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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, 2003

or

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

Commission File No. 1-10410

HARRAH'S ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2003, based upon the closing price of $40.24 for the Common Stock on the New York Stock Exchange on that date, was $4,426,690,010.

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, 2004, the Registrant had 111,306,208 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2004 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.

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 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 our properties;*
- *our ability to timely and cost-effectively integrate into our operations the companies that we acquire including with respect to our previously announced acquisition;*
- *access to available and feasible financing including financing for our acquisition of Horseshoe Gaming on a timely basis;*
- *changes in laws (including increased tax rates), regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies;*
- *litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;*
- *ability of our customer-tracking, customer loyalty and yield-management programs to continue to increase customer loyalty and same-store sales;*
- *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.

PART I

ITEM 1. Business.

Overview

Harrah's Entertainment, Inc., a Delaware corporation, is one of the largest casino entertainment providers in the world. Our business is conducted through a wholly-owned subsidiary, Harrah's Operating Company, Inc., which owns or manages through various subsidiaries 25 casinos in the United States. Our principal asset is the stock of Harrah's Operating Company, Inc., which together with its direct and indirect subsidiaries hold substantially all of the assets of our businesses. We were incorporated on November 2, 1989, and prior to such date operated under predecessor companies. Our principal executive offices are located at One Harrah's Court, Las Vegas, Nevada 89119, telephone (702) 407-6000. Our common stock is traded on the New York Stock Exchange under the symbol "HET".

2003 Business Development

In September 2003, we entered into an agreement to acquire Horseshoe Gaming Holding Corp., which owns casino entertainment facilities in Bossier City, Louisiana, Tunica, Mississippi, and Hammond, Indiana, for a total purchase price of $915 million in cash, plus cash held by Horseshoe Gaming as of the closing date and the amount of certain agreed-upon capital expenditures made by Horseshoe Gaming prior to the closing date. In addition, we will assume existing indebtedness of Horseshoe Gaming. We expect to complete this acquisition in the first half of 2004.

Pursuant to two separate transactions we have announced recently, we will acquire certain intellectual property assets from Horseshoe Club Operating Company, which is under separate ownership from Horseshoe Gaming, to secure the rights to the Horseshoe brand in Nevada and to the World Series of Poker brand and tournament, while MTR Gaming Group, Inc. will acquire the remaining assets of the Binion's Horseshoe Hotel and Casino in Las Vegas, Nevada, including the right to use the name "Binion's" at the property, from Horseshoe Club Operating Company. We will operate the hotel and casino jointly with MTR Gaming on an interim basis. We expect to complete each of these transactions during the first quarter of 2004.

We have also agreed to sell our Harrah's Shreveport property in Shreveport, Louisiana for $190 million, subject to regulatory approval, to reduce our exposure in the Shreveport-Bossier City, Louisiana, market given our plans to acquire Horseshoe Gaming and its property in Bossier City. We also expect to complete this transaction during the first half of 2004.

As part of our distribution strategy, we are currently pursuing various development opportunities in the United Kingdom, including the development of destination casino resorts, regional casinos through a joint venture, and an interactive multi-platform subscription-based gaming venture to deliver over the Internet games proven to work in such medium. We launched our interactive venture, LuckyMe, in the United Kingdom in early February 2004. Our remaining development efforts in the United Kingdom require legislative reform under that country's gaming laws, and we are currently pursuing efforts to secure sites for casino entertainment facilities, both directly and through the joint venture, in anticipation of legislative reform.

We began implementing our Fast Cash coinless gaming environment at our properties in 2003. We believe Fast Cash will increase customer satisfaction through the reduction of wait times for change and hopper fills on slot machines. We expect to continue the implementation of Fast Cash during 2004, with a stated goal of installing Fast Cash on 28,000 games by the end of the second quarter of 2004.

In June 2003, we launched a new version of our Total Rewards customer loyalty program, adding features to allow our customers to accumulate reward credits and enhancing the offerings available to customers upon redemption of reward credits.

In May 2003, 900 slot machines were placed in service at Louisiana Downs, our thoroughbred racetrack in Bossier City, Louisiana, and we expect to open a new, permanent facility with approximately 1,400 slot machines during second quarter 2004.

In May 2003, we opened a second hotel tower at our Showboat Atlantic City property, adding approximately 500 rooms to that property.

Description of Business

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

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

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

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

Our Chicagoland riverboat casinos, Harrah's Joliet in Joliet, Illinois, and Harrah's East Chicago Casino in East Chicago, Indiana, draw customers from the greater Chicago metropolitan area.

In Louisiana, we own Harrah's New Orleans, a land-based casino located in downtown New Orleans. In the southwest part of the state, Harrah's Lake Charles, a dockside casino, serves southwestern Louisiana and eastern Texas, including the Houston metropolitan area. In the northwest part of the state, Harrah's Shreveport, a dockside casino, and Louisiana Downs, a thoroughbred racetrack with slot machines in Bossier City, cater to customers in northwestern Louisiana and east Texas, including the Dallas/Fort Worth metropolitan area. During 2003, we installed approximately 900 slot machines at Louisiana Downs, and work is currently underway on a new, permanent facility with approximately 1,400 slot machines, which we expect to complete during second quarter 2004. We currently own a 95% ownership interest in a limited liability company that now owns both Louisiana Downs and Harrah's Shreveport. In January 2004, we entered agreements to sell Harrah's Shreveport and to acquire the remaining 5% ownership interest in the limited liability company, in each case subject to regulatory approval. We expect to complete these transactions during the first half of 2004.

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

Harrah's Council Bluffs Casino Hotel, a riverboat casino facility, and Bluffs Run Casino, a greyhound racing facility, with approximately 2,800 slot machines combined are located in Council Bluffs, Iowa, across the Missouri River from Omaha, Nebraska. At Bluffs Run, we own the assets other than gaming equipment, and lease these assets to the Iowa West Racing Association, or IWRA, a nonprofit corporation, and we manage the facility for the IWRA under a management agreement expiring in October 2024. Iowa law requires that a qualified nonprofit corporation hold Bluffs Run's gaming and pari-mutuel licenses and its gaming equipment.

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

- Harrah's Phoenix Ak-Chin, located near Phoenix, Arizona, which we manage for the Ak-Chin Indian Community under a management agreement that expires in December 2004;
- Harrah's Rincon Casino and Resort, located near San Diego, California, which we manage for the Rincon San Luiseno Band of Mission Indians under a management agreement that expires in November 2010;
-

Harrah's Cherokee Smoky Mountains Casino, which we manage for the Eastern Band of Cherokee Indians on their reservation in Cherokee, North Carolina under a management contract. The current contract is scheduled to expire in November 2004, but subject to regulatory approval, we have agreed to an extension of the contract until 2011. Harrah's Cherokee draws customers from eastern Tennessee, western North Carolina, northern Georgia and South Carolina; and

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

We own and operate Bluegrass Downs, a harness racetrack located in Paducah, Kentucky, and a one-third interest in Turfway Park LLC, which is the owner of the Turfway Park thoroughbred racetrack in Boone County, Kentucky. Turfway Park LLC owns a minority interest in Kentucky Downs LLC, which is the owner of the Kentucky Downs racetrack located in Simpson County, Kentucky. In the event casino gaming is established in Kentucky, we hold certain casino management rights, directly or through Turfway Park LLC, at both Turfway Park and Kentucky Downs.

Information about our casino entertainment properties as of December 31, 2003 is set forth below in Item 2. Properties, along with information concerning the status of expansions and improvements at certain properties during 2003.

Sales and Marketing

We believe that our nationwide distribution system of 25 casino entertainment facilities provides us the ability to generate play by our customers in more than one market, which we refer to as cross-market play. We believe our customer loyalty program, Total Rewards, in conjunction with this nationwide distribution system, allows us to capture a growing share of our customers' gaming budget and generate increases in same-store sales.

Under Total Rewards, our customers may earn reward credits and redeem those credits at any of our casino entertainment facilities. Total Rewards is structured in tiers, providing customers an incentive to consolidate their play at our casinos. Depending on their level of play with us, customers may be designated as either Total Gold, Total Platinum or Total Diamond customers. Customers who do not participate in Total Rewards are encouraged to join, and those with a Total Rewards card are encouraged to consolidate their play through targeted promotional awards as they graduate to higher tiers.

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

Patents and Trademarks

We own the following trademarks used in this document: Harrah's®; LuckyMe[sm]; Fast Cash[sm], Rio®; Showboat®; Bill's®; Harveys®; Total Rewards®; Bluffs Run®; Louisiana Downs[sm]; Total Gold®; Total Diamond®; and Total Platinum®. 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. Horseshoe® is a registered trademark of Horseshoe License Company, a Nevada corporation 51% owned by Horseshoe Club Operating Company and 49% owned by Horseshoe Gaming Holding Corp., and is exclusively licensed to Horseshoe Gaming Holding Corp. and Horseshoe Club Operating Company. World Series of Poker® is a registered trademark of Horseshoe License Company and is exclusively licensed to Horseshoe Club Operating Company.

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

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

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

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

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

Governmental Regulation

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

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

Employee Relations

We have approximately 41,000 employees through our various subsidiaries. We consider our labor relations with employees to be good. Approximately 6,850 employees are covered by collective bargaining agreements with certain of our subsidiaries, relating to certain casino, hotel and restaurant employees at Harrah's Atlantic City, Harrah's Las Vegas, Rio, Harrah's East Chicago, Showboat Atlantic City and Harrah's New Orleans.

Available Information

Our Internet address is *www.harrahs.com*. We make available free of charge on or through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or SEC. We also make available through our website all filings of our executive officers and directors on Forms 3, 4 and 5 under Section 16 of the Exchange Act. These filings are also available on the SEC's website at *www.sec.gov*. Our website contains information about our corporate governance measures, including corporate governance guidelines and other materials adopted during 2003, under the "About Us" link on our home page. We will provide a copy of our corporate guidelines upon receipt of written request addressed to Harrah's Entertainment, Inc., Attn: Corporate Secretary, One Harrah's Court, Las Vegas, Nevada 89119. Reference in this document to our website address does not constitute incorporation by reference of the information contained on the website.

ITEM 2. Properties.

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

Summary of Property Information*

Property	Type of Casino	Casino Space—Sq. Ft.(a)	Slot Machines(a)	Table Games(a)	Hotel Rooms & Suites(a)
Las Vegas, Nevada					
Harrah's Las Vegas	Land-based	87,700	1,400	80	2,530
Rio	Land-based	107,000	1,200	80	2,550
Laughlin, Nevada					
Harrah's Laughlin	Land-based	47,000	1,200	40	1,560
Reno, Nevada					
Harrah's Reno	Land-based	57,000	1,230	45	930
Lake Tahoe, Nevada					
Harrah's Lake Tahoe	Land-based	58,000	1,300	70	530
Harveys Lake Tahoe	Land-based	63,300	1,100	70	740
Bill's Lake Tahoe	Land-based	18,000	520	20	—
Atlantic City, New Jersey					
Harrah's Atlantic City	Land-based	127,000	4,240	70	1,630
Showboat Atlantic City	Land-based	115,700	3,970	60	1,300
Chicago, Illinois area					

Harrah's Joliet (Illinois)	Dockside	39,000	1,200	20	200
Harrah's East Chicago (Indiana)	Dockside	54,000	1,900	65	290
Metropolis, Illinois					
Harrah's Metropolis	Dockside	29,800	1,200	20	120(b)
Council Bluffs, Iowa					
Harrah's Council Bluffs	Riverboat	28,000	1,240	30	250
Bluffs Run Casino(c)	Greyhound Racing Facility	40,000	1,500	—	—
Shreveport, Louisiana					
Harrah's Shreveport(d)	Dockside	28,400	1,220	30	510
Lake Charles, Louisiana					
Harrah's Lake Charles	Dockside	60,000	1,460	60	260
Tunica, Mississippi					
Harrah's Tunica	Dockside	35,000	1,180	20	200
St. Louis, Missouri					
Harrah's St. Louis	Dockside	120,000	2,600	60	290(e)
North Kansas City, Missouri					
Harrah's North Kansas City	Dockside	60,100	1,970	50	200
New Orleans, Louisiana					
Harrah's New Orleans	Land-based	100,000	2,220	120	—
Phoenix, Arizona					
Harrah's Ak-Chin(f)	Indian Reservation	48,000	775	20	150
Topeka, Kansas					
Harrah's Prairie Band(f)	Indian Reservation	33,000	950	30	100(g)
Cherokee, North Carolina					
Harrah's Cherokee(f)	Indian Reservation	80,000	3,320	30	250(h)
San Diego, California					
Harrah's Rincon(f)	Indian Reservation	58,000	1,600	40	190(i)
Bossier City, Louisiana					
Louisiana Downs(j)	Thoroughbred Racing Facility	15,000	900	—	—

* As of December 31, 2003.

(a) Approximate.

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

(c) 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.

(d) On January 20, 2004, the Company, through certain of its subsidiaries, entered into a definitive agreement whereby Boyd Gaming Corporation will acquire all of the outstanding limited and general partnership interests of Red River Entertainment of Shreveport Partnership in Commendam (the "Partnership"), which operates Harrah's Shreveport, subject to regulatory approval. The sale is expected to close during the first half of 2004.

(e) Construction of a second hotel tower with approximately 210 rooms is currently underway at Harrah's St. Louis and is expected to be complete in the third quarter of 2004.

(f) Managed.

(g) Construction is currently underway to expand Harrah's Prairie Band, which will include the addition of approximately 200 hotel rooms and is expected to be complete in late 2004.

(h) Construction of a hotel tower with approximately 320 rooms is currently underway at Harrah's Cherokee and is expected to be complete in the second quarter of 2005.

(i) Construction is currently underway to expand Harrah's Rincon, which will include a hotel tower with approximately 460 rooms and is expected to be complete by the end of 2004.

(j) A temporary casino facility opened at Louisiana Downs in the second quarter of 2003 and 900 slot machines were placed in service. Construction is currently underway on a new, permanent casino facility. The new facility will have approximately 1,400 slot machines and is expected to be complete during second quarter 2004.

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 prices per share of our common stock, as reported by the New York Stock Exchange, for the last two years:

	High	Low
2003		
First Quarter	$ 40.75	$ 30.30
Second Quarter	44.30	34.20
Third Quarter	44.10	38.65
Fourth Quarter	49.94	40.85
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

The approximate number of holders of record of our common stock as of March 1, 2004, was 8,690.

During 2003, the Company declared quarterly cash dividends of $0.30 per share, payable on August 27, 2003, to shareholders of record on August 13, 2003, and payable on November 26, 2003, to shareholders of record on November 12, 2003. The Company also declared a quarterly cash dividend of $0.30 per share, payable on February 25, 2004, to shareholders of record on February 11, 2004.

ITEM 6. Selected Financial Data.

The selected financial data set forth below for the five years ended December 31, 2003, should be read in conjunction with the consolidated financial statements and accompanying notes thereto.

(In millions, except common stock data and financial percentages and ratios)	2003(a)	2002(b)	2001(c)	2000(d)	1999(e)	Compound Growth Rate
OPERATING DATA						
Revenues	$ 4,322.7	$ 4,098.5	$ 3,648.5	$ 3,290.4	$ 2,853.6	10.9%
Income from operations	726.3	771.8	573.3	240.7	539.0	7.7%
Income/(loss) from continuing operations	292.0	323.2	207.2	(12.3)	207.2	9.0%
Net income/(loss)	292.6	235.0	209.0	(12.1)	208.5	8.8%
COMMON STOCK DATA						
Earnings/(loss) per share-diluted						
From continuing operations	2.64	2.85	1.79	(0.11)	1.61	13.2%
Net income/(loss)	2.65	2.07	1.81	(0.10)	1.62	13.1%
Cash dividends declared per share	0.60	–	–	–	–	N/M

FINANCIAL POSITION						
Total assets	6,578.8	6,350.0	6,128.6	5,166.1	4,766.8	8.4%
Long-term debt	3,671.9	3,763.1	3,719.4	2,835.8	2,540.3	9.6%
Stockholders' equity	1,738.4	1,471.0	1,374.1	1,269.7	1,486.3	4.0%
FINANCIAL PERCENTAGES AND RATIOS						
Return on revenues-continuing	6.8%	7.9%	5.7%	(0.4)%	7.3%	
Return on average invested capital(f)	7.6%	8.5%	7.2%	2.9 %	7.8%	
Return on average equity(f)	17.9%	22.2%	15.4%	(0.9)%	14.6%	
Ratio of earnings to fixed charges(f)	2.8	2.9	2.1	2.2	2.6	

N/M = Not Meaningful

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

(a) 2003 includes $11.1 million in pretax charges for write-downs, reserves and recoveries (see Note 8) and $19.1 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity.

(b) 2002 includes $5.0 million in pretax charges for write-downs, reserves and recoveries (see Note 8), a $6.1 million pretax charge for our exposure under a letter of credit issued on behalf of National Airlines, Inc., and a charge of $91.2 million, net of tax benefits of $2.8 million, related to a change in accounting principle (see Note 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. 2002 results have been reclassified to reflect Harrah's Vicksburg as discontinued operations.

(c) 2001 includes $22.5 million in pretax charges for write-downs, reserves and recoveries (see Note 8) and $26.2 million of pretax income from dispositions of nonstrategic assets and the settlement of a contingency related to a former affiliate. 2001 also includes the financial results of Harveys Casino Resorts from its July 31, 2001, date of acquisition. 2001 results have been reclassified to reflect Harrah's Vicksburg as discontinued operations.

(d) 2000 includes $220.0 million in pretax reserves for receivables not expected to be recovered from JCC Holding Company and its subsidiary, Jazz Casino Company LLC, $6.1 million in pretax charges for other write-downs, reserves and recoveries and $39.4 million in pretax write-offs and reserves for our investment in, loans to and net estimated exposure under letters of credit issued

on behalf of National Airlines, Inc. 2000 also includes the financial results of Players International, Inc., from its March 22, 2000, date of acquisition. 2000 results have been reclassified to reflect Harrah's Vicksburg as discontinued operations.

(e) 1999 includes $2.2 million in pretax charges for write-downs, reserves and recoveries, $59.8 million of pretax gains from sales of our equity interests in nonconsolidated affiliates and $17.0 million in pretax losses on debt retired before maturity. 1999 results have been reclassified to reflect Harrah's Vicksburg as discontinued operations.

(f) Ratio computed based on Income/(loss) from continuing operations.

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

Harrah's Entertainment, Inc., a Delaware corporation, was incorporated on November 2, 1989, and prior to such date operated under predecessor companies. As of December 31, 2003, we operate 25 casinos in 12 states under the Harrah's, Rio, Showboat and Harveys brand names. Our casinos include land-based casinos and casino hotels, dockside casinos, a greyhound racetrack, a thoroughbred racetrack and managed casinos on Indian lands.

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

OVERALL OPERATING RESULTS

In 2003, our revenues increased for the sixth consecutive year, but income from operations declined 5.9% from 2002. Higher gaming taxes, significant supply additions and a sluggish economy made for a difficult operating environment. Organic growth, growth through investment and growth through new business development remain priorities of our Company, and costs associated with initiatives to position the Company for another period of sustained growth contributed to the decline in income from continuing operations in 2003 versus the prior year.

				Percentage Increase/(Decrease)	
(In millions, except earnings per share)	**2003**	**2002**	**2001**	**03 vs 02**	**02 vs 01**
Casino revenues	$ 3,853.2	$ 3,650.1	$ 3,175.5	5.6 %	14.9%
Total revenues	4,322.7	4,098.5	3,648.5	5.5 %	12.3%
Income from operations	726.3	771.8	573.3	(5.9)%	34.6%
Income from continuing operations	292.0	323.2	207.2	(9.7)%	56.0%
Net income	292.6	235.0	209.0	24.5 %	12.4%
Earnings per share—diluted					
From continuing operations	2.64	2.85	1.79	(7.4)%	59.2%
Net income	2.65	2.07	1.81	28.0 %	14.4%
Operating margin	16.8%	18.8%	15.7%	(2.0)pts	3.1pts

Total revenues grew 5.5% in 2003, primarily as a result of a full year of consolidation of Jazz Casino Company LLC ("JCC") into our financial results compared to the partial year in 2002 following our acquisition of a controlling interest in that property, our acquisition of Louisiana Downs, Inc. ("Louisiana Downs") in December 2002 and the subsequent introduction of slot machines at that property in mid-2003, and the contributions received from recent targeted capital investments.

In 2003, our income from operations decreased 5.9% due primarily to increased gaming taxes in several states and increased development costs. Net income increased 24.5% and diluted earnings per share increased 28.0% over our 2002 results, due to a $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").

Certain events that affected our 2003 results, or that may affect future 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.

- In December 2002, we acquired a controlling interest in Louisiana Downs, Inc., a thoroughbred racetrack in Bossier City, Louisiana. In May 2003, 900 slot machines were placed in service, and we expect to open a new, permanent facility with approximately 1,400 slot machines during second quarter 2004.
- Gaming tax rate changes in several states had a negative effect on income from operations and on our ability to market profitably to some customers of our casinos in those states.
- Our customer loyalty program, Total Rewards, was enhanced in 2003 to give our customers greater flexibility and control over redemption of their accumulated rewards.
- We entered into an agreement for a new credit facility to provide up to $1.9625 billion in borrowings, which replaced the $1.857 billion credit and letter of credit facilities. We also issued $500 million in 10-year, unsecured senior notes at $5^{3}/_{8}$%.
- We retired $159.5 million of our $7^{7}/_{8}$% Senior Subordinated Notes. Charges of $19.1 million for premiums paid and the write-off of unamortized deferred financing costs related to the $7^{7}/_{8}$% Notes and the retired credit facilities were charged to income from continuing operations.
- We announced an agreement to acquire Horseshoe Gaming Holding Corporation ("Horseshoe Gaming"). The acquisition is subject to regulatory approvals and is expected to close in the first half of 2004.
- In third and fourth quarters of 2003, the Company declared cash dividends of 30 cents per share.
- A charge of $6.3 million was taken in fourth quarter 2003 to write off the remaining goodwill for Harrah's Reno as a result of our annual analysis for impairment of our nonamortizing intangible assets.

STRATEGIC ACQUISITIONS

As part of our growth strategy and to further enhance our geographic distribution, strengthen our access to valued customers and leverage our technological and centralized services infrastructure, in the past six years we have acquired four casino companies, the remaining interest in the New Orleans casino and a thoroughbred racetrack. 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
(Dollars in millions)					
Showboat, Inc.	June 1998	$ 1,045	$ 322	4(b)	Atlantic City, New Jersey East Chicago, Indiana
Rio Hotel & Casino Inc.	January 1999	987	93(c)	1	Las Vegas, Nevada
Players International, Inc.	March 2000	439	204	3	Lake Charles, Louisiana Metropolis, Illinois St. Louis, Missouri
Harveys Casino Resorts	July 2001	712	265	4	Central City, Colorado(d) Council Bluffs, Iowa (2 properties) Lake Tahoe, Nevada
JCC Holding Company(e)	June 2002 December 2002	149	–	1	New Orleans, Louisiana
Louisiana Downs, Inc.	December 2002	94	36	1(f)	Bossier City, Louisiana

(a)

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

(b) Interests in two casinos that were included in the acquisition were subsequently sold.

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

(d) This property was sold in 2003.

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

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

Harveys Casino Resorts

On July 31, 2001, we completed our acquisition of Harveys Casino Resorts ("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 second quarter 2003, we sold Harveys Wagon Wheel Hotel/Casino in Central City, Colorado, which we had concluded was a nonstrategic asset for us. A loss of $0.7 million, net of tax, was recorded on this sale. The Colorado property has been presented in our financial statements as discontinued

operations since 2002, and our 2001 results were 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 $2.4 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.

Louisiana Downs

On December 20, 2002, we acquired a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana. The agreement gave Harrah's a 95% ownership interest in a company that now owns both Louisiana Downs and Harrah's Shreveport. In May 2003, approximately 900 slot machines were put into service and Louisiana Downs became the only land-based gaming facility in northern Louisiana. We expect to open a new, permanent facility with approximately 1,400 slot machines by second quarter 2004.

We paid approximately $94.0 million, including $29.3 million in short-term notes that were paid in full in January 2003 and $15.0 million in equity interest in Harrah's Shreveport, for the interest in Louisiana Downs and approximately $0.5 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.

Subsequent to the end of 2003, we reached an agreement with the minority owners of the company that owns Louisiana Downs and Harrah's Shreveport to purchase their ownership interest in that company. The agreement is subject to customary approvals and is expected to be consummated by the end of first quarter 2004. Any excess of the cost to purchase the minority ownership above the capital balances will be assigned to goodwill.

Harrah's East Chicago—Buyout of Minority Partners

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

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

Horseshoe Gaming

On September 11, 2003, we announced that we had signed a definitive agreement to acquire Horseshoe Gaming for $1.45 billion, including assumption of debt. A $75 million escrow payment was made in 2003, and under certain circumstances, this amount would be forfeited if the acquisition does

not close. We expect to finance the acquisition through working capital, existing credit facilities and/or, depending on market conditions, the issuance of new debt. The purchase includes casinos in Hammond, Indiana; Tunica, Mississippi; and Bossier City, Louisiana. We also announced our intention to sell our Harrah's brand casino in Shreveport to avoid overexposure in that market, and in January 2004, we announced that we have an agreement, subject to regulatory approvals, to sell that property to another gaming company. After consideration of the sale of Harrah's Shreveport, the Horseshoe acquisition will add a net 107,100 square feet of casino space, more than 4,360 slot machines and 138 table games to our existing portfolio. This acquisition will give Harrah's rights to the Horseshoe brand in all of the United States, except in Nevada. The acquisition, which is subject to regulatory approvals, is expected to close in the first half of 2004.

Binion's Horseshoe Hotel and Casino

Pursuant to two separate transactions that we announced in January and February 2004, we will acquire certain intellectual property assets from Horseshoe Club Operating Company, to secure the rights to the Horseshoe brand in Nevada and to the World Series of Poker brand and tournament, while MTR Gaming Group, Inc. will acquire the remaining assets of the Binion's Horseshoe Hotel and Casino in Las Vegas, Nevada, including the right to use the name "Binion's" at the property, from Horseshoe Club Operating Company. We will operate the hotel and casino jointly with MTR Gaming on an interim basis. We expect to complete each of these transactions during the first quarter of 2004.

REGIONAL RESULTS AND DEVELOPMENT PLANS

The executive decision makers of our Company review operating results, assess performance and make decisions related to the allocation of resources on a property-by-property basis. We, therefore, believe that each property is an operating segment and that it is appropriate to aggregate and present the operations of our Company as one reportable segment. In order to provide more detail in a more understandable manner than would be possible on a consolidated basis, our properties have been grouped as follows to facilitate discussion of our operating results:

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

West Results

				Percentage Increase/(Decrease)	
(In millions)	2003	2002	2001	03 vs 02	02 vs 01
Casino revenues	$ 904.7	$ 847.7	$ 766.7	6.7%	10.6%
Total revenues	1,346.7	1,265.5	1,184.2	6.4%	6.9%
Income from operations	220.8	193.9	116.5	13.9%	66.4%
Operating margin	16.4%	15.3%	9.8%	1.1pts	5.5pts

Southern Nevada

Strong cross-market and retail play, effective marketing and air charter programs and effective cost control measures drove record revenues and income from operations in Southern Nevada in 2003. We define cross-market play as gaming by customers at Harrah's properties other than their "home" casino, and retail play is defined as Total Rewards customers who typically spend up to $50 per visit. Revenues at Harrah's Las Vegas were 7.3% higher than in 2002, and income from operations was up 23.8%. Rio's revenues increased 12.2% in 2003, and income from operations was 30.3% over last year. Revenues and income from operations were up 4.0% and 11.5%, respectively, at Harrah's Laughlin.

2002 revenues were 1.3% higher than 2001 revenues 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. 2002 income from operations in Southern Nevada increased 94.9% 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 in 2002 at Harrah's Las Vegas and Laughlin where income from operations grew 10.9% and 7.5%, respectively from 2001.

Northern Nevada

Northern Nevada revenues rose 1.4% in 2003, but income from operations was down 9.3%. Our Northern Nevada properties faced the challenge of increased competition from Indian casinos in California and weak retail and unrated play (play by customers without a Total Rewards card). Increased utilization of air charter programs and targeted marketing programs helped maintain revenues, but the costs of these programs resulted in some margin erosion. With the expectation of continued expansion of Indian gaming in California, we believe that achieving growth at our Northern Nevada properties, particularly in Reno, will be a challenge. Our Lake Tahoe properties will be less affected due to the unique destination qualities of that market and successful execution of our cross-marketing strategy.

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

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. Income from operations was 26.3% 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.

East Results

(In millions)	2003	2002	2001	Percentage Increase/(Decrease) 03 vs 02	02 vs 01
Casino revenues	$ 817.1	$ 808.7	$ 751.0	1.0 %	7.7%
Total revenues	781.3	777.6	724.0	0.5 %	7.4%
Income from operations	217.3	216.9	182.7	0.2 %	18.7%
Operating margin	27.8%	27.9%	25.2%	(0.1)pt	2.7pts

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

Revenues at Harrah's Atlantic City increased for the sixth consecutive year in 2002, and its income from operations, which increased for the fourth consecutive year, was 16.0% higher than in 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 by 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.

Revenues at Showboat Atlantic City increased in 2002 and its income from operations was 24.1% higher than in 2001. Property enhancements and more cost-effective marketing drove the improved results at this property. This property, which is more reliant on customers who travel to Atlantic City by bus, was impacted by the September 11, 2001, terrorist attacks and construction disruptions related to reconfiguration of the casino floor. A 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.

North Central Results

(In millions)	2003	2002	2001	Percentage Increase/(Decrease) 03 vs 02	02 vs 01
Casino revenues	$ 1,397.5	$ 1,431.2	$ 1,243.7	(2.4)%	15.1 %
Total revenues	1,361.3	1,410.4	1,249.4	(3.5)%	12.9 %
Income from operations	224.1	307.0	278.9	(27.0)%	10.1 %
Operating margin	16.5%	21.8%	22.3%	(5.3)pts	(0.5)pts

Higher gaming taxes and competitive pressures in 2003 led to declines in revenues and income from operations at our North Central properties.

The revenue and income from operations increases reported by the North Central properties for 2002 versus 2001 were due to inclusion of a full year of operations of the Harveys properties, which were acquired July 31, 2001. The year-over-year growth was also enhanced by capital investments that generated strong customer demand and higher cash flow.

Chicagoland/Illinois

Combined 2003 revenues and income from operations at our Chicagoland/Illinois properties were 4.5% and 34.4%, respectively, below 2002. Higher gaming and admission taxes, heightened competition and winter storms during the first quarter of 2003 were responsible for the declines. During second quarter 2003, legislation was passed in Indiana that increased the effective tax rate and retroactively revised the methodology by which state gaming taxes are to be computed for those properties that converted from cruising to dockside operations. This revision resulted in a $5.1 million charge for additional taxes for the period ended June 30, 2003. New tax legislation in Illinois in 2003 raised the maximum gaming tax rate to 70% and impacted our income from operations by $16.2 million in 2003. In order to sustain profitability under the higher tax scheme, operational changes were implemented at Joliet in the third quarter, and revenues declined as a result of these changes. Revenue declines at Joliet were partially offset by higher revenues from our East Chicago property, which benefited from a full year of

dockside operations. A $27 million renovation project designed to enhance the amenities and update the look of Harrah's East Chicago is scheduled for completion in first quarter 2004. At December 31, 2003, $4.0 million had been spent on this project.

2002 combined revenues at our Chicagoland/Illinois properties were 7.3% higher than in 2001 and income from operations was up 9.2%. 2001 income from operations was negatively impacted by accelerated depreciation on riverboats that were removed from service at Harrah's Joliet in late September 2001, when the property was converted from riverboats to barges. 2002 income from operations was negatively impacted by approximately $27.5 million of additional gaming taxes in Illinois and Indiana due to state legislations effective July 1, 2002. The Illinois legislation raised the maximum graduated gaming tax rate from 35% to 50%, and in Indiana the base gaming tax rate increased from 20% to 22.5%. The Indiana legislation also included provisions that allowed casinos to convert from cruising to dockside operations. If a casino elected to become a dockside operation, the gaming tax rate structure changed to a graduated scale with a maximum tax rate of 35%, mitigated to some extent by a change in the method for computing admission taxes. We converted our Harrah's East Chicago operation from cruising to dockside during third quarter 2002. In first quarter 2002, we completed the opening of a $47 million hotel at Harrah's East Chicago. The first 10 floors of the 15-floor hotel opened in late December 2001.

Missouri

Combined revenues for our Missouri properties declined 4.1% from 2002 and income from operations was down 20.9% due primarily to heightened competition in both the St. Louis and North Kansas City markets. Fourth quarter 2003 results for Harrah's St. Louis were strong, and we are optimistic that this property will continue to rebound from the increased competition in that market. In the Kansas City market, a competitor opened its expanded facility in third quarter 2003 and another competitor opened its new barge facility in fourth quarter 2003.

Construction is underway on a $80 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. A new restaurant and nightclub are scheduled to open at the end of first quarter 2004 and the hotel tower and remaining amenities are due to open in third quarter 2004. As of December 31, 2003, $29.5 million had been spent on this project.

2002 combined revenues for our Missouri properties were 4.3% below 2001 revenues, and income from operations was 3.7% below 2001 due to increased competition and intense promotional activity in the St. Louis market.

Iowa

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

On a combined basis, our two Iowa properties contributed $236.7 million in revenues and $35.8 million in income from operations to our 2002 results compared to $103.6 million in revenues and $17.6 million in income from operations for the five months that we owned these properties 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 racetracks operating in the state, including our Bluffs Run Casino. Casinos at racetracks are taxed at a higher rate (34% in 2003) than the casinos on riverboats operating in Iowa (20%). The Court ruled this disparity was unconstitutional. The State appealed the Iowa Supreme Court's decision to the United States Supreme Court and in June 2003, the United States Supreme Court overturned the ruling by the Iowa Supreme Court on U.S. constitutional grounds; however, in February 2004, the Iowa Supreme Court ruled that the state law that permits the disparity violates the Iowa Constitution. We 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 continued to accrue gaming taxes at the higher rate and have accrued approximately $24.9 million in state gaming taxes that we may not have to pay. 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 attributed to the Bluffs Run property.

South Central Results

				Percentage Increase/(Decrease)	
(In millions)	**2003**	**2002**	**2001**	**03 vs 02**	**02 vs 01**
Casino revenues	$ 733.6	$ 562.1	$ 413.6	30.5 %	35.9%
Total revenues	742.8	569.3	416.9	30.5 %	36.6%
Income from operations	105.3	88.9	60.0	18.4 %	48.2%
Operating margin	14.2%	15.6%	14.4%	(1.4)pts	1.2pts

A full year of consolidation of New Orleans' results subsequent to the acquisition of a controlling interest in that property in early June 2002 and results from Louisiana Downs, which was acquired in December 2002, drove combined 2003 revenues at our South Central properties up 30.5% and combined income from operations up 18.4%. Harrah's New Orleans contributed $285.4 million in revenues and $46.8 million in income from operations in 2003 compared to $154.5 million in revenues and $16.0 million in income from operations subsequent to its consolidation in 2002. The opening of an expanded buffet and new steakhouse at Harrah's New Orleans in 2003 attracted new business to that property. Prior to our acquisition of a controlling interest in that property, we had limited ability to invest in amenities, and we are now actively pursuing such opportunities. We are currently in the design stage for a new hotel project for this property.

On December 20, 2002, we completed our acquisition of a controlling interest in Louisiana Downs, a thoroughbred racetrack in Bossier City, Louisiana, and in May 2003, 900 slot machines were placed in service there. Construction is scheduled for completion in second quarter 2004 on Phase II of the expansion of

Louisiana Downs, which will include a new, permanent facility with approximately 1,400 slot machines. Our renovation and expansion of Louisiana Downs is expected to cost approximately $110 million, $56.8 million of which had been spent as of December 31, 2003. Louisiana Downs contributed $56.9 million in revenues in 2003, but preopening costs related to the introduction of slot machines at the facility drove a loss from operations of $1.4 million.

The increases in combined results for our South Central properties in 2002 over 2001 were also due to the consolidation of New Orleans' results subsequent to the acquisition of a controlling interest in that property in early June 2002. Our growth was also enhanced by capital investments that generated strong customer demand and higher cash flow at Harrah's Shreveport.

The Lake Charles property continues to contend with 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 and additional Indian casino offerings. Approximately $55.4 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.

Due to our intention to sell Harrah's Shreveport, we have classified that property in Assets held for sale on our Consolidated Balance Sheets and have ceased depreciating its assets. Since the Horseshoe Gaming acquisition will give us a continued presence in the Shreveport-Bossier City market, Harrah's Shreveport's operating results have not been classified as discontinued operations. We do not anticipate a material gain or loss on this sale.

On June 30, 2003, we announced an agreement to sell Harrah's Vicksburg and that sale was completed on October 27, 2003. 2003 results for Harrah's Vicksburg are presented as Discontinued operations and results for 2002 and 2001 have been reclassified to conform to the 2003 presentation. A loss of $0.5 million, net of tax, resulted from this sale.

Managed Casinos and Other

(In millions)	2003	2002	2001	Percentage Increase/(Decrease) 03 vs 02	02 vs 01
Revenues	$ 90.6	$ 75.7	$ 73.9	19.7 %	2.4%
Income from operations	11.4	21.6	(12.1)	(47.2)%	N/M

N/M = Not meaningful

With the acquisition of the remaining interest in the New Orleans casino in 2002, our managed casinos now consist of four tribal casinos. The table below gives the location and expiration date of the current management contracts for our Indian properties as of December 31, 2003.

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	November 2010
Harrah's Prairie Band	near Topeka, Kansas	January 2008

Revenues from our managed properties were higher in 2003 than in the previous year due to a full year of management fees from Harrah's Rincon Casino and Resort, owned by the Rincon San Luiseno

Band of Mission Indians ("Rincon") in Southern California, which opened in August 2002. The increased fees from Rincon were partially offset by changes in fee structures provided by extended management agreements and by the elimination of management fees from Harrah's New Orleans subsequent to its consolidation with our financial results in June 2002.

2002 revenues from our managed properties were higher than 2001 revenues due to fees from Rincon subsequent to its August 2002 opening 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.

In 2003, we extended our contract to manage the tribal casino at Rincon, and we have also executed an extension for management of the Cherokee property until November 2011, which is pending approval by the National Indian Gaming Commission. New contracts may provide for reductions in management fees; however, expansions at the properties are expected to increase the fee base and keep the overall income stream stable.

A $165 million expansion of the Harrah's Rincon property began in December 2003. The expansion will add a 21-story, 485-room hotel tower, a spa, a new hotel lobby, additional meeting space, additional casino space and a 1,200-space parking structure. The expansion is scheduled to be completed by the end of 2004.

Construction is underway 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 scheduled for completion in late 2004.

Construction began in January 2004 on a $60 million expansion of Harrah's Cherokee Smoky Mountains Casino in Cherokee, North Carolina, that will add a 15-story, 324-room hotel tower, which is scheduled for completion in second quarter 2005. A 252-room hotel and 30,000 square foot conference center opened at that property in second quarter 2002, and in fourth quarter 2002, an expansion project was completed that added approximately 22,000 square feet of casino space.

An expansion to the Harrah's Ak-Chin casino opened in first quarter 2001 and included 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.

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 expenses, brand marketing costs, income from nonconsolidating subsidiaries and other costs that are directly related to our casino operations and development but are not property specific.

Other Factors Affecting Net Income

(Income)/Expense	2003	2002	2001	Percentage Increase/(Decrease) 03 vs 02	Percentage Increase/(Decrease) 02 vs 01
(In millions)					
Development costs	$ 19.6	$ 9.5	$ 6.4	N/M	48.4 %
Write-downs, reserves and recoveries	11.1	5.0	22.5	N/M	(77.8)%
Project opening costs	7.9	1.8	13.1	N/M	(86.3)%
Corporate expense	52.6	56.6	52.7	(7.1)%	7.4 %
Amortization of intangible assets	4.8	4.5	25.0	6.7 %	(82.0)%
Interest expense, net	234.4	240.2	255.8	(2.4)%	(6.1)%
Losses on early extinguishments of debt	19.1	–	–	N/M	–
Other income	(2.9)	(2.1)	(28.2)	38.1 %	(92.6)%
Effective tax rate	36.2 %	36.8 %	36.4 %	(0.6)pts	0.4 pts
Minority interests	$ 11.6	$ 14.0	$ 12.6	(17.1)%	11.1 %
Discontinued operations, net of income taxes	(0.7)	(3.0)	(1.7)	N/M	N/M
Change in accounting principle, net of income taxes	–	91.2	–	N/M	N/M

N/M = Not meaningful

Development costs were higher in 2003 due to increased development activities in many jurisdictions considering casinos or casino-like businesses. In 2003, we signed a letter of intent, subject to definitive documents, to form a 50/50 joint venture with Gala Group, a United Kingdom ("UK") based gaming operator, to develop regional casinos in the UK. The arrangement also permits us to develop UK destination resorts outside of the joint venture. As part of this effort, we formed a joint venture with Gala Group for the purpose of placing options on land in the UK. Development in the UK is dependent on passage of proposed legislative reform of the UK gaming laws and regulations. LuckyMe, our new internet gaming operation based in the UK, began operations in first quarter 2004.

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 were as follows:

(In millions)	2003	2002	2001
Impairment of goodwill	$ 6.3	$ –	$ –
Impairment of long-lived assets	2.5	1.5	8.2
Write-off of abandoned assets and other costs	3.2	6.9	8.5
Settlement of sales tax contingency	(0.9)	(6.5)	–
Charge for structural repairs at Reno	–	5.0	–
Termination of contracts	–	0.2	4.1
Recoveries from previously impaired assets and reserved amounts	–	(2.1)	(0.6)
Reserves for New Orleans casino	–	–	2.3
	$ 11.1	$ 5.0	$ 22.5

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 decreased 7.1% in 2003 from 2002, primarily due to lower incentive compensation plan expenses.

Amortization of intangible assets in 2003 was basically flat compared to 2002 and both years are considerably lower than in 2001 due to the implementation of Statement of Financial Accounting

Standards ("SFAS") No. 142 in first quarter 2002, whereby we ceased amortization of goodwill and intangible assets with indefinite lives. Certain other intangible assets with defined lives related to acquisitions are being amortized. (See Notes 2 and 3 to our Consolidated Financial Statements.)

The Company's average debt balance was slightly higher in 2003 than in 2002; however, interest expense was lower due to lower interest rates throughout 2003 on variable rate debt. Our average debt balance was also higher in 2002 than in 2001 due to acquisitions and our stock repurchase program, but interest expense decreased in 2002 from 2001 due to lower rates on variable rate debt. The average interest rate on our variable-rate debt, excluding the impact of our swap agreements, was 2.3% at December 31, 2003 and 2002, compared to 4.0% at December 31, 2001. A change in interest rates will impact our financial results. Assuming a constant outstanding balance for our variable-rate debt for the next twelve months, a hypothetical 1% change in corresponding interest rates would change interest expense for the next twelve months by approximately $11.1 million. Our variable rate debt, including fixed-rate debt for which we have entered into interest rate swap agreements, represents approximately 33% of our total debt, while our fixed-rate debt is approximately 67% of our total debt. (For discussion of our interest rate swap agreements, see Debt and Liquidity, Interest Rate Swap Agreements.)

Losses on the early extinguishments of debt represent premiums paid and write-offs of unamortized deferred financing costs associated with debt retired before maturity. In compliance with SFAS No. 145 (See Note 6 to our Consolidated Financial Statements) these losses on early extinguishments of debt no longer qualify for presentation as extraordinary items. (See Debt and Liquidity—Extinguishments of Debt.)

2003 Other income includes interest income on the cash surrender value of life insurance policies and settlement of a litigation claim, partially offset by benefits from a life insurance policy. 2002 Other income included interest income on the cash surrender value of life insurance policies, net proceeds from litigation settlements and other miscellaneous items. In 2001, Other income included a gain on the settlement of 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.

The effective tax rate for 2003, as well as for 2002 and 2001, is higher than the federal statutory rate primarily due to state income taxes. The effective tax rate in 2001 was 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 enacted in that year.

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, and Harrah's Vicksburg, both of which were sold in 2003. 2002 and 2001 results for these two properties have been reclassified to conform to the 2003 presentation.

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 2003, 2002 and 2001 were all years of significant capital reinvestment.

In addition to the specific development and expansion projects discussed in Regional Results and Development Plans, we perform on-going refurbishment and maintenance at our casino entertainment facilities to maintain our quality standards. We also continue to pursue development and acquisition

opportunities for additional casino entertainment facilities that meet our strategic and return on investment criteria. Prior to the receipt of necessary regulatory approvals, the costs of pursuing development projects are expensed as incurred. Construction-related costs incurred after the receipt of necessary approvals are capitalized and depreciated over the estimated useful life of the resulting asset. Project opening costs are expensed as incurred.

Our capital spending for 2003 totaled approximately $427.0 million. 2002 capital spending was approximately $376.0 million, excluding the costs of our acquisitions of Louisiana Downs and the remaining interest in JCC, and 2001 capital spending was $550.5 million, excluding the costs of our acquisition of Harveys. Estimated total capital expenditures for 2004 are expected to be between $500 million and $550 million and do not include estimated expenditures for announced acquisitions or 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, established debt programs (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. These cash flows reflect the impact on our consolidated operations of the success of our marketing programs, our strategic acquisitions, on-going cost containment focus and favorable variable interest rates. For 2003, we reported cash flows from operating activities of $737.2 million, a 0.7% increase over the $732.4 million reported in 2002. The 2002 amount reflected a 6.9% decrease over the 2001 level.

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

Our cash and cash equivalents totaled approximately $409.9 million at December 31, 2003, compared to $396.4 million at December 31, 2002. The following provides a summary of our cash flows for the years ended December 31.

(In millions)	2003	2002	2001
Cash provided by operating activities	$ 737.2	$ 732.4	$ 786.6
Capital investments	(403.5)	(369.4)	(500.3)
Payments for business acquisitions	(75.0)	(162.4)	(251.9)
Minority interest buyout	(29.1)	–	(8.5)
Investments in affiliates	(4.3)	(0.1)	(5.7)
Proceeds from asset/investment sales	5.3	34.7	30.8
Other investing activities	(14.9)	(7.2)	(12.9)
Free cash flow	215.7	228.0	38.1
Cash (used in)/provided by financing activities	(248.0)	(173.3)	79.4
Cash provided by/(used for) assets held for sale	45.9	4.7	(62.0)
Net increase in cash and cash equivalents	$ 13.6	$ 59.4	$ 55.5

We believe that our 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 and, to fund additional acquisitions, including our announced Horseshoe Gaming acquisition, or investments. In addition, we may consider issuing additional debt or equity securities in the future to fund potential acquisitions or growth or to refinance existing debt. We continue to review additional opportunities to acquire or invest in companies, properties and other investments that meet our strategic and return on investment criteria. If a material acquisition or investment is completed, our operating results and financial condition could change significantly in future periods.

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

Credit Agreement

On April 29, 2003, we entered into an agreement for new credit facilities (the "Credit Agreement") for up to $1.9625 billion in borrowings. This Credit Agreement replaced the $1.857 billion credit and letter of credit facilities that were scheduled to mature in April 2003 ($332 million) and April 2004 ($1.525 billion). The Credit Agreement matures on April 23, 2008, and consists of a five-year revolving credit facility for up to $1.0625 billion and a five-year term reducing facility for up to $900 million. The Credit Agreement contains a provision that would allow an increase in the borrowing capacity to $2 billion, if mutually acceptable to us and our lenders. Interest on the Credit Agreement is based on our debt ratings and leverage ratio and is subject to change. As of December 31, 2003, the Credit Agreement bore interest based upon 105 points over LIBOR and bore a facility fee for borrowed and unborrowed amounts of 25 basis points. At our option, we may borrow at the prime rate under the new Credit Agreement. As of December 31, 2003, $947.8 million in borrowings were outstanding under the Credit Agreement with an additional $66.5 million committed to back letters of credit. After consideration of these borrowings, but before consideration of amounts borrowed under the commercial paper program, $948.2 million of additional borrowing capacity was available to the Company as of December 31, 2003.

Interest Rate Swap Agreements

To manage the mix of our debt between fixed and variable rate instruments, we entered into interest rate swap agreements to modify the interest characteristics of our outstanding debt without an exchange of the underlying principal amount. The differences to be paid or received under the terms of our interest rate swap agreements are accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of our interest rate swap agreements will have a corresponding effect on our future cash flows.

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

As of December 31, 2003, we were a party to two interest rate swaps for a total notional amount of $200 million. These swaps were effective December 29, 2003, and will expire December 15, 2005. Subsequent to the end of 2003, we entered into two additional swap agreements for a total notional amount of $300 million, $200 million of which will expire in June 2007, and $100 million of which will expire in December 2005. The following table summarizes the terms of our swap agreements.

Swap Effective Date	Notional Amount	Fixed Rate Received	Variable Rate Paid	Next Reset Date	Swap Expiration Date
	(in millions)				
Dec. 29, 2003	$ 50	7.875%	6.968%	June 15. 2004	Dec. 15, 2005
Dec. 29, 2003	150	7.875%	6.972%	June 15, 2004	Dec. 15, 2005
Jan. 30, 2004	200	7.125%	5.399%	June 1, 2004	June 1, 2007
Feb. 2, 2004	100	7.875%	6.975%	June 15, 2004	Dec. 15, 2005

Commercial Paper

To provide the Company with cost-effective borrowing flexibility, we have a $200 million commercial paper program that is used to borrow funds for general corporate purposes. Although the debt instruments are short-term in tenor, they are classified as long-term debt because the commercial paper is backed by our Credit Agreement, and we have committed to keep available capacity under our Credit Agreement in an amount equal to or greater than amounts borrowed under this program. At December 31, 2003, $50 million was outstanding under this program.

Issuance of New Debt

In addition to our Credit Agreement, we have issued debt and entered into credit agreements to provide the Company with cost-effective borrowing flexibility and to replace short-term. The table below summarizes the face value of debt obligations entered into during the last three years and outstanding at December 31, 2003.

Debt	Issued	Matures	Face Value Outstanding at December 31, 2003
			(In millions)
Commercial Paper	2003	2004	$ 50.0
5.375% Senior Notes	December 2003	2013	500.0
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 Credit Agreement, were used to retire certain of our outstanding debt, in particular those debt obligations assumed in our acquisition transactions, to reduce our effective interest rate and/or lengthen maturities. The following table summarizes the debt obligations, in addition to our previous credit and letter of credit facilities, that we have retired over the last three years.

Issuer	Date Retired	Debt Extinguished	Face Value Retired
			(In millions)
Harrah's Operating Company	December 2003	Senior Subordinated Notes due 2005	$ 147.1
Harrah's Operating Company	August 2003	Senior Subordinated Notes due 2005	12.4
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

In July 2003, our Board of Directors authorized the Company to retire, from time to time through cash purchases, portions of our outstanding debt in open market purchases, privately negotiated transactions or otherwise. These repurchases will be funded through available cash from operations, borrowings from our Credit Agreement and our new Senior Notes. Such repurchases will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. As of December 31, 2003, $159.5 million of our $7^7/_8$% Senior Subordinated Notes had been retired under this authorization.

Charges of $19.1 million representing premiums paid and write-offs of unamortized deferred financing costs associated with the early retirement of portions of our $7^7/_8$% Senior Subordinated Notes and of our previous credit and letter of credit facilities were recorded in 2003. In compliance with SFAS No. 145, these losses no longer qualify for presentation as extraordinary items and are, therefore, included in income from continuing operations on our Consolidated Statements of Income.

Equity Repurchase Programs

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

Plan Authorized	Number of Shares Authorized	Number of Shares Purchased as of December 31, 2003	Average Price Per Share
July 2001	6.0 million	6.0 million	$ 37.15
July 2002	2.0 million	1.4 million	39.24
November 2002	3.0 million	0.5 million	35.87

The November 2002 authorization was to expire December 31, 2003, but it has been extended until December 31, 2004. 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, 2003.

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
(In millions)					
Debt	$ 3,672.8	$ 1.3	$ 1,273.9	$ 821.6	$ 1,576.0
Capital lease obligations	0.7	0.3	0.4	–	–
Operating lease obligations	628.4	43.0	103.9	58.7	422.8
Purchase orders obligations	45.0	45.0	–	–	–
Guaranteed payments to State of Louisiana	134.8	60.0	74.8	–	–
Community reinvestment	94.3	4.3	12.3	8.4	69.3
Construction commitments	81.5	81.5	–	–	–
Other contractual obligations	43.1	30.9	8.9	1.5	1.8
	$ 4,700.6	$ 266.3	$ 1,474.2	$ 890.2	$ 2,069.9

Other Commitments	Amount of Commitment Expiration Per Period				
	Total amounts committed	Less than 1 year	1-3 years	4-5 years	Over 5 years
(In millions)					
Guarantees of loans	$ 152.9	$ 30.9	$ 103.3	$ 18.7	$ –
Letters of credit	66.5	66.5	–	–	–
Minimum payments to tribes	26.7	13.4	5.4	2.4	5.5

The agreements pursuant to which we manage casinos on Indian lands contain provisions required by law that provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled repayments of borrowings for development costs and over the management fee earned and paid to the manager. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. Subject to certain limitations as to time, such advances, if any, would be repaid to us in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. Our aggregate monthly commitment for the minimum guaranteed payments pursuant to the contracts for the four managed Indian-owned facilities now open, which extend for periods of up to 83 months from December 31, 2003, 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, 2003, was $112.9 million. Some of our guarantees of the debt for casinos on Indian lands were modified during 2003, triggering the requirements under Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," to recognize a liability for the estimated fair value of those guarantees.

Liabilities, representing the fair value of our guarantees, and corresponding assets, representing the portion of our management fee receivable attributable to our agreements to provide the related guarantees, were recorded and are being amortized over the lives of the related agreements. We estimate the fair value of the obligation by considering what premium would have been required by us or by an unrelated party. The amounts recognized represent the present value of the premium in interest rates and fees that would have been charged to the tribes if we had not provided the guarantees. The unamortized balance of the liability for the guarantees and of the related assets at December 31, 2003, was $7.0 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, North Central Results, Iowa), we cannot estimate the amount of this contingency.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

Competitive Pressures

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

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

another of the parishes where the use of slot machines has been authorized and is located near our Shreveport property. In Orleans Parish, where Harrah's New Orleans is located, voters approved the use of slot machines at a racetrack in October 2003.

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

In Atlantic City, a competitor opened a 2,000-room hotel and casino in July 2003. A competitor in Missouri completed a large casino expansion in third quarter 2002 that is located near our St. Louis property, a competitor in the Joliet market completed a new barge facility in second quarter 2002 and another competitor in the Chicagoland market replaced its boats with barges in second quarter 2003. In the Kansas City market, a competitor opened its expanded facility in third quarter 2003 and another competitor opened its new barge facility in fourth quarter 2003. The short-term impact of increased competition in these markets has been negative. In Illinois, we are bidding on the final gaming license

to be issued by the State and, if we are not successful and a competitor location is chosen, it could have an impact on our Chicagoland operations.

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

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

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

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

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

Political Uncertainties

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

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

Economic Conditions

Historically, economic conditions have had little effect on our operations, but we believe that adverse economic conditions did have some impact on our 2003 operating results and could affect future results. We feel that our marketing programs, use of our technology to change the mix of slot machines and table games and our cost management programs have helped offset the impact of the sluggish economy.

National Defense and Homeland Security Matters

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States. Certain of our accounting policies, including the estimated lives assigned to our assets, the determination of bad debt, asset impairment, fair value of guarantees 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 62% 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. An 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 intangible assets and recorded an impairment charge in first quarter 2002. We complete our annual assessment for impairment in fourth quarter each year, and in fourth quarter 2003, we determined that, except for the goodwill associated with Harrah's Reno, goodwill and intangible assets with indefinite lives have not been impaired. A charge was recorded in fourth quarter for the impairment of Reno's remaining goodwill. The annual evaluation of goodwill and other nonamortizing intangible assets requires the use

of estimates about future operating results of each reporting unit to determine their estimated fair value. Changes in forecasted operations can materially affect these estimates. Once an impairment of goodwill or other intangible assets has been recorded, it cannot be reversed.

Total Rewards Point Liability Program

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

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

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, 2003, we had $51.5 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 health coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. At December 31, 2003, we had total self-insurance accruals reflected on our Consolidated Balance Sheet of $89.3 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

The following are accounting standards adopted or issued in 2003 that are applicable to our Company.

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 was effective in 2003, and had no effect on our financial statements.

In April 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 was effective for our fiscal years beginning after May 15, 2002. We implemented SFAS No. 145 on January 1, 2003, and have presented 2003 losses on early extinguishments of debt as a component of our Income from continuing operations. In accordance with SFAS No. 145, we have also reclassified prior periods.

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 an exit or disposal plan. SFAS No. 146 was effective for exit or disposal activities initiated after December 31, 2002, and had no effect on our financial results.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45") which requires future guarantee obligations to be recognized as liabilities at inception of the guarantee contract and increases disclosure requirements for guarantees. The initial recognition provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements in the FIN 45 were implemented in 2002, with the initial recognition provisions adopted beginning January 1, 2003. (See Debt and Liquidity, Guarantees of Third-Party Debt and Other Obligations and Commitments.)

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 were implemented in our 2002 Annual Report. We implemented 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 were required to apply the provisions of FIN 46 prospectively for all variable interest entities created after January 31, 2003. In December 2003, the FASB issued a revision to FIN 46 to clarify some of the provisions of the original interpretation and to exempt certain entities from its requirements. The additional guidance explains how to identify variable interest entities

and how an enterprise should assess its interest in an entity to decide whether to consolidate that entity. Application of revised FIN 46 is required for public companies with interests in "special-purpose entities" for periods ending after December 15, 2003. Application for public entities for all other types of entities is required in financial statements for periods ending after March 15, 2004. We do not expect FIN 46 to have a significant 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 our properties;
- our ability to timely and cost-effectively integrate into our operations the companies that we acquire, including with respect to our previously announced acquisition of Horseshoe Gaming;
- access to available and feasible financing, including financing for our acquisition of Horseshoe Gaming on a timely basis;
- changes in laws (including increased tax rates), regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies;
- litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;
-

ability of our customer-tracking, customer loyalty and yield-management programs to continue to increase customer loyalty and same-store sales;

- 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.

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

We are exposed to market risk, primarily changes in interest rates. We attempt to limit our exposure to interest rate risk by managing the mix of our debt between fixed rate and variable rate obligations. Of our approximate $3.7 billion total debt at December 31, 2003, $1.2 billion, including the fixed-rate debt for which we have entered into interest rate swap agreements, is subject to variable interest rates. The average interest rate on our variable-rate debt, excluding the impact of our swap agreements, was 2.3% at December 31, 2003. Assuming a constant outstanding balance for our variable rate debt for the next twelve months, a hypothetical 1% change in interest rates would change interest expense for the next twelve months by approximately $11.1 million. We utilize interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. We do not purchase or hold any derivative financial instruments for trading purposes.

The table below provides information as of December 31, 2003, about our financial instruments that are sensitive to changes in interest rates, including debt obligations and interest rate swaps. For debt obligations, the table presents notional amounts and weighted average interest rates by contractual maturity dates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract and weighted average variable rates are based on implied forward rates in the yield curve as of December 31, 2003.

(In millions)	2004	2005	2006	2007	2008	Thereafter	Total	Fair Value
Liabilities								
Long-term debt								
Fixed rate	$ 1.6	$ 592.1	$ 1.7	$ 500.5	$ 1.8	$ 1,578.0	$ 2,675.7	$ 3,000.0(1)
Average interest rate	7.5%	7.9%	7.3%	7.1%	7.1%	7.0%	7.2%	
Variable rate	$ –	$ 22.5	$ 52.5	$ 105.0	$ 817.8	$ –	$ 997.8	997.8(1)
Average interest rate	–%	2.3%	2.3%	2.3%	2.3%	–%	2.3%	
Interest Rate Derivatives								
Interest rate swaps								
Fixed to variable	$ –	$ 200.0	$ –	$ –	$ –	$ –	$ 200.0	$ 0.2
Average pay rate	7.2%	8.5%	–%	–%	–%	–%	7.8%	
Average receive rate	7.9%	7.9%	–%	–%	–%	–%	7.9%	

(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 $1.9625 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, 2003. We sold our management contract for a casino in a foreign country in January 2000. Although we are pursuing development opportunities in the United Kingdom, we currently have no material ownership interests in businesses in foreign countries. Accordingly, we are not currently subject to material foreign currency exchange rate risk from the effects that exchange rate movements of foreign currencies would have on our future operating results or cash flows.

ITEM 8. Financial Statements and Supplementary Data.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Harrah's Entertainment, Inc. and subsidiaries ("Harrah's Entertainment") as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of Harrah's Entertainment's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with 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, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 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.

Deloitte & Touche LLP

Las Vegas, Nevada
March 3, 2004

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	December 31,	
	2003	**2002**
Assets		
Current assets		
Cash and cash equivalents	$ 409,942	$ 396,365
Receivables, less allowance for doubtful accounts of $51,466 and $55,860	90,991	91,244
Deferred income taxes (Note 9)	68,323	61,659
Income tax receivable	36,166	43,088
Prepayments and other	55,929	48,764
Inventories	23,286	21,973
Total current assets	684,637	663,093
Land, buildings, riverboats and equipment		
Land and land improvements	741,536	735,113
Buildings, riverboats and improvements	3,459,440	3,313,515
Furniture, fixtures and equipment	1,466,643	1,309,909
Construction in progress	129,566	79,855
	5,797,185	5,438,392
Less: accumulated depreciation	(1,701,290)	(1,455,767)
	4,095,895	3,982,625
Assets held for sale (Note 15)	210,311	281,636
Goodwill (Notes 2 and 3)	907,506	912,833
Intangible assets (Note 3)	315,019	271,227
Investments in and advances to nonconsolidated affiliates (Note 14)	8,001	4,894
Escrow deposit for pending acquisition (Note 2)	75,000	–
Deferred costs and other (Note 5)	282,475	233,741
	$ 6,578,844	$ 6,350,049
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 117,941	$ 110,199
Accrued expenses (Note 5)	463,389	440,307
Short-term debt	–	60,250
Current portion of long-term debt (Note 6)	1,632	1,466
Total current liabilities	582,962	612,222

Liabilities held for sale (Note 15)	10,873	18,132
Long-term debt (Note 6)	3,671,889	3,763,066
Deferred credits and other	194,017	181,919
Deferred income taxes (Note 9)	330,674	263,661
	4,790,415	4,839,000
Minority interests	49,989	40,041
Commitments and contingencies (Notes 2, 7 and 11 through 15)		
Stockholders' equity (Notes 4, 13 and 14)		
Common stock, $0.10 par value, authorized—360,000,000 shares, outstanding—110,889,294 and 109,708,831 shares (net of 35,078,478 and 34,416,975 shares held in treasury)	11,089	10,971
Capital surplus	1,277,903	1,224,808
Retained earnings	466,662	260,297
Accumulated other comprehensive income/(loss)	151	(415)
Deferred compensation related to restricted stock	(17,365)	(24,653)
	1,738,440	1,471,008
	$ 6,578,844	$ 6,350,049

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

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Year Ended December 31,		
	2003	**2002**	**2001**
Revenues			
Casino	$ 3,853,150	$ 3,650,130	$ 3,175,476
Food and beverage	631,035	608,039	526,690
Rooms	351,952	329,947	299,003
Management fees	72,149	66,888	64,842
Other	196,486	154,060	139,681
Less: casino promotional allowances	(782,050)	(710,537)	(557,204)
Total revenues	4,322,722	4,098,527	3,648,488
Operating expenses			
Direct			
Casino	1,974,043	1,786,366	1,495,513
Food and beverage	261,750	246,668	232,391
Rooms	65,998	67,915	77,169
Property general, administrative and other	899,885	853,037	870,863
Depreciation and amortization	317,199	302,794	281,068
Write-downs, reserves and recoveries (Note 8)	11,079	5,031	22,498
Project opening costs	7,869	1,816	13,105
Corporate expense	52,602	56,626	52,746
Losses on interests in nonconsolidated affiliates (Note 14)	1,201	1,964	4,892
Amortization of intangible assets (Note 3)	4,798	4,493	24,965
Total operating expenses	3,596,424	3,326,710	3,075,210
Income from operations	726,298	771,817	573,278
Interest expense, net of interest capitalized (Note 10)	(234,419)	(240,220)	(255,801)
Losses on early extinguishments of debt (Note 6)	(19,074)	–	(36)
Other income, including interest income	2,913	2,137	28,219
Income from continuing operations before income taxes and minority interests	475,718	533,734	345,660
Provision for income taxes (Note 9)	(172,201)	(196,534)	(125,797)
Minority interests	(11,563)	(13,965)	(12,616)
Income from continuing operations	291,954	323,235	207,247
Discontinued operations, net of income tax expense of $360, $1,595 and $927	669	2,963	1,720
Income before cumulative effect of change in accounting principle	292,623	326,198	208,967
Cumulative effect of change in accounting principle, net of income tax benefit of $2,831 (Note 3)	–	(91,169)	–
Net income	$ 292,623	$ 235,029	$ 208,967

Earnings per share—basic			
Income from continuing operations	$ 2.68	$ 2.91	$ 1.83
Discontinued operations, net	0.01	0.02	0.01
Cumulative effect of change in accounting principle, net	–	(0.82)	–
Net income	$ 2.69	$ 2.11	$ 1.84
Earnings per share—diluted			
Income from continuing operations	$ 2.64	$ 2.85	$ 1.79
Discontinued operations, net	0.01	0.02	0.02
Cumulative effect of change in accounting principle, net	–	(0.80)	–
Net income	$ 2.65	$ 2.07	$ 1.81
Dividends declared per share	$ 0.60	$ –	$ –
Weighted average common shares outstanding	108,972	111,212	113,540
Additional shares based on average market price for period applicable to:			
Restricted stock	454	631	697
Stock options	977	1,691	1,471
Weighted average common and common equivalent shares outstanding	110,403	113,534	115,708

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

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(In thousands)
(Notes 4, 13 and 14)

	Common Stock							
	Shares Outstanding	Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Deferred Compensation Related to Restricted Stock	Total	Comprehensive Income
Balance—December 31, 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	
Net income				292,623			292,623	$ 292,623
Unrealized gain on available-for-sale securities, less deferred tax provision of $215					397		397	397
Realization of loss on available-for-sale securities, net of tax benefit of $10					18		18	18

Foreign currency adjustment					151		151	151
Treasury stock purchases	(500)	(50)		(17,887)			(17,937)	
Quarterly cash dividends (Note 4)				(66,219)			(66,219)	
Net shares issued under incentive compensation plans, including income tax benefit of $15,537	1,680	168	53,095	(2,152)		7,288	58,399	
2003 Comprehensive Income								$ 293,189
Balance—December 31, 2003	110,889	$ 11,089	$ 1,277,903	$ 466,662	$ 151	$ (17,365)	$ 1,738,440	

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

HARRAH'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Note 10)

	Year Ended December 31,		
	2003	**2002**	**2001**
Cash flows from operating activities			
Net income	$ 292,623	$ 235,029	$ 208,967
Adjustments to reconcile net income to cash flows from operating activities			
Earnings from discontinued operations, before income taxes	(1,029)	(4,558)	(2,647)
Cumulative effect of change in accounting principle, before income taxes	–	94,000	–
Losses on early extinguishments of debt	19,074	–	36
Depreciation and amortization	342,557	328,479	327,644
Write-downs, reserves and recoveries	11,079	5,031	22,498
Deferred income taxes	104,287	89,886	102,476
Other noncash items	18,704	25,558	45,658
Minority interests' share of net income	11,563	13,965	12,616
Losses on interests in nonconsolidated affiliates	1,201	1,964	4,892
Net losses/(gains) from asset sales	94	1,797	(18,457)
Net change in long-term accounts	(16,636)	(3,903)	(14,222)
Net change in working capital accounts	(46,284)	(54,840)	97,191
Cash flows provided by operating activities	737,233	732,408	786,652
Cash flows from investing activities			
Land, buildings, riverboats and equipment additions	(405,279)	(363,027)	(506,085)
Escrow payment for pending acquisition (Note 2)	(75,000)	–	–
Purchase of minority interest in subsidiary (Note 2)	(29,149)	–	(8,512)
Payments for businesses acquired, net of cash acquired	–	(162,431)	(251,873)
Investments in and advances to nonconsolidated affiliates	(4,334)	(64)	(5,735)
Proceeds from other asset sales	4,438	34,712	28,877
Increase/(decrease) in construction payables	1,764	(6,396)	5,780
Sale of marketable equity securities for defeasance of debt	–	–	2,182
Proceeds from sales of interests in nonconsolidated affiliates	897	–	1,883
Other	(14,948)	(7,162)	(15,061)
Cash flows used in investing activities	(521,611)	(504,368)	(748,544)
Cash flows from financing activities			
Proceeds from issuance of senior notes, net of discount and issue costs of $6,919 in 2003 and $15,328 in 2001	493,081	–	984,672
Borrowings under lending agreements, net of financing costs of $15,342, $655 and $529	3,368,947	2,772,671	2,732,416
Repayments under lending agreements	(2,526,189)	(2,728,126)	(2,967,814)
Borrowings under retired bank facility	161,125	–	–
Repayments under retired bank facility	(1,446,625)	–	–
Other short-term repayments	(60,250)	–	(184,000)
Early extinguishments of debt	(159,476)	(28,210)	(344,811)
Premiums paid on early extinguishments of debt	(16,125)	–	(7,970)
Scheduled debt retirements	(1,583)	(1,659)	(2,707)
Dividends paid	(66,219)	–	–
Proceeds from exercises of stock options	34,085	48,695	55,303

Purchases of treasury stock	(17,937)	(223,357)	(185,782)
Minority interests' distributions, net of contributions	(10,639)	(12,153)	(8)
Other	(178)	(1,135)	126
Cash flows (used in)/provided by financing activities	(247,983)	(173,274)	79,425
Cash flows from assets held for sale			
Proceeds from sale of assets held for sale	48,640	–	–
Net transfers from assets held for sale	(2,702)	4,670	(62,045)
Cash flows provided by/(used in) assets held for sale	45,938	4,670	(62,045)
Net increase in cash and cash equivalents	13,577	59,436	55,488
Cash and cash equivalents, beginning of year	396,365	336,929	281,441
Cash and cash equivalents, end of year	$ 409,942	$ 396,365	$ 336,929

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

HARRAH'S ENTERTAINMENT, INC.
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 25 casinos in 12 states. As of December 31, 2003, our operations included eleven land-based casinos, ten riverboat or dockside casinos, and four casinos on Indian reservations. We view each property as an operating segment and aggregate all operating segments into one reporting segment.

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 14).

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 $24.2 million and $25.4 million at December 31, 2003 and 2002, respectively. Cash equivalents are highly liquid investments with an original maturity of less than three months and are stated at the lower of cost or market value.

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

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

LAND, BUILDINGS, RIVERBOATS AND EQUIPMENT. Land, buildings, riverboats and equipment are stated at cost. Land includes land held for future development or disposition, which totaled $119.5 million and $127.8 million at December 31, 2003 and 2002, respectively. We capitalize the costs of improvements and repairs that extend the life of the asset. We expense maintenance and repairs cost as incurred. Gains or losses on the dispositions of land, buildings, riverboats or equipment are included in the determination of income. Interest expense is capitalized on internally constructed assets at our overall weighted average borrowing rate of interest. Capitalized interest amounted to $2.3 million, $3.5 million and $9.3 million in 2003, 2002 and 2001, 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 recoverable carrying value of an asset may not be 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. Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," adopted on January 1, 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 (see Note 3). We also completed our annual assessments for impairment in fourth quarters 2002 and 2003 and determined that, except for the goodwill associated with Harrah's Reno, goodwill and intangible assets with indefinite lives have not been further impaired. A charge of $6.3 million was recorded in fourth quarter 2003 for the impairment of Reno's remaining goodwill. Once an impairment of goodwill or other nonamortizing intangible assets has been recorded, it cannot be reversed.

With the adoption of SFAS No. 142, 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 rewards program, Total Rewards, offers incentives to customers who gamble at our casinos throughout the United States. Prior to 2003, customers received cash-back and other offers made in the form of coupons that were mailed to the customer and were redeemable on a subsequent visit to one of our properties. The coupons generally expired thirty days after they were issued. Given the requirement of a return visit to redeem the offer and the short-term expiration date, with no ability to renew or extend the offer, we recognized the expense of these offers when the coupons were redeemed.

In fourth quarter 2002, a decision was made to change our Total Rewards program in 2003 to give our customers greater flexibility and control over the rewards they receive for playing at our casinos. Under the new program, customers are able to accumulate, or bank, reward credits over time that they may redeem at their discretion under the terms of the program. The reward credit balance will be forfeited if the customer does not earn a reward credit over the prior six-month period. As a result of the ability of the customer to bank the reward credits under the revised program, our accounting for the Total Rewards program changed, and we accrue the expense of reward credits, after consideration of estimated breakage, as they are earned. To implement this change in the program, an initial bank of reward credits was offered to our existing customers. The amount of credits offered for this initial bank was calculated based upon 2002 tracked play at our casinos. As a result of the decision to extend this initial offer, an accrual of $6.9 million was recorded in 2002 to recognize our estimate of the expense of this implementation offer. Under the current program, the value of the cost to provide reward credits is expensed as the reward credits are earned. To arrive at the estimated cost associated with reward credits, estimates and assumptions are made regarding incremental marginal costs of the

benefits, breakage rates and the mix of goods and services for which reward credits will be redeemed. We use historical data to assist in the determination of estimated accruals. At December 31, 2003, $25.7 million was accrued for the cost of anticipated Total Rewards credit redemptions.

SELF-INSURANCE ACCRUALS. We are self-insured up to certain limits for costs associated with general liability, workers' compensation and employee health coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims. At December 31, 2003 and 2002, we had total self-insurance accruals reflected on our balance sheets of $89.3 million and $73.8 million, respectively. In estimating those costs, we consider historical loss experience and make judgments about the expected levels of costs per claim. We also rely on independent consultants to assist in the determination of estimated accruals. These claims are accounted for based on actuarial estimates of the undiscounted claims, including those claims incurred but not reported. We believe the use of actuarial methods to account for these liabilities provides a consistent and effective way to measure these highly judgmental accruals; however, changes in health care costs, accident frequency and severity and other factors can materially affect the estimate for these liabilities. We continually monitor the potential for changes in estimates, evaluate our insurance accruals and adjust our recorded provisions.

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

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

Casino promotional allowances consist principally of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. The estimated costs of providing such complimentary services, which we classify as casino expenses through interdepartmental allocations, were as follows:

	2003	2002	2001
Food and beverage	$ 224,437	$ 219,067	$ 188,836
Rooms	81,548	75,584	64,192
Other	28,499	23,119	24,021
	$ 334,484	$ 317,770	$ 277,049

EARNINGS PER SHARE. In accordance with the provisions of SFAS No. 128, "Earnings Per Share," we compute our basic earnings per share by dividing Net income by the number of Weighted average common shares outstanding during the year. Our Diluted earnings per share is computed by dividing Net income by the number of Weighted average common and common equivalent shares outstanding during the year. For each of the three years ended December 31, 2003, common stock equivalents consisted solely of net restricted shares of 453,592, 631,532 and 697,130, respectively, and stock options outstanding of 977,263, 1,691,000 and 1,471,400, respectively, under our employee stock benefit plans. (See Note 13.)

STOCK-BASED EMPLOYEE COMPENSATION. As allowed under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," we apply the provisions of Accounting Principles

Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations to account for our stock option plans and, accordingly, do not recognize compensation expense. Furthermore, no stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation expense for the stock option plans been determined in accordance with SFAS No. 123, total stock-based employee compensation expense, net of tax effects, would have been $23.5 million, $20.2 million, and $8.0 million for the years ended 2003, 2002, and 2001, respectively, and our pro forma Net income and Earnings per share for the indicated periods would have been:

	2003		2002		2001	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income	$ 292,623	$ 269,086	$ 235,029	$ 214,828	$ 208,967	$ 200,978
Earnings per share						
Basic	2.69	2.47	2.11	1.93	1.84	1.77
Diluted	2.65	2.44	2.07	1.89	1.81	1.74

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:

	2003	2002	2001
Expected dividend yield	2.8%	0.0%	0.0%
Expected stock price volatility	37.0%	32.0%	42.0%
Risk-free interest rate	2.5%	3.7%	4.3%
Expected average life of options (years)	6	6	6

ADVERTISING. The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense was $126.9 million, $115.1 million and $102.3 million for the years 2003, 2002 and 2001, respectively.

RECLASSIFICATIONS. We have reclassified certain amounts for prior years to conform with our presentation for 2003.

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, 2003, we acquired one casino company, a thoroughbred racetrack facility 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 completed within one year from the date of the acquisition. To the

extent that the purchase price exceeded the fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill. 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, 2003.

Company	Date Acquired	Total Purchase Price(a)	Goodwill Assigned	Number of Casinos	Geographic Location
Harveys Casino Resorts	July 2001	$712 million	$265 million	4	Central City, Colorado(b) Council Bluffs, Iowa (2 properties) Lake Tahoe, Nevada
JCC Holding Company(c)	June 2002 and December 2002	$149 million	–	1	New Orleans, Louisiana
Louisiana Downs, Inc.	December 2002	$94 million	$36 million	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) This property was sold in 2003.

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

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

HARVEYS CASINO RESORTS. On July 31, 2001, we completed our acquisition of Harveys Casino Resorts ("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 ("Harveys 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 are taxed at a higher rate (34% in 2003) than the casinos on riverboats operating in Iowa (20%). The Court ruled this disparity was unconstitutional. The State appealed the Iowa Supreme Court's decision to the United States Supreme Court and in June 2003, the United States Supreme Court overturned the ruling by the Iowa Supreme Court on U.S. constitutional grounds; however, in February 2004, the Iowa Supreme Court ruled that the state law that permits the disparity violates the Iowa Constitution. We 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 continued to accrue gaming taxes at the higher rate and have accrued approximately $24.9 million in state gaming taxes that we may not have to pay. 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 attributed to the Bluffs Run property.

In second quarter 2003, we sold Harveys Colorado. Harveys Colorado has been presented in our Consolidated Financial Statements as Discontinued operations since 2002, and our 2001 results were reclassified to reflect that property as Discontinued operations. See Note 15 for a discussion of our sale of Harveys Colorado.

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.

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 $2.4 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.

We acquired the remaining ownership interest in JCC in order to streamline the decision-making process, which has allowed 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, Inc. ("Louisiana Downs") a thoroughbred racetrack in Bossier City, Louisiana. The agreement gave Harrah's a 95% ownership interest in a company that now owns both Louisiana Downs and Harrah's Shreveport. In May 2003, approximately 900 slot machines were put into service and Louisiana Downs became the only land-based gaming facility in northern Louisiana. We expect to open a new, permanent facility with approximately 1,400 slot machines during second quarter 2004.

We paid approximately $94.0 million, including $29.3 million in short-term notes that were paid in full in January 2003 and $15.0 million in equity interest in Harrah's Shreveport, for the interest in Louisiana Downs and approximately $0.5 million of acquisition costs. We financed the acquisition with funds from various sources, including cash flows from operations and borrowings under established debt programs. The results of Louisiana Downs' operations were included in our Consolidated Financial Statements since the date of acquisition.

HARRAH'S EAST CHICAGO—BUYOUT OF MINORITY PARTNERS. In second quarter 2003, we paid approximately $28.8 million to former partners in the Harrah's East Chicago property to settle

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

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

HORSESHOE. On September 11, 2003, we announced that we had signed a definitive agreement to acquire Horseshoe Gaming Holding Corporation ("Horseshoe Gaming") for $1.45 billion, including assumption of debt. A $75 million escrow payment was made in 2003, and under certain circumstances, this amount will be forfeited if the acquisition does not close. We expect to finance the acquisition through working capital, existing credit facilities and/or, depending on market conditions, the issuance of new debt. The purchase includes casinos in Hammond, Indiana; Tunica, Mississippi; and Bossier City, Louisiana. We also announced our intention to sell our Harrah's brand casino in Shreveport to avoid overexposure in that market, and in January 2004, we announced that we have an agreement, subject to regulatory approvals, to sell that property to another gaming company. After consideration of the sale of Harrah's Shreveport, the Horseshoe acquisition will add a net 107,100 square feet of casino space, more than 4,360 slot machines and 138 table games to our existing portfolio. This acquisition will give Harrah's rights to the Horseshoe brand in all of the United States, except in Nevada. The acquisition, which is subject to regulatory approvals, is expected to close in first half of 2004.

BINION'S HORSESHOE HOTEL AND CASINO. Pursuant to two separate transactions that we announced in January and February 2004, we will acquire certain intellectual property assets from Horseshoe Club Operating Company, to secure the rights to the Horseshoe brand in Nevada and to the World Series of Poker brand and tournament, while MTR Gaming Group, Inc. will acquire the remaining assets of the Binion's Horseshoe Hotel and Casino in Las Vegas, Nevada, including the right to use the name "Binion's" at the property, from Horseshoe Club Operating Company. We will operate the hotel and casino jointly with MTR Gaming on an interim basis. We expect to complete each of these transactions during the first quarter of 2004.

HARRAH'S SHREVEPORT AND LOUISIANA DOWNS. Subsequent to the end of 2003, we reached an agreement with the minority owners of the company that owns Louisiana Downs and Harrah's Shreveport to purchase their ownership interest in that company. The agreement is subject to customary approvals and is expected to be consummated by the end of first quarter 2004. Any excess of the cost to purchase the minority ownership above the capital balances will be assigned to goodwill.

Note 3—Goodwill and Other Intangible Assets

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.

As a result of our implementation review of the goodwill and other intangible assets arising from our prior acquisitions, we determined that impairment charges of $91.2 million, net of tax benefits of $2.8 million, were required. These charges, which were recorded in first quarter 2002 and are reported in our Consolidated Statements of Income as a change in accounting principle, relate to goodwill and

the trademark acquired in our 1999 acquisition of Rio Hotel and Casino, Inc. ("Rio"). Since the acquisition of Rio, competition had intensified in the market and Rio had greatly reduced its emphasis on international high-end table games play, a significant component of its business at the time of the acquisition. We determine the fair value of an operating unit as a function, or multiple, of earnings before interest, taxes, depreciation and amortization ("EBITDA"), a common measure used to value and buy or sell cash intensive businesses such as casinos. 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 had not sustained the level of revenues assumed in the original computation to assign a value to the trademark, future revenue assumptions were reassessed and it was determined that the fair value of the trademark was $5.2 million, net of tax benefits of $2.8 million, less than the carrying value. Rio's tangible assets were assessed for impairment applying the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and our analysis indicated that the carrying value of the tangible assets was not impaired.

Based on our annual assessment for impairment as of September 30, 2002, we determined that goodwill and intangible assets with indefinite lives had not been further impaired. However, based on our annual assessment for impairment of as September 30, 2003, it was determined that the remaining goodwill associated with Harrah's Reno was impaired, and a fourth quarter 2003 charge of $6.3 million was recorded. Recent operating trends reflected the weak market conditions in the Reno area and increased levels of competition from Indian casinos in the Northern California area. We determined the fair value of Reno as a multiple of EBITDA, and the calculated EBITDA for Reno indicated that the fair value of that operating unit was less than the carrying value. Reno has no remaining intangible assets that will be subject to the annual impairment assessment. Reno's tangible assets were assessed for impairment applying the provisions of SFAS No. 144, and our analysis indicated that the carrying value of the tangible assets was not impaired.

The following tables set forth changes in goodwill for the years ended December 31, 2002 and December 31, 2003.

Balance at December 31, 2001(a)	$	935,196
Additions or adjustments		63,682
Impairment losses		(86,045)
Balance at December 31, 2002(a)		912,833
Additions or adjustments		987
Impairment losses		(6,314)
Balance at December 31, 2003	$	907,506

(a) Reflect reclassification of Assets held for sale

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

	December 31, 2003			December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:						
Contract rights	$ 63,590	$ 6,572	$ 57,018	$ 63,000	$ 3,853	$ 59,147
Customer relationships	13,100	5,023	8,077	13,100	2,944	10,156
	$ 76,690	$ 11,595	65,095	$ 76,100	$ 6,797	69,303
Nonamortizing intangible assets:						
Trademarks			146,624			139,624
Gaming rights			103,300			62,300
			249,924			201,924
Total			$ 315,019			$ 271,227

The aggregate amortization expense for the years ended December 31, 2003 and 2002 for those assets that will continue to be amortized under provisions of SFAS No. 142 was $4.8 million and $4.5 million, respectively. Estimated annual amortization expense for those assets for the years ending December 31, 2004, 2005, 2006, 2007 and 2008 is $4.9 million, $4.8 million, $4.5 million, $3.8 million and $3.5 million, respectively.

With the adoption of SFAS No. 142 at the beginning of 2002, 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 year ended December 31, 2001, on a pro forma basis, as if SFAS No. 142 had been implemented at the beginning of that period.

(In thousands, except per share amounts)	
Net income	$ 208,967
Add back: Goodwill amortization	19,581
Add back: Trademark amortization	3,080
Adjusted net income	$ 231,628
Basic earnings per share:	
Net income	$ 1.84
Goodwill amortization	0.17
Trademark amortization	0.03
Adjusted net income	$ 2.04
Diluted earnings per share:	
Net income	$ 1.81
Goodwill amortization	0.17
Trademark amortization	0.02
Adjusted net income	$ 2.00

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 plans whereby we have purchased shares of the Company's common stock in the open market from time to time as market conditions and other factors warranted. The table below summarizes the plans in effect during the last three years.

Plan Authorized	Number of Shares Authorized	Number of Shares Purchased as of December 31, 2003	Average Price Per Share
July 2001	6.0 million	6.0 million	$ 37.15
July 2002	2.0 million	1.4 million	39.24
November 2002	3.0 million	0.5 million	35.87

The November 2002 authorization was to expire December 31, 2003, but it has been extended until December 31, 2004. 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 13 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, 2003, 1,914,884 shares were authorized and unissued under the 2001 Executive Stock Incentive Plan and 23,772 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 1,914,884 shares available for grant under the 2001 Executive Stock Incentive Plan, up to 7,487 of these shares are available for grants as an award other than an option.

In July and November 2003, the Company declared quarterly cash dividends of 30 cents per share, payable on August 27, 2003, to shareholders of record as of the close of business on August 13, 2003, and payable on November 26, 2003, to shareholders of record on November 12, 2003.

Note 5—Detail of Certain Balance Sheet Accounts

Deferred costs and other consisted of the following as of December 31:

	2003	2002
Cash surrender value of life insurance (Note 13)	$ 79,642	$ 65,109
Casino Reinvestment Development Authority investment bonds and funds on deposit	38,935	35,384
Deferred finance charges, net of amortization of $6,185 and $5,573	27,180	17,557
Deferred contract costs	22,288	23,371
Other	114,430	92,320
	$ 282,475	$ 233,741

Accrued expenses consisted of the following as of December 31:

	2003	2002
Payroll and other compensation	$ 106,421	$ 136,582
Insurance claims and reserves	89,349	73,783
Accrued interest payable	45,084	44,638
Accrued taxes	67,180	39,696
Other accruals	155,355	145,608
	$ 463,389	$ 440,307

Note 6—Debt

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

	2003	2002
Credit facilities		
2.3%-3.0% at December 31, 2003, maturities to 2008	$ 947,800	$ 1,285,500
Secured Debt		
7.1%, maturity 2028	93,622	94,900
5.5%-7.3%, maturities to 2033	607	785
Unsecured Senior Notes		
5.375%, maturity 2013	496,504	–
7.125%, maturity 2007	498,780	498,425
7.5%, maturity 2009	498,926	498,713
8.0%, maturity 2011	496,079	495,525

Unsecured Senior Subordinated Notes		
7.875%, maturity 2005	590,524	750,000
Other Unsecured Borrowings		
Commercial Paper, maturities to 2004	50,000	139,700
Capitalized Lease Obligations		
7.6%-10.0%, maturities to 2006	679	984
	3,673,521	3,764,532
Current portion of long-term debt	(1,632)	(1,466)
	$ 3,671,889	$ 3,763,066

As of December 31, 2003, aggregate annual principal maturities for the four years subsequent to 2004 were: 2005, $614.6 million; 2006, $54.2 million; 2007, $605.5 million; and 2008, $819.6 million.

CREDIT AGREEMENT. On April 29, 2003, we entered into an agreement for new credit facilities (the "Credit Agreement") for up to $1.9625 billion in borrowings. This Credit Agreement replaced the $1.857 billion credit and letter of credit facilities that were scheduled to mature in April 2003 ($332 million) and April 2004 ($1.525 billion). The Credit Agreement matures on April 23, 2008, and consists of a five-year revolving credit facility for up to $1.0625 billion and a five-year term reducing facility for up to $900 million. The Credit Agreement contains a provision that would allow an increase in the borrowing capacity to $2 billion, if mutually acceptable to the Company and the lenders. Interest on the Credit Agreement is based on our debt ratings and leverage ratio and is subject to change. As of December 31, 2003, the Credit Agreement bore interest based upon 105 basis points over LIBOR and bore a facility fee for borrowed and unborrowed amounts of 25 basis points. At our option, we may borrow at the prime rate under the new Credit Agreement. As of December 31, 2003, $947.8 million in borrowings were outstanding under the Credit Agreement with an additional $66.5 million committed to back letters of credit. After consideration of these borrowings, but before consideration of amounts borrowed under the commercial paper program, $948.2 million of additional borrowing capacity was available to the Company as of December 31, 2003.

INTEREST RATE SWAP AGREEMENTS. The Company may use interest rate swaps to manage the mix of our debt between fixed and variable rate instruments. We account for these interest rate swaps in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and all amendments thereto. SFAS No. 133 requires that all derivative instruments be recognized in the financial statements at fair value. Any changes in fair value are recorded in the income statement or in other comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The differences to be paid or received under the terms of interest rate swap agreements are accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received pursuant to the terms of interest rate swap agreements will have a corresponding effect on future cash flows.

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

As of December 31, 2003, we were a party to two interest rate swaps for a total notional amount of $200 million. These interest rate swaps serve to manage the mix of our debt between fixed and variable rate instruments by effectively converting fixed rates associated with long-term debt obligations to floating rates. The major terms of the interest rate swaps are as follows.

Effective Date	Type of Hedge	Fixed Rate Received	Variable Rate Paid	Notional Amount (In millions) 2003	Notional Amount (In millions) 2002	Maturity Date
Dec. 29, 2003	Fair value	7.875%	6.968%	$ 50	$ –	Dec. 15, 2005
Dec. 29, 2003	Fair value	7.875%	6.972%	150	–	Dec. 15, 2005

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

Subsequent to the end of 2003, we entered into two additional swap agreements for a total notional amount of $300 million, $100 million of which will expire in 2005 and $200 million of which will expire in 2007. These interest rate swaps also qualify for the "shortcut" method and serve to manage the mix of our debt between fixed and variable rate instruments by effectively converting fixed rates associated with long-term debt obligations to floating rates.

COMMERCIAL PAPER. To provide the Company with cost-effective borrowing flexibility, we have a $200 million commercial paper program that is used to borrow funds for general corporate purposes. Although the debt instruments are short-term in tenor, they are classified as long-term debt because the commercial paper is backed by our Credit Agreement, and we have committed to keep available capacity under our Credit Agreement in an amount equal to or greater than amounts borrowed under this program. At December 31, 2003, $50 million was outstanding under this program.

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

debt obligations entered into during the last three years and outstanding at December 31, 2003.

Debt	Issued	Matures	Face Value Outstanding at December 31, 2003
			(In millions)
Commercial Paper	2003	2004	$ 50.0
5.375% Senior Notes	December 2003	2013	500.0
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 Credit Agreement, were used to retire certain of our outstanding debt, in particular those debt obligations assumed in our acquisition transactions, to reduce our effective interest rate and/or lengthen maturities. The following table summarizes the debt obligations, in addition to our previous credit and letter of credit facilities that we have retired over the last three years:

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

In July 2003, our Board of Directors authorized the Company to retire, from time to time through cash purchases, portions of our outstanding debt in open market purchases, privately negotiated transactions or otherwise. These repurchases will be funded through available cash from operations, borrowings from our Credit Agreement and our new Senior Notes. Such repurchases will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. As of December 31, 2003, $159.5 million of our $7^7/_8$% Senior Subordinated Notes had been retired under this authorization.

Charges of $19.1 million representing premiums paid and write-offs of unamortized deferred financing costs associated with the early retirement of portions of our $7^7/_8$% Senior Subordinated Notes and of our previous credit and letter of credit facilities were recorded in 2003. In compliance with SFAS No. 145, these charges no longer qualify for presentation as extraordinary items and are, therefore, included in income from continuing operations on our Consolidated Statements of Income.

PARENT COMPANY GUARANTEE OF SUBSIDIARY DEBT. Harrah's Operating Company, Inc. ("HOC"), a 100% owned subsidiary and the principal asset of Harrah's Entertainment, is the issuer of certain debt securities that have been guaranteed by Harrah's Entertainment. Due to the comparability of HOC's consolidated financial information with that of Harrah's Entertainment, 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. There are no significant restrictions on Harrah's Entertainment's ability to obtain funds from its subsidiaries by dividends or loans. In addition, the amount of consolidated retained earnings representing undistributed earnings of 50-percent-or-less owned persons accounted for under the equity method is less than 0.5 percent and there are no significant restrictions on the payment of dividends by the Company.

FAIR MARKET VALUE. Based on the borrowing rates available as of December 31, 2003, for debt with similar terms and maturities and market quotes of our publicly traded debt, the fair value of our long-term debt at December 31 was as follows:

	December 31,			
	2003		2002	
	Carrying Value	Market Value	Carrying Value	Market Value
(In millions)				
Outstanding debt	$ (3,673.5)	$ (3,977.8)	$ (3,764.5)	$ (4,031.6)
Interest rate swaps (used for hedging purposes)	0.2	0.2	–	–

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, 2003, the remaining lives of our operating leases ranged from one to forty-two years, with various automatic extensions totaling up to sixty years.

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

	2003	2002	2001
Noncancelable			
Minimum	$ 42,358	$ 34,407	$ 22,521
Contingent	6,248	7,032	5,601
Sublease	(201)	(288)	(602)
Other	17,558	42,125	34,921
	$ 65,963	$ 83,276	$ 62,441

Our future minimum rental commitments as of December 31, 2003, were as follows:

	Noncancelable Operating Leases
2004	$ 42,966
2005	36,204
2006	34,636
2007	33,073
2008	30,612
Thereafter	450,908
Total minimum lease payments	$ 628,399

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

Note 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:

	2003	2002	2001
Impairment of goodwill	$ 6,315	$ –	$ –
Impairment of long-lived assets	2,469	1,501	8,203
Write-off of abandoned assets and other costs	3,218	6,917	8,484
Settlement of sales tax contingency	(923)	(6,464)	–
Charge for structural repairs at Reno	–	5,000	–
Termination of contracts	–	168	4,060
Recoveries from previously impaired assets and reserved amounts	–	(2,091)	(571)
Reserves for New Orleans casino	–	–	2,322
	$ 11,079	$ 5,031	$ 22,498

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—Income Taxes

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

	2003	2002	2001

Income from continuing operations before income taxes and minority interests	$ 172,201	$ 196,534	$ 125,797
Discontinued operations	360	1,595	927
Cumulative effect of change in accounting principle	–	(2,831)	–
Stockholders' equity			
Unrealized gain/(loss) on available-for-sale securities	215	(239)	772
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(15,537)	(23,970)	(18,013)
Other	–	800	(800)
	$ 157,239	$ 171,889	$ 108,683

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

	2003	2002	2001
United States			
Current			
Federal	$ 128,958	$ 145,012	$ 15,439
State	15,221	23,369	7,882
Deferred	29,715	28,153	102,476
Other countries			
Current	–	–	–
Deferred	(1,693)	–	–
	$ 172,201	$ 196,534	$ 125,797

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:

	2003	2002	2001
Statutory tax rate	35.0%	35.0%	35.0%
Increases/(decreases) in tax resulting from:			
State taxes, net of federal tax benefit	2.4	2.6	1.5
Goodwill amortization	0.5	–	1.8
Tax credits	(0.4)	(0.3)	(0.5)
Political contributions	0.1	0.1	0.1
Officers' life insurance	(1.0)	0.2	0.3
Meals and entertainment	0.1	0.3	0.3
Minority interests in partnership earnings	(0.9)	(0.9)	(1.3)
Other	0.4	(0.2)	(0.8)
Effective tax rate	36.2%	36.8%	36.4%

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

	2003	2002
Deferred tax assets		
Compensation programs	$ 59,495	$ 55,566
Bad debt reserve	18,912	20,094
Self-insurance reserves	8,758	6,051
Deferred income	502	468
Project opening costs	9,750	20,819
Net operating losses	18,008	16,316
Other	41,226	29,074
Valuation allowance	(14,211)	(14,211)
	142,440	134,177
Deferred tax liabilities		
Property	(283,406)	(219,352)
Management contracts	(19,983)	(20,947)
Intangibles	(90,519)	(75,109)
Investments in nonconsolidated affiliates	(10,883)	(20,771)

	(404,791)	(336,179)
Net deferred tax liability	$ (262,351)	$ (202,002)

Note 10—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:

	2003	2002	2001
Long term accounts			
Deferred costs and other	$ (71,068)	$ (36,738)	$ 69,055
Deferred credits and other	54,432	32,835	(83,277)
Net change in long-term accounts	$ (16,636)	$ (3,903)	$ (14,222)
Working capital accounts			
Receivables	$ (8,005)	$ 14,295	$ 14,853
Inventories	(1,311)	869	3,371
Prepayments and other	50,971	81,765	26,504
Accounts payable	5,910	(2,308)	(16,988)
Accrued expenses	(93,849)	(149,461)	69,451
Net change in working capital accounts	$ (46,284)	$ (54,840)	$ 97,191

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

	2003	2002	2001
Interest expense, net of interest capitalized	$ 234,419	$ 240,220	$ 255,801
Adjustments to reconcile to cash paid for interest			
Net change in accruals	(9,201)	(6,825)	(33,869)
Amortization of deferred finance charges	(6,185)	(5,573)	(4,769)
Net amortization of discounts and premiums	(1,141)	(1,596)	(913)
Cash paid for interest, net of amount capitalized	$ 217,892	$ 226,226	$ 216,250
Cash payments for income taxes, net of refunds	$ 114,289	$ 145,873	$ (27,974)

Note 11—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, 2003, of

Indian debt that we have guaranteed was $112.9 million. The outstanding balance of all of our debt guarantees at December 31, 2003 is $120.8 million. Our maximum obligation under all of our debt guarantees is $152.9 million. Our obligations under these debt guarantees extend through January 2008.

Some of our guarantees of the debt for casinos on Indian lands were modified during 2003, triggering the requirements under Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," to recognize a liability for the estimated fair value of those guarantees. Liabilities, representing the fair value of our guarantees, and corresponding assets, representing the portion of our management fee receivable attributable to our agreements to provide the related guarantees, were recorded and are being amortized over the lives of the related agreements. We estimate the fair value of the obligation by considering what premium would have been required by us or by an

unrelated party. The amounts recognized represent the present value of the premium in interest rates and fees that would have been charged to the tribes if we had not provided the guarantees. The unamortized balance of the liability for the guarantees and of the related assets at December 31, 2003, was $7.0 million.

Excluding debt guarantees and guarantees related to New Orleans (see Note 14), as of December 31, 2003, we had commitments and contingencies of $285.4 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, 2003, the aggregate monthly commitment for the minimum guaranteed payments pursuant to these contracts, which extend for periods of up to 83 months from December 31, 2003, is $1.2 million. The maximum exposure for the minimum guaranteed payments to the tribes is unlikely to exceed $26.7 million as of December 31, 2003.

SEVERANCE AGREEMENTS. As of December 31, 2003, the Company has severance agreements with 34 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, 2003, that would be payable under the agreements to these executives based on the compensation payments and stock awards aggregated approximately $103.7 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 12—Litigation

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

Note 13—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"). Grants typically vest in equal installments over a three-year period and allow the option holder to purchase stock over specified periods of time, generally seven to ten years from the date of grant, at a fixed price equal to the market value at the date of grant. 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 2001, 2002 and 2003 is as follows:

		Number of Common Shares	
	Weighted Avg. Exercise Price (Per Share)	Options Outstanding	Available For Grant
Balance—December 31, 2000	$ 21.08	12,755,798	1,441,747
Additional shares authorized	N/A	–	3,900,000
Restricted shares issued	N/A	–	(40,521)
Restricted shares transferred from Harrah's former plans	N/A	–	766,509
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
Restricted shares issued	N/A	–	(221,931)

Restricted shares canceled	N/A	–	78,091
Granted	46.80	2,910,560	(2,910,560)
Exercised	19.40	(2,510,678)	–
Canceled	30.96	(267,063)	267,063
Rio plans cancellations	18.88	(2,000)	–
Balance—December 31, 2002	31.30	8,814,597	4,431,877
Restricted shares issued	N/A	–	(60,061)
Restricted shares canceled	N/A	–	101,934
Granted	43.18	2,968,175	(2,968,175)
Exercised	20.65	(1,754,901)	–
Canceled	40.06	(409,309)	409,309
Rio plans cancellations	12.44	(3,400)	–
Balance—December 31, 2003	36.54	9,615,162	1,914,884

Of the 1,914,884 shares available for grant at December 31, 2003, up to 7,487 of these shares are available for grant as awards other than as stock options.

The following tables summarize additional information regarding the options outstanding at December 31:

	2003	2002	2001
Options exercisable at December 31	2,910,617	2,344,106	2,955,787
Weighted average fair value per share of options granted per year	$28.63	$17.34	$12.33

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$13.84–$28.90	4,075,483	6.0 years	$ 25.27	2,234,272	$ 23.19
31.22– 43.50	2,773,971	6.3 years	42.91	24,070	35.14
45.44– 49.32	2,765,708	5.5 years	46.77	652,275	47.04
	9,615,162			2,910,617	

150,000 shares were authorized under the 1996 Non-Management Directors Stock Incentive Plan, whereby the director can receive either 50% or 100% of his or her director fees in stock. As of December 31, 2003, 17,417 shares were available for grant under this plan.

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 Average Exercise Price (Per Share)	Options Outstanding	Available For Grant
Balance—December 31, 2001	N/A	–	200,000
Granted	$ 47.03	196,775	(196,775)
Canceled	47.03	(7,100)	7,100
Balance—December 31, 2002	47.03	189,675	10,325
Granted	43.50	22,367	(22,367)
Canceled	46.73	(35,814)	35,814
Balance—December 31, 2003	46.64	176,228	23,772

	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

$37.41–$44.89	19,336	6.0 years	$ 43.50	–	$	–
44.89– 52.37	156,892	5.2 years	47.03	54,918		47.03
	176,228			54,918		

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 2001, 2002 and 2003, 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 2003, 2002 and 2001, including the TARSAP awards, were as follows:

	2003	2002	2001
Number of shares granted	60,061	221,931	72,876
Weighted average grant price per share	$ 45.29	$ 43.77	$ 31.00
Amortization expense (in millions)	$ 8.0	$ 7.8	$ 8.2
Unvested shares as of December 31	1,021,720	1,458,617	1,783,535

SAVINGS AND RETIREMENT PLAN. We maintain a defined contribution savings and retirement plan, which, among other things, allows pretax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 20% of their eligible earnings. Through 2003, the Company fully matched the first six percent of employees' contributions; however, effective January 1, 2004, the Company match will be 50% for the first six percent of employees' contributions. 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 $30.1 million, $29.2 million and $26.6 million in 2003, 2002 and 2001, 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 employees to direct their investments by choosing from several investment alternatives. The total liability included in Deferred credits and other for these plans at December 31, 2003 and 2002 was $104.3 million and $86.4 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 PLAN. We have approximately 6,850 employees covered under collective bargaining agreements, and the majority of those employees are covered by union sponsored, collectively bargained multi-employer pension plans. We contributed and charged to expense $7.2 million, $4.7 million and $4.5 million in 2003, 2002 and 2001, 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 14—Nonconsolidated Affiliates

As of December 31, 2003, our investments in nonconsolidated affiliates consisted primarily of interests in a golf course near one of our properties, in a horse-racing facility and in our joint ventures that are pursuing development of casinos in the United Kingdom. In 2003, we contributed $4.3 million to the United Kingdom ventures.

Previously, we held investments in JCC and National Airlines, Inc. ("NAI"), and these nonconsolidated affiliates are discussed below.

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. 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, 2004, and for each of the subsequent two twelve-month periods. We expect to extend this guarantee for an additional year to end March 31, 2007.

As a result of JCC's filing for bankruptcy on January 4, 2001, we assessed the recoverability of our investment in and advances to JCC, determined that our investment and advances were impaired and recorded a charge of $220 million to recognize the impairment in fourth quarter 2000. We did not record our share of JCC's operating results in first quarter 2001 since we did not have any contractual obligation to fund JCC's operating losses from December 31, 2000, until the bankruptcy reorganization plan was consummated effective March 29, 2001. JCC reported income during the period in which we did not record any equity pick-up, primarily as a result of the forgiveness of debt arising from the bankruptcy plan, and the charge that we recorded in fourth quarter 2000 included the write-off of receivables that we held from JCC that were forgiven in the reorganization plan. In the bankruptcy reorganization, we received ownership of 49 percent of the equity of the reorganization entity and 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 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.

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 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. 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.

	2003	2002	2001(a)
Combined Summarized Balance Sheet Information			
Current assets	$ 11,455	$ 1,865	$ 50,273
Land, buildings and equipment, net	32,648	33,002	167,617
Other assets	554	2,005	50,022
Total assets	44,657	36,872	267,912
Current liabilities	8,645	6,769	34,224
Long-term debt	16,890	17,514	122,896
Other liabilities	–	–	3,607
Total liabilities	25,535	24,283	160,727
Net assets	$ 19,122	$ 12,589	$ 107,185
Combined Summarized Statement of Operations Information			
Revenues	$ 14,330	$ 135,648	$ 270,229
Operating (loss)/income	(265)	23,517	(15,403)
Extraordinary items	–	–	213,448
Net (loss)/income	(2,309)	9,390	90,640

(a) 2001 is comprised primarily of JCC.

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

	2003	2002
Investments in and advances to nonconsolidated affiliates		
Accounted for under the equity method	$ 7,824	$ 4,331
Accounted for at historical cost	177	177
Available-for-sale and recorded at market value	–	386
	$ 8,001	$ 4,894

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.

Note 15—Dispositions

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

HARVEYS COLORADO. On May 22, 2003, we sold Harveys Colorado, which we had concluded was a nonstrategic asset for us. The assets sold consisted primarily of inventories, property and equipment. The buyer also assumed certain accrued liabilities. We received cash proceeds of $17.6 million and

recorded a pretax loss of $1.0 million on this sale.

Revenues at Harveys Colorado, reported in Discontinued operations for December 31, 2003, 2002 and 2001 were $12.2 million, $35.7 million and $19.3 million respectively. Harveys Colorado's pretax loss, including the loss on the sale, for the year ended December 31, 2003, was $1.4 million and its pretax income for the years ended December 31, 2002 and 2001, was $2.4 million and $1.0 million, respectively.

HARRAH'S VICKSBURG. On June 30, 2003, we announced an agreement to sell Harrah's Vicksburg, and that sale was completed on October 27, 2003. The assets sold consisted primarily of land, buildings, equipment and inventories. We received cash proceeds of $28.6 million and recorded a pretax loss of $0.7 million on this sale.

Revenues at Harrah's Vicksburg, which are reported in Discontinued operations, were $29.0 million for the year ended December 31, 2003, $37.9 million for the year ended December 31, 2002 and $41.3 million for the year ended December 31, 2001. Harrah's Vicksburg's pretax income, after consideration of the loss on the sale, was $2.4 million for the year ended December 31, 2003, $2.2 million for the year ended December 31, 2002 and $1.7 million for the year ended December 31, 2001.

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

HARRAH'S SHREVEPORT. In conjunction with our plans to acquire Horseshoe Gaming, we announced plans to sell our Harrah's brand casino in Shreveport to avoid overexposure in that market, and in January 2004, we announced that we have an agreement, subject to regulatory approvals, to sell that property to another gaming company. The sale is subject to regulatory approvals and is expected to close in second quarter 2004. We have classified this property in Assets held for sale on our Consolidated Balance Sheets and have ceased depreciating its assets. Shreveport's assets consist primarily of land improvements, buildings, riverboat and equipment with a carrying value of approximately $165 million. Since the Horseshoe Gaming acquisition will give us a continued presence in the Shreveport-Bossier City market, Harrah's Shreveport's operating results have not been classified as discontinued operations. We do not anticipate a material gain or loss on this sale.

Note 16—Quarterly Results of Operations (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In thousands, except per share amounts)				
2003(1)					
Revenues	$ 1,058,929	$ 1,080,220	$ 1,139,280	$ 1,044,293	$ 4,322,722
Income from operations	190,426	183,312	217,717	134,843	726,298
Income from continuing operations	80,263	77,934	98,446	35,311	291,954
Net income	81,080	76,684	99,483	35,376	292,623
Earnings per share—basic(3)					
From continuing operations	0.74	0.72	0.90	0.32	2.68
Net income	0.75	0.71	0.91	0.32	2.69
Earnings per share—diluted(3)					
From continuing operations	0.73	0.70	0.89	0.32	2.64
Net income	0.74	0.69	0.90	0.32	2.65
2002(2)					
Revenues	$ 964,260	$ 1,011,944	$ 1,114,629	$ 1,007,694	$ 4,098,527
Income from operations	197,074	201,709	227,666	145,368	771,817
Income from continuing operations	84,378	84,852	100,303	53,702	323,235
Net income/(loss)	(6,008)	86,116	101,042	53,879	235,029
Earnings per share—basic(3)					
From continuing operations	0.75	0.75	0.91	0.49	2.91
Net income/(loss)	(0.05)	0.76	0.91	0.49	2.11
Earnings per share—diluted(3)					
From continuing operations	0.74	0.74	0.89	0.48	2.85
Net income/(loss)	(0.05)	0.75	0.89	0.48	2.07

(1) 2003 Second Quarter includes $4.1 million in pretax charges for project opening costs and $2.1 million pretax charges for early retirement of debt; Third Quarter reflects a reclass of a $0.1 million charge for loss on sale of ownership interests in a nonconsolidated affiliate to Income from operations; and Fourth Quarter includes $15.9 million pretax charges for early retirement of a portion of the 7$^{7}/_{8}$% Senior Subordinated Notes and $6.3 million pretax charge for goodwill impairment at our Reno property. 2003 results reflect Harrah's Vicksburg and Harveys Colorado as discontinued operations.

(2) 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 our 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 reclass of a $6.1 million pretax charge for our exposure under a letter of credit issued on behalf of National Airlines, Inc. to Income from operations. 2002 results have been reclassified to reflect Harrah's Vicksburg as a discontinued operations.

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

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

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

ITEM 9A. 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.

As of December 31, 2003, 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 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 (54)	Director since 1990; Chairman of the Board since January 1997; Chief Executive Officer from April 1994 to December 2002; Member of the former three-executive Office of the President from 1999 to 2001, and President from 1991 to 1999; Director of TABCORP Holdings Limited, an Australian leisure and entertainment company traded on the Australian Stock Exchange.
Gary W. Loveman (43)	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; Associate Professor of Business Administration, Harvard University Graduate School of Business Administration from 1994 to 1998; Director of Coach, Inc., a designer and marketer of high-quality handbags and women's and men's accessories traded on the New York Stock Exchange.
Charles L. Atwood (55)	Senior Vice President and Chief Financial Officer since April 2001; Treasurer from October 1996 to November 2003; Vice President from October 1996 to April 2001; Director, Equity Residential, an owner and operator of multi-family properties traded on the New York Stock Exchange, since July 2003.
Jerry L. Boone (49)	Senior Vice President, Human Resources since February 2004; Vice President, Human Resources, Harrah's New Orleans from April 2000 to February 2004; Vice President, Gaming Operations, Harrah's New Orleans from September 1998 to April 2000.
John M. Boushy (49)	Senior Vice President, Operations Products & Services since February 2001; Senior Vice President, Information Technology from February 2001 to February 2004; Chief Information Officer from February 2001 to January 2003; Senior Vice President Brand Operations and Information Technology from 1999 to 2001; Senior Vice President Information Technology and Marketing Services from 1993 to 1999.
Stephen H. Brammell (46)	Senior Vice President and General Counsel since July 1999; Secretary from November 2002 to July 2003 and from May 2000 to February 2001; Vice President and Associate General Counsel from 1997 to 1999; Associate General Counsel from 1993 to 1997.

Janis L. Jones (54)	Senior Vice President, Communications/Government Relations since November 1999; Mayor of Las Vegas, Nevada, from 1991 to 1999.

Anthony D. McDuffie (43)	Vice President since November 1999; Controller and Chief Accounting Officer since November 2001; Assistant Controller from 1994 to 2001.
Richard E. Mirman (37)	Senior Vice President, New Business Development since April 2003; Senior Vice President, New Business Development and Chief Marketing Officer from January 2003 to April 2003; Senior Vice President, Marketing from April 2000 to January 2003; Vice President, Relationship Marketing from 1998 to 2000.
David W. Norton (35)	Senior Vice President—Retention Marketing since November 2003; Senior Vice President—Relationship Marketing from January 2003 to November 2003; Vice President—Loyalty Marketing from October 1998 to January 2003.
Virginia E. Shanks (43)	Senior Vice President—Acquisition Marketing since November 2003; Western Division Senior Vice President—Marketing from January 2003 to November 2003; Western Division Vice President—Marketing from July 1998 to January 2003.
Timothy S. Stanley (38)	Senior Vice President—Information Technology and Chief Information Officer since February 2004; Vice President—Information Technology and Chief Information Officer from January 2003 to February 2004; Vice President—Information Technology from February 2001 to January 2003; Managing Partner, Las Vegas, for USWeb Corporation, an e-Business consulting firm since acquired by marchFIRST, Inc., from December 1999 to February 2001; Vice President—Information Technology, National Airlines, Inc., from August 1998 to January 2000. National Airlines, Inc. filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in December 2000 and ceased operations in November 2002.
Timothy J. Wilmott (45)	Chief Operating Officer since January 2003; Eastern Division President from 1997 to January 2003.

Code of Ethics

In February 2003, our Board adopted a Code of Business Conduct and Ethics that applies to our 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 2003 and December 31, 2003 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)	9,615,162	$ 36.54	1,932,301
Equity compensation plans not approved by stockholders(3)	176,228	46.64	23,772
Total	9,791,390	36.72	1,956,073

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

(2) Includes the Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan, the Harrah's Entertainment, Inc. 1996 Non-Management Directors Stock Incentive Plan, the Promus Companies Incorporated 1990 Restricted Stock Plan, and the Promus Companies Incorporated 1990 Stock Option Plan.

(3) Includes the Harrah's Entertainment, Inc. 2001 Broad-Based Stock Incentive Plan, a description of which is set forth in Note 13 to the consolidated financial statements set forth elsewhere in this Annual Report on Form 10-K in Part II, Item 8, Financial Statements and Supplementary Data. The 2001 Broad-Based Stock Incentive Plan is intended to qualify as a "broadly-based" plan under Section 312.03 of the New York Stock Exchange Listed Company Manual.

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. Principal Accountant Fees and Services.

See the information set forth in the section of the Proxy Statement entitled "Fees Paid to Deloitte & Touche LLP," which section is incorporated herein by reference.

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:

Independent Auditors' Report.

Consolidated Balance Sheets as of December 31, 2003 and 2002.

Consolidated Statements of Income for the Years Ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Stockholders' Equity and Comprehensive Income for the Years Ended December 31, 2003, 2002 and 2001.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002 and 2001.

2. Schedules for the years ended December 31, 2003, 2002 and 2001, are as follows:

Schedule II—Consolidated valuation and qualifying accounts.

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

3. Exhibits

No.

2(1) Stock Purchase Agreement dated as of 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.)

2(3) Stock Purchase Agreement, dated as of September 10, 2003, by and among Harrah's Entertainment, Inc., Horseshoe Gaming Holding Corp., and each of the stockholders of Horseshoe Gaming Holding Corp. (Incorporated by reference from the Company's Current Report on Form 8-K, filed September 17, 2003, File No. 1-10410.)

2(4) Partnership Interest Purchase Agreement dated as of January 20, 2004 by and among Harrah's Shreveport/Bossier City Investment Company, LLC, Harrah's Bossier City Investment Company, LLC Red River Entertainment of Shreveport Partnership in Commendam, Boyd Shreveport, L.L.C., Boyd Red River, L.L.C., and Boyd Gaming Corporation. (Incorporated by reference from the Company's Current Report on Form 8-K, filed January 23, 2004, File No. 1-10410.)

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

3(2)	Bylaws of Harrah's Entertainment, Inc., as amended November 12, 2002. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 7, 2003, File No. 1-10410.)
4(1)	Rights Agreement dated as of October 5, 1996, between Harrah's Entertainment, Inc. and The Bank of New York, which includes the form of Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc. as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Special Shares as Exhibit C. (Incorporated by reference from the Company's Current Report on Form 8-K, filed August 9, 1996, File No. 1-10410.)
4(2)	First Amendment, dated as of February 21, 1997, to Rights Agreement between Harrah's Entertainment, Inc. and The Bank of New York. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
4(3)	Second Amendment, dated as of April 25, 1997, to Rights Agreement, dated as of October 25, 1996, between Harrah's Entertainment, Inc. and The Bank of New York. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed May 13, 1997, File No. 1-10410.)
4(4)	Letter to Stockholders dated July 23, 1997 regarding Summary of Rights To Purchase Special Shares As Amended Through April 25, 1997. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, filed August 13, 1997, File No. 1-10410.)
4(5)	Certificate of Elimination of Series B Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
4(6)	Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
10(1)	Credit Agreement dated as of April 23, 2003, among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., as Borrower, The Lenders, Syndication Agent, Documentation Agents and Co-Documentation Agents named therein, and Bank of America, N.A., as Administrative Agent, Banc of America Securities LLC and Wells Fargo Bank, N.A., Joint Lead Arrangers and Joint Book Managers. (Incorporated by reference from the Company's Current Report on Form 8-K, filed May 2, 2003, File No. 1-10410.)
10(2)	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(3)	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(4)	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(5)	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(6)	Indenture, dated as of December 11, 2003, between Harrah's Operating Company, Inc., as Issuer, Harrah's Entertainment, Inc., as Guarantor, and U.S. Bank National Association, as Trustee, relating to the 5/375% Senior Notes due 2013.
**10(7)	Registration Rights Agreement dated December 11, 2003 among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Citigroup Global Markets Inc., as Initial Purchasers, relating to the 5.375% Senior Notes due 2013.
**10(8)	Purchase Agreement, dated December 8, 2003, among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Citigroup Global Markets Inc., as initial purchaser relating to the 5.375% Senior Notes due 2013.
10(9)	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(10)	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(11) 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(12) 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(13) 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(14) 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(15) 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(16) 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(17) 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(18) 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(19) 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(20) FirstAmendment, 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(21) 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(22) 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(23) Third Amendment dated January 1, 2003 to the 2001 Restatement of the Harrah's Entertainment, Inc. Executive Supplemental Savings Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 7, 2003, File No. 1-10410.)

†10(24) 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(25) Severance Agreement dated January 1, 2003, entered into with Philip G. Satre. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 7, 2003, File No. 1-10410.)

†10(26) 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(27) 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(28) Severance Agreement dated January 1, 2003 entered into with Gary W. Loveman (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 7, 2003, File No. 1-10410.)

**†10(29) Form of Employment Agreement between Harrah's Operating Company, Inc. and Charles L. Atwood, Stephen H. Brammell, Jerry Boone, John M. Boushy, Janis L. Jones, Anthony D. McDuffie, Richard E. Mirman, David W. Norton, Virginia E. Shanks, Timothy S. Stanley, and Timothy J. Wilmott.

**†10(30) Form of Severance Agreement entered into with Charles L. Atwood, Jerry Boone, John M. Boushy, Stephen H. Brammell, Janis L. Jones, Anthony D. McDuffie, Richard E. Mirman, David W. Norton, Virginia E. Shanks, Timothy S. Stanley, and Timothy J. Wilmott.

†10(31) 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(32) 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(33) 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(34) 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(35) 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(36) 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(37) 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(38) 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(39) 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(40) 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(41) 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(42) 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(43) 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(44) 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(45) Amendment dated as of February 26, 2003 to the Harrah's Entertainment, Inc. Deferred Compensation Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 7, 2003, File No. 1-10410.)

†10(46) 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(47) 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(48) 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(49) 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(50) 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(51) 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(52) 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(53) Amendment dated as of January 1, 2003 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan. (Incorporated by

reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 7, 2003, File No. 1-10410.)

†10(54) 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(55) 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(56) 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(57) 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(58) 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(59) 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(60) Harrah's Entertainment, Inc. 2000 Senior Executive Incentive Plan.. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)

†10(61) 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(62) Time Accelerated Restricted Stock Award Plan II (TARSAP II) dated April 26, 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)

†10(63) Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan. (Incorporated by reference from the Company's Registration Statement on Form S-8 of Harrah's Entertainment, Inc., File No. 333-63856, filed June 26, 2001.)

†10(64) Amendment dated as of January 1, 2003 to the Harrah's Entertainment, Inc. 2001 Executive Stock Incentive Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 7, 2003, File No. 1-10410.)

**12 Computations of ratios.

14 Harrah's Entertainment, Inc. Code of Business Conduct and Ethics for Principal Officers, adopted February 26, 2003. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed March 7, 2003, File No. 1-10410.)

**21 List of subsidiaries of Harrah's Entertainment, Inc.

**23 Independent Auditors' Consent.

**31(1) Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 4, 2004.

**31(2) Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 4, 2004.

**32(1) Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 4, 2004.

**32(2) Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated March 4, 2004.

**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 2003 and thereafter through March 4, 2004:

(i) Form 8-K filed October 22, 2003, furnishing our press release reporting third quarter earnings.

(ii) Form 8-K filed November 4, 2003, reporting the declaration of a cash dividend.

(iii) Form 8-K filed November 7, 2003, regarding a request from the Federal Trade Commission for additional information in connection with the acquisition of Horseshoe Gaming Holding Corp.

(iv) Form 8-K filed December 12, 2003, regarding the sale of $500 million of 5.375% Senior Notes due 2013.

(v) Form 8-K filed January 23, 2004, (i) regarding the entering into a definitive agreement whereby Boyd Gaming Corporation will acquire all of the outstanding limited and general partnership interests of Red River Entertainment of Shreveport Partnership in Commendam (the "Partnership"), subject to regulatory approval, and (ii) announcing the entering into a definitive agreement to purchase Binion's Horseshoe Hotel & Casino, subject to regulatory approval.

(vi) Form 8-K filed February 4, 2004, reporting the declaration of a cash dividend.

(vii) Form 8-K filed February 4, 2004, furnishing our press release regarding fourth quarter and full year results for 2003.

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 4, 2004

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 4, 2004
/s/ FRANK J. BIONDI, JR. Frank J. Biondi, Jr.	Director	March 4, 2004
/s/ JOE M. HENSON Joe M. Henson	Director	March 4, 2004
/s/ RALPH HORN Ralph Horn	Director	March 4, 2004
/s/ GARY W. LOVEMAN Gary W. Loveman	Director, Chief Executive Officer and President	March 4, 2004
/s/ R. BRAD MARTIN R. Brad Martin	Director	March 4, 2004
/s/ GARY G. MICHAEL Gary G. Michael	Director	March 4, 2004
/s/ ROBERT G. MILLER Robert G. Miller	Director	March 4, 2004

/s/ PHILIP G. SATRE Philip G. Satre	Director and Chairman of the Board	March 4, 2004
/s/ BOAKE A. SELLS Boake A. Sells	Director	March 4, 2004
/s/ CHRISTOPHER J. WILLIAMS Christopher J. Williams	Director	March 4, 2004
/s/ CHARLES L. ATWOOD Charles L. Atwood	Senior Vice President and Chief Financial Officer	March 4, 2004
/s/ ANTHONY D. MCDUFFIE Anthony D. McDuffie	Vice President, Controller and Chief Accounting Officer	March 4, 2004

Schedule II

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

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions from Reserves	Balance at End of Period
YEAR ENDED DECEMBER 31, 2003					
Allowance for doubtful accounts					
Current	$ 55,860	$ 4,950	$ 81	$ (9,425)(a)	$ 51,466
Long-term	$ 155	$ –	$ –	$ (75)	$ 80
Liability to sellers under acquisition agreement(b)	$ 25,641	$ –	$ –	$ (1,147)	$ 24,494
Reserve for structural repairs(c)	$ 5,000	$ –	$ 147	$ (2,064)	$ 3,083
YEAR ENDED DECEMBER 31, 2002					
Allowance for doubtful accounts					
Current(d)	$ 60,149	$ (2,521)	$ 8,225 (e)	$ (9,993)(a)	$ 55,860
Long-term	$ 24,989	$ –	$ –	$ (24,834)(f)	$ 155
Liability to sellers under acquisition agreement(b)	$ 26,220	$ –	$ –	$ (579)	$ 25,641
Reserve for structural repairs(c)	$ –	$ 5,000	$ –	$ –	$ 5,000
YEAR ENDED DECEMBER 31, 2001					
Allowance for doubtful accounts					
Current(d)	$ 48,435	$ 4,999	$ 10,937 (g)	$ (4,222)(a)	$ 60,149
Long-term	$ 156	$ –	$ 24,833 (f)	$ –	$ 24,989
Reserve against investments in and advances to nonconsolidated affiliates(h)	$ 249,850	$ –	$ (24,833)(f)	$ (225,017)	$ –

Liability to sellers under acquisition agreement(b)	$ 25,925	$ –	$ 295 (i)	$ –	$ 26,220

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

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

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

(d) 2001 and 2002 amounts have been restated to reflect Harrah's Vicksburg and Harrah's Shreveport as assets held for sale. See Note 15 to our Consolidated Financial Statements.

(e) 2002 Charged to Other Accounts consists primarily of the balance acquired from our acquisition and consolidation of JCC Holding Company in our financial statements. 2002 Charged to Other Accounts also includes re-established accounts that had been previously deemed uncollectible.

(f) In 2000, National Airlines, Inc. ("NAI") filed for Chapter 11 Bankruptcy, and we recorded write-offs and reserves for our investment in and loans to NAI and our estimated net exposure under letters of credit issued on behalf of NAI. In June 2001, we abandoned all rights to our equity ownership interest in NAI and removed the investment balance and associated reserves from our balance sheet. Since we no longer held an equity investment in NAI, we transferred our reserve balance related to NAI to a long-term receivable and an associated allowance for doubtful accounts. In 2002, we removed the receivable and associated allowance from our general ledger.

(g) 2001 Charges to Other Accounts consists primarily of balances acquired from our acquisition of Harveys Casino Resorts on July 31, 2001.

(h) See Note 14 to our Consolidated Financial Statements.

(i) 2001 Charges to Other Accounts represents the true-up of our liability to sellers under the Players acquisition agreement. See Note (b) above.

QuickLinks

Exhibit 10.6

HARRAH'S OPERATING COMPANY, INC.
Issuer

HARRAH'S ENTERTAINMENT, INC.
Guarantor

INDENTURE
Dated as of December 11, 2003

U.S. BANK NATIONAL ASSOCIATION
Trustee

TABLE OF CONTENTS

HARRAH'S OPERATING COMPANY, INC.

Reconciliation and tie between Trust Indenture Act of 1939 and
Indenture, dated as of December 11, 2003

§ 310(a)(1)	**7.10**
(a)(2)	**7.10**
(a)(3)	**Not Applicable**
(a)(4)	**Not Applicable**
(a)(5)	**7.10**
(b)	**7.10**
§ 311(a)	**7.11**
(b)	**7.11**
(c)	**Not Applicable**
§ 312(a)	**2.5**
(b)	**10.3**
(c)	**10.3**
§ 313(a)	**7.6**
(b)(1)	**7.6**
(b)(2)	**7.6**
(c)(1)	**7.6**
(d)	**7.6**
§ 314(a)	**4.2, 10.5**
(b)	**Not Applicable**
(c)(1)	**10.4**
(c)(2)	**10.4**
(c)(3)	**Not Applicable**
(d)	**Not Applicable**
(e)	**10.5**
(f)	**Not Applicable**
§ 315(a)	**7.1**
(b)	**7.5**
(c)	**7.1**
(d)	**7.1**
(e)	**6.14**
§ 316(a)	**2.9**
(a)(1)(A)	**6.12**
(a)(1)(B)	**6.13**
(b)	**6.8**
§ 317(a)(1)	**6.3**
(a)(2)	**6.4**
(b)	**2.4**
§ 318(a)	**10.1**

Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of the Indenture.

Indenture dated as of December 11, 2003 between Harrah's Operating Company, Inc., a Delaware corporation (the "*Company*"), Harrah's Entertainment, Inc., a Delaware corporation (the "*Guarantor*"), and U.S. Bank National Association, a national banking association (the "*Trustee*").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the 5.375% Senior Notes due 2013 (the "*Notes*"):

ARTICLE I.
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 *Definitions*.

"*Additional Interest*" means all additional interest then owing pursuant to Section 5 of the Registration Rights Agreement.

"*Additional Notes*" means an unlimited additional aggregate principal amount of Notes (other than Initial Notes) issued after the date hereof pursuant to Section 2.18 as part of the same series as the Initial Notes.

"*Additional Note Board Resolutions*" means resolutions duly adopted by the Board of Directors of the Company and delivered to the Trustee in an Officer's Certificate providing for the issuance of Additional Notes.

"*Additional Note Supplemental Indenture*" means a supplement to this Indenture duly executed and delivered by the Company and the Trustee pursuant to Article IX hereof providing for the issuance of Additional Notes.

"*Adjusted Treasury Rate*" means, with respect to any Redemption Date for the Notes, (a) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Maturity Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (b) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

The Adjusted Treasury Rate shall be calculated on the third business day preceding the Redemption Date.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities or by agreement or otherwise.

"*Agent*" means any Registrar, Paying Agent or Service Agent.

"*Applicable Procedures*" means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

"*Bankruptcy Law*" shall have the meaning set forth in Section 6.1.

"*Board of Directors*" means the Board of Directors of the Company or any duly authorized committee thereof.

"*Board Resolution*" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been adopted by the Board of Directors or pursuant to authorization by the Board of Directors and to be in full force and effect on the date of the certificate and delivered to the Trustee.

"*Business Day*" means, unless otherwise provided by Board Resolution, Officers' Certificate or supplemental indenture hereto, any day except a Saturday, Sunday or a legal holiday in the City of New York on which banking institutions are authorized or required by law, regulation or executive order to close.

"*Certificated Note*" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.14.3 hereof, substantially in the form of Exhibit A hereto except that such note shall not bear the Global Note Legend and shall not have the "Schedule of Interests in the Global Note" attached thereto.

"*Clearstream*" means Clearstream Banking, societé anonyme.

"*Company*" means the party named as such above until a successor replaces it and thereafter means the successor.

"*Company Order*" means a written order signed in the name of the Company by an Officer.

"*Company Request*" means a written request signed in the name of the Company by an Officer.

"*Comparable Treasury Issue*" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"*Comparable Treasury Price*" means, with respect to any Redemption Date, (i) the average of five Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Consolidated Net Tangible Assets*" means the total amount of assets (including investments in Joint Ventures) of the Company and its subsidiaries (less applicable depreciation, amortization and other valuation reserves) after deduction therefrom of (a) all current liabilities of the Company and its subsidiaries (excluding (i) the current portion of long-term indebtedness, (ii) intercompany liabilities and (iii) any liabilities which are by their terms renewable or extendible at the option of the obligor thereon to a time more than 12 months from the time as of which the amount thereof is being computed) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and any other like intangibles, all as set forth on the consolidated balance sheet of the Company for the most recently completed fiscal quarter for which financial statements are available and computed in accordance with generally accepted accounting principles.

"*Consolidated Property*" means any property of the Company or any of its Subsidiaries.

"*Corporate Trust Office*" means the office of the Trustee at which at any particular time this Indenture shall be principally administered, which initially shall be 180 East Fifth Street, St. Paul, MN 55101, Attention: Corporate Trust Services.

"*Custodian*" shall have the meaning set forth in Section 6.1.

"*Default*" means any event which is, or after notice or passage of time would be, an Event of Default.

"*Depositary*" means, with respect to the Notes issuable or issued in whole or in part in the form of one or more Global Notes, the person designated as Depositary by the Company, which Depositary shall be a clearing agency registered under the Exchange Act; and if at any time there is more than one such person, "Depositary" as used with respect to the Notes shall mean the Depositary with respect to the Notes.

"*Dollars*" means the currency of the United States of America.

"*DTC*" means The Depository Trust Company.

"*ECU*" means the European Currency Unit as determined by the Commission of the European Union.

"*Euroclear*" means Euroclear Bank S.A./N.V., as operator of the Euroclear Clearance System.

"*Event of Default*" shall have the meaning set forth in Section 6.1.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Exchange Offer Registration Statement*" has the meaning set forth in the Registration Rights Agreement.

"*Foreign Currency*" means any currency or currency unit issued by a government other than the government of the United States of America.

"*Foreign Government Obligations*" means with respect to Notes that are denominated in a Foreign Currency, (i) direct obligations of the government that issued or caused to be issued such currency for the payment of which obligations its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by or acting as an agency or instrumentality of such government the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by such government, which, in either case under clauses (i) or (ii), are not callable or redeemable at the option of the issuer thereof.

"*Funded Debt*" means all Indebtedness of the Company which (i) matures by its terms on, or is renewable at the option of any obligor thereon to, a date more than one year after the date of original issuance of such Indebtedness and (ii) ranks at least *pari passu* with the notes.

"*Gaming Laws*" means the gaming laws of a jurisdiction or jurisdictions to which the Company or a subsidiary of the Company is, or may at any time after the date of this Indenture be, subject.

"*Gaming Authority*" means the Nevada Gaming Commission, the Nevada State Gaming Control Board, the New Jersey Casino Control Commission or any similar commission or agency which has, or may at any time after the date of this Indenture have, jurisdiction over the gaming activities of the Company or a subsidiary of the Company or any successor thereto.

"*Global Note*" or "*Global Notes*" means a Note or Notes, as the case may be, in the form established pursuant to Section 2.13 evidencing all or part of the Notes, issued to the Depositary or its nominee, and registered in the name of such Depositary or nominee.

"*Global Notes Legend*" means the legend set forth in Section 2.13.2, which is required to be placed on all Global Notes issued under this Indenture.

"*Guarantee*" shall have the meaning set forth in Section 12.1 hereof.

"*Guarantor*" means the party named as such above until a successor replaces it and thereafter means the successor.

"*Holder*" or "*Noteholder*" means a Person in whose name a Note is registered.

"*Indebtedness*" of any Person means (a) any indebtedness of such Person, contingent or otherwise, in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), or evidenced by notes, bonds, debentures or similar instruments or letters of credit, or representing the balance deferred and unpaid of the purchase price of any property, including any such indebtedness incurred in connection with the acquisition by such Person or any of its Subsidiaries of any other business or entity, if and to the extent such indebtedness would appear as a liability upon a balance sheet of such Person prepared in accordance with generally accepted accounting principles, including for such purpose obligations under capitalized leases, and (b) any guarantee, endorsement (other than for collection or deposit in the ordinary course of business), discount with recourse, agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire or to supply or advance funds with respect to, or to become liable with respect to (directly or indirectly) any indebtedness, obligation, liability or dividend of any Person, but shall not include indebtedness or amounts owed for compensation to employees, or for goods or materials purchased, or services utilized, in the ordinary course of business of such Person. Notwithstanding anything to the contrary in the foregoing, "Indebtedness" shall not include (i) any contracts providing for the completion of construction or other payment or performance with respect to the construction, maintenance or improvement of, or payment of taxes, revenue share payments or other fees to governmental entities with respect to, property or equipment of the Company or its Affiliates or (ii) any contracts providing for the obligation to advance funds, property or services on behalf of an Affiliate of the Company in order to maintain the financial condition of such Affiliate. For purposes of this definition of Indebtedness, a "capitalized lease" shall be deemed to mean a lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized.

"*Indenture*" means this Indenture as amended from time to time and shall include the form and terms of the Notes established as contemplated hereunder.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by the Company.

"*Initial Notes*" means the first $500,000,000 aggregate principal amount of Notes issued under this Indenture on the date hereof.

"*Initial Purchaser*" shall have the meaning set forth in the purchase agreement dated as of December 8, 2003 among the Company, the Guarantor, and the Initial Purchasers listed therein.

"*Institutional Accredited Investor*" means an institution that is an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act, who are not also QIBs.

"*Interest Payment Date*," when used with respect to any Notes, means the date an installment of interest is due and payable on such Notes.

"*Joint Venture*" means any partnership, corporation or other entity, in which up to and including 50% of the partnership interests, outstanding voting stock or other equity interests is owned, directly or indirectly, by the Company and/or one or more of its subsidiaries.

"*Judgment Currency*" shall have the meaning set forth in Section 10.15.

"*Legal Holiday*" shall have the meaning set forth in Section 10.7.

"*Lien*" means any mortgage, pledge, hypothecation, assignment, deposit, arrangement, encumbrance, security interest, lien (statutory or otherwise), or preference, priority or other security or similar agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

"*Maturity*" means the date on which the principal of the Notes becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, notice of option to elect repayment or otherwise.

"*Maturity Date*" shall have the meaning set forth in Section 2.1.1.

"*New Notes*" means the Notes issued in the Registered Exchange Offer pursuant to Section 2.14.4 hereof.

"*New York Banking Day*" shall have the meaning set forth in Section 10.15.

"*Non-recourse Indebtedness*" means indebtedness with terms providing that the lender's claim for repayment of such indebtedness is limited solely to a claim against the property which secures the indebtedness.

"*Non-U.S. Person*" means a Person who is not a U.S. Person as defined in Rule 902(k) under the Securities Act.

"*Notes*" has the meaning assigned to it in the preamble to this Indenture. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Indenture.

"*Obligations*" means any principal, interest, premium, if any, penalties, fees, indemnifications, reimbursements, damages or other liabilities or amounts payable under the documentation governing or otherwise in respect of any Indebtedness.

"*Officer*" means the Chairman of the Board, any President, any Vice-President, the Treasurer, the Secretary, any Assistant Treasurer or any Assistant Secretary of the Company.

"*Officer's Certificate*" means a certificate signed by an Officer.

"*Opinion of Counsel*" means a written opinion of legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

"*Paying Agent*" shall have the meaning set forth in Section 2.3.

"*Person*" means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Private Placement Legend*" means the legend set forth in Section 2.14.5(a) to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

"*QIB*" means a "qualified institutional buyer" as defined in Rule 144A.

"*Redemption Date*" means the date of redemption of the Notes.

"*Reference Treasury Dealer*" means (i) Citigroup Global Markets Inc. and its successors; *provided* that, if Citigroup Global Markets Inc. ceases to be a U.S. Government securities dealer in New York City (a "*Primary Treasury Dealer*"), the Company shall substitute another Primary

Treasury Dealer; and (ii) any of at least four other Primary Treasury Dealers selected by the Company.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m., New York City time, on the third business day preceding such Redemption Date.

"*Registered Exchange Offer*" has the meaning set forth in the Registration Rights Agreement.

"*Registrar*" shall have the meaning set forth in Section 2.3.

"*Registration Rights Agreement*" means the Registration Rights Agreement, dated as of December 11, 2003, by and among the Company, the Guarantor and the other parties named on the signature pages thereof, as such agreement may be amended, modified or supplemented from time to time, and, with respect to any Additional Notes, one or more registration rights agreements between the Company and the other parties thereto, as such agreement(s) may be amended, modified or supplemented from time to time, relating to rights given by the Company to the purchasers of Additional Notes to register such Additional Notes under the Securities Act.

"*Regular Record Date*" shall have the meaning set forth in Section 2.1.3.

"*Regulation S*" means Regulation S promulgated under the Securities Act.

"*Regulation S Global Note*" means a Global Note bearing the Private Placement Legend and deposited with or on behalf of the Depositary and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 903 of Regulation S.

"*Required Currency*" shall have the meaning set forth in Section 10.15.

"*Responsible Officer*" means any officer of the Trustee assigned to administer corporate trust matters and also means, with respect to a particular corporate trust matter, any other officer to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with a particular subject.

"*Restricted Certificated Note*" means a Certificated Note bearing the Private Placement Legend.

"*Restricted Global Note*" means a Global Note bearing the Private Placement Legend.

"*Restricted Period*" means the 40-day distribution compliance period as defined in Regulation S.

"*Rule 144*" means Rule 144 promulgated under the Securities Act.

"*Rule 144A*" means Rule 144 A promulgated under the Securities Act.

"Rule 144A Global Note" means a Global Note bearing the Private Placement Legend and deposited with or on behalf of the Depositary and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 144A.

"*Rule 903*" means Rule 903 promulgated under the Securities Act.

"*Rule 904*" means Rule 904 promulgated under the Securities Act.

"*Sale and Lease-Back Transaction*" means any arrangement with a Person (other than the Company or any of its Subsidiaries), or to which any such Person is a party, providing for the leasing to the Company or any of its Subsidiaries for a period of more than three years of any

Consolidated Property which has been or is to be sold or transferred by the Company or any of its Subsidiaries to such Person or to any other Person (other than the Company of any of its Subsidiaries), to which funds have been or are to be advanced by such Person on the security of the leased property.

"*SEC*" means the Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Service Agent*" shall have the meaning set forth in Section 2.3.

"*Significant Subsidiary*" means (i) any direct or indirect Subsidiary of the Company that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the date hereof, or (ii) any group of direct or indirect Subsidiaries of the Company that, taken together as a group, would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the date hereof.

"*Stated Maturity*" when used with respect to the Notes or any installment of interest thereon, means the date specified in the Notes as the fixed date on which the principal of the Notes or such installment of principal or interest is due and payable.

"*Subsidiary*" of any specified Person means any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power for the election of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such Person, or by one or more other Subsidiaries, or by such Person and one or more other Subsidiaries.

"*successor person*" shall have the meaning set forth in Section 5.1.

"*TIA*" means the Trust Indenture Act of 1939 (15 U.S. Code §§ 77aaa-77bbbb) as in effect on the date of this Indenture; *provided, however*, that in the event the Trust Indenture Act of 1939 is amended after such date, "TIA" means, to the extent required by any such amendment, the Trust Indenture Act as so amended.

"*Trustee*" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder.

"*Unrestricted Certificated Note*" means one or more Certificated Notes that do not bear and are not required to bear the Private Placement Legend.

"*Unrestricted Global Note*" means a permanent Global Note substantially in the form of Exhibit A hereto that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, and that is deposited with or on behalf of and registered in the name of the Depositary, representing a series of Notes that do not bear the Private Placement Legend.

"*U.S. Government Obligations*" means securities which are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, and which in the case of (i) and (ii) are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a

specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depositary receipt, *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation evidenced by such depositary receipt.

"*Value*" means, with respect to a Sale and Lease-Back Transaction, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale or transfer of property leased pursuant to such Sale and Lease-Back Transaction or (ii) the fair value, in the opinion of the Board of Directors as evidenced by a board resolution, of such property at the time of entering into such Sale and Lease-Back Transaction.

Section 1.2 *Incorporation by Reference of Trust Indenture Act.*

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms correspond to the following terms used in this Indenture:

"indenture securities" means the Notes.

"indenture security holder" means a Noteholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company and any successor obligor upon the Notes.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein are used herein as so defined.

Section 1.3 *Rules of Construction*.

Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles;

(c) references to "generally accepted accounting principles" shall mean generally accepted accounting principles in effect as of the time when and for the period as to which such accounting principles are to be applied;

(d) "or" is not exclusive;

(e) words in the singular include the plural, and in the plural include the singular; and

(f) provisions apply to successive events and transactions.

ARTICLE II.
THE NOTES

Section 2.1 *Terms of the Notes*.

The following terms relating to the Notes are hereby established:

2.1.1 The entire outstanding principal of the Notes will mature on December 15, 2013 (the "*Maturity Date*").

2.1.2 The Notes shall be in denominations of $1,000 and any integral multiple thereof. The Notes shall be denominated in U.S. dollars and all payments of principal and interest on the Notes shall be made in U.S. dollars.

2.1.3 The rate at which the Notes shall bear interest shall be 5.375% per annum; the date from which interest shall accrue shall be December 11, 2003; the Interest Payment Dates for the Notes on which interest shall be payable shall be June 15 and December 15 in each year, beginning June 15, 2004; the Regular Record Dates for the interest payable on the Notes on any Interest Payment Date shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date (each a "*Regular Record Date*"). Interest shall accrue on the basis of a 360-day year, consisting of twelve 30-day months. Interest on any Note shall be payable only to the Person in whose name that Notes is registered at the close of business on the Regular Record Date for such interest payment. If any Interest Payment Date, Redemption Date or Maturity Date of any of the Notes is not a Business Day, then payment of principal and interest will be made on the next succeeding Business Day. No interest will accrue on the amount so payable for the period from such Interest Payment Date, Redemption Date or Maturity Date, as the case may be, to the date payment is made.

2.1.4 The place of payment where the principal of and interest on the Notes shall be payable and the Notes may be surrendered for the registration of transfer or exchange shall be the Corporate Trust Office of the Trustee. The place where notices or demands to or upon the Company in respect of the Notes and this Indenture may be served shall be the Corporate Trust Office of the Trustee.

2.1.5 The Notes shall not be redeemable at the option of any Holder thereof, whether upon the occurrence of any particular circumstances or otherwise. The Notes will be redeemable, in whole or in part, at any time, at the option of the Company, at a redemption price equal to the greater of (a) 100% of the principal amount of the Notes to be redeemed and (b) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of such Redemption Date) discounted to such Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 20 basis points, as calculated by an Independent Investment Banker, plus, in cases of either clause (a) or (b), accrued and unpaid interest on the principal amount being redeemed to such Redemption Date.

Notice of any redemption by the Company shall be mailed at least 30 days but not more than 60 days before any Redemption Date to each holder of Notes to be redeemed. If the Company elects to partially redeem the Notes, the Trustee shall select, in such manner as it shall deem fair and appropriate, the Notes to be redeemed.

Section 2.2 *Execution and Authentication*.

An Officer shall sign the Notes for the Company by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

Subject to the provisions of this Section 2.2, the Trustee shall, at any time, and from time to time, authenticate Notes for original issue upon receipt by the Trustee of a Company Order. Such Company Order may authorize authentication pursuant to written or electronic instructions from the Company or its duly authorized agent or agents.

Prior to the issuance of the Notes, the Trustee shall have received and (subject to Section 7.1) shall be fully protected in relying on: (a) a Board Resolution, supplemental indenture hereto or Officer's Certificate establishing the form and terms of the Notes, (b) an Officer's Certificate complying with Section 10.4, and (c) an Opinion of Counsel complying with Section 10.4.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

Section 2.3 *Registrar and Paying Agent*.

The Company shall maintain, with respect to the Notes, at the place or places specified pursuant to Section 2.1.4, an office or agency where the Notes may be presented or surrendered for payment ("*Paying Agent*"), where the Notes may be surrendered for registration of transfer or exchange ("*Registrar*") and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served ("*Service Agent*"). The Registrar shall keep a register with respect to the Notes and to their transfer and exchange. The Company will give prompt written notice to the Trustee of the name and address, and any change in the name or address, of each Registrar, Paying Agent or Service Agent. If at any time the Company shall fail to maintain any such required Registrar, Paying Agent or Service Agent or shall fail to furnish the Trustee with the name and address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more co-registrars, additional paying agents or additional service agents and may from time to time rescind such designations; *provided*, *however*, that no such designation or rescission shall in any manner relieve the Company of its obligations to maintain a Registrar, Paying Agent and Service Agent in each place so specified pursuant to Section 2.1.4 for the Notes for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the name or address of any such co-registrar, additional paying agent or additional service agent. The term "Registrar" includes any co-registrar; the term "Paying Agent" includes any additional paying agent; and the term "Service Agent" includes any additional service agent.

The Company hereby appoints the Trustee as the initial Registrar, Paying Agent and Service Agent for the Notes. The Company hereby appoints DTC to act as Depositary with respect to the Global Notes.

Section 2.4 *Paying Agent to Hold Money in Trust*.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust, for the benefit of Noteholders, or the Trustee, all money held by the Paying Agent for the payment of principal of or interest on the Notes, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of Noteholders all money held by it as Paying Agent.

Section 2.5 *Noteholder Lists*.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Noteholders and shall otherwise comply with TIA § 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least ten days before each interest payment date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Noteholders.

Section 2.6 *Intentionally Omitted*.

Section 2.7 *Mutilated, Destroyed, Lost and Stolen Notes*.

If any mutilated Note is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Note and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Note has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay such Note.

Upon the issuance of any new Note under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this Section in lieu of any destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.8 *Outstanding Notes*.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest on a Global Note effected by the Trustee in accordance with the provisions hereof and those described in this Section as not outstanding.

If a Note is replaced pursuant to Section 2.7, it ceases to be outstanding until the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds on the Maturity Date money sufficient to pay such Notes payable on that date, then on and after that date such Notes cease to be outstanding and interest on them ceases to accrue.

A Note does not cease to be outstanding because the Company or an Affiliate holds the Note.

Section 2.9 *Treasury Notes*.

In determining whether the Holders of the required principal amount of Notes have concurred in any request, demand, authorization, direction, notice, consent or waiver Notes owned by the Company or an Affiliate shall be disregarded, except that for the purposes of determining whether the Trustee shall be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver only Notes that the Trustee knows are so owned shall be so disregarded.

Section 2.10 *Temporary Notes*.

Until definitive Notes are ready for delivery, the Company may prepare and the Trustee shall, subject to Section 2.2, (in the case of original issuance), authenticate temporary Notes upon a Company Order. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee upon request shall authenticate definitive Notes and date of maturity in exchange for temporary Notes. Until so exchanged, temporary securities shall have the same rights under this Indenture as the definitive Notes.

Section 2.11 *Cancellation*.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Notes surrendered for transfer, exchange, payment, replacement or cancellation and shall destroy such canceled Notes (subject to the record retention requirement of the Exchange Act) and deliver a certificate of such destruction to the Company, unless the Company otherwise directs. The Company may not issue new Notes to replace Notes that it has paid or delivered to the Trustee for cancellation.

Section 2.12 *Defaulted Interest*.

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest, plus, to the extent permitted by law, any interest payable on the defaulted interest, to the Persons who are Noteholders on a subsequent special record date. The Company shall fix the record date and payment date. At least 30 days before the record date, the Company shall mail to the Trustee and to each Noteholder a notice that states the record date, the payment date and the amount of interest to be paid. The Company may pay defaulted interest in any other lawful manner.

Section 2.13 *Global Notes*.

2.13.1 *Form of Notes*. Notes shall be issued in global form substantially in the form of Exhibit A hereto.

2.13.2 *Legend*. Any Global Note issued hereunder shall bear a legend in substantially the following form:

"This Note is a Global Note within the meaning of the Indenture hereinafter referred to and is registered in the name of the Depositary or a nominee of the Depositary. This Note is exchangeable for Notes registered in the name of a Person other than the Depositary or its nominee only in the limited circumstances described in the Indenture, and may not be transferred except as a whole by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such a successor Depositary."

2.13.3 *Acts of Holders*. The Depositary, as a Holder, may appoint agents and otherwise authorize participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a Holder is entitled to give or take under the Indenture.

2.13.4 *Consents, Declaration and Directions*. Except as provided in Section 2.15, the Company, the Trustee and any Agent shall treat a person as the Holder of such principal amount of outstanding Notes represented by a Global Note as shall be specified in a written statement of the Depositary with respect to such Global Note, for purposes of obtaining any consents, declarations, waivers or directions required to be given by the Holders pursuant to this Indenture.

Section 2.14 *Transfer and Exchange*.

2.14.1 *Transfer and Exchange of Global Notes*. A Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes will be exchanged by the Company for Certificated Notes if (i) the Company delivers to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Company within 120 days after the date of such notice from the Depositary or (ii) the Company in its sole discretion determines that the Global Notes (in whole but not in part) should be exchanged for Certificated Notes and delivers a written notice to such effect to the Trustee. Upon the occurrence of either of the preceding events in (i) or (ii) above, Certificated Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.7 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.14 or Section 2.7 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.14.1, however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.14.2, 2.14.3, and 2.14.4 hereof.

2.14.2 *Transfer and Exchange of Beneficial Interests in the Global Notes*. The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also shall require compliance with either subparagraph (a) or (b) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(a) *Transfer of Beneficial Interests in the Same Global Note*. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend; *provided, however*, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.14.2(a).

(b) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.14.2(a) above, the transferor of such beneficial interest must deliver to the Registrar either (A) (1) a written order from a participant or an indirect participant in the Depositary given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the participant account to be credited with such increase or (B) (1) a written order from a participant or an indirect participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Certificated Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Certificated Note shall be registered to effect the transfer or exchange referred to in (1) above. Upon consummation of a Registered Exchange Offer by the Company in accordance with Section 2.14.4 hereof, the requirements of this Section 2.14.2(b) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.14.6 hereof.

(c) *Transfer of Beneficial Interests to Another Restricted Global Note.* A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.14.2(b) above and the Registrar receives the following:

(i) if the transferee will take delivery in the form of a beneficial interest in the Rule 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit C hereto; and

(ii) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit D hereto.

(d) *Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in the Unrestricted Global Note.* A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.14.2(b) above and:

(i) such exchange or transfer is effected pursuant to the Registered Exchange Offer in accordance with the Registration Rights Agreement and the holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a Person participating in the distribution of the New Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;

(ii) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(iii) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(iv) the Registrar receives a certificate and/or any other information reasonably required by and satisfactory to it in order to ensure compliance with the Securities Act and, if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (ii) or (iv) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of a Company Order in accordance with Section 2.2 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (ii) or (iv) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

2.14.3 *Transfer or Exchange of Beneficial Interests for Certificated Notes.*

(a) *Beneficial Interests in Restricted Global Notes to Restricted Certificated Notes.* If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Certificated Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Certificated Note, then, upon receipt by the Registrar of an Opinion of Counsel and/or a certificate and/or any other information reasonably required by and satisfactory to it in order to ensure compliance with the Securities Act, the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.14.6 hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Certificated Note in the appropriate principal amount. Any Certificated Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.14.3 shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the participant or indirect participant in the Depositary. The Trustee shall deliver such Certificated Notes to the Persons in whose names such Notes are so registered. Any Certificated Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.14.3(a) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(b) *Beneficial Interests in Restricted Global Notes to Unrestricted Certificated Notes.* A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Certificated Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Certificated Note only if:

(i) such exchange or transfer is effected pursuant to the Registered Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a broker-dealer, (2) a Person participating in the distribution of the New Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;

(ii) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(iii) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(iv) the Registrar receives an Opinion of Counsel and/or a certificate and/or any other information reasonably required by and satisfactory to it in order to maintain compliance with the Securities Act and to ensure that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required.

(c) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Certificated Notes.* If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Certificated Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Certificated Note, then, upon satisfaction of the conditions set forth in Section 2.14.2(b) hereof, the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.14.6 hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Certificated Note in the appropriate principal amount. Any Certificated Note issued in exchange for a beneficial interest pursuant to this Section 2.14.3(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the participant or indirect participant in the Depositary. The Trustee shall deliver such Certificated Notes to the Persons in whose names such Notes are so registered. Any Certificated Note issued in exchange for a beneficial interest pursuant to this Section 2.14.3(c) shall not bear the Private Placement Legend.

2.14.4 *Registered Exchange Offer.* Upon the occurrence of the Registered Exchange Offer in accordance with the Registration Rights Agreement, the Company shall issue and, upon receipt of a Company Order in accordance with Section 2.2, the Trustee shall authenticate (i) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of the beneficial interests in the Restricted Global Notes tendered for acceptance by Persons that certify in the applicable letters of transmittal that (x) they are not broker-dealers, (y) they are not participating in a distribution of the New Notes and (z) they are not affiliates (as defined in Rule 144) of the Company, and accepted for exchange in the Registered Exchange Offer and (ii) Certificated Notes in an aggregate principal amount equal to the principal amount of the Restricted Certificated Notes accepted for exchange in the Registered Exchange Offer. Concurrently with the issuance of such Notes, the Trustee shall cause the aggregate principal amount of the applicable Restricted Global Notes to be reduced accordingly, and the Company shall execute and the Trustee shall authenticate and deliver to the Persons designated by the Holders of Certificated Notes so accepted Unrestricted Certificated Notes in the appropriate principal amount.

2.14.5 *Legends.* The following legends shall appear on the face of all Global Notes and Certificated Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(a) *Private Placement Legend.* Except as permitted by subparagraph (b) below, each Global Note and each Certificated Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and accordingly, may not be offered or sold except as set forth in the following sentence. By its acquisition hereof, the Holder (1) represents that (A) it is a "Qualified Institutional Buyer" (as defined in Rule 144A adopted under the Securities Act) or (B) it is not a U.S. Person and is outside the United States within the meaning of (or an account satisfying the requirements of paragraph (k)(2) of Rule 902 under) Regulation S

under the Securities Act; (2) agrees that it will not within two years after the original issuance of this Note resell or otherwise transfer this Note except (A) to the Company or any Affiliate thereof, (B) to a Qualified Institutional Buyer in compliance with Rule 144A adopted under the Securities Act, (C) to an Institutional Accredited Investor that is acquiring the Note for its own account, or for the account of such an accredited investor, in either case in a minimum principal amount of the Notes of U.S.$250,000, for investment purposes and not with a view to or for offer or sale in connection with any distribution in violation of the Securities Act, and that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to the Trustee a signed letter containing certain representations and agreements relating to the restrictions on transfer of this Note (the form of which letter can be obtained from the Trustee), (D) in an offshore transaction in accordance with Regulation S under the Securities Act, (E) pursuant to the exemption from registration provided by Rule 144 adopted under the Securities Act or another available exemption under the Securities Act (if available), or (F) pursuant to an effective registration statement under the Securities Act; and (3) agrees that it will give to each person to whom this Note is transferred a notice substantially to the effect of this legend. In connection with any transfer of this Note within two years after the original issuance of this Note, the Holder must, prior to such transfer, furnish to the Trustee and the issuer such certifications, legal opinions or other information as may be required pursuant to the Indenture to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act."

(b) Notwithstanding the foregoing, any Global Note or Certificated Note issued pursuant to Sections 2.14.2(d), 2.14.3(b), 2.14.3(c), 2.14.4 (and all Notes issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.

(c) *Global Note Legend*. Each Global Note shall bear the Global Note Legend in addition to the Private Placement Legend.

2.14.6 *Cancellation and/or Adjustment of Global Notes.* At such time as all beneficial interests in a particular Global Note have been exchanged for Certificated Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Certificated Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

2.14.7 *General Provisions Relating to Transfers and Exchanges*.

(a) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Global Notes and Certificated Notes upon receipt of a Company Order or at the Registrar's request.

(b) No service charge shall be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Certificated Note for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or

similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.7, and 9.6 hereof).

(c) The Registrar shall not be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(d) All Global Notes and Certificated Notes issued upon any registration of transfer or exchange of Global Notes or Certificated Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Certificated Notes surrendered upon such registration of transfer or exchange.

(e) Neither the Company nor the Registrar shall be required (A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.2 hereof and ending at the close of business on the day of selection, (B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part or (C) to register the transfer of or to exchange a Note between a record date and the next succeeding Interest Payment Date.

(f) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

(g) The Trustee shall authenticate Global Notes and Certificated Notes in accordance with the provisions of Section 2.2 hereof.

(h) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.14 to effect a registration of transfer or exchange may be submitted by facsimile.

Section 2.15 *Payments*.

Notwithstanding the other provisions of this Indenture, unless otherwise specified, payment of the principal of and interest, if any, on any Global Note shall be made to the Holder thereof.

Section 2.16 *CUSIP Numbers*.

The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other elements of identification printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers.

Section 2.17 *Mandatory Disposition of Notes Pursuant to Gaming Laws*.

Each Holder and beneficial owner, by accepting or otherwise acquiring an interest in the Notes, shall be deemed to have agreed that if the Gaming Authority of any jurisdiction in which the Company or any of its subsidiaries conducts or proposes to conduct gaming requires that a Person who is a Holder or beneficial owner must be licensed, qualified or found suitable under the applicable Gaming Laws, such Holder or beneficial owner shall apply for a license, qualification or a finding of suitability within the required time period. If such Person fails to apply or become

licensed or qualified or is found unsuitable, then the Company shall have the right, at its option, (i) to require such Person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of the Company's election or such earlier date as may be requested or prescribed by such Gaming Authority or (ii) to redeem such Notes at a redemption price equal to the lesser of (a) such Person's cost or (b) 100% of the principal amount thereof, plus accrued and unpaid interest to the earlier of the redemption date and the date of the finding of unsuitability, which may be less than 30 days following the notice of redemption if so requested or prescribed by the Gaming Authority. The Company shall notify the Trustee in writing of any such redemption as soon as practicable. The Company shall not be responsible for any costs or expenses any such Holder or beneficial owner may incur in connection with its application for a license, qualification or a finding of suitability.

Section 2.18 *Additional Notes*.

The Company may, from time to time, subject to compliance with any other applicable provisions of this Indenture, without the consent of the Holders, create and issue pursuant to this Indenture Additional Notes having terms and conditions identical to those of the Initial Notes, except that Additional Notes:

(i) may have a different issue date from the Initial Notes;

(ii) may have a different amount of interest payable than is payable on the Initial Notes;

(iii) may have terms specified in the Additional Note Board Resolution or Additional Note Supplemental Indenture for such Additional Notes making appropriate adjustments applicable to such Additional Notes in order to conform to and ensure compliance with the Securities Act (or other applicable securities laws) and any registration rights or similar agreement applicable to such Additional Notes, which are not adverse in any material respect to the Holder of any Initial Notes; and

(iv) may be entitled to additional interest as contemplated in Section 2.19 not applicable to Initial Notes and may not be entitled to such additional interest applicable to Initial Notes.

Section 2.19 *Additional Interest Under Registration Rights Agreements*.

Under certain circumstances, the Company may be obligated to pay Additional Interest to Holders, all as and to the extent set forth in the Registration Rights Agreement or any registration rights agreement applicable to Additional Notes. The terms thereof are hereby incorporated herein by reference and such Additional Interest, if required to be paid, is deemed to be interest for purposes of this Indenture.

ARTICLE III.
REDEMPTION

Section 3.1 *Optional Redemption*.

The Notes shall not be redeemable at the option of any Holder thereof, upon the occurrence of any particular circumstances or otherwise. The Notes will be redeemable, in whole or in part, at any time, at the option of the Company, at a redemption price equal to the greater of (a) 100% of the principal amount of the Notes to be redeemed and (b) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of such Redemption Date) discounted to such Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 20 basis points, as calculated by an Independent Investment Banker, plus, in cases of either clause (a) or (b), accrued and unpaid interest on the principal amount being redeemed to such Redemption Date.

Section 3.2 *Notice to Trustee*.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.1, it shall notify the Trustee of the Redemption Date and the principal amount of Notes to be redeemed.

Section 3.3 *Selection of Notes to be Redeemed*.

If less than all the Notes are to be redeemed, the Trustee shall select the Notes to be redeemed in any manner that the Trustee deems fair and appropriate. The Trustee shall make the selection from Notes outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Notes that have denominations larger than $1,000. Notes and portions of them it selects shall be in amounts of $1,000 or whole multiples of $1,000.

Section 3.4 *Notice of Redemption*.

At least 30 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder whose Notes are to be redeemed (and provide a copy of such notice to the Trustee).

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that after the Redemption Date upon surrender of such Note a new Note or Notes in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Notes;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that interest on Notes called for redemption ceases to accrue on and after the redemption date; and

(g) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense, provided that the Company makes such request at least two Business Days (or such shorter time as is reasonably acceptable to the Trustee) prior to the date by which such notice of redemption must be given to Holders in accordance with this Section 3.4 and provides the Trustee with all information required for such notice of redemption.

Section 3.5 *Effect of Notice of Redemption*.

Once notice of redemption is mailed as provided in Section 3.4, Notes called for redemption become due and payable on the redemption date and at the redemption price. A notice of redemption may not be conditional. Upon surrender to the Paying Agent, such Notes shall be paid at the redemption price plus accrued interest to the redemption date.

Section 3.6 *Deposit of Redemption Price*.

On or before the redemption date, the Company shall deposit with the Paying Agent money sufficient to pay the redemption price of and accrued interest, if any, on all Notes to be redeemed on that date. If the Company complies with the provisions of this Section, on and after the

Redemption Date, interest will cease to accrue on the Note or the portions of the Notes called for redemption.

Section 3.7 *Notes Redeemed in Part*.

Upon surrender of a Note that is redeemed in part, the Trustee shall authenticate for the Holder a new Note and the same maturity equal in principal amount to the unredeemed portion of the Note surrendered.

ARTICLE IV.
COVENANTS

Section 4.1 *Payment of Principal and Interest.*

The Company covenants and agrees for the benefit of the Holders of the Notes that it will duly and punctually pay the principal of and interest, if any, on the Notes in accordance with the terms of the Notes and this Indenture.

Section 4.2 *SEC Reports*.

The Company shall deliver to the Trustee within 15 days after it files them with the SEC copies of the annual reports and the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. The Company also shall comply with the other provisions of TIA § 314(a).

Section 4.3 *Compliance Certificate*.

The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year of the Company, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he may have knowledge).

The Company will, so long as any of the Notes are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Section 4.4 *Stay, Extension and Usury Laws*.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture or the Notes; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.5 *Corporate Existence*.

Subject to Article V hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate, partnership or other existence of each Significant Subsidiary in accordance with the respective organizational documents (as the same may be amended from time to time) of each Significant Subsidiary and the rights (charter and statutory), licenses and franchises of the Company and its Significant Subsidiaries; *provided, however*, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any Significant Subsidiary, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries taken as a whole and that the loss thereof is not adverse in any material respect to the Holders.

Section 4.6 *Taxes*.

The Company shall, and shall cause each of its Significant Subsidiaries to, pay prior to delinquency all material taxes, assessments and governmental levies, except as contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holder of the Notes.

Section 4.7 *Limitation on Liens*.

Neither the Company nor any of its Subsidiaries may issue, assume or guarantee any Indebtedness secured by a Lien upon any Consolidated Property or on any Indebtedness or shares of capital stock of, or other ownership interests in, any Subsidiaries (regardless of whether the Consolidated Property, Indebtedness, capital stock or ownership interests were acquired before or after the date of the Indenture) without effectively providing that the Notes shall be secured equally and ratably with (or prior to) such Indebtedness so long as such Indebtedness shall be so secured, except that this restriction will not apply to: (a) Liens existing on the date of original issuance of the Notes; (b) Liens affecting property of a corporation or other entity existing at the time it becomes a Subsidiary of the Company or at the time it is merged into or consolidated with the Company or a Subsidiary of the Company; (c) Liens on property existing at the time of acquisition thereof or to secure Indebtedness incurred prior to, at the time of, or within 24 months after the acquisition for the purpose of financing all or part of the purchase price thereof; (d) Liens on any property to secure all or part of the cost of improvements or construction thereon or Indebtedness incurred to provide funds for such purpose in a principal amount not exceeding the cost of such improvements or construction; (e) Liens which secure Indebtedness owing by a Subsidiary of the Company to the Company or to another Subsidiary of the Company; (f) Liens securing Indebtedness of the Company the proceeds of which are used substantially simultaneously with the incurrence of such Indebtedness to retire Funded Debt; (g) purchase money security Liens on personal property; (h) Liens securing Indebtedness of the Company or any of its Subsidiaries the proceeds of which are used within 24 months of the incurrence of such Indebtedness for the cost of the construction and development or improvement of property of the Company or any of its Subsidiaries; (i) Liens on the stock, partnership or other equity interest of the Company or any of its Subsidiaries in any Joint Venture or any such Subsidiary which owns an equity interest in such Joint Venture to secure Indebtedness, *provided* the amount of such Indebtedness is contributed and/or advanced solely to such Joint Venture; (j) Liens to government entities, including pollution control or industrial revenue bond financing; (k) Liens required by any contract or statute in order to permit the Company or a Subsidiary of the Company to perform any contract or subcontract made by it with or at the request of a governmental entity; (l) mechanic's, materialman's, carrier's or other like Liens, arising in the ordinary course of business; (m) Liens for taxes or assessments and similar charges; (n) zoning restrictions, easements, licenses, covenants, reservations, restrictions on the use of real property and certain other minor

irregularities of title; and (o) any extension, renewal, replacement or refinancing of any Indebtedness secured by a Lien permitted by any of the foregoing clauses (a) through (j). Notwithstanding the foregoing, the Company and any one or more of its Subsidiaries may, without securing the Notes, issue, assume or guarantee Indebtedness which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with all other such Indebtedness of the Company and its Subsidiaries which would otherwise be subject to the foregoing restrictions (not including Indebtedness permitted by the preceding paragraph) and the aggregate Value of Sale and Lease-Back Transactions (other than those in connection with which the Company has voluntarily retired Funded Debt) does not at any one time exceed 15% of Consolidated Net Tangible Assets of the Company and its consolidated Subsidiaries.

Section 4.8 *Limitation on Sale-Lease Back Transactions*.

Neither the Company nor any of its Subsidiaries shall enter into any Sale and Lease-Back Transaction unless either (a) the Company or such Subsidiary would be entitled, pursuant to the above provisions, to incur Indebtedness in a principal amount equal to or exceeding the Value of such Sale and Lease-Back Transaction, secured by a Lien on the property to be leased, without equally and ratably securing the Notes or (b) the Company within 120 days after the effective date of such Sale and Lease-Back Transaction applies to the voluntary retirement of its Funded Debt an amount equal to the Value of the Sale and Lease-Back Transaction (subject to credits for certain voluntary retirements of Funded Debt).

ARTICLE V.
SUCCESSORS

Section 5.1 *When Company May Merge, Etc.*

The Company shall not consolidate with or merge with or into any other Person or, directly or indirectly, sell, lease or convey all or substantially all of its assets to another Person, and may not permit any Person to, directly or indirectly, sell, lease or convey all or substantially all of its assets to the Company, whether in a single transaction or a series of related transactions, unless:

(a) either the Company shall be the continuing person, or the Person (if other than the Company) formed by such consolidation or into or with which the Company is merged or to which the assets of the Company are transferred shall be a corporation organized and validly existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company on the Notes and under this Indenture;

(b) immediately after giving effect to such transaction, no Event of Default, and no event or condition which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, conveyance or lease and such supplemental indenture comply with this Section 5.1 and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 5.2 *Successor Corporation Substituted*.

Upon any consolidation or merger, or any sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.1, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, lease, conveyance or other disposition is made shall succeed to, and be substituted

for (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation and not to the Company), and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor person has been named as the Company herein; *provided*, *however*, that the predecessor Company in the case of a sale, lease, conveyance or other disposition shall not be released from the obligation to pay the principal of and interest, if any, on the Notes.

ARTICLE VI.
DEFAULTS AND REMEDIES

Section 6.1 *Events of Default*.

"*Event of Default*," wherever used herein with respect to the Notes, means any one of the following events:

(a) default in the payment of any interest on any Note when it becomes due and payable, and continuance of such default for a period of 30 days (unless the entire amount of such payment is deposited by the Company with the Trustee or with a Paying Agent prior to the expiration of such period of 30 days); or

(b) default in the payment of the principal of any Note at its Maturity, upon redemption or otherwise; or

(c) default in the performance or breach of any covenant or warranty of the Company or the Guarantor in this Indenture, which default continues uncured for a period of 60 days after there has been given, by registered or certified mail, to the Company or the Guarantor by the Trustee or to the Company, the Guarantor and the Trustee by the Holders of at least 25% in principal amount of the outstanding Notes (including Additional Notes, if any) a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(d) the acceleration of the maturity of any Indebtedness of the Company (other than Non-recourse Indebtedness), at any one time, in an amount in excess of the greater of (i) $25 million and (ii) 5% of Consolidated Net Tangible Assets, if such acceleration is not annulled within 30 days after written notice to the Company by the Trustee and the Holders of at least 25% in principal amount of the outstanding Notes (including Additional Notes, if any); or

(e) the Company or any of its Significant Subsidiaries pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(iv) makes a general assignment for the benefit of its creditors, or

(v) generally is not paying its debts as the same become due; or

(f) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or any of its Significant Subsidiaries in an involuntary case,

(ii) appoints a Custodian of the Company or any of its Significant Subsidiaries or for all or substantially all of its property, or

(iii) orders the liquidation of the Company or any of its Significant Subsidiaries, and the order or decree remains unstayed and in effect for 60 consecutive days.

The term "*Bankruptcy Law*" means Title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term "*Custodian*" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Section 6.2 *Acceleration of Maturity; Rescission and Annulment*.

If an Event of Default with respect to the Notes at the time outstanding occurs and is continuing (other than an Event of Default referred to in Section 6.1(e) or (f)) then in every such case the Trustee or the Holders of not less than 25% in principal amount of the outstanding Notes (including Additional Notes, if any) may declare the principal amount of and accrued and unpaid interest, if any, on all of the Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) and accrued and unpaid interest, if any, shall become immediately due and payable. If an Event of Default specified in Section 6.1(e) or (f) shall occur, the principal amount (or specified amount) of and accrued and unpaid interest, if any, on all outstanding Notes shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after such a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the then outstanding Notes, by written notice to the Company and the Trustee, may, on behalf of all the Holders, rescind and annul such declaration and its consequences if:

(a) the Company has paid or deposited with the Trustee a sum sufficient to pay

(i) all overdue interest, if any, on all Notes,

(ii) the principal of any Notes which have become due otherwise than by such declaration of acceleration and interest thereon,

(iii) to the extent that payment of such interest is lawful, interest upon any overdue principal and overdue interest at the rate or rates prescribed therefor in such Notes, and

(iv) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(b) all Events of Default with respect to the Notes, other than the non-payment of the principal of the Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 6.13.

No such rescission shall affect any subsequent Default or impair any right consequent thereon.

Section 6.3 *Collection of Indebtedness and Suits for Enforcement by Trustee*.

The Company covenants that if:

(a) default is made in the payment of any interest on any Note when such interest becomes due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of principal of any Note at the Maturity thereof,

then, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Notes, the whole amount then due and payable on the Notes for principal and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal or any overdue interest, at the rate or rates prescribed therefor in the Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Notes and collect the moneys adjudged or deemed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

If an Event of Default with respect to any Note occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of the Notes by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any

such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 6.4 *Trustee May File Proofs of Claim*.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Notes or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal and interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same,

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.5 *Trustee May Enforce Claims Without Possession of Notes.*

All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

Section 6.6 *Application of Money Collected*.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 7.7; and

Second: To the payment of the amounts then due and unpaid for principal of and interest on the Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for principal and interest, respectively; and

Third: To the Company.

Section 6.7 *Limitation on Suits*.

No Holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Notes;

(b) the Holders of not less than 25% in principal amount of the outstanding Notes shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the outstanding Notes;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

Section 6.8 *Unconditional Right of Holders to Receive Principal and Interest*.

Notwithstanding any other provision in this Indenture, the Holder of any Notes shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest, if any, on the Notes on the Stated Maturity (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 6.9 *Restoration of Rights and Remedies*.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 6.10 *Rights and Remedies Cumulative*.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.7, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.11 *Delay or Omission Not Waiver*.

No delay or omission of the Trustee or of any Holder of any Notes to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 6.12 *Control by Holders*.

The Holders of a majority in principal amount of the outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Notes, provided that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture,

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(c) subject to the provisions of Section 6.1, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer of the Trustee, determine that the proceeding so directed would involve the Trustee in personal liability.

Section 6.13 *Waiver of Past Defaults*.

The Holders of not less than a majority in principal amount of the outstanding Notes may on behalf of the Holders of all the Notes waive any past Default hereunder with respect to the Notes and its consequences, except a Default in the payment of the principal of or interest on any Notes

(*provided*, *however*, that the Holders of a majority in principal amount of the outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.14 *Undertaking for Costs*.

All parties to this Indenture agree, and each Holder of any Notes by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the outstanding Notes, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or interest on any Notes on or after the Stated Maturity or Stated Maturities expressed in such Note (or, in the case of redemption, on the redemption date).

ARTICLE VII.
TRUSTEE

Section 7.1 *Duties of Trustee*.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon Officers' Certificates or Opinions of Counsel furnished to the Trustee and conforming to the requirements of this Indenture; *however*, in the case of any such Officers' Certificates or Opinions of Counsel which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine such Officers' Certificates and Opinions of Counsel to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) This paragraph does not limit the effect of paragraph (b) of this Section.

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(iii) The Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it with respect to the Notes in good faith in accordance with the direction of the Holders of a majority in principal amount of the outstanding Notes relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Notes.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraph (a), (b) and (c) of this Section.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall require the Trustee to risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk is not reasonably assured to it.

(h) The Paying Agent, the Registrar and any authenticating agent shall be entitled to the protections, immunities and standard of care as are set forth in paragraphs (a), (b) and (c) of this Section with respect to the Trustee.

Section 7.2 *Rights of Trustee*.

(a) The Trustee may rely on and shall be protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care. No Depositary shall be deemed an agent of the Trustee and the Trustee shall not be responsible for any act or omission by any Depositary.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Notes unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(g) The Trustee shall be entitled to rely on faxed or telecopy documents in the same manner and to the same extent that it may rely on original, manually signed documents.

(h) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a trust officer of the Trustee has actual knowledge thereof or unless written notice of any event

which is in fact such a default is received by the Trustee at the Corporate Trust Office, and such notice references the Notes and this Indenture.

Section 7.3 *Individual Rights of Trustee*.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or an Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee is also subject to Sections 7.10 and 7.11.

Section 7.4 *Trustee's Disclaimer*.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes, and it shall not be responsible for any statement in the Notes other than its authentication.

Section 7.5 *Notice of Defaults*.

If a Default or Event of Default occurs and is continuing with respect to the Notes and if it is known to a Responsible Officer of the Trustee, the Trustee shall mail to each Noteholder, notice of a Default or Event of Default within 90 days after it occurs or, if later, after a Responsible Officer of the Trustee has knowledge of such Default or Event of Default. Except in the case of a Default or Event of Default in payment of principal of or interest on the Notes, the Trustee may withhold the notice if and so long as its corporate trust committee or a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Noteholders.

Section 7.6 *Reports by Trustee to Holders*.

Within 60 days after May 15 in each year, the Trustee shall transmit by mail to all Noteholders, as their names and addresses appear on the register kept by the Registrar, a brief report dated as of such May 15, in accordance with, and to the extent required under, TIA § 313.

A copy of each report at the time of its mailing to Noteholders shall be filed with the SEC and each stock exchange on which the Notes are listed. The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.7 *Compensation and Indemnity*.

The Company shall pay to the Trustee from time to time reasonable compensation for its services as shall be agreed upon pursuant to a separate agreement dated not later than the date hereof. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee (including the cost of defending itself) against any loss, liability or expense incurred by it except as set forth in the next paragraph in the performance of its duties under this Indenture as Trustee or Agent. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. This indemnification shall apply to officers, directors, employees, shareholders and agents of the Trustee.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee or by any officer, director, employee, shareholder or agent of the Trustee through gross negligence or bad faith.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(e) or (f) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

The obligations of the Company pursuant to this Section 7.7 shall survive the resignation or removal of the Trustee and the termination of this Indenture.

Section 7.8 *Replacement of Trustee*.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign with respect to the Notes by so notifying the Company. The Holders of a majority in principal amount of the Notes may remove the Trustee with respect to the Notes by so notifying the Trustee and the Company. The Company may remove the Trustee with respect to Notes if:

(a) the Trustee fails to comply with Section 7.10;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee with respect to the Notes does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee with respect to the Notes fails to comply with Section 7.10, any Noteholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately after that, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee subject to the lien provided for in Section 7.7, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee with respect to the Notes. A successor Trustee shall mail a notice of its succession to each Noteholder. Notwithstanding replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 hereof shall continue for the benefit of the retiring trustee with respect to expenses and liabilities incurred by it prior to such replacement.

Section 7.9 *Successor Trustee by Merger, etc.*

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section 7.10 *Eligibility; Disqualification*.

This Indenture shall always have a Trustee who satisfies the requirements of TIA § 310(a)(1), (2) and (5). The Trustee shall always have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA § 310(b).

Section 7.11 *Preferential Collection of Claims Against Company*.

The Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

ARTICLE VIII.
SATISFACTION AND DISCHARGE; DEFEASANCE

Section 8.1 *Satisfaction and Discharge of Indenture*.

This Indenture shall upon Company Order cease to be of further effect (except as hereinafter provided in this Section 8.1), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(a) either

(i) all Notes theretofore authenticated and delivered (other than Notes that have been destroyed, lost or stolen and that have been replaced or paid) have been delivered to the Trustee for cancellation; or

(ii) all such Notes not theretofore delivered to the Trustee for cancellation

(1) have become due and payable, or

(2) will become due and payable at their Stated Maturity within one year, or

(3) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, or

(4) are deemed paid and discharged pursuant to Section 8.3, as applicable;

and the Company, in the case of (1), (2) or (3) above, has deposited or caused to be deposited with the Trustee as trust funds in trust an amount sufficient for the purpose of paying and discharging the entire indebtedness on such Notes not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Notes which have become due and payable on or prior to the date of such deposit) or to the Stated Maturity or redemption date, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.7, and, if money shall have been deposited with the Trustee pursuant to clause (a) of this Section, the provisions of Sections 2.3, 2.7, 2.14, 8.1, 8.2 and 8.5 shall survive.

Section 8.2 *Application of Trust Funds; Indemnification*.

(a) Subject to the provisions of Section 8.5, all money deposited with the Trustee pursuant to Section 8.1, all money and U.S. Government Obligations or Foreign Government Obligations deposited with the Trustee pursuant to Section 8.3 or 8.4 and all money received by the Trustee in respect of U.S. Government Obligations or Foreign Government Obligations deposited with the Trustee pursuant to Section 8.3 or 8.4, shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the persons entitled thereto, of the principal and interest for whose payment such money has been deposited with or received by the Trustee or to make payments as contemplated by Sections 8.3 or 8.4.

(b) The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against U.S. Government Obligations or Foreign Government Obligations deposited pursuant to Sections 8.3 or 8.4 or the interest and principal received in respect of such obligations other than any payable by or on behalf of Holders.

(c) The Trustee shall deliver or pay to the Company from time to time upon Company Request any U.S. Government Obligations or Foreign Government Obligations or money held by it as provided in Sections 8.3 or 8.4 which, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, are then in excess of the amount thereof which then would have been required to be deposited for the purpose for which such U.S. Government Obligations or Foreign Government Obligations or money were deposited or received. This provision shall not authorize the sale by the Trustee of any U.S. Government Obligations or Foreign Government Obligations held under this Indenture.

Section 8.3 *Legal Defeasance of Notes*.

The Company shall be deemed to have paid and discharged the entire indebtedness on all the outstanding Notes on the 91st day after the date of the deposit referred to in subparagraph (d) hereof, and the provisions of this Indenture, as it relates to such outstanding Notes, shall no longer be in effect (and the Trustee, at the expense of the Company, shall, at Company Request, execute proper instruments acknowledging the same), except as to:

(a) the rights of Noteholders to receive, from the trust funds described in subparagraph (d) hereof, payment of the principal of and each installment of principal of and interest on the outstanding Notes on the Stated Maturity of such principal or installment of principal or interest;

(b) the provisions of Sections 2.3, 2.7, 2.14, 8.2, 8.3 and 8.5; and

(c) the rights, powers, trust and immunities of the Trustee hereunder;

provided that, the following conditions shall have been satisfied:

(d) the Company shall have deposited or caused to be deposited irrevocably with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for and dedicated solely to the benefit of the Noteholders, cash in Dollars (or such other money or currencies as shall then be legal tender in the United States) and/or

U.S. Government Obligations, which through the payment of interest and principal in respect thereof, in accordance with their terms, will provide (and without reinvestment and assuming no tax liability will be imposed on such Trustee), not later than one day before the due date of any payment of money, an amount in cash, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge each installment of principal of and interest, if any, on all the Notes on the dates such installments of interest or principal are due;

(e) such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(f) no Default or Event of Default with respect to the Notes shall have occurred and be continuing on the date of such deposit or during the period ending on the 91st day after such date;

(g) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel to the effect that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the Notes will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred;

(h) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of the Notes over any other creditors of the company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company;

(i) such deposit shall not result in the trust arising from such deposit constituting an investment company (as defined in the Investment Company Act of 1940, as amended), or such trust shall be qualified under such Act or exempt from regulation thereunder; and

(j) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the defeasance contemplated by this Section have been complied with.

Section 8.4 *Covenant Defeasance*.

On and after the 91st day after the date of the deposit referred to in subparagraph (a) hereof, the Company may omit to comply with any term, provision or condition set forth under Sections 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8 and 5.1 (and the failure to comply with any such covenants shall not

constitute a Default or Event of Default under Section 6.1) and the occurrence of any event described in clause (e) of Section 6.1 shall not constitute a Default or Event of Default hereunder, with respect to the Notes, provided that the following conditions shall have been satisfied:

(a) With reference to this Section 8.4, the Company has deposited or caused to be irrevocably deposited (except as provided in Section 8.2(c)) with the Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Noteholders, cash in Dollars (or such other money or currencies as shall then be legal tender in the United States) and/or U.S. Government Obligations, which through the payment of interest and principal in respect thereof, in accordance with their terms, will provide (and without reinvestment and assuming no tax liability will be imposed on such Trustee), not later

than one day before the due date of any payment of money, an amount in cash, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, to pay principal and interest, if any, on the Notes on the dates such installments of interest or principal are due;

(b) Such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(c) No Default or Event of Default with respect to the Notes shall have occurred and be continuing on the date of such deposit or during the period ending on the 91st day after such date;

(d) the Company shall have delivered to the Trustee an Opinion of Counsel confirming that Holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(e) the Company shall have delivered to the Trustee an Officers' Certificate stating the deposit was not made by the Company with the intent of preferring the Holders of the Notes over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company; and

(f) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the defeasance contemplated by this Section have been complied with.

Section 8.5 *Repayment to Company*.

The Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal and interest that remains unclaimed for two years. After that, Noteholders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person.

ARTICLE IX.
AMENDMENTS AND WAIVERS

Section 9.1 *Without Consent of Holders*.

The Company and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Noteholder:

(a) to cure any ambiguity, defect or inconsistency;

(b) to comply with Article V;

(c) to make any change that does not adversely affect the rights of any Noteholder;

(d) to provide for the issuance of Additional Notes as permitted by this Indenture; or

(e) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA.

The Company may also provide for the issuance of New Notes, which will have terms substantially identical to the other outstanding Notes except that (i) a Private Placement Legend shall not be required and (ii) the related transfer restrictions under the Securities Act and this

Indenture and the payment of Additional Interest shall not be applicable to such New Notes. The New Notes shall be treated, together with any outstanding Notes, as a single issue of securities.

Section 9.2 *With Consent of Holders*.

The Company and the Trustee may enter into a supplemental indenture with the written consent of the Holders of at least a majority in principal amount of the outstanding Notes affected by such supplemental indenture (including consents obtained in connection with a tender offer or exchange offer for the Notes), for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Noteholders. Except as provided in Section 6.13, the Holders of at least a majority in principal amount of the outstanding Notes by notice to the Trustee (including consents obtained in connection with a tender offer or exchange offer for the Notes) may waive compliance by the Company with any provision of this Indenture or the Notes.

It shall not be necessary for the consent of the Noteholders under this Section 9.2 to approve the particular form of any proposed supplemental indenture or waiver, but it shall be sufficient if such consent approves the substance thereof. After a supplemental indenture or waiver under this Article

becomes effective, the Company shall mail to the Noteholders a notice briefly describing the supplemental indenture or waiver. Any failure by the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

Section 9.3 *Limitations*.

Without the consent of each Noteholder affected, an amendment or waiver may not:

(a) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the rate of or extend the time for payment of interest (including default interest) on the Notes;

(c) reduce the principal or change the Stated Maturity of the Notes or reduce the amount of, or postpone the date fixed for, redemption;

(d) reduce the principal amount of discount securities payable upon acceleration of Maturity;

(e) waive a Default or Event of Default in the payment of the principal of or interest, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(f) make the principal of or interest, if any, on the Notes payable in any currency other than that stated in the Note; or

(g) make any change in Sections 6.8, 6.13, 9.3 (this sentence), or 10.15.

Section 9.4 *Compliance with Trust Indenture Act*.

Every amendment to this Indenture or the Notes shall be set forth in a supplemental indenture hereto that complies with the TIA as then in effect.

Section 9.5 *Revocation and Effect of Consents*.

Until an amendment or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is

not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to his Note or portion of a Note if the Trustee receives the notice of revocation before the date the amendment or waiver becomes effective.

Any amendment or waiver once effective shall bind every Noteholder unless it is of the type described in any of clauses (a) through (f) of Section 9.3. In that case, the amendment or waiver shall bind each Holder of a Note who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note.

Section 9.6 *Notation on or Exchange of Notes*.

The Trustee may place an appropriate notation about an amendment or waiver on any Notes thereafter authenticated. The Company in exchange for Notes may issue and the Trustee shall authenticate upon request new Notes that reflect the amendment or waiver.

Section 9.7 *Trustee Protected*.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 7.1) shall be fully protected in relying upon, an Officer's Certificate and an Opinion of Counsel each stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee shall sign all supplemental indentures, except that the Trustee need not sign any supplemental indenture that adversely affects its rights.

ARTICLE X.
MISCELLANEOUS

Section 10.1 *Trust Indenture Act Controls*.

If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required or deemed to be included in this Indenture by the TIA, such required or deemed provision shall control.

Section 10.2 *Notices*.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first-class mail, telecopier or overnight air carrier guaranteeing next day delivery:

if to the Company:

Harrah's Operating Company, Inc.
One Harrah's Court
Las Vegas, Nevada 89119
Telecopier No.: (702) 407-6022
Attention: General Counsel

with a copy to:

Latham & Watkins LLP
650 Town Center Dr.
20th Floor
Costa Mesa, California 92626
Telecopier No.: (714) 755-8290
Attention: Charles Ruck, Esq.

if to the Trustee:

U.S. Bank National Association
60 Livingston Avenue
St. Paul, Minnesota 55107
Telecopier No.: (651) 495-8097
Attention: Corporate Trust Services

All notices and communications (other than those sent to Holders) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Noteholder shall be mailed by first-class mail overnight air courier guaranteeing next day delivery to the Noteholder's address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders.

If a notice or communication is mailed in the manner provided above, within the time prescribed, it is duly given, whether or not the Noteholder receives it.

If the Company mails a notice or communication to Noteholders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 10.3 *Communication by Holders with Other Holders*.

Noteholders may communicate pursuant to TIA § 312(b) with other Noteholders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

Section 10.4 *Certificate and Opinion as to Conditions Precedent*.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 10.5 *Statements Required in Certificate or Opinion*.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA § 314(a)(4)) shall comply with the provisions of TIA § 314(e) and shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

Section 10.6 *Rules by Trustee and Agents*.

The Trustee may make reasonable rules for action by or a meeting of Noteholders. Any Agent may make reasonable rules and set reasonable requirements for its functions.

Section 10.7 *Legal Holidays*.

A "Legal Holiday" is any day that is not a Business Day. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

Section 10.8 *No Recourse Against Others*.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Noteholder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

Section 10.9 *Counterparts*.

This Indenture may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section 10.10 *Governing Laws*.

This Indenture and the Notes shall be governed by the laws of the State of New York applicable to agreements made and to be performed in such State without regard to the conflict of laws provisions thereof.

Section 10.11 *No Adverse Interpretation of Other Agreements*.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 10.12 *Successors*.

All agreements of the Company in this Indenture and the Notes shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

Section 10.13 *Severability*.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 10.14 *Table of Contents, Headings, Etc.*

The Table of Contents, Cross-Reference Table, and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 10.15 *Judgment Currency*.

The Company agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of or interest or other amount on the Notes (the "*Required Currency*") into a currency in which a judgment will be rendered (the "*Judgment Currency*"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the day on which final unappealable judgment is entered, unless such day is not a New York Banking Day, then, the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the New York Banking Day preceding the day on which final unappealable judgment is entered and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable, and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, "*New York Banking Day*" means any day except a Saturday, Sunday or a legal holiday in The City of New York on which banking institutions are authorized or required by law, regulation or executive order to close.

ARTICLE XI.
SINKING FUNDS

Section 11.1 *No Sinking Funds*.

The Notes shall not be entitled to the benefit of any sinking fund.

ARTICLE XII.
GUARANTEE

Section 12.1 *Guarantee*.

12.1.1 Subject to Section 12.1.2, below, the Guarantor hereby irrevocably and unconditionally guarantees (such guarantee being the "*Guarantee*") to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture and the Notes hereunder, that: (i) the principal of, premium, if any, and interest on the Notes promptly will be paid in full when due, whether at the Maturity, by acceleration, call for redemption or otherwise, and interest on the overdue principal,

premium, if any, and interest, if any, of the Notes, if lawful, and all other obligations of the Company to the Holders and the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof, and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise. Failing payment when due by the Company of any amount so guaranteed for whatever reason, the Guarantor shall be obligated to pay the same immediately. The Guarantor hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and this Indenture. If any Holder or the Trustee is required by any court or otherwise to return to the Company or any custodian, Trustee, liquidator or other similar official acting in relation to the Company, any amount paid by the Company to the Trustee or such Holder, this Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. The Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations is guaranteed hereby.

12.1.2 It is the intention of the Guarantor and the Company that the obligations of the Guarantor hereunder shall be, but not in excess of, the maximum amount permitted by applicable law. Accordingly, if the obligations in respect of the Guarantee would be annulled, avoided or subordinated to the creditors of the Guarantor by a court of competent jurisdiction in a proceeding actually pending before such court as a result of a determination both that such Guarantee was made without fair consideration and, immediately after giving effect thereto, the Guarantor was insolvent or unable to pay its debts as they mature or left with an unreasonably small capital, then the obligations of the Guarantor under the Guarantee shall be reduced by such court if such reduction would result in the avoidance of such annulment, avoidance or subordination; provided, however, that any reduction pursuant to this paragraph shall be made in the smallest amount as is strictly necessary to reach such result. For purposes of this paragraph, "fair consideration," "insolvency," "unable to pay its debts as they mature," "unreasonably small capital" and the effective times of reductions, if any, required by this paragraph shall be determined in accordance with applicable law.

12.1.3 The Guarantor shall be subrogated to all rights of the Holders against the Company in respect of any amounts paid by Guarantor pursuant to the provisions of the Guarantee or this Indenture; provided, however, that the Guarantor shall not be entitled to enforce or to receive any payments arising out of, or based upon, such right of subrogation until the principal of, premium, if any, and interest on all Notes issued hereunder shall have been paid in full.

Section 12.2 *Execution and Delivery of Guarantee*.

To evidence the Guarantee set forth in Section 12.1, the Company and the Guarantor hereby agree that a notation of such Guarantee shall be endorsed on each Note authenticated and delivered by the Trustee, that such notation of such Guarantee shall be in the form attached hereto as Exhibit B, and shall be executed on behalf of the Guarantor by its Chairman of the Board, one of its Vice Chairmen of the Board, its President or one of its Vice Presidents.

The Guarantor hereby agrees that the Guarantee set forth in Section 12.1 shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of the Guarantee.

If an officer whose signature is on this Indenture no longer holds that office at the time the Trustee authenticates the Note on which the Guarantee is endorsed, the Guarantee shall be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Guarantee set forth in this Indenture on behalf of the Guarantor.

Section 12.3 *Release of Guarantor*.

The Guarantor shall be released from all of its obligations under the Guarantee and under this Indenture if:

(a) the Company or the Guarantor has transferred all or substantially all of its properties and assets to any Person (whether by sale, merger or consolidation or otherwise), or has merged into or consolidated with another Person, pursuant to a transaction in compliance with this Indenture;

(b) the corporation to whom all or substantially all of the properties and assets of the Company or the Guarantor are transferred, or whom the Company or the Guarantor has merged into or consolidated with, has expressly assumed, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Guarantor under the Guarantee and this Indenture;

(c) immediately before and immediately after giving effect to such transaction, no Event of Default, and no event or condition which, after notice or lapse of time or both, would become and Event of Default, shall have occurred and be continuing; and

(d) the Guarantor has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture comply with this Section 12.3 and that all conditions precedent herein provided for relating to such transaction have been complied with; or

(e) the Guarantor liquidates (other than pursuant to any Bankruptcy Law) and complies, if applicable, with the provisions of this Indenture; *provided* that if a Person and its Affiliates, if any, shall acquire all or substantially all of the assets of the Guarantor upon such liquidation the Guarantor shall liquidate only if:

(i) the Person and each such Affiliate (or the common corporate parent of such Person and its Affiliates, if such Person and its Affiliates are wholly owned by such parent) which acquire or will acquire all or a portion of the assets of the Guarantor shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Guarantor, under the Guarantee and this Indenture and such Person or any of such Affiliates (or such parent) shall be a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia;

(ii) immediately after giving effect to such transaction, no Event of Default, and no event or condition which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(iii) the Guarantor has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such liquidation and such supplemental indenture comply with this Section 12.3 and that all conditions precedent herein provided for relating to such transaction have been complied with; or

(iv) the Company ceases for any reason to be a "wholly owned subsidiary" of the Guarantor (as such term is defined in Rule 1-02(z) of the Regulation S-X promulgated by the SEC).

Upon any assumption of the Guarantee by any Person pursuant to this Section 12.3, such Person may exercise every right and power of the Guarantor under this Indenture with the same effect as if such successor corporation had been named as the Guarantor herein, and all the obligations of the Guarantor, hereunder and under the Guarantee and the Indenture shall terminate.

Section 12.4 *When Guarantor May Merge, etc.*

The Guarantor shall not consolidate with or merge with or into any other Person or, directly or indirectly, sell, lease or convey all or substantially all of its assets (computed on a consolidated basis) to another Person, and may not permit any Person to, directly or indirectly, sell, lease or convey all or substantially all of its assets to the Guarantor, whether in a single transaction or a series of related transactions, unless:

(a) either the Guarantor shall be the continuing person, or the Person (if other than the Guarantor) formed by such consolidation or into or with which the Guarantor is merged or to which the assets of the Guarantor are transferred shall be a corporation organized and validly existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Guarantor under the Guarantee and this Indenture;

(b) immediately after giving effect to such transaction, no Event of Default, and no event or condition which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(c) the Guarantor has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, conveyance or lease and such supplemental indenture comply with this Section 12.4 and that all conditions precedent herein provided for relating to such transaction have been complied with.

Upon any consolidation or merger, or any sale, conveyance or lease of all or substantially all of the assets of the Guarantor, in accordance with this Section 12.4, the successor corporation formed by such consolidation or into or with which the Guarantor is merged or to which such transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Guarantor under this Indenture with the same effect as if such successor corporation had been named as the Guarantor herein, and all the obligations of the predecessor Guarantor hereunder and under the Guarantee and the Indenture shall terminate.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

HARRAH'S OPERATING COMPANY, INC.

By: /s/ JONATHAN HALKYARD

Name: Jonathan Halkyard
Title: *Vice President of Finance*

HARRAH'S ENTERTAINMENT, INC.

By: /s/ JONATHAN HALKYARD

Name: Jonathan Halkyard
Title: *Vice President of Finance*

U.S. BANK NATIONAL ASSOCIATION

By: /s/ FRANK P. LESLIE III

Name: Frank P. Leslie III
Title: *Vice President*

EXHIBIT A

FORM OF NOTE

[Insert Global Note Legend, if applicable to the provisions of the Indenture]

[Insert Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

No.:

CUSIP No.: 413627 AM 2—*for QIBs*
U24658 AC 7—*for Reg S*

Principal Amount: $

HARRAH'S OPERATING COMPANY, INC.

5.375% Senior Notes due 2013
Payment of principal, interest and premium, if any, unconditionally guaranteed by

HARRAH'S ENTERTAINMENT, INC.

Harrah's Operating Company, Inc., a Delaware corporation (hereinafter called the "*Company*", which term includes any successor under the Indenture referred to below), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of DOLLARS ($) on December 15, 2013 ("*Maturity*"), and to pay interest thereon from December 11, 2003 or from the most recent date to which interest has been paid or duly provided for, semiannually on June 15 and December 15 of each year (each, an "*Interest Payment Date*"), commencing June 15, 2004 and at Maturity, at the rate of 5.375% per annum, until the principal hereof is paid or duly made available for payment. Interest on this Note shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The interest so payable and punctually paid or duly provided for on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date. If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest plus, to the extent permitted by law, any interest payable on the defaulted interest, to the Persons who are the registered Holders of the Notes on a subsequent special record date. The Company shall fix the record date and the payment date. At least 30 days before the record date, the Company shall mail to the Trustee and to each Holder a notice that states the record date, the payment date and the amount of interest to be paid. The Company may pay defaulted interest in any other lawful manner.

If any Interest Payment Date, Redemption Date or Maturity Date of any of the Notes is not a Business Day, then payment of principal and interest will be made on the next succeeding Business Day. No interest will accrue on the amount so payable for the period from such Interest Payment Date, Redemption Date or Maturity Date, as the case may be, to the date payment is made.

Under certain circumstances the Company may be required to pay Additional Interest as provided in the Indenture.

Payment of the principal of and the interest on this Note will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; *provided*, *however*, that, at the option of the Company, interest may be paid by check mailed to the address of the Person entitled thereto as such address shall appear in the register or by wire transfer to an account maintained by the payee located in the United States of America.

This Note is one of a duly authorized issue of Notes of the Company (herein called the "*Notes*") issued and to be issued under an Indenture dated as of December 11, 2003 (herein called, together with all indentures supplemental thereto, the "*Indenture*") among, the Company, Harrah's Entertainment, Inc. and U.S. Bank National Association, as trustee (herein called the "*Trustee*", which term includes any successor trustee under the Indenture), to which the Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the Notes of the series designated on the face hereof, limited in aggregate principal amount to $500,000,000, subject to the Company's ability to issue additional notes as provided in the Indenture.

The Notes are senior obligations of the Company. The Indenture imposes certain limitations on the ability of the Company to, among other things, create or incur liens and make certain sale-leaseback transactions. The Indenture also imposes limitations on the ability of the Company to consolidate or merge with or into any other Person or convey, transfer or lease substantially all of the property of the Company.

The Notes are subject to redemption prior to the Maturity Date of the principal thereof as provided in the Indenture.

If an Event of Default with respect to the Notes shall occur and be continuing, the principal of the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes of each series issued under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding of each series affected thereby. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Notes of any series at the time outstanding, on behalf of the Holders of all Notes of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note

and of any Notes issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note, at the time, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

As provided in the Indenture and subject to certain limitations set forth therein, the transfer of this Note may be registered on the register upon surrender of this Note for registration of transfer at the office or agency of the Company maintained for the purpose in any place where the principal of and interest on this Note are payable, duly endorsed, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar duly executed by the Holder hereof or by his attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. The Notes are issuable only in registered form without coupons in the denominations of $1,000 and integral multiples of $1,000. As provided in the Indenture and subject to certain limitations set forth therein, the Notes are exchangeable for a like aggregate principal amount of Notes of authorized denominations as requested by the Holders surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith, other than in certain cases provided in the Indenture.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The indenture contains provisions whereby (i) the Company may be discharged from its obligations with respect to the Notes (subject to certain exceptions) or (ii) the Company may be released from its obligations under specified covenants and agreements in the Indenture, in each case if the Company irrevocably deposits with the Trustee money or U.S. Government Obligations sufficient to pay and discharge the entire indebtedness on all Notes, and satisfies certain other conditions, all as more fully provided in the Indenture.

This Note shall be governed by and construed in accordance with the internal laws of the State of New York.

Capitalized terms used in this Note which are not defined herein shall have the meanings assigned to them in the Indenture.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee under the Indenture by the manual signature of one of its authorized signatories, this Note shall not be entitled to any benefits under the Indenture or be valid or obligatory for any purpose.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

HARRAH'S OPERATING COMPANY, INC.

_____

Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION
This is one of the Notes of the series designated
therein referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By:

_____

Authorized Signatory

ASSIGNMENT FORM

FOR, VALUE RECEIVED, the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE

the within Note and all rights thereunder, hereby irrevocably constituting and appointing Attorney to transfer said Note on the books of the Company with full power of substitution in the premises.

Dated:

Notice: The signature to this assignment must correspond with the name as it appears upon the face of the Note in every particular, without alteration or enlargement or any change whatever.

Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee

Signature of Signature Guarantor

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM—as tenants in common UNIF GIFT MIN ACT— Custodian

TEN ENT—as tenants by the entireties (Cust) (Minor)

JT TEN—as joint tenants with right of survivorship and not as tenants in common Under Uniform Gifts to Minors Act

(State)

Additional abbreviations may also be used though not in the above list.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Certificated Note, or exchanges of a part of another Global Note or Certificated Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount [at maturity] of this Global Note	Amount of increase in Principal Amount [at maturity] of this Global Note	Principal Amount [at maturity] of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Custodian

EXHIBIT B

FORM OF NOTATION OF GUARANTEE

NOTATION OF GUARANTEE OF HARRAH'S ENTERTAINMENT, INC.

For value received, the undersigned, Harrah's Entertainment, Inc. (the "*Guarantor*")(which term includes any successor person under the Indenture), has unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture, dated as of December 11, 2003 (the "*Indenture*"), among Harrah's Operating Company, Inc. (the "*Company*"), the Guarantor and U.S. Bank National Association, as trustee (the "*Trustee*"), (a) the due and punctual payment of the principal of, premium, if any, and interest on, the Notes, whether at maturity, by acceleration, redemption or otherwise, the due and

punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantor to the Holders of Notes and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article 12 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee. Each Holder of a Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee attorney-in-fact of such Holder for such purpose; *provided, however*, that the Indebtedness evidenced by this Note Guarantee shall cease to be so subordinated and subject in right of payment upon any defeasance of this Note in accordance with the provisions of the Indenture.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has caused this notation of Guarantee to be duly executed.

Date:

HARRAH'S ENTERTAINMENT, INC.

Name:
Title:

EXHIBIT C

FORM OF CERTIFICATE FOR TRANSFER PURSUANT TO RULE 144A

[Date]

U.S. Bank National Association
60 Livingston Avenue
St. Paul, Minnesota 55107

Re: *5.375% Senior Notes due 2013*

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of December 11, 2003 (as amended and supplemented from time to time, the "Indenture"), among Harrah's Operating Company, Inc. (the "Company"), Harrah's Entertainment, Inc. (the "Guarantor") and U.S. Bank National Association as trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to $ aggregate principal amount of Notes, which represents an interest in a Regulation S Global Note beneficially owned by the undersigned (the "Transferor"), to effect the transfer of such Notes in exchange for an equivalent beneficial interest in the Rule 144A Global Note.

In connection with such request, and with respect to such Notes, the Transferor does hereby certify that such Notes are being transferred in accordance with Rule 144A, to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account or an account with respect to which the transferee exercises sole investment discretion, and the transferee, as well as any such account, is a "qualified institutional buyer" within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws of any state of the United States or any other jurisdiction.

You, the Company and the Guarantor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]

By:

Authorized Signature

FORM OF CERTIFICATE FOR TRANSFER PURSUANT TO REGULATION S

[Date]

U.S. Bank National Association
60 Livingston Avenue
St. Paul, Minnesota 55107

Re: *5.375% Senior Notes due 2013*

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of December 11, 2003 (as amended and supplemented from time to time, the "Indenture"), among Harrah's Operating Company, Inc. (the "Company"), Harrah's Entertainment, Inc. (the "Guarantor") and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

In connection with our proposed sale of $ aggregate principal amount of Notes, which represents an interest in the Rule 144A Global Note beneficially owned by the undersigned (the "Transferor"), we confirm that such sale has been effected pursuant to and in accordance with Regulation S, and, accordingly, we represent that:

(a) the offer of such Notes was not made to a person in the United States;

(b) either (i) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States or (ii) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(c) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable;

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(e) we are the beneficial owner of the principal amount of such Notes being transferred.

In addition, if the sale is made during the Restricted Period and the provisions of Rule 904(b)(1) or Rule 904(b)(2) of Regulation S are applicable thereto, we confirm that such sale has been made in accordance with the applicable provisions of Rule 904(b)(1) or Rule 904(b)(2), as the case may be.

You, the Company and the Guarantor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this letter have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By: _____

_____

[Authorized Signature]

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.7

HARRAH'S OPERATING COMPANY, INC.

$500,000,000

5.375% Senior Notes due 2013

REGISTRATION RIGHTS AGREEMENT

New York, New York
December 11, 2003

Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

Harrah's Operating Company, Inc., a corporation organized under the laws of Delaware (the "*Company*"), proposes to issue and sell to you, as initial purchaser (the "*Initial Purchaser*"), upon the terms set forth in a purchase agreement dated as of December 8, 2003 (the "*Purchase Agreement*"), its 5.375% Senior Notes due 2013 (the "*Notes*") relating to the initial placement of the Notes (the "*Initial Placement*"), which Notes are to be guaranteed by Harrah's Entertainment, Inc., a corporation organized under the laws of Delaware (the "*Guarantor*"). The Notes are to be issued under an indenture (the "*Indenture*") to be dated as of December 11, 2003, between the Company, the Guarantor and U.S. Bank National Association, as trustee (the "*Trustee*"). To induce the Initial Purchaser to enter into the Purchase Agreement and to satisfy a condition of your obligations thereunder, the Company and the Guarantor agree with you for your benefit and the benefit of the holders from time to time of the Notes (including the Initial Purchaser) (each a "*Holder*" and, together, the "*Holders*"), as follows:

1. *Definitions*. Capitalized terms used herein without definition shall have their respective meanings set forth in the Purchase Agreement. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"*Additional Interest*" shall have the meaning set forth in Section 5 hereto.

"*Affiliate*" of any specified Person shall mean any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such specified Person. For purposes of this definition, control of a Person shall mean the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; and the terms "*controlling*" and "*controlled*" shall have meanings correlative to the foregoing.

"*Broker-Dealer*" shall mean any broker or dealer registered as such under the Exchange Act.

"*Business Day*" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in New York City.

"*Commission*" shall mean the Securities and Exchange Commission.

"*Company*" shall have the meaning set forth in the preamble hereto.

"*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"*Exchange Offer Registration Period*" shall mean the one-year period following the consummation of the Registered Exchange Offer, exclusive of any period during which any stop order shall be in effect suspending the effectiveness of the Exchange Offer Registration Statement.

"*Exchange Offer Registration Statement*" shall mean a registration statement of the Company on an appropriate form under the Securities Act with respect to the Registered Exchange Offer, all amendments and supplements to such registration statement, including post-effective amendments thereto, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"*Exchanging Dealer*" shall mean any Holder (which may include the Initial Purchaser) that is a Broker-Dealer and elects to exchange for New Notes any Notes that it acquired for its own account as a result of market-making activities or other trading activities (but not directly from the Company or any Affiliate of the Company) for New Notes.

"*Expiration Date*" shall have the meaning set forth in Section 2(c)(ii) hereof.

"*Guarantor*" shall have the meaning set forth in the preamble hereto.

"*Holder*" shall have the meaning set forth in the preamble hereto.

"*Indenture*" shall have the meaning set forth in the preamble hereto.

"*Initial Placement*" shall have the meaning set forth in the preamble hereto.

"*Initial Purchaser*" shall have the meaning set forth in the preamble hereto.

"*Losses*" shall have the meaning set forth in Section 7(d) hereof.

"*Majority Holders*" shall mean the Holders of a majority of the aggregate principal amount of Notes registered under a Registration Statement.

"*Managing Underwriters*" shall mean the investment banker or investment bankers and manager or managers that shall administer an underwritten offering.

"*New Notes*" shall mean debt securities of the Company, guaranteed by the Guarantor, identical in all material respects to the Notes (except that the cash interest and interest rate step-up provisions and the transfer restrictions shall be modified or eliminated, as appropriate) and to be issued under the Indenture or the New Notes Indenture.

"*New Notes Indenture*" shall mean an indenture between the Company and the New Notes Trustee, identical in all material respects to the Indenture (except that the cash interest and interest rate step-up provisions and the transfer restrictions shall be modified or eliminated, as appropriate).

"*New Notes Trustee*" shall mean a bank or trust company reasonably satisfactory to the Initial Purchaser, as trustee with respect to the New Notes under the New Notes Indenture.

"*Notes*" shall have the meaning set forth in the preamble hereto.

"*Offering Memorandum*" shall have the meaning set forth in the Purchase Agreement.

"*Person*" shall mean any individual, partnership, corporation, trust, or unincorporated organization, or a government or agency or political subdivision thereof.

"*Prospectus*" shall mean the prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Notes or the New Notes covered by such Registration Statement, and all amendments and supplements thereto and all material incorporated by reference therein.

"*Purchase Agreement*" shall have the meaning set forth in the preamble hereto.

"*Registered Exchange Offer*" shall mean the proposed offer of the Company to issue and deliver to the Holders of the Notes that are not prohibited by any law or policy of the Commission from participating in such offer, in exchange for the Notes, a like aggregate principal amount of the New Notes.

"*Registration Default*" shall have the meaning set forth in Section 5(a) hereof.

"*Registration Statement*" shall mean any Exchange Offer Registration Statement or Shelf Registration Statement that covers any of the Notes or the New Notes pursuant to the provisions of this Agreement, any amendments and supplements to such registration statement, including post-effective amendments (in each case including the Prospectus contained therein), all exhibits thereto and all material incorporated by reference therein.

"*Securities Act*" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"*Shelf Registration*" shall mean a registration effected pursuant to Section 3 hereof.

"*Shelf Registration Period*" has the meaning set forth in Section 3(b)(ii) hereof.

"*Shelf Registration Statement*" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 3 hereof which covers some or all of the Notes or New Notes, as applicable, on an appropriate form under Rule 415 under the Securities Act, or any similar rule that may be adopted by the Commission, amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"*Trust Indenture Act*" shall mean the Trust Indenture Act of 1939, as amended and as in effect on the date of the Indenture.

"*Trustee*" shall mean the trustee with respect to the Notes under the Indenture.

"*underwriter*" shall mean any underwriter of Notes in connection with an offering thereof under a Shelf Registration Statement.

2. *Registered Exchange Offer*. (a) Unless the Registered Exchange Offer shall not be permissible under applicable law or Commission policy, the Company and the Guarantor shall prepare and, not later than 90 days following the date of the original issuance of the Notes (or if such 90th day is not a Business Day, the next succeeding Business Day), shall file with the Commission the Exchange Offer Registration Statement with respect to the Registered Exchange Offer. The Company shall use its best efforts to cause the Exchange Offer Registration Statement to become effective under the Securities Act within 180 days of the date of the original issuance of the Notes (or if such 180th day is not a Business Day, the next succeeding Business Day).

(b) Upon the effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantor shall promptly commence the Registered Exchange Offer, it being the objective of such Registered Exchange Offer to enable each Holder electing to exchange Notes for New Notes (assuming that such Holder is not an Affiliate of the Company, acquires the New Notes in the ordinary course of such Holder's business, has no arrangements with any Person to participate in the distribution of the New Notes and is not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer) to trade such New Notes from and after their receipt without any limitations or restrictions under the Securities Act and without material restrictions under the securities laws of a substantial proportion of the several states of the United States.

(c) In connection with the Registered Exchange Offer, the Company and the Guarantor shall:

(i) mail to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(ii) keep the Registered Exchange Offer open for not less than 20 Business Days and not more than 30 Business Days after the date notice thereof is mailed to the Holders (or, in each case, longer if required by applicable law) (the "*Expiration Date*");

(iii) use their best efforts to keep the Exchange Offer Registration Statement continuously effective under the Securities Act, supplemented and amended as required, under the Securities Act to ensure that it is available for sales of New Notes by Exchanging Dealers during the Exchange Offer Registration Period;

(iv) utilize the services of a depositary for the Registered Exchange Offer with an address in the Borough of Manhattan in New York City, which may be the Trustee, the New Notes Trustee or an Affiliate of either of them;

(v) permit Holders to withdraw tendered Notes at any time prior to the close of business, New York time, on the last Business Day on which the Registered Exchange Offer is open;

(vi) prior to effectiveness of the Exchange Offer Registration Statement, provide a supplemental letter to the Commission (A) stating that the Company and the Guarantor, are conducting the Registered Exchange Offer in reliance on the position of the Commission in *Exxon Capital Holdings Corporation* (pub. avail. May 13, 1988), *Morgan Stanley and Co., Inc*. (pub. avail. June 5, 1991); and (B) including a representation that the Company and the Guarantor have not entered into any arrangement or understanding with any Person to distribute the New Notes to be received in the Registered Exchange Offer and that, to the best of the Company's and the Guarantor's information and belief, each Holder participating in the Registered Exchange Offer is acquiring the New Notes in the ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the New Notes; and

(vii) comply in all respects with all applicable laws.

(d) As soon as practicable after the close of the Registered Exchange Offer, the Company and the Guarantor shall:

(i) accept for exchange all Notes tendered and not validly withdrawn pursuant to the Registered Exchange Offer;

(ii) deliver to the Trustee for cancellation in accordance with Section 4(s) all Notes so accepted for exchange; and

(iii) cause the New Notes Trustee promptly to authenticate and deliver to each Holder of Notes a principal amount of New Notes equal to the principal amount of the Notes of such Holder so accepted for exchange.

(e) Each Holder hereby acknowledges and agrees that any Broker-Dealer and any such Holder using the Registered Exchange Offer to participate in a distribution of the New Notes (x) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission in *Morgan Stanley and Co., Inc.* (pub. avail. June 5, 1991) and *Exxon Capital Holdings Corporation* (pub. avail. May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993 and similar no-action letters; and (y) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction and (z) that secondary resale transactions by such Holder must be covered by an effective registration statement containing the selling note holder information required by Item 507 or 508, as applicable, of Regulation S-K under the Securities Act if the resales are of New Notes obtained by such

Holder in exchange for Notes acquired by such Holder directly from the Company or one of its Affiliates. Accordingly, each Holder participating in the Registered Exchange Offer shall be required to represent to the Company and the Guarantor that, at the time of the consummation of the Registered Exchange Offer:

(i) any New Notes received by such Holder will be acquired in the ordinary course of business;

(ii) such Holder will have no arrangement or understanding with any Person to participate in the distribution of the Notes or the New Notes within the meaning of the Securities Act; and

(iii) such Holder is not an Affiliate of the Company.

(f) If the Initial Purchaser determines that it is not eligible to participate in the Registered Exchange Offer with respect to the exchange of Notes constituting any portion of an unsold allotment, at the request of the Initial Purchaser within 20 days after the consummation of the Exchange Offer, the Company shall issue and deliver to the Person purchasing Notes registered under a Shelf Registration Statement as contemplated by Section 3 hereof from the Initial Purchaser, in exchange for such Notes, a like principal amount of New Notes. The Company and the Guarantor shall use their best efforts to cause the CUSIP Service Bureau to issue the same CUSIP number for such New Notes as for New Notes issued pursuant to the Registered Exchange Offer.

3. *Shelf Registration*. (a) If (i) due to any change in law or applicable interpretations thereof by the Commission's staff, the Company determines upon advice of its outside counsel that it is not permitted to effect the Registered Exchange Offer as contemplated by Section 2 hereof; or (ii) for any other reason the Registered Exchange Offer is not consummated within 210 days of the date hereof; or (iii) the Initial Purchaser so requests, within 20 days after the consummation of the Registered Exchange Offer, with respect to Notes that are not eligible to be exchanged for New Notes in the Registered Exchange Offer and that are held by it following consummation of the Registered Exchange Offer; or (iv) any Holder (other than the Initial Purchaser) who notifies the Company within 20 days after the consummation of the Registered Exchange Offer that it is not eligible to participate in the Registered Exchange Offer so requests; or

(v) in the case of the Initial Purchaser participating in the Registered Exchange Offer, the Initial Purchaser does not receive freely tradeable New Notes in exchange for Notes constituting any portion of an unsold allotment (it being understood that (x) the requirement that the Initial Purchaser deliver a Prospectus containing the information required by Item 507 or 508 of Regulation S-K under the Securities Act in connection with sales of New Notes acquired in exchange for such Notes shall not result in such New Notes being not "freely tradeable"; and (y) the requirement that an Exchanging Dealer deliver a Prospectus in connection with sales of New Notes acquired in the Registered Exchange Offer in exchange for Notes acquired as a result of market-making activities or other trading activities shall not result in such New Notes being not "freely tradeable"), the Company and the Guarantor shall effect a Shelf Registration Statement in accordance with subsection (b) below.

(b) (i) The Company and the Guarantor shall as promptly as practicable (but in no event more than 30 days after so required or requested pursuant to this Section 3), file with the Commission and thereafter shall use its best efforts to cause to be declared effective under the Securities Act a Shelf Registration Statement relating to the offer and sale of the Notes or the New Notes, as applicable, by the Holders thereof from time to time in accordance with the methods of distribution elected by such Holders and set forth in such Shelf Registration Statement; *provided*, *however*, that no Holder (other than the Initial Purchaser) shall be entitled to have the Notes held by it covered by such Shelf Registration Statement unless such Holder agrees in writing to be bound by all of the provisions of this Agreement applicable to such Holder; and *provided further*, that with respect to New Notes received by the Initial Purchaser in exchange for Notes constituting any portion of an unsold allotment, the Company and the Guarantor may, if permitted by current interpretations by the Commission's staff,

file a post-effective amendment to the Exchange Offer Registration Statement containing the information required by Item 507 or 508 of Regulation S-K, as applicable, in satisfaction of its obligations under this subsection with respect thereto, and any such Exchange Offer Registration Statement, as so amended, shall be referred to herein as, and governed by the provisions herein applicable to, a Shelf Registration Statement.

(ii) The Company and the Guarantor shall use their best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended as required by the Securities Act, in order to permit the Prospectus forming part thereof to be usable by Holders for a period of two years from the date the Shelf Registration Statement is declared effective by the Commission or such shorter period that will terminate when all the Notes or New Notes, as applicable, covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement (in any such case, such period being called the "*Shelf Registration Period*"). The Company and the Guarantor shall be deemed not to have used their best efforts to keep the Shelf Registration Statement effective during the requisite period if it voluntarily takes any action that would result in Holders of Notes covered thereby not being able to offer and sell such Notes during that period, unless (A) such action is required by applicable law; or (B) such action is taken by the Company and the Guarantor in good faith and for valid business reasons (not including avoidance of the Company's and the Guarantor's obligations hereunder), including the acquisition or divestiture of assets, so long as the Company and the Guarantor promptly thereafter comply with the requirements of Section 4(k) hereof, if applicable.

(iii) The Company shall cause the Shelf Registration Statement and the related Prospectus and any amendment or supplement thereto, as of the effective date of the Shelf Registration Statement or such amendment or supplement, (A) to comply in all material respects with the applicable requirements of the Securities Act and the rules and regulations of the Commission; and (B) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. *Additional Registration Procedures*. In connection with any Shelf Registration Statement and, to the extent applicable, any Exchange Offer Registration Statement, the following provisions shall apply.

(a) The Company and the Guarantor shall:

(i) furnish to you, not less than five Business Days prior to the filing thereof with the Commission, a copy of any Exchange Offer Registration Statement and any Shelf Registration Statement, and each amendment thereof and each amendment or supplement, if any, to the Prospectus included therein (including all documents incorporated by reference therein after the initial filing) and shall use their best efforts to reflect in each such document, when so filed with the Commission, such comments as you reasonably propose;

(ii) include the information set forth in Annex A hereto on the facing page of the Exchange Offer Registration Statement, in Annex B hereto in the forepart of the Exchange Offer Registration Statement in a section setting forth details of the Exchange Offer, in Annex C hereto in the underwriting or plan of distribution section of the Prospectus contained in the Exchange Offer Registration Statement, and in Annex D hereto in the letter of transmittal delivered pursuant to the Registered Exchange Offer;

(iii) if requested by the Initial Purchaser, include the information required by Item 507 or 508 of Regulation S-K, as applicable, in the Prospectus contained in the Exchange Offer Registration Statement; and

(iv) in the case of a Shelf Registration Statement, include the names of the Holders that propose to sell Notes pursuant to the Shelf Registration Statement as selling Note holders.

(b) The Company and the Guarantor shall ensure that:

(i) any Registration Statement and any amendment thereto and any Prospectus forming part thereof and any amendment or supplement thereto complies in all material respects with the Securities Act and the rules and regulations thereunder; and

(ii) any Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(c) The Company and the Guarantor shall advise you, the Holders of Notes covered by any Shelf Registration Statement and any Exchanging Dealer under any Exchange Offer Registration Statement that has provided in writing to the Company or the Guarantor a telephone or facsimile number and address for notices, and, if requested by you or any such Holder or Exchanging Dealer, shall confirm such advice in writing (which notice pursuant to clauses (ii)-(v) hereof shall be accompanied by an instruction to suspend the use of the Prospectus until the Company and the Guarantor shall have remedied the basis for such suspension):

(i) when a Registration Statement and any amendment thereto has been filed with the Commission and when the Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for any amendment or supplement to the Registration Statement or the Prospectus or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company and the Guarantor of any notification with respect to the suspension of the qualification of the Notes included therein for sale in any jurisdiction or the initiation of any proceeding for such purpose; and

(v) of the happening of any event that requires any change in the Registration Statement or the Prospectus so that, as of such date, the statements therein are not misleading and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading.

(d) The Company and the Guarantor shall use their best efforts to obtain the withdrawal of any order suspending the effectiveness of any Registration Statement or the qualification of the Notes therein for sale in any jurisdiction at the earliest possible time.

(e) The Company and the Guarantor shall furnish to each Holder of Notes covered by any Shelf Registration Statement, without charge, at least one copy of such Shelf Registration Statement and any post-effective amendment thereto, including all material incorporated therein by reference, and, if the Holder so requests in writing, all exhibits thereto (including exhibits incorporated by reference therein).

(f) The Company and the Guarantor shall, during the Shelf Registration Period, deliver to each Holder of Notes covered by any Shelf Registration Statement, without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in such Shelf Registration Statement and any amendment or supplement thereto as such Holder may reasonably request. The Company and the Guarantor consent, subject to the provisions of this Agreement, to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Notes in connection with the offering and sale of the Notes covered by the Prospectus, or any amendment or supplement thereto, included in the Shelf Registration Statement.

(g) The Company and the Guarantor shall furnish to each Exchanging Dealer which so requests, without charge, at least one copy of the Exchange Offer Registration Statement and any post-effective amendment thereto, including all material incorporated by reference therein, and, if the Exchanging Dealer so requests in writing, all exhibits thereto (including exhibits incorporated by reference therein).

(h) The Company and the Guarantor shall promptly deliver to the Initial Purchaser, each Exchanging Dealer and each other Person required to deliver a Prospectus during the Exchange Offer Registration Period, without charge, as many copies of the Prospectus included in such Exchange Offer Registration Statement and any amendment or supplement thereto as any such Person may reasonably request. The Company and the Guarantor, subject to the provisions of this Agreement, consent to the use of the Prospectus or any amendment or supplement thereto by the Initial Purchaser, any Exchanging Dealer and any such other Person that may be required to deliver a Prospectus following the Registered Exchange Offer in connection with the offering and sale of the New Notes covered by the Prospectus, or any amendment or supplement thereto, included in the Exchange Offer Registration Statement.

(i) Prior to the Registered Exchange Offer or any other offering of Notes pursuant to any Registration Statement, the Company and the Guarantor shall arrange, if necessary, for the qualification of the Notes or the New Notes for sale under the laws of such jurisdictions as any Holder shall reasonably request and will maintain such qualification in effect so long as required; *provided* that in no event shall the Company and the Guarantor be obligated to qualify to do business in any jurisdiction where it is not then so qualified or to take any action that would subject it to service of process in suits, other than those arising out of the Initial Placement, the Registered Exchange Offer or any offering pursuant to a Shelf Registration Statement, in any such jurisdiction where it is not then so subject.

(j) The Company and the Guarantor shall cooperate with the Holders of Notes to facilitate the timely preparation and delivery of certificates representing New Notes or Notes to be issued or sold pursuant to any Registration Statement free of any restrictive legends and in such denominations and registered in such names as Holders may request.

(k) Upon the occurrence of any event contemplated by subsections (c)(ii) through (v) above, the Company and the Guarantor shall promptly prepare a post-effective amendment to the applicable Registration Statement or an amendment or supplement to the related Prospectus or file any other required document so that, as thereafter delivered to Initial Purchasers of the Notes included therein, the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. In such circumstances, the period of effectiveness of the Exchange Offer Registration Statement provided for in Section 2 and the Shelf Registration Statement provided for in Section 3(b) shall each be extended by the number of days from and including the date of the giving of a notice of suspension pursuant to Section 4(c) to and including the date when the Initial Purchaser, the Holders of the Notes and any known Exchanging Dealer shall have received such amended or supplemented Prospectus pursuant to this Section.

(l) Not later than the effective date of any Registration Statement, the Company and the Guarantor shall provide a CUSIP number for the Notes or the New Notes, as the case may be, registered under such Registration Statement and provide the Trustee with printed certificates for such Notes or New Notes, in a form eligible for deposit with The Depository Trust Company.

(m) The Company and the Guarantor shall comply with all applicable rules and regulations of the Commission and shall make generally available to its Note holders as soon as practicable after the effective date of the applicable Registration Statement an earnings statement satisfying the provisions of Section 11(a) of the Securities Act.

(n) The Company and the Guarantor shall cause the Indenture or the New Notes Indenture, as the case may be, to be qualified under the Trust Indenture Act in a timely manner.

(o) The Company and the Guarantor may require each Holder of Notes to be sold pursuant to any Shelf Registration Statement to furnish to the Company and the Guarantor such information regarding the Holder and the distribution of such Notes or New Notes as the Company and the Guarantor may from time to time reasonably require for inclusion in such Registration Statement. The Company and the Guarantor may exclude from such Shelf Registration Statement the Notes of any Holder that unreasonably fails to furnish such information within a reasonable time after receiving such request.

(p) In the case of any Shelf Registration Statement, the Company and the Guarantor shall enter into such and take all other appropriate actions (including if requested an underwriting agreement in customary form) in order to expedite or facilitate the registration or the disposition of the Notes, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification provisions and procedures no less favorable than those set forth in Section 7 (or such other provisions and procedures acceptable to the Majority Holders and the Managing Underwriters, if any, with respect to all parties to be indemnified pursuant to Section 7).

(q) In the case of any Shelf Registration Statement, the Company and the Guarantor shall:

(i) make reasonably available for inspection by the Holders of Notes to be registered thereunder, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney, accountant or other agent retained by the Holders or any such underwriter, all relevant financial and other records, pertinent corporate documents and properties of the Company, the Guarantor and their respective subsidiaries;

(ii) cause the Company's officers, directors and employees to supply all relevant information reasonably requested by the Holders or any such underwriter, attorney, accountant or agent in connection with any such Registration Statement as is customary for similar due diligence examinations; *provided*, *however*, that any information that is designated in writing by the Company, in good faith, as confidential at the time of delivery of such information shall be kept confidential by the Holders or any such underwriter, attorney, accountant or agent, unless such disclosure is made in connection with a court proceeding or required by law, or such information becomes available to the public generally or through a third party without an accompanying obligation of confidentiality; *provided*, *further*, that the foregoing due diligence examination shall be coordinated on behalf of the parties (other than the Initial Purchaser) by one counsel designated by and on behalf of such parties;

(iii) if requested by any Holder, make such representations and warranties to the Holders of Notes registered thereunder and the underwriters, if any, in form, substance and scope as are customarily made by issuers to underwriters in primary underwritten offerings and covering matters including, but not limited to, those set forth in the Purchase Agreement;

(iv) if requested by any Holder, obtain opinions of counsel to the Company and the Guarantor and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Managing Underwriters, if any) addressed to each selling Holder and the underwriters, if any, covering such matters as were covered in opinions requested in the underwriting agreement filed as an exhibit to the registration statement on the Form S-3 dated December 18, 1998 relating to the $500,000,000 $7^{1}/_{2}$% Senior Notes due 2009 of the Company and such other matters as may be reasonably requested by such Holders and underwriters;

(v) if requested by any Holder, obtain "cold comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the

Company for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to each selling Holder of Notes registered thereunder and the underwriters, if any, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with primary underwritten offerings; and

(vi) deliver such documents and certificates as may be reasonably requested by the Majority Holders and the Managing Underwriters, if any, including those to evidence compliance with Section 4(k) and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

The actions set forth in clauses (iii), (iv), (v) and (vi) of this Section shall be performed at (A) the effectiveness of such Registration Statement and each post-effective amendment thereto; and (B) each closing under any underwriting or similar agreement as and to the extent required thereunder.

(r) In the case of any Exchange Offer Registration Statement, the Company and the Guarantor shall:

(i) make reasonably available for inspection by the Initial Purchaser, and any attorney, accountant or other agent retained by the Initial Purchaser, all relevant financial and other records, pertinent corporate documents and properties of the Company, the Guarantor, and their respective subsidiaries;

(ii) cause the Company's officers, directors and employees to supply all relevant information reasonably requested by the Initial Purchaser or any such attorney, accountant or agent in connection with any such Registration Statement as is customary for similar due diligence examinations; *provided*, *however*, that any information that is designated in writing by the Company, in good faith, as confidential at the time of delivery of such information shall be kept confidential by the Initial Purchaser or any such attorney, accountant or agent, unless such disclosure is made in connection with a court proceeding or required by law, or such information becomes available to the public generally or through a third party without an accompanying obligation

of confidentiality; *provided*, *further*, that the foregoing due diligence examination shall be coordinated on behalf of the parties (other than the Initial Purchaser) by one counsel designated by and on behalf of such parties;

(iii) if requested by the Initial Purchaser, make such representations and warranties to the Initial Purchaser, in form, substance and scope as are customarily made by issuers to underwriters in primary underwritten offerings and covering matters including, but not limited to, those set forth in the Purchase Agreement;

(iv) if requested by the Initial Purchaser, obtain opinions of counsel to the Company and the Guarantor and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Initial Purchaser and its counsel, addressed to the Initial Purchaser, covering such matters as were covered in opinions requested in the underwriting agreement filed as an exhibit to the registration statement on the Form S-3 dated December 18, 1998 relating to the $500,000,000 $7^{1}/_{2}$% Senior Notes due 2009 of the Company and such other matters as may be reasonably requested by the Initial Purchaser or its counsel;

(v) if requested by the Initial Purchaser, obtain "cold comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to the Initial Purchaser, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with primary underwritten offerings, or if requested by the Initial Purchaser or its counsel in lieu of a

"cold comfort" letter, an agreed-upon procedures letter under Statement on Auditing Standards No. 35, covering matters requested by the Initial Purchaser or its counsel; and

(vi) deliver such documents and certificates as may be reasonably requested by the Initial Purchaser or its counsel, including those to evidence compliance with Section 4(k) and with conditions customarily contained in underwriting agreements.

The foregoing actions set forth in clauses (iii), (iv), (v), and (vi) of this Section shall be performed at the close of the Registered Exchange Offer and the effective date of any post-effective amendment to the Exchange Offer Registration Statement.

(s) If a Registered Exchange Offer is to be consummated, upon delivery of the Notes by Holders to the Company (or to such other Person as directed by the Company) in exchange for the New Notes, the Company shall mark, or caused to be marked, on the Notes so exchanged that such Notes are being canceled in exchange for the New Notes. In no event shall the Notes be marked as paid or otherwise satisfied.

(t) The Company will use its best efforts (i) if the Notes have been rated prior to the initial sale of such Notes by one or more nationally recognized statistical rating agencies, to confirm that a rating (which need not be the same rating from each such agency) will apply to the Notes or the New Notes, as the case may be, covered by a Registration Statement; or (ii) if the Notes were not previously rated, to cause the Notes covered by a Registration Statement to be rated with at least one nationally recognized statistical rating agency, if so requested by Majority Holders with respect to the related Registration Statement or by any Managing Underwriters.

(u) In the case of any Shelf Registration Statement, if any Broker-Dealer shall underwrite any Notes or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the Rules of Fair Practice and the By-Laws of the National Association of Securities Dealers, Inc.) thereof, whether as a Holder of such Notes or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, assist such Broker-Dealer in complying with the requirements of such Rules and By-Laws, including, without limitation, by:

(i) if such Rules or By-Laws shall so require, engaging a "qualified independent underwriter" (as defined in such Rules) to participate in the preparation of the Registration Statement, to exercise usual standards of due diligence with respect thereto and, if any portion of the offering contemplated by such Registration Statement is an underwritten offering or is made through a placement or sales agent, to recommend the yield of such Notes;

(ii) indemnifying any such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 7 hereof; and

(iii) providing such information to such Broker-Dealer as may be required in order for such Broker-Dealer to comply with the requirements of such Rules.

(v) The Company and the Guarantor shall use their best efforts to take all other steps necessary to effect the registration of the Notes or the New Notes, as the case may be, covered by a Registration Statement.

5. *Additional Interest*

(a) The parties hereto agree that the Holders of Notes or New Notes, as the case may be, will suffer damages if the Company and the Guarantor fail to perform their obligations under Section 2 or

3 hereof and that it would not be feasible to ascertain the extent of such damages. Accordingly, in the event that:

(i) neither the Exchange Offer Registration Statement nor the Shelf Registration Statement have been filed on or prior to the 90th day following the original issuance of the Notes;

(ii) neither the Exchange Offer Registration Statement nor the Shelf Registration Statement have been declared effective on or prior to the 180th day following the original issuance of the Notes;

(iii) neither the Exchange Offer has been completed nor the Shelf Registration Statement has been declared effective on or prior to the 210thday following the original issuance of the Notes; or

(iv) either the Exchange Offer Registration Statement or Shelf Registration Statement cease to be effective or usable in connection with the resales of the Notes or New Notes during a period in which it is required to be effective hereunder without being succeeded immediately by any additional Registration Statement or post-effective amendment covering the Notes or the New Notes, as the case may be, which has been filed and declared effective;

(each such event referred to in the foregoing clauses (i) through (iv), a "*Registration Default*"), then additional interest ("*Additional Interest*") will accrue on the principal amount of the Notes and the New Notes, respectively (in addition to the stated interest on the Notes and the New Notes), from and including the date on which any Registration Default first occurs and while any such Registration Default has occurred and is continuing, to but excluding the date on which all filings, declarations of effectiveness and consummations, as the case may be, have been achieved which, if achieved on a timely basis, would have prevented the occurrence of all of the then existing Registration Defaults. Additional Interest will accrue at a rate of 0.25% per annum during the 90-day period immediately following such first occurrence of a Registration Default and while any such Registration Default has occurred and is continuing, and shall increase by 0.25% per annum at the end of each subsequent 90-day period up to a maximum of 0.50% per annum with respect to all Registration Defaults, until the date on which all of the filings, declarations of effectiveness and consummations referred to in the preceding sentence have been achieved, on which date the interest rate on the Notes or the New Notes, respectively, will revert to the interest rate originally borne by such notes.

(b) The Company and the Guarantor shall notify the Trustee under the Indenture (or the trustee under any New Notes Indenture) immediately upon the happening of each and every Registration Default. The Company and the Guarantor shall pay the Additional Interest due on the Notes or New Notes, as the case may be, by depositing with the Trustee (which shall not be the Company for these purposes) for the Notes or the New Notes, in trust, for the benefit of the Holders thereof, prior to 11:00 A.M. on the next interest payment date specified in the Indenture (or such New Notes Indenture), sums sufficient to pay the Additional Interest then due. The Additional Interest due shall be payable on each interest payment date specified by the Indenture (or such New Notes Indenture) to the record holders entitled to receive the interest payment to be made on such date.

(c) The parties hereto agree that the Additional Interest provided for in this Section 5 constitutes a reasonable estimate of the damages that will be suffered by Holders of Notes or New Notes by reason of the happening of any Registration Default.

(d) All of the Company's and the Guarantor's obligations set forth in this Section 5 shall survive the termination of this Agreement.

6. *Registration Expenses*. The Company and the Guarantor shall be jointly and severally responsible to bear all expenses incurred in connection with the performance of its obligations under Sections 2, 3 and 4 hereof and, in the event of any Shelf Registration Statement, will reimburse the Holders for the reasonable fees and disbursements of one firm or counsel designated by the Majority

Holders to act as counsel for the Holders in connection therewith, and, in the case of any Exchange Offer Registration Statement, will reimburse the Initial Purchaser for the reasonable fees and disbursements of one firm or counsel designated as counsel acting in connection therewith.

7. *Indemnification and Contribution*. (a) The Company and the Guarantor, jointly and severally, agree to indemnify and hold harmless each Holder of Notes or New Notes, as the case may be, covered by any Registration Statement (including the Initial Purchaser and, with respect to any Prospectus delivery as contemplated in Section 4(h) hereof, each Exchanging Dealer), the directors, officers, employees and agents of each such Holder and each Person who controls any such Holder within the meaning of either the Securities Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement as originally filed or in any amendment thereof, or in any preliminary Prospectus or the Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however*, that the Company and the Guarantor will not be liable in any case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company and the Guarantor by or on behalf of any such Holder specifically for inclusion therein; *provided further*, that with respect to any untrue statement or omission of material fact made in any Registration Statement, the indemnity agreement contained in this Section 7(a) shall not inure to the benefit of any Holder from whom the person asserting any such losses, claims, damages, liabilities or expenses purchased Notes or New Notes concerned, or any person controlling such Holders, if a copy of the Prospectus (as then amended or supplemented if the Company and the Guarantor shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Holder to such person, if required by laws so to have been delivered, at or prior to the written confirmation of the sale of the New Notes or the Notes to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages, liabilities or expenses, unless such failure is the result of noncompliance by the Company and the Guarantor with Section 4(e)-(h) hereof. This indemnity agreement will be in addition to any liability which the Company and the Guarantor may otherwise have.

The Company and the Guarantor, jointly and severally, also agree to indemnify or contribute as provided in Section 7(d) to Losses of each underwriter of Notes or New Notes, as the case may be, registered under a Shelf Registration Statement, their directors, officers, employees or agents and each Person who controls such underwriter on substantially the same basis as that of the indemnification of the Initial Purchaser and the selling Holders provided in this Section 7(a) and shall, if requested by any Holder, enter into an underwriting agreement reflecting such agreement, as provided in Section 4(p) hereof.

(b) Each Holder of notes covered by a Registration Statement (including the Initial Purchaser and, with respect to any Prospectus delivery as contemplated in Section 4(h) hereof, each Exchanging Dealer) severally agrees to indemnify and hold harmless the Company and the Guarantor, and their respective directors and officers who signs such Registration Statement and each Person who controls the Company and the Guarantor within the meaning of either the Securities Act or the Exchange Act, to the same extent as the foregoing indemnity from the Company and the Guarantor to each such

Holder, but only with reference to written information relating to such Holder furnished to the Company and the Guarantor by or on behalf of such Holder specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any such Holder may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 7 or notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses; and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); *provided, however,* that such counsel shall be satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest; (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party; (iii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent (which consent shall not be unreasonably withheld) of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section is unavailable to or insufficient to hold harmless an indemnified party for any reason, then each applicable indemnifying party shall have a joint and several obligation to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "*Losses*") to which such indemnified party may be subject in such proportion as is appropriate to reflect the relative benefits received by such indemnifying party, on the one hand, and such indemnified party, on the other hand, from the Initial Placement and the Registration Statement which resulted in such Losses; *provided, however*, that in no case shall the Initial Purchaser or any subsequent Holder of any Note or New Note be responsible, in the aggregate, for any amount in excess of the purchase discount or commission applicable to such Note, or in the case of a New Note, applicable to the Note that was exchangeable into such New Note, nor shall any underwriter be responsible for any amount in excess of the underwriting discount or commission applicable to the notes purchased by such underwriter under the Registration Statement which resulted in such Losses. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the

indemnifying party and the indemnified party shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of such indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the Company and the Guarantor shall be deemed to be equal to the total net proceeds from the Initial Placement (before deducting expenses). Benefits received by the Initial Purchaser shall be deemed to be equal to the total purchase discounts and commissions, and benefits received by any other Holders shall be deemed to be equal to the value of receiving Notes or New Notes, as applicable, registered under the Securities Act. Benefits received by any underwriter shall be deemed to be equal to the total underwriting discounts and commissions, as set forth on the cover page of the Prospectus forming a part of the Registration Statement which resulted in such Losses. Relative fault shall be determined by reference to, among other things, whether any alleged untrue statement or omission relates to information provided by the indemnifying party, on the one hand, or by the indemnified party, on the other hand, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The parties agree that it would not be just and equitable if contribution were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. For purposes of this Section, each Person who controls a Holder within the meaning of either the Securities Act or the Exchange Act and each director, officer, employee and agent of such Holder shall have the same rights to contribution as such Holder, and each Person who controls the Company and the Guarantor within the meaning of either the Securities Act or the Exchange Act, each officer of the Company and the Guarantor who shall have signed the Registration Statement and each director of the Company and the Guarantor shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

(e) The provisions of this Section will remain in full force and effect, regardless of any investigation made by or on behalf of any Holder or the Company or the Guarantor or any of the officers, directors or controlling Persons referred to in this Section hereof, and will survive the sale by a Holder of Notes covered by a Registration Statement.

8. *Underwritten Registrations*. (a) If any of the Notes or New Notes, as the case may be, covered by any Shelf Registration Statement are to be sold in an underwritten offering, the Managing Underwriters shall be selected by the Majority Holders.

(b) No Person may participate in any underwritten offering pursuant to any Shelf Registration Statement, unless such Person (i) agrees to sell such Person's Notes or New Notes, as the case may be, on the basis reasonably provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements; and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

9. *No Inconsistent Agreements*. Neither the Company nor the Guarantor has, as of the date hereof, entered into, nor shall they, on or after the date hereof, enter into, any agreement with respect to Notes of the Company that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the

provisions hereof.

10. *Amendments and Waivers*. The provisions of this Agreement, including the provisions of this sentence, may not be amended, qualified, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written

consent of the Majority Holders (or, after the consummation of any Registered Exchange Offer in accordance with Section 2 hereof, of New Notes); *provided* that, with respect to any matter that directly or indirectly affects the rights of the Initial Purchaser hereunder, the Company shall obtain the written consent of the Initial Purchaser against which such amendment, qualification, supplement, waiver or consent is to be effective. Notwithstanding the foregoing (except the foregoing proviso), a waiver or consent to departure from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose Notes or New Notes, as the case may be, are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other Holders may be given by the Majority Holders, determined on the basis of Notes or New Notes, as the case may be, being sold rather than registered under such Registration Statement.

11. *Notices*. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telex, telecopier or air courier guaranteeing overnight delivery:

(a) if to a Holder, at the most current address given by such holder to the Company in accordance with the provisions of this Section 11, which address initially is, with respect to each Holder, the address of such Holder maintained by the Registrar under the Indenture, with a copy in like manner to Citigroup Global Markets Inc.;

(b) if to you, initially at the respective addresses set forth in the Purchase Agreement; and

(c) if to the Company or the Guarantor, initially at its address:

Harrah's Entertainment, Inc.
Harrah's Operating Company, Inc.
One Harrah's Court
Las Vegas, Nevada 89119

Attn: Treasurer
With a copy to: General Counsel

All such notices and communications shall be deemed to have been duly given when received.

The Initial Purchaser or the Company or the Guarantor by notice to the other parties may designate additional or different addresses for subsequent notices or communications.

12. *Successors*. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including, without the need for an express assignment or any consent by the Company and the Guarantor thereto, subsequent Holders of Notes and the New Notes. The Company and the Guarantor hereby agree to extend the benefits of this Agreement to any Holder of Notes and the New Notes, and any such Holder may specifically enforce the provisions of this Agreement as if an original party hereto.

13. *Counterparts*. This agreement may be in signed counterparts, each of which shall an original and all of which together shall constitute one and the same agreement.

14. *Headings*. The headings used herein are for convenience only and shall not affect the construction hereof.

15. *Applicable Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed in the State of New York.

16. *Severability*. In the event that any one of more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

17. *Notes Held by the Company, etc*. Whenever the consent or approval of Holders of a specified percentage of principal amount of Notes or New Notes is required hereunder, Notes or New Notes, as applicable, held by the Company or its Affiliates (other than subsequent Holders of Notes or New Notes if such subsequent Holders are deemed to be Affiliates solely by reason of their holdings of such Notes or New Notes) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company, the Guarantor and the Initial Purchaser.

Very truly yours,

HARRAH'S OPERATING COMPANY, INC.

By: /s/ JONATHAN HALKYARD

Name: Jonathan Halkyard
Title: Vice President of Finance

HARRAH'S ENTERTAINMENT, INC.

By: /s/ JONATHAN HALKYARD

Name: Jonathan Halkyard
Title: Vice President of Finance

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

CITIGROUP GLOBAL MARKETS INC.

By: /s/ NIKHIL EAPEN

Name: Nikhil Eapen
Title: Vice President

ANNEX A

Each Broker-Dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Broker-Dealer in connection with resales of New Notes received in exchange for Notes where such Notes were acquired by such Broker-Dealer as a result of market-making activities or other trading activities. The Company and the Guarantor have agreed that, starting on the Expiration Date (as defined herein) and ending on the close of business one year after the Expiration Date, they will make this Prospectus available to any Broker-Dealer for use in connection with any such resale. See "Plan of Distribution."

ANNEX B

Each Broker-Dealer that receives New Notes for its own account in exchange for Notes, where such Notes were acquired by such Broker-Dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See "Plan of Distribution."

ANNEX C

PLAN OF DISTRIBUTION

Each Broker-Dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Broker-Dealer in connection with resales of New Notes received in exchange for Notes where such Notes were acquired as a result of market-making activities or other trading activities. The Company and the Guarantor have agreed that, starting on the Expiration Date and ending on the close of business one year after the Expiration Date, it will make this Prospectus, as amended or supplemented, available to any Broker-Dealer for use in connection with any such resale. In addition, until [ ], 2004, all dealers effecting transactions in the New Notes may be required to deliver a prospectus.

The Company and the Guarantor will not receive any proceeds from any sale of New Notes by brokers-dealers. New Notes received by Broker-Dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such Broker-Dealer and/or the purchasers of any such New Notes. Any Broker-Dealer that resells New Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit of any such resale of New Notes and any commissions or concessions received by any such Persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of one year after the Expiration Date, the Company and the Guarantor will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any Broker-Dealer that requests such documents in the Letter of Transmittal. The Company and the Guarantor have agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the holder of the Notes) other than commissions or

concessions of any brokers or dealers and will indemnify the holders of the Notes (including any Broker-Dealers) against certain liabilities, including liabilities under the Securities Act.

[If applicable, add information required by Regulation S-K Items 507 and/or 508.]

ANNEX D

Rider A

CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: _____

Address: _____

_____

Rider B

If the undersigned is not a Broker-Dealer, the undersigned represents that it acquired the New Notes in the ordinary course of its business, it is not engaged in, and does not intend to engage in, a distribution of New Notes and it has no arrangements or understandings with any Person to participate in a distribution of the New Notes. If the undersigned is a Broker-Dealer that will receive New Notes for its own account in exchange for Notes, it represents that the Notes to be exchanged for New Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus in connection with any resale of such New Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.8

HARRAH'S OPERATING COMPANY, INC.
HARRAH'S ENTERTAINMENT, INC.

$500,000,000

5.375% Senior Notes due 2013

Payment of Principal, Interest and Premium, if any, Guaranteed by

Harrah's Entertainment, Inc.

PURCHASE AGREEMENT

New York, New York
December 8, 2003

Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

Harrah's Operating Company, Inc., a Delaware corporation (the "*Company*"), proposes to issue and sell to you, as initial purchaser (the "*Initial Purchaser*"), $500,000,000 principal amount of its 5.375% Senior Notes due 2013 (the "*Notes*") payment of principal, interest and premium, if any, in respect of which notes are to benefit from guarantees (the "*Guarantees*") of Harrah's Entertainment, Inc., a Delaware corporation (the "*Guarantor*") (such notes, together with such guarantee, the "*Securities*"). The Securities are to be issued under an indenture (the "*Indenture*") to be dated as of December 11, 2003, among the Company, the Guarantor and U.S. Bank National Association, as trustee (the "*Trustee*"). The Securities have the benefit of a registration rights agreement (the "*Registration Rights Agreement*") dated as of December 11, 2003, among the Company, the Guarantor and the Initial Purchaser, pursuant to which the Company and the Guarantor have agreed to register the Securities under the Securities Act, subject to the terms and conditions therein specified. The sale of the Securities to the Initial Purchasers will be made without registration of the Securities under the Securities Act in reliance upon exemptions from the registration requirements of the Securities Act.

In connection with the sale of the Securities, the Company and the Guarantor have prepared an offering memorandum dated December 8, 2003 (including any information incorporated by reference therein, the "*Offering Memorandum*"). The Offering Memorandum sets forth certain information concerning the Company, the Guarantor and the Securities. Unless stated to the contrary, all references herein to the Offering Memorandum are to the Offering Memorandum at the Execution Time and are not meant to include any amendment or supplement, or any information incorporated by reference therein, subsequent to the Execution Time. The Company hereby confirms that it has authorized the use of the Offering Memorandum, and any amendment or supplement thereto, in connection with the offer and sale of the Securities by the Initial Purchaser.

To the extent there are no additional parties listed in the table below other than you, the term "Representative" as used herein shall mean you as the Initial Purchaser, and the term Initial Purchasers shall mean either the singular or plural as the context requires. The use of the neuter in this Agreement shall include the feminine and masculine wherever appropriate. Certain terms used herein are defined in Section 9 of Annex I hereto. Unless stated to the contrary, any references herein to the terms "amend," "amendment" or "supplement" with respect to the Offering Memorandum shall be deemed to refer to and include any information filed under the Exchange Act subsequent to the Execution Time that is incorporated by reference therein.

Subject to the terms and conditions, and in reliance upon the representations and warranties, set forth or incorporated by reference herein, the Company hereby agrees to sell to the Initial Purchaser, and the Initial Purchaser agrees to purchase from the Company, the principal amount of Securities set forth below opposite its name at a purchase price of 98.744% of the principal amount of Securities, plus accrued interest, if any, from December 11, 2003 to the date of payment and delivery:

Initial Purchasers	Principal Amount of Securities to Be Purchased
Citigroup Global Markets Inc.	$ 500,000,000

The Initial Purchaser will pay for the Securities upon delivery thereof at the offices of Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, New York, New York at 10:00 a.m. (New York City time) on December 11, 2003, or at such other time, not later than 5:00 p.m. (New York City time) on December 15, 2003, as shall be designated by the Representative. The time and date of such payment and delivery are hereinafter referred to as the Closing Date.

The Securities shall have the terms set forth in the Offering Memorandum dated December 8, 2003, including the following:

Terms of Securities

Maturity Date:	December 15, 2013

Interest Rate:	5.375%
Optional Redemption:	Make Whole Call at TSY + 20 basis points
Interest Payment Dates:	Each June 15 and December 15, commencing June 15, 2004
Closing Date:	December 11, 2003

All provisions contained in the Annex I hereto, entitled "Purchase Agreement General Provisions," are herein incorporated by reference in their entirety and shall be deemed to be a part of this Agreement to the same extent as if such provisions had been set forth in full herein, except that if any term defined in such document is otherwise defined herein, the definition set forth herein shall control.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this Agreement and your acceptance shall represent a binding agreement between the Company and the Guarantor and the Initial Purchaser.

Very truly yours,

HARRAH'S OPERATING COMPANY, INC.

By: /s/ JONATHAN HALKYARD

Name: Jonathan Halkyard
Title: Vice President of Finance

HARRAH'S ENTERTAINMENT, INC.

By: /s/ JONATHAN HALKYARD

Name: Jonathan Halkyard
Title: Vice President of Finance

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

CITIGROUP GLOBAL MARKETS INC.

By: /s/ NIKHIL O.J. EAPEN

Name: Nikhil O.J. Eapen
Title: Vice President

ANNEX I

HARRAH'S OPERATING COMPANY, INC.

Guaranteed Debt Securities

Payment of Principal, Interest and Premium, if any, Guaranteed by

Harrah's Entertainment, Inc.

PURCHASE AGREEMENT GENERAL PROVISIONS

December 8, 2003

The provisions set forth herein are incorporated by reference in a Purchase Agreement of even date herewith (such agreement, including the provisions hereof as incorporated therein, the "*Purchase Agreement*"). The Purchase Agreement is sometimes referred to herein as this "*Agreement*." Terms defined in the Purchase Agreement are used herein as therein defined.

1. *Representations and Warranties*. The Company and the Guarantor, jointly and severally, represent and warrant to and agree with each of the Initial Purchasers that:

(a) The Offering Memorandum does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not

misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Offering Memorandum based upon information relating to any Initial Purchaser furnished to the Company in writing by such Initial Purchaser through the Representative expressly for use therein;

(b) Each of the Company and the Guarantor has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Offering Memorandum and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(c) Each subsidiary of the Company and the Guarantor, respectively, has been duly organized or formed, as applicable, is validly existing as a corporation, limited liability company or partnership in good standing under the laws of the jurisdiction of its organization or formation, as applicable, has the power and authority to own its property and to conduct its business as described in the Offering Memorandum and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole; all of the issued shares of capital stock or other equity interests of each subsidiary of the Company and the Guarantor, respectively, have been duly and validly authorized and issued and are fully paid and non-assessable. Except as set forth in or as incorporated by reference in the Offering Memorandum, all of the shares of capital stock or other equity or partnership interests of each subsidiary of the Company or the Guarantor that would be considered a "significant subsidiary" for purposes of Rule 1-02 under Regulation S-X

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pursuant to the Securities Act (the "*Significant Subsidiaries*") are owned directly or indirectly by the Company or the Guarantor, respectively. Except as set forth in or as incorporated by reference in the Offering Memorandum, all of the shares of capital stock or other equity or partnership interests of subsidiaries of the Company or the Guarantor held by the Company or the Guarantor are held free and clear of all liens, encumbrances, equities or claims except such liens, encumbrances, equities or claims imposed by Gaming Laws or the terms of any partnership agreement pertaining to any partnership that is a subsidiary of the Company or that would not would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(d) This Agreement has been duly authorized, executed and delivered by each of the Company and the Guarantor;

(e) The Indenture has been, or will be by the Closing Date, duly authorized, executed and delivered by each of the Company and the Guarantor and, assuming due authorization, execution and delivery thereof by the Trustee, is, or will be by the Closing Date, a valid and binding agreement of each of the Company and the Guarantor, respectively, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and general principles of equity;

(f) The Registration Rights Agreement has been, or will be by the Closing Date, duly authorized, executed and delivered by each of the Company and the Guarantor and, assuming due authorization, execution and delivery thereof by the Representative, is, or will be by the Closing Date, a valid and binding agreement of each of the Company and the Guarantor, respectively, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and general principles of equity;

(g) The Securities have been duly authorized by the Company and the Guarantor and, when executed, authenticated and issued in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of the Purchase Agreement, (assuming due authorization, execution and delivery thereof by the Trustee) will be entitled to the benefits of the Indenture, and will be valid and binding obligations of the Company and the Guarantor, respectively, in each case enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and general principles of equity;

(h) The execution and delivery by each of the Company and the Guarantor of, and the performance by each of the Company and the Guarantor of its respective obligations under, this Agreement, the Indenture, the Registration Rights Agreement and the Securities will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or the Guarantor, respectively, or any agreement or other instrument binding upon the Company or any of its subsidiaries, or the Guarantor or any of its subsidiaries, respectively, that is material to the Company or the Guarantor and their respective subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or the Guarantor and any of their respective subsidiaries, and no consent, approval, authorization, filing with or order of, or qualification with, any governmental body or agency is required in connection with, or prior to the consummation of, the transactions contemplated in, or for the performance by the Company or the Guarantor of its respective obligations under, this Agreement, the Indenture, the Registration Rights Agreement and the Securities, except such as will be obtained under the Securities Act, the Exchange Act, and the Trust Indenture Act, or as may be required by the securities or Blue Sky laws of the various states and securities laws of any jurisdiction outside the United States in connection with the offer and sale of the Securities, or as have been obtained pursuant to Gaming Laws;

(i) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company or the Guarantor and their respective subsidiaries, taken as a whole, from that set forth in the Offering Memorandum (exclusive of any amendments or supplements thereto subsequent to the Execution Time);

(j) To the knowledge of the Company, there are no known legal or governmental proceedings pending or threatened to which the Company or the Guarantor and any of their respective subsidiaries is a party or to which any of the properties of the Company or the Guarantor or any of their respective subsidiaries is subject that are not adequately disclosed in the Offering Memorandum and that would, individually or in the aggregate, have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole. Except as disclosed in the Offering Memorandum, neither the Company nor the Guarantor has any reason to believe that any governmental agency with authority pursuant to any Gaming Law is investigating the Company, the Guarantor or any of their respective subsidiaries in any non-routine matter, the results of which would materially affect the

operations of the Company and the subsidiaries of the Company. Due to the highly regulated nature of the business of the Company and the subsidiaries of the Company, there are ongoing investigations by various governmental agencies with authority pursuant to the various Gaming Laws;

(k) Neither the Company nor the Guarantor is, and after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Offering Memorandum, neither will be, an "investment company" or an entity "controlled by an investment company" as such terms are defined in the Investment Company Act;

(l) The Company and the Guarantor and their respective subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("*Environmental Laws*"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses, and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, individually or in the aggregate, have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(m) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) that would, individually or in the aggregate, have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(n) Except as disclosed in the Offering Memorandum, each of the Company and the Guarantor and their respective subsidiaries has sufficient trademarks, trade names, patent rights, copyrights, or licenses to conduct their respective businesses as now conducted in all material respects;

(o) Except as disclosed in or specifically contemplated by the Offering Memorandum, each of the Company and the Guarantor and their respective subsidiaries has sufficient licenses, approvals and authorizations required pursuant to Gaming Laws to conduct their respective current businesses, except such licenses, approvals and authorizations required pursuant to Gaming Laws

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the absence of which, either individually or in the aggregate, would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(p) Each of the Company's and Guarantor's and their respective subsidiaries' controlling persons, key employees, and, to the Company's or the Guarantor's knowledge, stockholders, have all necessary permits, licenses and other authorizations required by Gaming Laws for the Company, the Guarantor and their respective subsidiaries to conduct their respective businesses as now conducted in all material respects; and neither the Company nor the Guarantor has any knowledge that any of their respective stockholders is unsuitable or may be deemed unsuitable by any authorities pursuant to Gaming Laws;

(q) No labor dispute with the employees of the Company or the Guarantor or any of their respective subsidiaries exists, or to the knowledge of the Company or the Guarantor, respectively, is imminent that would, individually or in the aggregate, have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(r) Neither the Company, nor the Guarantor, nor any of their respective affiliates, nor any person acting on its or their behalf has, directly or indirectly, made offers or sales of any security, or solicited offers to buy any security, under circumstances that would require the registration of the Securities under the Securities Act;

(s) Neither the Company, nor the Guarantor, nor any of their respective affiliates, nor any person acting on its or their behalf has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of the Securities in the United States;

(t) Assuming the accuracy of the representations and warranties and compliance with the agreements of the Initial Purchasers made pursuant to Section 3 and except as described in the Offering Memorandum under "Description of Notes—Registration Rights," it is not necessary in connection with the offer, sale and delivery of the Securities in the manner contemplated by this Agreement and the Offering Memorandum to register the Securities under the Securities Act or to qualify the Indenture under the Trust Indenture Act;

(u) The Securities satisfy the eligibility requirements of Rule 144A(d)(3) under the Securities Act;

(v) Neither the Company, nor the Guarantor, nor any of their respective affiliates, nor any person acting on its or their behalf has engaged in any directed selling efforts with respect to the Securities, and each of them has complied with the offering restrictions requirement of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S;

(w) The Company and Guarantor are subject to and in compliance in all material respects with the reporting requirements of Section 13 or Section 15(d) of the Exchange Act;

(x) Neither the Company nor the Guarantor has, within the past 12 months, paid or agreed to pay to any person any compensation for soliciting another to purchase any securities of the Company or Guarantor (except as contemplated by this Agreement and except in connection with any repurchase by the Guarantor of its outstanding securities (other than the Securities)); and

(y) The Company and the Guarantor are in compliance in all material respects with all applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Commission adopted thereunder.

2. *Payment and Delivery*. Except as otherwise provided in this Section 2, payment for the Securities shall be made to the Company in federal or other funds immediately available at the time and place set forth in the Purchase Agreement, upon delivery to the Representative for the respective

accounts of the several Initial Purchasers of the Securities registered in such names and in such denominations as the Representative shall request in writing not less than one full Business Day prior to the date of delivery, with any transfer taxes payable in connection with the transfer of the Securities to the Initial Purchasers duly paid by the Company. Delivery of the Securities shall be made through the facilities of The Depository Trust Company unless the Representative shall otherwise instruct.

3. *Offering by Initial Purchasers*. Each Initial Purchaser, severally and not jointly, represents and warrants to and agrees with the Company and the Guarantor that:

(a) It has not offered or sold, and, until the Securities are registered under the Act as described in the Offering Memorandum under the caption "Description of Notes—Registration Rights," will not offer or sell, any Securities except (i) to those it reasonably believes to be qualified institutional buyers (as defined in Rule 144A under the Act) and that, in connection with each such sale, it has taken or will take reasonable steps to ensure that the purchaser of such Securities is aware that such sale is being made in reliance on Rule 144A; or (ii) in accordance with the restrictions set forth in Exhibit A hereto.

(b) Neither it nor any person acting on its behalf has made or will make offers or sales of the Securities in the United States by means of any form of general solicitation or general advertising (within the meaning of Regulation D) in the United States.

4. *Conditions to the Initial Purchasers' Obligations*. The several obligations of the Initial Purchasers are subject to the performance by the Company and Guarantor of their obligations hereunder and to the following conditions:

(a) Subsequent to the execution and delivery of the Purchase Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's or the Guarantor's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company or the Guarantor and their respective subsidiaries, taken as a whole, from that set forth in the Offering Memorandum (exclusive of any amendments or supplements thereto subsequent to the Execution Time) that, in the judgment of the Representative, is material and adverse and that makes it, in the judgment of the Representative, impracticable or inadvisable to proceed with the offering, sale or delivery of the Securities on the terms and in the manner contemplated in the Offering Memorandum.

(b) The Initial Purchasers shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of each of the Company and the Guarantor, to the effect set forth in Section 4(a)(i) above and to the effect that the representations and warranties of the Company and the Guarantor, respectively, contained in this Agreement are true and correct as of the Closing Date and that the Company and the Guarantor, respectively, have complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date. The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Initial Purchasers shall have received on the Closing Date an opinion of Stephen H. Brammell, Senior Vice President and General Counsel of the Company and the Guarantor, dated the Closing Date, to the effect that:

(i) each of the Company, the Guarantor and the Significant Subsidiaries has been duly organized or formed, as applicable, is validly existing as a corporation, limited liability company or partnership in good standing under the laws of the jurisdiction of its organization or formation, as applicable, has the power and authority to own its property and to conduct its business as described in the Offering Memorandum and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole;

(ii) after inquiry of the members of the legal departments of the Company and Guarantor, to the best of such counsel's knowledge, (A) there are no legal or governmental proceedings pending or threatened to which the Company or the Guarantor and any of their respective subsidiaries is a party or to which any of the properties of the Company or the Guarantor or any of their respective subsidiaries is subject that are not adequately disclosed in the Offering Memorandum and which would, individually or in the aggregate, have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole, (B) there are no material statutes, regulations, contracts or other documents that are not adequately disclosed in the Offering Memorandum, and (C) there is no non-routine investigation of the Company, the Guarantor or any of their respective subsidiaries, by any governmental agency with authority pursuant to any Gaming Law, the results of which would have a material adverse effect on the Company, the Guarantor or any of their respective subsidiaries;

(iii) each of the Company's, the Guarantor's and their respective subsidiaries' controlling persons, key employees, and, to the best of such counsel's knowledge, their stockholders, have all necessary permits, licenses and other authorizations required by Gaming Laws for the Company, the Guarantor and their respective subsidiaries to conduct their businesses as now conducted except such licenses, approvals and authorizations required pursuant to Gaming Laws the absence of which, either individually or in the aggregate, would not have a material adverse effect on the Company or the Guarantor and their respective subsidiaries, taken as a whole; and to the best of such counsel's knowledge none of the respective stockholders of the Company or the Guarantor is unsuitable or may be deemed unsuitable by any authorities pursuant to Gaming Laws;

(iv) the statements (A) in the Offering Memorandum under the captions "Regulation and Licensing," and "Legal Matters," (B) in "Items 1 and 2 -Business and Properties—Governmental Regulation" and "Item 3—Legal Proceedings" of the Company's annual report on Form 10-K in respect of the year ended December 31, 2002, which is incorporated by reference in the Offering Memorandum, and (C) in "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations—Debt and Liquidity" of the Company's quarterly report on Form 10-Q in respect of the quarter ended September 30, 2003, which is incorporated by reference in the Offering Memorandum, in each case

insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein;

(v) no consent, approval, authorization of, or qualification with any authority pursuant to Gaming Laws is required with respect to the issuance of the Securities or the transactions

contemplated by this Agreement and the Indenture prior to such issuance of the Securities or the transactions contemplated by this Agreement, except as has already been obtained; and

(vi) the execution and delivery by each of the Company and the Guarantor of the transactions contemplated in, and the performance by the Company and the Guarantor of their respective obligations under, this Agreement, the Indenture, the Registration Rights Agreement and the Securities will not contravene, to the best of such counsel's knowledge, any agreement or other instrument binding upon the Company or the Guarantor and any of their respective subsidiaries that is material to the Company or the Guarantor and their respective subsidiaries, taken as a whole, or, except for any approvals required from the Indiana Gaming Commission for the Company to perform its obligations under the Registration Rights Agreement, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or the Guarantor or any of their respective subsidiaries, including without limitation, pursuant to any Gaming Laws.

(d) The Initial Purchasers shall have received on the Closing Date an opinion of Latham & Watkins LLP, outside counsel for the Company and the Guarantor, dated the Closing Date, to the effect that:

(i) this Agreement has been duly authorized by all necessary corporate action of the Company and the Guarantor, and this Agreement has been duly executed and delivered by the Company and the Guarantor;

(ii) the Indenture has been duly authorized by all necessary corporate action of the Company and the Guarantor, and the Indenture has been duly executed and delivered by the Company and the Guarantor and is the legally valid and binding agreement of the Company and the Guarantor, enforceable against each of them in accordance with its terms;

(iii) the Registration Rights Agreement has been duly authorized by all necessary corporate action of the Company and the Guarantor, has been duly executed and delivered by the Company and the Guarantor and is the legally valid and binding agreement of the Company and the Guarantor, enforceable against each of them in accordance with its terms;

(iv) the Notes have been duly authorized by all necessary corporate action of the Company and, when executed, issued and authenticated in accordance with the terms of the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, will be the legally valid and binding obligations of the Company, enforceable against the Company in accordance with their terms; and a registered holder of the Notes will be a beneficiary under the Indenture;

(v) the notations of Guarantee of the Guarantor to be endorsed on the Notes have been duly authorized by all necessary corporate action of the Guarantor and, when executed and delivered in accordance with the terms of the Indenture (assuming the due execution, issuance and authentication of the Notes in accordance with the terms of the Indenture and delivery and payment therefor by you in accordance with the terms of this Agreement), will be the legally valid and binding obligations of the Guarantor, enforceable against the Guarantor in accordance with their terms;

(vi) the execution and delivery of this Agreement, the Indenture and the Registration Rights Agreement, and the execution, issuance and sale of the Notes and the Guarantees by each of the Company and the Guarantor, respectively, to the Initial Purchasers pursuant to this Agreement, and the performance by each of the Company and the Guarantor on or prior to the Closing Date of its respective obligations under this Agreement, the Indenture and the

Registration Rights Agreement required to be performed on or before the Closing Date, do not:

(A) violate the Company's governing documents or the Guarantor's governing documents, respectively;

(B) violate the Delaware General Corporation Law, or any federal or New York statute, rule or regulation applicable to the Company or the Guarantor, respectively; or

(C) require any consents, approvals, or authorizations to be obtained by the Company or the Guarantor, respectively, or any registrations, declarations or filings to be made by the Company or the Guarantor, respectively, in each case, under any federal or New York statute, rule or regulation applicable to the Company or the Guarantor, respectively, that have not been obtained or made;

(vii) the statements in the Offering Memorandum under the caption "Description of Notes," insofar as they purport to constitute a summary of the terms of the Notes and the Guarantee, are accurate descriptions or summaries in all material respects;

(viii) no registration of the Securities under the Securities Act, and no qualification of the Indenture under the Trust Indenture Act is required for the purchase of the Securities by the Initial Purchasers or the initial resale of the Securities, in each case, in the manner contemplated by this Agreement and the Offering Memorandum (such counsel may state that it expresses no opinion as to when or under what circumstances the Notes initially sold by you may be offered or resold);

(ix) with your consent based solely on a certificate of an officer of the Company as to factual matters, neither the Company nor the Guarantor is, and immediately after giving effect to the offering and sale of the Securities in accordance with the Purchase Agreement and the application of the proceeds as described in the Offering Memorandum under the caption "Use of Proceeds," neither will be required to be registered as an "investment company" within the meaning of the Investment Company Act; and

(x) based on such facts and subject to the limitations set forth in the Offering Memorandum, the statements in the Offering Memorandum under the caption "Certain United States Federal Income Tax Consequences," insofar as they purport to summarize certain provisions of the statutes and regulations referred to therein, are accurate summaries in all material respects.

Such counsel may state that the primary purpose of such counsel's professional engagement was not to establish or confirm factual matters or financial or quantitative information, and many determinations involved in the preparation of the Offering Memorandum (and the documents incorporated by reference) are of a wholly or partially non-legal character or related to legal matters outside the scope of such counsel's opinion letter to you of even date herewith. Therefore, such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in, or incorporated by reference in, the Offering Memorandum or the incorporated documents (except to the extent expressly set forth in numbered paragraph 7 above), and have not made an independent check or verification thereof (except as aforesaid). However, in the course of acting as special counsel to the Company and the Guarantor in connection with the preparation by the Company and the Guarantor of the Offering Memorandum, such counsel reviewed the Offering Memorandum and the incorporated documents, and participated in conferences and telephone conversations with officers and other representatives of the Company, counsel to the Company, the independent public accountants for the Company, your representatives, and your counsel, during which conferences and conversations the contents of the Offering Memorandum (and portions of the incorporated documents) and related matters were

discussed. Such counsel also reviewed and relied upon certain corporate records and documents, letters from counsel and accountants, and oral and written statements of officers and other representatives of the Company and others as to the existence and consequence of certain factual and other matters. Such counsel considered the foregoing in light of such counsel's understanding of applicable U.S. federal securities laws and such counsel's experience gained through practice thereunder.

Based on such counsel's participation and review as described above, such counsel shall advise you that during the course of such counsel's services in connection with this matter, no facts came to such counsel's attention that caused such counsel to believe that the Offering Memorandum, together with the incorporated documents, as of its date or as of the date hereof, (together with the incorporated documents at that date), contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that such counsel expresses no belief with respect to the financial statements, schedules, or other financial data included or incorporated by reference in, or omitted from, the Offering Memorandum or the incorporated documents.

The opinion of Latham & Watkins LLP described in this Section 4(d) shall be rendered to the Initial Purchasers at the request of the Company and the Guarantor and shall so state therein.

(e) The Initial Purchasers shall have received from Cleary, Gottlieb, Steen & Hamilton, counsel for the Initial Purchasers, such opinion or opinions, dated the Closing Date and addressed to the Representative, with respect to the issuance and sale of the Securities, the Indenture, the Registration Rights Agreement, the Offering Memorandum (as amended or supplemented at the Closing Date) and other related matters as the Representative may reasonably require, and the Company and the Guarantor shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(f) At the Execution Time and at the Closing Date, Deloitte & Touche LLP shall have furnished to the Initial Purchasers a letter or letters, dated respectively as of the Execution Time and as of the Closing Date, in form and substance satisfactory to the Initial Purchasers, confirming that they are independent accountants within the meaning of the Act and the Exchange Act and stating in effect that:

(i) in their opinion the audited financial statements and financial statement schedules included or incorporated in the Offering Memorandum (as amended or supplemented at the date of the letter) and reported on by them comply in form in all material respects with the applicable accounting requirements of the Exchange Act and the related published rules and regulations;

(ii) on the basis of a reading of the latest unaudited financial statements made available by the Company, the Guarantor and its subsidiaries; carrying out certain specified procedures (but not an examination in accordance with generally accepted auditing standards which would not necessarily reveal matters of significance with respect to the comments set forth in such letter); a reading of the minutes of the meetings of the stockholders, directors and executive, human resources and audit committees of the Company, the Guarantor and its subsidiaries; and inquiries of certain officials of the Company and of the Guarantor who have responsibility for financial and accounting matters of the Company, the Guarantor and its subsidiaries as to transactions and events subsequent to September 30, 2003, nothing came to their attention which caused them to believe that: with respect to the period subsequent to September 30, 2003, there were any changes, at a specified date not more than five Business Days prior to the date of the letter, in the consolidated long-term debt of the Guarantor or capital stock of the Guarantor or decreases in the stockholders' equity of the Guarantor as compared with the

amounts shown on the September 30, 2003 consolidated balance sheet included or incorporated in the Offering Memorandum (as amended or supplemented at the date of the letter), or for the period from September 30, 2003 to such specified date there were any decreases, as compared with the corresponding period in the preceding year in consolidated total revenues or operating income or income before income taxes or the total or per share amounts of consolidated net income of the Guarantor and its subsidiaries, except in all instances for changes or decreases set forth in such letter, in which case the letter shall be accompanied by an explanation by the Company as to the significance thereof unless said explanation is not deemed necessary by the Initial Purchasers.

(iii) the statements and information contained in the letter or letters are of the type ordinarily included in accountants' "comfort letters" to Initial Purchasers with respect to the financial statements and certain financial information contained in or incorporated by reference into the Offering Memorandum.

(g) Subsequent to the Execution Time or, if earlier, the dates as of which information is given in the Offering Memorandum, there shall not have been (i) any change or decrease specified in the letter or letters referred to in paragraph (f) of this Section 4 or (ii) any change, or any development involving a prospective change, in or affecting the business or properties of the Company and the Guarantor and its subsidiaries the effect of which, in any case referred to in clause (i) or (ii) above, is, in the judgment of the Initial Purchasers, so material and adverse as to make it impractical or inadvisable to proceed with the offering, sale or delivery of the Securities as contemplated by the Offering Memorandum.

(h) As of the Closing Date the Securities shall be rated not lower than BBB- by Standard & Poor's Corporation and Baa3 by Moody's Investors Service, Inc.

(i) The Securities shall be eligible for clearance and settlement through The Depositary Trust Company.

(j) Prior to the Closing Date, the Company shall have furnished to the Initial Purchasers such further information, certificates and documents as the Representative may reasonably request.

5. *Covenants of the Company and the Guarantor*. In further consideration of the agreements of the Initial Purchasers herein contained, each of the Company and the Guarantor covenants with each Initial Purchaser as follows that:

(a) The Company and the Guarantor shall furnish the Representative, without charge, prior to 10:00 a.m. New York City time on the second Business Day next succeeding the date of this Agreement and during the period mentioned in Section 5(c) below, as many copies of the Offering Memorandum, any documents incorporated by reference therein and any supplements and amendments thereto as the Representative may reasonably request.

(b) The Company and the Guarantor shall not amend or supplement the Offering Memorandum without the prior written consent of the Representative, which shall not be unreasonably withheld or delayed and the Company and the Guarantor shall not file any document under the Exchange Act that is incorporated by reference in the Offering Memorandum unless, prior to such proposed filing, they have furnished the Representative with a copy of such document for review by the Representative and the Representative has not reasonably objected to the filing of such document. The Company or the Guarantor, as the case may be, shall promptly advise the Representative when any document filed under the Exchange Act that is incorporated by reference in the Offering Memorandum shall have been filed with the Commission.

(c) If, at any time prior to the completion of the sale of the Securities by the Initial Purchasers (as determined by the Representative), any event shall occur or condition exist as a

result of which it is necessary to amend or supplement the Offering Memorandum in order to make the statements therein, in the light of the circumstances when the Offering Memorandum is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Initial Purchasers, it is necessary to amend or supplement the Offering Memorandum to comply with applicable law, forthwith to notify the Representative of such event or condition and prepare and furnish, at its own expense, to the Initial Purchasers and such other persons as the Initial Purchasers may reasonably request, either amendments or supplements to the Offering Memorandum (in such quantities as the Initial Purchasers may reasonably request) so that the statements in the Offering Memorandum as so amended or supplemented will not, in the light of the circumstances when the Offering Memorandum is delivered to a purchaser, be misleading or so that the Offering Memorandum, as amended or supplemented, will comply with law.

(d) The Company and Guarantor shall endeavor to qualify the Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representative shall reasonably request and promptly advise the Initial Purchasers of the receipt by the Company or the Guarantor of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening-of any proceeding for such purpose.

(e) The Company and Guarantor shall not, and shall not permit any of their Affiliates to, resell any Securities that have been acquired by any of them, except, in the case of a Controlled Affiliate, until the earlier of (i) the consummation of the Registered Exchange Offer and (ii) the declaration of effectiveness of a Shelf Registration Statement pursuant to the Registration Rights Agreement.

(f) Neither the Company, nor the Guarantor, nor any of their respective Affiliates, nor any person acting on behalf of any of the foregoing, will, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Securities under the Act.

(g) Neither the Company, nor the Guarantor, nor any of their respective Affiliates, nor any person acting on behalf of any of the foregoing, will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of the Securities in the United States.

(h) So long as any of the Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Act, each of the Company and the Guarantor will, during any period in which it is not subject to and in compliance with Section 13 or 15(d) of the Exchange Act or it is not exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the Exchange Act, to provide to each holder of such restricted securities and to each prospective purchaser (as designated by such holder) of such restricted securities, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the Act. This covenant is intended to be for the benefit of the holders, and the prospective purchasers designated by such holders, from time to time of such restricted securities.

(i) Neither the Company, nor the Guarantor, nor any of their respective Affiliates, nor any person acting on behalf of any of the foregoing, will engage in any directed selling efforts with respect to the Securities, and each of them will comply with the offering restrictions requirement of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

(j) To cooperate with the Representative and use its best efforts to permit the Securities to be eligible for clearance and settlement through The Depository Trust Company.

(k) During the period beginning at the Execution Time and continuing until the date which is 30 days after the Closing Date, not to offer, sell, contract to sell or otherwise dispose of any debt

securities of the Company or warrants to purchase debt securities of the Company substantially similar to the Securities (other than (i) the Securities and (ii) commercial paper issued in the ordinary course of business), without the prior written consent of the Representative.

(l) Not to take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company or the Guarantor to facilitate the sale or resale of the Securities.

(m) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of the Company's and the Guarantor's obligations under this Agreement, including:

(i) the fees, disbursements and expenses of the Company's and Guarantor's counsel and the Company's and Guarantor's accountants in connection with the registration and delivery of the Securities under the Act and all other fees or expenses in connection with the preparation of the Offering Memorandum and amendments and supplements or amendments to either of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Initial Purchasers and dealers, in the quantities hereinabove specified,

(ii) all costs and expenses related to the transfer and delivery of the Securities to the Initial Purchasers, including any transfer or other taxes payable thereon (but excluding any transfer taxes on resale of any of the Securities by the Initial Purchasers),

(iii) the cost of printing or producing any Blue Sky or legal investment memorandum in connection with the offer and sale of the Securities under state law and all expenses in connection with the qualification of the Securities for offer and sale under state law as provided in Section 5(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Initial Purchasers in connection with such qualification and in connection with the Blue Sky or legal investment memorandum,

(iv) the fees and disbursements of the Company's and Guarantor's counsel and accountants and of the Trustee and its counsel,

(v) any fees charged by the rating agencies for the rating of the Securities,

(vi) the costs and expenses of the Company and the Guarantor relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Securities, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and the Guarantor and any such consultants, and the cost of any aircraft chartered in connection with the road show, and

(vii) all other costs and expenses incident to the performance of the obligations of the Company and the Guarantor hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 6 entitled "Indemnity and Contribution," and the last paragraph of Section 8 below, the Initial Purchasers will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer payable on resale of the Securities and any advertising expenses connected with any offers they may make.

6. *Indemnity and Contribution*.

(a) The Company and the Guarantor, jointly and severally, agree to indemnify and hold harmless each Initial Purchaser and each person, if any, who controls any Initial Purchaser within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Offering Memorandum or amendment or supplement thereto (if the Company or the Guarantor shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Initial Purchaser furnished to the Company in writing by such Initial Purchaser through the Representative expressly for use therein.

(b) Each Initial Purchaser agrees, severally and not jointly, to indemnify and hold harmless the Company and the Guarantor, and each person, if any, who controls the Company or the Guarantor, respectively, within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company and the Guarantor to such Initial Purchaser, but only with reference to information relating to such Initial Purchaser furnished to the Company in writing by such Initial Purchaser through the Representative expressly for use in the Offering Memorandum or any amendments or supplements thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either Section 6(a) or 6(b), such person (the "*indemnified party*") shall promptly notify the person against whom such indemnity may be sought (the "*indemnifying party*") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its

own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Representative, in the case of parties indemnified pursuant to Section 6(a) above, and by the Company, in the case of parties indemnified pursuant to Section 6(b) above. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent (which consent shall not be unreasonably withheld), but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable

for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in Section 6(a) or 6(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Initial Purchasers on the other hand from the offering of the Securities or (ii) if the allocation provided by clause 6(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 6(d)(i) above but also the relative fault of the Company and the Guarantor on the one hand and of the Initial Purchasers on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Initial Purchasers on the other hand in connection with the offering of the Securities shall be deemed to be in the same respective proportions as the net proceeds from the offering of such Securities (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Initial Purchasers bear to the aggregate public offering price of the Securities. The relative fault of the Company and the Guarantor on the one hand and the Initial Purchasers on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Guarantor or by the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Initial Purchasers' respective obligations to contribute pursuant to this Section 6 are several in proportion to the respective principal amounts of Securities they have purchased hereunder, and not joint.

(e) The Company, the Guarantor and the Initial Purchasers agree that it would not be just or equitable if contribution pursuant to this Section 6 were determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 6(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided

for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 6 and the representations, warranties and other statements of the Company and the Guarantor contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Initial Purchaser or any person controlling any Initial Purchaser or the Company or the Guarantor, or their respective officers or directors or any person controlling the Company or the Guarantor, respectively, and (iii) acceptance of and payment for any of the Securities.

7. *Termination*. This Agreement shall be subject to termination by notice given by the Representative to the Company, if (a) after the execution and delivery of the Purchase Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company or the Guarantor shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in the judgment of the Representative, is material and adverse and (b) in the case of any of the events specified in clauses 7(a)(i) through

7(a)(iv), such event, individually or together with any other such event, makes it, in the judgment of the Representative, impracticable or inadvisable to proceed with the offering, sale or delivery of the Securities on the terms and in the manner contemplated in the Offering Memorandum.

8. *Defaulting Initial Purchasers*. If, on the Closing Date, any one or more of the Initial Purchasers shall fail or refuse to purchase Securities that it has or they have agreed to purchase hereunder on such date, and the aggregate amount of Securities which such defaulting Initial Purchaser or Initial Purchasers agreed but failed or refused to purchase is not more than one-tenth of the aggregate amount of the Securities to be purchased on such date, the other Initial Purchasers shall be obligated severally in the proportions that the amount of Securities set forth opposite their respective names in the Purchase Agreement bears to the aggregate amount of Securities set forth opposite the names of all such non-defaulting Initial Purchasers, or in such other proportions as the Representative may specify, to purchase the Securities which such defaulting Initial Purchaser or Initial Purchasers agreed but failed or refused to purchase on such date; provided that in no event shall the amount of Securities that any Initial Purchaser has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 8 by an amount in excess of one-ninth of such amount of Securities without the written consent of such Initial Purchaser. If, on the Closing Date, any Initial Purchaser or Initial Purchasers shall fail or refuse to purchase Securities and the aggregate amount of Securities with respect to which such default occurs is more than one-tenth of the aggregate amount of Securities to be purchased on such date, and arrangements satisfactory to the Representative and the Company for the purchase of such Securities are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchaser, the Company or the Guarantor. In any such case either the Representative or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Offering Memorandum or in any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Initial Purchaser from liability in respect of any default of such Initial Purchaser under this Agreement.

If this Agreement shall be terminated by the Initial Purchasers, or any of them, because of any failure or refusal on the part of the Company or the Guarantor to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company or the Guarantor shall be

unable to perform its obligations under this Agreement, the Company and the Guarantor will reimburse the Initial Purchasers or such Initial Purchasers as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Initial Purchasers in connection with this Agreement or the offering contemplated hereunder.

9. *Definitions*. The terms which follow, when used in this Agreement, shall have the meanings indicated.

"*Affiliate*" shall have the meaning specified in Rule 501(b) of Regulation D.

"*Business Day*" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in The City of New York.

"*Commission*" shall mean the Securities and Exchange Commission.

"*Controlled Affiliate*" means any person or entity that is directly, or indirectly through one or more intermediaries, controlled by the Company, the Guarantor, or both.

"*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"*Execution Time*" shall mean, the date and time that this Agreement is executed and delivered by the parties hereto.

"*Gaming Laws*" means any foreign, federal, state or local law and the rules and regulations thereunder and any similar laws and regulations governing any aspect of legalized gambling in any foreign, federal, state or local jurisdiction in which the Company or the Guarantor or any of their respective subsidiaries conducts business.

"*Investment Company Act*" shall mean the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission promulgated thereunder.

"*Registered Exchange Offer*" shall have the meaning ascribed thereto by the Registration Rights Agreement.

"*Regulation D*" shall mean Regulation D under the Act.

"*Regulation S*" shall mean Regulation S under the Act.

"*Securities Act*" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"*Shelf Registration Statement*" shall have the meaning ascribed thereto by the Registration Rights Agreement.

"*Trust Indenture Act*" shall mean the Trust Indenture Act of 1939, as amended, and the rules and regulations of the Commission promulgated thereunder.

10. *Counterparts*. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. *Applicable Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

12. *Headings*. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Selling Restrictions for Offers and Sales outside the United States

(1)(a) The Securities have not been and will not be registered under the Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Act or pursuant to an exemption from the registration requirements of the Act. Each Initial Purchaser represents and agrees that, except as otherwise permitted by Section 3(a)(i) of the Agreement to which this is an exhibit, it has offered and sold the Securities, and will offer and sell the Securities, (i) as part of their distribution at any time; and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S under the Act. Accordingly, each Initial Purchaser represents and agrees that neither it, nor any of its Affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Securities, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Initial Purchaser agrees that, at or prior to the confirmation of sale of Securities (other than a sale of Securities pursuant to Section 3(a)(i) of the Agreement to which this is an exhibit), it shall have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities from it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "*Securities Act*") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and December 11, 2003, except in either case in accordance with Regulation S or Rule 144A under the Act. Terms used above have the meanings given to them by Regulation S."

(b) Each Initial Purchaser also represents and agrees that it has not entered and will not enter into any contractual arrangement with any distributor with respect to the distribution of the Securities, except with its Affiliates or with the prior written consent of the Company.

(c) Terms used in this section have the meanings given to them by Regulation S.

(2) Each Initial Purchaser represents, warrants and agrees that:

(a) it has not offered or sold and, prior to the date six months after the Closing Date, will not offer or sell any Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the United Kingdom Public Offers of Securities Regulations 1995 (as amended);

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000 (the "*FSMA*")) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

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Exhibit 10(29)

EMPLOYMENT AGREEMENT

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

The Company and Executive agree as follows:

1. *Employment.* The Company hereby employs Executive as .

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 , the Company shall pay Executive a base salary ("Base Salary") of $ 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 , and ending .

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-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 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.

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.

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: _____

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: _____

[Name]
[Title]

_____

Executive

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Exhibit 10(30)

HARRAH'S ENTERTAINMENT, INC.

[Date]

[Name]
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119-4312

Re: ***Severance Agreement***

Dear [Name]:

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 and shall continue in effect through December 31, 20 ; *provided, however*, that commencing on January 1, 20 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: _____

[Name]
[Title]

Agreed:

_____

[Name]

QuickLinks

Exhibit 10(30)

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Exhibit 12

HARRAH'S ENTERTAINMENT, INC.
COMPUTATION OF RATIOS
(In thousands, except financial percentages and ratios)

	2003(a)	2002(b)	2001(c)	2000(d)	1999(e)
Return on Revenues—Continuing					
Income/(loss) from continuing operations	$ 291,954	$ 323,235	$ 207,247	$ (12,335)	$ 207,240
Revenues	4,322,722	4,098,527	3,648,488	3,290,438	2,853,585
Return	6.8%	7.9%	5.7%	(0.4)%	7.3%
Return on Average Invested Capital					
Income/(loss) from continuing operations	$ 291,954	$ 323,235	$ 207,247	$ (12,335)	$ 207,240
Add: Interest expense after tax	147,450	149,417	159,236	141,394	121,846
	$ 439,404	$ 472,652	$ 366,483	$ 129,059	$ 329,086
Average invested capital	$ 5,780,236	$ 5,551,011	$ 5,056,814	$ 4,503,446	$ 4,243,991
Return	7.6%	8.5%	7.2%	2.9 %	7.8%
Return on Average Equity					
Income/(loss) from continuing operations	$ 291,954	$ 323,235	$ 207,247	$ (12,335)	$ 207,240
Average equity	1,627,834	1,458,941	1,347,257	1,431,255	1,416,591
Return	17.9%	22.2%	15.4%	(0.9)%	14.6%
Ratio of Earnings to Fixed Charges(f)					
Income/(loss) from continuing operations	$ 291,954	$ 323,235	$ 207,247	$ (12,335)	$ 207,240
Add:					
Provision for income taxes	172,201	196,534	125,797	14,880	122,262
Interest expense	234,419	240,220	255,801	227,139	193,407
Interest included in rental expense	22,055	27,101	20,473	15,233	10,248
Amortization of capitalized interest	992	1,220	1,398	1,572	1,335
Loss/(income) from equity investments	1,073	(4,094)	(148)	314,958	33,042
Earnings as defined	$ 722,694	$ 784,216	$ 610,568	$ 561,447	$ 567,534
Fixed charges:					
Interest expense	$ 234,419	$ 240,220	$ 255,801	$ 227,139	$ 193,407
Capitalized interest	2,349	3,537	9,309	7,960	13,118
Interest included in rental expense	22,055	27,101	20,473	15,233	10,248
Total fixed charges	$ 258,823	$ 270,858	$ 285,583	$ 250,332	$ 216,773
Ratio of earnings to fixed charges	2.8	2.9	2.1	2.2	2.6

(a) 2003 includes $11.1 million in pretax charges for write-downs, reserves and recoveries and $19.1 million in pretax charges for premiums paid for, and write-offs associated with, debt retired before maturity.

(b) 2002 includes $5.0 million in pretax charges for write-downs, reserves and recoveries, a $6.1 million pretax charge for our exposure under a letter of credit issued on behalf of National Airlines, Inc., and a charge of $91.2 million, net of tax benefits of $2.8 million, related to a change in accounting principle. 2002 also includes the financial results of Jazz Casino Company LLC from the date of our acquisition of a majority ownership interest on June 7, 2002. 2002 results have been reclassified to reflect Harrah's Vicksburg as discontinued operations.

(c) 2001 includes $22.5 million in pretax charges for write-downs, reserves and recoveries and $26.2 million of pretax income from dispositions of nonstrategic assets and the settlement of a contingency related to a former affiliate. 2001 also includes the financial results of Harveys Casino Resorts from its July 31, 2001, date of acquisition. 2001 results have been reclassified to reflect Harrah's Vicksburg as discontinued operations.

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

(e) 1999 includes $2.2 million in pretax charges for write-downs, reserves and recoveries, $59.8 million of pretax gains from sales of our equity interests in nonconsolidated affiliates and $17.0 million in pretax losses on debt retired before maturity. 1999 results have been reclassified to reflect Harrah's Vicksburg as discontinued operations.

(f) For purposes of computing this ratio, "earnings" consist of income before income taxes plus fixed charges (excluding capitalized interest) and minority interests (relating to subsidiaries whose fixed charges are included in the computation), excluding equity in undistributed earnings of less than 50% owned investments. "Fixed charges" include interest whether expensed or capitalized, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense that we deem to be representative of interest. As required by the rules which govern the computation of this ratio, both earnings and fixed charges are adjusted where appropriate to include the financial results for the Company's nonconsolidated majority-owned subsidiaries. As discussed in Note 11 to the Consolidated Financial Statements, 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: 2003, $9.5 million; 2002, $7.0 million; 2001, $4.4 million; 2000, $5.7 million; and 1999, $6.2 million.

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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's Entertainment Limited	England/Wales	100%	11/06/02	98-0414872
Harrah's Activity Limited	England/Wales	100%	11/19/02	N/A
Harrah's Portside Limited	England/Alderney	100%	06/25/03	N/A
Harrah's Interactive Limited	England/Wales	100%	11/20/02	N/A
Harrah's Online Limited	Alderney	100%	03/20/03	N/A
Harrah South Shore Corporation	California	100%	10/02/59	88-0074793
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 Consulting Corporation	Nevada	100%	06/15/93	88-0307990
Harrah's Illinois Corporation	Nevada	100%	12/18/91	88-0284653
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
Harrah's Maryland Heights Operating Company	Nevada	100%	06/20/95	88-0343024
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, LLC	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 Wheeling Corporation	Nevada	100%	04/29/94	88-0317848
JCC Holding Company II LLC	Delaware	100%	10/30/03	
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	[ ]
Penn Properties LLC	Delaware	100%	10/28/03	
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 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	N/A
Showboat Land Company	Nevada	100%	11/12/97	88-0378914
Showboat Operating Company	Nevada	100%	04/10/73	88-0121120
Showboat Land LLC[5]	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.[6]	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, LLC	Nevada	100%	12/11/03	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[7]	Louisiana	1%	12/10/02	72-1297055
Harrah's Star Partnership[8]	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 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[9]	Delaware		04/06/99	22-3741494
Showboat Marina Finance Corporation[10]	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.

Public Company Ownership				
Interactive Entertainment Limited[11]	Bermuda	35.5%	01/28/81	98-0170199

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

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1% Showboat Operating Company, 99% Showboat Land Holding Limited Partnership

6 99% Harrah's Operating Company, Inc., .5% John Flores, .5% George Pabey

7 1% Players Riverboat Management, LLC, 99% Players Riverboat, LLC

8 99% Players Riverboat II, LLC, 1% Players Riverboat Management, LLC

9 100% owned by Marina Associates.

10 100% owned by Showboat Marina Casino Partnership

11 Harrah's Operating Company, Inc., stockholder

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)
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)
09/04/03	Gala Regional Developments	London, UK	Harrah's Activity Limited	50%	50%	Gala Joint Activities Limited (50%)

Exhibit 21

HARRAH'S ENTERTAINMENT, INC. SUBSIDIARIES
HARRAH'S ENTERTAINMENT, INC. PARTNERSHIPS

Exhibit 23

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 report dated March 3, 2004 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to Harrah's Entertainment, Inc.'s change in 2002 in its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets"), appearing in this Annual Report on Form 10-K of Harrah's Entertainment, Inc. for the year ended December 31, 2003.

Deloitte & Touche LLP

Las Vegas, Nevada
March 3, 2004

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Exhibit 31(1)

CERTIFICATIONS

I, Gary W. Loveman, certify that:

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

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

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

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

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

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2004

By: /s/ GARY W. LOVEMAN

Gary W. Loveman
President and Chief Executive Officer

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CERTIFICATIONS

Exhibit 31(2)

I, Charles L. Atwood, certify that:

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

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

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

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

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

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2004

By: /s/ CHARLES L. ATWOOD

Charles L. Atwood
Senior Vice President and Chief Financial Officer

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Exhibit 32(1)

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Harrah's Entertainment, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 4, 2004

/s/ GARY W. LOVEMAN

Gary W. Loveman
President and
Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

QuickLinks

Exhibit 32(1)

Certification of Chief Executive Officer

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 32(2)

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Harrah's Entertainment, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 4, 2004

/s/ CHARLES L. ATWOOD

Charles L. Atwood
Senior Vice President and
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

QuickLinks

Exhibit 32(2)

Certification of Chief Financial Officer

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Exhibit 99

Description of Governmental Regulation

General

The ownership and operation of our casino entertainment facilities are subject to pervasive regulation under the laws, rules and regulations of each of the jurisdictions in which we operate. Gaming laws are based upon declarations of public policy designed to protect gaming consumers and the viability and integrity of the gaming industry, including prevention of cheating and fraudulent practices. Gaming laws may also be designed to protect and maximize state and local revenues derived through taxation and licensing fees imposed on gaming industry participants and enhance economic development and tourism. To accomplish these public policy goals, gaming laws establish procedures to ensure that participants in the gaming industry meet certain standards of character and fitness, or suitability. In addition, gaming laws require gaming industry participants to:

- Establish and maintain responsible accounting practices and procedures;
- Maintain effective controls over their financial practices, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- Maintain systems for reliable record keeping; and
- File periodic reports with gaming regulators.

Typically, state regulatory environments are established by statute and are administered by a regulatory agency or agencies with interpretive authority with respect to gaming laws and regulations and broad discretion to regulate the affairs of owners, managers, and persons with financial interests in gaming operations. Among other things, gaming authorities in the various jurisdictions in which we operate:

- Adopt rules and regulations under the implementing statutes;
- Enforce gaming laws and impose disciplinary sanctions for violations, including fines and penalties;
- Review the character and fitness of participants in gaming operations and make determinations regarding their suitability or qualification for licensure;
- Grant licenses for participation in gaming operations;
- Collect and review reports and information submitted by participants in gaming operations;
- Review and approve transactions, such as acquisitions or change-of-control transactions of gaming industry participants, securities offerings and debt transactions engaged in by such participants; and
- Establish and collect fees and taxes.

Licensing and Suitability Determinations

Gaming laws require us, each of our subsidiaries engaged in gaming operations, certain of our directors, officers and employees, and in some cases, our shareholders and holders of our debt securities, to obtain licenses from gaming authorities. Licenses typically require a determination that the applicant qualifies or is suitable to hold the license. Gaming authorities have very broad discretion in determining whether an applicant qualifies for licensing or should be deemed suitable. Criteria used in determining whether to grant a license to conduct gaming operations, while varying between jurisdictions, generally include consideration of factors such as:

- The financial stability, integrity and responsibility of the applicant, including whether the operation is adequately capitalized in the state and exhibits the ability to maintain adequate insurance levels;

- The quality of the applicant's casino facilities;
- The amount of revenue to be derived by the applicable state through operation of the applicant's casino;
- The applicant's practices with respect to minority hiring and training; and
- The effect on competition and general impact on the community.

In evaluating individual applicants, gaming authorities consider the individual's reputation for good character and criminal history and the character of those with whom the individual associates.

Many states limit the number of licenses granted to operate casinos within the state, and some states limit the number of licenses granted to any one gaming operator. Licenses under gaming laws are generally not transferable. Licenses in many of the jurisdictions in which we conduct gaming operations are granted for limited durations and require renewal from time to time. In Iowa, our ability to continue our casino operations is subject to a referendum every eight years or at

any time upon petition of the voters in the county in which we operate; the most recent referendum occurred in 2002. Our New Orleans casino operates under a contract with the Louisiana gaming authorities which extends until 2014, with a ten-year renewal period. There can be no assurance that any of our licenses or our contract in New Orleans will be renewed, or with respect to our gaming operations in Iowa, that continued gambling activity will be approved in any referendum, and failure to renew any of our licenses or the New Orleans contract, or to obtain favorable results in any referendum, could have a material adverse effect on our financial condition, prospects and results of operations.

In addition to us and our direct and indirect subsidiaries engaged in gaming operations, gaming authorities may investigate any individual who has a material relationship to, or material involvement with, any of these entities to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Our officers, directors and certain key employees must file applications with the gaming authorities and may be required to be licensed, qualify or be found suitable in many jurisdictions. Gaming authorities may deny an application for licensing for any cause which they deem reasonable. Qualification and suitability determinations require submission of detailed personal and financial information followed by a thorough investigation. The applicant must pay all the costs of the investigation. Changes in licensed positions must be reported to gaming authorities and in addition to their authority to deny an application for licensure, qualification or a finding of suitability, gaming authorities have jurisdiction to disapprove of a change in a corporate position.

If gaming authorities were to find that an officer, director or key employee fails to qualify or is unsuitable for licensing or unsuitable to continue having a relationship with us, we would have to sever all relationships with such person. In addition, gaming authorities may require us to terminate the employment of any person who refuses to file appropriate applications.

Moreover, in many jurisdictions, any of our stockholders or holders of our debt securities may be required to file an application, be investigated, and qualify or have his, her or its suitability determined. Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage of our voting securities, typically 5%, to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability. Most gaming authorities, however, allow an "institutional investor" to apply for a waiver. An "institutional investor" is generally defined as an investor acquiring and holding voting securities in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, bylaws, management, policies or operations, or those of any of our gaming affiliates, or the taking of any other action which gaming authorities find to be inconsistent with holding our voting securities for investment purposes only. Even if a waiver is granted, an institutional investor generally may not take any action inconsistent with its status when the waiver was granted without once again becoming subject to the foregoing reporting and application obligations.

Generally, any person who fails or refuses to apply for a finding of suitability or a license within the prescribed period after being advised it is required by gaming authorities may be denied a license or found unsuitable, as applicable. Any stockholder found unsuitable or denied a license and who holds, directly or indirectly, any beneficial ownership of our voting securities beyond such period of time as may be prescribed by the applicable gaming authorities may be guilty of a criminal offense. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we: (i) pay that person any dividend or interest upon our voting securities; (ii) allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person; (iii) pay remuneration in any form to that person for services rendered or otherwise; or (iv) fail to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Under New Jersey gaming laws, if a holder of our debt or equity securities is required to qualify, the holder may be required file an application for qualification or divest itself of the securities. If the holder files an application for qualification, it must place the securities in trust with an approved trustee, and while the application is pending, such holder may, through the approved trustee, continue to exercise all rights incident to the ownership of the securities with the exception that the security holder may only receive a return on its investment in an amount not to exceed the actual cost of the investment (as defined by New Jersey gaming laws) until the New Jersey gaming authorities find such holder qualified. In the event the New Jersey gaming authorities find there is reasonable cause to believe that the security holder may be found unqualified, all rights incident to ownership of the securities shall vest with the trustee pending a determination on such holder's qualifications; provided, however, that during the period the securities remain in trust, the security holder may petition the New Jersey gaming authorities to direct the trustee to dispose of the trust property and distribute proceeds thereof to the security holder in an amount not to exceed the lower of the actual cost of the investment or the value of the securities on the date the trust became operative. If the security holder is ultimately not found to be qualified, the trustee is required to sell the securities and to distribute the proceeds of the sale to the applicant in an amount not exceeding the lower of the actual cost of the investment or the value of the securities on the date the trust became operative (if not already sold and distributed at the direction of the security holder) and to distribute the remaining proceeds to the state. If the security holder is found qualified, the trust agreement will be terminated.

Additionally, our Certificates of Incorporation and the Certificate of Incorporation of our subsidiary, Harrah's Operating Company, Inc. contain provisions establishing the right to redeem the securities of disqualified holders if necessary to avoid any regulatory sanctions, to prevent the loss or to secure the reinstatement of any license or franchise, or if such holder is determined by any gaming regulatory agency to be unsuitable, has an application for a license or permit rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed. The Certificates of Incorporation of these companies also contain provisions defining the redemption price and the rights of a disqualified security holder. In the event a security holder is disqualified, the New Jersey gaming authorities are empowered to propose any necessary action to protect the public interest, including the suspension or revocation of the licenses for the casinos we operate in New Jersey.

Many jurisdictions also require that suppliers of certain goods and services to gaming industry participants be licensed and require us to purchase and lease gaming equipment, supplies and services only from licensed suppliers.

Violations of Gaming Laws

If we or our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we and any other persons involved could be subject to substantial fines. Further, a supervisor or conservator can be appointed by gaming authorities to operate our gaming properties, or in some jurisdictions, take title to our gaming assets in the jurisdiction, and under certain circumstances, earnings generated during such appointment could be forfeited to the applicable state or states. Furthermore, violations of laws in one jurisdiction could

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result in disciplinary action in other jurisdictions. As a result, violations by us of applicable gaming laws could have a material adverse effect on our financial condition, prospects and results of operations.

Reporting and Record-keeping Requirements

We are required periodically to submit detailed financial and operating reports and furnish any other information about us and our subsidiaries which gaming authorities may require. Under both Nevada gaming laws and federal law, we are required to record and submit detailed reports of currency transactions involving greater than $10,000 at our casinos. We are required to maintain a current stock ledger which may be examined by gaming authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to gaming authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Gaming authorities may require certificates for our stock to bear a legend indicating that the securities are subject to specified gaming laws.

Review and Approval of Transactions

Substantially all material loans, leases, sales of securities and similar financing transactions by us and our subsidiaries must be reported to, or approved by, gaming authorities. Neither us nor any of our subsidiaries may make a public offering of securities without the prior approval of certain gaming authorities if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in such jurisdictions, or to retire or extend obligations incurred for such purposes. Changes in control through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or otherwise are subject to receipt of prior approval of gaming authorities. Entities seeking to acquire control of us or one of our subsidiaries must satisfy gaming authorities with respect to a variety of stringent standards prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

Certain state gaming laws and regulations establish that certain corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting us or our subsidiaries may be injurious to stable and productive corporate gaming, and as a result, prior approval may be required before we may make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated. Furthermore, prior approval is required for plans of recapitalization proposed by our Board of Directors in response to a tender offer made directly to our stockholders for the purposes of acquiring control of us.

Because licenses under gaming laws are generally not transferable, our ability to grant a security interest in any of our gaming assets is limited and subject to receipt of prior approval by gaming authorities. We are subject to extensive prior approval requirements relating to certain borrowings and security interests with respect to our New Orleans casino. If the holder of a security interest wishes operation of the casino to continue during and after the filing of a suit to enforce the security interest, it may request the appointment of a receiver approved by Louisiana gaming authorities, and under Louisiana gaming laws, the receiver is considered to have all our rights and obligations under our contract with Louisiana gaming authorities.

License Fees and Gaming Taxes

We pay substantial license fees and taxes in many jurisdictions, including the counties and cities in which our operations are conducted, in connection with our casino gaming operations, computed in various ways depending on the type of gaming or activity involved. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly or annually. License fees and taxes and are based upon such factors as:

- a percentage of the gross revenues received;

- the number of gaming devices and table games operated;
- franchise fees for riverboat casinos operating on certain waterways;
- admission fees for customers boarding our riverboat casinos;

In many jurisdictions, gaming tax rates are graduated such that they increase as gross revenues increase. Furthermore, tax rates are subject to change, sometimes with little notice, and we have recently experienced tax rate increases in a number of jurisdictions in which we operate. A casino entertainment tax is also paid in certain jurisdictions by casino operations where entertainment is furnished in connection with the selling or serving of food or refreshments or the selling of merchandise.

Operational Requirements

In many jurisdictions, we are subject to certain requirements and restrictions on how we must conduct our gaming operations. In many states, we are required to give preference to local suppliers and include minority-owned businesses in construction projects to the maximum extent practicable. Some of our operations are subject to restrictions on the number of gaming positions we may have, the minimum or maximum wagers allowed by our customers, and the maximum loss a customer may incur within specified time periods.

Our land-based casino in New Orleans operates under a contract with the Louisiana Gaming Control Board and the Louisiana Economic Development and Gaming Act and related regulations. Under this authority, our New Orleans casino is subject to not only many of the foregoing operational requirements, but also to restrictions on our food and beverage operations, including with respect to the size, location and marketing of eating establishments at our casino entertainment facility. Furthermore, with respect to any hotel we may own, construct or lease that is physically connected to our New Orleans casino, we are subject to restrictions on the number of rooms within the hotel, the amount of meeting space within the hotel and the rates we may charge for rooms.

In Mississippi, we are required to include a 500 car parking facility in close proximity to the casino complex and infrastructure facilities that will amount to at least twenty five percent of the casino cost. This requirement has recently been increased for any new casinos in Mississippi.

To comply with requirements of Iowa gaming laws, we have entered agreements with Iowa West Racing Association, a non-profit organization, or IWRA. We maintain a joint license with IWRA to operate our Council Bluffs casino, an excursion gambling boat. At our Bluffs Run greyhound racetrack, IWRA holds the pari-mutuel license to operate the dog track and the gaming racetrack enclosure license to operate the slot machine casino all at Bluffs Run Casino.

Indian Gaming

The terms and conditions of management contracts and the operation of casinos and all gaming on Indian land in the United States are subject to the Indian Gaming Regulatory Act of 1988, or IGRA, which is administered by the National Indian Gaming Commission, or NIGC, the gaming regulatory agencies of tribal

governments, and Class III gaming compacts between the tribes for which we manage casinos and the states in which those casinos are located. IGRA established three separate classes of tribal gaming—Class I, Class II and Class III. Class I includes all traditional or social games solely for prizes of minimal value played by a tribe in connection with celebrations or ceremonies. Class II gaming includes games such as bingo, pulltabs, punchboards, instant bingo and non-banked card games (those that are not played against the house), such as poker. Class III gaming includes casino-style gaming such as banked table games like blackjack, craps and roulette, and gaming machines such as slots and video poker, as well as lotteries and pari-mutuel wagering. Harrah's Ak-Chin Phoenix 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 or compact with the state that specifically authorizes the types of Class III gaming the tribe may offer. These compacts provide, among other things, the manner and extent to which each state will conduct background investigations and certify the suitability of the manager, its officers, directors, and key employees to conduct gaming on tribal lands. The Company has received its permanent certification from the Arizona Department of Gaming as management contractor for the Ak-Chin Indian Community's casino and has been licensed by the relevant tribal gaming authorities to manage the Ak-Chin Indian Community's casino, the Prairie Band Potawatomi Nation's casino, the Eastern Band of Cherokee Indians' casino and the Rincon San Luiseno Band of Mission Indians, respectively.

IGRA requires NIGC approval of management contracts for Class II and Class III gaming as well as the review of all agreements collateral to the management contracts. Management contracts which are not so approved are void. The NIGC will not approve a management contract if a director or a 10% shareholder of the management company: (i) is an elected member of the Indian tribal government which owns the facility purchasing or leasing the games; (ii) has been or is convicted of a felony gaming offense; (iii) has knowingly and willfully provided materially false information to the NIGC or the tribe; (iv) has refused to respond to questions from the NIGC; or (v) is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable activities in gaming or the business and financial arrangements incidental thereto. In addition, the NIGC will not approve a management contract if the management company or any of its agents have attempted to unduly influence any decision or process of tribal government relating to gaming, or if the management company has materially breached the terms of the management contract or the tribe's gaming ordinance, or a trustee, exercising due diligence, would not approve such management contract. A management contract can be approved only after NIGC determines that the contract provides, among other things, for: (i) adequate accounting procedures and verifiable financial reports, which must be furnished to the tribe; (ii) tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross revenues and income; (iii) minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs; (iv) a ceiling on the repayment of such development and construction costs and (v) a contract term not exceeding five years and a management fee not exceeding 30% of net revenues (as determined by the NIGC); provided that the NIGC may approve up to a seven year term and a management fee not to exceed 40% of net revenues if NIGC is satisfied that the capital investment required, and the income projections for the particular gaming activity require the larger fee and longer term.

Management contracts can be modified or cancelled pursuant to an enforcement action taken by the NIGC based on a violation of the law or an issue affecting suitability.

Indian tribes are sovereign with their own governmental systems, which have primary regulatory authority over gaming on land within the tribes' jurisdiction. Therefore, persons engaged in gaming activities, including the Company, are subject to the provisions of tribal ordinances and regulations on gaming. These ordinances are subject to review by the NIGC under certain standards established by IGRA. The NIGC may determine that some or all of the ordinances require amendment, and that additional requirements, including additional licensing requirements, may be imposed on us. The possession of valid licenses from the Ak-Chin Indian Community, the Eastern Band of Cherokee Indians, the Prairie Band Potawatomi Nation, and the Rincon San Luiseno Band of Mission Indians, are ongoing conditions of our agreements with these tribes.

Riverboat Casinos

In addition to all other regulations applicable to the gaming industry generally, our riverboat casinos are also subject to regulations applicable to vessels operating on navigable waterways, including regulations of the U.S. Coast Guard. These requirements set limits on the operation of the vessel, mandate that it must be operated by a minimum complement of licensed personnel, establish periodic inspections, including the physical inspection of the outside hull, and establish other mechanical and operations rules. In addition, the U.S. Coast Guard is considering regulations designed to increase

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homeland security, which, if passed, could affect some of our properties and require significant expenditures to bring such properties into compliance.

Racetracks

We operate slot machines at a greyhound racetrack in Council Bluffs, Iowa and thoroughbred racetrack in Bossier City, Louisiana. Generally, our slot operations at racetracks are regulated in the same manner as our other gaming operations in those jurisdictions except that we may not engage in gaming activity other than slots at the tracks. In addition, regulations governing racetracks are typically administered separately from our other gaming operations, with separate licenses and license fee structures. For example, racing regulations may limit the number of days on which races may be held.

QuickLinks

Exhibit 99

Description of Governmental Regulation