Provisions	End of Salary Continuation Period. The maximum remaining benefit shall be annual benefit remaining as of Separation Date.
Savings and Retirement Plan Deduction (Active Participation)	Separation Date.
Employee Supplemental Savings Plan (ESSP) (Active Participation)	Separation Date. ESSP distribution date will commence when Salary Continuation ends, in accordance with plan and as selected by Executive previously.

8. *Death of Executive.* Upon the death of Executive during his active employment, his salary and all rights and benefits hereunder will terminate, and his estate and beneficiary(ies) will receive the benefits to which they are entitled under the terms of the Company's benefit plans and programs by reason of a participant's death during employment, including the applicable rights and benefits under the Company's stock plans. Under the Stock Option Plan, upon death fifty percent (50%) of the unvested annual stock options, if any, and fifty percent (50%) of the unvested promotional stock options, if any, will vest, and the other fifty percent (50%) of the unvested annual and promotional options will terminate. All earned PTO will also be paid to Executive's estate. If Executive dies during the Salary Continuation Period, all of the provisions of the previous sentence apply except that the remaining salary continuation will be paid in a lump sum to Executive's estate.

Upon Executive's death, Executive's spouse will be eligible to continue health care coverage only for her lifetime on the same terms and conditions as are available to current employees, as may be modified from time to time. Children will also be covered under the same terms up to the age of eighteen (18) unless they are full-time students, then they will be eligible for coverage until the age of twenty-three (23).

9. *Termination by Company for Cause.* The Company shall have the right to terminate Executive's active employment for cause. All salary and benefits shall cease, except COBRA rights and as otherwise provided in applicable benefit plans. All earned PTO will be paid to Executive. Termination for cause shall be effective immediately upon notice sent or given to Executive. For purposes of this Agreement, the term "cause" shall mean: (i) conviction of any crime that materially discredits the Company or is materially detrimental to the reputation or goodwill of the Company; (ii) being found unsuitable for a gaming license or having a gaming license denied or revoked by any gaming regulatory authority in the states of Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina; (iii) commission of any material act of fraud or dishonesty against the Company, or commission of an immoral or unethical act that materially reflects negatively on the Company, or engaging in willful misconduct; (iv) material breach of Executive's obligations under paragraph 2 of this Agreement, as so determined by the Board of Directors; and (v) Executive's (a) willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002, provided that such violation or noncompliance resulted in material economic harm to the Company, or (b) a final judicial order or determination prohibiting Executive from service as an officer pursuant to the Securities and Exchange Act of 1934 or the rules of the New York Stock Exchange. Executive shall first be provided with written notice of the claim(s) against him under the above provisions and given a reasonable opportunity (not to exceed thirty (30) days) to cure, if possible, and to contest said claim(s) before the Board of Directors.

10. *Voluntary Termination/Notice Period.* Executive may terminate this Agreement voluntarily at any time and for any or no reason during its term upon thirty (30) days' prior written notice to the Company, except as specified in this paragraph. If Executive is going to work or act in competition with

the Company as described in paragraph 14 of this Agreement, Executive must give the Company six (6) months' prior written notice of his intention to do so. The written notice provided by Executive shall specify the last day to be worked by Executive ("Separation Date"), which Separation Date must be at least thirty (30) days or six (6) months (as appropriate) after the date the notice is received by the Company. Unless otherwise specified herein, or in writing executed by both parties, Executive shall not receive any of the benefits provided in this Agreement after the Separation Date set forth in his written notice.

11. *Certain Health Insurance Benefits.* If (i) Executive reaches the age of fifty (50) and, when added to his number of years of continuous service with the Company, the sum of his age and years of service equals or exceeds sixty-five (65), and at any time after the occurrence of both such events Executive's employment is terminated pursuant to paragraph 7 above; or (ii) Executive reaches the age of fifty-five (55) and has attained ten (10) years of continuous service

with the Company, and at any time after the occurrence of both such events Executive's employment terminates for any reason other than by the Company for "Cause" as described in paragraph 9 above, Executive and his then-eligible dependents shall be entitled to participate in the Company's group health insurance plan, as amended from time to time by the Company, after Executive's Separation Date or the end of the Salary Continuation Period, as applicable, for the remainder of Executive's life ("Life Coverage Period"). During the Life Coverage Period, Executive shall pay twenty percent (20%) of the current premium (revised annually) on an after-tax basis each quarter, and the Company shall pay eighty percent (80%) of said premium on an after-tax basis, which contribution will be imputed income to Executive. As soon after the Separation Date as Executive becomes eligible for Medicare coverage, the Company's group health insurance plan shall become secondary to Medicare.

If Executive engages in any of the activities described in paragraph 14(a) below, during the Life Coverage Period, the entitlement of Executive and his then-eligible dependents to participate in the Company's group health insurance plan shall terminate automatically, without any further action or notice by either party, subject to applicable COBRA rights, which shall commence on the Separation Date. If Executive engages in any of the activities described in said paragraph 14(a)(i) in a business which does not compete with the Company or any of its subsidiaries during the Life Coverage Period, the Company's group health insurance plan shall become secondary to any primary health insurance plan or coverage made available to Executive by that business.

Executive also shall receive the benefits and be bound by the provisions of this paragraph 11 if a Change in Control, as defined in Executive's Severance Agreement, occurs following the effective date of this Agreement.

Notwithstanding anything to the contrary contained in this Agreement, upon Executive completing the term of this Agreement, Executive shall be eligible for lifetime benefits for the remainder of Executive's life on the same terms as set forth above. Executive will not receive lifetime benefits if he does not complete the terms of this Agreement for any reason whatsoever, including being discharged Without Cause.

12. *Change in Control.* If a Change in Control, as defined in Executive's Severance Agreement, occurs during Executive's active employment, and if the Severance Agreement is in force when the Change in Control occurs, then the Severance Agreement supersedes and replaces this Agreement. If, prior to a Change in Control (as defined above), Executive's active employment has been terminated for any reason by either party or this Agreement is not renewed by the Company, then Executive's Severance Agreement terminates automatically. Executive acknowledges that the HRC is conducting a review of the Severance Agreement with respect to calendar year 2003. Accordingly, Executive and the Company agree that, notwithstanding any language contained in Executive's Severance Agreement to the contrary, timely notice under the Severance Agreement for the year 2003 will be September 30, 2002.

13. *Disability.* If Executive becomes disabled (as defined below) prior to the termination of his active employment or the non-renewal of this Agreement, he will be entitled to apply at his option for the Company's long-term disability benefits. If he is accepted for such benefits, then the terms and provisions of the Company's benefit plans and the programs (including the Company's Stock Option and Restricted Stock Plans) that are applicable in the event of such disability of an employee shall apply in lieu of the salary and benefits under this Agreement, except that (i) the Escrow Agreement (if then in force) and his indemnification agreement will continue in force (the Escrow Agreement will be subject to amendment or termination in accordance with its terms), and (ii) he will be entitled to the lifetime group insurance benefits described in paragraph 11. If Executive is disabled so that he cannot perform his duties (as reasonably determined by the Human Resources Committee (HRC)), then the Company may terminate his duties under this Agreement. For purposes of this Agreement, disability will be the inability of Executive, with or without reasonable accommodation, to perform the essential functions of the job. In such event, he will receive eighteen (18) months salary continuation (offset by any long term disability benefits to which he is entitled), together with all other benefits, and during such period of salary continuation any stock options and restricted stock grants then in existence will continue in force for vesting purposes. Executive, if disabled, shall also be eligible for lifetime health benefits as if he has completed the eligibility requirements of paragraph 11 and at the rates set forth in paragraph 11. However, during such period of salary continuation for disability, Executive will not be eligible to participate in the annual bonus plan, nor will he be eligible to receive stock option or restricted stock grants or any other long-term incentive awards except to the extent approved by the HRC. After the eighteen (18) months of salary continuation has expired, per plan documents, fifty percent (50%) of any remaining unvested annual options, if any, and fifty percent (50%) of any unvested promotional options, if any, will vest and the other fifty percent (50%) of each of the unvested options will terminate. All PTO will also be paid out.

If Executive becomes disabled during the Salary Continuation Period, he will be entitled only to the salary and benefits described in paragraphs 7 and 11 above, for the periods set forth in those respective paragraphs.

14. *Non-Competition.*

(a) *Non-Competition.* During Executive's active employment, and during the Salary Continuation Period described in paragraph 7 above, Executive:

(i) shall not engage in any activity, including development activity, whether as employer, proprietor, partner, stockholder (other than the holder of less than five percent (5%) of the stock of a corporation, the securities of which are traded on a national securities exchange or in the over-the-counter market), director, officer, employee, consultant or otherwise, in competition with (x) the casino, casino/hotel and/or casino/resort businesses conducted at the date hereof by the Company or any subsidiary or affiliate ("Company" for purposes of this paragraph 14) or (y) any casino, casino/hotel and/or casino/resort business in which the Company is substantially engaged at any time during the active employment period;

(ii) shall not solicit, in competition with the Company, any person who is a customer of the businesses conducted by the Company at the date hereof or of any business in which the Company is substantially engaged at any time during the term of this Agreement.

(b) *Scope of Covenants; Remedies.* The following provisions shall apply to the covenants of Executive contained in this paragraph 14:

(i) the covenants contained in paragraphs (i) and (ii) of paragraph 14(a) shall apply within the United States, Canada and Mexico, plus any territories in which Company is actively engaged in the conduct of business while Executive is employed under this Agreement, including, without limitation, the territories in which customers are then being solicited;

(ii) without limiting the right of the Company to pursue all other legal and equitable remedies available for violation by Executive of the covenants contained in this paragraph 14, it is expressly agreed by Executive and the Company that such other remedies cannot fully compensate the Company for

any such violation and that the Company shall be entitled to injunctive relief to prevent any such violation or any continuing violation thereof;

(iii) each party intends and agrees that if, in any action before any court or agency legally empowered to enforce the covenants contained in this paragraph 14, any term, restriction, covenant or promise contained therein is found to be unreasonable and accordingly unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency.

15. *Confidential Information.*

(a) Executive's position with the Company will or has resulted in his exposure and access to confidential and proprietary information which he did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by him, directly or indirectly, would be irreparably injurious and detrimental to the Company. During his term of employment and without limitation thereafter, Executive agrees to use his best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to third parties. Executive shall not at any time during and after his Separation Date, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any firm, corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Agreement, unless expressly authorized to do so by the Company in writing.

(b) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries, affiliates, whether or not a "trade secret" within the meaning of applicable law, which at the time of Executive's initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by Executive as a result of his employment with the Company. Confidential Information includes, but is not limited to the Company's product development and marketing programs, data, future plans, formula, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by him or others, and any other information or documents which Executive is told or reasonably ought to know that the Company regards as confidential.

(c) Executive agrees that upon separation of employment for any reason whatsoever, he shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in his possession (and all copies thereof) containing any such Confidential Information created in whole or in part by Executive within the scope of his employment, even if the items do not contain Confidential Information.

(d) Executive shall also be required to sign a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided that*, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(e) This paragraph and any of its provision will survive Executive's separation of employment for any reason.

16. *Injunctive Relief.* Executive acknowledges and agrees that the terms provided in paragraphs 14 and 15 are the minimum necessary to protect the Company, its affiliates and subsidiaries, its successors and assigns in the use and enjoyment of the Confidential Information and the good will of the business of the Company. Executive further agrees that damages cannot fully and adequately compensate the Company in the event of a breach or violation of the restrictive covenants (Confidential Information and Non-Competition) and that without limiting the right of the Company to pursue all other legal and equitable remedies available to it, that the Company shall be entitled to seek injunctive relief, including but not limited to a temporary restraining order, temporary injunction and permanent injunction, to prevent any such violations or any continuation of such violations for the protection of the Company. The granting of injunctive relief will not act as a waiver by the Company to pursue any and all additional remedies.

17. *Post Employment Cooperation.* Upon the termination of his active employment, Executive will cooperate with, and provide information to, the Company in assuring an orderly transition of all matters being handled by him. Upon the Company providing reasonable notice to him, he will also appear as a witness at the Company's request and/or assist the Company in any litigation, bankruptcy or similar matter in which the Company or any affiliate thereof is a party; *provided* that the Company will defray any approved out-of-pocket expenses incurred by him in connection with any such appearance and that, if Executive is no longer receiving salary compensation from the Company, the Company will compensate him for all time spent, at either his then current compensation rate or his salary rate as of the Separation Date, whichever is higher. The Company agrees further to indemnify him as prescribed in his Indemnification Agreement and Article TENTH of the Certificate of Incorporation of Harrah's Entertainment, Inc.

18. *Release.* Upon the termination of Executive's active employment, and in consideration of the receipt of the salary and benefits described in this Agreement, except for claims arising from the covenants, agreements, and undertakings of the Company as set forth herein and except as prohibited by statutory language, Executive will be required to sign an agreement which forever and unconditionally waives, and releases Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., their subsidiaries and affiliates, and their officers, directors, agents, benefit plan trustees, and employees ("Released Parties") from any and all claims, whether known or unknown, and regardless of type, cause or nature, including but not limited to claims arising under all salary, vacation, insurance, bonus, stock, and all other benefit plans, and all state and federal anti-discrimination, civil rights and human rights laws, ordinances and statutes, including Title VII of the Civil Rights Act of 1964 and the Age Discrimination in Employment Act, concerning his employment with Harrah's Entertainment, Inc., its subsidiaries and affiliates, and the cessation of that employment. The release does not waive his indemnification right.

19. *General Provisions.*

Notices. Any notice to be given hereunder by either party to the other may be effected by personal delivery, in writing, or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses set forth below, but each party may change his or its address by written notice in accordance with this paragraph 19. Notices shall be deemed communicated as of the actual receipt or refusal of receipt.

If to Executive: Timothy J. Wilmott

If to Company:

Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, Nevada 89119
Attn: General Counsel

20. *Governing Law.* This Agreement shall be governed by the laws of the State of Nevada as to all matters, including but not limited to matters of validity, construction, effect and performance.

21. *Jurisdiction.* Any judicial proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement or any agreement identified herein may be brought only in state or federal courts of the State of Nevada, and by the execution and delivery of this Agreement, each of the parties hereto accepts for themselves the exclusive jurisdiction of the aforesaid courts and irrevocably consents to the jurisdiction of such courts (and the appropriate appellate courts) in any such proceedings, waives any objection to venue laid therein and agrees to be bound by the judgment rendered thereby in connection with this Agreement or any agreement identified herein.

22. *No Conflicting Agreement.* By signing this Agreement, Executive warrants that he is not a party to any restrictive covenant, agreement or contract which limits the performance of his duties and responsibilities under this Agreement or under which such performance would constitute a breach.

23. *Headings.* The paragraph and subparagraph headings are for convenience or reference only and shall not define or limit the provisions hereof.

24. *Amendments.* Any amendments to this Agreement must be in writing and signed by both parties.

25. *Binding Agreement.* This Agreement is binding on the parties and their heirs, successors and assigns.

26. *Survival of Provisions.* The provisions of this Agreement shall survive any termination thereof if so provided herein and if necessary or desirable fully to accomplish the purposes of such provisions, including without limitation the rights and obligations of Executive under paragraphs 7, 14, 15, 16 and 17 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

HARRAH'S ENTERTAINMENT, INC.

By: /s/ PHILIP G. SATRE

Philip G. Satre
Chairman of the Board
and Chief Executive Officer

/s/ TIMOTHY J. WILMOTT

Timothy J. Wilmott
Executive

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Exhibit 10(58)

HARRAH'S ENTERTAINMENT, INC.

January 1, 2003

Timothy J. Wilmott
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119

Re: ***Severance Agreement***

Dear Tim:

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

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

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

1. *Term of Agreement.* This Agreement shall commence on January 1, 2003 and shall continue in effect through December 31, 2003; *provided*, *however*, that commencing on January 1, 2004 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company shall have given you written notice that it does not wish to extend this Agreement not later than January 1 of the preceding year in the event a Potential Change in Control has occurred or the failure to extend is done in contemplation of a Change in Control or a Potential Change in Control, or June 30 of the preceding year in all other events; *provided*, *further*, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred. This Agreement will terminate and have no force or effect if your active employment terminates for any reason prior to a Change in Control except if such termination occurs within six months prior to the Change in Control under the circumstances described in Section 4.(2) below.

2. *Change in Control*

(a) Change in Control means and includes each of the following:

(i) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of

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directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided*, *however*, that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

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

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(iv) the Company's stockholders approve a liquidation or dissolution of the Company.

(v) The Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

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

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

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

(iii) Any person (other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases such beneficial ownership of such securities by an additional five percentage points or more thereby beneficially owning 14.5% or more of such securities; or

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

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

(c) *Good Reason.* For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Company, of any of the following circumstances unless such circumstances occur by reason of your death, Disability or your voluntary termination or voluntary Retirement, or, in the case of paragraphs (i), (ii), (iii), (iv) or (v), such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections 3(e) and 3(d), respectively, given in respect thereof:

(i) The assignment to you of any duties materially inconsistent with your status immediately prior to the Change in Control or a material adverse alteration in the nature or status of your responsibilities;

(ii) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may have been increased from time to time;

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

(iv) The failure by the Company to pay to you any material portion of your current compensation, except pursuant to a compensation deferral elected by you or required by any agreement with you, or to pay to you any material portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

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

(vi) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which you are participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control, except as permitted in any agreement with you;

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

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

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

3. *Termination Following Change in Control (or Prior to a Change in Control in Specific Circumstances).* If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, then following such Change in Control, you shall be entitled to the benefits provided in Subsection 4(c) hereof: (1) if your employment was terminated within six months prior to the Change in Control under the circumstances described in Section 4.(2) below, or (2) if your employment is terminated during the term of this Agreement after such Change in Control if such termination is (y) by the Company, other than for Cause, your Disability or death, or (z) by you for Good Reason as provided in Subsection 3(c)(i) hereof.

(a) *Disability; Retirement.* If, as a result of your meeting the definition of disability under the Company's Long Term Disability Plan, you shall have been absent from the full-time performance of your duties with the Company for twenty-six consecutive weeks, and within thirty days after written notice of termination is given, you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) *Cause.* For purposes of this Agreement, "Cause" shall mean:

(i) Your willful failure to perform substantially your duties or to follow a lawful reasonable directive from your supervisor (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to you by your supervisor which specifically identifies the manner in which your supervisor believes that you have not substantially performed your duties or to follow a lawful reasonable directive and you are given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(ii) (A) any willful act of fraud, or embezzlement or theft by you, in each case, in connection with your duties to the Company or in the course of your employment with the Company or (B) your admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(iii) Your being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina;

(iv) (A) your willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002 if applicable to you, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting you from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

For purposes of this Subsection, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon a directive from your supervisor or the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company. Your termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with your counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, you are guilty of conduct within the definition of Cause herein and specifying the particulars thereof in detail.

(c) *Resignation For Good reason.* After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder, *provided* you are actively employed by the Company at such time and such resignation is by you for Good Reason.

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

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

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

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

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

4. *Compensation Upon Termination Following a Change in Control (or if Termination Occurs Prior to a Change in Control in Specific Circumstances).* Following a Change in Control of the Company as defined in Subsection 2(a), then: (1) upon termination of your employment after such Change in Control, or (2) notwithstanding anything in this Agreement to the contrary, if termination of your employment occurred within six months prior to the Change in Control if such termination was by the Company without Cause by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change of Control transaction, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by reason of your death or Disability, by your voluntary Retirement, by your voluntary termination without Good Reason, or by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus the Company shall pay all other amounts and honor all rights to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no other obligations to you under this Agreement.

(c) If your employment shall be terminated (y) after a Change in Control by the Company (other than by reason of your death or Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you for Good Reason, or (yy) within six months prior to a Change in Control, by the

Company under the circumstances described in Section 4.(2) above, then you shall be entitled to the benefits provided below:

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

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 3.0 times the average of the Annual Compensation (as defined below) payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"). Annual Compensation is defined to consist of two components: (a) Your annual salary in effect immediately prior to the Change in Control or in effect as of the Date of Termination, whichever annual salary is higher. Your annual salary for this purpose will be determined without any reduction for deferrals of such salary under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from salary for any reason; *plus* (b) The average of your annual bonuses under the Company's Annual Management Bonus Plan, or any substitute or successor plan including the Senior Executive Incentive Plan, for the three highest calendar years, in terms of annual bonus paid to you in such years, during the five calendar years preceding the calendar year in which the Change in Control occurred. Your annual bonuses for this purpose will be determined without any reduction for deferrals under any deferred compensation plan (qualified or unqualified) and without any reduction for salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from bonus for any reason. If you were not employed by the Company or its affiliates for a sufficient period of time to receive annual bonuses during each of the five calendar years before the Change in Control occurred, then the average bonus will be measured using the three highest calendar years, in terms of annual bonus paid to you, in all the consecutive calendar years immediately preceding the date the Change in Control occurred. If you were not eligible for three years of bonuses paid during the calendar years immediately preceding the date the Change in Control occurred, then the average bonus will be the average of the annual bonuses that were paid to you during such time under such Plan. If you were not eligible for any bonus during such time because of not being employed by the Company for a sufficient period of time to qualify for a previous bonus payment, then Annual Compensation will only consist of the salary component as provided above and will not include a bonus component.

(iii) The Company shall also pay to you a pro rata amount of target bonus (the bonus amount for your grade level assuming 100 bonus points are earned) as shown on the matrix for the Annual Management Bonus Plan (or any successor plan) attributable to the bonus plan year which contains your Date of Termination, regardless of whether or not any bonus is determined to be actually earned for such year, provided that the target bonus for calculating this pro rata payment will not be less than the target bonus under such Plan for the Plan year that contains the day immediately prior to the Change in Control (which target bonus will be the one that applies to your grade level at that time) regardless of whether or not any bonus was payable for such year. The pro-rata amount will be based on the percentage of days of your employment in the calendar year of the Date of Termination. For example, if the Date of Termination is October 1 in a year with 365 days, with October 1 counted as the last day of employment for a total of 274 days of employment that year, then the pro-rata amount will be

75.06849% of target bonus (274 days ÷ 365 days). It is understood this target bonus will be based on the Annual Management Bonus Plan target and not the target for the Senior Executive Incentive Plan even if such Plan applies to you. In addition, the Company shall pay to you the amounts of any approved compensation or awards payable to you or due to you under any incentive compensation plan of the Company including, without limitation, the Company's Restricted Stock Plan, Stock Option Plan and Executive Stock Incentive Plan (the "Option Plans") and Annual Management Bonus Plan (or any substitute or successor plan including the Senior Executive Incentive Plan) and under any agreements with you in connection therewith, and shall make any other payments and take any other actions and honor such rights you may have accrued under such plans and agreements including any rights you may have to payments after the Date of Termination, which will include the payment to you of any bonus earned during the bonus year fully completed prior to the Date of Termination if such Date of Termination occurs prior to the payment date for such bonus, it being understood, however, that the pro-rata payment provided for in the first sentence of this paragraph 4(c)(iii) is in lieu of any bonus earned for the bonus plan year during which occurred the Date of Termination.

(iv) At the election of the Company, in lieu of shares of common stock of the Company or any securities of a successor company which shall have replaced such common stock ("Company Shares") issuable upon exercise of outstanding and unexercised options (whether or not they are fully exercisable or "vested"), if any, granted to you under the Option Plans including options granted under the plan of any successor company that replaced or assumed the options under said Option Plans ("Options") (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of the higher of the closing price of Company Shares as reported on the New York Stock Exchange on the Date of Termination or the preceding business day if such Date is not a business day (or, if such Shares are not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price (including cash, securities and any other consideration) for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable or "vested"), times (z) the number of Company Shares covered by each such option (referred to herein as "Company Cash Out Election"). The Company may exercise the Company Cash Out Election as to all or part of your Options. Whether the Company Cash Out Election is exercised and to what extent will be decided by the Company in its discretion before a termination of your employment that entitles you to the benefits under this Subsection (c). The Company will have no obligation to exercise the Company Cash Out Election. The Company Cash Out Election will not apply to Options you exercised before your termination or that were already cashed out in connection with the Change in Control. To the extent the Company Cash Out Election is not exercised as to any of your Options that are outstanding at the time of a termination which entitles you to the benefits under this Subsection (c), such Options will become 100% vested upon such termination (if not already vested) and fully exercisable and you will have the right to exercise such Options at any time prior to midnight on the date of such termination (or prior to such other time as the terms of the Option may allow) or prior to such extended date as may be authorized in the discretion of the Board or the Human Resources Committee.

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

attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder).

(vi) In the event that you become entitled to the payments, benefits or other rights (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsection (d) below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you (such net amount to be the amount remaining after deducting any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax payable on the payment provided for by this paragraph), shall be equal to the amount of the Severance Payments after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any federal, state and local income tax and Excise tax payable on the payment provided for by this paragraph. For example, if the Severance Payments are $1,000,000 and if you are subject to the Excise Tax, then the Gross-Up Payment will be such that you will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount. (The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this paragraph will not be deemed normal and ordinary taxes). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

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

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

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

the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the

time of termination of your employment then, subject to applicable law, appropriate adjustments will be made with respect to the payments hereunder.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made as soon as practicable but not later than the thirtieth day following the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above).

(d) If your employment shall be terminated (y) after a Change in Control by the Company (other than by reason of your death, your Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you voluntarily for Good Reason, or (yy) by the Company within six months prior to a Change in Control under the circumstances described in Section 4.(2) hereof, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In exchange for the payments and benefits provided in paragraphs (ii), (iii), (iv), (v) and (vi) of Subsection 4(c) above and in Subsection 4(d) above, you expressly agree that, for a period of two years from the Date of Termination, you:

(i) will not, directly or indirectly, engage in any activity, including development activity, whether as an employee, consultant, director, investor, contractor, or otherwise, in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico, except with the prior specific approval of the Company. You acknowledge that these restrictions are reasonable as to both time and geographic scope as the Company competes with all gaming establishments in these areas;

(ii) will not, directly or indirectly, induce, persuade or attempt to induce or persuade, any salary grade 20 or higher employee of the Company, its subsidiaries or affiliates, to leave or abandon employment with the Company, its subsidiaries or its affiliates, for any reason whatsoever (other than your personal secretary and/or assistants);

(iii) will not communicate with employees, customers, or suppliers of the company, or its it subsidiaries or affiliates or any principals thereof, or any person or organization in any manner whatsoever that is detrimental to the interest of the Company, its subsidiaries and affiliates. You further agree not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the company, its subsidiaries, affiliates or employees without the express written prior authorization of the Company, and the Company agrees that it will not make statements to the press or general public that are detrimental to you without your express prior written authorization. Notwithstanding the foregoing, you shall not be prohibited at the expiration of the non-competition period from pursuing business interests which may conflict with the interests of the Company.

It is further agreed:

(i) If, in any action before any court, agency or arbitration tribunal, legally empowered to enforce the covenants in this Subsection (e), any term, restriction, covenant, or promise contained therein is found to be unreasonable and, accordingly, unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency;

(ii) Should any court, agency or arbitration tribunal legally empowered to enforce the covenants contained in this Subsection (e) find that you have breached the terms, restrictions, covenants or promises herein (except if it has been modified to make it enforceable): (x) the Company will not be obligated to make the payments and benefits provided in paragraphs (ii), (iii), (iv), (v) and (vi) of Subsection 4(c) above and in Subsection 4(d) above, and (y) you will reimburse to the Company any such payments and benefits received by you, as well as any reasonable costs and attorneys fees to secure such repayments. In addition, the Company shall be entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief.

(f) *Confidentiality*

(i) Your position with the Company will or has resulted in your exposure and access to confidential and proprietary information which you did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by you, directly or indirectly, would be irreparably injurious and detrimental to the Company. During your employment and without limitation thereafter, you agree to use your best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to the third parties. You shall not any time during and after the end of full time active employment, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Subsection (f), unless expressly authorized to do so by the Company in writing. Notwithstanding the above, you may provide such Confidential Information if ordered by a federal or state court or any governmental authority or pursuant to a subpoena. In such case, you will notify the Company at least five (5) days prior to providing such information, and the nature of the information required to provide.

(ii) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries and affiliates, whether or not a "trade secret" within the meaning of applicable law, which at the time of your initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by you as a result of your employment with the Company. Confidential Information includes, but is not limited to, the Company's product development and marketing programs, data, future plans, formulas, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by you or others, and any other information which you are told or reasonably ought to know the Company regards as confidential.

(iii) You agree that upon termination of your employment for any reason whatsoever, you shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in your possession (and all copies thereof) containing any such Confidential Information created in whole or in part by you within the scope of your employment, even if the items do not contain Confidential Information.

(iv) You may also have signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided that*, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(v) This Subsection (f) will survive your termination of employment for any reason.

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

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

(i) Notwithstanding any provision in this Agreement to the contrary, this Severance Agreement shall not replace or supersede Paragraph 11 of your Employment Agreement with the Company and the provisions of such Paragraph 11 shall survive any replacement by this Severance Agreement of your Employment Agreement.

5. *Successors; Binding Agreement.*

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

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

6. *Notices.* For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, by FAX if available, or by overnight courier service, addressed as follows:

To the Company:

General Counsel
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119
FAX: 702-407-6418

To you:

Addressed to your name at your office address (or FAX number) with the Company or its affiliates (or any successor thereto) at the time the notice is sent and your home address at that time; and if you are not employed by the Company at the time of the notice, your home address as shown on the records of the Company or its affiliates (or any successor thereto) on the date of the notice.

To such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

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

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

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

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

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

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/ STEPHEN H. BRAMMELL

Stephen H. Brammell
Senior Vice President

Agreed:

/s/ TIMOTHY J. WILMOTT

Timothy J. Wilmott

QuickLinks

Exhibit 10(58)

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10(62)

HARRAH'S ENTERTAINMENT, INC.

January 1, 2003

Marilyn G. Winn
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119-4312

Re: **Severance Agreement**

Dear Marilyn:

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

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

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

1. *Term of Agreement.* This Agreement shall commence on January 1, 2004 and shall continue in effect through December 31, 2004; *provided*, *however*, that commencing on January 1, 2005 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company shall have given you written notice that it does not wish to extend this Agreement not later than January 1 of the preceding year in the event a Potential Change in Control has occurred or the failure to extend is done in contemplation of a Change in Control or a Potential Change in Control, or June 30 of the preceding year in all other events; *provided*, *further*, if a Change in Control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall automatically continue in effect for a period of twenty-four months beyond the month in which such Change in Control occurred. This Agreement will terminate and have no force or effect if your active employment terminates for any reason prior to a Change in Control except if such termination occurs within six months prior to the Change in Control under the circumstances described in Section 4.(2) below.

2. *Change in Control*

(a) Change in Control means and includes each of the following:

(i) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of

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directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided*, *however*, that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

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

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(iv) the Company's stockholders approve a liquidation or dissolution of the Company.

(v) The Human Resources Committee of the Board (the "Committee") shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

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

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

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

(iii) Any person (other than an employee benefit plan of the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the Company's then outstanding voting securities carrying the right to vote in elections of persons to the Board increases such beneficial ownership of such securities by an additional five percentage points or more thereby beneficially owning 14.5% or more of such securities; or

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

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

(c) *Good Reason.* For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of the Company, of any of the following circumstances unless such circumstances occur by reason of your death, Disability or your voluntary termination or voluntary Retirement, or, in the case of paragraphs (i), (ii), (iii), (iv) or (v), such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections 3(e) and 3(d), respectively, given in respect thereof:

(i) The assignment to you of any duties materially inconsistent with your status immediately prior to the Change in Control or a material adverse alteration in the nature or status of your responsibilities;

(ii) A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may have been increased from time to time;

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

(iv) The failure by the Company to pay to you any material portion of your current compensation, except pursuant to a compensation deferral elected by you or required by any agreement with you, or to pay to you any material portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

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

(vi) The failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under the Savings and Retirement Plan and the life insurance, medical, health and accident, and disability plans in which you are participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change in Control, except as permitted in any agreement with you;

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

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

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

3. *Termination Following Change in Control (or Prior to a Change in Control in Specific Circumstances).* If any of the events described in Subsection 2(a) hereof constituting a Change in Control of the Company shall have occurred, then following such Change in Control, you shall be entitled to the benefits provided in Subsection 4(c) hereof: (1) if your employment was terminated within six months prior to the Change in Control under the circumstances described in Section 4.(2) below, or (2) if your employment is terminated during the term of this Agreement after such Change in Control if such termination is (y) by the Company, other than for Cause, your Disability or death, or (z) by you for Good Reason as provided in Subsection 3(c)(i) hereof.

(a) *Disability; Retirement.* If, as a result of your meeting the definition of disability under the Company's Long Term Disability Plan, you shall have been absent from the full-time performance of your duties with the Company for twenty-six consecutive weeks, and within thirty days after written notice of termination is given, you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability". Termination by the Company or you of your employment based on "Retirement" shall mean termination at age 65 (or later) with ten years of service or retirement in accordance with any retirement contract between the Company and you.

(b) *Cause.* For purposes of this Agreement, "Cause" shall mean:

(i) Your willful failure to perform substantially your duties or to follow a lawful reasonable directive from your supervisor (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to you by your supervisor which specifically identifies the manner in which your supervisor believes that you have not substantially performed your duties or to follow a lawful reasonable directive and you are given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(ii) (A) any willful act of fraud, or embezzlement or theft by you, in each case, in connection with your duties to the Company or in the course of your employment with the Company or (B) your admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(iii) Your being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina;

(iv) (A) your willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002 if applicable to you, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting you from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

For purposes of this Subsection, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon a directive from your supervisor or the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company. Your termination of employment shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with your counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, you are guilty of conduct within the definition of Cause herein and specifying the particulars thereof in detail.

(c) *Resignation For Good reason.* After a Change in Control of the Company and for purposes of receiving the benefits provided in Subsection 4(c) hereof, you shall be entitled to terminate your employment by voluntary resignation given at any time during the two years following the occurrence of a Change in Control of the Company hereunder, *provided* you are actively employed by the Company at such time and such resignation is by you for Good Reason.

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

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

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

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

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

4. *Compensation Upon Termination Following a Change in Control (or if Termination Occurs Prior to a Change in Control in Specific Circumstances).* Following a Change in Control of the Company as defined in Subsection 2(a), then: (1) upon termination of your employment after such Change in Control, or (2) notwithstanding anything in this Agreement to the contrary, if termination of your employment occurred within six months prior to the Change in Control if such termination was by the Company without Cause by reason of the request of the person or persons (or their representatives) who subsequently acquire control of the Company in the Change of Control transaction, you shall be entitled to the following benefits:

(a) Deleted.

(b) If your employment shall be terminated by reason of your death or Disability, by your voluntary Retirement, by your voluntary termination without Good Reason, or by the Company for Cause, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus the Company shall pay all other amounts and honor all rights to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no other obligations to you under this Agreement.

(c) If your employment shall be terminated (y) after a Change in Control by the Company (other than by reason of your death or Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you for Good Reason, or (yy) within six months prior to a Change in Control, by the

Company under the circumstances described in Section 4.(2) above, then you shall be entitled to the benefits provided below:

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

(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 3.0 times the average of the Annual Compensation (as defined below) payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"). Annual Compensation is defined to consist of two components: (a) Your annual salary in effect immediately prior to the Change in Control or in effect as of the Date of Termination, whichever annual salary is higher. Your annual salary for this purpose will be determined without any reduction for deferrals of such salary under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from salary for any reason; *plus* (b) The average of your annual bonuses under the Company's Annual Management Bonus Plan, or any substitute or successor plan including the Senior Executive Incentive Plan, for the three highest calendar years, in terms of annual bonus paid to you in such years, during the five calendar years preceding the calendar year in which the Change in Control occurred. Your annual bonuses for this purpose will be determined without any reduction for deferrals under any deferred compensation plan (qualified or unqualified) and without any reduction for salary reductions used for making contributions to any group insurance plan of the Company or its affiliates and also without reduction for any other deductions from bonus for any reason. If you were not employed by the Company or its affiliates for a sufficient period of time to receive annual bonuses during each of the five calendar years before the Change in Control occurred, then the average bonus will be measured using the three highest calendar years, in terms of annual bonus paid to you, in all the consecutive calendar years immediately preceding the date the Change in Control occurred. If you were not eligible for three years of bonuses paid during the calendar years immediately preceding the date the Change in Control occurred, then the average bonus will be the average of the annual bonuses that were paid to you during such time under such Plan. If you were not eligible for any bonus during such time because of not being employed by the Company for a sufficient period of time to qualify for a previous bonus payment, then Annual Compensation will only consist of the salary component as provided above and will not include a bonus component.

(iii) The Company shall also pay to you a pro rata amount of target bonus (the bonus amount for your grade level assuming 100 bonus points are earned) as shown on the matrix for the Annual Management Bonus Plan (or any successor plan) attributable to the bonus plan year which contains your Date of Termination, regardless of whether or not any bonus is determined to be actually earned for such year, provided that the target bonus for calculating this pro rata payment will not be less than the target bonus under such Plan for the Plan year that contains the day immediately prior to the Change in Control (which target bonus will be the one that applies to your grade level at that time) regardless of whether or not any bonus was payable for such year. The pro-rata amount will be based on the percentage of days of your employment in the calendar year of the Date of Termination. For example, if the Date of Termination is October 1 in a year with 365 days, with October 1 counted as the last day of employment for a total of 274 days of employment that year, then the pro-rata amount will be

75.06849% of target bonus (274 days ÷ 365 days). It is understood this target bonus will be based on the Annual Management Bonus Plan target and not the target for the Senior Executive Incentive Plan even if such Plan applies to you. In addition, the Company shall pay to you the amounts of any approved compensation or awards payable to you or due to you under any incentive compensation plan of the Company including, without limitation, the Company's Restricted Stock Plan, Stock Option Plan and Executive Stock Incentive Plan (the "Option Plans") and Annual Management Bonus Plan (or any substitute or successor plan including the Senior Executive Incentive Plan) and under any agreements with you in connection therewith, and shall make any other payments and take any other actions and honor such rights you may have accrued under such plans and agreements including any rights you may have to payments after the Date of Termination, which will include the payment to you of any bonus earned during the bonus year fully completed prior to the Date of Termination if such Date of Termination occurs prior to the payment date for such bonus, it being understood, however, that the pro-rata payment provided for in the first sentence of this paragraph 4(c)(iii) is in lieu of any bonus earned for the bonus plan year during which occurred the Date of Termination.

(iv) At the election of the Company, in lieu of shares of common stock of the Company or any securities of a successor company which shall have replaced such common stock ("Company Shares") issuable upon exercise of outstanding and unexercised options (whether or not they are fully exercisable or "vested"), if any, granted to you under the Option Plans including options granted under the plan of any successor company that replaced or assumed the options under said Option Plans ("Options") (which Options shall be cancelled upon the making of the payment referred to below), you shall receive an amount in cash equal to the product of (y) the excess of the higher of the closing price of Company Shares as reported on the New York Stock Exchange on the Date of Termination or the preceding business day if such Date is not a business day (or, if such Shares are not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in Company Shares is highest) or the highest per share price (including cash, securities and any other consideration) for Company Shares actually paid in connection with any change in control of the Company, over the per share exercise price of each Option held by you (whether or not then fully exercisable or "vested"), times (z) the number of Company Shares covered by each such option (referred to herein as "Company Cash Out Election"). The Company may exercise the Company Cash Out Election as to all or part of your Options. Whether the Company Cash Out Election is exercised and to what extent will be decided by the Company in its discretion before a termination of your employment that entitles you to the benefits under this Subsection (c). The Company will have no obligation to exercise the Company Cash Out Election. The Company Cash Out Election will not apply to Options you exercised before your termination or that were already cashed out in connection with the Change in Control. To the extent the Company Cash Out Election is not exercised as to any of your Options that are outstanding at the time of a termination which entitles you to the benefits under this Subsection (c), such Options will become 100% vested upon such termination (if not already vested) and fully exercisable and you will have the right to exercise such Options at any time prior to midnight on the date of such termination (or prior to such other time as the terms of the Option may allow) or prior to such extended date as may be authorized in the discretion of the Board or the Human Resources Committee.

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

extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder).

(vi) In the event that you become entitled to the payments, benefits or other rights (the "Severance Payments") provided under paragraphs (ii), (iii), and (iv), above (and Subsection (d) below), and if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (vii), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you (such net amount to be the amount remaining after deducting any Excise Tax on the Severance Payments and any federal, state and local income tax and Excise Tax payable on the payment provided for by this paragraph), shall be equal to the amount of the Severance Payments after deducting normal and ordinary taxes but not deducting (a) the Excise Tax and (b) any federal, state and local income tax and Excise tax payable on the payment provided for by this paragraph. For example, if the Severance Payments are $1,000,000 and if you are subject to the Excise Tax, then the Gross-Up Payment will be such that you will retain an amount of $1,000,000 less only any normal and ordinary taxes on such amount. (The Excise Tax and federal, state and local taxes and any Excise Tax on the payment provided by this paragraph will not be deemed normal and ordinary taxes). For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, the following will apply:

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

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

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

the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the amount of Excise Tax attributable to Severance Payments is subsequently determined to be less than the amount taken into account hereunder at the

time of termination of your employment then, subject to applicable law, appropriate adjustments will be made with respect to the payments hereunder.

(vii) The payments provided for in paragraphs (ii), (iii), (iv) and (vi) above, shall be made as soon as practicable but not later than the thirtieth day following the Date of Termination (or following the date of the Change in Control if your employment is terminated under the circumstances described in Section 4.(2) above).

(d) If your employment shall be terminated (y) after a Change in Control, by the Company (other than by reason of your death, your Disability, your voluntary Retirement or Voluntary Termination without Good Reason or by the Company for Cause), or (z) after a Change in Control, by you voluntarily for Good Reason, or (yy) by the Company within six months prior to a Change in Control under the circumstances described in Section 4.(2) hereof, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this Subsection 4(d) shall be reduced to the extent comparable benefits are actually received by you during the twenty-four month period following your termination, and any such benefits actually received by you shall be reported to the Company.

(e) In exchange for the payments and benefits provided in paragraphs (i), (ii), (iv), (v) and (vi) of Subsection 4(c) above and in Subsection 4(d) above, you expressly agree that, for a period of two years from the Date of Termination, you:

(i) will not, directly or indirectly, engage in any activity, including development activity, whether as an employee, consultant, director, investor, contractor, or otherwise, in the casino business (or any hotel or resort that operates a casino business) in the United States, Canada or Mexico, except with the prior specific approval of the Company. You acknowledge that these restrictions are reasonable as to both time and geographic scope as the Company competes with all gaming establishments in these areas;

(ii) will not, directly or indirectly, induce, persuade or attempt to induce or persuade, any salary grade 20 or higher employee of the Company, its subsidiaries or affiliates, to leave or abandon employment with the Company, its subsidiaries or its affiliates, for any reason whatsoever (other than your personal secretary and/or assistants); and

(iii) will not communicate with employees, customers, or suppliers of the company, or its it subsidiaries or affiliates or any principals thereof, or any person or organization in any manner whatsoever that is detrimental to the interest of the Company, its subsidiaries and affiliates. You further agree not to make statements to the press or general public with respect to the Company or its subsidiaries or affiliates that are detrimental to the company, its subsidiaries, affiliates or employees without the express written prior authorization of the Company, and the Company agrees that it will not make statements to the press or general public that are detrimental to you without your express prior written authorization. Notwithstanding the foregoing, you shall not be prohibited at the expiration of the non-competition period from pursuing business interests which may conflict with the interests of the Company.

It is further agreed:

(i) If, in any action before any court, agency or arbitration tribunal, legally empowered to enforce the covenants in this Subsection (e), any term, restriction, covenant, or promise contained therein is found to be unreasonable and, accordingly, unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency;

(ii) Should any court, agency or arbitration tribunal legally empowered to enforce the covenants contained in this Subsection (e) find that you have breached the terms, restrictions, covenants or promises herein (except if it has been modified to make it enforceable): (x) the Company will not be obligated to make the payments and benefits provided in paragraphs (ii), (iii), (iv), (v) and (vi) of Subsection (c)above and in Subsection 4(d) above, and (y) you will reimburse to the Company any such payments and benefits received by you, as well as any reasonable costs and attorneys fees to secure such repayments. In addition, the Company shall be entitled to seek to enforce any such covenants, including obtaining monetary damages, specific performance and injunctive relief.

(f) *Confidentiality*

(i) Your position with the Company will or has resulted in your exposure and access to confidential and proprietary information which you did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which by you, directly or indirectly, would be irreparably injurious and detrimental to the Company. During your employment and without limitation thereafter, you agree to use your best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to the third parties. You shall not any time during and after the end of full time active employment, make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Subsection (f), unless expressly authorized to do so by the Company in writing. Notwithstanding the above, you may provide such Confidential Information if ordered by a federal or state court or any governmental authority or pursuant to a subpoena. In such case, you will notify the Company at least five (5) days prior to providing such information, and the nature of the information required to provide.

(ii) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries and affiliates, whether or not a "trade secret" within the meaning of applicable law, which at the time of your initial employment is not generally known to the general public and which has been or is from time to time disclosed to or developed by you as a result of your employment with the Company. Confidential Information includes, but is not limited to, the Company's product development and marketing programs, data, future plans, formulas, food and beverage procedures, recipes, finances, financial management systems, player identification systems (Total Rewards), pricing systems, client and customer lists, organizational charts, salary and benefit programs, training programs, computer software, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by you or others, and any other information which you are told or reasonably ought to know the Company regards as confidential.

(iii) You agree that upon termination of your employment for any reason whatsoever, you shall promptly deliver to the Company all Confidential Information, including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in your possession (and all copies thereof) containing any such Confidential Information created in whole or in part by you within the scope of your employment, even if the items do not contain Confidential Information.

(iv) You may also have signed a non-disclosure or confidentiality agreement. Such an agreement shall also remain in full force and effect, *provided that*, in the event of any conflict between any such agreement(s) and this Agreement, this Agreement shall control.

(v) This Subsection (f) will survive your termination of employment for any reason.

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

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

(i) Notwithstanding any provision in this Agreement to the contrary, this Severance Agreement shall not replace or supersede Paragraph 10 of your Employment Agreement with the Company and the provisions of such Paragraph 10 shall survive any replacement by this Severance Agreement of your Employment Agreement.

5. *Successors; Binding Agreement.*

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

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

6. *Notices.* For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, by FAX if available, or by overnight courier service, addressed as follows:

To the Company:

General Counsel
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119
FAX: 702-407-6418

To you:

Addressed to your name at your office address (or FAX number) with the Company or its affiliates (or any successor thereto) at the time the notice is sent and your home address at that time; and if you are not employed by the Company at the time of the notice, your home address as shown on the records of the Company or its affiliates (or any successor thereto) on the date of the notice.

To such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

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

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

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

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

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

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: /s/ STEPHEN H. BRAMMELL

Stephen H. Brammell
Senior Vice President

Agreed:

/s/ MARILYN G. WINN

Marilyn G. Winn

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Exhibit 10(62)

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Exhibit 10(81)

Amendment dated February 26, 2003 to the
Harrah's Entertainment, Inc.
Deferred Compensation Plan

Pursuant to approval by the Human Resources Committee of the Harrah's Entertainment, Inc. Board of Directors, the following Section 5.9 is hereby added to the Deferred Compensation Plan:

5.9 *Certain Elective Withdrawals.* Notwithstanding any other provision of the Plan, at any time after February 26, 2003, any Participant or Beneficiary will be entitled to receive, upon written request signed by the Participant or Beneficiary and delivered to the Company's Corporate Compensation Department, a lump sum distribution equal to 90% of all or a specified percentage or amount, as designated by the Participant or Beneficiary, of the Participant's or Beneficiary's vested Account balance; provided that the second request for any such withdrawal must designate the entire vested Account balance for withdrawal and the Notice Date for such second request must be at least one year after the first Notice Date. The date the Corporate Compensation Department receives a written request for such withdrawal is referred to as a "Notice Date." The amount payable under this subsection (a) will be paid in a lump sum subject to any applicable withholding taxes within sixty (60) days following the Notice Date. The remaining 10% of the amount designated for distribution will be forfeited to the Company by the Participant or Beneficiary and the Participant or Beneficiary will have no rights whatsoever thereto. The request for the distribution and the 10% forfeiture will become irrevocable on the tenth day after the Notice Date for the distribution. Notwithstanding any deferral elections, such Participant will not be eligible for any deferrals under the Plan for a one year period from the applicable Notice Date, with further payroll deferrals to stop starting with the first payroll date that is administratively feasible for ceasing deferrals that occurs after a Notice Date.

IN WITNESS WHEREOF, this Amendment has been executed as of this 26th day of February, 2003.

HARRAH'S ENTERTAINMENT, INC.

By: /s/ MARILYN G. WINN

Marilyn G. Winn
Title: Sr. Vice President-Human Resources

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Exhibit 10(81)

Amendment dated February 26, 2003 to the Harrah's Entertainment, Inc. Deferred Compensation Plan

Exhibit 10(90)

Amendment Dated January 1, 2003, To
The Harrah's Entertainment, Inc.
Executive Deferred Compensation Plan ("Plan")

Pursuant to approval granted by the Human Resources Committee of the Board of Directors of Harrah's Entertainment, Inc. ("Company"), the Plan is amended by the Company effective the date hereof as follows:

1. Section 2.4 of the Plan is amended in its entirety to read as follows:

"2.4 *Change of Control.* "Change in Control" means and includes each of the following:

(1) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (3) below that would not be a Change in Control under clause (3);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this clause (a): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided, however,* that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control; or

(2) during any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clauses (1) or (3) of this Section) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(3) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all

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of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(4) the Company's stockholders approve a liquidation or dissolution of the Company.

(5) The Human Resources Committee of the Board shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto."

IN WITNESS WHEREOF, this Amendment has been duly executed by the Company as of the date written above.

HARRAH'S ENTERTAINMENT, INC.

By: /s/ MARILYN G. WINN

Marilyn G. Winn
Title: Sr. Vice President-Human Resources

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Exhibit 10(102)

DEFERRAL AGREEMENT

TARSAP DEFERRAL PLAN

This Agreement is dated August 30, 2002 and relates to my deferral of the receipt of TARSAP II shares under the Harrah's Entertainment, Inc. TARSAP Deferral Plan.

1. *Election not to defer*

o I elect not to defer the TARSAP II shares that may vest on March 1, 2003.

2. *Election to defer*

☒ I elect to defer receipt of 7,500 shares of my TARSAP II shares that may vest on March 1, 2003. This deferral election constitutes my consent to the immediate cancellation of this elected number of TARSAP shares and the issuance of rights to an equal amount of Harrah's Entertainment, Inc. common stock in lieu of these shares (Deferred Shares).

3. *Election of Deferral Date*

I elect to defer receipt of the above specified shares until my termination of employment or the following date, January 1, 2006, *whichever date comes first* (under the Plan this is called the Commencement Date).

The shares will then be issued as follows (check either A, B or C):

☒ (A) All Deferred Shares will be issued as a lump sum of shares on the Commencement Date.

o (B) All Deferred Shares will be issued as a lump sum of shares on the **first anniversary** of the Commencement Date (i.e., one year after the Commencement Date).

o (C) All Deferred Shares will be issued over years (insert 2 to 10) in approximately equal annual installments of shares, with the first installment issued on the ***first anniversary*** of the Commencement Date (i.e., one year after the Commencement Date) and each installment thereafter will be issued on successive anniversaries of the Commencement Date.

I understand that my election is irrevocable, subject to the provisions of the TARSAP Deferral Plan. I further understand my Deferred Shares are subject to forfeiture in the same manner that TARSAP shares are subject to forfeiture. I agree to be bound by the terms of the TARSAP Program, the TARSAP Deferral Plan and the Company's 1990 Restricted Stock Plan, as amended from time to time, which are incorporated herein by reference. This Agreement will be governed by Nevada law.

Participant:

Signature /s/ STEPHEN H. BRAMMELL

Printed Name Stephen H. Brammell

Address _____

Social Security Number: _____

Harrah's Entertainment, Inc.

By: _____

Title _____

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Exhibit 10(102)

DEFERRAL AGREEMENT TARSAP DEFERRAL PLAN

Exhibit 10(107)

Amendment Dated January 1, 2003, To
The Harrah's Entertainment, Inc.
2001 Executive Stock Incentive Plan ("Plan")

Pursuant to approval granted by the Board of Directors of Harrah's Entertainment, Inc. ("Company") and its Human Resources Committee, the Plan is amended effective the date hereof as follows:

1. Subsection (d) of Section 3.1 of the Plan is amended by inserting the following language after "*Cause"* in the first line: "for any Award granted before January 1, 2003,".

2. A new subsection (dd) is added after subsection (d) of Section 3.1 of the Plan to read as follows:

(dd) "*Cause*" for any Award granted on or after January 1, 2003, means as follows (references in this definition to the male gender include the female gender):

(1) A Participant's willful failure to perform substantially his duties or to follow a lawful reasonable directive from his supervisor (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to him by his supervisor which specifically identifies the manner in which his supervisor believes that he has not substantially performed his duties or to follow a lawful reasonable directive and he is given a reasonable opportunity (not to exceed thirty (30) days) to cure any such failure to substantially perform, if curable;

(2) (A) any willful act of fraud, or embezzlement or theft by a Participant, in each case, in connection with his duties to the Company or in the course of his employment with the Company or (B) a Participant's admission in any court, or conviction of, a felony involving moral turpitude, fraud, or embezzlement, theft or misrepresentation, in each case, against the Company;

(3) A Participant being found unsuitable for or having a gaming license denied or revoked by the gaming regulatory authorities in Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Jersey, New York, and North Carolina;

(4) (A) a Participant's willful and material violation of, or noncompliance with, any securities laws or stock exchange listing rules, including, without limitation, the Sarbanes-Oxley Act of 2002 if applicable to the Participant, provided that such violation or noncompliance resulted in material economic harm to the Company, or (B) a final judicial order or determination prohibiting a Participant from service as an officer pursuant to the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange.

For purposes of this subsection (dd), no act or failure to act on a Participant's part shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith and without reasonable belief that his action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based on a directive from the Participant's supervisor or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Company. Any

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other rights of a Participant regarding termination for cause that are contained in a written agreement between the Company and the Participant shall be preserved."

3. Subsection (e) of Section 3.1 of the Plan is amended by inserting the following language after "*Change of Control"* in the first line: "for any Award granted before January 1, 2003,".

4. A new subsection "(ee) is added after subsection (e) of Section 3.1 of the Plan to read as follows:

(ee) "*Change of Control*" for any Award granted on or after January 1, 2003, means and includes each of the following:

(1) the acquisition, directly or indirectly, by any "person" or "group" (as those terms are defined in Sections 3(a)(9), 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules thereunder) of "beneficial ownership" (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ("voting securities") of the Company that represent 25% or more of the combined voting power of the Company's then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (3) below that would not be a Change of Control under clause (3);

Notwithstanding the foregoing, neither of the following events shall constitute an "acquisition" by any person or group for purposes of this subsection (ee): an acquisition of the Company's securities by the Company which causes the Company's voting securities beneficially owned by a person or group to represent 25% or more of the combined voting power of the Company's then outstanding voting securities; *provided, however,* that if a person or group shall become the beneficial owner of 25% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change of Control; or

(2) during any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clauses (1) or (3) of this subsection (ee)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(3) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing 25% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this clause (B) as beneficially owning 25% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(4) the Company's stockholders approve a liquidation or dissolution of the Company.

(5) The Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change of Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change of Control and any incidental matters relating thereto."

5. The reference to "18 months "in the first sentence of Section 11.7 is amended to read "24 months". This amendment to Section 11.7 will apply to Awards granted on or after January 1, 2003.

IN WITNESS WHEREOF, this Amendment has been duly executed by the Company as of the date written above.

HARRAH'S ENTERTAINMENT, INC.

By: /s/ MARILYN G. WINN

Marilyn G. Winn
Title: Sr. Vice President-Human Resources

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EXHIBIT 10(109)

HARRAH'S ENTERTAINMENT, INC.

CODE OF BUSINESS CONDUCT AND ETHICS
FOR PRINCIPAL OFFICERS

This Code of Business Conduct and Ethics contains general guidelines for conducting the business of the company consistent with the highest standards of business ethics, and is intended to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder.

This Code applies to our Chief Executive Officer and President, our Chief Operating Officer, our Chief Financial Officer, and our Chief Accounting Officer, whom we refer to as our "Principal Officers."

This Code is designed to deter wrongdoing and to promote:

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

The Code

In order to achieve the purposes set forth above, we have adopted the following principles and policies:

Conflicts of Interest. Principal Officers must fully disclose to the General Counsel, or his designee, or if the Principal Officer does not feel comfortable reporting the conduct to the General Counsel or does not get a satisfactory response, to the Board of Directors, any situations, including situations involving immediate family members, that reasonably could be expected to give rise to a conflict of interest. A conflict of interest exists when a Principal Officer's private interest, or the private interest of the family member of a Principal Officer, interferes, or appears to interfere, in any way with the interests of the company as a whole. The following are examples of situations (applicable to both a Principal Officer or family member) that may present a conflict of interest:

- employment by, service as a director of, or the provision of any services to, a company that is one of our material customers, suppliers or competitors, or a company whose interests could reasonably be expected to conflict with our interests;
- receipt of personal benefits or favors (other than nominal benefits or favors) as a result of the Principal Officer's position with the company;
- a significant financial interest (ownership or otherwise)[1] in any company that is one of our material customers, suppliers or competitors; and

1 Examples of a significant financial interest include (i) ownership of greater than 1% of the equity of a material customer, supplier or competitor or (ii) an investment in a material customer, supplier or competitor that represents more than 5% of the total assets of the Principal Officer.

- any loan or guarantee of personal obligations from, or any other financial transaction with, any company that is one of our material customers, suppliers or competitors (other than loans from commercial lending institutions in the ordinary course of business).

While such situations are not automatically prohibited, they are not desirable and may only be waived by the Board of Directors.

Corporate Opportunities. Any Principal Officer that discovers a business opportunity that is in our line of business must first present the business opportunity to our Board of Directors before pursuing the activity in his or her individual capacity. If the Board of Directors waives our right to pursue the opportunity, then the Principal Officer may do so in his or her individual capacity.

Competition and Fair Dealing. All Principal Officers are obligated to deal fairly with our customers, suppliers and competitors. Principal Officers will not take unfair advantage of any person or entity through manipulation, concealment, abuse of privileged information, misrepresentation or any other unfair dealing or practice.

Company Records. Principal Officers should implement policies that will ensure that all company records are complete, accurate and reliable in all material respects. Company records include bookkeeping information, payroll, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business. Principal Officers are responsible for understanding and complying with our document retention policy. Please refer to our document retention policy for more information about company records.

Accuracy of Financial Reports and other Public Communications. Our policy is to promptly disclose information that is accurate and complete in all material respects regarding our business, financial condition and results of operations. Materially inaccurate, incomplete or untimely reporting will not be

tolerated and can severely damage the company and cause legal liability. Principal Officers should be on guard for, and promptly report, evidence of improper financial reporting.

Compliance with Laws and Regulations. Each Principal Officer has an obligation to comply with the laws of the cities, states and countries in which we operate. We will not tolerate any activity that violates any laws, rules or regulations applicable to us. This includes, without limitation, laws covering the gaming industry, commercial bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, foreign corrupt practices, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets.

Compliance with Insider Trading Laws. Principal Officers are strictly prohibited from trading in our stock or other securities, or the stock or other securities of any other company, while in possession of material, nonpublic information about the company or the other company. In addition, Principal Officers are strictly prohibited from recommending, "tipping" or suggesting that anyone else buy or sell our stock or other securities, or the stock or securities of any other company, on the basis of material, nonpublic information. For more information, please refer to our securities trading policy and procedures.

Public Communications. Our policy is to provide timely, materially accurate and complete information in response to public requests (media, analysts, etc.), consistent with our obligations to maintain the confidentiality of competitive and proprietary information and to prevent selective disclosure of market-sensitive financial data. In connection with our public communications, we are required, and our policy is, to comply with Regulation FD (which stands for "fair disclosure") under the federal securities laws. For more information, please refer to our Regulation FD procedures.

Principal Officers must be aware of the requirements of Regulation FD and must make every effort to ensure that our public disclosures comply with those requirements.

Reporting Violations of the Code

Principal Officers have a duty to report any known or suspected violation of this Code, including any violation of laws, rules, regulations or policies applicable to us, to the General Counsel, or his designee. If the Principal Officer does not feel comfortable reporting the conduct to the General Counsel, or his designee or does not get a satisfactory response, he or she may contact any member of the Board of Directors.

Any Principal Officer who violates this Code, or who fails to report a known or suspected violation of this Code, will be subject to appropriate discipline, including potential termination of employment, as determined by the Board of Directors based upon the facts and circumstances of each particular situation.

All questions and reports of known or suspected violations of the law or this Code will be treated with sensitivity and discretion. We will protect each Principal Officer's confidentiality to the extent possible consistent with the law and our need to investigate each report. We strictly prohibit retaliation against a Principal Officer who, in good faith, seeks help or reports known or suspected violations.

Waivers of the Code

Waivers of this Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers may be obtained only from our Board of Directors and will be promptly disclosed to the public.

Compliance Policy

This Code is not intended to amend or replace the Company's Compliance Policy or any other company codes of conduct and the Principal Officers will be required to comply with the terms of this Code, the Compliance Policy and any other Company codes of conduct.

Conclusion

This Code of Business Conduct and Ethics contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. Please contact the law department with any questions about these guidelines. Each Principal Officer is separately responsible for his or her actions. If a Principal Officer engages in conduct prohibited by the law or this Code, he or she will be deemed to have acted outside the scope of their employment. Such conduct will subject the Principal Officer to disciplinary action, including possibly termination of employment.

THIS CODE AND THE MATTERS CONTAINED HEREIN ARE NEITHER A CONTRACT OF EMPLOYMENT NOR A GUARANTEE OF CONTINUING COMPANY POLICY. WE RESERVE THE RIGHT TO AMEND, SUPPLEMENT OR DISCONTINUE THIS CODE AND THE MATTERS ADDRESSED HEREIN, WITHOUT PRIOR NOTICE, AT ANY TIME.

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Exhibit 11

HARRAH'S ENTERTAINMENT, INC.

COMPUTATIONS OF PER SHARE EARNINGS

	Year Ended December 31,		
	2002	**2001**	**2000**
Income (loss) from continuing operations	$ 324,643,000	$ 208,351,000	$ (11,344,000)
Discontinued operations, net of tax	1,555,000	639,000	–
Income (loss) before extraordinary losses and cumulative effect of change in accounting principle	326,198,000	208,990,000	(11,344,000)
Extraordinary losses, net of tax	–	(23,000)	(716,000)
Cumulative effect of change in accounting principle, net of tax	(91,169,000)	–	–
Net income (loss)	$ 235,029,000	$ 208,967,000	$ (12,060,000)
BASIC EARNINGS (LOSS) PER SHARE			
Weighted average number of common shares outstanding	111,211,833	113,539,872	117,189,838
BASIC EARNINGS (LOSS) PER COMMON SHARE			
Income (loss) from continuing operatons	$ 2.92	$ 1.83	$ (0.09)
Discontinued operations, net	0.01	0.01	–
Income (loss) before extraordinary losses and cumulative effect of change in accounting principle	2.93	1.84	(0.09)
Extraordinary losses, net	–	–	(0.01)
Cumulative effect of change in accounting principle, net	(0.82)	–	–
Net income (loss)	$ 2.11	$ 1.84	$ (0.10)
DILUTED EARNINGS (LOSS) PER SHARE			
Weighted average number of common shares outstanding	111,211,833	113,539,872	117,189,838
Additional shares based on average market price for period applicable to:			
Restricted stock	631,532	697,130	–
Stock options	1,691,000	1,471,400	–
Average number of common and common equivalent shares outstanding(a)	113,534,365	115,708,402	117,189,838
DILUTED EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE			
Income (loss) from continuing operations	$ 2.86	$ 1.80	$ (0.09)
Discontinued operations, net	0.01	0.01	–
Income (loss) before extraordinary losses and cumulative effect of change in accounting principle	2.87	1.81	(0.09)
Extraordinary losses, net	–	–	(0.01)
Cumulative effect of change in accounting principle, net	(0.80)	–	–
Net income (loss)	$ 2.07	$ 1.81	$ (0.10)

(a) The diluted share base for 2000 excludes common stock equivalents of 481,338 and 1,407,362 related to restricted stock and stock options, respectively. These shares are excluded due to their antidilutive effect as a result of the Company's net loss in 2000.

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

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 12

HARRAH'S ENTERTAINMENT, INC.

COMPUTATION OF RATIOS

(In thousands, except ratio amounts)

	2002(a)	2001(b)	2000(c)	1999(d)	1998(e)
Return on Revenues-Continuing					
Income (loss) from continuing operations	$ 324,643	$ 208,351	$ (11,344)	$ 219,503	$ 121,717
Revenues	4,136,393	3,689,789	3,329,796	2,894,125	1,907,892
Return	7.8%	5.6%	(0.3)%	7.6%	6.4%
Return on Average Invested Capital					
Income (loss) from continuing operations	$ 324,643	$ 208,351	$ (11,344)	$ 219,503	$ 121,717
Add: Interest expense after tax	149,417	159,236	141,394	121,846	72,707
	$ 474,060	$ 367,587	$ 130,050	$ 341,349	$ 194,424
Average invested capital	$ 5,536,426	$ 5,036,891	$ 4,488,288	$ 4,231,789	$ 2,426,028
Return	8.6%	7.3%	2.9%	8.1%	8.0%
Return on Average Equity					
Income (loss) from continuing operations	$ 324,643	$ 208,351	$ (11,344)	$ 219,503	$ 121,717
Average equity	1,458,941	1,347,257	1,431,255	1,416,591	793,492
Return	22.3%	15.5%	(0.8)%	15.5%	15.3%
Ratio of Earnings to Fixed Charges(f)					
Income (loss) from continuing operations	$ 324,643	$ 208,351	$ (11,344)	$ 219,503	$ 121,717
Add:					
Provision for income taxes	197,292	126,393	15,415	128,914	74,600
Interest expense	240,220	255,801	227,139	193,407	117,270
Interest included in rental expense	27,878	21,226	15,819	10,801	9,718
Amortization of capitalized interest	1,244	1,422	1,595	1,359	1,444
(Income) loss from equity investments	(4,094)	(148)	314,958	33,042	4,709
Adjustment to include 100% of nonconsolidated, majority-owned affiliate(g)	–	–	–	–	12,254
Earnings as defined	$ 787,183	$ 613,045	$ 563,582	$ 587,026	$ 341,712
Fixed charges:					
Interest expense	$ 240,220	$ 255,801	$ 227,139	$ 193,407	$ 117,270
Capitalized interest	3,537	9,309	7,960	13,118	2,526
Interest included in rental expense	27,878	21,226	15,819	10,801	9,718
Adjustment to include 100% of nonconsolidated, majority-owned affiliate(g)	–	–	–	–	12,071
Total fixed charges	$ 271,635	$ 286,336	$ 250,918	$ 217,326	$ 141,585
Ratio of earnings to fixed charges	2.9	2.1	2.2	2.7	2.4
Computation of Property EBITDA(h)					
Income from operations	$ 780,041	$ 579,982	$ 282,738	$ 481,037	$ 287,846
Add/(less):					
Depreciation and amortization	306,011	284,356	236,082	193,599	142,879
Write-downs, reserves and recoveries	5,031	22,498	226,106	2,235	7,474
Project opening costs	1,816	13,105	8,258	2,276	8,103
Corporate expense	56,626	52,746	50,472	42,748	37,890
Headquarters relocation and reorganization costs	–	–	2,983	10,274	–
Equity in (income)/losses of nonconsolidated affiliates	(4,094)	(148)	57,935	43,467	14,989
Venture restructuring costs	–	2,524	400	(322)	6,013
Amortization of intangible assets	4,493	24,965	21,540	17,617	7,450
Property EBITDA	$ 1,149,924	$ 980,028	$ 886,514	$ 792,931	$ 512,644

(a) 2002 includes $5.0 million in pretax charges for write-downs, reserves and recoveries and a $6.1 million charge for our exposure under a letter of credit issued on behalf of National Airlines, Inc., and a charge of $91.2 million, net of tax benefits of $2.8 million, related to a change in accounting principle. 2002 also includes the financial results of Jazz Casino Company LLC from the date of our

acquisition of a majority ownership interest on June 7, 2002.

(b) 2001 includes $22.5 million in pretax charges for write-downs, reserves and recoveries and $26.2 million of income from dispositions of nonstrategic assets and the settlement of a contingency related to a former affiliate. 2001 also includes the

financial results of Harveys Casino Resorts from its July 31, 2001, date of acquisition. 2001 results have been reclassified to reflect Harveys Colorado as discontinued operations.

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

(d) 1999 includes $2.2 million in pretax charges for write-downs, reserves and recoveries and $59.8 million of gains from sales of our equity interests in nonconsolidated affiliates. 1999 also includes the financial results of Rio Hotel & Casino, Inc. from its January 1, 1999, date of acquisition.

(e) 1998 includes $7.5 million in pretax charges for write-downs and reserves and a $13.2 million gain on the sale of equity interests in a nonconsolidated restaurant subsidiary. 1998 also includes the financial results of Showboat, Inc. from its June 1, 1998, date of acquisition.

(f) As discussed in Note 13 to the Consolidated Financial Statements in the 2002 Harrah's Entertainment Annual Report, the Company has guaranteed certain third-party loans in connection with its casino development activities. The above ratio computation excludes estimated fixed charges associated with these guarantees as follows: 2002, $7.0 million; 2001, $4.4 million; 2000, $5.7 million; 1999, $6.2 million; and 1998, $7.9 million.

(g) For purposes of computing this ratio, "earnings" consist of income before income taxes plus fixed charges (excluding capitalized interest) and minority interests (relating to subsidiaries whose fixed charges are included in the computation), excluding equity in undistributed earnings of less than 50% owned investments. "Fixed charges" include interest whether expensed or capitalized, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense that we deem to be representative of interest. As required by the rules which govern the computation of this ratio, both earnings and fixed charges are adjusted where appropriate to include the financial results for the Company's nonconsolidated majority-owned subsidiaries. Accordingly, 1998 has been adjusted to include the financial results and fixed charges of the East Chicago partnership from its June 1, 1998, date of acquisition.

(h) EBITDA consists of earnings before interest, taxes, depreciation and amortization. Property EBITDA consists of Income from operations before depreciation and amortization, write-downs, reserves and recoveries, project opening costs, corporate expense, headquarters relocation and reorganization costs, equity in (income)/losses of nonconsolidated affiliates, venture restructuring costs and amortization of intangible assets. Property EBITDA is a supplemental financial measure used by management, as well as industry analysts, to evaluate our operations. However, Property EBITDA should not be construed as an alternative to Income from operations (as an indicator of our operating performance) or to Cash flows from operating activities (as a measure of liquidity) as determined in accordance with generally accepted accounting principles and presented in the accompanying Consolidated Financial Statements. All companies do not calculate EBITDA in the same manner. As a result, Property EBITDA as presented by our Company may not be comparable to similarly titled measures presented by other companies.

QuickLinks

HARRAH'S ENTERTAINMENT, INC. COMPUTATION OF RATIOS (In thousands, except ratio amounts)

Exhibit 13

Financial and Statistical Highlights

(See Notes 1 and 2 to the Consolidated Financial Statements)

(In millions, except common stock data and financial percentages and ratios)	2002(a)	2001(b)	2000(c)	1999(d)	1998(e)	Compound Growth Rate
OPERATING DATA						
Revenues	$ 4,136.4	$ 3,689.8	$ 3,329.8	$ 2,894.1	$ 1,907.9	21.3%
Income from operations	780.0	580.0	282.7	481.0	287.8	28.3%
Income from continuing operations before income taxes and minority interests	535.9	347.4	17.8	359.6	203.3	27.4%
Income/(loss) from continuing operations	324.6	208.4	(11.3)	219.5	121.7	27.8%
Income/(loss) before extraordinary items and cumulative effect of change in accounting principle	326.2	209.0	(11.3)	219.5	121.7	28.0%
Net income/(loss)	235.0	209.0	(12.1)	208.5	102.0	23.2%
COMMON STOCK DATA						
Earnings/(loss) per share-diluted						
From continuing operations	2.86	1.80	(0.09)	1.71	1.19	24.6%
Net income/(loss)	2.07	1.81	(0.10)	1.62	1.00	19.8%
FINANCIAL POSITION						
Total assets	6,350.0	6,128.6	5,166.1	4,766.8	3,286.3	17.9%
Long-term debt	3,763.1	3,719.4	2,835.8	2,540.3	1,999.4	17.1%
Stockholders' equity	1,471.0	1,374.1	1,269.7	1,486.3	851.4	14.6%
CASH FLOWS						
Provided by operating activities	738.6	773.0	547.6	490.1	297.9	25.5%
Property EBITDA(f)	1,149.9	980.0	886.5	792.9	512.6	22.4%
Investments in land, buildings, riverboats and equipment additions	368.8	529.8	421.4	340.5	140.4	27.3%
FINANCIAL PERCENTAGES AND RATIOS						
Return on revenues-continuing	7.8%	5.6%	(0.3)%	7.6%	6.4%	
Return on average invested capital(g)	8.6%	7.3%	2.9%	8.1%	8.0%	
Return on average equity(g)	22.3%	15.5%	(0.8)%	15.5%	15.3%	
Ratio of earnings to fixed charges(g)	2.9	2.1	2.2	2.7	2.4	

(a) 2002 includes $5.0 million in pretax charges for write-downs, reserves and recoveries (see Note 8), a $6.1 million charge for our exposure under a letter of credit issued on behalf of National Airlines, Inc. and a charge of $91.2 million, net of tax benefits of $2.8 million related to a change in accounting principle (see Note 3). 2002 also includes the financial results of Jazz Casino Company LLC from the date of our acquisition of a majority ownership interest on June 7, 2002.

(b) 2001 includes $22.5 million in pretax charges for write-downs, reserves and recoveries (see Note 8) and $26.2 million of income from dispositions of nonstrategic assets and the settlement of a contingency related to a former affiliate. 2001 also includes the financial results of Harveys Casino Resorts from its July 31, 2001, date of acquisition. 2001 results have been reclassified to reflect Harveys Colorado as discontinued operations.

(c) 2000 includes $220.0 million in pretax reserves for receivables not expected to be recovered from JCC Holding Company and its subsidiary, Jazz Casino Company LLC, $6.1 million in pretax charges for other write-downs, reserves and recoveries (see Note 8) and $39.4 million in pretax write-offs and reserves for our investment in, loans to and net estimated exposure under letters of credit issued on behalf of National Airlines, Inc. 2000 also includes the financial results of Players International, Inc. from its March 22, 2000, date of acquisition.

(d) 1999 includes $2.2 million in pretax charges for write-downs, reserves and recoveries and $59.8 million of gains from sales of our equity interests in nonconsolidated affiliates. 1999 also includes financial results of Rio Hotel & Casino, Inc. from its January 1, 1999, date of acquisition.

(e) 1998 includes $7.5 million in pretax charges for write-downs, reserves and recoveries and a $13.2 million gain on the sale of equity interests in a nonconsolidated restaurant subsidiary. 1998 also includes the financial results of Showboat, Inc. from its June 1, 1998, date of acquisition.

(f) EBITDA consists of earnings before interest, taxes, depreciation and amortization. Property EBITDA consists of Income from operations before depreciation and amortization, write-downs, reserves and recoveries, project opening costs, corporate expense, headquarters relocation and reorganization costs, equity in (income)/losses of nonconsolidated affiliates, venture restructuring costs and amortization of intangible assets. See Exhibit 12 to our 2002 Form 10-K for the computation of Property EBITDA. Property EBITDA is a supplemental financial measure used by management, as well as industry analysts, to evaluate our operations. However, Property EBITDA should not be construed as an alternative to Income from operations (as an indicator of our operating performance) or to Cash flows from operating activities (as a measure of liquidity) as determined in accordance with generally accepted accounting principles and presented in the accompanying Consolidated Financial Statements. All companies do not calculate EBITDA in the same

manner. As a result, Property EBITDA as presented by our Company may not be comparable to similarly titled measures presented by other companies.

(g) Ratio computed based on Income/(loss) from continuing operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Harrah's Entertainment, Inc., a Delaware corporation, operates twenty-six casinos in thirteen states. We were incorporated on November 2, 1989, and prior to such date operated under predecessor companies.

We conduct our business through a wholly-owned subsidiary, Harrah's Operating Company, Inc. ("HOC"), and through HOC's subsidiaries. Our principal asset is the stock of HOC, which holds, directly or indirectly through subsidiaries, substantially all of the assets of our businesses. Our principal executive offices are located at One Harrah's Court, Las Vegas, Nevada 89119, telephone (702) 407-6000.

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

OVERALL OPERATING RESULTS

Our Company achieved record revenues, income from operations and net income in 2002, just as we did in 2001. In 2002, our revenues exceeded $4 billion for the first time, increasing 12.1% over 2001 revenues. Income from operations increased 34.5% and net income increased 12.4%.

				Percentage Increase/(Decrease)	
	2002	2001	2000	02 vs 01	01 vs 00
(In millions, except earnings per share)					
Casino revenues	**$ 3,688.4**	$ 3,216.1	$ 2,852.0	14.7%	12.8%
Total revenues	**4,136.4**	3,689.8	3,329.8	12.1%	10.8%
Income from operations	**780.0**	580.0	282.7	34.5%	105.2%
Income/(loss) from continuing operations	**324.6**	208.4	(11.3)	55.8%	N/M
Net income/(loss)	**235.0**	209.0	(12.1)	12.4%	N/M
Earnings/(loss) per share-diluted					
From continuing operations	**2.86**	1.80	(0.09)	58.9%	N/M
Net income/(loss)	**2.07**	1.81	(0.10)	14.4%	N/M
Operating margin	**18.9%**	15.7%	8.5%	3.2pts	7.2pts

N/M=Not meaningful

Total revenues grew 12.1% in 2002 as a result of our acquisition of Harveys Casino Resorts ("Harveys") on July 31, 2001, the consolidation of Jazz Casino Company LLC into our financial results as of June 7, 2002, the return on recent targeted capital investments and same-store sales growth at most of our properties. We attribute our improved results in 2002 to our consumer-marketing strategy, geographic diversity and disciplined capital spending process. This continues the trends we reported for 2001 and 2000. Although strategic acquisitions contributed to our revenue growth over the three years, "same-store" revenue growth of 8.7% was achieved in 2002. We define "same-store" revenue growth as the increase in gaming revenue contributed by properties that were included in our results in each of the year-over-year periods that are being compared.

In 2002, our income from operations increased 34.5%, net income increased 12.4% and diluted earnings per share increased 14.4% over our 2001 results, despite the $91.2 million net charge recorded in 2002 for the impairment of intangible assets acquired in our 1999 acquisition of Rio Hotel and Casino, Inc. ("Rio").

Some significant items that affected our 2002 results are listed below. These items are discussed in greater detail elsewhere in our discussion of operating results and in the Debt and Liquidity section.

- We adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," resulting in cessation of the amortization of goodwill and intangible assets with an indefinite life and recognition of an impairment charge of $91.2 million, net of tax benefits of $2.8 million, related to intangible assets acquired in our 1999 acquisition of Rio.

- In June 2002, we acquired additional common shares of JCC Holding Company, which, together with its subsidiary, Jazz Casino Company LLC (collectively, "JCC"), owns and operates the Harrah's casino in New Orleans, Louisiana. This acquisition increased our ownership from 49% to 63%. In December 2002, we acquired the remaining shares of JCC common stock to increase our ownership to 100%.

- In December 2002, we acquired a controlling interest in Louisiana Downs, Inc. ("Louisiana Downs"), a thoroughbred racetrack in Bossier City, Louisiana.

- Gaming tax rate changes in several states had a negative effect on operating profits of our casinos in those states.

- A decision to change our Total Rewards program, giving our customers greater flexibility and control over redemption of their accumulated rewards, resulted in a $6.9 million charge to Income from operations.

- A favorable settlement of a sales tax contingency resulted in the reversal of an approximate $6.5 million accrual.

- National Airlines, Inc. ("NAI") ceased operations in November 2002. We had provided a letter of credit on behalf of NAI, which we were required to fund in January 2003. In fourth quarter 2002, we recorded a charge of $6.1 million related to this letter of credit, net of a settlement with another investor of NAI of an obligation related to another letter of credit, which had been funded previously.

- A $5.0 million structural repairs charge was recorded in fourth quarter 2002 for our property in Reno, Nevada.

Comparison of our year-over-year results is complicated by unusual charges in each of the three years presented. The table below presents a pro forma comparison of our operating results, which have been adjusted to exclude 2002 charges for NAI and our share of a nonconsolidating subsidiary's impairment of goodwill; 2001 gains from the condemnation and sale of nonstrategic real estate and a loss from the sale of our equity interest in a subsidiary; and 2000 charges for JCC and NAI, and the estimated tax effects of those events in each year.

				Percentage Increase/(Decrease)	
	2002	2001	2000	02 vs 01	01 vs 00
(In millions, except earnings per share)					
Total revenues	**$ 4,136.4**	$ 3,689.8	$ 3,329.8	12.1%	10.8%
Income from operations	**782.1**	580.0	502.7	34.8%	15.4%
Income from continuing operations	**329.7**	199.7	164.0	65.1%	21.8%
Net income	**240.1**	200.3	163.3	19.9%	22.7%
Earnings per share-diluted					
From continuing operations	**2.90**	1.73	1.38	67.6%	25.4%
Net income	**2.11**	1.73	1.37	22.0%	26.3%
Operating margin	**18.9%**	15.7%	15.1%	3.2pts	0.6pts

STRATEGIC ACQUISITIONS

As part of our growth strategy and to further enhance our geographic distribution, strengthen our access to target customers and leverage our technological and centralized services infrastructure, we have acquired four casino companies, the remaining interest in the New Orleans casino and a thoroughbred racetrack in the past five years. All of our acquisition transactions were accounted for as purchases. The following table provides an overview of our acquisition activities and the discussion following the table provides a brief review of our acquisitions during the past three years.

Company	Date Acquired	Total Purchase Price(a)	Goodwill Assigned	Number of Casinos	Geographic Location
(In millions)					
Showboat, Inc.	June 1998	$ 1,045	$ 322	4(b)	Atlantic City, New Jersey East Chicago, Indiana
Rio Hotel & Casino Inc.	January 1999	$ 987	$ 93	1	Las Vegas, Nevada
Players International, Inc.	March 2000	$ 439	$ 204	3	Lake Charles, Louisiana Metropolis, Illinois St. Louis, Missouri
Harveys Casino Resorts	July 2001	$ 712	$ 265	4	Central City, Colorado(e) Council Bluffs, Iowa(2) Lake Tahoe, Nevada
JCC Holding Company	June 2002 December 2002	$ 148	none	1(c)	New Orleans, Louisiana
Louisiana Downs, Inc.	December 2002	$ 82	$ 64	1(d)	Bossier City, Louisiana

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

(b) Interests in two casinos that were included in the acquisition were subsequently sold.

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

(d) Acquired a thoroughbred racetrack that can be expanded to include slot machines.

(e) This property is expected to be sold in the first half of 2003.

Players International, Inc. ("Players"). On March 22, 2000, we completed our acquisition of Players, which operated a dockside riverboat casino on the Ohio River in Metropolis, Illinois; two cruising riverboat casinos in Lake Charles, Louisiana; two dockside riverboat casinos in Maryland Heights, Missouri; and a harness horse racetrack in Paducah, Kentucky. Players and Harrah's Entertainment jointly operated a landside hotel and entertainment facility at the Maryland Heights property, a suburb of St. Louis. The operations of the Players facility in Maryland Heights were consolidated with the adjacent Harrah's operation immediately after the acquisition, and the Lake Charles and Metropolis facilities were subsequently converted to the Harrah's brand.

Harveys Casino Resorts. On July 31, 2001, we completed our acquisition of Harveys. We paid approximately $294 million for the equity interests in Harveys, assumed approximately $350 million in outstanding debt and paid approximately $18 million in acquisition costs. We financed the acquisition, and retired Harveys assumed debt, with borrowings under our established debt programs. The purchase

included the Harveys Resort & Casino in Lake Tahoe, Nevada, the Harveys Casino Hotel and the Bluffs Run Casino, both in Council Bluffs, Iowa, and the Harveys Wagon Wheel Hotel/Casino in Central City, Colorado. The addition of the Harveys properties expanded our geographic distribution, increased our nationwide casino square footage by almost 15% and added 1,109 hotel rooms, 149 table games and 5,768 slot machines to serve our customers. The acquisition introduced our Total Rewards customer-loyalty program to 1.7 million potential new customers within 150 miles of Council Bluffs and strengthened our relationships with customers throughout the Nevada-Northern California gaming market.

With our acquisition of Harveys, we assumed a $50 million contingent liability, which was dependent on the results of a referendum that was decided by the voters in Pottawattamie County, Iowa, in November 2002. The referendum, which re-approved gaming at racetracks and on riverboats for another eight years, passed and we paid an additional $50 million in acquisition costs in fourth quarter 2002.

In fourth quarter 2002, we announced that we had entered into a definitive agreement to sell Harveys Wagon Wheel Hotel/Casino in Central City, Colorado. Since acquiring Harveys, we evaluated the Colorado property and concluded that it is a nonstrategic asset for us. Closing of the transaction is subject to customary regulatory approvals and is expected to be completed in the first half of 2003. This sale will not have a material effect on our financial results. The Colorado property is presented in our financial statements as discontinued operations, and our 2001 results have been reclassified to reflect that property as discontinued operations.

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

We paid $72.4 million ($10.54 per share) for the additional ownership interest in JCC, acquired approximately $45.8 million of JCC's debt, assumed approximately $28.2 million of JCC's Senior Notes, which we subsequently retired, and incurred approximately $1.9 million of acquisition costs. We financed the acquisition and retired JCC's debt with funds from various sources, including cash flows from operations and borrowings under our established debt programs.

The purchase price allocation arising from our acquisition of the additional ownership of JCC is in process and is expected to be completed by third quarter of 2003.

Louisiana Downs. On December 20, 2002, we acquired a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana. The agreement gives Harrah's a 95% ownership interest in a company that now owns both Louisiana Downs and Harrah's Shreveport. We plan to install slot machines at the racetrack and expand and renovate the entertainment facility, which will be the only land-based gaming facility in northern Louisiana. Plans call for Louisiana Downs to offer approximately 900 slot machines by the time racing season begins in June 2003. We expect to open a new, permanent facility with approximately 1,500 slot machines by June 2004.

We paid approximately $81.6 million, including $29.3 million in short-term notes that were paid in full in January 2003 and $6.0 million in equity interest in Harrah's Shreveport, for the interest in Louisiana Downs and approximately $0.1 million of acquisition costs. We financed the acquisition with funds from various sources, including cash flows from operations and borrowings under our established debt programs. The purchase price allocation of our acquisition of Louisiana Downs, including the equity interest in Harrah's Shreveport that was contributed to the new company that now owns both Louisiana Downs and Harrah's Shreveport, is in its early stages and is expected to be completed by fourth quarter 2003.

REGIONAL RESULTS AND DEVELOPMENT PLANS

To facilitate discussion of our operating results, our properties have been grouped as follows:

Western Region	Central Region	Eastern Region	Managed/Other
Harrah's Reno	Harrah's Joliet	Harrah's Atlantic City	Harrah's Ak-Chin
Harrah's/Harveys Lake Tahoe	Harrah's East Chicago	Showboat Atlantic City	Harrah's Cherokee
Bill's	Harrah's Metropolis		Harrah's Prairie Band
Harrah's Las Vegas	Harrah's Council Bluffs		Harrah's New Orleans
Rio	Bluffs Run		(prior to June 7, 2002)
Harrah's Laughlin	Harrah's Shreveport		Harrah's Rincon
	Harrah's Vicksburg		
	Harrah's North Kansas City		
	Harrah's St. Louis		
	Harrah's Lake Charles		
	Harrah's Tunica		
	Harrah's New Orleans (June 7, 2002 and after)		

In the following discussions of the operating results for our properties, we define operating profit as revenues less direct operating expenses and depreciation and amortization, excluding amortization of intangible assets.

Western Region

(In millions)	2002	2001	2000	Percentage Increase/(Decrease) 02 vs 01	01 vs 00
Casino revenues	**$ 847.7**	$ 766.7	$ 726.8	10.6%	5.5%
Total revenues	**1,265.5**	1,184.2	1,129.7	6.9%	4.8%
Operating profit	**201.0**	129.4	127.9	55.3%	1.2%
Operating margin	**15.9%**	10.9%	11.3%	5.0pts	(0.4)pts

Southern Nevada. 2002 revenues increased 1.3% in Southern Nevada where record revenues at Harrah's Las Vegas and Laughlin more than offset the year-over-year decline in revenues at Rio. Revenues at Harrah's Las Vegas and Laughlin increased 3.7% and 7.5%, respectively, while revenues at Rio were 2.5% below 2001 revenues. Operating profit in Southern Nevada increased 68.6% over 2001, driven primarily by improved performance at the Rio due to cost management measures and the property's decision to exit the high-end international table games business in third quarter 2001. A charge of $13 million was recorded in 2001 to recognize the cost of this decision. Cost management measures also contributed to the improved performance at Harrah's Las Vegas and Laughlin where operating profit grew 8.8% and 7.5%, respectively. Our Southern Nevada properties are benefiting from marketing programs that enable us to capture more cross-market play.

Revenue increases in Southern Nevada in 2001 over 2000 were due to record revenues at Harrah's Las Vegas, which achieved a 6.6% increase over 2000 revenues despite travel disruptions to this resort destination following the September 11, 2001, terrorist attacks. 2001 revenues at Harrah's Laughlin matched those reported in 2000, and Rio's 2001 revenues declined 0.5% from the prior year. The increase in operating profit in 2001 in Southern Nevada was due to improved performance at the Rio,

despite $13 million in nonrecurring charges recorded by the Rio in 2001 to focus its operations. The focus of Rio's operations to de-emphasize international high-end table game play, which generated losses in 2000, resulted in improved results at this property.

Northern Nevada. Northern Nevada posted record revenues in 2002 due to the inclusion of a full year's revenues from the Harveys casino, which was acquired on July 31, 2001. This property contributed $136.5 million to Northern Nevada revenues in 2002. Excluding revenues contributed by Harveys from both periods, Northern Nevada revenues were down from 2001 due to weak market conditions in the Reno area caused, in part, by heightened levels of competition from Indian casinos in the Northern California area. Operating profit was 34.5% higher than in 2001, due also to the inclusion of a full year's results from Harveys Lake Tahoe and to cost synergies associated with the integration of the Harveys property into Harrah's systems. Approximately $6.3 million of goodwill is recorded on our books associated with our Reno property. Although our most recent analysis of this asset indicated that it is not impaired, it is possible that this asset will be impaired in a future period if current operating trends continue.

The increase in Northern Nevada revenues in 2001 over 2000 was due to the inclusion of operating results for Harveys Lake Tahoe for the five months subsequent to our acquisition of Harveys. Excluding revenues contributed by Harveys, Northern Nevada revenues were down 6.4%, as a result of the ensuing reduction in travel following the events of September 11 and lower than normal retail, especially non-tracked, walk-in business in Northern Nevada due to the weak economy in the area's major California feeder market. Operating profit dropped 18.1% in Northern Nevada from 2000 due to increased costs associated with efforts to drive revenues to historic levels.

Central Region

(In millions)	2002	2001	2000	Percentage Increase/(Decrease) 02 vs 01	01 vs 00
Casino revenues	**$ 2,031.6**	$ 1,698.0	$ 1,381.6	19.6%	22.9%
Total revenues	**2,017.5**	1,707.6	1,392.8	18.1%	22.6%
Operating profit	**398.2**	361.4	304.8	10.2%	18.6%
Operating margin	**19.7%**	21.2%	21.9%	(1.5)pts	(0.7)pts

A full year of operations of the properties acquired in the Harveys acquisition and consolidation of New Orleans' results subsequent to the acquisition of a controlling interest in that property in early June 2002 combined to give the Central Region impressive increases in revenue and operating profit in 2002. Our growth was also enhanced by recent capital investments that generated strong customer demand and higher cash flow.

The revenue and operating profit increases reported by the Central Region for 2001 versus 2000 were due to the addition of the Harveys properties, which were acquired July 31, 2001, inclusion of a full year of operations of the properties acquired in the Players acquisition in late March 2000, and record performances at several of our properties in the region. The year-over-year growth was also enhanced by recent capital investments.

Chicagoland/Illinois. For the fourth straight year, our Chicagoland properties achieved record revenues. Revenues at Harrah's Joliet increased 5.7% and operating profit increased 3.0% over 2001. 2001 operating profit was negatively impacted by accelerated depreciation on riverboats that were removed from service in late September 2001, when the property was converted from riverboats to barges. Following the decision in mid-2000 to remove the two riverboats from service, depreciation was accelerated to reduce the riverboats to their estimated salvage values during their expected remaining service life. 2002 operating

profit was negatively impacted by approximately $22.3 million of additional gaming taxes due to state legislation effective July 1, 2002, which raised the maximum graduated gaming tax rate from 35% to 50%. 2001 revenues at Harrah's Joliet were 6.1% higher than in 2000; however, operating profit at that property was 3.8% lower than in 2000 due to the accelerated depreciation of the riverboats.

2002 revenues at Harrah's East Chicago increased 5.1%; however, operating profit decreased 1.8% due to a new competitor in the market, aggressive marketing among competitors and higher gaming tax rates, which were effective July 1, 2002, and increased the base gaming tax rate from 20% to 22.5%. The Indiana legislation also included provisions that allow casinos to convert from cruising to dockside operations. If a casino elects to become a dockside operation, the gaming tax rate structure changes to a graduated scale with a maximum tax rate of 35%, mitigated to some extent by a change in the method for computing admissions taxes. We converted our Harrah's East Chicago operation from cruising to dockside during third quarter 2002. The net incremental gaming tax for Harrah's East Chicago in 2002 was $2.8 million. In first quarter 2002, we completed the opening of a $47 million hotel at this property. The first 10 floors of the 15-floor hotel opened in late December 2001. 2001 revenues at Harrah's East Chicago increased 7.2% and operating profit increased 8.6% over 2000 levels.

Revenues at Harrah's Metropolis increased 16.0% in 2002, and operating profit was 9.2% higher than in 2001, despite the mid-year increase in gaming taxes that decreased 2002 operating profit by $2.4 million. This property benefited from capital improvements and from the conversion to the Harrah's brand in September 2001. Harrah's Metropolis, which was acquired in the Players transaction in March 2000, contributed $118.0 million in revenues and $31.6 million in operating profit in 2001 compared to $85.3 million in revenues and $27.2 million in operating profit for the period subsequent to its acquisition in 2000. Construction was completed in September 2001 to renovate the Metropolis facility, including replacing the existing riverboat with a larger, refurbished riverboat that had previously been used at our North Kansas City property. As a component of this project, the property was converted from the Players to the Harrah's brand.

Louisiana. Harrah's Shreveport achieved record revenues for the second consecutive year, increasing revenues by 8.1% over 2001. Operating profit increased to 19.7% over 2001 levels. Shreveport's year-over-year improvement, which was primarily attributable to the 514-room hotel and player amenities that opened in the first quarter of 2001, was partially offset by higher gaming taxes, which increased one percentage point on April 1, 2002, and will increase another percentage point on April 1, 2003, when the last scheduled tax rate increase becomes effective. 2001 revenues at Harrah's Shreveport increased 32.1% over 2000 revenues. These revenue gains were due to the opening of the new hotel and player amenities in the first quarter of 2001. Increased promotional expenses, cost inefficiencies associated with the staggered opening of the hotel, increased depreciation associated with the newly constructed assets and a one percentage point increase in gaming taxes that was effective in second quarter 2001 combined to cause margins to decline, resulting in only a 1.4% increase in operating profit in 2001.

The Lake Charles property, which was acquired in the Players acquisition in March 2000 and was re-branded to the Harrah's brand in fourth quarter 2000, saw revenues decline 14.3% in 2002 due to increased competition in the area, including the addition of slot machines at a racetrack located closer than our property to one of our Texas feeder markets, additional Indian casino offerings and the impact on customer access of a highway construction project. Operating profit was 40.3% lower than in 2001 due to lower revenues, higher costs driven by the increased competition and higher gaming taxes. In 2001, Harrah's Lake Charles contributed $164.3 million in revenues and $28.7 million in operating profit compared to $123.1 million in revenues and $21.2 million in operating profit for the slightly more than nine months that we owned the property in 2000. A major refurbishment of the hotel at this property, which was conducted in 2001, created construction disruptions and loss of available rooms during the construction period. Also affecting operating profit was an increase in the gaming tax rate from 18.5% to 21.5% of gaming revenues, which was effective in the second quarter of 2001. Approximately $55.6 million of goodwill is allocated to the Lake Charles property. Should the negative operating trend at our Lake Charles property continue, it could impact the annual analysis for the impairment of goodwill for that operating unit.

Also contributing to our 2002 results in Louisiana was the consolidation of Harrah's New Orleans into our financial results effective June 7, 2002, following our acquisition of a controlling interest in JCC. Subsequent to its consolidation, New Orleans contributed $154.5 million in revenues and $16.0 million in operating profit to our 2002 results.

On December 20, 2002, we completed our acquisition of a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana. The agreement gives Harrah's a 95% ownership interest in a company that now owns both Louisiana Downs and Harrah's Shreveport. We plan to install slot machines at the racetrack and expand and renovate the entertainment facility, which will be the only land-based gaming facility in northern Louisiana. Current plans call for Louisiana Downs to offer approximately 900 slots by the time racing season begins in June 2003. We expect to open a new, permanent casino facility at Louisiana Downs, with approximately 1,500 slot machines, by June 2004.

Mississippi. Combined revenues from our Mississippi properties increased 2.6% in 2002. Combined operating profit increased 92.9% over 2001 levels, due to cost-containment measures implemented at both our Mississippi properties. 2001 combined revenues from our Mississippi operations increased 2.8% compared to 2000. Operating profit from our Mississippi properties increased 47.3% in 2001 over 2000 as a result of the higher revenues and increased cost efficiency efforts.

Missouri. For the third consecutive year, record revenues and operating profit were achieved by our Harrah's North Kansas City property. 2002 revenues and operating profit at Harrah's North Kansas City increased 0.6% and 10.4%, respectively, over 2001. 2001 revenues were 4.7% higher than in 2000, and operating profit was 4.7% higher due to effective marketing, cost management efforts and facilities enhancements at the property. Construction was completed at the end of the second quarter of 2001 on the new casino space at North Kansas City, which consolidated all of the gaming space into a single facility. The riverboat that had been used since 1994 was refurbished and moved to our Metropolis property.

2002 revenues for Harrah's St. Louis were 8.1% below 2001 revenues, and operating profit was 16.0% below the prior year due to increased competition and intense promotional activity in the market. A competitor opened a new large-scale casino near our St. Louis property during 2002. 2001 revenues at Harrah's St. Louis were 21.2% higher than 2000 revenues, and operating profit was up 32.8% compared to 2000. These increases reflected the March 22, 2000, acquisition of Players and operational synergies achieved with the combination of the Harrah's and Players operations. Development has begun on a $75 million expansion at Harrah's St. Louis, which will include a second hotel tower, redesign of the hotel lobby, new valet parking areas, the addition of parking garage express

ramps and the expansion of two restaurants and other amenities. The expansion project is expected to be completed in mid-to-late 2004.

The St. Louis shore-side facilities were owned jointly with Players prior to our March 2000 acquisition of that company. Our pro rata share of operating losses of the joint venture in 2000 up to the date of the Players acquisition was $2.4 million. These operating losses are included in Equity in (income)/losses of nonconsolidated affiliates in our Consolidated Statements of Operations (see Other Factors Affecting Net Income/(Loss)). Subsequent to the Players acquisition, results of the shore-side facilities, as well as for Players St. Louis operations, are combined with Harrah's St. Louis' operating results.

Iowa. On a combined basis, our two Iowa properties contributed $236.7 million in revenues and $41.4 million in operating profit to our 2002 results compared to $103.6 million in revenues and $21.2 million in operating profit for the five months that we owned these properties in 2001.

In fourth quarter 2002, we announced plans for an $8.4 million renovation of the hotel at the Council Bluffs property to be completed in third quarter 2003.

Pursuant to Iowa law, a county-wide referendum must be held every eight years to approve gambling activities both at racetracks and on riverboats. In November 2002, the voters of Pottawattamie County, Iowa, where our Iowa operations are located, voted to allow gaming to continue, and that positive vote triggered an additional $50 million in acquisition costs, which was paid in fourth quarter 2002, related to our acquisition of Harveys in 2001.

The Iowa Supreme Court issued an opinion in June 2002 that has the effect of reducing the gaming tax rate on gaming revenues earned by casinos at dog tracks operating in the state, including our Bluffs Run Casino. Casinos at dog tracks were taxed at a higher rate (32%) than the casinos on riverboats operating in Iowa (20%). The Court ruled this disparity was unconstitutional. The Iowa Supreme Court denied the State's petition for rehearing and remanded the case to the Iowa District Court for determination of the appropriate relief. The lower court subsequently ruled that all taxes paid above the 20% rate of the riverboats had to be refunded. The State appealed the Iowa Supreme Court's decision to the United States Supreme Court and in January 2003, the United States Supreme Court agreed to hear the case. We have followed the instructions of the Iowa Racing and Gaming Commission to pay taxes at the 20% rate for Bluffs Run. However, given the uncertainty of this situation, we have continued to accrue gaming taxes at the 32% rate, and we will continue this practice until this matter is clarified and our ultimate tax exposure is known. Depending upon future changes in the gaming tax rate imposed by the Iowa legislature, an additional payment based on a multiple of the calculated annual savings may be due to Iowa West Racing Association ("Iowa West"), the entity holding the pari-mutuel and gaming license for the Bluffs Run Casino and with whom we have a management agreement to operate that property. Any additional payment that may be due to Iowa West would increase goodwill related to our acquisition of Harveys.

Eastern Region

				Percentage Increase/(Decrease)	
	2002	2001	2000	02 vs 01	01 vs 00
(In millions)					
Casino revenues	**$ 808.7**	$ 751.0	$ 743.3	7.7%	1.0%
Total revenues	**777.6**	724.0	723.5	7.4%	0.1%
Operating profit	**217.4**	183.0	182.3	18.8%	0.4%
Operating margin	**28.0%**	25.3%	25.2%	2.7pts	0.1pts

Harrah's Atlantic City achieved record revenues for the sixth consecutive year in 2002, and its operating profit, which was at a record level for the fourth consecutive year, increased 16.4% over 2001. These increases were driven by the opening of the new hotel tower and the addition of

approximately 450 slot machines at this property in second quarter 2002 and more cost-effective marketing programs. The 452-room addition increased the hotel's capacity to more than 1,600 rooms and completed a project that created an additional 28,000 square feet of casino floor space and expanded a buffet area. These capital improvements cost approximately $180 million. Near the end of fourth quarter 2002, an additional 500 slot machines were added in a portion of the recently expanded casino floor that was not being utilized. Harrah's Atlantic City's 2001 revenues and operating profit increased 0.8% and 5.9%, respectively, compared to 2000. These records were achieved despite construction disruptions during most of the year and disruptions to business due to the September 11 terrorist attacks.

Showboat Atlantic City also posted record revenues in 2002 and its operating profit was 23.7% higher than in 2001. Property enhancements and more cost-effective marketing drove the improved results at this property. Construction is underway on a $90 million, 544-room hotel tower at Showboat Atlantic City, which is expected to open in the second quarter of 2003. As of December 31, 2002, $50 million had been spent on this project. Construction will begin in the first quarter of 2003 on a project that will redesign the boardwalk façade and entrance of the Showboat Atlantic property, provide additional gaming space with approximately 450 slot machines, create a new bar/stage/dance floor area, improve the walkway entrance to Showboat and add a food court dining area. The project is expected to cost approximately $35 million and completion is targeted for the fourth quarter of 2003. 2001 revenues and operating profit at Showboat Atlantic City were 0.7% and 12.8% below 2000 levels. This property, which is more reliant on customers who travel to Atlantic City by bus, was impacted by the September 11 terrorist attacks and construction disruptions related to reconfiguration of the casino floor. The reconfiguration of Showboat's casino floor was completed in the second quarter of 2001, a new buffet and coffee shop opened in the fourth quarter of 2001 and our tiered Total Rewards customer-loyalty program was implemented during 2001 at this property.

Managed Casinos and Other

				Percentage Increase/(Decrease)	
	2002	2001	2000	02 vs 01	01 vs 00
(In millions)					
Revenues	**$ 70.7**	$ 69.0	$ 78.5	2.5%	(12.1)%
Operating profit	**28.6**	30.8	40.4	(7.1)%	(23.8)%

With the acquisition of the remaining interest in the New Orleans casino in 2002, our managed casinos now consist of four tribal casinos. Our management agreement with Rincon was effective in August 2002, and we have extended the management agreements for the three other Indian properties that we manage. The table below gives the location and expiration date of the current management contracts for our Indian properties.

Casino	Location	Expiration of Management Agreement
Harrah's Cherokee	Cherokee, North Carolina	November 2004
Harrah's Ak-Chin	near Phoenix, Arizona	December 2004
Harrah's Rincon	near San Diego, California	August 2007
Harrah's Prairie Band	near Topeka, Kansas	January 2008

Revenues and operating profits from our managed properties were higher in 2002 than in the previous year due to the opening in August 2002 of Harrah's Rincon Casino and Resort, owned by the Rincon San Luiseno Band of Mission Indians ("Rincon") in Southern California and to higher fees from New Orleans prior to its consolidation in June 2002, partially offset by changes in fee structures provided by extended management agreements.

Revenues and operating profit from our managed casinos were lower in 2001 than in 2000. Fees from Harrah's New Orleans and the Star City Casino in Sydney, Australia, were less in 2001 than in 2000 due to changes in the management agreements. No management fees were recorded from Harrah's New Orleans in the first quarter of 2001 due to the bankruptcy filing of JCC. Pursuant to JCC's reorganization plan, which was effective at the end of March 2001, an amended management agreement changed the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation, amortization and management fees. Management fees from Indian-owned casinos increased 13.5% over fees earned in 2000 due to strong performances at those properties.

Construction was completed in second quarter 2002 on a new 252-room hotel and 30,000-square-foot conference center at Harrah's Cherokee Smoky Mountain Casino in Cherokee, North Carolina. In fourth quarter 2002, an expansion project was completed that added approximately 22,000 square feet of casino space at this property.

In August 2002, Harrah's Rincon Casino and Resort, a casino and hotel on Rincon land located less than fifty miles north of San Diego, California, opened for business. This location provides convenient access to metropolitan San Diego, La Jolla, Del Mar, Escondido and Orange County, California. Rincon opened a temporary casino facility in January 2001. We provided Rincon technical services related to the development and operation of the temporary casino, but we did not manage the temporary facility.

An expansion to the Harrah's Ak-Chin casino opened in first quarter 2001 and includes a new 146-room hotel, an additional restaurant, meeting and banquet room facilities, a resort pool and a landscaped courtyard. A new twenty-five year compact between the State of Arizona and the Ak-Chin Indian Community was approved in February 2003. The new compact increases the number of permitted machines and adds blackjack and jackpot poker to the scope of gaming at the Ak-Chin casino.

Design has begun on a $55 million expansion project at Harrah's Prairie Band. The expansion will include the addition of 198 hotel rooms, a 12,000-square-foot convention center and a new restaurant. The project is expected to be completed in late 2004.

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

Also included in Managed Casinos and Other are our development, brand marketing and other costs that are directly related to our casino operations and development but are not property specific.

Other Factors Affecting Net Income/(Loss)

(Income)/Expense	2002	2001	2000	Percentage Increase/(Decrease) 02 vs 01	Percentage Increase/(Decrease) 01 vs 00
(In millions)					
Development costs	**$ 9.5**	$ 6.4	$ 6.4	48.4%	—
Write-downs, reserves and recoveries:					
Reserves for New Orleans casino	**—**	2.3	220.0	N/M	N/M
Other	**5.0**	20.2	6.1	(75.2)%	N/M
Project opening costs	**1.8**	13.1	8.3	(86.3)%	57.8%
Corporate expense	**56.6**	52.7	50.5	7.4%	4.4%
Headquarters relocation and reorganization costs	**—**	—	3.0	—	N/M
Equity in (income)/losses of nonconsolidated affiliates	**(4.1)**	(0.1)	57.9	N/M	N/M
Venture restructuring costs	**—**	2.5	0.4	N/M	N/M
Amortization of intangible assets	**4.5**	25.0	21.5	(82.0)%	16.3%
Interest expense, net	**240.2**	255.8	227.1	(6.1)%	12.6%
Losses on interests in nonconsolidated affiliates	**6.1**	5.0	41.6	22.0%	(88.0)]%
Other income	**(2.1)**	(28.2)	(3.9)	(92.6)%	N/M
Effective tax rate	**36.8%**	36.4%	86.4%	0.4pts	(50.0)pts

Minority interests	**$ 14.0**	$ 12.6	$ 13.8	11.1%	(8.7)%
Discontinued operations, net of income taxes	**(1.6)**	(0.6)	—	N/M	N/M
Extraordinary losses, net of income taxes	**—**	—	0.7	—	N/M
Change in accounting principle, net of income taxes	**91.2**	—	—	N/M	—

N/M = Not meaningful

Write-downs, reserves and recoveries include various pretax charges to record asset impairments, contingent liabilities, project write-offs and recoveries at time of sale of previously recorded reserves for asset impairment. The components of Write-downs, reserves and recoveries-other were as follows:

	2002	2001	2000
(In thousands)			
Write-off of abandoned assets and other costs	**$ 6,917**	$ 8,484	$ 2,800
Charge for structural repairs at Reno	**5,000**	—	—
Impairment of long-lived assets	**1,501**	8,203	5,813
Termination of contracts	**168**	4,060	2,505
Recoveries from previously impaired assets and reserved amounts	**(2,091)**	(571)	(5,012)
Settlement of sales tax contingency	**(6,464)**	—	—
	$ 5,031	$ 20,176	$ 6,106

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

Corporate expense increased 7.4% in 2002 over 2001, primarily due to increased incentive compensation plan expenses and legal expenses related to patent litigation, but represented only 1.4% of revenues in 2002, which is basically level with the 1.4% of revenues reported in 2001 and 1.5% in 2000.

During 1999, we relocated our corporate headquarters and moved our senior corporate executives and their support staffs to Las Vegas, Nevada. The Company's national services headquarters remains in Memphis, Tennessee. $10.3 million of costs related to the relocation of the Company's headquarters

was expensed in 1999. The final phase of the relocation was completed in 2000, and an additional $3.0 million was expensed in that year.

2002 Equity in (income)/losses of nonconsolidated affiliates increased $3.9 million over 2001, due primarily to income from our share of JCC's earnings until June 7, 2002, when we began consolidating the New Orleans results due to our increased ownership, offset by our $2.1 million share of a goodwill impairment charge taken by a nonconsolidated subsidiary. Equity in nonconsolidated affiliates in 2001 improved significantly over 2000 losses, which reflected our share of operating losses for 2000 from JCC ($46.0 million) and NAI ($9.3 million). NAI and JCC filed voluntary petitions for reorganization relief in December 2000 and January 2001, respectively, triggering write-offs of our remaining investments and reserves for receivables and contingent liabilities. Our equity pick-up of the operating losses of both JCC and NAI ceased as of the end of 2000. With the implementation of JCC's reorganization plan, we resumed recording our share of JCC's results in second quarter 2001, however, our ownership interest increased to 49% from approximately 42% in 2000. Since the acquisition of Players in March of 2000, the St. Louis shore-side facilities are included in our St. Louis operations; therefore, Equity in (income)/losses of nonconsolidated affiliates for 2000 included our pro rata share of these facilities' losses only up to the date of the Players acquisition.

Venture restructuring costs represent our costs, including legal fees, associated with the development of reorganization plans for the New Orleans casino.

Amortization of intangible assets is down significantly from 2001 due to the implementation of SFAS No. 142 in first quarter 2002, whereby we ceased amortization of goodwill and intangible assets with indefinite lives. 2001 Amortization of intangible assets increased over 2000 with the acquisition of Harveys. Because the acquisition of Harveys occurred after June 30, 2001, it was subject to SFAS No. 142, so goodwill and other intangible assets with indefinite lives were not amortized; however, certain other intangible assets with defined lives related to the Harveys acquisition are being amortized. (See Notes 2 and 3 to our Consolidated Financial Statements.)

Although the Company's average debt balance was higher in 2002 than in 2001 due to acquisitions and our stock repurchase program, interest expense decreased in 2002 due to lower interest rates on variable rate debt. The average interest rate on our variable-rate debt was 2.3% at December 31, 2002, compared to 4.0% at December 31, 2001. An increase in interest rates could have a material effect on our financial results. Assuming a constant outstanding balance for our variable-rate debt for the next twelve months, a hypothetical 1% increase in interest rates would increase interest expense for the next twelve months by approximately $14.6 million. Our variable rate debt represents approximately 38% of our total debt, while our fixed-rate debt is approximately 62% of our total debt. Interest expense increased in 2001 over 2000 due to debt incurred and assumed in connection with our acquisitions and stock repurchase activities.

The 2002 Losses on interests in nonconsolidated affiliates reflects a charge in fourth quarter 2002 to fund a letter of credit that we had provided on behalf of NAI, which ceased operations in November 2002. The approximate $6.1 million charge in fourth quarter 2002 was net of a settlement with another investor of NAI of an obligation related to another letter of credit, which had been funded previously. 2001 reflects the write-off of an investment in Zoho Corporation. The 2000 Losses on interests in nonconsolidated affiliates reflects the charges for reserves related to NAI and the loss on an investment.

2002 Other income includes interest income on the cash surrender value of life insurance policies, net proceeds from litigation settlements and other miscellaneous items. In 2001, Other income included a gain on the settlement on the 1998 condemnation of land in Atlantic City, the sale of nonstrategic land in Nevada and resolution of a contingency related to a former affiliate. Other income in 2000 was primarily interest income on the cash surrender value of life insurance policies.

The effective tax rate for 2002, as well as for 2001 and 2000, is higher than the federal statutory rate primarily due to state income taxes. The effective tax rates in 2001 and 2000 were also affected by that portion of our goodwill amortization that was not deductible for tax purposes. With the cessation of goodwill amortization in the first quarter of 2002 as the result of the implementation of SFAS No. 142, our effective tax rate declined from the 2001 rate; however, our effective tax rate increased in second quarter 2002 due to the exposure to higher state income taxes in 2002.

Minority interests reflect joint venture partners' shares of income at joint venture casinos.

Discontinued operations reflect the results of Harveys Wagon Wheel Hotel/Casino in Central City, Colorado, for which we have an agreement to sell. 2001 results for the Colorado property have been reclassified to conform to the 2002 presentation.

Extraordinary losses reported in 2000 are due to early extinguishments of debt and include the premium paid to holders of the debt retired and the write-off of related unamortized deferred finance charges. (See Debt and Liquidity-Extinguishments of Debt.)

The change in accounting principle represents the first quarter 2002 charge for the impairment of Rio's goodwill and trademark recorded in connection with the implementation of SFAS No. 142. (See Note 3 to our Consolidated Financial Statements.)

CAPITAL SPENDING AND DEVELOPMENT

Part of our plan for growth and stability includes disciplined capital improvement projects, and 2002 and 2001 were both years of significant capital reinvestment in our properties.

In addition to the specific development and expansion projects discussed in Regional Results and Development Plans, we perform ongoing refurbishment and maintenance at our casino entertainment facilities to maintain our quality standards. We also continue to pursue development and acquisition opportunities for additional casino entertainment facilities that meet our strategic and return on investment criteria. Prior to the receipt of necessary regulatory approvals, the costs of pursuing development projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Project opening costs are expensed as incurred.

Our capital spending for 2002 totaled approximately $376.0 million, excluding the costs of our acquisitions of Louisiana Downs and the remaining interest in JCC. 2001 capital spending was $550.5 million, excluding the costs of our acquisition of Harveys. For the year 2000, our capital spending, excluding the costs of our acquisition of Players and the purchase of JCC's debt, was $568.3 million. Estimated total capital expenditures for 2003 are expected to be between $400 million and $450 million and do not include estimated expenditures for unidentified development opportunities. Our planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects being pursued is expected to be made available from operating cash flows, the Bank Facility (see Debt and Liquidity), joint venture partners, specific project financing, guarantees of third-party debt and, if necessary, additional debt and/or equity offerings.

DEBT AND LIQUIDITY

We generate substantial cash flows from operating activities, as reflected on the Consolidated Statements of Cash Flows. For 2002, we reported cash flows from operating activities of $738.6 million, a 4.5% decrease over the $773.0 million reported in 2001. The 2001 amount reflected a 41.2% increase

over the 2000 level. These cash flows reflect the impact on our consolidated operations of the success of our marketing programs, our strategic acquisitions, ongoing cost containment focus and favorable variable interest rates.

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

Our cash and cash equivalents totaled approximately $415.9 million at December 31, 2002, compared to $356.6 million at December 31, 2001. The following provides a summary of our cash flows for the years ended December 31.

(In thousands)	2002	2001	2000
Cash provided by operating activities	**$ 738,579**	$ 772,988	$ 547,568
Capital investments	**(375,165)**	(524,006)	(423,084)
Payments for businesses acquired	**(162,431)**	(251,873)	(260,185)
Investments in affiliates	**(64)**	(14,247)	(314,921)
Proceeds from asset/investment sales	**34,783**	32,998	276,230
Other investing activities	**(7,162)**	(14,920)	2,378
Free cash flow	**228,540**	940	(172,014)
Cash (used in)/provided by financing activities	**(173,274)**	79,425	237,635
Cash provided by/(used for) discontinued operations	**4,017**	(22,966)	—
Net increase in cash and cash equivalents	**$ 59,283**	$ 57,399	$ 65,621

We believe that our cash and cash equivalents balance, our cash flow from operations and the financing sources discussed herein, will be sufficient to meet our normal operating requirements during the next twelve months. We continue to review additional opportunities to acquire or invest in companies, properties and other investments that are compatible with our existing business. We could use cash, the financing sources discussed herein and financing sources that subsequently become available, to fund additional acquisitions or investments. In addition, we may consider issuing additional debt or equity securities in the future to fund potential acquisitions or growth or to refinance existing debt. If a material acquisition or investment is completed, our operating results and financial condition could change materially in future periods.

Bank Facility

As of December 31, 2002, the Company had revolving credit and letter of credit facilities (the "Bank Facility"), which provided us with borrowing capacity of $1.857 billion. The Bank Facility consists of a five-year $1.525 billion revolving credit and letter of credit facility maturing in 2004 and a separate $332 million revolving credit facility, which is renewable annually at the borrower's and lenders' options. As of December 31, 2002, the Bank Facility bears interest based upon 80 basis points over LIBOR for current borrowings under the five-year facility and 85 basis points over LIBOR for the 364-day facility. In addition, there is a facility fee for borrowed and unborrowed amounts, which is currently 20 basis points on the five-year facility and 15 basis points on the 364-day facility. The interest rate and facility fee are based on our current debt ratings and leverage ratio and may change as our debt ratings and leverage ratio change. There is an option on each facility to borrow at the prime rate. As of December 31, 2002, $1.286 billion in borrowings were outstanding under the Bank Facility, with an additional $80.9 million committed to back letters of credit. After consideration of these borrowings, $490.6 million of additional borrowing capacity was available to the Company as of December 31, 2002.

The majority of our debt is due in the year 2004 and beyond. Payments of short-term debt obligations and other commitments are expected to be made from operating cash flows. Long-term obligations are expected to be paid through operating cash flows, refinancing of debt, joint venture partners or, if necessary, additional debt and/or equity offerings.

Commercial Paper

To provide the Company with cost-effective borrowing flexibility, we have a $200 million commercial paper program that is used to borrow funds for general corporate purposes. Although the debt instruments are short-term in tenor, they are classified as long-term debt because the commercial paper is backed by our Bank Facility, and we have committed to keep available capacity under our Bank Facility in an amount equal to or greater than amounts borrowed under this program. At December 31, 2002, $139.7 million was outstanding under this program.

Issuance of New Debt

In addition to our Bank Facility, we have issued debt and entered into credit agreements to provide the Company with cost-effective borrowing flexibility and to replace short-term, floating-rate debt with long-term, fixed-rate debt. The table below summarizes the face value of debt obligations entered into during the last three years and outstanding at December 31, 2002.

Debt	Issued	Matures	Face Value Outstanding at December 31, 2002
(In millions)			
Uncommitted Line of Credit Agreements	2002	2003	$ 31.0
Commercial Paper	2002	2003	139.7
8.0% Senior Notes	January 2001	2011	500.0
7.125% Senior Notes	June 2001	2007	500.0

Extinguishments of Debt

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

Issuer	Date Retired	Debt Extinguished	Face Value Retired
(In millions)			
JCC	December 2002	Senior Notes due 2008	$ 28.2
Harveys	September 2001	10.625% Senior Subordinated Notes due 2006	150.0
Showboat	August 2001	13% Senior Subordinated Notes due 2009	2.1
Harveys	July 2001	Credit facility due 2004	192.0
Players	June 2000	10.875% Senior Notes due 2005	150.0
Showboat	June 2000	9.25% First Mortgage Bonds due 2008	56.4

Short-term Debt

In a program designed for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, we have entered into an uncommitted line of credit agreement with a lender whereby we can borrow up to $31.0 million for periods of thirty days or less. At December 31, 2002, we had borrowed $31.0 million under this agreement. Borrowings bear interest at current market rates. Interest rates on amounts borrowed under these agreements during 2002 ranged from 2.4% to 3.1%. This agreement does not decrease our borrowing capacity under our Bank Facility.

At December 31, 2002, we had $29.3 million of short-term debt related to our acquisition of Louisiana Downs in December 2002. This debt was paid in full in January 2003.

In June 2000, we entered into a 364-day credit agreement (the "Credit Agreement") with a lender whereby we borrowed $150 million to redeem the Players Notes. Interest rates, facility fees and covenants in the Credit Agreement were identical to those provisions contained in our Bank Facility. The Credit Agreement was retired in January 2001, using proceeds from the 8.0% Senior Notes.

Equity Repurchase Programs

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

Plan Authorized	Number of Shares Authorized	Number of Shares Purchased as of December 31, 2002	Average Price Per Share
April 2000	12.5 million	12.5 million	$ 25.08
July 2001	6.0 million	6.0 million	37.15
July 2002	2.0 million	1.4 million	39.24
November 2002	3.0 million	None	N/A

The July 2002 authorization expired December 31, 2002, and the November 2002, authorization expires December 31, 2003. The repurchases were funded through available operating cash flows and borrowings from our established debt programs.

Guarantees of Third-party Debt and Other Obligations and Commitments

The following tables summarize our contractual obligations and other commitments as of December 31, 2002.

	Payments due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
(In millions)					
Debt	$ 3,823.8	$ 61.4	$ 2,179.6	$ 501.8	$ 1,081.0
Capital lease obligations	1.0	0.3	0.7	—	—
Operating lease obligations	659.8	40.5	104.2	65.6	449.5
Guaranteed payment to State of Louisiana	134.8	60.0	74.8	—	—
Community reinvestment	99.2	6.4	12.7	8.0	72.1
Construction commitments	88.8	88.8	—	—	—
Other contractual obligations	44.2	24.5	14.9	2.6	2.2

	Amount of Commitment Expiration Per Period				
Other Commitments	Total amounts committed	Less than 1 year	1-3 years	4-5 years	Over 5 years
(In millions)					
Guarantees of loans	$ 265.0	$ 64.5	$ 175.5	$ 25.0	$ —
Letters of credit	81.7	81.7	—	—	—
Minimum payments to tribes	34.3	14.4	18.6	1.3	—

The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such

advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment for the minimum guaranteed payments pursuant to the contracts for the four managed Indian-owned facilities now open, which extend for periods of up to sixty-one months from December 31, 2002, is $1.2 million. Each of these casinos currently generates sufficient cash flows to cover all of their obligations, including their debt service.

We may guarantee all or part of the debt incurred by Indian tribes with which we have entered a management contract to fund development of casinos on the Indian lands. For all existing guarantees of Indian debt, we have obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, that the value of such property would satisfy our obligations in the event these guarantees were enforced. Additionally, we have received limited waivers from the Indian tribes of their sovereign immunity to allow us to pursue our rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken. The aggregate outstanding balance of such debt as of December 31, 2002, was $227.8 million.

Depending upon future changes in the gaming tax rate imposed by the Iowa legislature, an additional payment based on a multiple of the calculated annual savings may be due Iowa West, the entity holding the pari-mutuel and gaming license for the Bluffs Run Casino in Council Bluffs, Iowa, and with whom we have a management agreement to operate that property. Any additional payment that may be due to Iowa West would increase goodwill related to our acquisition of Harveys. Given the uncertainty of the tax rate situation in Iowa (see discussion in Regional Results and Development Plans, Central Region, Iowa), we cannot estimate the amount of this contingency.

Our East Chicago property has established a home ownership program for its employees whereby eligible employees may receive down payment assistance of up to 5% of the purchase price of a single family home located in the City of East Chicago, not to exceed $5,000 per employee. If the employee leaves the employment of Harrah's within one year after the funds are provided, the employee must reimburse the program for a pro-rated amount of the amount that was funded by the program. At December 31, 2002, no funds had been provided under this program. Under a second program, Harrah's East Chicago will guarantee mortgage payments up to 25% of the mortgage amount for a minimum of 250 East Chicago residential home purchases. Our maximum exposure under the guarantee is $5.0 million. At December 31, 2002, one loan was outstanding under this program, and our guarantee related to that loan was approximately $34,000.

Effects of Current Economic and Political Conditions

Aftermath of the September 11, 2001 Attacks

We cannot predict the length or severity of the economic downturn that was precipitated, in part, by the September 11 terrorist attacks. A significant period of reduced discretionary spending and disruptions in airline travel and business conventions could have a material adverse impact on our results of operations. In addition, the September 11 attacks, the potential for future terrorist attacks, the national and international responses to terrorist attacks and other acts of war or hostility have created many economic and political uncertainties, which could adversely affect our business and results of operations in ways that cannot presently be predicted. For example, the United States Coast Guard is considering regulations designed to increase homeland security, which, if passed, could affect many of our properties and require significant expenditures to bring such properties into compliance. Furthermore, given current conditions in the global insurance markets, we are predominantly uninsured for losses and interruptions caused by terrorist acts and acts of war.

Competitive Pressures

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

The Louisiana legislature has authorized the use of slot machines at horse racing tracks in three parishes in Louisiana. We operate riverboat casinos in two of these markets. The voters in these two parishes have approved the use of slot machines at racetracks located in those parishes, and the fees and taxes to be imposed on the slot machines have received legislative approval. In first quarter 2002, a horse racing facility, located in one of those parishes where the use of slot machines has been authorized and near our property in Lake Charles, Louisiana, opened with approximately 1,500 machines. The horse racing facility is approximately twenty-five miles closer to the Texas border and one of our major feeder markets in Texas than our property. Revenues and operating profit at our Lake Charles property have been negatively impacted by the addition of this new competitor. In fourth quarter 2002, we acquired a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana, which is in another of the parishes where the use of slot machines has been authorized and is located near our Shreveport property.

In the third quarter of 2001, the State of Louisiana selected a competitor to receive the fifteenth and final riverboat gaming license to be issued by the State, under the legislation legalizing riverboat gaming in that State. The competitor's project is for a riverboat casino in Lake Charles. Construction of that facility has not yet begun. We cannot predict the effect that the new riverboat competition in the Lake Charles area will have on our operations there.

In Atlantic City, a competitor is constructing a 2,000-room hotel and casino that is expected to open in the summer of 2003. A competitor in Missouri completed a large casino expansion in third quarter 2002 that is located near our St. Louis property. In Illinois, the tenth, and final, gaming license has been approved by the state and, depending on the location, may have an impact on our Chicagoland operations. The short-term impact of increased competition in St. Louis has been negative.

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

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

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

Although, historically, the short-term effect of such competitive developments on our Company has been negative, we are not able to determine the long-term impact, whether favorable or unfavorable, that these trends and events will have on current or future markets. We believe that the geographic diversity of our operations; our focus on multi-market customer relationships; our service training, our rewards and customer loyalty programs; and our continuing efforts to establish our brands as premier brands upon which we have built strong customer loyalty have well-positioned us to face the challenges present within our industry. We utilize the unique capabilities of WINet, a sophisticated nationwide customer database, and Total Rewards, a nationwide reward and recognition program. Total Rewards

provides our customers with a simple understanding of how to earn cash, comps and other benefits for playing at Harrah's Entertainment casinos. We believe both of these marketing tools provide us with competitive advantages, particularly with players who visit more than one market. All of our properties, with the exception of the Colorado property acquired in the Harveys acquisition, which is being sold, are integrated into both WINet and Total Rewards.

Political Uncertainties

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

The casino entertainment industry represents a significant source of jobs, economic development and 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 our financial results.

EFFECTS OF INFLATION

Inflation has had little effect on our historical operations over the past three fiscal years. Generally, we have not experienced any significant negative impact on gaming volume or on wagering propensity of our customers as a result of inflationary pressures. Further, we have been successful in increasing the amount of wagers and playing time of our casino customers through effective marketing programs. We have also, from time to time, adjusted our required minimum bets at table games and changed the relative mix of slot machines in favor of machines with higher average bets or holds. These strategies, supplemented by effective cost management programs, have offset the impact of inflation on our operations over the past three fiscal years. In addition, inflation tends to increase the value of our casino entertainment properties.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

Property and Equipment

We have significant capital invested in our property and equipment, which represents approximately 66% of our total assets. Judgments are made in determining the estimated useful lives of assets, salvage values to be assigned to assets and if or when an asset has been impaired. The accuracy of these estimates affects the amount of depreciation expense recognized in our financial results and whether we have a gain or loss on the disposal of the asset. We assign lives to our assets based on our

standard policy, which is established by management as representative of the useful life of each category of asset. We review the carrying value of our property and equipment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the operating unit level, which for most of our assets is the individual casino.

Goodwill and Other Intangible Assets

We have approximately $1.2 billion in goodwill and other intangible assets on our consolidated balance sheet resulting from our acquisition of other businesses. A new accounting standard adopted in 2002 requires an annual review of goodwill and other nonamortizing intangible assets for impairment. We completed our initial assessment for impairment of goodwill and recorded an impairment charge in first quarter 2002. We also completed our annual assessment for impairment in fourth quarter 2002 and determined that goodwill and intangible assets with indefinite lives have not been further impaired. The annual evaluation of goodwill and other nonamortizing intangible assets requires the use of estimates about future operating results of each reporting unit to determine their estimated fair value. Changes in forecasted operations can materially affect these estimates. Once an impairment of goodwill or other intangible assets has been recorded, it cannot be reversed.

Total Rewards Point Liability Program

Our customer reward program, Total Rewards, offers incentives to customers who gamble at our casinos throughout the United States. Customers receive cash-back and other offers made in the form of coupons that are mailed to the customer and redeemable on a subsequent visit to one of our properties. The coupons generally expire thirty days after they are issued. Given the requirement of a return visit to redeem the offer and the short-term expiration date, with no ability to renew or extend the offer, we recognize the expense of these offers when the coupon is redeemed.

In fourth quarter 2002, a decision was made to change our Total Rewards program in 2003 to give our customers greater flexibility and control over the rewards they receive for playing at our casinos. Customers will be able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits under the revised program, our accounting for the Total Rewards program will change and we will accrue the expense of reward credits, after consideration of estimated breakage, as they are earned. To implement this change in the program, an initial bank of reward credits will be offered to our existing customers. The amount of credits to be offered has been calculated based upon 2002 tracked play at our casinos. As

a result of the decision to change the program and extend this initial offer, an accrual of $6.9 million has been recorded in 2002 to recognize our estimate of the expense of this implementation offer.

Bad Debt Reserves

We reserve an estimated amount for receivables that may not be collected. Methodologies for estimating bad debt reserves range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. At December 31, 2002, we had $56.9 million in our bad debt reserve. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating our reserves for bad debts.

Self-insurance Accruals

We are self-insured up to certain limits for costs associated with general liability, workers' compensation and employee 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. At December 31, 2002, we had total self-insurance accruals reflected on our balance sheet of $73.8 million. In estimating these costs, we consider historical loss experience and make judgments about the expected levels of costs per claim. We also rely on independent consultants to assist in the determination of estimated accruals. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals; however, changes in health care costs, accident frequency and severity and other factors can materially affect the estimate for these liabilities.

We continually monitor the potential for changes in estimates, evaluate our insurance accruals and adjust our recorded provisions.

RECENTLY ISSUED AND PROPOSED ACCOUNTING STANDARDS

We implemented the following recently issued accounting standards and the impact, if any, of implementation is reflected in our December 31, 2002, Consolidated Financial Statements.

During first quarter 2001, the Emerging Issues Task Force reached a consensus on the portion of Issue 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future," which addressed the income statement classification of the value of the points redeemable for cash awarded under point programs like our Total Rewards program. Per the consensus, which for our Company was effective retroactively to January 1, 2001, with prior year restatement also required, the cost of these programs should be reported as a contra-revenue, rather than as an expense. We had historically reported the costs of such points as an expense, so these costs were reclassified to be contra-revenues in our Consolidated Statements of Operations to comply with the consensus. This reclassification had no impact on Income from operations, Net income/(loss) or Earnings/(loss) per share.

The Financial Accounting Standards Board ("FASB") has issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. SFAS No. 142 provides new guidance on the recognition and amortization of intangible assets, eliminates the amortization of goodwill and other assets with indefinite lives and requires annual assessments for impairment of goodwill and other nonamortizing intangibles by applying a fair-value-based test. We completed our initial assessment for impairment of goodwill and other nonamortizing intangibles and recorded an impairment charge in first quarter 2002. We also completed our annual assessment for impairment in fourth quarter 2002 and determined that goodwill and intangible assets with indefinite lives have not been further impaired. Upon adoption of SFAS No. 142, our net income no longer reflects amortization of goodwill or other intangible assets with indefinite lives, however, certain other intangible assets will continue to be amortized. SFAS No. 142 was effective for years beginning after December 15, 2001.

During third quarter 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which we implemented on January 1, 2002. SFAS No. 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. We have presented the Colorado property as discontinued operations in our Consolidated Financial Statements.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions—an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9," which applies to

all acquisitions of financial institutions except those between two or more mutual enterprises. SFAS No. 147 has no impact on our financial statements.

In November 2002, the FASB published Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements in the Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002.

The following recently issued accounting standards will be implemented in future periods.

During second quarter 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. For our Company, SFAS No. 143 will be effective in 2003, and its effect is not expected to be significant.

In second quarter 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which all but eliminates the presentation in income statements of debt extinguishments as extraordinary items. For our Company, SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. We plan to implement SFAS No. 145 in the first quarter of 2003.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which generally requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123," to provide alternative methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation. SFAS No. 148 also requires disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002, and the annual disclosure provisions are implemented in our 2002 financial statements. We will implement the interim disclosure provisions in first quarter 2003.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as "special-purpose entities." Companies are required to apply the provisions of FIN 46 prospectively for all variable interest entities created after January 31, 2003. For public companies, all interests acquired before February 1, 2003, must follow the new rules in accounting periods beginning after June 15, 2003. FIN 46 is expected to have no impact on our results of operations or financial position.

Private Securities Litigation Reform Act

This Annual Report includes "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. You can identify these

statements by the fact that they do not relate strictly to historical or current facts. These statements contain words such as "may," "will," "project," "might," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue" or "pursue," or the negative or other variations thereof or comparable terminology. In particular, they include statements relating to, among other things, future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings and future financial results. We have based these forward-looking statements on our current expectations and projections about future events.

We caution the reader that forward-looking statements involve risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors as well as other factors described from time to time in our reports filed with the Securities and Exchange Commission:

- the effect of economic, credit and capital market conditions on the economy in general, and on gaming and hotel companies in particular;
- construction factors, including delays, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues;
- the effects of environmental and structural building conditions relating to the Company's properties;
- our ability to timely and cost effectively integrate into our operations the companies that we acquire;
- access to available and feasible financing;
- changes in laws (including increased tax rates), regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies;
- litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;
- ability of our customer-tracking and yield-management programs to continue to increase customer loyalty;
- our ability to recoup costs of capital investments through higher revenues;
- acts of war or terrorist incidents;
- abnormal gaming holds; and
- the effects of competition, including locations of competitors and operating and market competition.

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. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Independent Auditors' Report

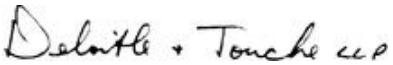
To the Board of Directors and Stockholders
Harrah's Entertainment, Inc.
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Harrah's Entertainment, Inc. and subsidiaries ("Harrah's Entertainment") as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity and comprehensive income/(loss), and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of Harrah's Entertainment's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Harrah's Entertainment as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the Consolidated Financial Statements, Harrah's Entertainment changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," in 2002 and recorded a cumulative effect of a change in accounting principle in the first quarter of 2002.



Las Vegas, Nevada
February 5, 2003

Consolidated Balance Sheets

(In thousands, except share amounts)	December 31, 2002	December 31, 2001
ASSETS		
Current assets		
Cash and cash equivalents	**$ 415,884**	$ 356,601
Receivables, less allowance for doubtful accounts of $56,865 and $60,958	**93,741**	110,683
Deferred income taxes (Note 10)	**61,659**	45,319
Income tax refunds receivable	**43,088**	28,326
Prepayments and other	**49,122**	48,707
Inventories	**22,743**	22,717
Total current assets	**686,237**	612,353
Land, buildings, riverboats and equipment		
Land and land improvements	**763,159**	758,401
Buildings, riverboats and improvements	**3,528,532**	3,178,693
Furniture, fixtures and equipment	**1,389,745**	1,205,701
Construction in progress	**79,876**	164,289
	5,761,312	5,307,084
Less: accumulated depreciation	**(1,558,981)**	(1,279,174)
	4,202,331	4,027,910
Assets of discontinued operations (Note 2)	**23,097**	39,542
Goodwill, net of accumulated amortization of $92,046 (Notes 2 and 3)	**925,315**	947,678
Intangible assets (Note 3)	**271,227**	210,185
Investments in and advances to nonconsolidated affiliates (Note 16)	**4,894**	79,464
Deferred costs and other (Note 5)	**236,948**	211,450
	$ 6,350,049	$ 6,128,582

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	**$ 111,365**	$ 122,049
Accrued expenses (Note 5)	**453,374**	410,109
Short-term debt (Note 6)	**60,250**	31,000
Current portion of long-term debt (Note 6)	**1,466**	1,583
Total current liabilities	**626,455**	564,741
Liabilities of discontinued operations (Note 2)	**3,465**	4,167
Long-term debt (Note 6)	**3,763,066**	3,719,443
Deferred credits and other	**182,353**	173,677
Deferred income taxes (Note 10)	**263,661**	261,119
	4,839,000	4,723,147
Minority interests	**40,041**	31,322
Commitments and contingencies (Notes 2, 7 and 13 through 16)		
Stockholders' equity (Notes 4, 15 and 16)		
Common stock, $0.10 par value, authorized-360,000,000 shares, outstanding-109,708,831 and 112,322,143 shares (net of 34,416,975 and 28,977,890 shares held in treasury)	**10,971**	11,232
Capital surplus	**1,224,808**	1,143,125
Retained earnings	**260,297**	248,098
Accumulated other comprehensive loss	**(415)**	(1,449)
Deferred compensation related to stock ownership plans	**(24,653)**	(26,893)
	1,471,008	1,374,113
	$ 6,350,049	$ 6,128,582

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

Consolidated Statements of Operations

	Year Ended December 31,		
(In thousands, except per share amounts)	**2002**	**2001**	**2000**
Revenues			
Casino	**$ 3,688,416**	$ 3,216,096	$ 2,852,048
Food and beverage	**612,702**	531,562	480,757
Rooms	**331,693**	300,735	270,313
Management fees	**66,888**	64,842	66,398
Other	**154,322**	139,966	142,072
Less: casino promotional allowances	**(717,628)**	(563,412)	(481,792)
Total revenues	**4,136,393**	3,689,789	3,329,796
Operating expenses			
Direct			
Casino	**1,806,206**	1,596,424	1,404,148
Food and beverage	**247,568**	234,874	228,002
Rooms	**68,398**	77,731	67,800
Depreciation and amortization	**306,011**	284,356	236,082
Write-downs, reserves and recoveries (Note 8)			
Reserves for New Orleans casino	**—**	2,322	220,000
Other	**5,031**	20,176	6,106
Project opening costs	**1,816**	13,105	8,258
Corporate expense	**56,626**	52,746	50,472
Headquarters relocation and reorganization costs (Note 9)	**—**	—	2,983
Equity in (income)/losses of nonconsolidated affiliates (Note 16)	**(4,094)**	(148)	57,935
Venture restructuring costs	**—**	2,524	400

Amortization of intangible assets (Note 3)	**4,493**	24,965	21,540
Other	**864,297**	800,732	743,332
Total operating expenses	**3,356,352**	3,109,807	3,047,058
Income from operations	**780,041**	579,982	282,738
Interest expense, net of interest capitalized (Note 12)	**(240,220)**	(255,801)	(227,139)
Losses on interests in nonconsolidated affiliates (Note 16)	**(6,058)**	(5,040)	(41,626)
Other income, including interest income	**2,137**	28,219	3,866
Income from continuing operations before income taxes and minority interests	**535,900**	347,360	17,839
Provision for income taxes (Note 10)	**(197,292)**	(126,393)	(15,415)
Minority interests	**(13,965)**	(12,616)	(13,768)
Income/(loss) from continuing operations	**324,643**	208,351	(11,344)
Discontinued operations, net of income tax expense of $837 and $344 (Note 2)	**1,555**	639	—
Income/(loss) before extraordinary items and cumulative effect of change in accounting principle	**326,198**	208,990	(11,344)
Extraordinary losses, net of income tax benefit of $13 and $388 (Note 11)	**—**	(23)	(716)
Cumulative effect of change in accounting principle, net of income tax benefit of $2,831 (Note 3)	**(91,169)**	—	—
Net income/(loss)	**$ 235,029**	$ 208,967	$ (12,060)
Earnings/(loss) per share-basic			
Income/(loss) from continuing operations	**$ 2.92**	$ 1.83	$ (0.09)
Discontinued operations, net	**0.01**	0.01	—
Extraordinary losses, net	**—**	—	(0.01)
Cumulative effect of change in accounting principle, net	**(0.82)**	—	—
Net income/(loss)	**$ 2.11**	$ 1.84	$ (0.10)
Earnings/(loss) per share-diluted			
Income/(loss) from continuing operations	**$ 2.86**	$ 1.80	$ (0.09)
Discontinued operations, net	**0.01**	0.01	—
Extraordinary losses, net	**—**	—	(0.01)
Cumulative effect of change in accounting principle, net	**(0.80)**	—	—
Net income/(loss)	**$ 2.07**	$ 1.81	$ (0.10)
Weighted average common shares outstanding	**111,212**	113,540	117,190
Dilutive effect of stock compensation programs	**2,322**	2,168	—
Weighted average common and common equivalent shares outstanding	**113,534**	115,708	117,190

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

Consolidated Statements of Stockholders' Equity and Comprehensive Income/(Loss)
(Notes 4, 15 and 16)

(In thousands)	Common Stock Shares Outstanding	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Deferred Compensation Related to Stock Ownership Plans	Total	Comprehensive Income/(Loss)
Balance—December 31, 1999	124,380	$ 12,438	$ 987,322	$ 512,539	$ (493)	$ (25,529)	$ 1,486,277	
Net loss				(12,060)			(12,060)	$ (12,060)
Unrealized loss on available-for-sale securities, less deferred tax benefit of $505					(824)		(824)	(824)
Realization of loss due to sale of equity interest in foreign subsidiary, net of tax benefit of $148					191		191	191
Foreign currency adjustment					90		90	90

Treasury stock purchases	(12,397)	(1,240)		(276,367)			(277,607)	
Net shares issued under incentive compensation plans, including income tax benefit of $15,739	3,969	397	87,991	139		(14,876)	73,651	
2000 Comprehensive Loss								$ (12,603)
Balance—December 31, 2000	115,952	11,595	1,075,313	224,251	(1,036)	(40,405)	1,269,718	
Net income				208,967			208,967	$ 208,967
Unrealized gain on available-for-sale securities, less deferred tax provision of $772					1,289		1,289	1,289
Realization of gain on available-for-sale securities, net of tax provision of $123					(226)		(226)	(226)
Other					(1,476)		(1,476)	(1,476)
Treasury stock purchases	(6,618)	(662)		(185,120)			(185,782)	
Net shares issued under incentive compensation plans, including income tax benefit of $18,013	2,988	299	67,812			13,512	81,623	
2001 Comprehensive Income								$ 208,554
Balance—December 31, 2001	112,322	11,232	1,143,125	248,098	(1,449)	(26,893)	1,374,113	
Net income				**235,029**			**235,029**	**$ 235,029**
Unrealized loss on available-for-sale securities, less deferred tax benefit of $239					**(442)**		**(442)**	**(442)**
Other					**1,476**		**1,476**	**1,476**
Treasury stock purchases	**(5,275)**	**(527)**		**(222,830)**			**(223,357)**	
Net shares issued under incentive compensation plans, including income tax benefit of $23,970	**2,662**	**266**	**81,683**			**2,240**	**84,189**	
2002 Comprehensive Income								**$ 236,063**
Balance—December 31, 2002	**109,709**	**$ 10,971**	**$ 1,224,808**	**$ 260,297**	**$ (415)**	**$ (24,653)**	**$ 1,471,008**	

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

Consolidated Statements of Cash Flows
(Note 12)

	Year Ended December 31,		
	2002	**2001**	**2000**
(In thousands)			
Cash flows from operating activities			
Net income/(loss)	**$ 235,029**	$ 208,967	$ (12,060)
Adjustments to reconcile net income/(loss) to cash flows from operating activities			
Earnings from discontinued operations, before income taxes	**(2,392)**	(983)	—
Cumulative effect of change in accounting principle, before income taxes	**94,000**	—	—
Extraordinary losses, before income taxes	**—**	36	1,104
Depreciation and amortization	**331,696**	330,932	282,110
Write-downs, reserves and recoveries	**5,031**	22,498	226,106
Deferred income taxes	**89,886**	102,476	(118,125)
Other noncash items	**26,635**	46,309	133,841
Minority interests' share of net income	**13,965**	12,616	13,768
Equity in (income)/losses of nonconsolidated affiliates	**(4,094)**	(148)	57,935
Realized losses from interests in nonconsolidated affiliates	**6,058**	5,040	41,626
Net losses/(gains) from asset sales	**1,791**	(18,503)	1,213
Net change in long-term accounts	**(3,257)**	(14,836)	(44,772)
Net change in working capital accounts	**(55,769)**	78,584	(35,178)
Cash flows provided by operating activities	**738,579**	772,988	547,568
Cash flows from investing activities			
Land, buildings, riverboats and equipment additions	**(368,769)**	(529,786)	(421,381)
Payments for businesses acquired, net of cash acquired	**(162,431)**	(251,873)	(260,185)
Investments in and advances to nonconsolidated affiliates	**(64)**	(5,735)	(314,921)
Proceeds from other asset sales	**34,783**	28,933	86,664
(Increase)/decrease in construction payables	**(6,396)**	5,780	(1,703)

Sale of marketable equity securities for defeasance of debt	—	2,182	58,091
Proceeds from sales of interests in subsidiaries	—	1,883	131,475
Collection of notes receivable	—	—	14,285
Purchase of minority interest in subsidiary	—	(8,512)	—
Other	**(7,162)**	(14,920)	(11,907)
Cash flows used in investing activities	**(510,039)**	(772,048)	(719,582)
Cash flows from financing activities			
Gross borrowings under lending agreements, net of financing costs of $655, $529 and $1,444	**2,772,671**	2,732,416	1,950,859
Gross repayments under lending agreements	**(2,728,126)**	(2,967,814)	(1,447,434)
Purchases of treasury stock	**(223,357)**	(185,782)	(277,607)
Proceeds from exercises of stock options	**48,695**	55,303	45,150
Early extinguishments of debt	**(28,210)**	(344,811)	(213,063)
Scheduled debt retirements	**(1,659)**	(2,707)	(3,472)
Minority interests' distributions, net of contributions	**(12,153)**	(8)	(14,003)
Proceeds from issuance of senior notes, net of discount and issue costs of $15,328	—	984,672	—
Net short-term (repayments)/borrowings, net of financing costs of $450 in 2000	—	(184,000)	193,550
Premiums paid on early extinguishments of debt	—	(7,970)	(1,104)
Other	**(1,135)**	126	4,759
Cash flows (used in)/provided by financing activities	**(173,274)**	79,425	237,635
Cash flows provided by/(used for) discontinued operations	**4,017**	(22,966)	—
Net increase in cash and cash equivalents	**59,283**	57,399	65,621
Cash and cash equivalents, beginning of year	**356,601**	299,202	233,581
Cash and cash equivalents, end of year	**$ 415,884**	$ 356,601	$ 299,202

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

Notes to Consolidated Financial Statements

(Dollars in thousands, unless otherwise stated)

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Organization. We operate twenty-six casinos in thirteen states. As of December 31, 2002, our operations included twelve land-based casinos, ten riverboat or dockside casinos and four casinos on Indian reservations.

Principles of Consolidation. Our Consolidated Financial Statements include the accounts of Harrah's Entertainment and its subsidiaries after elimination of all significant intercompany accounts and transactions. We follow the equity method of accounting for our investments in 20% to 50% owned companies and joint ventures (see Note 16).

Cash and Cash Equivalents. Cash includes the minimum cash balances required to be maintained by a state gaming commission or local and state governments which totaled approximately $25.4 million and $27.0 million at December 31, 2002 and 2001, respectively. Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

Allowance for Doubtful Accounts. We reserve an estimated amount for receivables that may not be collected. Methodologies for estimating bad debt reserves range from specific reserves to various percentages applied to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific reserves. At December 31, 2002 and 2001, we had $56.9 million and $61.0 million, respectively, in our bad debt reserve.

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

Land, Buildings, Riverboats and Equipment. Land, buildings, riverboats and equipment are stated at cost. Land includes land held for future development or disposition, which totaled $127.8 million and $129.8 million at December 31, 2002 and 2001, respectively. We capitalize the costs of improvements and repairs that extend the life of the asset. We expense maintenance and repair costs as incurred. Interest expense is capitalized on internally constructed assets at our overall weighted average borrowing rate of interest. Capitalized interest amounted to $3.5 million, $9.3 million and $8.0 million in 2002, 2001 and 2000, respectively.

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

Buildings and improvements	10 to 40 years
Riverboats and barges	30 years

Furniture, fixtures and equipment	2 to 15 years

We review the carrying value of land, buildings, riverboats and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by management in performing this assessment include current operating results,

trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. In estimating expected future cash flows for determining whether an asset is impaired, assets are grouped at the operating unit level, which for most of our assets is the individual casino.

Goodwill and Other Intangible Assets. We have approximately $1.2 billion in goodwill and other intangible assets on our balance sheet resulting from our acquisitions of other businesses. A new accounting standard adopted in 2002 requires an annual review of goodwill and other nonamortizing intangible assets for impairment. We completed our initial assessment for impairment of goodwill and other nonamortizing intangibles and recorded an impairment charge in first quarter 2002. We also completed our annual assessment for impairment in fourth quarter 2002 and determined that goodwill and intangible assets with indefinite lives have not been further impaired. Once an impairment of goodwill or other intangible assets has been recorded, it cannot be reversed.

With the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," on January 1, 2002, we no longer amortize goodwill or other intangible assets that are determined to have an indefinite life. Under the provisions of SFAS No. 142, goodwill acquired in a business combination for which the acquisition date was after June 30, 2001, should not be amortized; therefore, no goodwill related to the acquisition of Harveys Casino Resorts ("Harveys") was amortized in 2001. Prior to 2002, we amortized goodwill and other intangibles, including trademarks, on a straight-line basis over periods up to forty years. Intangible assets determined to have a finite life are amortized on a straight-line basis over the determined useful life of the asset (see Note 3). We use the interest method to amortize deferred financing charges over the term of the related debt agreement.

Total Rewards Point Liability Program. Our customer reward program, Total Rewards, offers incentives to customers who gamble at our casinos throughout the United States. Customers receive cash-back and other offers made in the form of coupons that are mailed to the customer and redeemable on a subsequent visit to one of our properties. The coupons generally expire thirty days after they are issued. Given the requirement of a return visit to redeem the offer and the short-term expiration date, with no ability to renew or extend the offer, we recognize the expense of these offers when the coupon is redeemed.

In fourth quarter 2002, a decision was made to change our Total Rewards program in 2003 to give our customers greater flexibility and control over the rewards they receive for playing at our casinos. Customers will be able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits under the revised program, our accounting for the Total Rewards program will change and we will accrue the expense of reward credits, after consideration of estimated breakage, as they are earned. To implement this change in the program, an initial bank of reward credits will be offered to our existing customers. The amount of credits to be offered has been calculated based upon 2002 tracked play at our casinos. As a result of the decision to change the program and extend this initial offer, an accrual of $6.9 million has been recorded in 2002 to recognize our estimate of the expense of this implementation offer.

Self-insurance Accruals. We are self-insured up to certain limits for costs associated with 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. At December 31, 2002 and 2001, we had total self-insurance accruals reflected on our balance sheets of $73.8 million and $67.5 million, respectively. In estimating these costs, we consider historical loss experience and make judgments about the expected levels of costs per claim. We also rely on independent consultants to assist in the determination of estimated accruals. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those

claims incurred but not reported. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals; however, changes in health care costs, accident frequency and severity and other factors can materially affect the estimate for these liabilities. We continually monitor the potential for changes in estimates, evaluate our insurance accruals and adjust our recorded provisions.

Treasury Stock. The shares of Harrah's Entertainment common stock we hold in treasury are reflected in our Consolidated Balance Sheets and our Consolidated Statements of Stockholders' Equity and Comprehensive Income/(Loss) as if those shares were retired.

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

During first quarter 2001, the Emerging Issues Task Force reached a consensus on the portion of Issue 00-22, "Accounting for "Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future," which addressed the income statement classification of the value of the points redeemable for cash awarded under point programs like our Total Rewards program. Per the consensus, which for our Company was effective retroactively to January 1, 2001, with prior year restatement also required, the cost of these programs should be reported as a contra-revenue, rather than as an expense. We historically reported the costs of such points as an expense, so we have reclassified these costs to be contra-revenues in our Consolidated Statements of Operations to comply with the consensus. The amount of expense reclassified for 2000 was $141.4 million.

Casino promotional allowances consist principally of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. The estimated costs of providing such complimentary services, which we classify as casino expenses through interdepartmental allocations, were as follows:

	2002	2001	2000

Food and beverage	**$ 222,226**	$ 190,507	$ 172,560
Rooms	**76,191**	64,779	51,927
Other	**23,142**	24,058	22,178
	$ 321,559	$ 279,344	$ 246,665

Earnings Per Share. In accordance with the provisions of SFAS No. 128, "Earnings Per Share," we compute our basic earnings per share by dividing Net income/(loss) by the number of Weighted average common shares outstanding during the year. Our Diluted earnings per share is computed by dividing Net income/(loss) by the number of Weighted average common and common equivalent shares outstanding during the year. Due to our net loss in 2000, Weighted average common and common equivalent shares outstanding at December 31, 2000, exclude common stock equivalents of 481,338 and 1,407,362 related to restricted stock and stock options, respectively, because of their antidilutive effect. For each of the three years ended December 31, 2002, common stock equivalents consisted solely of net restricted shares of 631,532, 697,130 and 481,338, respectively, and stock options outstanding of 1,691,000, 1,471,400 and 1,407,362, respectively, under our employee stock benefit plans. (See Note 15.)

Reclassifications. We have reclassified certain amounts for prior years to conform with our presentation for 2002.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Our actual results could differ from those estimates.

NOTE 2—ACQUISITIONS

In the three-year period ended December 31, 2002, we acquired two casino companies, a thoroughbred racetrack and the remaining interest in a nonconsolidated subsidiary. We are accounting for each of the acquisitions as a purchase. Accordingly, the purchase price is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. For each transaction, the allocation of the purchase price was, or will be, completed within one year from the date of the acquisition. To the extent that the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired, such excess is allocated to goodwill. For acquisitions completed prior to June 30, 2001, goodwill was amortized for periods of up to forty years. With the adoption of SFAS No. 142 in 2002, we no longer amortize goodwill or intangible assets that are determined to have an indefinite life.

Under the provisions of SFAS No. 142, goodwill acquired in a business combination for which the acquisition date was after June 30, 2001, should not be amortized; therefore, no goodwill related to the Harveys acquisition was amortized in 2001. We accounted for the Harveys acquisition under the provisions of SFAS No. 141, "Business Combinations."

The table below summarizes our acquisition transactions completed in the three-year period ending December 31, 2002.

Company	Date Acquired	Total Purchase Price(a)	Goodwill Assigned	Number of Casinos	Geographic Location
Players International, Inc.	March 2000	$ 439 million	$ 204 million	3	Lake Charles, Louisiana Metropolis, Illinois St. Louis, Missouri
Harveys Casino Resorts	July 2001	$ 712 million	$ 265 million	4	Central City, Colorado(d) Council Bluffs, Iowa(2) Lake Tahoe, Nevada
JCC Holding Company	June 2002 December 2002	$ 148 million	none	1(b)	New Orleans, Louisiana
Louisiana Downs, Inc.	December 2002	$ 82 million	$ 64 million	1(c)	Bossier City, Louisiana

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

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

(c) Acquired a thoroughbred racetrack that can be expanded to include slot machines.

(d) This property is expected to be sold in the first half of 2003.

Players International, Inc. On March 22, 2000, we completed our acquisition of Players International, Inc. ("Players"), paying $8.50 in cash for each outstanding share and assuming $150 million of Players 107/8% Senior Notes due 2005 (the "Players Notes"). Players operated a dockside riverboat casino on the Ohio River in Metropolis, Illinois; two cruising riverboat casinos in Lake Charles, Louisiana; two dockside riverboat casinos in Maryland Heights, Missouri; and a harness

horse racetrack in Paducah, Kentucky. Players and Harrah's jointly operated a landside hotel and entertainment facility at the property in Maryland Heights, a suburb of St. Louis. The operations of the Players facility in Maryland Heights were consolidated with the adjacent Harrah's operations in second quarter 2000, and the Lake Charles and Metropolis facilities were subsequently converted to the Harrah's brand.

Approximately $2.3 million of the Players Notes were retired on April 28, 2000, in connection with a change of control offer. On June 5, 2000, we purchased approximately $13.1 million of the Players Notes in the open market for the face amount plus accrued interest and a premium. The remaining Players Notes were redeemed on June 30, 2000, for the face amount plus accrued interest and a premium. We retired the Players Notes using proceeds from a $150 million credit agreement and our established debt programs.

Late in 2002, a pre-acquisition sales tax issue related to the Lake Charles property was favorably resolved, resulting in the reversal of an accrual of approximately $6.5 million. Because we were beyond the time allowed to adjust goodwill related to this acquisition, the reversal of this accrual was recorded as Write-downs, reserves and recoveries in our 2002 Consolidated Statements of Operations.

Harveys Casino Resorts. On July 31, 2001, we completed our acquisition of Harveys. We paid approximately $294 million for the equity interests in Harveys, assumed approximately $350 million in outstanding debt and paid approximately $18 million in acquisition costs. We also assumed a $50 million contingent liability, which was dependent on the results of a referendum that was decided by the voters in Pottawattamie County, Iowa, in November 2002. The referendum, which re-approved gaming at racetracks and on riverboats for another eight years, passed and we paid an additional $50 million in acquisition costs in fourth quarter 2002. We financed the acquisition, and retired Harveys assumed debt, with borrowings under our established debt programs. The purchase included the Harveys Resort & Casino in Lake Tahoe, Nevada, the Harveys Casino Hotel and the Bluffs Run Casino, both in Council Bluffs, Iowa, and the Harveys Wagon Wheel Hotel/Casino in Central City, Colorado.

In June 2002, the Iowa Supreme Court issued an opinion that has the effect of reducing the gaming tax rate on gaming revenues earned by casinos at racetracks operating in the state, including our Bluffs Run Casino. Casinos at racetracks were taxed at a higher rate (32%) than the casinos on riverboats operating in Iowa (20%). The Court ruled this disparity as unconstitutional. The Iowa Supreme Court denied the State's petition for rehearing and remanded the case to the Iowa District Court for determination of the appropriate relief. The lower court subsequently ruled that all taxes paid above the 20% rate of the riverboats had to be refunded. The State appealed the Iowa Supreme Court's decision to the United States Supreme Court and in January 2003, the United States Supreme Court agreed to hear the case. We have followed the instructions of the Iowa Racing and Gaming Commission to pay taxes at the 20% rate for Bluffs Run. However, given the uncertainty of this situation, we have continued to accrue gaming taxes at the 32% rate, and we will continue this practice until this matter is clarified and our ultimate tax exposure is known. Depending upon future changes in the gaming tax rate imposed by the Iowa legislature, an additional payment based on a multiple of the calculated annual savings may be due to Iowa West Racing Association ("Iowa West"), the entity holding the pari-mutuel and gaming license for the Bluffs Run Casino and with whom we have a management agreement to operate that property. Any additional payment that may be due to Iowa West would increase goodwill related to our Harveys acquisition.

In fourth quarter 2002, we announced that we had entered into a definitive agreement to sell Harveys Wagon Wheel Hotel/Casino in Central City, Colorado. Since acquiring Harveys, we evaluated the Colorado property and concluded that it is a nonstrategic asset for us. Closing of the transaction is subject to customary regulatory approvals and is expected to close in the first half of 2003. This sale will not have a material effect on our financial results. The Colorado property is presented in our

Consolidated Financial Statements as discontinued operations, and our 2001 results have been reclassified to reflect that property as discontinued operations. The discontinued operations generated revenues of $35.7 million and income from operations of $2.3 million for the year ended December 31, 2002. For the five months of 2001 subsequent to the acquisition of Harveys, the discontinued operations generated revenues of $19.3 million and income from operations of $1.3 million. Assets related to discontinued operations are recorded at their net realizable value of $23.1 million as of December 31, 2002, and include land, buildings, equipment and leasehold improvements.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition of Harveys.

(In millions)	At July 31, 2001
Current assets	$ 59.5
Land, buildings, riverboats and equipment	348.9
Deferred costs and other	8.4
Intangible assets	173.0
Goodwill	265.1
Total assets acquired	854.9
Current liabilities	46.4
Long-term debt	350.4
Deferred credits and other	96.6
Total liabilities assumed	493.4
Net assets acquired	$ 361.5

We acquired Harveys to further enhance our geographic distribution and to strengthen our access to target customers. The results of Harveys' operations have been included in our Consolidated Financial Statements since the date of acquisition.

The intangible assets acquired include registered trademarks, certain gaming rights and development rights, which are not subject to amortization. Other intangible assets, including customer relationships and certain contract rights, are amortized on a straight-line basis. We estimate useful lives of four to twenty-three years for the assets subject to amortization and have recorded amortization expense of $4.5 million and $2.3 million in 2002 and 2001, respectively.

Of the goodwill related to the Harveys acquisition, approximately $80 million is deductible for tax purposes.

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

We paid $72.4 million ($10.54 per share) for the additional ownership interest in JCC, acquired approximately $45.8 million of JCC's debt, assumed approximately $28.2 million of JCC's Senior Notes, which we subsequently retired, and incurred approximately $1.9 million of acquisition costs. We financed the acquisition and retired JCC's debt with funds from various sources, including cash flows from operations and borrowings under established debt programs.

The purchase price allocation arising from our acquisition of the additional ownership of JCC is in process and is expected to be completed by third quarter 2003.

We acquired the remaining ownership interest in JCC in order to streamline the decision-making process, which we expect will allow us to take steps to improve business at the property more quickly.

Louisiana Downs. On December 20, 2002, we acquired a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana. The agreement gives Harrah's a 95% ownership interest in a company that now owns both Louisiana Downs and Harrah's Shreveport. We plan to install slot machines at the racetrack and expand and renovate the entertainment facility, which will be the only land-based gaming facility in northern Louisiana. Plans call for Louisiana Downs to offer approximately 900 slot machines by the time racing season begins in June 2003. We expect to open a new, permanent facility with approximately 1,500 slot machines by June 2004.

We paid approximately $81.6 million, including $29.3 million in short-term notes that were paid in full in January 2003 and $6.0 million in equity interest in Harrah's Shreveport, for the interest in Louisiana Downs and approximately $0.1 million of acquisition costs. We financed the acquisition with funds from various sources, including cash flows from operations and borrowings under established debt programs. Since this acquisition was completed late in 2002, the purchase price allocation, including the equity interest in Harrah's Shreveport that was contributed to the new company that now owns both Louisiana Downs and Harrah's Shreveport, is in its very early stages and is expected to be completed by fourth quarter 2003. The results of Louisiana Downs' operations were included in our Consolidated Financial Statements since the date of acquisition.

NOTE 3—ADOPTION OF STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 142

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

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

We also completed our annual assessment for impairment as of September 30, 2002, and determined that goodwill and intangible assets with indefinite lives have not been further impaired.

The following tables set forth information concerning our goodwill and other intangible assets as of December 31, 2002:

	Balance at December 31, 2001	Additions or Adjustments	Impairment Losses	Balance at December 31, 2002
Goodwill	$ 947,678	$ 63,682	$ (86,045)	**$ 925,315**
Nonamortizing intangible assets:				

Trademarks	$ 137,579	$ 10,000	$ (7,955)	**$ 139,624**
Gaming rights	44,200	18,100	—	**62,300**
Development rights	5,000	(5,000)	—	**—**
Total	$ 186,779	$ 23,100	$ (7,955)	**$ 201,924**

	Gross Carrying Amount	Accumulated Amortization	Balance at December 31, 2002
Amortizing intangible assets:			
Contract rights	$ 63,000	$ (3,853)	**$ 59,147**
Customer relationships	13,100	(2,944)	**10,156**
Total	$ 76,100	$ (6,797)	**$ 69,303**

The aggregate amortization expense for the years ended December 31, 2002 and 2001 for those assets that will continue to be amortized under provisions of SFAS No. 142 was $4.5 million and $2.3 million, respectively. Estimated annual amortization expense for those assets for the years ending December 31, 2003, 2004, 2005, 2006 and 2007 is $4.8 million, $4.8 million, $4.8 million, $4.5 million and $3.8 million, respectively.

With the adoption of SFAS No. 142, we ceased amortization of goodwill and other intangible assets that were determined to have an indefinite useful life. The information below depicts our results

for the two years ended December 31, 2001 and 2000 on a pro forma basis, as if SFAS No. 142 had been implemented at the beginning of that period.

	Year Ended December 31,	
	2001	2000
(In thousands, except per share amounts)		
Reported income/(loss) from continuing operations	$ 208,351	$ (11,344)
Add back: Goodwill amortization	19,581	18,460
Add back: Trademark amortization	3,080	3,080
Adjusted income from continuing operations	231,012	10,196
Discontinued operations, net of income tax expense of $344 and $0	639	—
Extraordinary items, net of income tax benefit of $13 and $388	(23)	(716)
Adjusted net income	$ 231,628	$ 9,480
Basic earnings per share:		
Reported income/(loss) from continuing operations	$ 1.83	$ (0.09)
Goodwill amortization	0.17	0.16
Trademark amortization	0.03	0.02
Adjusted income from continuing operations	2.03	0.09
Discontinued operations, net	0.01	—
Extraordinary items, net	—	(0.01)
Adjusted net income	$ 2.04	$ 0.08
Diluted earnings per share:		
Reported income/(loss) from continuing operations	$ 1.80	$ (0.09)
Goodwill amortization	0.17	0.16
Trademark amortization	0.02	0.02
Adjusted income from continuing operations	1.99	0.09
Discontinued operations, net	0.01	—
Extraordinary items, net	—	(0.01)
Adjusted net income	$ 2.00	$ 0.08

NOTE 4—STOCKHOLDERS' EQUITY

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

Preferred stock, $100 par value, 150,000 shares authorized
Special stock, $1.125 par value, 5,000,000 shares authorized—
Series A Special Stock, 2,000,000 shares designated

Harrah's Entertainment's Board of Directors has authorized that one special stock purchase right (a "Right") be attached to each outstanding share of common stock. The Rights are not separable from the shares. These Rights are exercisable only if a person or group acquires 15% or more of Harrah's Entertainment common stock or announces a tender offer for 15% or more of the common stock. Each Right entitles stockholders to buy one two-hundredth of a share of Series A Special Stock of the Company at an initial price of $130 per Right. If a person acquires 15% or more of the Company's outstanding common stock, each Right entitles its holder to purchase common stock of the

Company having a market value at that time of twice the Right's exercise price. Under certain conditions, each Right entitles its holder to purchase stock of an acquiring company at a discount. Rights held by the 15% holder will become void. The Rights will expire on October 5, 2006, unless earlier redeemed by the Board at one cent per Right.

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

Plan Authorized	Number of Shares Authorized	Number of Shares Purchased as of December 31, 2002	Average Price Per Share
April 2000	12.5 million	12.5 million	$ 25.08
July 2001	6.0 million	6.0 million	37.15
July 2002	2.0 million	1.4 million	39.24
November 2002	3.0 million	None	N/A

The July 2002 authorization expired December 31, 2002, and the November 2002 authorization expires December 31, 2003. The repurchases were funded through available operating cash flows and borrowings from our established debt programs.

Under the terms of our employee stock benefit programs, we have reserved shares of Harrah's Entertainment common stock for issuance under the 2001 Executive Stock Incentive and 2001 Broad-based Incentive Plans. (See Note 15 for a description of the plans.) The 2001 Executive Stock Incentive Plan is an equity compensation plan approved by our stockholders and the 2001 Broad-based Incentive Plan is an equity compensation plan not approved by our stockholders. The shares held in reserve for issuance or grant under the Harrah's Entertainment, Inc. 1990 Stock Option Plan and Harrah's Entertainment, Inc. 1990 Restricted Stock Plan (collectively, "Harrah's Former Plans") were transferred to the 2001 Executive Stock Incentive Plan in 2001. As of December 31, 2002, 4,431,877 shares were authorized and unissued under the 2001 Executive Stock Incentive Plan and 10,325 shares were authorized and unissued under the 2001 Broad-based Incentive Plan. No additional shares will be authorized under the 2001 Broad-based Incentive Plan. Of the 4,431,877 shares available for grant under the 2001 Executive Stock Incentive Plan, 62,548 shares were available for grants as an award other than an option.

NOTE 5—DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Deferred costs and other consisted of the following as of December 31:

	2002	2001
Cash surrender value of life insurance (Note 15)	**$ 65,109**	$ 62,143
Deferred finance charges, net of amortization of $5,573 and $4,769	**17,557**	22,452
Other	**154,282**	126,855
	$ 236,948	$ 211,450

Accrued expenses consisted of the following as of December 31:

	2002	2001
Payroll and other compensation	**$ 141,921**	$ 123,290
Insurance claims and reserves	**73,783**	67,516
Accrued interest payable	**44,665**	50,456
Accrued taxes	**42,607**	39,065
Other accruals	**150,398**	129,782
	$ 453,374	$ 410,109

NOTE 6—DEBT

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

	2002	2001
Bank Facility		
2.2%-3.3% at December 31, 2002, maturities to 2004	**$ 1,285,500**	$ 1,380,000
Secured Debt		
7.1%, maturity 2028	**94,900**	96,173
5.3%-6.6%, maturities to 2031	**785**	1,943
Unsecured Senior Notes		
7.125%, maturity 2007	**498,425**	498,070
7.5%, maturity 2009	**498,713**	498,499
8.0%, maturity 2011	**495,525**	494,971
Unsecured Senior Subordinated Notes		
7.875%, maturity 2005	**750,000**	750,000
Other Unsecured Borrowings		
1.9%-2.0%, maturity 2003	**139,700**	—
Capitalized Lease Obligations		
7.6%-10.0%, maturities to 2006	**984**	1,370
	3,764,532	3,721,026
Current portion of long-term debt	**(1,466)**	(1,583)
	$ 3,763,066	$ 3,719,443

As of December 31, 2002, aggregate annual principal maturities for the four years subsequent to 2003 were: 2004, $1.4 billion; 2005, $751.7 million; 2006, $1.7 million and 2007, $500.1 million.

Revolving Credit Facilities. As of December 31, 2002, the Company had revolving credit and letter of credit facilities (the "Bank Facility"), which provide us with borrowing capacity of $1.857 billion. The Bank Facility consists of a five-year $1.525 billion revolving credit and letter of credit facility maturing in 2004 and a separate $332 million revolving credit facility, which is renewable annually at the borrower's and lenders' options. As of December 31, 2002, the Bank Facility bore interest based upon 80 basis points over LIBOR for current borrowings under the five-year facility and 85 basis points over LIBOR for the 364-day facility. In addition, there is a facility fee for borrowed and unborrowed amounts, which is currently 20 basis points on the five-year facility and 15 basis points on the 364-day facility. The interest rate and facility fee are based on our current debt ratings and leverage ratio and may change as our debt ratings and leverage ratio change. There is an option on each facility to borrow at the prime rate. As of December 31, 2002, $1.286 billion in borrowings were outstanding under the Bank Facility, with an additional $80.9 million committed to back letters of credit. After consideration of these borrowings, $490.6 million of additional borrowing capacity was available to the Company as of December 31, 2002.

Commercial Paper. To provide the Company with cost-effective borrowing flexibility, we have a $200 million commercial paper program that is used to borrow funds for general corporate purposes. Although the debt instruments are short-term in tenor, they are classified as long-term because the commercial paper is backed by our Bank Facility and we have committed to keep available capacity under our Bank Facility in an amount equal to or greater than amounts borrowed under this program. At December 31, 2002, $139.7 million was outstanding under this program.

Issuance of New Debt. In addition to our Bank Facility, we have issued debt and entered into credit agreements to provide for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, to provide the Company with cost-effective borrowing flexibility and to replace short-term, floating-rate debt with long-term, fixed-rate debt. The table below summarizes the face value of debt obligations entered into in the last three years and outstanding at December 31, 2002.

Debt	Issued	Matures	Face Value Outstanding at December 31, 2002
(In millions)			
Uncommitted Line of Credit Agreements	2002	2003	$ 31.0
Commercial Paper	2002	2003	139.7
8.0% Senior Notes	January 2001	2011	500.0
7.125% Senior Notes	June 2001	2007	500.0

Extinguishments of Debt. We have used the funds from the new debt discussed above, as well as proceeds from our Bank Facility, to retire certain of our outstanding debt, in particular those debt obligations assumed in our acquisition transactions, to reduce our effective interest rate and/or lengthen maturities. The following table summarizes the debt obligations that we have retired over the last three years:

Issuer	Date Retired	Debt Extinguished	Face Value Retired
(In millions)			
JCC	December 2002	Senior Notes due 2008	$ 28.2
Harveys	September 2001	10.625% Senior Subordinated Notes due 2006	150.0
Showboat	August 2001	13% Senior Subordinated Notes due 2009	2.1
Harveys	July 2001	Credit facility due 2004	192.0

Players	June 2000	10.875% Senior Notes due 2005	150.0
Showboat	June 2000	9.25% First Mortgage Bonds due 2008	56.4

The premiums paid to the holders of the debts retired and the write-off of the related unamortized deferred finance charges are reported on the Consolidated Statements of Operations as Extraordinary losses (see Note 11). We recorded the liabilities assumed in acquisition transactions at their fair value at the date of consummation of the acquisition. The premium charged to Extraordinary losses as a result of the retirement of these assumed debts equaled the difference between the consideration paid to the holders of the notes and the carrying value we assigned to the notes at the time of purchase.

Short-term Debt. In a program designed for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, we have entered into an uncommitted line of credit agreement with a lender whereby we can borrow up to $31.0 million for periods of thirty days or less. At December 31, 2002, we had borrowed $31.0 million under this agreement. Borrowings bear interest at current market rates. Interest rates on amounts borrowed under these agreements during 2002 ranged from 2.4% to 3.1%. This agreement does not decrease our borrowing capacity under our Bank Facility.

At December 31, 2002, we had $29.3 million of short-term debt related to our acquisition of Louisiana Downs in December 2002. This debt was paid in full in January 2003.

In June 2000, we entered into a 364-day credit agreement (the "Credit Agreement") with a lender whereby we borrowed $150 million to redeem the Players Notes. Interest rates, facility fees and covenants in the Credit Agreement were identical to those provisions contained in our Bank Facility. The Credit Agreement was retired in January 2001, using funds from the 8.0% Senior Notes.

Parent Company Guarantee of Subsidiary Debt. Harrah's Operating Company, Inc. ("HOC"), the principal asset of Harrah's Entertainment, is the issuer of certain debt securities that have been guaranteed by Harrah's Entertainment. Due to the comparability of HOC's consolidated financial information with that of Harrah's Entertainment, complete separate financial statements and other disclosures regarding HOC have not been presented. Management has determined that such information is not material to holders of HOC's debt securities. Harrah's Entertainment has no independent assets or operations, its guarantee of HOC's debt securities is full and unconditional and its only other subsidiary is minor.

Fair Market Value. Based on the borrowing rates available as of December 31, 2002, for debt with similar terms and maturities and market quotes of our publicly traded debt, the fair value of our long-term debt at December 31 was as follows:

	2002		2001	
	Carrying Value	Market Value	Carrying Value	Market Value
(In millions)				
Outstanding debt	**$ (3,764.5)**	**$ (4,031.6)**	$ (3,721.0)	$ (3,826.1)

NOTE 7—LEASES

We lease both real estate and equipment used in our operations and classify those leases as either operating or capital leases following the provisions of SFAS No. 13, "Accounting for Leases." At December 31, 2002, the remaining lives of our operating leases ranged from one to twenty-two years, with various automatic extensions totaling up to fifty-two years.

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

	2002	2001	2000
Noncancelable			
Minimum	**$ 34,407**	$ 22,521	$ 21,872
Contingent	**7,032**	5,601	4,867
Sublease	**(288)**	(602)	(571)
Other	**42,125**	34,921	18,678
	$ 83,276	$ 62,441	$ 44,846

Our future minimum rental commitments as of December 31, 2002, were as follows:

	Noncancelable Operating Leases
2003	$ 40,516
2004	36,092
2005	34,532
2006	33,622
2007	32,776

Thereafter	482,240
Total minimum lease payments	$ 659,778

In addition to these minimum rental commitments, certain of these operating leases provide for contingent rentals based on a percentage of revenues in excess of specified amounts. In 2002, we terminated a June 2000 agreement in which we sold and leased-back corporate aircraft. Pursuant to its terms, the agreement was accounted for as an operating lease. The aircraft that was leased under that agreement is now included in our Furniture, fixtures and equipment.

NOTE 8—WRITE-DOWNS, RESERVES AND RECOVERIES

Our operating results include various pretax charges to record asset impairments, contingent liability reserves, project write-offs and recoveries at time of sale of previously recorded reserves for asset impairment. The components of Write-downs, reserves and recoveries were as follows:

	2002	2001	2000
Reserves for New Orleans casino	**$ —**	$ 2,322	$ 220,000
Write-off of abandoned assets and other costs	**6,917**	8,484	2,800
Charge for structural repairs at Reno	**5,000**	—	—
Impairment of long-lived assets	**1,501**	8,203	5,813
Termination of contracts	**168**	4,060	2,505
Recoveries from previously impaired assets and reserved amounts	**(2,091)**	(571)	(5,012)
Settlement of sales tax contingency	**(6,464)**	—	—
	$ 5,031	$ 22,498	$ 226,106

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

NOTE 9—HEADQUARTERS RELOCATION AND REORGANIZATION COSTS

During August 1999, we began the move of our corporate headquarters to Las Vegas, Nevada, from Memphis, Tennessee. The move was completed in 2000 and the costs of the relocation were expensed as incurred. Certain headquarters employees elected not to accept an offer to move, and the positions of other employees were eliminated as part of a staff reorganization conducted in advance of the move. The expenses for the severance payable to these employees were accrued when the employees became eligible for the severance payments.

NOTE 10—INCOME TAXES

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

	2002	2001	2000
Income from continuing operations before income taxes and minority interests	**$ 197,292**	$ 126,393	$ 15,415
Discontinued operations	**837**	344	—
Extraordinary losses	**—**	(13)	(388)
Cumulative effect of change in accounting principle	**(2,831)**	—	—
Stockholders' equity			
Unrealized gain/(loss) on available-for-sale securities	**(239)**	772	(505)
Other	**800**	(800)	—
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	**(23,970)**	(18,013)	(15,739)
	$ 171,889	$ 108,683	$ (1,217)

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

	2002	2001	2000
Current			
Federal	**$ 145,770**	$ 16,035	$ 128,643
State	**23,369**	7,882	4,897
Deferred	**28,153**	102,476	(118,125)
	$ 197,292	$ 126,393	$ 15,415

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

	2002	2001	2000
Statutory tax rate	**35.0%**	35.0%	35.0%
Increases/(decreases) in tax resulting from:			
State taxes, net of federal tax benefit	**2.6**	1.5	10.7
Goodwill amortization	**—**	1.8	33.8
Foreign taxes	**—**	—	29.6
Tax credits	**(0.3)**	(0.5)	(11.2)
Political contributions	**0.1**	0.1	2.0
Officers' life insurance	**0.2**	0.3	8.0
Meals and entertainment	**0.3**	0.3	5.9
Federal income tax settlement	**—**	(0.8)	(3.3)
Minority interests in partnership earnings	**(0.9)**	(1.3)	(27.0)
Other	**(0.2)**	—	2.9
Effective tax rate	**36.8%**	36.4%	86.4%

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

	2002	2001
Deferred tax assets		
Compensation programs	**$ 55,566**	$ 59,538
Bad debt reserve	**20,094**	21,759
Self-insurance reserves	**6,051**	8,111
Deferred income	**468**	111
Project opening costs	**20,819**	3,788
Net operating losses	**16,316**	16,580
Other	**29,074**	17,200
Valuation allowance	**(14,211)**	(14,088)
	134,177	112,999
Deferred tax liabilities		
Property	**(219,352)**	(247,929)
Management contract	**(20,947)**	—
Intangibles	**(75,109)**	(74,773)
Investments in nonconsolidated affiliates	**(20,771)**	(6,097)
	(336,179)	(328,799)
Net deferred tax liability	**$ (202,002)**	$ (215,800)

NOTE 11—EXTRAORDINARY ITEMS

The components of our net extraordinary losses were as follows:

	2002	2001	2000
Losses on early extinguishments of debt	**$ —**	$ (36)	$ (1,104)
Income tax benefit	**—**	13	388
Extraordinary losses, net of income taxes	**$ —**	$ (23)	$ (716)

The extraordinary losses on early extinguishments of debt are due to the premiums paid to the holders of the debt retired and the write-off of related unamortized deferred finance charges. (See Note 6 for information regarding the specific debt issues retired in each period.)

NOTE 12—SUPPLEMENTAL CASH FLOW INFORMATION

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

	2002	2001	2000
Long-term accounts			
Deferred costs and other	**$ (36,317)**	$ 68,439	$ (40,504)
Deferred credits and other	**33,060**	(83,275)	(4,268)
Net change in long-term accounts	**$ (3,257)**	$ (14,836)	$ (44,772)
Working capital accounts			
Receivables	**$ 14,478**	$ 12,884	$ (39,072)
Inventories	**892**	3,329	2,524
Prepayments and other	**81,168**	26,490	(10,710)
Accounts payable	**(3,376)**	(17,394)	11,887
Accrued expenses	**(148,931)**	53,275	193
Net change in working capital accounts	**$ (55,769)**	$ 78,584	$ (35,178)

Supplemental Disclosure of Cash Paid for Interest and Taxes

The following table reconciles our Interest expense, net of interest capitalized, as reported in the Consolidated Statements of Operations, to cash paid for interest:

	2002	2001	2000
Interest expense, net of interest capitalized	**$ 240,220**	$ 255,801	$ 227,139
Adjustments to reconcile to cash paid for interest			
Net change in accruals	**(6,851)**	(33,869)	(17,988)
Amortization of deferred finance charges	**(5,573)**	(4,769)	(4,185)
Net amortization of discounts and premiums	**(1,596)**	(913)	70
Cash paid for interest, net of amount capitalized	**$ 226,200**	$ 216,250	$ 205,036
Cash payments for income taxes, net of refunds	**$ 145,873**	$ (27,974)	$ 90,220

NOTE 13—COMMITMENTS AND CONTINGENCIES

Contractual Commitments. We continue to pursue additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Harrah's Entertainment of third-party debt and development completion guarantees.

We may guarantee all or part of the debt incurred by Indian tribes, with which we have entered into a management contract, to fund development of casinos on the Indian lands. For all existing guarantees of Indian debt, we have obtained a first lien on certain personal property (tangible and intangible) of the casino enterprise. There can be no assurance, however, that the value of such property would satisfy our obligations in the event these guarantees were enforced. Additionally, we have received limited waivers from the Indian tribes of their sovereign immunity to allow us to pursue our rights under the contracts between the parties and to enforce collection efforts as to any assets in which a security interest is taken. The aggregate outstanding balance as of December 31, 2002, of Indian debt that we have guaranteed was $227.8 million. The outstanding balance of all of our debt guarantees at December 31, 2002 is $239.0 million.

Our maximum obligation under all of our debt guarantees is $265.0 million. Our obligations under these debt guarantees extend through January 2008.

Excluding debt guarantees and guarantees related to New Orleans (see Note 16), as of December 31, 2002, we had commitments and contingencies of $313.9 million, including construction-related commitments.

The agreements under which we manage casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled payments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations of the Indian-owned properties to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of December 31, 2002, the aggregate monthly commitment for the minimum guaranteed payments pursuant to these contracts, which extend for periods of up to sixty-one months from December 31, 2002, is $1.2 million. The maximum exposure for the minimum guaranteed payments to the tribes is unlikely to exceed $34.3 million as of December 31, 2002.

Severance Agreements. As of December 31, 2002, the Company has severance agreements with thirty-five of its senior executives, which provide for payments to the executives in the event of their termination after a change in control, as defined. These agreements provide, among other things, for a compensation payment of 1.5 to 3.0 times the executive's average annual compensation, as defined, as well as for accelerated payment or accelerated vesting of

any compensation or awards payable to the executive under any of Harrah's Entertainment's incentive plans. The estimated amount, computed as of December 31, 2002, that would be payable under the agreements to these executives based on the compensation payments and stock awards aggregated approximately $107.7 million. The estimated amount that would be payable to these executives does not include an estimate for the tax gross-up payment, provided for in the agreements, that would be payable to the executive if the executive becomes entitled to severance payments which are subject to a federal excise tax imposed on the executive.

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

NOTE 14—LITIGATION

We are 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 on our consolidated financial position or our results of operations.

NOTE 15—EMPLOYEE BENEFIT PLANS

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

Stock Option Plans. Our employees may be granted options to purchase shares of common stock under the Harrah's Entertainment 2001 Executive Stock Incentive Plan or the 2001 Broad-based Incentive Plan (collectively, "SOP"). Beginning with the adoption of the SOP, grants will typically vest in equal installments over a three-year period. Previously, pursuant to Harrah's Former Plans, grants typically vested in equal installments over a four-year period and collectively grants allow the option

holder to purchase stock over specified periods of time, generally seven to ten years from the date of grant, at a fixed price equal to the market value at the date of grant. No options may be granted under the SOP after May 2011.

A summary of activity of the 2001 Executive Stock Incentive Plan and Harrah's Former Plans, which are equity compensation plans approved by our stockholders, for 2000, 2001 and 2002 is as follows:

		Number of Common Shares	
	Weighted Avg. Exercise Price (Per Share)	Options Outstanding	Available For Grant
Balance—December 31, 1999	$ 18.14	13,705,299	1,681,285
Additional shares authorized	N/A	—	1,800,000
Granted	28.10	3,109,602	(3,109,602)
Exercised	15.27	(2,968,539)	—
Canceled	20.04	(1,070,064)	1,070,064
Rio plans cancellations	18.35	(20,500)	—
Balance—December 31, 2000	21.08	12,755,798	1,441,747
Additional shares authorized	N/A	—	3,900,000
Restricted shares transferred from Harrah's Former Plans	N/A	—	766,509
Restricted shares issued	N/A	—	(40,521)
Restricted shares canceled	N/A	—	328,685
Granted	26.39	774,075	(774,075)
Exercised	17.07	(3,240,426)	—
Canceled	23.29	(1,596,869)	1,596,869
Rio plans cancellations	17.16	(8,800)	—
Balance—December 31, 2001	22.65	8,683,778	7,219,214
Additional shares authorized	**N/A**	**—**	**—**
Restricted shares issued	**N/A**	**—**	**(221,931)**
Restricted shares canceled	**N/A**	**—**	**78,091**
Granted	**46.80**	**2,910,560**	**(2,910,560)**
Exercised	**19.40**	**(2,510,678)**	**—**
Canceled	**30.96**	**(267,063)**	**267,063**
Rio plans cancellations	**18.88**	**(2,000)**	**—**
Balance—December 31, 2002	**$ 31.30**	**8,814,597**	**4,431,877**

Of the 4,431,877 shares available for grant at December 31, 2002, up to 62,548 of these shares are available for grant as awards other than as stock options.

The following table summarizes additional information regarding the options outstanding at December 31, 2002:

	2002	2001	2000
Options exercisable at December 31	**2,344,106**	2,955,787	3,925,509
Weighted average fair value per share of options granted per year	**$ 17.34**	$ 12.33	$ 14.30

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 12.00 - $35.55	5,976,316	6.7 years	$ 23.94	2,343,606	$ 21.29
40.33 - 43.32	11,910	7.7 years	41.93	500	40.33
46.14 - 49.32	2,826,371	6.5 years	46.81	—	—
	8,814,597			2,344,106	

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

		Number of Common Shares	
	Weighted Avg. Exercise Price (Per Share)	Options Outstanding	Available For Grant
Balance—December 31, 2001	N/A	—	200,000
Additional shares authorized	**N/A**	**—**	**—**
Granted	**47.03**	**196,775**	**(196,775)**
Exercised	**N/A**	**—**	**—**
Cancelled	**47.03**	**(7,100)**	**7,100**
Balance—December 31, 2002	**$ 47.03**	**189,675**	**10,325**

As allowed under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," we apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations to account for the SOP and, accordingly, do not recognize compensation expense. Furthermore, no stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation expense for the SOP been determined in accordance with SFAS No. 123, total stock-based employee compensation expense, net of related tax effects, would have been $20.2 million, $8.0 million and $15.8 million, for the years ended 2002, 2001 and 2000, respectively, and our pro forma Net income/(loss) and Earnings/(loss) per share for the indicated periods would have been:

	2002		2001		2000	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income/(loss)	**$ 235,029**	**$ 214,828**	$ 208,967	$ 200,978	$ (12,060)	$ (27,834)
Earnings/(loss) per share						
Basic	**2.11**	**1.93**	1.84	1.77	(0.10)	(0.24)
Diluted	**2.07**	**1.89**	1.81	1.74	(0.10)	(0.24)

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

	2002	2001	2000
Expected dividend yield	**0.0%**	0.0%	0.0%
Expected stock price volatility	**32.0%**	42.0%	42.0%
Risk-free interest rate	**3.7%**	4.3%	5.8%
Expected average life of options (years)	**6**	6	6

Restricted Stock. Employees may be granted shares of common stock under the SOP. Restricted shares granted under the SOP are restricted as to transfer and subject to forfeiture during a specified period or periods prior to vesting. The shares generally vest in equal installments over a period of three years. No awards of restricted shares may be made under the current plan after May 2011. The compensation arising from a restricted stock grant is based upon the market price at the grant date. Such expense is deferred and amortized to expense over the vesting period.

The Company has issued Time Accelerated Restricted Stock Award Plan ("TARSAP") awards to certain key executives. The initial TARSAP program was completed in January 2002. During 2000, 2001

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

The number and weighted average grant-date fair value of restricted shares granted, and the amortization expense recognized, during 2002, 2001 and 2000, including the TARSAP awards, were as follows:

	2002	2001	2000
Number of shares granted	**221,931**	72,876	1,306,398
Weighted average grant price per share	**$ 43.77**	$ 31.00	$ 25.17
Amortization expense (in millions)	**$ 7.8**	$ 8.2	$ 12.3
Unvested shares as of December 31	**1,458,617**	1,783,535	2,298,803

Savings and Retirement Plan. We maintain a defined contribution savings and retirement plan, which, among other things, allows pretax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 20% of their eligible earnings, the first 6% of which is fully matched. Amounts contributed to the plan are invested, at the participant's direction, in up to fourteen separate funds, including a Harrah's company stock fund. Participants become vested in the matching contribution over five years of credited service. Our contribution expense for this plan was $29.2 million, $26.6 million and $25.3 million in 2002, 2001 and 2000, respectively.

Deferred Compensation Plans. Harrah's maintains deferred compensation plans (collectively, "DCP") and an Executive Supplemental Savings Plan ("ESSP") under which certain employees may defer a portion of their compensation. Amounts deposited into these plans are unsecured liabilities of the Company. Amounts deposited into DCP earn interest at rates approved by the Human Resources Committee of the Board of Directors. The ESSP is a variable investment plan which allows the employee to direct their investments by choosing from several investment alternatives. The total liability included in Deferred credits and other for these plans at December 31, 2002 and 2001 was $86.4 million and $82.1 million, respectively. In connection with the administration of one of these plans, we have purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

Multi-employer Pension Plans. Approximately 4,300 of our employees are covered by union sponsored, collectively bargained multi-employer pension plans. We contributed and charged to expense $4.7 million, $4.5 million and $4.0 million in 2002, 2001 and 2000, respectively, for such plans. The plans' administrators do not provide sufficient information to enable us to determine our share, if any, of unfunded vested benefits.

NOTE 16—NONCONSOLIDATED AFFILIATES

JCC. On June 7, 2002, we acquired additional shares of the common stock of JCC, which increased our ownership in JCC to 63% and required a change of our accounting treatment for our investment in JCC from the equity method to consolidation of JCC in our financial statements. We began consolidating JCC in our financial results on June 7, 2002. On December 10, 2002, we acquired all remaining shares of JCC's stock to increase our ownership to 100%. Prior to June 7, 2002, the Company had a minority ownership interest (and noncontrolling board representation) in JCC, and a subsidiary of the Company managed the casino.

The Company has guaranteed an annual payment obligation of JCC owed to the State of Louisiana of $60 million for the twelve-month period ending March 31, 2003, and for each of the subsequent two twelve-month periods. We expect to extend this guarantee for an additional year to end March 31, 2006.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 we recorded reserves of $220 million for receivables not expected to be recovered in JCC's reorganization plan. In first quarter 2001, an additional $2.3 million was recorded to reserve for additional advances made to JCC during first quarter 2001 and to adjust the reserves for modifications to the approved reorganization plan. We did not record our share of JCC's operating results in first quarter 2001; however, with the implementation of JCC's reorganization plan, we resumed recording our share of JCC's results in second quarter 2001 and continued until we began consolidating JCC's results in June 2002.

National Airlines, Inc. Until June 2001, we had an approximate 48% ownership interest in National Airlines, Inc. ("NAI"), which filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code in December 2000. In June 2001, we abandoned all rights to our shares of NAI stock and stock purchase warrants. In fourth quarter 2000, we recorded write-offs and reserves totaling $39.4 million for our investment in and loans to NAI and our estimated net exposure under letters of credit on behalf of NAI.

NAI ceased operations in November 2002, after unsuccessfully attempting to restructure in bankruptcy court. We had provided a letter of credit on behalf of NAI, which we were required to fund in January 2003. We had an agreement with another investor of NAI whereby that investor was obligated to reimburse us for approximately 56% of amounts that we funded under the letter of credit and that we had previously funded under another letter of credit. During second quarter 2001, a subsidiary of the Company filed a lawsuit against the other investor for breach of contract due to the investor's failure to reimburse the Company for his share of the $8.6 million we have paid against the first letter of credit. A judgment was entered in our favor but was appealed by the investor. In fourth quarter 2002, we reached a settlement with the investor that also included the extinguishment of the investor's potential liability on the letter of credit that was funded in January 2003, as well as the judgment. We will receive a total of $3.4 million from the investor, $2.4 million of which was received in October 2002. The remaining amount will be received in two non-interest-bearing installments of $500,000 each over the next twelve months. As a result of our settlement with the investor and our funding of the letter of credit following NAI's cessation of operations, we recorded a charge of $6.1 million in fourth quarter 2002.

Combined Financial Information. The following summarized balance sheet and statement of operations information has been compiled from financial reports for the periods and dates indicated submitted to us by our nonconsolidated affiliates which we accounted for using the equity method:

	2000(a)

	2002	2001(a)	JCC	National Airlines	Other	Total 2000
Combined Summarized Balance Sheet Information						
Current assets	**$ 1,865**	$ 50,273	$ 42,092	$ 48,007	$ 3,077	$ 93,176
Land, buildings and equipment, net	**33,002**	167,617	333,931	35,597	34,549	404,077
Other assets	**2,005**	50,022	101,334	19,860	8,520	129,714
Total assets	**36,872**	267,912	477,357	103,464	46,146	626,967
Current liabilities 6,769	**34,224**	110,117	105,695	6,543	222,355	
Long-term debt	**17,514**	122,896	396,412	11,609	18,000	426,021
Other liabilities	**—**	3,607	61,647	2,203	813	64,663
Total liabilities	**24,283**	160,727	568,176	119,507	25,356	713,039
Net assets	**$ 12,589**	$ 107,185	$ (90,819)	$ (16,043)	$ 20,790	$ (86,072)
Combined Summarized Statements of Operations						
Revenues	**$ 135,648**	$ 270,229	$ 261,105	$ 231,319	$ 22,405	$ 514,829
Operating income (loss)	**23,517**	(15,403)	(90,335)	(18,472)	(3,222)	(112,029)
Extraordinary items	**—**	213,448	—	—	—	—
Net income (loss)	**9,390**	90,640	(136,589)	(22,107)	(1,943)	(160,639)

(a) 2001 and 2000 are comprised primarily of JCC. Due to the charges we recorded in fourth quarter 2000, we did not record our share of JCC's operating results in first quarter 2001, which included an extraordinary gain arising from the consummation of that entity's bankruptcy reorganization plan.

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

	2002	2001
Investments in and advances to nonconsolidated affiliates		
Accounted for under the equity method	**$ 4,331**	$ 78,222
Accounted for at historical cost	**177**	177
Available-for-sale and recorded at market value	**386**	1,065
	$ 4,894	$ 79,464

In accordance with the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," we adjust the carrying value of our available-for-sale equity investments to include unrealized gains or losses. A corresponding adjustment is recorded in the combination of our stockholders' equity and deferred income tax accounts.

Quarterly Results of Operations

(Unaudited)

(In thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2002(1)					
Revenues	**$ 974,691**	**$ 1,021,394**	**$ 1,124,363**	**$ 1,015,945**	**$ 4,136,393**
Income from operations	**198,068**	**202,329**	**228,094**	**151,550**	**780,041**
Net income/(loss)	**(6,008)**	**86,116**	**101,042**	**53,879**	**235,029**
Earnings/(loss) per share(3)					
Basic	**(0.05)**	**0.76**	**0.91**	**0.49**	**2.11**
Diluted	**(0.05)**	**0.75**	**0.89**	**0.48**	**2.07**
2001(2)					
Revenues	$ 867,176	$ 873,445	$ 999,492	$ 949,676	$ 3,689,789
Income from operations	144,526	141,732	159,767	133,957	579,982
Net income	44,080	47,863	61,923	55,101	208,967
Earnings per share(3)					
Basic	0.38	0.41	0.55	0.50	1.84
Diluted	0.38	0.40	0.54	0.49	1.81

(1) 2002 First Quarter includes a charge of $91.2 million, net of tax benefit of $2.8 million related to a change in accounting principle; Second Quarter includes the financial results of Jazz Casino Company LLC from the date of acquisition of a majority ownership interest on June 7, 2002; and Fourth Quarter includes $5.0 million in pretax charges for write-downs, reserves and recoveries and a $6.1 million charge for our exposure under a letter of credit issued on behalf of National Airlines, Inc. The first three quarters of 2002 results have been reclassified to reflect Harveys Colorado as discontinued operations.

(2) 2001 includes $22.5 million in pretax charges for write-downs, reserves and recoveries and $26.2 million of income from dispositions of nonstrategic assets and the settlement of a contingency related to a former affiliate. 2001 also includes the financial results for Harveys Casino Resorts for periods after its July 31, 2001, date of acquisition. 2001 results have been reclassified to reflect Harveys Colorado as discontinued operations.

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

QuickLinks

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Exhibit 21

HARRAH'S ENTERTAINMENT, INC. SUBSIDIARIES

Name	Jurisdiction of Incorporation	Percentage of Ownership	Date of Inc.	FEIN Number
Aster Insurance Ltd.	Bermuda	100%	02/06/90	62-1428220
Harrah's Operating Company, Inc.	Delaware	100%	08/08/83	75-1941623
Dusty Corporation	Nevada	100%	07/02/98	88-0398744
Harrah South Shore Corporation	California	100%	10/02/59	88-0074793
Harrah's—Holiday Inns of New Jersey, Inc.	New Jersey	100%	09/19/79	62-1071040
Harrah's Alabama Corporation	Nevada	100%	09/09/93	88-0308027
Harrah's Arizona Corporation	Nevada	100%	01/26/93	62-1523519
Harrah's Atlantic City, Inc.	New Jersey	100%	02/13/79	93-0737757
Harrah's Aviation, Inc.	Tennessee	100%	03/11/63	62-0694622
Harrah's Bossier City Management Company, LLC	Nevada	100%	08/29/02	71-0902685
HCAL Corporation	Nevada	100%	02/02/94	88-0313169
Harrah's Crescent City Investment Company	Nevada	100%	03/28/97	86-0863877
Harrah's Illinois Corporation	Nevada	100%	12/18/91	88-0284653
Harrah's Indiana Casino Corporation	Nevada	100%	09/09/93	88-0308079
Harrah's Indiana Management Corporation	Nevada	100%	09/09/93	88-0308082
Harrah's Interactive Investment Company	Nevada	100%	09/21/94	88-0326036
Harrah's Kansas Casino Corporation	Nevada	100%	11/12/93	88-0313173
HPB Corporation	Kansas	100%	11/13/97	74-2859636
Harrah's Las Vegas, Inc.	Nevada	100%	03/21/68	88-0116377
Harrah's Laughlin, Inc.	Nevada	100%	07/10/87	88-0230282
Harrah's Management Company	Nevada	100%	04/07/83	88-0187173
Harrah's Marketing Services Corporation	Nevada	100%	08/21/97	86-0889202
Harrah's Maryland Heights LLC(1)	Delaware	54.45%	10/16/95	43-1725857
Riverbank Development Corporation	Nevada	100%	08/05/96	88-0365487
Harrah's Maryland Heights Operating Company	Nevada	100%	06/20/95	88-0343024
Harrah's Michigan Corporation	Nevada	100%	06/15/93	88-0307990
Harrah's NC Casino Company, LLC(2)	North Carolina	99%	04/21/95	56-1936298
Harrah's New Jersey, Inc.	New Jersey	100%	09/13/78	22-2219370
Harrah's New Orleans Management Company	Nevada	100%	05/21/93	62-1534758
Harrah's North Kansas City LLC(3)	Missouri	100%	12/15/99	62-1802713
Harrah's Nova Scotia Unlimited Liability Company	Nova Scotia	100%	12/17/02	BN865188759
Harrah's of Jamaica, Ltd.	Jamaica	100%	07/12/85	N/A
Harrah's Operating Company Memphis, Inc.	Delaware	100%	12/15/99	62-1802711
Harrah's Pittsburgh Management Company	Nevada	100%	06/08/94	88-0320269
Harrah's Reno Holding Company, Inc.	Nevada	100%	02/23/88	62-1440237
Harrah's Shreveport/Bossier City Holding Company, LLC	Delaware	100%	08/29/02	71-0902683
Harrah's Shreveport Management Company, LLC	Nevada	100%	12/18/00	62-1839697
Harrah's Shreveport Investment Company, LLC	Nevada	100%	12/18/00	88-0292677
Harrah's Shreveport/Bossier City Investment Company, LLC(4)	Delaware	84.3%	08/30/02	71-0902682
Harrah's Bossier City Investment Company, LCC	Louisiana	100%	01/28/03	71-0902684

Harrah's Skagit Valley Agency Corporation	Nevada	100%	11/08/95	88-0348745
Harrah's Southwest Michigan Casino Corporation	Nevada	100%	04/06/95	88-0337476
Harrah's Travel, Inc.	Nevada	100%	07/30/98	88-0400542
Harrah's Tunica Corporation	Nevada	100%	08/10/92	88-0292680
Harrah's Vicksburg Corporation	Nevada	100%	07/13/92	88-0292320
Harrah's Washington Corporation	Nevada	100%	02/03/94	88-0313171
Harrah's Wheeling Corporation	Nevada	100%	04/29/94	88-0317848
JCC Holding Company	Delaware	100%	08/20/98	62-1650470
Jazz Casino Company, LLC	Louisiana	100%	12/09/97	72-1429291
JCC Development Company, LLC	Louisiana	100%	09/21/98	62-1735842
JCC Canal Development, LLC	Louisiana	100%	09/21/98	[ ]
JCC Fulton Development, LLC	Louisiana	100%	09/21/98	[ ]
Rio Hotel & Casino, Inc.	Nevada	100%	06/14/88	95-3671082
Rio Resort Properties, Inc.	Nevada	100%	09/04/87	88-0229914

Rio Properties, Inc.	Nevada	100%	02/24/92	88-0288115
Cinderlane, Inc.	Nevada	100%	12/29/94	88-3331880
Twain Avenue, Inc.	Nevada	100%	08/08/97	88-0438885
HLG, Inc.	Nevada	100%	10/28/96	88-0371040
HLG Singapore PTE Ltd	Singapore	100%	01/31/98	N/A
Rio Leasing, Inc.	Nevada	100%	09/10/96	88-0369074
Rio Development Company, Inc.	Nevada	100%	08/28/96	88-0220505
Rio Vegas Hotel Casino, Inc.	Nevada	100%	09/28/88	N/A
Showboat, Inc.	Nevada	100%	02/16/60	88-0090766
Ocean Showboat, Inc.	New Jersey	100%	09/12/83	22-2500790
Atlantic City Showboat, Inc.	New Jersey	100%	01/10/84	22-2500794
Showboat Development Company	Nevada	100%	06/09/83	88-0227522
Showboat Indiana, Inc.	Nevada	100%	09/13/93	88-0308090
Showboat Louisiana, Inc.	Nevada	100%	05/18/93	88-0302250
Showboat New Hampshire, Inc.	Nevada	100%	07/26/94	None
Showboat Rockingham Company, LLC(5)	New Hampshire	50%	09/09/97	[ ]
Showboat Land Company	Nevada	100%	11/12/97	88-0378914
Showboat Operating Company	Nevada	100%	04/10/73	88-0121120
Showboat Land LLC(6)	Nevada	1%	11/04/97	88-0382943
Showboat Nova Scotia Unlimited Liability Company	Nova Scotia	100%	12/13/02	BN865301022
Trigger Real Estate Corporation	Nevada	100%	07/02/98	88-0398745
Waterfront Entertainment and Development, Inc.(7)	Indiana	99%	07/19/93	35-1897368
Players International, LLC	Nevada	100%	12/04/02	95-4175832
Players Development, Inc.	Nevada	100%	06/17/96	22-3452913
Players Holding, LLC	Nevada	100%	12/04/02	88-0346670
PCI, Inc.	Nevada	100%	08/03/84	95-3949053
Players Bluegrass Downs, Inc.	Kentucky	100%	07/29/93	61-1250331
Players LC, LLC	Nevada	100%	12/04/02	22-3414663
Harrah's Lake Charles, LLC	Louisiana	100%	01/19/96	72-1233908
Players Maryland Heights, Inc.	Missouri	100%	10/06/93	43-1662850
Players Maryland Heights Nevada, Inc.	Nevada	100%	08/21/95	88-0345262
Players Riverboat, LLC	Nevada	100%	12/03/02	88-0332372
Players Riverboat Management, LLC	Nevada	100%	12/04/02	88-0332373

Players Riverboat II, LLC(8)	Louisiana	1%	12/10/02	72-1297055
Harrah's Star Partnership(9)	Louisiana	99%	08/19/93	72-1246016
Southern Illinois Riverboat/Casino Cruises, Inc.	Illinois	100%	12/09/90	37-1272361
Players Resources, Inc.	Nevada	100%	10/09/95	22-3409555
Players Services, Inc.	New Jersey	100%	10/05/95	22-3400988
Harveys Casino Resorts	Nevada	100%	06/30/55	88-0066882
Harveys BR Management Company, Inc.	Nevada	100%	07/29/99	91-2000710
Harveys C.C. Management Company, Inc.	Nevada	100%	10/06/93	88-0307948
Harveys Iowa Management Company, Inc.	Nevada	100%	06/13/94	88-0321071
Harveys L.V. Management Company, Inc.	Nevada	100%	10/06/93	88-0308319
Harveys P.C., Inc.	Nevada	100%	10/10/96	88-0370318
Harveys Tahoe Management Company, Inc.	Nevada	100%	09/30/96	88-0370589
HBR Realty Company, Inc.	Nevada	100%	07/19/99	91-2000709
HCR Services Company, Inc.	Nevada	100%	10/11/96	88-0370327
Reno Projects, Inc.	Nevada	100%	04/13/93	88-0300954
WestAd	Nevada	100%	05/17/89	88-0288863
Subsidiaries of Partnerships				
Reno Crossroads LLC(10)	Delaware		04/06/99	22-3741494
Showboat Marina Finance Corporation(11)	Nevada		03/07/96	88-0356197

Note:

Harrah's Operating Company, Inc. was formerly Embassy Suites, Inc.—name changed on 6/30/95.

Harrah's merged into Harrah's Operating Company, Inc. on 8/31/95.

Harrah's Club merged into Harrah's Operating Company, Inc. on 8/31/95.

Showboat, Inc. merged into HEI Acquisition Corp. on 6/1/98 and was the surviving entity.

(1) 54.45% Harrah's Operating Company, Inc., .55% Harrah's Maryland Heights Operating Company, 4.5% Players Maryland Heights, Inc., 40.50% Players Maryland Heights Nevada, Inc.

(2) 99% Harrah's Operating Company, Inc., 1% Harrah's Management Company

(3) Successor by merger with Harrah's North Kansas City Corporation, 100% Harrah's Operating Company, Inc.

(4) 84.3% Harrah's Shreveport Investment Company, LLC, 9.8%Harrah's Shreveport/Bossier City Holding Company, LLC, 0.9% Harrah's Shreveport Management Company, LLC—Remaining 5% owned as follows: 4% Downs Entertainment, Group 2, LLC, 1% Downs Entertainment, Group 1, LLC

(5) 50% Showboat New Hampshire, Inc., 50% Rockingham Venture, Inc.

(6) 1% Showboat Operating Company, 99% Showboat Land Holding Limited Partnership

(7) 99% Harrah's Operating Company, Inc., .5% John Flores, .5% George Pabey

(8) 1% Players Riverboat Management, LLC, 99% Players Riverboat, LLC

(9) 99% Players Riverboat II, LLC, 1% Players Riverboat Management, LLC

(10) 100% owned by Marina Associates.

(11) 100% owned by Showboat Marina Casino Partnership

HARRAH'S ENTERTAINMENT, INC. PARTNERSHIPS

Date Formed	Name and Address	Location Of Property	Subsidiary Serving As Partner	Ownership %	Control %	Other Partner
09/14/78	Marina Associates Joint Venture (a NJ general partnership 777 Harrah's Blvd. Atlantic City, NJ 08401	Atlantic City, New Jersey FEIN: 62-1051302	Harrah's Atlantic City, Inc. Harrah's New Jersey, Inc.	48.65% 51.34%	48.65% 51.34%	N/A N/A
02/28/92	Des Plaines Development Limited Partnership 150 N. Scott Street Joliet, IL 60431	North Joliet, IL (Riverboats) FEIN: 62-1522919	Harrah's Illinois Corporation	80%	83%	Des Plaines Development Corporation (20%)
11/10/92	Red River Entertainment of Shreveport Partnership in Commendam 401 Market Street Suite 800 Shreveport, LA 71101	Shreveport, LA (Riverboat) FEIN: 72-1228415	Harrah's Shreveport/Bossier City Investment Company, LLC Harrah's Bossier City Investment Company, LLC	99% 1%	99% 1%	
03/28/95	Tunica Partners L.P. (a MS limited partnership)	Harrah's Casino Tunica, MS FEIN: 64-0858677	Harrah's Tunica Corporation (General Partner)	83%	83%	Harrah's Vicksburg Corporation 17% (Limited Partner)
06/03/95	Tunica Partners II L.P.	Harrah's Casino Tunica, MS (formerly the Southern Belle Casino) FEIN: 64-0861631	Harrah's Tunica Corporation (General Partner)	83%	83%	Harrah's Vicksburg Corporation 17% (Limited Partner)
06/21/96	Tunica Golf Course LLC 1023 Cherry Road Memphis, TN 38117	Tunica, MS FEIN: 52-1984039	Harrah's Tunica Corporation	33.33%	33.33%	HWCC-Golf Course Partners, Inc. 33.33% Boyd Tunica, Inc. 33.33%
12/21/98	Turfway Park, LLC	Florence, KY FEIN:	Dusty Corporation	33.33%	33.33%	Dreamport, Inc. 33.33% Keeneland Association, Inc. 33.33%
04/06/99	Reno Crossroads LLC 777 Harrah's Boulevard Atlantic City, NJ 08401	Reno, NV FEIN: 22-3741494	Marina Associates	100%	100%	
01/28/94	Showboat Indiana Investment Limited Partnership	East Chicago, IN	Showboat Indiana, Inc. (General Partner)	1%	1%	Showboat Operating Company (99%) (Limited Partner)
03/01/96	Showboat Marina Casino Partnership dba Harrah's East Chicago	East Chicago, IL FEIN: 35-1978576	Showboat Marina Partnership (General Partner) Showboat Marina Investment Partnership (General Partner)	99% 1%	99% 1%	
08/02/95	Showboat Marina Investment Partnership	East Chicago, IL FEIN: 35-1978578	Showboat Indiana Investment Limited Partnership (General Partner)	55%	55%	Waterfront Entertainment & Development Inc. (45%) (General Partner)
07/19/93	Showboat Marina Partnership	East Chicago, IL FEIN: 35-1901969	Showboat Indiana Investment Limited Partnership (General Partner)	55%	55%	Waterfront Entertainment & Development Inc. (45%) (General Partner)
04/22/94	Showboat Leighton Partnership (nominee Corporation: Sydney Casino Management PTY Ltd.)	Sydney, Australia Casino	Showboat Australia PTY Limited	85%	85%	National Trustee (on behalf of Leighton) (15%)
11/14/97	Showboat Land Holding Limited Partnership	FEIN: 88-0378916	Showboat Land Company (General Partner)	1%	1%	Showboat Operating Company (99%) (Limited Partner)
06/14/93	Metropolis, IL 1292 LP		Southern Illinois Riverboat/Casino Cruises, Inc. (Special Limited Partner)	12.5%		API/Metropolis IL, Inc. (General Partner) Misc. Widows & Orphans (Limited Partner)

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Exhibit 99

Gaming—Nevada

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

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

Harrah's Entertainment is registered by the Nevada Commission as a publicly traded corporation (a "Registered Corporation") and has been found suitable to own the stock of HOC, which is also a Registered Corporation by virtue of its outstanding debt securities. HOC has been found suitable to own the stock of (i) Rio Hotel & Casino, Inc. ("Rio"), (ii) Harrah's Las Vegas, Inc. ("HLVI") (iii) Harrah's Laughlin, Inc. ("HLI"), and (iv) Harveys Casino Resorts ("Harveys"). Harveys has been registered as an intermediary company and has been found suitable to own the stock of Harveys Tahoe Management Company, Inc. ("HTM"). Rio has been registered as an intermediary company and found suitable to own the stock of Rio Properties, Inc. ("RPI"). HOC, Rio, HLVI, HLI, Harveys, HTM, and RPI (collectively, the "Gaming Subsidiaries") are required to be registered or licensed by the Nevada Gaming Authorities to enable the Company to conduct gaming operations at Harrah's Lake Tahoe, Bill's Lake Tahoe Casino, Harrah's Reno, Harrah's Las Vegas, Harrah's Laughlin, Rio Suite Hotel & Casino, and Harveys Resort Hotel and Casino. The gaming licenses held by the Gaming Subsidiaries require the periodic payment of fees and taxes and are not transferable. HOC is also licensed as a manufacturer and distributor of gaming devices. HLI and RLI are licensed as distributors of gaming devices. Such manufacturer's and distributor's licenses also require the annual payment of fees and are not transferable.

As Registered Corporations, Harrah's Entertainment and HOC are required periodically to submit detailed financial and operating reports and furnish any other information which the Nevada Commission may require. No person may become a stockholder of, or receive any percentage of profits from, the Gaming Subsidiaries without first obtaining licenses and approvals from the Nevada Gaming Authorities and Harrah's Entertainment may not sell or transfer beneficial ownership of any of HOC's equity securities without the prior approval of the Nevada Commission. Harrah's Entertainment and the Gaming Subsidiaries have obtained from the Nevada Gaming Authorities the various registrations, findings of suitability, approvals, permits and licenses required in order to engage in gaming, manufacturing and distribution activities in Nevada.

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

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

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

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

Any beneficial holder of Harrah's Entertainment voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have his suitability as a beneficial holder of Harrah's Entertainment voting securities determined if the Nevada Commission has reason to

believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires beneficial ownership of more than 5% of Harrah's Entertainment voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of Harrah's Entertainment voting securities apply to the Nevada Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an "institutional investor" (as defined in the Nevada Act), that acquires more than 10%,

but not more than 15%, of Harrah's Entertainment voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the board of directors of Harrah's Entertainment, any change in the Company's corporate charter, bylaws, management, policies or operations of Harrah's Entertainment, or any of its gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding Harrah's Entertainment voting securities for investment purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes only include: (i) voting on all matters voted on by stockholders; (ii) making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and (iii) such other activities as the Nevada Commission may determine to be consistent with such investment intent. If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

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

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

Harrah's Entertainment is required to maintain a current stock ledger at its corporate headquarters in Las Vegas, Nevada, which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Harrah's Entertainment also is required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require Harrah's Entertainment's stock certificates to bear a legend

indicating that the securities are subject to the Nevada Act. However, to date, the Nevada Commission has not imposed such a requirement on Harrah's Entertainment.

Harrah's Entertainment and HOC may not make a public offering of their securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. On November 21, 2002, the Nevada Commission granted Harrah's Entertainment and HOC prior approval to make public offerings for a period of two years, subject to certain conditions ("Shelf Approval"). The Shelf Approval also applies to any affiliated company wholly owned by Harrah's Entertainment (an "Affiliate") that is a publicly traded corporation or would thereby become a publicly traded corporation pursuant to a public offering. The Shelf Approval also includes approval for the Gaming Subsidiaries to guarantee any security issued by, or to hypothecate their assets to secure the payment or performance of any obligations evidenced by a security issued by Harrah's Entertainment or an Affiliate in a public offering under the Shelf Approval. The Shelf Approval also includes approval to place restrictions upon the transfer of and entering into of agreements not to encumber the equity securities of the Gaming Subsidiaries. The Shelf Approval, however, may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Board. The Shelf Approval does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered. Any representation to the contrary is unlawful.

Changes in control of Harrah's Entertainment through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Board and Nevada Commission in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting Nevada gaming licensees, and Registered Corporations that are affiliated with those operations, may be injurious to stable and productive corporate

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

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

selling of merchandise. Nevada licensees that hold manufacturer's or distributor's license also pay certain fees and taxes to the State of Nevada.

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

Gaming—New Jersey

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

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

The New Jersey Act requires that all officers, directors and principal employees of the casino licensees be licensed. In addition, each person who directly or indirectly holds any beneficial interest or ownership of the casino licensees and any person who in the opinion of the New Jersey Commission has the ability to control the casino licensees must obtain qualification approval. Each holding and

intermediary company having an interest in the casino licensees must also obtain qualification approval by meeting essentially the same standards as that required of the casino licensees. All directors, officers and persons who directly or indirectly hold any beneficial interest, ownership or control in any of the intermediary or ultimate holding companies of the casino licensees may have to seek qualification from the New Jersey Commission. Lenders, underwriters, agents, employees and security holders of both equity and debt of the intermediary and holding companies of the casino licensees and any other person whom the New Jersey Commission deems appropriate may also have to seek qualification from the New Jersey Commission. Because Harrah's Entertainment and HOC are publicly-traded holding companies (as defined by the New Jersey Act), however, the persons described in the two previous sentences may be waived from compliance with the qualification process if the New Jersey Commission, with the concurrence of the Director of the New Jersey Division of Gaming Enforcement, determines that they are not significantly involved in the activities of Marina and/or Showboat and, in the case of security holders, that they do not have the ability to control Harrah's Entertainment (or its subsidiaries) or elect one or more of its directors. Any person holding 5% or more of a security in an intermediary or ultimate holding company, or having the ability to elect one or more of the directors of a company, is presumed to have the ability to control the company and thus may be required to seek qualification unless the presumption is rebutted. Notwithstanding this presumption of control, the New Jersey Act permits the waiver of the qualification requirements for passive "institutional investors" (as defined by the New Jersey Act), when such institutional holdings are for investment purposes only and where such securities represent less than 10% of the equity securities of a casino licensee's holding or intermediary companies or debt securities of a casino licensee's holding or intermediary companies not exceeding 20% of a company's total outstanding debt or 50% of an individual debt issue. The waiver, which is subject to certain specified conditions including, upon request, the filing of a certified statement that the investor has no intention of

influencing the affairs of the issuer, may be granted to an "institutional investor" holding a higher percentage of such securities upon a showing of good cause. If an "institutional investor" is granted a waiver of the qualification requirements and subsequently changes its investment intent, the New Jersey Act provides that no action other than divestiture may be taken by the investor without compliance with the Interim Casino Authorization Act (the "Interim Act") described below.

In the event a security holder of either equity or debt is required to qualify under the New Jersey Act, the provisions of the Interim Act may be triggered requiring, among other things, either: (i) the filing of a completed application for qualification within 30 days after being ordered to do so, which application must include an approved Trust Agreement pursuant to which all securities of Harrah's Entertainment (or its respective subsidiaries) held by the security holder must be placed in trust with a trustee who has been approved by the New Jersey Commission; or (ii) the divestiture of all securities of Harrah's Entertainment (or its respective subsidiaries) within 120 days after the New Jersey Commission determines that qualification is required or declines to waive qualification, provided the security holder files a notice of intent to divest within 30 days after the determination of qualification. If a security holder files an application pursuant to the Interim Act, during the period the Trust Agreement remains in place, such holder may, through the approved trustee, continue to exercise all rights incident to the ownership of the securities with the exception that: (i) the security holder may only receive a return on its investment in an amount not to exceed the actual cost of the investment (as defined by the New Jersey Act) until the New Jersey Commission finds such holder qualified; and (ii) in the event the New Jersey Commission finds there is reasonable cause to believe that the security holder may be found unqualified, the Trust Agreement will become fully operative vesting the trustee with all rights incident to ownership of the securities pending a determination on such holder's qualifications; provided, however, that during the period the securities remain in trust, the security holder may petition the New Jersey Commission to: (a) direct the trustee to dispose of the trust property; and (b) direct the trustee to distribute proceeds thereof to the security holder in an amount not to exceed the lower of the actual cost of the investment or the value of the securities on the date

the Trust became operative. If the security holder is ultimately not found to be qualified, the trustee is required to sell the securities and to distribute the proceeds of the sale to the applicant in an amount not exceeding the lower of the actual cost of the investment or the value of the securities on the date the Trust became operative (if not already sold and distributed at the direction of the security holder) and to distribute the remaining proceeds to the Casino Revenue Fund. If the security holder is found qualified, the Trust Agreement will be terminated.

The New Jersey Commission can find that any holder of the equity or debt securities issued by Harrah's Entertainment or its subsidiaries is not qualified to own such securities. If a security holder of Harrah's Entertainment or its subsidiaries is found disqualified, the New Jersey Act provides that it is unlawful for the security holder to: (i) receive any dividends or interest payment on such securities; (ii) exercise, directly or indirectly, any rights conferred by the securities; or (iii) receive any remuneration from the company in which the security holder holds an interest. To implement these provisions, the New Jersey Act requires, among other things, casino licensees and their holding companies to adopt provisions in their certificate of incorporation providing for certain remedial action in the event that a holder of any security of such company is found disqualified. The required certificate of incorporation provisions vary depending on whether such company is a publicly or privately traded company as defined by the New Jersey Act. The Certificates of Incorporation of Harrah's Entertainment and HOC (both "publicly-traded companies" as defined by the New Jersey Act) contain provisions that provide Harrah's Entertainment and HOC, respectively, with the right to redeem the securities of disqualified holders, if necessary, to avoid any regulatory sanctions, to prevent the loss or to secure the reinstatement of any license or franchise held by Harrah's Entertainment or HOC or their affiliates, or if such holder is determined by any gaming regulatory agency to be unsuitable, has an application for a license or permit rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed. The Certificates of Incorporation of Harrah's Entertainment and HOC also contain provisions defining the redemption price and the rights of a disqualified security holder. In the event a security holder is disqualified, the New Jersey Commission is empowered to propose any necessary action to protect the public interest, including the suspension or revocation of the casino license of Marina and/or Showboat. The New Jersey Act provides, however, that the New Jersey Commission shall not take action against a casino licensee or its parent companies with respect to the continued ownership of the security interest by the disqualified holder, if the New Jersey Commission finds that: (i) such company has a certificate of incorporation provision providing for the disposition of such securities as discussed above; (ii) such company has made a good faith effort to comply with any order requiring the divestiture of the security interest held by the disqualified holder; and (iii) the disqualified holder does not have the ability to control the casino licensee or its parent companies or to elect one or more members to the board of directors of such company. The Certificate of Incorporation of HOC further provides that debt securities issued by HOC are held subject to the condition that if a holder is found unsuitable by any governmental agency the corporation shall have the right to redeem the securities.

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

direct that all or part of such net earnings be paid to the Casino Revenue Fund; provided, however, that a suspended or former licensee is entitled to a fair rate of return.

The New Jersey Commission granted Marina a plenary casino license in connection with Harrah's Atlantic City in November 1981, and granted Showboat a plenary casino license in connection with Showboat Casino Hotel in March 1987. Each of Marina's and Showboat's licenses has been renewed since then. In April 2000, the New Jersey Commission renewed Marina's license for a four-year period and also found Harrah's Entertainment and HOC to be qualified as holding companies of Marina. In January 2001, the New Jersey Commission renewed Showboat's license until April 2004 to be co-terminous with Marina's license and also found Harrah's Entertainment and HOC to be qualified as holding companies of Showboat.

Gaming—Illinois

The ownership and operation of a gaming business in Illinois is subject to extensive regulation under the Illinois Riverboat Gambling Act (the "Act") and the rules and regulations promulgated thereunder. A five-member Illinois Gaming Board is charged with such regulatory authority, including the issuance of the 10 authorized gaming owner's licenses. The granting of an owner's license involves a preliminary approval procedure in which the Illinois Gaming Board issues a

finding of preliminary suitability to a license applicant and effectively reserves a gaming license for such applicant. An owner's license is issued for an initial period of three years and may be renewed thereafter by the Illinois Gaming Board for periods of up to four years. The Illinois Gaming Board has issued all 10 licenses authorized by the Act. Des Plaines Development Limited Partnership ("DPDLP"), of which 80% is owned by Harrah's Illinois Corporation, an indirect subsidiary of the Company, received an owner's license in 1993. DPDLP is licensed to own and operate a Riverboat gaming operation in Joliet, Illinois. In September 2000, the Illinois Gaming Board renewed DPDLP's owner's license for a period of four years. Southern Illinois Riverboat Casino Cruises, Inc. ("SIRCC") is licensed to own and operate a Riverboat gaming operation in Metropolis, Illinois. SIRCC became an indirect subsidiary of the Company in March of 2000 in connection with the acquisition of Players International, Inc. SIRCC had been issued an owner's license in February of 1993. In February 2001, the Illinois Gaming Board renewed SIRCC's owners license for a period of four years.

To obtain an owner's license (and a finding of preliminary suitability), applicants must submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Illinois Gaming Board. Each license granted entitles a licensee to own and operate up to two riverboats (with a combined maximum of 1,200 gaming positions) and equipment thereon from a specific location.

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

In determining whether to grant a license, the Illinois Gaming Board considers: (i) the character, reputation, experience and financial integrity of the applicant; (ii) the type of facilities (including riverboat and docking facilities) proposed by the applicant; (iii) the highest prospective total revenue to be derived by the State of Illinois from the conduct of riverboat gaming; (iv) affirmative action plans of the applicant, including minority training and employment; (v) the financial ability of the applicant to purchase and maintain adequate liability and casualty insurance; and (vi) whether the applicant has

adequate capitalization to provide and maintain, for the duration of a license, a riverboat. Municipal (or county, if a gaming riverboat is located outside of a municipality) approval of the docking of riverboats in the municipality (or county, if a gaming riverboat is located outside of a municipality) is required, and all documents, resolutions, and letters of support must be submitted with the initial application.

A holder of an owner's license is subject to the imposition of fines, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order, and general welfare of the people of the State of Illinois, or that would discredit or tend to discredit the Illinois gaming industry or the State of Illinois, including, without limitation: (i) failing to comply with or make provision for compliance with the Illinois Riverboat Gambling Act, the rules promulgated thereunder, any federal, state or local law or regulation or the licensee's internal control system; (ii) failing to comply with any order or ruling of the Illinois Gaming Board or its agents pertaining to gaming; (iii) receiving goods or services from a person or business entity that does not hold a supplier's license issued by the Illinois Gaming Board, but that is required to hold such license by the Illinois Riverboat Gambling Act or the rules promulgated thereunder; (iv) being suspended or ruled ineligible or having a license revoked or suspended in any state or gaming jurisdiction; (v) associating with, either socially or in business affairs, or employing persons of, notorious or unsavory reputation or who have extensive police records, or who have failed to cooperate with any officially constituted investigatory or administrative body and would adversely affect public confidence and trust in gaming; and (vi) employing in any Illinois riverboat's gaming operation any person known to have been found guilty of cheating or using any improper device in connection with any game. Licensees may be fined for each violation up to an amount equal to the gross receipts derived from wagering on the day of the violation.

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

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

Applicants for and holders of an owner's license are required to obtain formal prior approval from the Illinois Gaming Board for changes proposed in the following areas: (i) key persons; (ii) type of entity; (iii) equity and debt capitalization of the entity; (iv) investors and/or debt holders; (v) source of funds; (vi) economic development plans or proposals; (vii) riverboat or dockside barge capacity or significant design change; (viii) gaming positions; (ix) anticipated economic impact; or (x) agreements, oral or written, relating to the acquisition or disposition of property (real or personal) of a value greater than $1 million.

A holder of an owner's license is allowed to make distributions to its partners, shareholders or itself only to the extent that such distribution would not impair the financial viability of the gaming operation. Factors to be considered by the licensee in making this determination include, but are not limited to, the following: (i) cash flow, casino cash and working capital requirements; (ii) debt service requirements and covenants associated with financial instruments, (iii) requirements for repairs, maintenance and capital improvements; (iv) employment or economic development requirements of the Illinois Riverboat Gambling Act; and (v) a licensee's financial projections.

The Illinois Gaming Board will require a Business Entity or Personal Disclosure Form and approval as a key person for any business entity or individual with an ownership interest or voting rights of more than 5% in a licensee, the trustee of any trust holding such ownership interest or voting rights, the directors of the licensee and its chief executive officer, president and chief operating officer, as well as any other individual or entities deemed by the Illinois Gaming Board to hold a position or a level of ownership, control or influence, that is material to the regulatory concerns and obligations of the Illinois Gaming Board. Each key person must file, on an annual basis, a disclosure affidavit, updated personal and background information, and updated tax and financial information. Key persons are required to promptly disclose to the Illinois Gaming Board any material changes in status or information previously provided to the Illinois Gaming Board, and to maintain their suitability as key persons. For the Illinois Gaming Board to identify potential key persons, each holder of an owner's license is required to file a table of organization, ownership and control with the Illinois Gaming Board to identify the individuals or entities that through direct or indirect means

manage, own or control the interests and assets of the applicant or licensee. Based upon findings from an investigation into the character, reputation, experience, associations, business probity and financial integrity of a key person, the Illinois Gaming Board may enter an order upon the licensee requiring economic disassociation of a key person. Each licensee is required to provide a means for the economic disassociation of a key person in the event such disassociation is required.

Minimum and maximum wagers on games are set by the licensee and wagering may be conducted only with a cashless wagering system, whereby money is converted to tokens, electronic cards or chips which can only be used for wagering. No person under the age of 21 is permitted to wager, and wagers may only be taken from a person present on a licensed riverboat. With respect to electronic gaming devices, the payout percentage may not be less than 80% nor more than 100%.

The Illinois Riverboat Gambling Act, as amended, imposes an annual graduated wagering tax on adjusted gross receipts (generally defined as gross receipts less payments to customers as winnings) from gambling games. The graduated tax rate is as follows: up to $25 million—15%; $25 to $50 million—22.5%; $50 to $75 million—27.5%; $75 to $100 million—32.5%; in excess of $100 million—50%. The tax imposed is to be paid by the licensed owner to the Illinois Gaming Board on the day after the day when the wagers were made. Of the proceeds of that tax, an amount equal to 5% of the riverboat's adjusted gross receipts goes to the local government where the home dock is located, a small portion goes to the Illinois Gaming Board for administration and enforcement expenses, and the remainder goes to State Education Assistance Fund.

The Illinois Riverboat Gambling Act also requires that licensees pay a $3.00 admission tax for each person admitted to a riverboat. Of this admission tax, the host municipality or county receives $1.00. The licensed owner is required to maintain public books and records clearly showing amounts received from admission fees, the total amount of gross receipts and the total amount of adjusted gross receipts.

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

In 1999, the Act was amended by Illinois Public Act 91-40 to, among other things, allow dockside gaming, the ownership of multiple casino licenses, and the movement of a riverboat gaming license from one location to another. Subsequently, a lawsuit was filed in a state circuit court challenging the constitutionality of certain aspects of the amendment. This lawsuit was dismissed on January 25, 2001, and the dismissal was subsequently upheld by the appellate court. On February 5, 2003, the Illinois Supreme Court granted leave to appeal the case. If the appeal is successful, such that the case is reinstated and if the underlying lawsuit is ultimately successful, it may result in a finding that the entire amendment is unconstitutional. Such a finding could have a material adverse effect on the Company's ownership of multiple casino licenses and the operating results of the Company's riverboats.

As a condition of approving the acquisition of Players International, Inc., the Illinois Gaming Board required the Company to enter into a Transfer of Ownership Agreement. In 1999 the Illinois Riverboat Gambling Act was amended by Illinois Public Act 91-40, which, among other amendments described above, deleted the provision that prevented a person or entity from receiving an owner's license if that person or entity owned more than a 10% ownership interest in any entity holding an owner's license. Subsequently a lawsuit was filed in a state circuit court challenging the constitutionality of certain provisions of Public Act 91-40. In the event of a final, non-appealable judicial ruling after the exhaustion of all available avenues of review resulting in Public Act 91-40 being found invalid insofar as it relates to the provision prohibiting an ownership interest of more than 10% in multiple owners licenses and causing the reinstatement of that provision back into the Illinois Riverboat Gambling Act, the Transfer of Ownership Agreement would require the Company to place all of the shares of SIRCC into a trust. The Company has entered into a Trust Agreement with Lasalle Bank National Association, as trustee. Should the shares of SIRCC be placed into trust, the property would remain open and be managed for a fee by a subsidiary of the Company. While the shares of SIRCC are in trust, the Company would for a period of one year from the date the shares were placed into the trust, pursue a sale of those shares at fair market value. If such a sale does not occur during that period (or such period as extended by the Illinois Gaming Board), SIRCC's owners license would be relinquished unless the trust was otherwise extinguished pursuant to the terms of the Transfer of Ownership Agreement because of a legislative amendment to the Illinois Riverboat Gambling Act deleting the restriction on ownership interests in multiple owners licenses or a restructuring consistent with any such restriction should it remain. In the event SIRCC's owners license was relinquished, SIRCC would be obligated to pay the Illinois Gaming Board an amount equal to ninety percent of the operating profits earned during the time period the SIRCC shares were held in trust. On January 25, 2001, the Illinois circuit court dismissed the litigation challenging the validity of Public Act 91-40 on the grounds that the plaintiffs lacked standing to challenge the law and had failed to exhaust their administrative remedies. The court did not reach the merits of the plaintiffs' constitutional challenges. The appellate court upheld the dismissal. On February 5, 2003, the Illinois Supreme Court granted leave to appeal the case.

Gaming—Mississippi

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

The Mississippi Act requires that a person (including any corporation or other entity) be licensed to conduct gaming activities in the State of Mississippi. A license will be issued only for a specified location which has been approved in advance as a gaming site by the Mississippi Commission. Harrah's Vicksburg Corporation, an indirect subsidiary of the Company, is licensed to operate a casino in Vicksburg, Mississippi. Another indirect subsidiary of the Company, Tunica Partners II L.P., is the licensed operator of a casino in Tunica, Mississippi. Both Harrah's Vicksburg Corporation and Tunica Partners II L.P. were re-licensed by the Mississippi Commission in September of 2001 for a three year period. In addition, a parent company of a company holding a license must register under the Mississippi Act. The Company and HOC are registered with the Mississippi Commission.

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

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

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

The Mississippi Commission has the power to deny, limit, condition, revoke and suspend any license, finding of suitability or registration, or to fine any person, as it deems reasonable and in the public interest, subject to an opportunity for a hearing. The Mississippi Commission may fine any licensee or person who was found suitable up to $100,000 for each violation of the Mississippi Act or the Mississippi Regulations which is the subject of an initial complaint, and up to $250,000 for each such violation which is the subject of any subsequent complaint. The Mississippi Act provides for judicial review of any final decision of the Mississippi Commission by petition to a Mississippi Circuit Court, but the filing of such petition does not necessarily stay any action taken by the Mississippi Commission pending a decision by the Circuit Court.

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

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

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

Harrah's Entertainment must obtain prior approval from the Mississippi Commission for any subsequent public offering of the securities of Harrah's Entertainment if any part of the proceeds from that offering are intended to be used to pay for or reduce debt used to pay for the construction, acquisition or operation of any gaming facility in Mississippi. In addition, to register with the Mississippi Commission as a publicly held holding corporation, Harrah's Entertainment must provide further documentation that is satisfactory to the Mississippi Commission, which includes all documents filed with the Securities and Exchange Commission.

Under the Mississippi Act, any person who acquires more than five percent of the equity securities of a publicly traded corporation registered with the Mississippi Commission must report the acquisition to the Mississippi Commission, and that person may be required to be found suitable. Also, any person who becomes a beneficial owner of more than ten percent of any class of voting securities of such a company must apply for a finding of suitability by the Mississippi Commission and must pay the costs and fees that the Mississippi Commission incurs in conducting the investigation. The Mississippi Commission has generally exercised its discretion to require a finding of suitability of any beneficial owner of more than five percent of a registered public company's voting securities. However, the Mississippi Commission may issue a waiver to permit "institutional investors" (as defined in its regulations), individually or in association with others, to beneficially own up to fifteen percent of the voting securities of a publicly traded corporation registered with the Mississippi Commission without a finding of suitability. An institutional investor acquiring beneficial ownership of more than fifteen percent of the voting securities of such a company would be required to be found suitable by the Mississippi Commission. Regardless of the amount of securities owned, any person who has any beneficial ownership in the common stock of Harrah's Entertainment may be required to be found suitable if the Mississippi Commission has reason to believe that such ownership would be inconsistent with the declared policies of the State of Mississippi. Any person who is required to be found suitable must apply for a finding of suitability from the Mississippi Commission within 30 days after being requested to do so, and must deposit a sum of money which is adequate to pay the anticipated investigatory costs associated with such finding. Any person who is found not to be suitable by the Mississippi Commission shall not be permitted to have any direct or indirect ownership in Harrah's Entertainment common stock. Any person who is required to apply for a finding of suitability and fails to do so, or who fails to dispose of

his or her interest in the Company's common stock if found unsuitable, is guilty of a misdemeanor. If a finding of suitability with respect to any person is not applied for where required, or if it is denied or revoked by the Mississippi Commission, the Company

is not permitted to pay such person for services rendered, or to employ or enter into any contract with such person.

Although the Mississippi Commission generally does not require the individual holders of obligations such as notes to be investigated and found suitable, the Mississippi Commission retains the discretion to do so for any reason, including, but not limited to, a default, or a situation in which the holder of the debt instrument exercises a material influence over the gaming operations of the entity in question. Any holder of debt or equity securities required to apply for a finding of suitability must pay all investigative fees and costs of the Mississippi Commission in connection with the investigation.

The Company is required to maintain current stock ledgers in the State of Mississippi, which may be examined by a representative of the Mississippi Commission at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Mississippi Commission. A failure to make such disclosure may be grounds for finding the record holder unsuitable. The Company also is required to render maximum assistance in determining the identity of the beneficial owner.

The Mississippi Commission has a regulation requiring as a condition of licensure or license renewal that a gaming establishment plan include a 500 car parking facility in close proximity to the casino complex and infrastructure facilities that will amount to at least twenty five percent of the casino cost. The Company is in compliance with this requirement. The Mississippi Commission subsequently adopted a regulation that increased the infrastructure requirement to one hundred percent from the existing twenty five percent. However, the regulation grandfathers existing licensees and applies only to new casino projects and casinos that are not operating at the time of acquisition or purchase.

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

Gaming—Louisiana

Land Based Casino

On October 30, 1998, the plan of reorganization of Harrah's Jazz Company, a partnership formed for the purposes of developing, owning and operating the land-based casino in New Orleans, was consummated (the "Plan"). Pursuant to the Plan, a newly formed entity, Jazz Casino Company, L.L.C. ("JAZZ"), assumed responsibility for, among other things, operating the casino (the "New Orleans Casino") in accordance with a casino operating contract (the "Casino Contract") with the Louisiana Gaming Control Board ("LGCB"). In exchange for an equity investment, a subsidiary of the Company acquired, at the time of consummation of the Plan, approximately a 43% equity interest in JCC Holding Company, which is the sole owner of JAZZ. One of our subsidiaries, Harrah's New Orleans Management Company ("HNOMC") managed the New Orleans Casino pursuant to a management agreement with JAZZ. On January 4, 2001, JCC Holding Company, JAZZ and certain affiliated entities that own the casino, filed a petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code. On January 12, 2001, JAZZ and its affiliates filed a Plan of Reorganization that was confirmed by the Bankruptcy Court on March 19, 2001, and became effective on March 29, 2001. Pursuant to this plan, the Company held an approximate 49% beneficial interest in the common stock of JCC Holding Company. On June 7, 2002, we acquired additional shares of JCC Holding Company's common stock, which increased our ownership from 49% to 63%, and on December 10, 2002, we acquired the remaining shares of JCC Holding Company's stock that we did not already own to increase our ownership to 100%. The license to own and operate the casino derives from the casino

operating contract, as amended ("Casino Contract"). Subject to the terms and conditions of the Casino Contract, the term of the authorization for gaming runs to July 2014, with a ten-year renewal period.

The ownership, management and operation of the New Orleans Casino are subject to pervasive governmental regulation, including regulation by the Louisiana Gaming Control Board ("LGCB") in accordance with the terms of the Louisiana Economic Development and Gaming Act (the "Gaming Act"), the rules and regulations promulgated thereunder from time to time ("the Rules and Regulations"), and the Casino Contract. The LGCB is empowered to regulate a wide spectrum of gaming and nongaming related activities.

The Gaming Act and the Rules and Regulations, all of which are subject to amendment or revision from time to time, establish significant regulatory requirements with respect to gaming activities, including, without limitation, suitability standards for direct and indirect investors, requirements with respect to minimum accounting and financial practices, standards for gaming devices and surveillance, licensure requirements for vendors and employees, and permissible food services. Failure to comply with the Gaming Act and the Rules and Regulations could result in disciplinary action, including fines and suspension or revocation of a license or suitability. Certain regulatory violations could also constitute an event of default under the Amended and Renegotiated Casino Operating Contract.

The Gaming Act and the Rules and Regulations require suitability findings for, among others, HNOMC and the Company, anyone with a direct ownership interest (regardless of percentage interest) or the ability to control JAZZ, HNOMC and the Company as well as certain officers and directors of such companies, certain employees and certain specified debt holders and lenders loaning funds related to the Casino project. Suitability of an applicant requires that the applicant demonstrate by clear and convincing evidence that, among other things, (i) the applicant is a person of good character, honesty and integrity; (ii) the applicant's prior activities, criminal record, if any, reputation, habits and associations do not pose a threat to the public interest of the State or the regulation and control of casino gaming or create or enhance the dangers of unsuitable, unfair or illegal practices, methods and activities in the conduct of gaming or the carrying on of the business and financial arrangements incidental thereto; and (iii) the applicant is capable of and is likely to conduct the activities for which a license or contract is sought. In addition, to be found suitable for purposes of the Casino Contract, JAZZ must demonstrate by clear and convincing evidence that: (i) it has or guarantees acquisition of adequate business competence and experience in the operation of casino gaming operations; (ii) the proposed financing is adequate for the proposed operation and is from suitable sources; and (iii) it has or is capable of and guarantees the obtaining of a bond or satisfactory financial guarantee of a

sufficient amount, as determined by the LGCB, to guarantee successful completion of and compliance with the Casino Contract or such other projects that are regulated by the LGCB.

Pursuant to the Gaming Act and Rules and Regulations, any person holding or controlling a direct or beneficial 5% or more equity interest (either alone or in combination with others) in a direct or indirect holding company of JAZZ or HNOMC is presumed to have the ability to control JAZZ or HNOMC (or their holdings companies, as the case may be), requiring a finding of suitability, unless, among other things: (i) the presumption is rebutted by clear and convincing evidence; or (ii) the holder is one of several specified passive institutional investors and, upon request, such institution files necessary documentation demonstrating that it does not have the ability to control such entity and that it does not intend to influence the affairs of JAZZ or HNOMC. To the extent any holder of such securities fails to satisfy such requirement, such holder may be required to obtain certain qualifications or approvals (including a finding of suitability) from the LGCB to continue to hold such securities. Any failure to obtain such qualifications or approvals may subject such security holders to certain requirements, limitations or prohibitions, including a requirement that such security holders liquidate their securities at a time or at a cost that is otherwise unfavorable to such security holders.

Pursuant to the Gaming Act and Rules and Regulations, the LGCB has the authority to deny, revoke, suspend, limit, condition, or restrict any finding of suitability. Under the Rules and Regulations, the LGCB also has the authority to take further action against JAZZ or HNOMC on the grounds that a person found suitable as required by the Gaming Act is associated with, or controls, or is controlled by, or is under common control with, an unsuitable or disqualified person. Pursuant to the Rules and Regulations and the Casino Contract, if at any time the LGCB finds that any person required to be and remain suitable has failed to demonstrate suitability, the LGCB may, consistent with the Gaming Act and the Casino Contract, take any action that the LGCB deems necessary to protect the public interest. Pursuant to the Rules and Regulations, however, if a person associated with JAZZ, HNOMC or their affiliate, intermediary or holding companies, as the case may be, has failed to be found or remain suitable, the LGCB will not declare such companies unsuitable as a result if such companies comply with the conditional licensing provisions, take immediate good faith action and comply with any order of the LGCB to cause such person to dispose of its interest, and, before such disposition, ensure that the disqualified person does not receive any ownership benefits. The above safe harbor protections do not apply if JAZZ, HNOMC or their affiliate, intermediary, or holding companies, as the case may be: (i) fail to remain suitable, (ii) had actual or constructive knowledge of the facts that are the basis of the LGCB regulatory action and failed to take appropriate action, or (iii) are so tainted by such person that it affects the suitability of such entity under the standards of the Gaming Act.

Pursuant to the Gaming Act, the LGCB and its investigatory arm, the State Police, are also required to issue licenses or permits to certain persons associated with gaming operations, including: (i) certain employees of JAZZ and HNOMC; (ii) certain manufacturers, distributors and suppliers of gaming devices; (iii) certain suppliers of non-gaming goods or services; (iv) any person who furnishes services or property to JAZZ pursuant to an arrangement pursuant to which the person receives payments based on earnings, profits or receipts from gaming operations; and (v) any other persons deemed necessary by the LGCB. The securing of the requisite licenses and permits pursuant to the Gaming Act are a prerequisite for conducting, operating or performing any activity regulated by the LGCB or the Gaming Act. The Gaming Act provides that the LGCB has full and absolute power to deny an application, or to limit, condition, restrict, revoke or suspend any license, permit or approval, or to find unsuitable any person licensed, permitted or approved for any cause specified in the Gaming Act or rules promulgated by the LGCB. The Rules and Regulations provide that the LGCB may take any of the foregoing actions with respect to any person licensed, permitted, or approved, or any person registered, found suitable, or holding a contract, for any cause deemed reasonable.

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

Pursuant to the Gaming Act, the gaming activities that may be conducted at the official gaming establishment, subject to the rule-making authority of the LGCB, include any banking or percentage game that is played with cards, dice or any electronic, electrical or mechanical device or machine for money, property or any thing of value, but exclude lottery, bingo, charitable games, raffles, electronic video bingo, pull tabs, cable television bingo, wagering on dog or horse races, sports betting or wagering on any type of sports contest or event.

The sale, transfer, assignment, or alienation of a casino operating contract, or an interest therein, in violation of the Gaming Act is prohibited. The LGCB may approve the sale, transfer, assignment, or may grant the approval subject to conditions imposed by the LGCB. Further, pursuant to the Gaming

Act, the sale, transfer, assignment, pledge, alienation, disposition, public offering, or acquisition of securities that results in one person's owning 5% or more of the total outstanding shares issued by JAZZ is void as to such person without prior approval of the LGCB. Failure to obtain prior approval by the of LGCB of a person acquiring 5% or more of the total outstanding shares of a licensee or 5% or more economic interest in JAZZ is grounds for cancellation of the Casino Contract or license suspension or revocation.

The Gaming Act obligates JAZZ to give preference and priority to Louisiana residents, laborers, vendors and suppliers, except when not reasonably possible to do so without added expense, substantial inconvenience or sacrifice in operational efficiency. The Gaming Act further obligates JAZZ to give preference and priority to Louisiana residents in considering applicants for employment and requires that no less than 80% of the persons employed by JAZZ be Louisiana residents for at least one year immediately prior to employment. The Gaming Act provides that if any contract or other agreement to which the casino operator is a party contains a provision or clause establishing a different percentage or requiring more than 50% of the persons employed to be residents of any one parish, any such provision or clause shall be null and void and unenforceable as against public policy.

The Gaming Act requires that JAZZ adopt written policies, procedures, and regulations to allow the participation of businesses owned by minorities in all design, engineering, and construction contracts and/or projects to the maximum extent practicable. The Rules and Regulations provide that JAZZ and HNOMC must take the foregoing actions with respect to all design, engineering, construction, banking and maintenance contracts and any other projects initiated by JAZZ and HNOMC. The Gaming Act further requires JAZZ, as nearly as practicable, to employ minorities consistent with the population of the State. The Rules and Regulations extend this obligation to HNOMC as well.

Prior to March 22, 2001, the Gaming Act imposed significant restrictions on the right of JAZZ to offer food to casino patrons at the casino, and to own or operate a hotel and to sell retail goods. Pursuant to certain amendments to the Gaming Act, effective March 22, 2001, JAZZ is authorized to: (i) expand the limited cafeteria style seating from 250 to 400 seats; (ii) lease space to area restaurant owners in a food court with seating limited to 100 seats; (iii) directly own and operate a single restaurant with seating limited to 150 seats and (iv) cater certain functions within the casino facility. The legislation further allows the following on the second floor of the casino: (i) JAZZ may lease space to no more than two third party restaurant(s) which, when calculated together, shall contain no more than 350 seats; (ii) JAZZ may operate any business/entertainment facility on the second floor provided that any food for such operation shall be purchased or catered by a third party restaurateur or food preparer with purchases at fair market value; and (iii) JAZZ may lease space to any other third parties to operate businesses where the primary purpose of any such business is not a restaurant that requires no more than 35% of the gross revenue of such business shall be derived from the sale of food. The legislation also authorizes JAZZ to provide limited complimentary and discounted food offerings to certain specified persons, including a member of a customer reward system and other casino patrons based upon observed play at the casino. JAZZ, however, may not offer or advertise discounted or complimentary food offerings to the general public within a 50 mile radius of the casino and within Louisiana through any advertising media.

Pursuant to certain amendments to the Gaming Act, effective March 22, 2001, JAZZ is also authorized to own, construct or lease 450 hotel rooms that are not at the casino site, but that may be physically connected to the casino, subject to certain limitations on the amount of meeting space within such hotel. The amendments to the Gaming Act provide that after March 31, 2005, additional hotel rooms may be owned or operated by JAZZ if the Greater New Orleans Hotel Association agrees to such increase. Except for the limited exception for casino customers, under the amendments to the Gaming Act, JAZZ shall not advertise hotel rooms to the general public at rates below market rates. JAZZ is required to base room rates on a formula derived from average seasonal rates for the

preceding year in the locality of the casino. The legislation also authorizes JAZZ to provide limited complimentary and discounted hotel offerings to certain specified persons, including a member of a customer reward system and other patrons based upon observed play at the casino, provided, however, JAZZ shall pay room taxes on all such hotel rooms based upon prevailing tax schedules and rates as determined by the formula described above.

Pursuant to certain amendments to the Gaming Act, effective March 22, 2001, JAZZ is no longer subject to state imposed restrictions on the sale of retail goods within the casino.

The Gaming Act provides that the LGCB shall annually enter into a casino support services contract with the City of New Orleans in order to compensate it for the cost to it for providing support services resulting from the operation of the official gaming establishment and the activities therein. The amount of the contract is to be determined by negotiation and agreement on an annual basis between the LGCB and the City of New Orleans, subject to approval by the State legislature.

The Gaming Act, the Casino Contract and the Rules and Regulations have extensive prior approval requirements relating to certain borrowings and security interests related to the casino project. The Gaming Act authorizes the LGCB to provide for the protection of the rights of holders of security interests in both immovable property and movable property used in or related to casino gaming operations ("Gaming Collateral") and to provide for the continued operation of the New Orleans Casino during the period of time that a lender, as a holder of a security interest, seeks to enforce its security interest in such property. In connection therewith, the Gaming Act provides that the holder of a security interest in Gaming Collateral may receive payments from the owner or lessee of such property out of the proceeds of casino gaming operations received by the owner or lessee, and, the holder of the security interest may be exempt from the licensing requirements of the Gaming Act with respect to such payments if the transaction(s) giving rise to such payments have been approved in advance by the LGCB and complies with all rules and regulations of the LGCB and the LGCB determines the holder to be suitable.

Pursuant to the Gaming Act, a holder of a security interest in a gaming device who asserts the right to ownership or possession of the encumbered property may be granted a one-time, nonrenewable, provisional contract for a maximum of 90 days for the sole purpose of acquiring ownership or possession for resale to a licensed or approved person, all in accordance with rules and regulations to be promulgated by the LGCB. The Rules and Regulations do not yet include a rule and regulation on this provision.

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

regulations of the LGCB. The Gaming Act further provides that the fees of the receiver and the authority for expenditures of the receiver are to be established by rules and regulations of the LGCB.

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

The Gaming Act provides that LGCB, the Governor by Executive Order, subject to legislative approval or the State legislature by act or resolution, may set aside or renegotiate the provisions of Casino operating contract when the casino operator is either voluntarily or involuntarily placed in bankruptcy, receivership or similar status.

The Gaming Act provides that no rule or regulation and no provision in a contract executed by the LGCB pursuant to its authority to protect the holders of security interests in Gaming Collateral shall be the basis for any cause of action in contract or in tort against the State or the LGCB, its board of directors or its agents, attorneys or employees.

Because legalized gaming is a relatively new industry in the State, there has been significant attention by the Louisiana legislature over the past few years to gaming related bills dealing with a wide range of subjects that could impact the New Orleans Casino project. At various times, bills have been introduced to, among other things, constitutionally and/or legislatively repeal all forms of gaming (including the land-based casino), increase taxes on casinos, limit credit that may be extended by casinos, limit days and hours of operation and alter the regulatory oversight structure. There can be no assurances that legislation having a material detrimental impact on the New Orleans Casino will not be enacted.

Riverboat Casinos

The ownership and operation of a gaming riverboat in Louisiana is subject to extensive regulation pursuant to the Louisiana Riverboat Economic Development and Gaming Control Act (the "Act") and the rules and regulations promulgated thereunder. The LGCB and the Casino Gaming Division ("Division"), a part of the Louisiana State Police, are charged with such regulatory authority, including the issuance of riverboat gaming licenses. The number of licenses to conduct gaming on a riverboat is limited by statute to fifteen. No more than six licenses may be granted for the operation of gaming activities on riverboats in any one parish (county). In general, riverboat gaming in Louisiana can be conducted legally only on approved riverboats and, as of April 1, 2001, all such riverboats can be continuously docked.

To obtain a gaming license, applicants must obtain certain Certificates of Approval from the LGCB and submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Division. An applicant is ineligible to receive a gaming license if the applicant has not established good character, honesty and integrity. Each license granted entitles the holder to operate a riverboat and equipment thereon from a specific location. The duration of the license and subsequent renewals runs for five years. The partnership that owns Harrah's Shreveport received a five-year renewal in April of 2000. Harrah's Lake Charles was relicensed by the LGCB for a five year

period in December 1999. In determining whether to grant a license, the Division considers: (i) the good character, honesty and integrity of the applicant; (ii) the applicant's ability to conduct gaming operations; (iii) the adequacy and source of the applicant's financing; (iv) the adequacy of the design documents submitted; (v) the docking facilities to be used; and (vi) applicant's plan to recruit, train, and upgrade minorities in employment and to provide for minority-owned business participation.

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

The transfer of a license or an interest in a license is prohibited. In addition, an ownership or economic interest of five percent or more in a business entity which holds a gaming license may not be sold, assigned, transferred or pledged without the Division's prior approval. In addition, an "institutional investor" (as defined in the Act) otherwise required to be found suitable or qualified pursuant to the Act or the rules adopted pursuant thereto is presumed suitable or qualified upon submitting documentation sufficient to establish its qualification as an institutional investor and providing a certification that it holds the publicly traded securities for investment purposes only, does not exercise influence over the affairs of the issuer, and does not intend to exercise influence over the issuer. The exercise of voting privileges of any publicly traded securities is not considered to constitute the exercise of influence over the affairs of the issuer.

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

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

The Act imposes a franchise fee for the right to operate on Louisiana waterways of 15% of net gaming proceeds and a license fee of $50,000 (first year) and $100,000 (subsequent years) plus three and one-half percent of net gaming proceeds. Effective April 1, 2001, the franchise fee was increased for the Harrah's Lake Charles riverboats from 15% to 18%, with such riverboats authorized to remain continuously docked effective on that date. The franchise fee for Harrah's Shreveport increased from 15% to 16% effective April 1, 2001, from 16% to 17% effective April 1, 2002, and will increase from 17% to 18% effective April 1, 2003. All fees are paid to the Division. In addition, the Act authorizes local governing authorities the power to levy a limited admission fee for each person boarding the riverboat. Currently that amount is paid by the license holder. Red River is currently making a payment in lieu of such admission fee of 4.75% of net gaming proceeds. Commencing March 1, 1998, pursuant to an agreement with the City of Lake Charles, the admission fee on the Harrah's LC and Star riverboats began to be calculated as percentage of gaming revenue. In addition, the agreement calls for the annual payment of $544,000 for a period of ten years.

Louisiana Downs Racetrack

On December 20, 2002, we acquired a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana. The racetrack is licensed by the Louisiana State Racing Commission to conduct not less than 80 days of live horse race meetings within a consecutive 20-week period each year, qualifying it as an eligible facility to conduct slot machine gaming. The Louisiana legislature has authorized the use of slot machines at eligible facilities pursuant to a license issued by the LGCB in three parishes in Louisiana, including the parish where Louisiana Downs is located. We plan to install slot machines at the racetrack and open a new permanent facility with approximately 1,500 slot machines by June 2004. Regulation of these activities will be overseen by the LCGB. The

thoroughbred racing facility offers wagering on live and simulcast races throughout the year. These activities are regulated by the Louisiana State Racing Commission.

Gaming—Indiana

In 1993, the State of Indiana passed a Riverboat Gambling Act, which created the Indiana Gaming Commission ("Indiana Commission"). The Indiana Commission is given extensive powers and duties for the purposes of administering, regulating and enforcing the system of riverboat gaming. It is authorized to award no more than 11 gaming licenses (five to counties contiguous to Lake Michigan, five to counties contiguous to the Ohio River and one to a county contiguous to Patoka Lake). The Indiana Commission has issued ten of these eleven licenses—four in Lake County Indiana; one in LaPorte County; one in Vanderburgh County; one in Ohio County; one in Dearborn County; one in Harrison County; and one in Switzerland County. Additionally, the Indiana Commission has not considered applicants for the eleventh license because the Patoka Lake site has been determined by the U.S. Army Corp. of Engineers as an unsuitable site for development of a casino vessel project.

The Indiana Commission has jurisdiction and supervision over all riverboat gaming operations in Indiana and all persons on riverboats where gaming operations are conducted. These powers and duties include authority to: (1) investigate all applicants for riverboat gaming licenses; (2) select among competing applicants those that promote the most economic development in a home dock area and that best serve the interest of the citizens of Indiana; (3) establish fees for licenses; and (4) prescribe all forms used by applicants. The Indiana Commission adopts rules pursuant to statute for administering the gaming statute and the conditions under which riverboat gaming in Indiana may be conducted. The Indiana Commission has promulgated certain final rules and has proposed additional rules governing all aspects of riverboat gaming in Indiana. The Indiana Commission may suspend or revoke the license of a licensee or a certificate of suitability or impose civil penalties, in some cases without notice or hearing, for any act in violation of the Riverboat Gambling Act or for any other fraudulent act or if the licensee or holder of such certificate of suitability has not begun regular riverboat excursions prior to the end of the twelve month period following the Indiana Commission's approval of the application for an owner's license. In addition, the Indiana Commission may revoke an owner's license if it is determined by the Indiana Commission that revocation is in the best interests of the state of Indiana. The Indiana Commission will: (1) authorize the route of the riverboat and stops that the riverboat may make; (2) establish minimum amounts of insurance; and (3) after consulting with the Corps of Engineers, determine which waterways are navigable waterways for purposes of the Riverboat Gambling Act and determine which navigable waterways are suitable for the operation of riverboats.

The Riverboat Gambling Act requires an extensive disclosure of records and other information concerning an applicant, including disclosure of all directors, officers and persons holding one percent (1%) or more direct or indirect beneficial interest.

In determining whether to grant an owner's license to an applicant, the Indiana Commission considers: (1) the character, reputation, experience and financial integrity of the applicant and any person who (a) directly or indirectly controls the applicant, or (b) is directly or indirectly controlled by either the applicant or a person who directly or indirectly controls the applicant; (2) the facilities or proposed facilities for the conduct of riverboat gaming; (3) the highest total prospective revenue to be collected by the state from the conduct of riverboat gaming; (4) the good faith affirmative action plan to recruit, train and upgrade minorities in all employment classifications; (5) the financial ability of the applicant to purchase and maintain adequate liability and casualty insurance; (6) whether the applicant has adequate capitalization to provide and maintain the riverboat for the duration of the license; and (7) the extent to which the applicant meets or exceeds other standards adopted by the Indiana Commission. The Indiana Commission may also give favorable consideration to applicants for economically depressed areas and applicants who provide for significant development of a large

geographic area. Each applicant must pay an application fee of $50,000 and additional fees may be assessed for the background investigation. If the applicant is selected, the applicant must pay an initial license fee of $25,000 and post a bond, and thereafter, pay an annual license renewal fee of $5,000.

A person holding an owner's gaming license issued by the Indiana Commission may not own more than a 10% interest in another such license. An owner's license initially expires five years after the effective date of the license then must be renewed annually; however, after three years the holder of an owner's license will undergo a reinvestigation to ensure continued suitability for licensure. Unless the license has been terminated, expired or revoked, the gaming license may be renewed if the Indiana Commission determines that the licensee has satisfied all statutory and regulatory requirements. A gaming license is a revocable privilege and is not a property right.

Minimum and maximum wagers on games are not established by regulation, but are left to the discretion of the licensee. Wagering may not be conducted with money or other negotiable currency.

An admission tax of $3.00 for each person admitted to the casino is imposed upon the license owner. An additional tax is imposed on the adjusted gross receipts received from gaming operations, which is defined as the total of all cash and property (including checks received by the licensee whether collected or not) received, less the total of all cash paid out as winnings to patrons and uncollectible gaming receivables (not to exceed 2%). For dockside casinos, this graduated tax is as follows: 15% of the first $25 million of adjusted gross receipts; 20% of adjusted gross receipts from $25 million to $50 million; 25% of adjusted gross receipts from $50 million to $75 million; 30% of adjusted gross receipts from $75 million to $150 million, and 35% of all adjusted gross receipts in excess of $150 million. The gaming license owner must remit the admission and wagering taxes before the close of business on the day following the day on which the taxes were incurred.

Riverboats are assessed for property tax purposes as real property and are taxed at rates to be determined by local taxing authorities of the jurisdiction in which a riverboat operates. The Riverboat Gambling Act requires a riverboat owner licensee to directly reimburse the Indiana Commission for the costs of inspectors and agents required to be present during the conduct of gaming operations. Pursuant to agreements with the City, and as reflected in the owner's license, Showboat Marina Casino Partnership ("SMCP") has agreed to: (1) provide certain fixed incentives of approximately $16.4 million to the City of East Chicago and its agencies for transportation, job training, home buyer assistance and discrete economic development initiatives; (2) pay 3% of adjusted gross receipts divided equally among the City and two not-for-profit foundations for infrastructure improvements, education and community development; and (3) pay 0.75% of adjusted gross receipts for community development projects to East Chicago Second Century, Inc. ("Second Century"), a for-profit corporation owned by former owners of Waterfront but, in terms of expenditures, controlled by the City. Funding for the projects will be derived from contributions to Second Century from SMCP as well as funds from other third-party sources.

The Indiana Commission is authorized to license suppliers and certain occupations related to riverboat gaming. Gaming equipment and supplies customarily used in conducting riverboat gaming may be purchased or leased only from licensed suppliers. The Indiana Commission has adopted a rule requiring employees working on the riverboat to have a valid merchant marine document issued by the United States Coast Guard.

The Indiana Riverboat Gambling Act places special emphasis upon minority and women's business enterprise participation in the riverboat industry. Any person issued a riverboat owner's license must establish goals of expending at least 10% of the total dollar value of the licensee's contracts for goods and services with minority business enterprises and 5% of the total dollar value of the licensee's contracts for goods and services with women's business enterprises. The Indiana Commission may suspend, limit or revoke the gaming owner's license or impose a fine for failure to comply with statutory requirements.

An institutional investor (as defined in the Rules of the Indiana Commission) that acquires between 5% and 15% of any class of voting securities of a holding company of a licensee is required to notify the Indiana Commission and to provide additional information, and may be subject to a finding of suitability. Ownership of 15% or more of any class of voting securities of a holding company of a licensee requires that an application be submitted for a finding of suitability within forty-five (45) days after acquiring the securities.

A riverboat owner licensee may not enter into or perform any contract or transaction in which it transfers or receives consideration which is not commercially reasonable or which does not reflect the fair market value of the goods or services rendered or received. All contracts are subject to disapproval by the Indiana Commission.

A riverboat owner licensee or an affiliate may not enter into a debt transaction of $1 million or more without the prior approval of the Indiana Commission. A riverboat owner licensee or any other person may not lease, hypothecate, borrow money against or loan money against a riverboat owner's license.

The Indiana Commission has a rule requiring the reporting of certain currency transactions which is similar to that required by federal authorities.

The Riverboat Gambling Act prohibits contributions to a candidate for a state, legislative, or local office, or to a candidate's committee or to a regular party committee by the holder of a riverboat owner's license or a supplier's license, by an officer of a licensee, and by an officer of a person holding at least a 1% interest in the licensee. The Indiana Commission has promulgated a rule requiring quarterly reporting by the holder of a riverboat owner's license or a supplier's license of officers of the licensee, officers of persons that hold at least a 1% interest in the licensee, and of persons who directly or indirectly own a 1% interest in the licensee.

The Indiana Commission adopted a rule that prohibits a distribution by a riverboat licensee to its partners, shareholders, itself, or any affiliated entity, if the distribution would impair the financial viability of the riverboat gambling operation.

Gaming—Missouri

The ownership and operation of a gaming riverboat in Missouri is subject to extensive regulation pursuant to the Missouri Riverboat Gambling Act and the rules and regulations promulgated thereunder. A five-member Missouri Gaming Commission ("Commission") is charged with such regulatory authority, including the issuance of riverboat gaming licenses. Harrah's North Kansas City LLC, an indirect subsidiary of Harrah's, has been issued a license by the Commission to conduct riverboat gaming at its North Kansas City location. The license was renewed effective May 2002.

Harrah's Maryland Heights LLC, also an indirect subsidiary of the Company, has been issued two licenses by the Commission to conduct riverboat gaming at its Maryland Heights location. Upon the acquisition of Players International, Inc., the Company acquired two additional permanently moored riverboat gaming vessels in Maryland Heights, Missouri. These riverboats were located at a facility where Harrah's Maryland Heights, LLC also owned and operated two permanently moored riverboat gaming vessels. The Harrah's riverboats were moored adjacent to each other on one side of the facility and the Players' riverboats were moored adjacent to each other on the other side of the facility. The Commission approved a reorganization of the licensed entities as well as a reconfiguration of the riverboats wherein the common walls between adjacent riverboats were removed creating two larger riverboats. The number of riverboat licenses was reduced from four to two. The Commission approved the renewal of these licenses in February 2003.

Gaming in Missouri can be conducted legally only on either excursion gambling boats or floating facilities approved by the Commission on the Mississippi and Missouri Rivers. Unless permitted to be

continuously docked by the Commission for certain stated reasons, including safety, excursion gambling boats must cruise. The Commission has approved continuous dockside gaming for the Company's riverboats in North Kansas City and Maryland Heights.

To obtain a gaming license, applicants must submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Commission. An applicant is ineligible to receive an owner's license if the applicant has not established good reputation and moral character or if the applicant, any of its officers, directors or managerial employees or any person who participates in the management or operation of gaming operations has been convicted of a felony. Each license granted entitles a licensee to own and/or operate an excursion gambling boat and equipment thereon from a specific location. The duration of the license initially runs for two one-year terms followed by two-year terms. The Commission also licenses the serving of alcoholic beverages on riverboats and adjacent facilities. All local income, earnings, use, property and sales taxes are applicable to licensees. Local jurisdictions, however, may not impose any taxes leveled solely on holders of a gaming license.

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

A holder of a license is subject to the imposition of penalties, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order, and general welfare of the people of the State of Missouri, or that would discredit or tend to discredit the Missouri gaming industry or the state of Missouri, including without limitation: (i) failing to comply with or make provision for compliance with the legislation, the rules promulgated thereunder or any federal, state or local law or regulation; (ii) failing to comply with any rules, order or ruling of the Commission or its agents pertaining to gaming;

(iii) receiving goods or services from a person or business entity who does not hold a supplier's license but who is required to hold such license by the legislation or the rules; (iv) being suspended or ruled ineligible or having a license revoked or suspended in any state or gaming jurisdiction; (v) associating with, either socially or in business affairs, or employing persons of notorious or unsavory reputation or who have extensive police records, or who have failed to cooperate with any official constituted investigatory or administrative body and would adversely affect public confidence and trust in gaming; (vi) employing in any Missouri gaming operation any person known to have been found guilty of cheating or using any improper device in connection with any game; (vii) use of fraud, deception, misrepresentation or bribery in securing any license or permit issued pursuant to the legislation; (viii) obtaining any fee, charge, or other compensation by fraud, deception or misrepresentation; and (ix) incompetence, misconduct, gross negligence, fraud, misrepresentation or dishonesty in the performance of the functions or duties regulated by the legislation.

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

Every employee participating in a riverboat gaming operation must hold an occupational license which permits the holder to perform only activities included within such holder's level of occupation license or any lower level of occupation license. In addition, the Commission will issue suppliers

licenses which authorize the supplier licensee to sell or lease gaming equipment and supplies to any licensee involved in the ownership and management of gaming operations.

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

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

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

Gaming—Iowa

References in this section to "we", "the Company", "Harveys", or to other Harveys companies refers to Harveys Casino Resorts and/or its subsidiaries, which Harrah's Entertainment, Inc. acquired on July 31, 2001.

The State of Iowa first authorized excursion gambling boat activities in 1989 and authorized slot machines at racetrack enclosures in 1994. The Iowa Racing and Gaming Commission (the "Iowa Commission") has the authority to grant and review licenses to owners and operators of excursion gambling boats and pari-mutuel racetracks, and has the further authority to adopt and enforce rules governing a broad range of subjects dealing with excursion gambling boat facilities and racetrack enclosures and operations. The Iowa Commission consists of five members appointed by the governor and confirmed by the state senate. Members serve a term not to exceed three years at the pleasure of the governor.

Pursuant to Iowa law relating to excursion gambling boats, a non-profit organization and a for-profit organization may receive a joint license to operate an excursion gambling boat. The Company, together with Iowa West Racing Association, a qualified sponsoring organization, have been granted the necessary licenses to own and operate the current gambling facilities and activities on the riverboat casino at Harrah's Casino & Hotel (f/k/a "Harveys Casino Hotel") each year since 1995. The excursion boat gambling license, which is subject to annual renewal, currently expires March 31, 2003.

Pursuant to Iowa law relating to racetracks, only a non-profit organization, an operator of fairs or a state agency or political subdivision may hold a track license. No one can obtain a racetrack slot casino license today, unless they held a license to operate a pari-mutuel racetrack operation on January 1, 1994. Iowa West Racing Association, a qualified non-profit organization, holds the pari-mutuel license to operate the dog track and the gaming racetrack enclosure license to operate the slot machine casino all at Bluffs Run Casino. The Bluffs Run pari-mutuel dogtrack license and the Bluffs Run gambling license for a racetrack enclosure expire December 31, 2003, and are subject to annual renewal.

All licenses are granted upon the condition that the license holders accept, observe and enforce all applicable laws, regulations, ordinances, rules and orders applicable to them. Any violation by a license holder, including its employees or agents, may result in disciplinary action, including the suspension or revocation of any license previously granted.

On October 6, 1999, Harveys completed the purchase of certain assets of Bluffs Run Casino from Iowa West Racing Association and paid the seller approximately $115.0 million and upon successful passage of a Referendum in November of 2002, paid additional consideration of $50.0 million.

At the closing of the acquisition of certain assets of Bluffs Run Casino, Harveys Iowa Management Company, Inc. and Iowa West Racing Association entered into an amended and restated excursion gambling boat sponsorship and operating agreement relating to Harveys' operation of its excursion gambling boat casino which has been subsequently amended. Under the agreement, Harveys is to pay Iowa West Racing Association a fee equal to a percentage of the adjusted gross gaming receipts generated from the boat operation and further agreed to pay and hold Iowa West Racing Association harmless from the admissions fee payable to the Iowa Commission and the local municipality and state wagering tax imposed by Iowa law.

Also, on October 6, 1999, Harveys BR Management Company and Iowa West Racing Association entered into a management agreement whereby Harveys BR Management Company is to manage the pari-mutuel racetrack facility and casino operations including simulcast of greyhound or horse racing and the slot machines for a minimum of 25 years, during which Harveys is to receive a management fee equal to a percentage of the cash flow as that term is defined in the management agreement. On the same day, October 6, 1999, HBR Realty Company, a Harveys subsidiary, purchased the Bluffs Run Casino assets, except for the slot machines, from Iowa West Racing Association and leased the same back to Iowa West Racing Association for an initial term ending October 5, 2024, which lease is renewable for additional terms by the mutual agreement of the parties. Harveys is to receive rent payments equal to a percentage of cash flow as that term is defined in the lease agreement, except that Iowa West Racing Association is entitled to $1,350,000 of cash flow payable every six months in arrears following the acquisition until the fifth business day following the date that the results of the required referendum on the continuation of gaming at pari-mutuel racetracks, as described above, are certified to the County Auditor of Pottawattamine County. Pursuant to the terms of the management and lease agreements, Harveys receives management fees and lease income generally equal to the ongoing cash flow from the operations of Bluffs Run Casino. All of the agreements outlined here were approved by the Iowa Commission in September 1999. However, a lawsuit has been filed against the Iowa Commission alleging that it cannot lawfully issue a license to the Iowa West Racing Association at Bluffs Run Casino because it is not the true owner of the enterprise as required by Iowa Code Section 99 D.9. The matter is pending in the Iowa Direct Court in and for Polk County.

Pursuant to Iowa law, gambling licenses may only be granted by the Iowa Commission in those counties that have approved the conduct of gambling games in a county-wide referendum. Gambling games, both at a racetrack enclosure and on riverboats, have been approved by the county electorate in Pottawattamie County, Iowa, the location of both Harrah's Casino & Hotel and Bluffs Run Casino. However, a referendum can be requested at any time by a petition of the voters and must be

reapproved by the county electorate for both types of gambling activities at the general election every eight years. Both types of gambling activities were re-approved at the general election in Pottawattamie County in 2002. There can be no assurance that either type of gambling activity will be approved at the next referendum to be held in 2010, in subsequent referenda held every eight years thereafter, or in the event of a petition referendum. If the gambling referenda do not pass in the county where the licenses are held, the excursion gambling boat licenses may remain valid, as described below, for a total of nine years from the date of original issue, which, in the case of Harveys, would be January 2004.

Racetracks do not have a similar original license concept allowing them to operate via renewals by the Iowa Commission until the expiration of nine years from the date they were first licensed. In the event of a negative referendum vote Bluffs Run Casino would likely have to cease casino gaming operations in a relatively short time following the referendum defeat, probably pursuant to an order of the Iowa Commission.

Following the issuance of a gaming license, the Iowa Commission monitors and supervises the activities of the licensee. Material contracts to be entered into by the licensee, changes in ownership of the licensee, management contracts, and acquisitions of interest in other gambling activities by the licensee or its owners must all be reported to, and approved by, the Iowa Commission. Further, the Iowa Commission has the authority to:

(1) determine the payouts from the gambling games;

(2) determine race schedules;

(3) set the payout rate for all slot machines;

(4) establish an admission fee to excursion gambling boats payable to the Iowa Commission;

(5) define the excursion season and the duration of an excursion; and

(6) define the race season and total number of races to be held.

For excursion gambling boats, Iowa law authorizes the imposition of an admission fee, set by and payable to the Iowa Commission, on each person embarking on an excursion gambling boat. An additional admission fee may be imposed by the municipality in which the gambling operation is located. In practice, the Iowa Commission has not imposed a per-person admission fee, but rather has imposed a fee on each excursion gambling boat based upon the estimated costs of supervision and enforcement to be incurred by the Iowa Commission for the ensuing fiscal year. For the 2002-2003 fiscal year, beginning July 5, 2002, the fee is $8,667 per week. A $0.50 per person admission fee is also payable to the City of Council Bluffs, Iowa. Further, Iowa law imposes an annual wagering tax ranging from 5% on the first $1.0 million of adjusted gross receipts from gambling games to 20% on adjusted gross receipts in excess of $3.0 million.

For dog tracks, Iowa law requires the payment of a licensing fee of $200 for each racing day. In addition, a licensee is required to pay the State of Iowa the sum of $.50 for each person entering the racetrack grounds or enclosure. There is also a wagering tax imposed on the gross sum wagered at the dog track at the following rate:

(1) 6% if the gross sum wagered in the racing season is $55.0 million or more;

(2) 5% if the gross sum wagered in the racing season is $30.0 million or more, but less that $55.0 million;

(3) 4% if the gross sum wagered in the racing season is less than $30.0 million.

For pari-mutuel slot casinos there is an escalating wagering tax, which is currently 34% of the gross receipts from the slot machine casino, which rate goes up two percent per year every January 1 until it reaches a maximum of 36% on January 1, 2004.

The Racing Association of Central Iowa, which operates the horse track in Altoona (Des Moines), Iowa, brought an action on June 25, 1998, in the Iowa District Court, in and for Polk County, alleging that the escalating racetrack casino tax violates the United States and Iowa Constitutions. The Dubuque Racing

Association (licensee of the Dubuque dog track), the Iowa West Racing Association (licensee of the Bluffs Run Casino), and the Iowa Greyhound Association also joined as plaintiffs in the case. In December 2000, the Iowa District Court rejected the plaintiffs' constitutional challenge. The plaintiffs appealed to the Iowa Supreme Court, which reversed the lower court and held that the escalating tax structure at a rate higher than that assessed to the Riverboats is unconstitutional. The lower court subsequently ruled that all taxes paid above the 20% rate of the riverboats had to be refunded. The State of Iowa appealed the decision to the United States Supreme Court, which will hear the case in 2003. A decision is expected in July or August, 2003.

Excursion gambling boat activities are also subject to safety and inspection requirements of the State of Iowa and the U.S. Coast Guard. These requirements:

(1) set limits on the operation of the vessel;

(2) mandate that it must be operated by a minimum complement of licensed personnel;

(3) establish periodic inspections, including the physical inspection of the outside hull; and

(4) establish other mechanical and operations rules.

Gaming—Colorado

References in this section to "we", "us", "our", "Harveys", "Harveys Wagon Wheel" or to other Harveys companies refers to Harveys Casino Resorts and/or its subsidiaries, which the Company acquired on July 21, 2001.

The State of Colorado created the Division of Gaming (the "Colorado Division") within the Department of Revenue to license, implement, regulate and supervise the conduct of limited gaming under the Colorado Limited Gaming Act. The Director of the Colorado Division (the "Colorado Director"), pursuant to regulations promulgated by, and subject to the review of, a five-member Colorado Limited Gaming Control Commission (the "Colorado Commission"), has been granted broad power to ensure compliance with the Colorado gaming laws and regulations (the "Colorado Regulations"). The Colorado Director may inspect, without notice, impound or remove any gaming device. The Colorado Director may examine and copy any licensee's records, may investigate the background and conduct of licensees and their employees, and may bring disciplinary actions against licensees and their employees. The Colorado Director may also conduct detailed background investigations of persons who loan money to, or otherwise provide financing to, a licensee.

The Colorado Commission is empowered to issue five types of gaming and gaming-related licenses, and has delegated authority to the Colorado Director to issue certain types of licenses. The licenses are revocable and non-transferable. Harveys Wagon Wheel's failure or inability, or the failure or inability of others associated with Harveys Wagon Wheel to maintain necessary gaming licenses or approvals would have a material adverse effect on Harveys operations. All persons employed by Harveys Wagon Wheel and involved, directly or indirectly, in gaming operations in Colorado also are required to obtain a Colorado gaming license. All licenses must be renewed annually, except those held by key and support employees, which must be renewed every two years.

As a general rule, pursuant to the Colorado Regulations, no person may have an ownership interest in more than three retail gaming licenses in Colorado. The Colorado Commission has ruled

that a person does not have an ownership interest in a retail licensee for purposes of the multiple license prohibition if:

(1) that person has less than a 5% ownership interest in an institutional investor which has an ownership interest in a publicly traded licensee or publicly traded company affiliated with a licensee;

(2) a person has a 5% or more ownership interest in an institutional investor, but the institutional investor has less than a 5% ownership interest in a publicly traded licensee or publicly traded company affiliated with a licensee;

(3) an institutional investor has less than a 5% ownership interest in a publicly traded licensee or publicly traded company affiliated with a licensee;

(4) an institutional investor possesses voting securities in a fiduciary capacity for another person and does not exercise voting control over 5% or more of the outstanding voting securities of a publicly traded licensee or publicly traded company affiliated with a licensee;

(5) a registered broker or dealer retains possession of voting securities of a publicly traded licensee or publicly traded company affiliated with a licensee for its customers in street name or otherwise, and exercises voting rights for less than 5% of the outstanding voting securities of the publicly traded licensee or publicly traded company affiliated with a licensee;

(6) a registered broker or dealer acts as a market maker for the stock of a publicly traded licensee or publicly traded company affiliated with a licensee and possesses a voting interest in less than 5% of the outstanding voting securities of the publicly traded licensee or publicly traded company affiliated with a licensee;

(7) an underwriter is holding securities of a publicly traded licensee or publicly traded company affiliated with a licensee as part of an underwriting for no more than 90 days after the beginning of such underwriting if it exercises voting rights of less than 5% of the outstanding voting securities of a publicly traded licensee or publicly traded company affiliated with a licensee;

(8) a book entry transfer facility holds voting securities for third parties, if it exercises voting rights with respect to less than 5% of the outstanding voting securities of a publicly traded licensee or of a publicly traded company affiliated with a licensee; or

(9) a person owns less than 5% of the outstanding voting securities of the publicly traded licensee or publicly traded company affiliated with a licensee.

Hence, our business opportunities in Colorado and those of persons with an ownership interest in us, are limited to interests that comply with the Colorado Regulations and the Colorado Commission's ruling.

In addition, pursuant to the Colorado Regulations, no manufacturer or distributor of slot machines or associated equipment may, without notification being provided to the Colorado Division within 10 days, knowingly have an interest in any casino operator, allow any of its officers or any other person with a substantial interest in such business to have such an interest, employ any person if that person is employed by a casino operator, or allow any casino operator or person with a substantial interest therein to have an interest in a manufacturer's or distributor's business. A substantial interest means the lesser of (i) as large an interest in an entity as any other person or (ii) any financial or equity interest equal to or greater than 5 percent. The Colorado Commission has ruled that a person does not have a substantial interest if such person's sole ownership interest in such licensee is through the ownership of less than 5% of the outstanding voting securities of a publicly traded licensee or publicly traded affiliated company of a licensee.

Counsel for the Colorado Division has informed counsel for Harveys that, for purposes of the manufacturer/operator vertical integration rule and the horizontal three-license rule described above, the Colorado Division has taken the position that only a person deemed to have beneficial ownership (as defined in Section 13(d) of the Exchange Act and the rules and regulations thereunder) of shares of the publicly traded licensee or publicly traded company affiliated with the licensee will be deemed to have an interest under the vertical integrating rule or an ownership interest under the horizontal three-license rule. However, neither the Colorado Commission nor the Colorado Legislature has addressed these issues. As a result there is no assurance that the Colorado Division, the Colorado Commission or the Colorado Legislature will not apply a more restrictive interpretation.

Pursuant to the Colorado Regulations, any person or entity having any direct or indirect interest in a gaming licensee or an applicant for a gaming license, including, but not limited to, us and our security holders, may be required to supply the Colorado Commission with substantial information, including, but not limited to, background information, source of funding information, a sworn statement that the person or entity is not holding his or her interest for any other party, and fingerprints. Such information, investigation and licensing (or finding or suitability) as an associated person automatically will be required of all persons (other than certain institutional investors discussed below) who directly or indirectly beneficially own 10% or more of a direct or indirect beneficial ownership or interest in Harveys Wagon Wheel, through their beneficial ownership of any class of voting securities of the Company. Those persons must report their interest within 10 days and file appropriate applications within 45 days after acquiring that interest. Persons who directly or indirectly beneficially own 5% or more (but less than 10%) of a direct or indirect beneficial ownership or interest in Harveys Wagon Wheel, through their beneficial ownership of any class of voting securities of the Company, must report their interest to the Colorado Commission within 10 days after acquiring that interest and may be required to provide additional information and to be found suitable. (It is the current practice of the gaming regulators to require findings of suitability for persons beneficially owning 5% or more of a direct or indirect beneficial ownership or interest, other than certain institutional investors discussed below.) If certain institutional investors provide specified information to the Colorado Commission and are holding for investment purposes only, those investors, at the Colorado Commission's discretion, may be permitted to own up to 14.99% of Harveys Wagon Wheel, through their beneficial ownership of any class of voting securities of the Company before being required to be found suitable. All licensing and investigation fees will have to be paid by the person in question.

The Colorado Regulations define a voting security to be a security, the holder of which is entitled to vote generally for the election of a member or members of the board of directors or board of trustees of a corporation or a comparable person or persons of another form of business organization.

The Colorado Commission also has the right to request information from any person directly or indirectly interested in, or employed by, a licensee, and to investigate the moral character, honesty, integrity, prior activities, criminal record, reputation, habits and associations of:

(1) all persons licensed pursuant to the Colorado Limited Gaming Act,

(2) all officers, directors and stockholders of a licensed privately held corporation,

(3) all officers, directors and stockholders holding either a 5% or greater interest or a controlling interest in a licensed publicly traded corporation,

(4) all general partners and all limited partners of a licensed partnership,

(5) all persons which have a relationship similar to that of an officer, director or stockholder of a corporation (such as members and managers of a limited liability company),

(6) all persons supplying financing or loaning money to any licensee connected with the establishment or operations of limited gaming,

(7) all persons having a contract, lease or ongoing financial or business arrangement with any licensee, where such contract, lease or arrangement relates to limited gaming operations, equipment, devices or premises, and

(8) all persons contracting with or supplying any goods and services to the gaming regulators.

Certain public officials and employees are prohibited from having any direct or indirect interest in a license or limited gaming.

In addition, pursuant to the Colorado Regulations, every person who is a party to a gaming contract or lease with an applicant for a license, or with a licensee, upon the request of the Colorado Commission or the Colorado Director, must promptly provide to the Colorado Commission or Colorado Director all information that may be requested concerning financial history, financial holdings, real and personal property ownership, interests in other companies, criminal history, personal history and associations, character, reputation in the community, and all other information which might be relevant to a determination of whether a person would be suitable to be licensed by the Colorado Commission. Failure to provide all information requested constitutes sufficient grounds for the Colorado Commission or the Colorado Director to require a licensee or applicant to terminate its gaming contract (as defined below) or lease with any person who failed to provide the information requested. In addition, the Colorado Commission or the Colorado Director may require changes in gaming contracts before an application is approved or participation in the contract is allowed. A gaming contract is defined as an agreement in which a person does business with or on the premises of a licensed entity.

Except under limited circumstances relating to slot machine manufacturers and distributors, every person supplying goods, equipment, devices or services to any licensee in return for payment of a percentage, or calculated upon a percentage, of limited gaming activity or income must obtain an operator's license or be listed on the retailer's license where such limited gaming will take place. With respect to the foregoing requirement, it is the current practice of the Colorado Division to require manufacturers and distributors to obtain an operator's license if the limited exceptions do not apply to them and to require other persons to be listed as associated persons on the license of the applicable retailer.

An application for licensure or suitability may be denied for any cause deemed reasonable by the Colorado Commission or the Colorado Director, as appropriate. Specifically, the Colorado Commission and the Colorado Director must deny a license to any applicant who among other things:

(1) fails to prove by clear and convincing evidence that the applicant is qualified;

(2) fails to provide information and documentation requested;

(3) fails to reveal any fact material to qualification, or supplies information which is untrue or misleading as to a material fact pertaining to qualification;

(4) has been convicted of, or has a director, officer, general partner, stockholder, limited partner or other person who has a financial or equity interest in the applicant who has been convicted of, specified crimes, including the service of a sentence upon conviction of a felony in a correctional facility, city or county jail, or community correctional facility or under the state board of parole or any probation department within ten years prior to the date of the application, gambling-related offenses, theft by deception or crimes involving fraud or misrepresentation, is under current prosecution for such crimes (during the pendency of which license determination may be deferred), is a career offender or a member or associate of a career offender cartel, or is a professional gambler; or

(5) has refused to cooperate with any state or federal body investigating organized crime, official corruption or gaming offenses.

If the Colorado Commission determines that a person or entity is unsuitable to directly or indirectly own interests in the Company then we may be sanctioned, which may include the loss of our approvals and licenses.

The Colorado Commission does not need to approve in advance a public offering of securities but rather requires a filing of notice and additional documents with regard to a public offering of voting securities prior to such public offering. The Colorado Commission may, in its discretion, require additional information and prior approval of such public offering.

In addition, the Colorado Regulations prohibit a licensee or affiliated company thereof, such as the Company, from paying any unsuitable person any dividend or interest upon any voting securities or any payments of distributions of any kind (except as set forth below), or paying any unsuitable person any remuneration for services, or recognizing the exercise of any voting rights by any unsuitable person. Further, pursuant to the Colorado Regulations, Harveys Wagon Wheel may repurchase its voting securities from anyone found unsuitable at the lesser of the cash equivalent to the original investment in Harveys Wagon Wheel or the current market price as of the date of the finding of unsuitability unless such voting securities are transferred to a suitable person (as determined by the Colorado Commission) within 60 days after the finding of unsuitability. A licensee or affiliated company must pursue all lawful efforts to require an unsuitable person to relinquish all voting securities, including by purchasing such voting securities. The Staff for the Colorado Division has taken the position that a licensee or affiliated company may not pay any unsuitable person any interest, dividend or other payments with respect to non-voting securities, other than with respect to pursuing all lawful efforts to require such unsuitable person to relinquish such non-voting securities, including by purchasing or redeeming such securities. Further, the regulations require anyone with a material involvement with a licensee, including a director or officer of a holding company, such as the Company, to file for a finding of suitability if required by the Colorado Commission.

Because of their authority to deny an application for a license or suitability, the Colorado Commission and the Colorado Director effectively can disapprove a change in corporate structure of a licensee and with respect to any entity which is required to be found suitable, or indirectly can cause us to suspend or dismiss managers, officers, directors and other key employees or sever relationships with other persons who refuse to file appropriate applications or whom the authorities find unsuitable to act in such capacities.

The sale, lease, purchase, conveyance or acquisition of a controlling interest in Harveys Wagon Wheel is subject to the approval of the Colorado Commission. Under some circumstances, we may not sell any interest in our Colorado gaming operations without the prior approval of the Colorado Commission.

Harveys Wagon Wheel must meet specified architectural requirements, fire safety standards and standards for access for disabled persons. Harveys Wagon Wheel also must not exceed specified gaming square footage limits as a total of each floor and the full building. The casino at Harveys Wagon Wheel may operate only between 8:00 a.m. and 2:00 a.m. and may permit only individuals 21 years or older to gamble in the casino. It may permit only slot machines, blackjack and poker, with a maximum single bet of $5.00. Harveys Wagon Wheel may not provide credit to its gaming patrons.

A licensee is required to provide information and file periodic reports with the Colorado regulators, including identifying those who have 5% or greater ownership, financial or equity interest in the licensee, or who have the ability to control the licensee, or who have the ability to exercise significant influence over the licensee, or who loan money or other things of value to a licensee, or who have a right to share in revenues of limited gaming, or to whom any interest or share in profits of limited gaming has been pledged as security for a debt or performance of an act. A licensee, and any parent company or subsidiary company of a licensee, who has applied to a foreign jurisdiction for licensure or permission to conduct gaming, or who possesses a license to conduct foreign gaming, is

required to notify the Colorado regulators. Any person licensed by the Colorado Commission and any associated person of a licensee must report criminal convictions and criminal charges to the Colorado regulators.

The Colorado regulators have broad authority to sanction, fine, suspend and revoke licenses for violations of the Colorado Regulations. Violations of many provisions of the Colorado Regulations also can result in criminal penalties.

The Colorado Constitution currently permits gaming only in a limited number of cities and some commercial districts.

The Colorado Constitution permits a gaming tax of up to 40% on adjusted gross gaming proceeds, and authorizes the Colorado Commission to change the rate annually. The current gaming tax rate is 0.25% on adjusted gross gaming proceeds of up to and including $2.0 million, 2% over $2.0 million up to and including $4.0 million, 4% over $4.0 million up to and including $5.0 million, 11% over $5.0 million up to and including $10.0 million, 16% over $10.0 million up to and including $15.0 million and 20% on adjusted gross gaming proceeds in excess of $15.0 million. Central City has imposed an annual device fee of $1,265 per gaming device and may revise such fee from time to time.

The sale of alcoholic beverages is subject to licensing, control and regulation by the State of Colorado and Central City ("Colorado Liquor Agencies"). All persons who directly or indirectly hold a 10% or more interest in, or 10% or more of the issued and outstanding capital stock of Harveys Wagon Wheel, through their ownership of Harveys, must file applications and possibly be investigated by the Colorado Liquor Agencies. The Colorado Liquor Agencies also may investigate those persons who, directly or indirectly, loan money to or have any financial interest in liquor licensees. In addition, there are restrictions on stockholders, directors and officers of liquor licensees from being a stockholder, director, officer or otherwise interested in some persons lending money to liquor licensees or from making loans to other liquor licensees. All licenses are revocable and transferable only in accordance with all applicable laws. The Colorado Liquor Agencies have the full power to limit, condition, suspend or revoke any liquor license and any disciplinary action could (and revocation would) have a material adverse effect upon the operations of Harveys Wagon Wheel. Harveys Wagon Wheel holds a hotel and restaurant liquor license for its casino hotel and restaurant operations, rather than a gaming tavern license. Accordingly, no person directly or indirectly interested in Harveys Wagon Wheel may be directly or indirectly interested in most other types of liquor licenses, and specifically cannot be directly or indirectly interested in an entity that holds a gaming tavern license.

Indian Gaming

The terms and conditions of management contracts and the operation of casinos and all gaming on Indian land in the United States are subject to the Indian Gaming Regulatory Act of 1988 ("IGRA"), which is administered by the NIGC and the gaming regulatory agencies of tribal governments. IGRA is subject to interpretation by the NIGC and may be subject to judicial and legislative clarification or amendment.

IGRA requires NIGC approval of management contracts for Class II and Class III gaming as well as the review of all agreements collateral to the management contracts. The management contracts relating to the Harrah's managed casinos for the Ak-Chin Indian Community, the Eastern Band of Cherokee Indians, the Prairie Band Potawatomi Nation, and the Rincon San Luiseno Band of Mission Indians were approved by the NIGC. The NIGC will not approve a management contract if a director or a 10% shareholder of the management company: (i) is an elected member of the Indian tribal government which owns the facility purchasing or leasing the games; (ii) has been or is convicted of a felony gaming offense; (iii) has knowingly and willfully provided materially false information to the NIGC or the tribe; (iv) has refused to respond to questions from the NIGC; or (v) is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming

regulation and control, or create or enhance the chance of unsuitable activities in gaming or the business and financial arrangements incidental thereto. In addition, the NIGC will not approve a management contract if the management company or any of its agents have attempted to unduly influence any decision or process of tribal government relating to gaming, or if the management company has materially breached the terms of the management contract or the tribe's gaming ordinance, or a trustee, exercising due diligence, would not approve such management contract. A management contract can be approved only after NIGC determines that the contract provides, among other things, for: (i) adequate accounting procedures and verifiable financial reports, which must be furnished to the tribe; (ii) tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross revenues and income; (iii) minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs; (iv) a ceiling on the repayment of such development and construction costs and (v) a contract term not exceeding five years and a management fee not exceeding 30% of net revenues (as determined by the NIGC); provided that the NIGC may approve up to a seven year term and a management fee not to exceed 40% of net revenues if NIGC is satisfied that the capital investment required, and the income projections for the particular gaming activity require the larger fee and longer term. There is no periodic or ongoing review of approved contracts by the NIGC. The only post-approval action that could result in possible modification or cancellation of a contract would be as the result of an enforcement action taken by the NIGC based on a violation of the law or an issue affecting suitability.

IGRA established three separate classes of tribal gaming—Class I, Class II and Class III. Class I includes all traditional or social games solely for prizes of minimal value played by a tribe in connection with celebrations or ceremonies. Class II gaming includes games such as bingo, pulltabs, punchboards, instant bingo and non-banked card games (those that are not played against the house), such as poker. Class III gaming includes casino-style gaming such as banked table games like blackjack, craps and roulette, and gaming machines such as slots and video poker, as well as lotteries and pari-mutuel wagering. Harrah's Phoenix Ak-Chin provides Class II gaming and, as limited by the tribal-state compact, Class III gaming. The Cherokee, Prairie Band and Rincon casinos currently provide only Class III gaming.

IGRA prohibits all forms of Class III gaming unless the tribe has entered into a written agreement with the state that specifically authorizes the types of Class III gaming the tribe may offer (a "tribal-state compact"). These compacts provide, among other things, the manner and extent to which each state will conduct background investigations and certify the suitability of the manager, its officers, directors, and key employees to conduct gaming on tribal lands. The Company has received its permanent certification from the Arizona Department of Gaming as management contractor for the Ak-Chin Indian Community's casino and has been licensed by the relevant tribal gaming authorities to manage the Prairie Band Potawatomi Nation's casino, the Eastern Band of Cherokee Indians' casino, and the Rincon San Luiseno Band of Mission Indians, respectively.

Title 25, Section 81 of the United States Code states that "no agreement shall be made by any person with any tribe of Indians, or individual Indians not citizens of the United States, for the payment or delivery of any money or other thing of value... in consideration of services for said Indians relative to their lands... unless such contract or agreement be executed and approved" by the Secretary or his or her designee. An agreement or contract for services relative to Indian lands which fails to conform with the requirements of Section 81 is void and unenforceable. All money or other thing of value paid to any person by any Indian or tribe for or on his or their behalf, on account of such services, in excess of any amount approved by the Secretary or his or her authorized representative will be subject to forfeiture. We believe that we have complied with the requirements of section 81 with respect to our management contracts for Harrah's Phoenix

Ak-Chin, Harrah's Cherokee and Harrah's Prairie Band and Harrah's Rincon, and intend to comply with Section 81 with respect to any other contract to manage casinos located on Indian land in the United States.

Indian tribes are sovereign with their own governmental systems, which have primary regulatory authority over gaming on land within the tribes' jurisdiction. Therefore, persons engaged in gaming activities, including the Company, are subject to the provisions of tribal ordinances and regulations on gaming. These ordinances are subject to review by the NIGC under certain standards established by IGRA. The NIGC may determine that some or all of the ordinances require amendment, and that additional requirements, including additional licensing requirements, may be imposed on us. We have received no such notification regarding the Ak-Chin, Cherokee, Prairie Band and/or Rincon casinos. The possession of valid licenses from the Ak-Chin Indian Community, the Eastern Band of Cherokee Indians, the Prairie Band of Potawatomi Nation, and the Rincon San Luiseno Band of Mission Indians, are ongoing conditions of our agreements with these tribes.