

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, 2000
OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-10410

HARRAH'S ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

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

ONE HARRAH'S COURT
LAS VEGAS, NEVADA
(Address of principal executive
offices)

89119
(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
7 7/8% Senior Subordinated Notes Due 2005 of Harrah's Operating Company, Inc.**	NONE
7 1/2% Senior Notes Due 2009 of Harrah's Operating Company, Inc.**	NONE

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

** Securities guaranteed by Registrant

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

None

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

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

The aggregate market value of the voting and non-voting common equity held
by non-affiliates of the registrant as of January 31, 2001, based upon the
closing price of \$29.38 for the Common Stock on the New York Stock Exchange on
that date, was \$3,297,773,877.

As of January 31, 2001, the Registrant had 116,241,792 shares of Common

Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2001 Annual Meeting of Stockholders, which will be filed within 120 days after the end of the fiscal year, are incorporated by reference into Part III hereof and portions of the Company's Annual Report to Stockholders for the year ended December 31, 2000 (the "Annual Report") are incorporated by reference into Parts I and II hereof.

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PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

Harrah's Entertainment, Inc., a Delaware corporation, is the leading consumer marketing company in the gaming industry and operates casinos in more markets than any other casino company. (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.) We were incorporated on November 2, 1989, and prior to such date operated under predecessor companies.

We conduct our business through a wholly-owned subsidiary, Harrah's Operating Company, Inc. ("HOC") and through HOC's subsidiaries. Our principal asset is the stock of HOC, which holds, directly or indirectly through subsidiaries, substantially all of the assets of our businesses. Our principal executive offices are located at One Harrah's Court, Las Vegas, Nevada 89119, telephone (702) 407-6000.

In March 2000, we announced the completion of the acquisition of Players International, Inc. ("Players"). Pursuant to the terms of the agreement, Players' shareholders received \$8.50 in cash for each share outstanding and we assumed approximately \$150 million of Players' debt. In June 2000, we redeemed the entire remaining \$134,551,000 principal amount of the Players 10 7/8% Senior Notes due 2005, which redemption was preceded by a purchase of \$2,337,000 of such notes in April 2000 and \$13,112,000 of such notes in June 2000.

In March 2000, we completed the sale of the Showboat Las Vegas casino, which was determined to have been a non-strategic asset.

In April 2000, we announced Board approval of a 450-room expansion at Harrah's Atlantic City. We expect the expansion to cost approximately \$113 million and completion is expected in the first quarter of 2002, subject to regulatory approvals.

In May 2000, we announced the commencement of construction on an expansion of the Mardi Gras Casino at Harrah's North Kansas City, which is expected to open by the end of the second quarter of 2001 at an approximate cost of \$45 million.

In August 2000, we announced plans to build a 292-room hotel at Harrah's East Chicago Casino at an estimated cost of \$47 million, which expansion is expected to be completed by year-end 2001.

Operating data for the three most recent fiscal years is set forth on page 29 of the Annual Report. This information is incorporated into this document by reference.

For information on operating results and a discussion of those results, see "Management's Discussion and Analysis--Operating Results and Development Plans" on pages 18 through 24 of the Annual Report, which information is incorporated into this document by reference.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information included in this Annual Report on Form 10-K and other materials filed or to be filed by the Company with the Securities and Exchange Commission ("SEC") (as well as information included in oral statements or other written statements made or to be made by the Company) contains statements that are forward looking. These include statements relating to the following activities, among others: (A) operations and expansions of existing properties, including future performance, anticipated scope and opening dates of expansions; (B) planned construction or development of casinos and hotels that would be owned or managed by the Company and the pursuit of strategic acquisitions; (C) planned capital expenditures for 2001 and beyond; (D) the impact of the WINet and Total Rewards Programs; and (E) any future impact of the Showboat acquisition, the Rio merger or the acquisition of Players. These activities involve important factors that could cause actual results to differ materially from those expressed in any forward looking statements made by or on behalf of the Company. These include, but are not limited to, the following factors as well as other

factors described from time to time in the Company's reports filed with the SEC: construction factors, including zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues; access to available and feasible financing; regulatory, licensing and other governmental approvals, third party consents and approvals, and relations with partners, owners and other third parties; conditions of credit markets and other business and economic conditions, including international and national economic problems; litigation, judicial actions and political uncertainties, including gaming legislative action, referenda and taxation; abnormal gaming holds, and effects of competition, including locations of competitors and operating and marketing competition. Any forward looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

CASINO ENTERTAINMENT

GENERAL

Our casino business commenced operations in 1937. As of December 31, 2000, we operated casino hotels in the five traditional U.S. gaming markets of Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada and Atlantic City, New Jersey. We also operated riverboat casinos in East Chicago, Indiana and Lake Charles, Louisiana; dockside casinos in Joliet and Metropolis, Illinois, Vicksburg and Tunica, Mississippi, Shreveport, Louisiana, and Maryland Heights (near St. Louis) and North Kansas City, Missouri. We also operated the Rio Suite Hotel & Casino in Las Vegas, Nevada and the Showboat casino in Atlantic City, New Jersey, managed a land-based casino in New Orleans, Louisiana, and managed casinos on three Indian reservations, one near Phoenix, Arizona, one near Topeka, Kansas and one in Cherokee, North Carolina.

As of December 31, 2000, we operated a total of approximately 1,258,220 square feet of casino space, 6,858 slot machines, 1,099 table games, 11,562 hotel rooms or suites, approximately 294,844 square feet of convention space, 86 restaurants, 30 snack bars, 11 showrooms and four cabarets.

We continued in 2000 to implement our Total Rewards program, a fully integrated national player recognition and rewards program that connects player activity and provides rewards across all Harrah's properties. We have obtained four U.S. patents covering the technology associated with the Total Rewards program. Underpinning Harrah's Total Rewards program is a database management system exclusive to the Company, the Winners Information Network system, or WINet (U.S. Patent Pending), which enhances the advantages of our geographic distribution and links all of our domestic Harrah's brand locations.

The Company's marketing strategy is designed to appeal primarily to those customers who are avid, experienced players, especially those who play in more than one market. Our strategic direction is focused on establishing well-defined brand identities that communicate and deliver a consistent message of high quality and excellent service.

LAND-BASED CASINOS

ATLANTIC CITY

The Harrah's Atlantic City casino hotel is situated on 35.8 acres in the Marina area of Atlantic City and at year end had approximately 94,600 square feet of casino space with 3,246 slot machines and 82 table games. It consists of three 16-story hotel towers with 284 suites and 890 rooms and adjoining low-rise buildings that house the casino space and the 26,100 square foot convention center. The facilities include six restaurants, an 800-seat showroom, a health club with swimming pool, customer parking for 2,401 cars, including a substantial portion in a parking garage, and a 1,600-space employee/ valet parking lot. The property also has a 75-slip marina. We also own 174 acres of wetlands in the Brigantine area and parcels totaling 6.2 acres in Atlantic City outside the Marina area.

The Mardi Gras-themed Atlantic City Showboat is located on 20.7 acres of land on the Boardwalk and currently has approximately 95,500 square feet of casino gaming space containing 3,345 slot machines and 68 table games. The hotel and casino also has five restaurants, one snack bar, a 346-seat showroom, a 22,500 square foot convention center and a total of 800 hotel rooms (including 69 suites). There are 3,061 parking spaces available.

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

LAS VEGAS

Harrah's Las Vegas is located on approximately 17.7 acres on the Las Vegas Strip and consists of a 15-floor hotel tower, a 23-floor hotel tower, two 35-floor hotel towers, and adjacent low-rise buildings, which house a 25,600 square foot convention center and the casino. The hotel has 2,448 regular rooms and 152 suites. The Harrah's Las Vegas complex has approximately 87,700 square feet of casino space, with 1,755 slot machines and 68 table games. Also included are six restaurants, four snack bars, the 543-seat Commander's Theatre, a 362-seat cabaret, an arcade, a health club and a heated pool. There are 2,720 parking spaces available, including a substantial portion in a self-park garage.

The Rio Suite Hotel & Casino is situated adjacent to Interstate 15 near the heart of the Las Vegas Strip and has approximately 109,500 square feet of casino gaming space containing 2,294 slot machines, 106 table games including a premium gaming area. The carnival and Mardi Gras-themed hotel and casino also has 2,548 hotel suites, including approximately 1,500 suites contained in the three interconnected 21-story "Ipanema Towers," approximately 1,000 suites in the 41-story "Masquerade Tower" and nine luxury Palazzo Suites in a complex adjoining the casino. In addition, the facility contains 13 restaurants, four coffee bars, a 2,199-seat entertainment complex, a 32,000 square foot shopping area, and a 108,000 square foot outdoor entertainment area featuring a landscaped sand beach and three swimming pools. There are 6,293 parking spaces available, including self-parking and valet. Rio also owns the Rio Secco Golf Club in nearby Seven Hills, Nevada.

In second quarter 2000, Rio completed construction of a showroom complex as an addition to its existing entertainment venues. The showroom includes a 1,500 seat, state-of-the-art theater with a balcony, a three-level lobby with hospitality center, and a theater promenade with approximately 10,000 square feet of retail space. The showroom complex is located adjacent to the Pavilion, Rio's 110,000 square foot entertainment/convention complex, which opened in 1999. Rio also constructed a road across some of its recently acquired properties that provides an additional east/west conduit for Las Vegas residents and tourists. Rio deeded the roadway acreage to Clark County upon its completion in exchange for reimbursement of a portion of the construction costs.

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

In March 2000, we completed the sale of the Showboat Las Vegas casino, which was a non-strategic asset.

LAKE TAHOE

Harrah's Lake Tahoe is situated on 23 acres near Lake Tahoe and consists of an 18-story tower and adjoining low-rise building, which house approximately 65,500 square feet of casino space, with 1,664 slot machines and 80 table games, and an 18,000 square foot convention center. The casino hotel, with 74 suites and 453 luxury rooms, has seven restaurants, two snack bars, the 792-seat South Shore Showroom, a 50-seat cabaret, a health club, retail shops, a heated pool and an arcade. The facility has customer parking for 854 cars in a garage and 1,098 additional spaces in an adjoining lot.

We also own and operate Bill's Lake Tahoe Casino, which is located on a 2.1 acre site adjacent to Harrah's Lake Tahoe. The casino includes approximately 18,000 square feet of casino space, with 573 slot machines, 19 table games and one restaurant.

The primary feeder market for both casinos is California.

RENO

Harrah's Reno, situated on approximately five acres, consists of a casino hotel complex with a 24-story structure, a 15,450 square foot convention center and 57,000 square feet of casino space, with 1,495 slot machines and 63 table games. The facilities include two hotel towers, with 934 rooms and 24 suites, the 420-seat Sammy's Showroom, a pool, a health club and an arcade. The property has six restaurants and one snack bar. The complex can accommodate guest parking for 1,271 cars, including a valet parking garage, a self-park garage and off-site valet parking.

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

LAUGHLIN

Harrah's Laughlin is located in Laughlin, Nevada on a 44.9 acre site in a natural cove on the Colorado River and features a hotel with 1,480 standard rooms and 100 suites, a 378-seat showroom, a 3,164-seat outdoor amphitheater, five restaurants and one snack bar. Harrah's Laughlin has 47,000 square feet of casino space, with 1,212 slot machines and 39 table games, and 5,000 square feet of convention center space. The facility has customer parking for 2,604 cars, including a covered parking garage, and a park for recreational vehicles. Other amenities include a health club, swimming pools, an arcade and retail shops. It is the only property in Laughlin with a developed beachfront on the River.

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

DOCKSIDE & RIVERBOAT CASINOS

JOLIET

Harrah's Joliet is located in downtown Joliet, Illinois, on the Des Plaines River. The two riverboat casinos, the Harrah's Northern Star, a modern 210-foot mega-yacht, and the 210-foot Southern Star II, a re-creation of a Mississippi riverboat, offer a combined total of 39,160 square feet of casino space with 33 table games and 1,127 slot machines. Harrah's Joliet has operated as a dockside casino entertainment facility since the Illinois Riverboat Gambling Act was amended to allow dockside gaming in June 1999. We are currently constructing barge facilities at an approximate cost of \$82 million to replace the riverboats. We expect these to be placed into service in the fourth quarter of 2001, at which time the riverboats will be removed from service at this location.

The dockside facilities, which are situated on 7.9 acres, include a pavilion with three restaurants, one snack bar, a lounge, approximately 4,700 square feet of meeting space and a retail shop. Parking is available for 1,479 cars, including a portion in a 4-story parking garage. In 1999 Harrah's Joliet acquired 1.14 acres of additional land adjacent to the facility as a site for future development.

On November 8, 1999, Harrah's Joliet opened its 11-story hotel project, which includes a 204-room hotel (including four suites), 8,000 square feet of new and renovated office space and a fitness center. The hotel is located adjacent to Harrah's pavilion.

A limited partnership, in which an indirect subsidiary of the Company is the 80 percent general partner, owns the dockside facilities and underlying real property, the Harrah's Northern Star and the Southern Star II vessels, and the riverboat businesses. The businesses are operated by Harrah's, as general partner in the partnership. The partnership also holds long-term rights to the boat basin/berth.

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

EAST CHICAGO

The Harrah's East Chicago Casino (formerly operated as Showboat Mardi Gras Casino) is a riverboat casino in East Chicago, Indiana, which contains 49,210 square feet of gaming space on four levels containing 71 table games and approximately 1,895 slot machines. The shoreside facilities include a 105,000 square foot pavilion located on approximately 11 acres of land. The property has three restaurants and two snack bars. There is a parking garage with the capacity to hold approximately 1,800 cars, and other surface parking available for approximately 800 cars. In August 2000 we announced plans to build a 292-room hotel at Harrah's East Chicago at an estimated cost of \$47 million, which expansion is expected to be completed by year-end 2001.

The Harrah's East Chicago Casino is owned by the Showboat Marina Casino Partnership ("SMCP"), an Indiana general partnership, in which the Company now has an almost 100% ownership interest. We acquired a 55% interest in SMCP in connection with our acquisition of Showboat in June 1998 and in February 1999 increased our ownership interest by buying out substantially all of the minority partners in SMCP. Some of the minority partners have retained the right to repurchase shares of SMCP at the original purchase price plus interest. If this occurs, it would reduce our interest to no less than 91%. On March 15, 1999, we converted the facility to the Harrah's brand name.

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

TUNICA

Harrah's Tunica is a dockside casino complex located in Tunica, Mississippi, approximately 30 miles south of downtown Memphis, Tennessee. The facilities include a casino constructed on a floating stationary barge with 50,000 square feet of casino space, 1,409 slot machines and 23 table games. Shoreside facilities, which are situated on 88 acres of land, include a Harrah's hotel, which features 182 rooms, 18 suites, exercise facilities, four restaurants, a snack bar, a 250-seat showroom, a child care facility, an arcade, retail shop, approximately 13,500 square feet of convention area/meeting room space and customer parking for approximately 2,700 cars.

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

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

VICKSBURG

Harrah's Vicksburg is the Company's dockside casino entertainment complex on approximately 10.3 acres in Vicksburg, Mississippi. The complex, which is located in downtown Vicksburg on the Yazoo Diversion Canal of the Mississippi River, includes a 297-foot stationary riverboat casino designed in the spirit of a traditional 1800's riverboat with approximately 21,000 square feet of casino space, 748 slot machines and 15 table games. The casino is docked next to the Company's shoreside complex which features three restaurants, child care facilities, an arcade, a retail outlet and an approximate 7,400 square foot meeting room/convention area. Adjacent to the riverboat is a Harrah's hotel, with 103 rooms and 14 suites. Two covered parking garages are across the street with combined parking for 996 cars and additional parking is available for 429 cars. The Company owns the riverboat and hotel and owns or holds long-term rights to all real property pertaining to the project.

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

SHREVEPORT

Harrah's Shreveport is the Company's dockside riverboat casino in downtown Shreveport, Louisiana, which includes a 254-foot 19th-century design paddlewheeler riverboat, the ShreveStar, with 22,550 square feet of gaming space with 1,174 slot machines and 32 table games. A pavilion, on 11.2 acres of land, adjoins the casino on the banks of the Red River and includes three restaurants, one snack bar and a 5,000 square foot area for private parties and group functions. Parking is available for 1,805 cars, including 1,365 spaces in a parking garage.

Construction began in 1999 to expand our Shreveport facilities to include a 514-room hotel as well as four restaurants (including a 156-seat steakhouse, a 198-seat coffee shop, a 446-seat buffet and a coffee/snack bar) as well as a new convention center, health spa and 437-space valet parking garage. We expect the expansion to be completed in first quarter 2001 at a cost of approximately \$147 million.

The casino and related facilities are owned by a partnership which is 100% owned by the Company. The underlying land is held by the partnership under a long-term lease from the City of Shreveport.

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

NORTH KANSAS CITY

We own and operate dockside casino facilities in North Kansas City, Missouri, which include the North Star, a 295-foot classic sternwheeler-designed stationary riverboat, and the Mardi Gras Casino, which is constructed on a floating stationary barge. The facilities offer a combined total of approximately 62,100 square feet of casino space, 2,215 slot machines and 61 table games. We are currently expanding the Mardi Gras casino and expect to redeploy the North Star to another location when the expansion is complete as expected in second quarter 2001.

Shoreside facilities, which are situated on 55 acres of land that is under a long-term lease, include a Harrah's hotel which features 181 rooms and 17 suites, a pavilion that houses four restaurants and 10,000 square feet of meeting space. Additional property amenities include two snack bars, an arcade, swimming pool and exercise room. The property also has a three-story 1,048-car parking garage as well as surface parking. Total on-site parking, including valet parking, is available for 2,942 cars.

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

ST. LOUIS-RIVERPORT

Harrah's St. Louis-Riverport is a dockside riverboat casino complex owned and operated by the Company in Maryland Heights, Missouri, in northwest St. Louis County, 16 miles from downtown St. Louis. Following completion of our acquisition of Players, we now own 100% of the operations at this property.

Harrah's dockside casinos offer a combined total of approximately 120,000 square feet of gaming space, with a total of 3,215 slot machines and 77 table games.

A shoreside pavilion includes four restaurants, two snack bars, an arcade, an entertainment lounge and retail space. Additional amenities include a 12,150 square foot convention/special events center and child care facilities. Also included in the shoreside facilities is an 8-story hotel with 277 rooms and 14 suites. Parking is available for 4,071 cars, including a portion in a parking garage.

The complex is located on a site comprised of approximately 214 acres, which is owned by the Company.

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

METROPOLIS

Players Metropolis is located in Metropolis, Illinois, on the Ohio River. The dockside riverboat casino facility offers 22,500 square feet of casino space, 1,057 slot machines and 29 table games. The facility, situated on approximately 7.4 acres, includes two restaurants, one snack bar, a 350-seat showroom, approximately 7,000 square feet of meeting space and parking available for 1,048 cars. A \$42 million capital project is currently underway to upgrade the Metropolis property's facilities and convert the operation to the Harrah's brand name. This project is expected to be completed in fourth quarter 2001.

The Company also holds a 12.5% limited partnership interest in a joint venture that operates a 120-room hotel adjacent to the Metropolis facility. Subsequent to the end of the year, the Company reached an agreement to acquire the remaining ownership interest in the hotel in a transaction expected to close in second quarter 2001.

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

LAKE CHARLES

Harrah's Lake Charles (formerly Players Lake Charles) is a riverboat casino facility located in Lake Charles, Louisiana. The facility operates two cruising riverboat casinos that dock at a common docking site. The riverboats offer a combined total of 28,300 square feet of gaming space, 1,618 slot machines and 65 table games. The riverboats operate staggered cruise schedules for up to 24 hours a day. While each riverboat is required by state law to cruise, the staggered cruise schedules allow the facility to offer patrons the equivalent of dockside gaming, since a riverboat is almost continually available for boarding by patrons at the docking site. In connection with a \$47 million capital project currently underway at the property, we plan to replace one of the existing riverboats with a newer riverboat that we acquired in 1998 and have now refurbished, and make improvements to the hotel. This project included the conversion of the facility to the Harrah's brand name, which occurred in December 2000.

In addition to the riverboats, the Company's Lake Charles facility includes a 60,000 square foot docking facility, a 264-room hotel, four restaurants, one snack bar and approximately 2,800 parking spaces, including a 500-space, on-site multi-story parking garage.

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

MANAGED CASINOS

NEW ORLEANS

On October 28, 1999, Harrah's New Orleans Casino opened. The Company owns an approximate 40% beneficial ownership interest in JCC Holding Company ("JCC"), which owns the casino (the "Casino"). The Casino is managed by a subsidiary of the Company pursuant to a management agreement. The Casino includes 100,000 square feet of gaming space with approximately 2,700 slot machines and 130 table games including live poker, a 250-seat buffet, two parking garages, and approximately 10,000 square feet of multi-function, special event, food service and meeting-room space on the first floor of the premises. The Casino contains five themed areas intended to evoke the atmosphere of New Orleans. Parking for approximately 300 cars and approximately 145,000 square feet of back-of-house and support areas are provided underneath the main gaming floor. Two parking facilities, which contain approximately 1,550 parking spaces, are located across Poydras Street and are connected to the Casino by an underground tunnel. The second floor of the Casino premises contains approximately 150,000 square feet of unfinished multipurpose non-gaming entertainment space.

Initially, the Company guaranteed a \$100 million annual payment obligation of JCC owed to the State of Louisiana gaming board (the "State Obligation") for the period from October 28, 1999 to October 28, 2000 (the "Initial State Guarantee"). In accordance with an existing agreement, the Initial State Guarantee was replaced with a new guarantee (the "Current State Guarantee"), pursuant to which the Company has guaranteed the State Obligation for the period from April 1, 2000, to March 31, 2001. JCC is required to make daily payments of approximately \$273,973 to satisfy the State Obligation. The Current State Guarantee obligation is reduced to the extent JCC makes such daily payments. Payments made to the State by the Company pursuant to the Initial State Guarantee and the Current State Guarantee are secured by a first priority collateral security interest in JCC's assets. Payments made to the State by the Company on behalf of JCC under the Initial State Guarantee and the Current State Guarantee during 2000 totaled \$44.1 million.

Subject to the satisfaction of certain cash flow tests and other conditions each year, the Company would have been required to provide a new guarantee to the State for each of the 12-month periods ending March 31, 2002, 2003 and 2004. For the period ending March 31, 2002, the requirement to provide a new guarantee was conditioned upon, among other things, JCC producing net cash flow, as defined, as at least \$15 million for the 12-month period ending November 30, 2000. JCC did not satisfy this cash flow test, and the Company gave notice to JCC on December 28, 2000, that it would not renew the Current State Guarantee for the 12-month period ending March 31, 2002.

On January 4, 2001, JCC filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. In connection with its reorganization, JCC proposed a plan which contemplates a substantial reduction in the minimum annual payment to the State, a reduction in costs associated with the City of New Orleans lease, modifications of Casino operating restrictions and the agreement of major creditors, including the Company, to a restructuring of JCC's debts. On March 15, 2001, the City of New Orleans City Council adopted ordinances to reduce the City's annual payments from JCC by approximately \$5 million. On March 19, 2001 the reorganization plan was confirmed by the bankruptcy court. On March 21, 2001, the State enacted legislation to (i) reduce the State Obligation from \$100 million to \$50 million in the first year and \$60 million thereafter and (ii) relax certain Casino operating restrictions by permitting the Casino to offer certain food and hotel services. Final consummation of the reorganization plan is subject to completion of legal documentation satisfactory to all parties, as well as satisfaction of all other conditions to plan consummation.

Assuming JCC's reorganization plan is consummated, we will guarantee the State Obligation of \$50 million in the first year and \$60 million for three subsequent years. The Company would receive a fee for providing this guarantee. In addition to the proposed changes in the State Agreements, under the reorganization plan, JCC's capital structure would be changed and the Company would own 49% of the new equity in JCC and hold approximately \$51 million of the new debt of JCC. There would be a new \$35 million JCC revolving credit facility at market terms, which the Company would provide. The Company has also agreed to changes in the management agreement, which would, among other things, (i) change the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation and amortization and management fees, (ii) require the Company to provide certain administrative services to JCC as part of its management fee without any reimbursement from JCC and (iii) provide for termination of management services if minimum performance thresholds are not met.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 we recorded reserves of \$220 million for receivables not expected to be recovered in JCC's reorganization plan. Failure by JCC to consummate its reorganization plan would likely result in loss of its State gaming license and could result in further financial impact to the Company of approximately \$73 million, plus any additional amounts funded under the Current State Guarantee.

AK-CHIN

Harrah's Phoenix Ak-Chin casino is owned by the Ak-Chin Indian Community and is located on approximately 20 acres of land on the Community's reservation, approximately 25 miles south of Phoenix, Arizona. The casino includes 38,000 square feet of casino space with 475 slot machines, 10 poker tables, bingo, keno, two restaurants, one snack bar, an entertainment lounge, 11,050 square feet of meeting room space and a retail shop. The complex has customer parking for approximately 1,100 cars and has valet parking available. We manage the casino for a fee under a management contract. The original contract expired in December 1999, and we have signed a contract with the Ak-Chin Indian Community to continue management of the Casino for another five years after that date. The new agreement contemplates an extension of the Community's compact with the state of Arizona, which expires in 2003. The existing management agreement has been temporarily extended through July 1, 2001 (on the new financial terms) while regulatory approvals for the new agreement are obtained.

On March 12, 2001, the Ak-Chin Indian Community opened its new 146-room resort hotel.

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

CHEROKEE

We manage the Harrah's Cherokee Smoky Mountains Casino for the Eastern Band of Cherokee Indians on approximately 56 acres of land on their reservation in Cherokee, North Carolina. The casino includes 60,000 square feet of casino space, with 2,696 video gaming machines. Additional facilities consist of a multi-purpose entertainment room with approximately 1,500 theater-style seats, three restaurants, a gift shop and child care facilities. Parking is available for approximately 1,985 cars. We manage the casino for a fee under a management contract expiring in November 2004.

The Company has guaranteed the Tribe's repayment of an \$82 million bank loan, the proceeds of which were used to construct the Cherokee facility. At year end 2000, approximately \$53 million of the loan was outstanding. In connection with the extension of the management contract and expansion of the facility to include a new hotel, we have agreed, subject to various conditions, to guarantee a new loan in the approximate amount of \$116 million to be used to pay off the existing approximate \$53 million loan and to construct the new hotel at an approximate cost of \$63 million. The planned 15-story, 252-room hotel is expected to be connected to the casino via an elevated skywalk and to include 31,000 square feet of convention and conference space, as well as retail and dining space, a 700-space parking structure, a health club, and an indoor pool/spa.

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

PRAIRIE BAND

Harrah's Prairie Band Casino-Topeka, located approximately 17 miles north of Topeka, Kansas, is managed by the Company for the Prairie Band Potawatomi Nation ("Prairie Band") on approximately 80 acres of land owned by the Prairie Band. The casino facilities include 32,958 square feet of casino space with 968 slot machines and 31 table games. The complex also includes a 100-room hotel, a restaurant, a snack bar, an entertainment lounge, a gift shop and parking for 750 vehicles. The facilities are managed by the Company for a fee under a management contract expiring in January 2003. Renewal of the contract would require mutual agreement between the Company and the Prairie Band and approval by the National Indian Gaming Commission.

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

RINCON

The Company has entered into agreements with the Rincon San Luiseno Band of Mission Indians to act as developer and manager for a Casino Hotel project to be built on the Band's land north of San Diego, California. In addition, the company has agreed to loan the Band \$29,200,000 to allow it to open a temporary casino pending the approval of the agreements related to the permanent casino by the National Indian Gaming Commission and its construction. The permanent project as currently planned is expected to have 45,000 square feet of gaming space and a 200-room hotel. The expected cost of \$125,000,000 will be financed by a bank loan guaranteed by the Company. The temporary casino opened January 11, 2001, and consists of a one-story, 35,050 square foot building with approximately 17,000 square feet of gaming space and approximately 759 slot machines.

AUSTRALIA

We sold our interests in the Star City casino in Sydney, Australia during fourth quarter 1999 and first quarter 2000 by divesting our outstanding shares and options of Star City Holdings Ltd. and selling our management contract for the casino. In connection with the sale of our management contract, we entered into a three-year casino services agreement whereby we provide consulting and advisory services to the purchaser for a fee.

OTHER

NATIONAL AIRLINES, INC.

We own approximately 48% of the stock of National Airlines, Inc., an airline based in Las Vegas that commenced operations in May 1999 and at present offers nonstop flights between Las Vegas and New York, Chicago, Philadelphia, Miami, Dallas, Los Angeles, San Francisco, and Washington, D.C.

On December 6, 2000, National Airlines, Inc. filed a voluntary petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court for the District of Nevada.

During 1999 and 2000, the Company provided \$17.4 million in loans to, and \$24.6 million of letters of credit on behalf of, National Airlines, Inc. A letter of credit comprising a portion of such \$24.6 million accommodation was drawn in December 2000 in the amount of \$8.6 million. The Company has an agreement with another National Airlines, Inc. investor pursuant to which that investor is obligated to reimburse the Company up to approximately 56% of the amounts that may be funded by the Company pursuant to the letters of credit. In response to the National Airlines, Inc. bankruptcy filing, the Company recorded write-offs and reserves in fourth quarter 2000 totaling \$39.4 million for its investment in and loans to National Airlines, Inc., and our net exposure under the letters of credit.

OTHER

We own and operate Bluegrass Downs, a harness racetrack located in Paducah, Kentucky, which we acquired in March 2000 as part of the Players acquisition. The track holds live racing meets each fall, as well as year-round simulcasting of horse racing events.

We also own a one-third interest in Turfway Park LLC, which is the owner of the Turfway Park race course located on 197 acres in Boone County, Kentucky. We own 47 acres of undeveloped land in the vicinity of the race track, which are currently listed for sale.

In addition to the above, we are actively pursuing a variety of casino entertainment opportunities in various jurisdictions, including land-based, riverboat and dockside casino and Indian gaming projects. A number of these projects, if they go forward, could require significant capital investments.

PATENTS AND TRADEMARKS

We own the following trademarks used in this document: Harrah's-Registered Trademark-; Rio-Registered Trademark-; Showboat-Registered Trademark-; Bill's-Registered Trademark-; Total Gold-Registered Trademark-; Total Rewards-Registered Trademark-; WINet-Registered Trademark-; Harrah's Northern Star(sm); North Star(sm); Harrah's Southern Star II(sm); ShreveStar(sm); Mardi Gras(sm); Palazzo Suites(sm); Sammy's Showroom(sm); South Shore Showroom(sm) and Rio Secco Golf Club(sm). We consider all of these marks, and the associated name recognition, to be valuable to our business. We hold four U.S. patents covering the technology associated with our Total Rewards program--U.S. Patent No. 5,613,912 issued March 25, 1997 (which is the subject of a license agreement with Mikohn Gaming Corporation), U.S. Patent No. 5,761,647 issued June 2, 1998, U.S. patent No. 5,809,482 issued September 15, 1998, and U.S. patent No. 6,003,013 issued December 14, 1999. We consider these patents to be valuable to our business.

COMPETITION

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

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

In recent years, with fewer new markets open for development, competition in existing markets has intensified. Many casino operators, including Harrah's Entertainment, have invested in expanding existing facilities, in the development of new facilities in existing markets, such as Las Vegas, and in the acquisition of established facilities in existing markets, such as our acquisition of the casinos owned by Rio, Showboat and Players. 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 also presents competitive issues for us. For example, 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, which 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, were the subject of an amendment to the state's constitution approved in a statewide referendum on March 7, 2000. At this time, the ultimate impact that the compacts and the California referendum may have on the industry or on our Company are uncertain.

Moreover, the casino entertainment industry is subject to political and regulatory uncertainty. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations--Effects of Current Economic and Political Conditions" on pages 26 and 27 and portions of "Management's Discussion and Analysis--Operating Results and Development Plans" on pages 18 through 24 of the Annual Report, which information is incorporated into this document by reference.

GAMING--NEVADA

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

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

Harrah's Entertainment is registered by the Nevada Commission as a publicly traded corporation (a "Registered Corporation") and has been found suitable to own the stock of HOC, which is also a Registered Corporation by virtue of its outstanding debt securities. HOC has been found suitable to own the stock of (i) Rio Hotel & Casino, Inc. ("Rio"), (ii) Harrah's Las Vegas, Inc. ("HLVI") and (iii) Harrah's Laughlin, Inc. ("HLI"). Rio has been registered as an intermediary company and found suitable to own the stock of Rio Properties, Inc. ("RPI") and Rio Leasing, Inc. ("RLI"). HOC, Rio, HLVI, HLI, RPI, and RLI (collectively, the "Gaming Subsidiaries") are required to be registered or licensed by the Nevada Gaming Authorities to enable the Company to conduct gaming operations at Harrah's Lake Tahoe, Bill's Lake Tahoe Casino, Harrah's Reno, Harrah's Las Vegas, Harrah's Laughlin and Rio Suite Hotel & Casino and to engage in manufacturing and distribution of gaming devices. The gaming licenses held by the Gaming Subsidiaries require the periodic payment of fees and taxes and are not transferable. HOC is also licensed as a manufacturer and distributor of gaming devices. HLI and RLI are licensed as distributors of gaming devices. Such manufacturer's and distributor's licenses also require the annual payment of fees and are not transferable.

As Registered Corporations, Harrah's Entertainment and HOC are required periodically to submit detailed financial and operating reports and furnish any other information which the Nevada Commission may require. No person may become a stockholder of, or receive any percentage of profits from, the Gaming Subsidiaries without first obtaining licenses and approvals from the Nevada Gaming Authorities and Harrah's Entertainment may not sell or transfer beneficial ownership of any of HOC's equity securities without the prior approval of the Nevada Commission. Harrah's Entertainment and the Gaming Subsidiaries have obtained from the Nevada Gaming Authorities the various registrations, findings of suitability, approvals, permits and licenses required in order to engage in gaming, manufacturing and distribution activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Harrah's Entertainment or the Gaming Subsidiaries to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors and certain key employees of the Gaming Subsidiaries must file applications with the Nevada

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

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

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

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

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

The Nevada Act requires any person who acquires beneficial ownership of more than 5% of Harrah's Entertainment voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of Harrah's Entertainment voting securities apply to the Nevada Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an "institutional investor" (as defined in the Nevada Act), that acquires more than 10%, but not more than 15%, of Harrah's Entertainment voting securities may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only. An institutional investor shall not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the

ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the board of directors of Harrah's Entertainment, any change in the Company's corporate charter, bylaws, management, policies or operations of Harrah's Entertainment, or any of its gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding Harrah's Entertainment voting securities for investment purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes only include: (i) voting on all matters voted on by stockholders; (ii) making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and (iii) such other activities as the Nevada Commission may determine to be consistent with such investment intent. If the beneficial holder of voting securities who must be found suitable is a corporation, partnership or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

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

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

Harrah's Entertainment is required to maintain a current stock ledger at its corporate headquarters in Las Vegas, Nevada, which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Harrah's Entertainment also is required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require Harrah's Entertainment's stock certificates to bear a legend indicating that the securities are subject to the Nevada Act. However, to date, the Nevada Commission has not imposed such a requirement on Harrah's Entertainment.

Harrah's Entertainment and HOC may not make a public offering of their securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations

incurred for such purposes. On November 20, 2000, the Nevada Commission granted Harrah's Entertainment and HOC prior approval to make public offerings for a period of two years, subject to certain conditions ("Shelf Approval"). The Shelf Approval also applies to any affiliated company wholly owned by Harrah's Entertainment (an "Affiliate") that is a publicly traded corporation or would thereby become a publicly traded corporation pursuant to a public offering. The Shelf Approval also includes approval for the Gaming Subsidiaries to guarantee any security issued by, or to hypothecate their assets to secure the payment or performance of any obligations evidenced by a security issued by Harrah's Entertainment or an Affiliate in a public offering under the Shelf Approval. The Shelf Approval also includes approval to place restrictions upon the transfer of and entering into of agreements not to encumber the equity securities of the Gaming Subsidiaries. The Shelf Approval, however, may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada Board. The Shelf Approval does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered. Any representation to the contrary is unlawful.

Changes in control of Harrah's Entertainment through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of a Registered Corporation must satisfy the Nevada Board and Nevada Commission in a variety of stringent standards prior to assuming control of such Registered Corporation. The Nevada Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

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

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

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons (collectively, "Licensees") and who proposes to become involved in a gaming venture outside of Nevada is required to deposit with the Nevada Board, and

thereafter maintain, a revolving fund in the amount of \$10,000 to pay the expenses of investigation of the Nevada Board of their participation in such foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. Licensees are also subject to disciplinary action by the Nevada Commission if they knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engage in activities or enter into associations that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employ, contract with or associate with a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of unsuitability.

GAMING--NEW JERSEY

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

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

The New Jersey Act requires that all officers, directors and principal employees of the casino licensees be licensed. In addition, each person who directly or indirectly holds any beneficial interest or ownership of the casino licensees and any person who in the opinion of the New Jersey Commission has the ability to control the casino licensees must obtain qualification approval. Each holding and intermediary company having an interest in the casino licensees must also obtain qualification approval by meeting essentially the same standards as that required of the casino licensees. All directors, officers and persons who directly or indirectly hold any beneficial interest, ownership or control in any of the

intermediary or ultimate holding companies of the casino licensees may have to seek qualification from the New Jersey Commission. Lenders, underwriters, agents, employees and security holders of both equity and debt of the intermediary and holding companies of the casino licensees and any other person whom the New Jersey Commission deems appropriate may also have to seek qualification from the New Jersey Commission. Because Harrah's Entertainment and HOC are publicly-traded holding companies (as defined by the New Jersey Act), however, the persons described in the two previous sentences may be waived from compliance with the qualification process if the New Jersey Commission, with the concurrence of the Director of the New Jersey Division of Gaming Enforcement, determines that they are not significantly involved in the activities of Marina and/or Showboat and, in the case of security holders, that they do not have the ability to control Harrah's Entertainment (or its subsidiaries) or elect one or more of its directors. Any person holding 5% or more of a security in an intermediary or ultimate holding company, or having the ability to elect one or more of the directors of a company, is presumed to have the ability to control the company and thus may be required to seek qualification unless the presumption is rebutted. Notwithstanding this presumption of control, the New Jersey Act permits the waiver of the qualification requirements for passive "institutional investors" (as defined by the New Jersey Act), when such institutional holdings are for investment purposes only and where such securities represent less than 10% of the equity securities of a casino licensee's holding or intermediary companies or debt securities of a casino licensee's holding or intermediary companies not exceeding 20% of a company's total outstanding debt or 50% of an individual debt issue. The waiver, which is subject to certain specified conditions including, upon request, the filing of a certified statement that the investor has no intention of influencing the affairs of the issuer, may be granted to an "institutional investor" holding a higher percentage of such securities upon a showing of good cause. If an "institutional investor" is granted a waiver of the qualification requirements and subsequently changes its investment intent, the New Jersey Act provides that no action other than divestiture may be taken by the investor without compliance with the Interim Casino Authorization Act (the "Interim Act") described below.

In the event a security holder of either equity or debt is required to qualify under the New Jersey Act, the provisions of the Interim Act may be triggered requiring, among other things, either: (i) the filing of a completed application for qualification within 30 days after being ordered to do so, which application must include an approved Trust Agreement pursuant to which all securities of Harrah's Entertainment (or its respective subsidiaries) held by the security holder must be placed in trust with a trustee who has been approved by the New Jersey Commission; or (ii) the divestiture of all securities of Harrah's Entertainment (or its respective subsidiaries) within 120 days after the New Jersey Commission determines that qualification is required or declines to waive qualification, provided the security holder files a notice of intent to divest within 30 days after the determination of qualification. If a security holder files an application pursuant to the Interim Act, during the period the Trust Agreement remains in place, such holder may, through the approved trustee, continue to exercise all rights incident to the ownership of the securities with the exception that: (i) the security holder may only receive a return on its investment in an amount not to exceed the actual cost of the investment (as defined by the New Jersey Act) until the New Jersey Commission finds such holder qualified; and (ii) in the event the New Jersey Commission finds there is reasonable cause to believe that the security holder may be found unqualified, the Trust Agreement will become fully operative vesting the trustee with all rights incident to ownership of the securities pending a determination on such holder's qualifications; provided, however, that during the period the securities remain in trust, the security holder may petition the New Jersey Commission to: (a) direct the trustee to dispose of the trust property; and (b) direct the trustee to distribute proceeds thereof to the security holder in an amount not to exceed the lower of the actual cost of the investment or the value of the securities on the date the Trust became operative. If the security holder is ultimately not found to be qualified, the trustee is required to sell the securities and to distribute the proceeds of the sale to the applicant in an amount not exceeding the lower of the actual cost of the investment or the value of the securities on the date

the Trust became operative (if not already sold and distributed at the direction of the security holder) and to distribute the remaining proceeds to the Casino Revenue Fund. If the security holder is found qualified, the Trust Agreement will be terminated.

The New Jersey Commission can find that any holder of the equity or debt securities issued by Harrah's Entertainment or its subsidiaries is not qualified to own such securities. If a security holder of Harrah's Entertainment or its subsidiaries is found disqualified, the New Jersey Act provides that it is unlawful for the security holder to: (i) receive any dividends or interest payment on such securities; (ii) exercise, directly or indirectly, any rights conferred by the securities; or (iii) receive any remuneration from the company in which the security holder holds an interest. To implement these provisions, the New Jersey Act requires, among other things, casino licensees and their holding companies to adopt provisions in their certificate of incorporation providing for certain remedial action in the event that a holder of any security of such company is found disqualified. The required certificate of incorporation provisions vary depending on whether such company is a publicly or privately traded company as defined by the New Jersey Act. The Certificates of Incorporation of Harrah's Entertainment and HOC (both "publicly-traded companies" as defined by the New Jersey Act) contain provisions that provide Harrah's Entertainment and HOC, respectively, with the right to redeem the securities of disqualified holders, if necessary, to avoid any regulatory sanctions, to prevent the loss or to secure the reinstatement of any license or franchise held by Harrah's Entertainment or HOC or their affiliates, or if such holder is determined by any gaming regulatory agency to be unsuitable, has an application for a license or permit rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed. The Certificates of Incorporation of Harrah's Entertainment and HOC also contain provisions defining the redemption price and the rights of a disqualified security holder. In the event a security holder is disqualified, the New Jersey Commission is empowered to propose any necessary action to protect the public interest, including the suspension or revocation of the casino license of Marina and/or Showboat. The New Jersey Act provides, however, that the New Jersey Commission shall not take action against a casino licensee or its parent companies with respect to the continued ownership of the security interest by the disqualified holder, if the New Jersey Commission finds that: (i) such company has a certificate of incorporation provision providing for the disposition of such securities as discussed above; (ii) such company has made a good faith effort to comply with any order requiring the divestiture of the security interest held by the disqualified holder; and (iii) the disqualified holder does not have the ability to control the casino licensee or its parent companies or to elect one or more members to the board of directors of such company. The Certificate of Incorporation of HOC further provides that debt securities issued by HOC are held subject to the condition that if a holder is found unsuitable by any governmental agency the corporation shall have the right to redeem the securities.

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

The New Jersey Commission granted Marina a plenary casino license in connection with Harrah's Atlantic City in November 1981, and granted Showboat a plenary casino license in connection with

Showboat Casino Hotel in March 1987. Each of Marina's and Showboat's licenses has been renewed since then. In April 2000, the New Jersey Commission renewed Marina's license for a four-year period and also found Harrah's Entertainment and HOC to be qualified as holding companies of Marina. In January 2001, the New Jersey Commission renewed Showboat's license until April 2004 to be co-terminous with Marina's license and also found Harrah's Entertainment and HOC to be qualified as holding companies of Showboat.

GAMING--ILLINOIS

The ownership and operation of a gaming riverboat in Illinois is subject to extensive regulation under the Illinois Riverboat Gambling Act (the "Act") and the rules and regulations promulgated thereunder. A five-member Illinois Gaming Board is charged with such regulatory authority, including the issuance of the 10 authorized riverboat gaming owner's licenses. The granting of an owner's license involves a preliminary approval procedure in which the Illinois Gaming Board issues a finding of preliminary suitability to a license applicant and effectively reserves a gaming license for such applicant. An owner's license is issued for an initial period of three years and may be renewed thereafter by the Illinois Gaming Board for periods of up to four years. The Illinois Gaming Board has issued all 10 licenses authorized by the Act. Des Plaines Development Limited Partnership ("DPDLP"), of which 80% is owned by Harrah's Illinois Corporation, an indirect subsidiary of the Company, received an owner's license in 1993. DPDLP is licensed to operate two riverboats in Joliet, Illinois. In September 2000, the Illinois Gaming Board renewed DPDLP's owner's license for a period of four years. Southern Illinois Riverboat Casino Cruises, Inc. ("SIRCC") is licensed to operate a riverboat in Metropolis, Illinois. SIRCC became an indirect subsidiary of the Company in March of 2000 in connection with the acquisition of Players International, Inc. SIRCC had been issued an owner's license in February of 1993. In February 2001, the Illinois Gaming Board renewed SIRCC's owners license for a period of four years.

To obtain an owner's license (and a finding of preliminary suitability), applicants must submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Illinois Gaming Board. Each license granted entitles a licensee to own and operate up to two riverboats (with a combined maximum of 1,200 gaming positions) and equipment thereon from a specific location.

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

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

A holder of an owner's license is subject to the imposition of fines, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order, and general welfare of the people of the State of Illinois, or that would discredit or tend to discredit the Illinois gaming industry or the State of Illinois, including, without limitation:

(i) failing to comply with or make provision for compliance with the Illinois Riverboat Gaming Act, the rules promulgated thereunder, any federal, state or local law or regulation or the licensee's internal control system; (ii) failing to comply with any order or ruling of the Illinois Gaming Board or its agents pertaining to gaming; (iii) receiving goods or services from a person or business entity that does not hold a supplier's license issued by the Illinois Gaming Board, but that is required to hold such license by the Illinois Riverboat Gambling Act or the rules promulgated thereunder; (iv) being suspended or ruled ineligible or having a license revoked or suspended in any state or gaming jurisdiction; (v) associating with, either socially or in business affairs, or employing persons of, notorious or unsavory reputation or who have extensive police records, or who have failed to cooperate with any officially constituted investigatory or administrative body and would adversely affect public confidence and trust in gaming; and (vi) employing in any Illinois riverboat's gaming operation any person known to have been found guilty of cheating or using any improper device in connection with any game. Licensees may be fined for each violation up to an amount equal to the gross receipts derived from wagering on the day of the violation.

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

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

Applicants for and holders of an owner's license are required to obtain formal prior approval from the Illinois Gaming Board for changes proposed in the following areas: (i) key persons; (ii) type of entity; (iii) equity and debt capitalization of the entity; (iv) investors and/or debt holders; (v) source of funds; (vi) economic development plans or proposals; (vii) riverboat capacity or significant design change; (viii) gaming positions; (ix) anticipated economic impact; or (x) agreements, oral or written, relating to the acquisition or disposition of property (real or personal) of a value greater than \$1 million.

A holder of an owner's license is allowed to make distributions to its partners, shareholders or itself only to the extent that such distribution would not impair the financial viability of the gaming operation. Factors to be considered by the licensee in making this determination include, but are not limited to, the following: (i) cash flow, casino cash and working capital requirements; (ii) debt service requirements and covenants associated with financial instruments, (iii) requirements for repairs, maintenance and capital improvements; (iv) employment or economic development requirements of the Illinois Riverboat Gambling Act; and (v) a licensee's financial projections.

The Illinois Gaming Board will require a Business Entity or Personal Disclosure Form and approval as a key person for any business entity or individual with an ownership interest or voting rights of more than 5% in a licensee, the trustee of any trust holding such ownership interest or voting rights, the directors of the licensee and its chief executive officer, president and chief operating officer, as well as any other individual or entities deemed by the Illinois Gaming Board to hold a position or a level of ownership, control or influence, that is material to the regulatory concerns and obligations of the Illinois Gaming Board. Each key person must file, on an annual basis, a disclosure affidavit,

updated personal and background information, and updated tax and financial information. Key persons are required to promptly disclose to the Illinois Gaming Board any material changes in status or information previously provided to the Illinois Gaming Board, and to maintain their suitability as key persons. For the Illinois Gaming Board to identify potential key persons, each holder of an owner's license is required to file a table of organization, ownership and control with the Illinois Gaming Board to identify the individuals or entities that through direct or indirect means manage, own or control the interests and assets of the applicant or licensee. Based upon findings from an investigation into the character, reputation, experience, associations, business probity and financial integrity of a key person, the Illinois Gaming Board may enter an order upon the licensee requiring economic disassociation of a key person. Each licensee is required to provide a means for the economic disassociation of a key person in the event such disassociation is required.

Minimum and maximum wagers on games are set by the licensee and wagering may be conducted only with a cashless wagering system, whereby money is converted to tokens, electronic cards or chips which can only be used for wagering. No person under the age of 21 is permitted to wager, and wagers may only be taken from a person present on a licensed riverboat. With respect to electronic gaming devices, the payout percentage may not be less than 80% nor more than 100%.

The Illinois Riverboat Gambling Act, as amended, imposes an annual graduated wagering tax on adjusted gross receipts (generally defined as gross receipts less payments to customers as winnings) from gambling games. The graduated tax rate is as follows: up to \$25 million--15%; \$25 to \$50 million--20%; \$50 to \$75 million--25%; \$75 to \$100 million--30%; in excess of \$100 million--35%. The tax imposed is to be paid by the licensed owner to the Illinois Gaming Board on the day after the day when the wagers were made. Of the proceeds of that tax, an amount equal to 5% of the riverboat's adjusted gross receipts goes to the local government where the home dock is located, a small portion goes to the Illinois Gaming Board for administration and enforcement expenses, and the remainder goes to State Education Assistance Fund.

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

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

In 1999, the Illinois Riverboat Gambling Act was amended by Illinois Public Act 91-40 to, among other things, allow dockside gaming, the ownership of multiple casino licenses, and the movement of a riverboat gaming license from one location to another. Subsequently, a lawsuit was filed in a state circuit court challenging the constitutionality of certain aspects of the amendment. This lawsuit was dismissed on January 25, 2001. It is not known whether the plaintiffs will seek an appeal of the decision dismissing the lawsuit. If an appeal is pursued and the underlying lawsuit is ultimately successful, it may result in a finding that the entire amendment is unconstitutional. Such a finding could have a material adverse effect on the Company's ownership of multiple casino licenses and the operating results of the Company's riverboats.

As a condition of approving the acquisition of Players International, Inc., the Illinois Gaming Board required the Company to enter into a Transfer of Ownership Agreement. In 1999 the Illinois Riverboat Gambling Act was amended by Illinois Public Act 91-40, which, among other amendments described above, deleted the provision that prevented a person or entity from receiving an owner's license if that person or entity owned more than a 10% ownership interest in any entity holding an owner's license. Subsequently a lawsuit was filed in a state circuit court challenging the constitutionality of certain provisions of Public Act 91-40. In the event of a final, non-appealable judicial ruling after the exhaustion of all available avenues of review resulting in Public Act 91-40 being found invalid insofar as

it relates to the provision prohibiting an ownership interest of more than 10% in multiple owners licenses and causing the reinstatement of that provision back into the Illinois Riverboat Gambling Act, the Transfer of Ownership Agreement would require the Company to place all of the shares of SIRCC into a trust. The Company has entered into a Trust Agreement with LaSalle Bank National Association, as trustee. Should the shares of SIRCC be placed into trust, the property would remain open and be managed for a fee by a subsidiary of the Company. While the shares of SIRCC are in trust, the Company would for a period of one year from the date the shares were placed into the trust, pursue a sale of those shares at fair market value. If such a sale does not occur during that period (or such period as extended by the Illinois Gaming Board), SIRCC's owners license would be relinquished unless the trust was otherwise extinguished pursuant to the terms of the Transfer of Ownership Agreement because of a legislative amendment to the Illinois Riverboat Gambling Act deleting the restriction on ownership interests in multiple owners licenses or a restructuring consistent with any such restriction should it remain. In the event SIRCC's owners license was relinquished, SIRCC would be obligated to pay the Illinois Gaming Board an amount equal to ninety percent of the operating profits earned during the time period the SIRCC shares were held in trust. On January 25, 2001, the Illinois circuit court dismissed the litigation challenging the validity of Public Act 91-40 on the grounds that the plaintiffs lacked standing to challenge the law and had failed to exhaust their administrative remedies. The court did not reach the merits of the plaintiffs' constitutional challenges. It is not known whether the plaintiffs will seek an appeal of the decision dismissing the lawsuit.

GAMING--MISSISSIPPI

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

The Mississippi Act requires that a person (including any corporation or other entity) be licensed to conduct gaming activities in the State of Mississippi. A license will be issued only for a specified location which has been approved in advance as a gaming site by the Mississippi Commission. Harrah's Vicksburg Corporation, an indirect subsidiary of the Company, is licensed to operate a casino in Vicksburg, Mississippi. Another indirect subsidiary of the Company, Tunica Partners II L.P., is the licensed operator of a casino in Tunica, Mississippi. Both Harrah's Vicksburg Corporation and Tunica Partners II L.P. were re-licensed by the Mississippi Commission in September of 1999 for a two year period. In addition, a parent company of a company holding a license must register under the Mississippi Act. The Company and HOC are registered with the Mississippi Commission.

The Mississippi Act also requires that each officer or director of a gaming licensee, or other person who exercises a material degree of control over the licensee, either directly or indirectly, be found suitable by the Mississippi Commission. In addition, any employee of a licensee who is directly involved in gaming must obtain a work permit from the Mississippi Commission. The Mississippi Commission will not issue a license or make a finding of suitability unless it is satisfied, after an investigation paid for by the applicant, that the persons associated with the gaming licensee or applicant for a license are of good character, honesty and integrity, with no relevant or material criminal record. In addition, the Mississippi Commission will not issue a license unless it is satisfied

that the licensee is adequately financed or has a reasonable plan to finance its proposed operations from acceptable sources, and that persons associated with the applicant have sufficient business probity, competence and experience to engage in the proposed gaming enterprise. The Mississippi Commission may refuse to issue a work permit to a gaming employee: (i) if the employee has committed larceny, embezzlement or any crime of moral turpitude, or has knowingly violated the Mississippi Act or Mississippi Regulations; or (ii) for any other reasonable cause.

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

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

The Mississippi Commission has the power to deny, limit, condition, revoke and suspend any license, finding of suitability or registration, or to fine any person, as it deems reasonable and in the public interest, subject to an opportunity for a hearing. The Mississippi Commission may fine any licensee or person who was found suitable up to \$100,000 for each violation of the Mississippi Act or the Mississippi Regulations which is the subject of an initial complaint, and up to \$250,000 for each such violation which is the subject of any subsequent complaint. The Mississippi Act provides for judicial review of any final decision of the Mississippi Commission by petition to a Mississippi Circuit Court, but the filing of such petition does not necessarily stay any action taken by the Mississippi Commission pending a decision by the Circuit Court.

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

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

Pursuant to the Mississippi Regulations, a person is prohibited from acquiring control of Harrah's Entertainment without prior approval of the Mississippi Commission. Harrah's Entertainment also is prohibited from consummating a plan of recapitalization proposed by management in opposition to an attempted acquisition of control of Harrah's Entertainment that involves the issuance of a significant dividend to common stock holders, where such dividend is financed by borrowings from financial institutions or the issuance of debt securities. In addition, Harrah's Entertainment is prohibited from repurchasing any of its voting securities under circumstances (subject to certain exemptions) where the

repurchase involves more than one percent of Harrah's Entertainment outstanding common stock at a price in excess of 110 percent of the then-current market value of Harrah's Entertainment common stock from a person who owns and has for less than one year owned more than three percent of Harrah's Entertainment outstanding common stock, unless the repurchase has been approved by a majority of Harrah's Entertainment shareholders voting on the issue (excluding the person from whom the repurchase is being made) or the offer is made to all other shareholders of Harrah's.

Harrah's Entertainment must obtain prior approval from the Mississippi Commission for any subsequent public offering of the securities of Harrah's Entertainment if any part of the proceeds from that offering are intended to be used to pay for or reduce debt used to pay for the construction, acquisition or operation of any gaming facility in Mississippi. In addition, to register with the Mississippi Commission as a publicly held holding corporation, Harrah's Entertainment must provide further documentation that is satisfactory to the Mississippi Commission, which includes all documents filed with the Securities and Exchange Commission.

Under the Mississippi Act, any person who acquires more than five percent of the equity securities of a publicly traded corporation registered with the Mississippi Commission must report the acquisition to the Mississippi Commission, and that person may be required to be found suitable. Also, any person who becomes a beneficial owner of more than ten percent of any class of voting securities of such a company must apply for a finding of suitability by the Mississippi Commission and must pay the costs and fees that the Mississippi Commission incurs in conducting the investigation. The Mississippi Commission has generally exercised its discretion to require a finding of suitability of any beneficial owner of more than five percent of a registered public company's voting securities. However, the Mississippi Commission has adopted a policy that may permit "institutional investors" (as defined in the policy), individually or in association with others, to beneficially own up to fifteen percent of the voting securities of a publicly traded corporation registered with the Mississippi Commission without a finding of suitability. An institutional investor acquiring beneficial ownership of more than fifteen percent of the voting securities of such a company would be required to be found suitable by the Mississippi Commission. Regardless of the amount of securities owned, any person who has any beneficial ownership in the common stock of Harrah's Entertainment may be required to be found suitable if the Mississippi Commission has reason to believe that such ownership would be inconsistent with the declared policies of the State of Mississippi. Any person who is required to be found suitable must apply for a finding of suitability from the Mississippi Commission within 30 days after being requested to do so, and must deposit a sum of money which is adequate to pay the anticipated investigatory costs associated with such finding. Any person who is found not to be suitable by the Mississippi Commission shall not be permitted to have any direct or indirect ownership in Harrah's Entertainment common stock. Any person who is required to apply for a finding of suitability and fails to do so, or who fails to dispose of his or her interest in the Company's common stock if found unsuitable, is guilty of a misdemeanor. If a finding of suitability with respect to any person is not applied for where required, or if it is denied or revoked by the Mississippi Commission, the Company is not permitted to pay such person for services rendered, or to employ or enter into any contract with such person.

Although the Mississippi Commission generally does not require the individual holders of obligations such as notes to be investigated and found suitable, the Mississippi Commission retains the discretion to do so for any reason, including, but not limited to, a default, or a situation in which the holder of the debt instrument exercises a material influence over the gaming operations of the entity in question. Any holder of debt or equity securities required to apply for a finding of suitability must pay all investigative fees and costs of the Mississippi Commission in connection with the investigation.

The Company is required to maintain current stock ledgers in the State of Mississippi, which may be examined by a representative of the Mississippi Commission at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Mississippi Commission. A failure to make such disclosure may be grounds for finding the record holder unsuitable. The Company also is required to render maximum assistance in determining the identity of the beneficial owner.

The Mississippi Commission has adopted a regulation requiring as a condition of licensure or license renewal that a gaming establishment plan include a 500 car parking facility in close proximity to the casino complex and infrastructure facilities that will amount to at least twenty five percent of the casino cost. The Company is in compliance with this requirement. The Mississippi Commission adopted a regulation that increased the infrastructure requirement to one hundred percent from the existing twenty five percent. However, the regulation grandfathers existing licensees and applies only to new casino projects and casinos that are not operating at the time of acquisition or purchase.

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

GAMING--LOUISIANA

On October 30, 1998, the plan of reorganization of Harrah's Jazz Company, a partnership formed for the purposes of developing, owning and operating the land-based casino in New Orleans, was consummated (the "Plan"). Pursuant to the Plan, a newly formed entity, Jazz Casino Company, L.L.C. ("JAZZ"), assumed responsibility for, among other things, operating the casino (the "New Orleans Casino") in accordance with a casino operating contract (the "Casino Contract") with the Louisiana Gaming Control Board ("LGCB"). In exchange for an equity investment, a subsidiary of the Company acquired, at the time of consummation of the Plan, approximately a 43% equity interest in the parent of JAZZ (which is subject to certain options). JAZZ is wholly owned by JCC Holding Company. A subsidiary of the Company, Harrah's New Orleans Management Company ("HNOMC") manages the New Orleans Casino pursuant to a management agreement with JAZZ. On January 4, 2001, JCC Holding Company, JAZZ and certain affiliated entities which owns the casino, filed a petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code. See "Casino Entertainment-Managed Casinos-New Orleans." On January 12, 2001, JAZZ and its affiliates filed a Plan of Reorganization that was confirmed by the Bankruptcy Court on March 19, 2001. In view of recent changes to Louisiana law and pursuant to the Plan, JAZZ has negotiated certain amendments to the Casino Contract ("Amendments to the Casino Contract"). The Plan and the Amendments to the Casino Contract are anticipated to become effective on or before March 31, 2001.

The ownership, management and operation of the New Orleans Casino are subject to pervasive governmental regulation, including regulation by the Louisiana Gaming Control Board ("LGCB") in accordance with the terms of the Louisiana Economic Development and Gaming Act (the "Gaming Act"), the rules and regulations promulgated thereunder from time to time ("the Rules and Regulations"), and the Casino Contract. The LGCB is empowered to regulate a wide spectrum of gaming and nongaming related activities.

The Gaming Act and the Rules and Regulations, all of which are subject to amendment or revision from time to time, establish significant regulatory requirements with respect to gaming activities, including, without limitation, suitability standards for direct and indirect investors, requirements with respect to minimum accounting and financial practices, standards for gaming devices and surveillance, licensure requirements for vendors and employees, and permissible food services. Failure to comply with the Gaming Act and the Rules and Regulations could result in disciplinary action, including fines and suspension or revocation of a license or suitability. Certain regulatory violations could also constitute an event of default under the Amended and Renegotiated Casino Operating Contract.

The license to own and operate the casino derives from the Casino Contract. Subject to the terms and conditions of the Casino Contract, the term of the authorization for gaming runs to July 2014, with a ten-year renewal period.

The Gaming Act and the Rules and Regulations require suitability findings for, among others, HNOMC and the Company, anyone with a direct ownership interest (regardless of percentage interest) or the ability to control JAZZ, HNOMC and the Company as well as certain officers and directors of such companies, certain employees and certain specified debt holders and lenders loaning funds related to the Casino project. Suitability of an applicant requires that the applicant demonstrate by clear and convincing evidence that, among other things, (i) the applicant is a person of good character, honesty and integrity; (ii) the applicant's prior activities, criminal record, if any, reputation, habits and associations do not pose a threat to the public interest of the State or the regulation and control of casino gaming or create or enhance the dangers of unsuitable, unfair or illegal practices, methods and activities in the conduct of gaming or the carrying on of the business and financial arrangements incidental thereto; and (iii) the applicant is capable of and is likely to conduct the activities for which a license or contract is sought. In addition, to be found suitable for purposes of the Casino Contract, JAZZ must demonstrate by clear and convincing evidence that: (i) it has or guarantees acquisition of adequate business competence and experience in the operation of casino gaming operations; (ii) the proposed financing is adequate for the proposed operation and is from suitable sources; and (iii) it has or is capable of and guarantees the obtaining of a bond or satisfactory financial guarantee of a sufficient amount, as determined by the LGCB, to guarantee successful completion of and compliance with the Casino Contract or such other projects that are regulated by the LGCB.

Pursuant to the Gaming Act and Rules and Regulations, any person holding or controlling a direct or beneficial 5% or more equity interest (either alone or in combination with others) in a direct or indirect holding company of JAZZ or HNOMC is presumed to have the ability to control JAZZ or HNOMC (or their holdings companies, as the case may be), requiring a finding of suitability, unless, among other things: (i) the presumption is rebutted by clear and convincing evidence; or (ii) the holder is one of several specified passive institutional investors and, upon request, such institution files necessary documentation demonstrating that it does not have the ability to control such entity and that it does not intend to influence the affairs of JAZZ or HNOMC. To the extent any holder of such securities fails to satisfy such requirement, such holder may be required to obtain certain qualifications or approvals (including a finding of suitability) from the LGCB to continue to hold such securities. Any failure to obtain such qualifications or approvals may subject such security holders to certain requirements, limitations or prohibitions, including a requirement that such security holders liquidate their securities at a time or at a cost that is otherwise unfavorable to such security holders.

Pursuant to the Gaming Act and Rules and Regulations, the LGCB has the authority to deny, revoke, suspend, limit, condition, or restrict any finding of suitability. Under the Rules and Regulations, the LGCB also has the authority to take further action against JAZZ or HNOMC on the grounds that a person found suitable as required by the Gaming Act is associated with, or controls, or is controlled by, or is under common control with, an unsuitable or disqualified person. Pursuant to the Rules and Regulations and the Casino Contract, if at any time the LGCB finds that any person required to be and remain suitable has failed to demonstrate suitability, the LGCB may, consistent with the Gaming Act and the Casino Contract, take any action that the LGCB deems necessary to protect the public interest. Pursuant to the Rules and Regulations, however, if a person associated with JAZZ, HNOMC or their affiliate, intermediary or holding companies, as the case may be, has failed to be found or remain suitable, the LGCB will not declare such companies unsuitable as a result if such companies comply with the conditional licensing provisions, take immediate good faith action and comply with any order of the LGCB to cause such person to dispose of its interest, and, before such disposition, ensure that the disqualified person does not receive any ownership benefits. The above safe harbor protections do not apply if JAZZ, HNOMC or their affiliate, intermediary, or holding companies, as the case may

be: (i) fail to remain suitable, (ii) had actual or constructive knowledge of the facts that are the basis of the LGCB regulatory action and failed to take appropriate action, or (iii) are so tainted by such person that it affects the suitability of such entity under the standards of the Gaming Act.

Pursuant to the Gaming Act, the LGCB and the its investigatory arm, the State Police, are also required to issue licenses or permits to certain persons associated with gaming operations, including: (i) certain employees of JAZZ and HNOMC; (ii) certain manufacturers, distributors and suppliers of gaming devices; (iii) certain suppliers of non-gaming goods or services; (iv) any person who furnishes services or property to JAZZ pursuant to an arrangement pursuant to which the person receives payments based on earnings, profits or receipts from gaming operations; and (v) any other persons deemed necessary by the LGCB. The securing of the requisite licenses and permits pursuant to the Gaming Act are a prerequisite for conducting, operating or performing any activity regulated by the LGCB or the Gaming Act. The Gaming Act provides that the LGCB has full and absolute power to deny an application, or to limit, condition, restrict, revoke or suspend any license, permit or approval, or to find unsuitable any person licensed, permitted or approved for any cause specified in the Gaming Act or rules promulgated by the LGCB. The Rules and Regulations provide that the LGCB may take any of the foregoing actions with respect to any person licensed, permitted, or approved, or any person registered, found suitable, or holding a contract, for any cause deemed reasonable.

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

Pursuant to the Gaming Act, the gaming activities that may be conducted at the official gaming establishment, subject to the rule-making authority of the LGCB, include any banking or percentage game that is played with cards, dice or any electronic, electrical or mechanical device or machine for money, property or any thing of value, but exclude lottery, bingo, charitable games, raffles, electronic video bingo, pull tabs, cable television bingo, wagering on dog or horse races, sports betting or wagering on any type of sports contest or event.

Pursuant to the existing Casino Contract, for each fiscal year of the Casino's operation, JAZZ is required to pay to LGCB the greater of (i) \$100 million; and (ii) the sum of a sliding scale of gross gaming revenue that begins with a percentage of 18.5% of such revenues up to \$600 million and escalates in differing percentages to a high of 25% for such revenues in excess of \$900 million. JAZZ is required to make such payments in daily increments, with an end of year settlement for gross gaming revenues in excess of \$100 million. At least one day prior to the beginning of each fiscal year (no later than March 31st of each year), JAZZ is required to post with LGCB an unconditional guaranty of the minimum \$100 million payments to LGCB in a form acceptable to LGCB and issued by a lender or third party with resources suitable to cover this payment (as determined by LGCB). Under the terms of the Casino Contract, the failure to post such a guaranty results in the automatic termination of the Casino Contract with no cure period.

Pursuant to the terms of the Plan of Reorganization of JAZZ and pursuant to certain legislation that, among other things, reduces the minimum payments due LGCB from \$100 million to \$50 million for the period from April 1, 2001 through March 31, 2002 (the "JAZZ Fiscal Year") and to \$60 million for each JAZZ Fiscal Year thereafter for the term of the Casino Contract (collectively referred to as the "Minimum Payment"), JAZZ and LGCB renegotiated the Amendments to the Casino Contract. Pursuant to the Amendments to the Casino Contract, for the period beginning April 1, 2001, JAZZ is

required to pay LGCB the greater of (i) the Minimum Payment, and (ii) the sum of a sliding scale of gross gaming revenues that begins at a percentage of 21 1/2% for gross gaming revenues up to \$500 million and escalates to a high of 29% for such revenues in excess of \$900 million. JAZZ is required to pay the Minimum Payment in daily increments (the "New Daily Payments"), with an end of the year settlement for any percentage of gross gaming revenues in excess of such amount.

Pursuant to the Amendments to the Casino Contract and pursuant to an unconditional guaranty executed by the Company, effective on the consummation of the Plan of Reorganization of JAZZ, the Company has agreed to guaranty to LGCB the New Daily Payments due from JAZZ for the four year period commencing April 1, 2001 and ending March 31, 2005. In addition, on or before March 31, 2003, JAZZ is required to cause a third party to post a guaranty of the New Daily Payments for the JAZZ Fiscal Year beginning April 1, 2005 in a form acceptable to LGCB and issued by a lender or third party with resources suitable to cover the Minimum Payment (as determined by LGCB). Unless gross gaming revenues exceed \$350 million for two successive years with no defaults by JAZZ and certain other financial tests are met, this third party guaranty requirement continues for each JAZZ Fiscal Year thereafter during the term of the Casino Contract. As a result, under the Amendments to the Casino Contract, at the beginning of each JAZZ Fiscal Year, there must be in place at least 36 months of third party guaranteed the New Daily Payments to LGCB. Under the terms of the Amendments to the Casino Contract, the failure to post such a guaranty results in the automatic termination of the Casino Contract upon the last day that the New Daily Payments are then guaranteed, with no cure period.

The Casino Contract also imposes certain financial stability requirements on JAZZ relating to its ability to meet ongoing operating expenses, casino bankroll requirements, project debt payments and capital maintenance requirements. If JAZZ fails to clearly and convincingly demonstrate compliance with such requirements, LGCB may impose certain regulatory conditions, including, without limitation, placing restrictions on certain distributions by JAZZ to affiliates or entities in a control relationship with any of them and appointing a fiscal agent. The failure to cure a financial stability default within the specified period of time is an Event of Default under the Casino Contract that could lead to the closure of the Casino, the termination of the Casino Contract, and/or the appointment of a conservator. See "Casino Entertainment, Land-Based Casinos, New Orleans," above.

The sale, transfer, assignment, or alienation of a casino operating contract, or an interest therein, in violation of the Gaming Act is prohibited. The LGCB may approve the sale, transfer, assignment, or may grant the approval subject to conditions imposed by the LGCB. Further, pursuant to the Gaming Act, the sale, transfer, assignment, pledge, alienation, disposition, public offering, or acquisition of securities that results in one person's owning 5% or more of the total outstanding shares issued by JAZZ is void as to such person without prior approval of the LGCB. Failure to obtain prior approval by the of LGCB of a person acquiring 5% or more of the total outstanding shares of a licensee or 5% or more economic interest in JAZZ is grounds for cancellation of the Casino Contract or license suspension or revocation.

The Gaming Act obligates JAZZ to give preference and priority to Louisiana residents, laborers, vendors and suppliers, except when not reasonably possible to do so without added expense, substantial inconvenience or sacrifice in operational efficiency. The Gaming Act further obligates JAZZ to give preference and priority to Louisiana residents in considering applicants for employment and requires that no less than 80% of the persons employed by JAZZ be Louisiana residents for at least one year immediately prior to employment. The Gaming Act provides that if any contract or other agreement to which the casino operator is a party contains a provision or clause establishing a different percentage or requiring more than 50% of the persons employed to be residents of any one parish, any such provision or clause shall be null and void and unenforceable as against public policy.

The Gaming Act requires that JAZZ adopt written policies, procedures, and regulations to allow the participation of businesses owned by minorities in all design, engineering, and construction contracts and/or projects to the maximum extent practicable. The Rules and Regulations provide that JAZZ and HNOMC must take the foregoing actions with respect to all design, engineering, construction, banking and maintenance contracts and any other projects initiated by JAZZ and HNOMC. The Gaming Act further requires JAZZ, as nearly as practicable, to employ minorities consistent with the population of the State. The Rules and Regulations extend this obligation to HNOMC as well.

Prior to March 22, 2001, the Gaming Act imposed significant restrictions on the right of JAZZ to offer food to casino patrons at the casino, and to own or operate a hotel and to sell retail goods. Until this date, the Gaming Act provided that JAZZ shall not: (i) offer seated restaurant facilities with table food service for patrons, but may offer limited cafeteria style food services for employees and patrons as provided by rule of the LGCB; provided, however, that no food may be given away or subsidized within the New Orleans Casino by JAZZ or any licensee, and no facility for food service shall exceed seating for 250 persons (by rule and regulation, LGCB is empowered to allow JAZZ to contract with local food preparers to provide certain limited food offerings at the New Orleans Casino); (ii) offer lodging in the Casino, nor engage in any practice or enter into any business relationships to give any hotel, whether or not affiliated with JAZZ, any advantage or preference not available to all similarly situated hotels; or (iii) sell retail goods unrelated to gaming.

On March 22, 2001, legislation became effective that amended the Gaming Act to significantly reduce the food, hotel and retail restrictions described above.

Pursuant to certain amendments to the Gaming Act, effective March 22, 2001, JAZZ is authorized to: (i) expand the limited cafeteria style seating from 250 to 400 seats; (ii) lease space to area restaurant owners in a food court with seating limited to 100 seats; (iii) directly own and operate a single restaurant with seating limited to 150 seats and (iv) cater certain functions within the casino facility. The legislation further allows the following on the second floor of the casino: (i) JAZZ may lease space to no more than two third party restaurant(s) which, when calculated together, shall contain no more than 350 seats; (ii) JAZZ may operate any business/entertainment facility on the second floor provided that any food for such operation shall be purchased or catered by a third party restaurateur or food preparer with purchases at fair market value; and (iii) JAZZ may lease space to any other third parties to operate businesses where the primary purpose of any such business is not a restaurant that requires no more than 35% of the gross revenue of such business shall be derived from the sale of food. The legislation also authorizes JAZZ to provide limited complimentary and discounted food offerings to certain specified persons, including a member of a customer reward system and other casino patrons based upon observed play at the casino. JAZZ, however, may not offer or advertise discounted or complimentary food offerings to the general public within a 50 mile radius of the casino and within Louisiana through any advertising media.

Pursuant to certain amendments to the Gaming Act, effective March 22, 2001, JAZZ is also authorized to own, construct or lease 450 hotel rooms that are not at the casino site, but that may be physically connected to the casino, subject to certain limitations on the amount of meeting space within such hotel. The amendments to the Gaming Act provide that after March 31, 2005, additional hotel rooms may be owned or operated by JAZZ if the Greater New Orleans Hotel Association agrees to such increase. Except for the limited exception for casino customers, under the amendments to the Gaming Act, JAZZ shall not advertise hotel rooms to the general public at rates below market rates. JAZZ is required to base room rates on formula derived from average seasonal rates for the preceding year in the locality of the casino. The legislation also authorizes JAZZ to provide limited complimentary and discounted hotel offerings to certain specified persons, including a member of a customer reward system and other patrons based upon observed play at the casino, provided, however,

JAZZ shall pay room taxes on all such hotel rooms based upon prevailing tax schedules and rates as determined by the formula described above.

Pursuant to certain amendments to the Gaming Act, effective March 22, 2001, JAZZ is no longer subject to state imposed restrictions on the sale of retail goods within the casino.

The Gaming Act provides that the LGCB shall annually enter into a casino support services contract with the City of New Orleans in order to compensate it for the cost to it for providing support services resulting from the operation of the official gaming establishment and the activities therein. The amount of the contract is to be determined by negotiation and agreement on an annual basis between the LGCB and the City of New Orleans, subject to approval by the State legislature.

The Gaming Act, the Casino Contract and the Rules and Regulations have extensive prior approval requirements relating to certain borrowings and security interests related to the casino project. The Gaming Act authorizes the LGCB to provide for the protection of the rights of holders of security interests in both immovable property and movable property used in or related to casino gaming operations ("Gaming Collateral") and to provide for the continued operation of the New Orleans Casino during the period of time that a lender, as a holder of a security interest, seeks to enforce its security interest in such property. In connection therewith, the Gaming Act provides that the holder of a security interest in Gaming Collateral may receive payments from the owner or lessee of such property out of the proceeds of casino gaming operations received by the owner or lessee, and, the holder of the security interest may be exempt from the licensing requirements of the Gaming Act with respect to such payments if the transaction(s) giving rise to such payments have been approved in advance by the LGCB and complies with all rules and regulations of the LGCB and the LGCB determines the holder to be suitable.

Pursuant to the Gaming Act, a holder of a security interest in a gaming device who asserts the right to ownership or possession of the encumbered property may be granted a one-time, nonrenewable, provisional contract for a maximum of 90 days for the sole purpose of acquiring ownership or possession for resale to a licensed or approved person, all in accordance with rules and regulations to be promulgated by the LGCB. The Rules and Regulations do not yet include a rule and regulation on this provision.

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

The Gaming Act provides that a receivership must terminate upon: (i) the sale of the property subject to receivership to a duly approved or authorized person; (ii) the payment in full of all

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

The Gaming Act provides that LGCB, the Governor by Executive Order, subject to legislative approval or the State legislature by act or resolution, may set aside or renegotiate the provisions of Casino operating contract when the casino operator is either voluntarily or involuntarily placed in bankruptcy, receivership or similar status.

The Gaming Act provides that no rule or regulation and no provision in a contract executed by the LGCB pursuant to its authority to protect the holders of security interests in Gaming Collateral shall be the basis for any cause of action in contract or in tort against the State or the LGCB, its board of directors or its agents, attorneys or employees.

Because legalized gaming is a relatively new industry in the State, there has been significant attention by the Louisiana legislature over the past few years to gaming related bills dealing with a wide range of subjects that could impact the New Orleans Casino project. At various times, bills have been introduced to, among other things, constitutionally and/or legislatively repeal all forms of gaming (including the land-based casino), increase taxes on casinos, limit credit that may be extended by casinos, limit days and hours of operation and alter the regulatory oversight structure. There can be no assurances that legislation having a material detrimental impact on the New Orleans Casino will not be enacted.

The ownership and operation of a gaming riverboat in Louisiana is subject to extensive regulation pursuant to the Louisiana Riverboat Economic Development and Gaming Control Act (the "Act") and the rules and regulations promulgated thereunder. The LGCB and the Riverboat Gaming Enforcement Division ("Division"), a part of the Louisiana State Police, are charged with such regulatory authority, including the issuance of riverboat gaming licenses. The number of licenses to conduct gaming on a riverboat is limited by statute to fifteen. No more than six licenses may be granted for the operation of gaming activities on riverboats in any one parish (county). In general, riverboat gaming in Louisiana can be conducted legally only on approved riverboats and, as of April 1, 2001, all such riverboats can be continuously docked.

Harrah's Shreveport Investment Company, LLC, an indirect subsidiary of the Company, is the general partner of, and owns 99% of, Red River Entertainment of Shreveport Partnership in Commendam ("Red River"), a Louisiana partnership that was granted a gaming license in April 1994, to operate a continuously docked gaming riverboat in Shreveport, Louisiana. Harrah's Shreveport Management Company, LLC, another subsidiary, owns the remaining one percent of Red River and manages the riverboat, pursuant to an agreement with the Red River.

In connection with the acquisition of Players International, Inc. in March 2000, the Company acquired two indirect subsidiaries, which each hold a gaming license, issued by the LGCB, to operate separate gaming riverboats in Lake Charles, Louisiana. Players Lake Charles, LLC ("Players") and Harrah's Star Partnership ("Star") (f/k/a Showboat Star Partnership) are licensed to own cruising riverboats operating out of a facility commonly known as Harrah's Lake Charles.

To obtain a gaming license, applicants must obtain certain Certificates of Approval from the LGCB and submit comprehensive application forms, be fingerprinted and undergo an extensive background

investigation by the Division. An applicant is ineligible to receive a gaming license if the applicant has not established good character, honesty and integrity. Each license granted entitles a licensee to operate a riverboat and equipment thereon from a specific location. The duration of the license and subsequent renewals runs for five years. Red River received a five-year renewal in April of 2000. In September 1999, the LGCB re-licensed the Star for a five year period. Players was relicensed by the LGCB for a five year period in December 1999. In determining whether to grant a license, the Division considers: (i) the good character, honesty and integrity of the applicant; (ii) the applicant's ability to conduct gaming operations; (iii) the adequacy and source of the applicant's financing; (iv) the adequacy of the design documents submitted; (v) the docking facilities to be used; (vi) applicant's plan to recruit, train, and upgrade minorities in employment and to provide for minority-owned business participation.

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

The transfer of a license or an interest in a license is prohibited. In addition, an ownership or economic interest of five percent or more in a business entity which holds a gaming license may not be sold, assigned, transferred or pledged without the Division's prior approval. In addition, an "institutional investor" (as defined in the Act) otherwise required to be found suitable or qualified pursuant to the Act or the rules adopted pursuant thereto is presumed suitable or qualified upon submitting documentation sufficient to establish its qualification as an institutional investor and providing a certification that it holds the publicly traded securities for investment purposes only, does not exercise influence over the affairs of the issuer, and does not intend to exercise influence over the issuer. The exercise of voting privileges of any publicly traded securities is not considered to constitute the exercise of influence over the affairs of the issuer.

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

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

The Act imposes a franchise fee for the right to operate on Louisiana waterways of 15% of net gaming proceeds and a license fee of \$50,000 (first year) and \$100,000 (subsequent years) plus three and one-half percent of net gaming proceeds. Effective April 1, 2001, the franchise fee will be increased for the Harrah's Lake Charles riverboats from 15% to 18%, with such riverboats authorized to remain continuously docked effective on that date. The franchise fee for Harrah's Shreveport will increase from 15% to 16% effective April 1, 2001, from 16% to 17% effective April 1, 2002, and from 17% to 18% effective April 1, 2003. All fees are paid to the Division. In addition, the Act authorizes local governing authorities the power to levy a limited admission fee for each person boarding the riverboat. Currently that amount is paid by the license holder. Red River is currently making a payment in lieu of such admission fee of 4.75% of net gaming proceeds. Commencing March 1, 1998, pursuant to an agreement with the City of Lake Charles, the admission fee on the Players and Star riverboats began to be calculated as percentage of gaming revenue. In addition, the agreement calls for the annual payment of \$544,000 for a period of ten years.

In 1993, the State of Indiana passed a Riverboat Gambling Act, which created the Indiana Gaming Commission ("Indiana Commission"). The Indiana Commission is given extensive powers and duties for the purposes of administering, regulating and enforcing the system of riverboat gaming. It is authorized to award no more than 11 gaming licenses (five to counties contiguous to Lake Michigan, five to counties contiguous to the Ohio River and one to a county contiguous to Patoka Lake).

The Indiana Commission has jurisdiction and supervision over all riverboat gaming operations in Indiana and all persons on riverboats where gaming operations are conducted. These powers and duties include authority to: (1) investigate all applicants for riverboat gaming licenses; (2) select among competing applicants those that promote the most economic development in a home dock area and that best serve the interest of the citizens of Indiana; (3) establish fees for licenses; and (4) prescribe all forms used by applicants. The Indiana Commission adopts rules pursuant to statute for administering the gaming statute and the conditions under which riverboat gaming in Indiana may be conducted. The Indiana Commission has promulgated certain final rules and has proposed additional rules governing the application procedure and all other aspects of riverboat gaming in Indiana. The Indiana Commission may suspend or revoke the license of a licensee or a certificate of suitability or impose civil penalties, in some cases without notice or hearing for any act in violation of the Riverboat Gambling Act or for any other fraudulent act or if the licensee or holder of such certificate of suitability has not begun regular riverboat excursions prior to the end of the twelve month period following the Indiana Commission's approval of the application for an owner's license. In addition, the Indiana Commission may revoke an owner's license if it is determined by the Indiana Commission that revocation is in the best interests of the state of Indiana. The Indiana Commission will: (1) authorize the route of the riverboat and stops that the riverboat may make; (2) establish minimum amounts of insurance; and (3) after consulting with the Corps of Engineers, determine which waterways are navigable waterways for purposes of the Riverboat Gambling Act and determine which navigable waterways are suitable for the operation of riverboats.

The Riverboat Gambling Act requires an extensive disclosure of records and other information concerning an applicant, including disclosure of all directors, officers and persons holding one percent (1%) or more direct or indirect beneficial interest.

In determining whether to grant an owner's license to an applicant, the Indiana Commission considers: (1) the character, reputation, experience and financial integrity of the applicant and any person who (a) directly or indirectly controls the applicant, or (b) is directly or indirectly controlled by either the applicant or a person who directly or indirectly controls the applicant; (2) the facilities or proposed facilities for the conduct of riverboat gaming; (3) the highest total prospective revenue to be collected by the state from the conduct of riverboat gaming; (4) the good faith affirmative action plan to recruit, train and upgrade minorities in all employment classifications; (5) the financial ability of the applicant to purchase and maintain adequate liability and casualty insurance; (6) whether the applicant has adequate capitalization to provide and maintain the riverboat for the duration of the license; and (7) the extent to which the applicant meets or exceeds other standards adopted by the Indiana Commission. The Indiana Commission may also give favorable consideration to applicants for economically depressed areas and applicants who provide for significant development of a large geographic area. Each applicant must pay an application fee of \$50,000 and additional fees may be assessed for the background investigation. If the applicant is selected, the applicant must pay an initial license fee of \$25,000 and post a bond, and thereafter, pay an annual license renewal fee of \$5,000. The Indiana Commission has issued nine of these eleven licenses--four in Lake County Indiana; one in LaPorte County; one in Vanderburgh County; one in Ohio County; one in Dearborn County; and one in Harrison County. The Indiana Commission has selected Switzerland County, on the Ohio River, for the tenth license. Additionally, the Indiana Commission has not considered applicants for the eleventh

license since the Patoka Lake site has been determined by the U.S. Army Corp. of Engineers as an unsuitable site for development of a casino vessel project.

A person holding an owner's gaming license issued by the Indiana Commission may not own more than a 10% interest in another such license. An owner's license expires five years after the effective date of the license; however, after three years the holder of an owner's license will undergo a reinvestigation to ensure continued suitability for licensure. Unless the license has been terminated, expired or revoked, the gaming license may be renewed if the Indiana Commission determines that the licensee has satisfied all statutory and regulatory requirements. In connection with the issuance of the license to Showboat Marina Casino Partnership ("SMCP"), Showboat Marina Partnership, an Indiana general partnership ("SMP"), Waterfront Entertainment and Development, Inc. ("Waterfront") and Showboat, Inc. and its affiliates declared to the Indiana Commission that if SMCP received a riverboat owner's license, they shall not commence more than one other casino gaming operation within a fifty-mile radius of Harrah's East Chicago Casino for a period of five years beginning on the date of issuance of an owner's license by the Indiana Commission to SMCP. Harrah's Joliet is within this fifty-mile radius. Adherence to the non-competition declaration is a condition of the owner's license. The non-competition declaration expires April 15, 2002. A gaming license is a revocable privilege and is not a property right.

Minimum and maximum wagers on games are not established by regulation, but are left to the discretion of the licensee. Wagering may not be conducted with money or other negotiable currency. Riverboat gaming excursions must be at least two hours, but not more than four hours in duration unless expressly approved by the Indiana Commission. No gaming may be conducted while the boat is docked except: (1) for 30-minute time periods at the beginning and end of a cruise while the passengers are embarking and disembarking; (2) if the master of the riverboat reasonably determines that specific weather or water conditions present a danger to the riverboat; (3) if either the vessel or the docking facility is undergoing mechanical or structural repair; (4) if water traffic conditions present a danger to (A) the riverboat, riverboat passengers, and crew, or (B) other vessels on the water; or (5) if the master has been notified that a condition exists that would cause a violation of federal law if the riverboat were to cruise. The Indiana Commission has adopted rules governing cruising on Lake Michigan by a riverboat casino. The period of time during which passengers embark and disembark constitutes a portion of the gambling excursion if gambling is allowed. At the conclusion of the thirty-minute embarkation period, the gangway or its equivalent must be closed. However, a riverboat licensee must allow patrons to disembark at anytime the riverboat remains at the dock and gambling continues. A standard excursion schedule for a casino vessel on Lake Michigan must include at least one full excursion (a cruise into the open water on Lake Michigan, not more than three statute miles from the dock site July through September and not more than one statute mile October through June) and one intermediate excursion during which the vessel cruises in protected navigable water on or accessible to Lake Michigan. An intermediate excursion is to be conducted if the statutory conditions that permit dockside gaming are not present and if sea conditions or weather conditions, or both, do not permit a full excursion. If a casino vessel remains dockside because of statutory conditions, the embarkation and disembarkation rules still apply.

An admission tax of \$3.00 for each person admitted to the gaming excursion is imposed upon the license owner. The admissions tax is paid by the riverboat licensee for each excursion or part of an excursion the patron remains on board. An additional 20% tax is imposed on the adjusted gross receipts received from gaming operations, which is defined as the total of all cash and property (including checks received by the licensee whether collected or not) received, less the total of all cash paid out as winnings to patrons and uncollectible gaming receivables (not to exceed 2%). The gaming license owner must remit the admission and wagering taxes before the close of business on the day following the day on which the taxes were incurred. Riverboats are assessed for property tax purposes as real property and are taxed at rates to be determined by local taxing authorities of the jurisdiction in

which a riverboat operates. The Riverboat Gambling Act requires a riverboat owner licensee to directly reimburse the Indiana Commission for the costs of inspectors and agents required to be present during the conduct of gaming operations. Pursuant to agreements with the City, and as reflected in the owner's license, SMCP has agreed to: (1) provide certain fixed incentives of approximately \$16.4 million to the City of East Chicago and its agencies for transportation, job training, home buyer assistance and discrete economic development initiatives; (2) pay 3% of adjusted gross receipts divided equally among the City and two not-for-profit foundations for infrastructure improvements, education and community development; and (3) pay 0.75% of adjusted gross receipts for community development projects to East Chicago Second Century, Inc. ("Second Century"), a for-profit corporation owned by former owners of Waterfront but, in terms of expenditures, controlled by the City. Funding for the projects will be derived from contributions to Second Century from SMCP as well as funds from other third-party sources.

The Indiana Commission is authorized to license suppliers and certain occupations related to riverboat gaming. Gaming equipment and supplies customarily used in conducting riverboat gaming may be purchased or leased only from licensed suppliers. The Indiana Commission has adopted a rule requiring employees working on the riverboat to have a valid merchant marine document issued by the United States Coast Guard.

The Indiana Riverboat Gambling Act places special emphasis upon minority and women's business enterprise participation in the riverboat industry. Any person issued a riverboat owner's license must establish goals of expending at least 10% of the total dollar value of the licensee's contracts for goods and services with minority business enterprises and 5% of the total dollar value of the licensee's contracts for goods and services with women's business enterprises. The Indiana Commission may suspend, limit or revoke the gaming owner's license or impose a fine for failure to comply with statutory requirements.

An institutional investor (as defined in the Rules of the Indiana Commission) that acquires 5% or more of any class of voting securities of a holding company of a licensee is required to notify the Indiana Commission and to provide additional information, and may be subject to a finding of suitability.

A riverboat owner licensee may not enter into or perform any contract or transaction in which it transfers or receives consideration which is not commercially reasonable or which does not reflect the fair market value of the goods or services rendered or received. All contracts are subject to disapproval by the Indiana Commission.

A riverboat owner licensee or an affiliate may not enter into a debt transaction of \$1 million or more without the prior approval of the Indiana Commission. A riverboat owner licensee or any other person may not lease, hypothecate, borrow money against or loan money against a riverboat owner's license.

The Indiana Commission has a rule requiring the reporting of certain currency transactions which is similar to that required by federal authorities.

The Riverboat Gambling Act prohibits contributions to a candidate for a state, legislative, or local office, or to a candidate's committee or to a regular party committee by the holder of a riverboat owner's license or a supplier's license, by an officer of a licensee, and by an officer of a person holding at least a 1% interest in the licensee. The Indiana Commission has promulgated a rule requiring quarterly reporting by the holder of a riverboat owner's license or a supplier's license of officers of the licensee, officers of persons that hold at least a 1% interest in the licensee, and of persons who directly or indirectly own a 1% interest in the licensee.

The Indiana Commission adopted a rule that prohibits a distribution by a riverboat licensee to its partners, shareholders, itself, or any affiliated entity, if the distribution would impair the financial

viability of the riverboat gambling operation. The Indiana Commission has proposed another rule, which would, if adopted, require riverboat licensees to maintain on a quarterly basis a cash reserve in the amount of the actual payout for three days, and the cash reserve would include cash in the casino cage, cash in a bank account in Indiana, or cash equivalents not committed or obligated.

A lawsuit was filed on October 25, 1996, in Harrison County Indiana by three individuals residing in counties abutting the Ohio River, which challenged the constitutionality of the Riverboat Gambling Act on grounds that: (i) it creates an unequal privilege because under the Act supporters of riverboat casino gambling, having lost a county-wide vote, are allowed to resubmit a proposal to county voters for approval of riverboat casino gambling while opponents of riverboat casino gambling, having lost a county-wide vote, do not have a converse opportunity; and (ii) it was enacted as a provision attached to a state budget bill allegedly in violation of an Indiana constitutional provision requiring legislative acts to be confined to one subject and matters properly connected with the subject. The Attorney General of the State of Indiana, on behalf of the Indiana Commission, filed a motion for summary judgment, which was granted, upholding the constitutionality of the Riverboat Gambling Act. The dismissal was upheld on appeal on June 10, 1999. The Indiana Supreme Court denied a transfer of the case on November 22, 2000.

GAMING- -MISSOURI

The ownership and operation of a gaming riverboat in Missouri is subject to extensive regulation pursuant to the Missouri Riverboat Gambling Act and the rules and regulations promulgated thereunder. A five-member Missouri Gaming Commission ("Commission") is charged with such regulatory authority, including the issuance of riverboat gaming licenses. Harrah's North Kansas City LLC, an indirect subsidiary of Harrah's, has been issued two licenses by the Commission to conduct riverboat gaming at its North Kansas City location. One of those licenses ("Mardi Gras") was renewed for a two year period in May 2000. The other license ("North Star") was renewed for a two year period in September 2000. The Company is increasing the gaming space on the Mardi Gras riverboat. It is presently contemplated that upon completion, and subject to the approval of the Commission, the new space will be open to the public for gaming and that the North Star riverboat would be closed. In such event, the gaming license for the North Star would not be renewed.

Harrah's Maryland Heights LLC, also an indirect subsidiary of the Company, has been issued two licenses by the Commission to conduct riverboat gaming at its Maryland Heights location. Upon the acquisition of Players International, Inc., the Company acquired two additional permanently moored riverboat gaming vessels in Maryland Heights, Missouri. These riverboats were located at a facility where Harrah's Maryland Heights, LLC also owned and operated two permanently moored riverboat gaming vessels. The Harrah's riverboats were moored adjacent to each other on one side of the facility and the Players' riverboats were moored adjacent to each other on the other side of the facility. The Commission approved a reorganization of the licensed entities as well as a reconfiguration of the riverboats wherein the common walls between adjacent riverboats were removed creating two larger riverboats. The number of riverboat licenses was reduced from four to two. The Commission approved the renewal of these licenses in February 2000.

Gaming in Missouri can be conducted legally only on either excursion gambling boats or floating facilities approved by the Commission on the Mississippi and Missouri Rivers. Unless permitted to be continuously docked by the Commission for certain stated reasons, including safety, excursion gambling boats must cruise. The Commission has approved continuous dockside gaming for the Company's riverboats in North Kansas City and Maryland Heights.

To obtain a gaming license, applicants must submit comprehensive application forms, be fingerprinted and undergo an extensive background investigation by the Commission. An applicant is ineligible to receive an owner's license if the applicant has not established good reputation and moral

character or if the applicant, any of its officers, directors or managerial employees or any person who participates in the management or operation of gaming operations has been convicted of a felony. Each license granted entitles a licensee to own and/or operate an excursion gambling boat and equipment thereon from a specific location. The duration of the license initially runs for two one-year terms followed by two-year terms. The Commission also licenses the serving of alcoholic beverages on riverboats and adjacent facilities. All local income, earnings, use, property and sales taxes are applicable to licensees.

In determining whether to grant a license, the Commission considers:

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

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

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

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

Even if continuously docked, licensed riverboats must establish and abide by an excursion schedule. Riverboat excursions are required to be a minimum of two hours and a maximum of four hours. For the Company's riverboats in North Kansas City and Maryland Heights, which are continuously docked, passengers may board the riverboats for a 45-minute period at the beginning of an excursion. They may disembark at any time. There is a maximum loss per person per excursion of \$500. Minimum and

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

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

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

INDIAN GAMING

The terms and conditions of management contracts and the operation of casinos and all gaming on Indian land in the United States are subject to the Indian Gaming Regulatory Act of 1988 ("IGRA"), which is administered by the NIGC and the gaming regulatory agencies of tribal governments. IGRA is subject to interpretation by the NIGC and may be subject to judicial and legislative clarification or amendment.

IGRA requires NIGC approval of management contracts for Class II and Class III gaming as well as the review of all agreements collateral to the management contracts. The management contracts relating to the Harrah's managed casinos for the Ak-Chin Indian Community, the Eastern Band of Cherokee Indians and the Prairie Band Potawatomi Nation were approved by the NIGC. The NIGC will not approve a management contract if a director or a 10% shareholder of the management company: (i) is an elected member of the Indian tribal government which owns the facility purchasing or leasing the games; (ii) has been or is convicted of a felony gaming offense; (iii) has knowingly and willfully provided materially false information to the NIGC or the tribe; (iv) has refused to respond to questions from the NIGC; or (v) is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable activities in gaming or the business and financial arrangements incidental thereto. In addition, the NIGC will not approve a management contract if the management company or any of its agents have attempted to unduly influence any decision or process of tribal government relating to gaming, or if the management company has materially breached the terms of the management contract or the tribe's gaming ordinance, or a trustee, exercising due diligence, would not approve such management contract. A management contract can be approved only after NIGC determines that the contract provides, among other things, for: (i) adequate accounting procedures and verifiable financial reports, which must be furnished to the tribe; (ii) tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross revenues and income; (iii) minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs; (iv) a ceiling on the repayment of such development and construction costs and (v) a contract term not exceeding five years and a management fee not exceeding 30% of net revenues (as determined by the NIGC); provided that the NIGC may approve up to a seven year term and a management fee not to exceed 40% of net revenues if NIGC is satisfied that the capital investment required, and the income projections for the particular gaming activity require the larger fee and longer term. There is no periodic or ongoing review of approved contracts by the NIGC. The only post-approval action that could result in possible modification or cancellation of a contract would be as the result of an enforcement action taken by the NIGC based on a violation of the law or an issue affecting suitability.

IGRA established three separate classes of tribal gaming--Class I, Class II and Class III. Class I includes all traditional or social games solely for prizes of minimal value played by a tribe in connection with celebrations or ceremonies. Class II gaming includes games such as bingo, pulltabs, punchboards, instant bingo and non-banked card games (those that are not played against the house), such as poker. Class III gaming is casino-style gaming and includes banked table games such as blackjack, craps and roulette, and gaming machines such as slots, video poker, lotteries and pari-mutuel wagering. Harrah's Phoenix Ak-Chin provides Class II gaming and, as limited by the tribal-state compact, Class III gaming. The Cherokee and Prairie Band casinos provide only Class III gaming.

IGRA prohibits all forms of Class III gaming unless the tribe has entered into a written agreement with the state that specifically authorizes the types of Class III gaming the tribe may offer (a "tribal-state compact"). These compacts provide, among other things, the manner and extent to which each state will conduct background investigations and certify the suitability of the manager, its officers, directors, and key employees to conduct gaming on tribal lands. The Company has received its permanent certification from the Arizona Department of Gaming as management contractor for the Ak-Chin Indian Community's casino and has been licensed by the relevant tribal gaming authorities to manage the Prairie Band Potawatomi Nation's casino and the Eastern Band of Cherokee Indians' casino, respectively.

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

Indian tribes are sovereign with their own governmental systems, which have primary regulatory authority over gaming on land within the tribes' jurisdiction. Therefore, persons engaged in gaming activities, including Harrah's Entertainment, are subject to the provisions of tribal ordinances and regulations on gaming. These ordinances are subject to review by the NIGC under certain standards established by IGRA. The NIGC may determine that some or all of the ordinances require amendment, and that additional requirements, including additional licensing requirements, may be imposed on us. We have received no such notification regarding the Ak-Chin, Cherokee and/or Prairie Band casinos. The possession of valid licenses from the Ak-Chin Indian Community, the Eastern Band of Cherokee Indians and the Prairie Band of Potawatomi Nation are ongoing conditions of our agreements with these tribes.

OTHER REGULATIONS

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

EMPLOYEE RELATIONS

Harrah's Entertainment, through its subsidiaries, has approximately 40,000 employees. Labor relations with employees are believed by management to be good.

Our subsidiaries have collective bargaining agreements covering approximately 4,400 employees. These agreements relate to certain casino, hotel and restaurant employees at Harrah's Atlantic City, Harrah's Las Vegas, Harrah's East Chicago and Showboat Atlantic City. We are currently negotiating an agreement at the Rio Suite Hotel & Casino covering approximately 2,400 additional employees.

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.

EXECUTIVE OFFICERS OF THE REGISTRANT

NAME AND AGE	POSITIONS AND OFFICES HELD AND PRINCIPAL OCCUPATIONS OR EMPLOYMENT DURING PAST 5 YEARS
Philip G. Satre (51).....	Director since 1990, member of the three-executive Office of the President since May, 1999, Chairman of the Board since January 1997, and Chief Executive Officer since April 1994 of Harrah's Entertainment. President (1991-1999), Chief Operating Officer of Harrah's Entertainment (1991-1994). President (1984-1995) of Harrah's Gaming Group. He is also a director of TABCORP Holdings Limited, an Australia public company, JDN Realty Corporation and JCC Holding Company.
Colin V. Reed (53).....	Director since 1998, member of the three-executive Office of the President since May 1999, Executive Vice President of Harrah's Entertainment from September 1995 to May 1999. Chief Financial Officer of Harrah's Entertainment since April 1997. Senior Vice President, Corporate Development of Harrah's Entertainment from May 1992 to September 1995. He is also a director and Chairman of the Board of JCC Holding Company and a director of ResortQuest International, Inc. On January 4, 2001, JCC Holding Company filed a petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code.
Gary W. Loveman (40).....	Director since 2000; Chief Operating Officer since May 1998; member of the three-executive Office of the President since May 1999; Executive Vice President of Harrah's Entertainment from May 1998 to May 1999. Mr. Loveman was Associate Professor of Business Administration, Harvard University Graduate School of Business Administration from 1994 to 1998, where his responsibilities included teaching MBA and executive education students, research and publishing in the field of service management, and consulting and advising large service companies. He is also a director of Uproar Inc. and Zoho Corporation.

POSITIONS AND OFFICES HELD AND PRINCIPAL
OCCUPATIONS OR EMPLOYMENT DURING PAST 5 YEARS

NAME AND AGE

John M. Boushy (46).....	Senior Vice President, Operations Products & Services and Chief Information Officer since February 2001, Senior Vice President Brand Operations and Information Technology from 1999 to 2001, Senior Vice President, Information Technology and Marketing Services of Harrah's Entertainment from 1993 to 1999.
Stephen H. Brammell (43).....	Senior Vice President and General Counsel since July 1999; Secretary from May 2000 to February 2001; Vice President and Associate General Counsel from 1997 to 1999; Associate General Counsel from 1993 to 1997 of Harrah's Entertainment.
Janis L. Jones (52).....	Senior Vice President, Communications/Government Relations since November 1999; Mayor of Las Vegas from 1991 to 1999. She is also a director of HealthSouth Corporation.
Richard E. Mirman (35)....	Senior Vice President, Marketing since April 2000 and Vice President, Relationship Marketing from 1998 to 2000. Consultant in the financial and health services group for Booz Allen & Hamilton, New York from 1994 to 1998.
Marilyn G. Winn (48).....	Senior Vice President, Human Resources since May 1999; Senior Vice President and General Manager of Harrah's Shreveport from 1997 to 1999; Director of Slot Operations of Harrah's Las Vegas from 1995 to 1997.

PART II

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

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

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

	HIGH -----	LOW -----
2000		
First Quarter.....	26.5625	17
Second Quarter.....	23.5625	17.125
Third Quarter.....	30.0625	21.125
Fourth Quarter.....	29.1875	23
1999		
First Quarter.....	20.25	14.375
Second Quarter.....	24.5625	18.4375
Third Quarter.....	27.75	19.625
Fourth Quarter.....	30.75	23.375

The approximate number of holders of record of our Common Stock as of January 31, 2001, is as follows:

TITLE OF CLASS -----	APPROXIMATE NUMBER OF HOLDERS OF RECORD -----
Common Stock, Par Value \$0.10 per share.....	10,804

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

ITEM 6. SELECTED FINANCIAL DATA.

See the information for the years 1996 through 2000 set forth under "Financial and Statistical Highlights" on page 14 of the Annual Report, which information is incorporated herein by reference.

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

See the information set forth on pages 17 through 27 of the Annual Report, which information is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

We are exposed to market risk, primarily changes in interest rates. We do not hold or issue derivative financial instruments for trading purposes and do not enter into derivative transactions that would be considered speculative positions.

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

	2001	2002	2003	2004	2005	THEREAFTER	TOTAL	FAIR VALUE(1)
	(DOLLARS IN MILLIONS)							
LIABILITIES								
Short-term debt								
Variable rate.....	\$215.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215.0	\$ 215.0
Average interest rate.....	7.5%	-%	-%	-%	-%	-%	7.5%	
Long-term debt								
Fixed rate.....	\$ 5.1	\$1.4	\$1.3	\$ 1.4	\$751.5	\$591.2	\$1,351.9	\$1,322.6
Average interest rate.....	11.6%	7.7%	7.1%	7.1%	7.9%	7.4%	7.7%	
Variable rate.....	\$125.8	\$ -	\$ -	\$1,489.0	\$ -	\$ -	\$1,614.8	\$1,614.8
Average interest rate.....	7.5%	-%	-%	7.5%	-%	-%	7.5%	

(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.

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the information set forth on pages 28 through 45 of the Annual Report, which information is incorporated herein by reference.

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

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

DIRECTORS

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

EXECUTIVE OFFICERS

See "Executive Officers of the Registrant" on page 39 in Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION.

See the information set forth in the sections of the Proxy Statement entitled "Compensation of Directors," "Proposal to Approve the Company's 2001 Executive Stock Incentive Plan," "Summary Compensation Table," "Option Grants in the Last Fiscal Year," "Aggregated Option Exercises in 2000 and December 31, 2000 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.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

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

PART IV

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

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

Report of Independent Public Accountants.

Consolidated Balance Sheets as of December 31, 2000 and 1999.

Consolidated Statements of Operations for the Years Ended
December 31, 2000,
1999 and 1998.

Consolidated Statements of Stockholders' Equity and Comprehensive
Income (Loss)
for the Years Ended December 31, 2000, 1999 and 1998.

Consolidated Statements of Cash Flows for the Years Ended
December 31, 2000,
1999 and 1998.

2. Schedules for the years ended December 31, 2000, 1999 and 1998, are
as follows:

No.

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

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

*Incorporated by reference from pages 28 through 45 of the Annual Report.

3. Exhibits

NO.

- 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 May 7, 1999. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, 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) Five Year Loan Agreement dated as of April 30, 1999 among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc. and Marina Associates, as Borrowers, The Lenders, Syndication Agent, Document Agents and Co-Documentation Agents and Bank of America National Trust and Savings Association, as Administrative Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, File No. 1-10410.)
- 10(2) First Amendment, dated as of April 3, 2000, to the Five Year Loan Agreement among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc. and Marina Associates, as Borrowers, The Lenders, Syndication Agent, Document Agents and Co-Documentation Agents and Bank of America National Trust and Savings Association, as Administrative Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, Filed No. 1-10410.)
- 10(3) 364-Day Loan Agreement Dated as of April 30, 1999 among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc., Marina Associates, and Red River Entertainment of Shreveport, Partnership in Commendam, as Borrowers, The Lenders, Syndication Agent, Document Agents and Co-Documentation Agents and Bank of America National Trust and Savings Association, as Administrative Agent. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, File No. 1-10410.)
- 10(4) First Amendment, dated as of April 3, 2000, to the 364 Day Credit Agreement among Harrah's Entertainment, Inc., as Guarantor, Harrah's Operating Company, Inc. and Marina Associates, and Red River Entertainment of Shreveport, Partnership in Commendam, as Borrowers, The Lenders, Syndication Agent, Document Agents and Co-Documentation Agents and Bank of America National Trust and Savings Association, as Administrative Agent; Request for Extension to the Short Term Loan Agreement (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, Filed No. 1-10410.)
- 10(5) 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(6) 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 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(7) 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.
- **10(8) Registration Rights Agreement, dated January 29, 2001 among Harrah's Operating Company, Inc., Harrah's Entertainment, Inc., as Guarantor, and Salomon Smith Barney, Inc., on behalf of the Initial Purchasers, relating to the 8.00% Senior Notes Due 2011.
- 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.)

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- **+10(17) Amendment dated as of November 15, 2000 to the Harrah's Entertainment, Inc. Non-Management Directors Stock Incentive Plan.
 - +10(18) Trust Agreement dated November 7, 1997 between Harrah's Entertainment, Inc. and NationsBank concerning the Non-Management Director's Stock Incentive Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed March 10, 1998, File No. 1-10410.)
 - +10(19) The Promus Companies Incorporated Key Executive Officer Annual Incentive Plan dated February 24, 1995. (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(20) 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(21) Form of Harrah's Entertainment, Inc.'s Annual Management Bonus Plan, as amended 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(22) Amendment dated as of December 12, 1997 to Harrah's Entertainment, Inc.'s Annual Management Bonus Plan. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed March 10, 1998, File No. 1-10410.)
 - +10(23) Amendment dated December 10, 1998 to Harrah's Entertainment, Inc.'s Annual Management Bonus 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(24) Description of Amendment to Harrah's Entertainment, Inc.'s Annual Management Bonus Plan on November 11, 1999. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed March 13, 2000, File No. 1-10410.)
 - +10(25) Form of memorandum agreement dated July 2, 1991, eliminating stock appreciation rights under stock options held by Philip G. Satre. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 1991, filed November 8, 1991, File No. 1-10410.)
 - +10(26) Form of Agreement, dated October 30, 1996, regarding cancellation and reissue of stock options, entered into with Philip G. Satre, Colin V. Reed, and John M. Boushy; and Form of Reissued Stock Option. (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(27) Employment Agreement dated as of January 1, 1999, between Harrah's Entertainment, Inc. and Philip G. Satre. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed March 13, 2000, File No. 1-10410.)
 - +10(28) Amended and Restated Severance Agreement dated as of October 31, 1997 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, 1997, filed March 10, 1998, File No. 1-10410.)

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- +10(29) Severance Agreement dated October 29, 1998 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, 1998, filed March 19, 1999, File No. 1-10410.)
 - +10(30) Employment Agreement and Addendum dated May 4, 1998, between Harrah's Entertainment, Inc. and Gary W. Loveman. (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(31) Amendment to Employment Agreement dated April 26, 2000, between Harrah's Entertainment, Inc. and Gary W. Loveman. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
 - +10(32) Severance Agreement dated October 29, 1998 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, 1998, filed March 19, 1999, File No. 1-10410.)
 - +10(33) Amendment to Severance Agreement dated April 26, 2000, between Harrah's Entertainment, Inc. and Gary W. Loveman. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
 - +10(34) Description of Terms of Stock Option and TARSAP grants for Gary W. Loveman on April 30, 1998. (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) Description of Terms of Amendment to TARSAP grants for Gary W. Loveman on November 11, 1999. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed March 13, 2000, File No. 1-10410.)
 - +10(36) Form of Employment Agreement dated April 1, 1998, between Harrah's Entertainment, Inc. and John M. Boushy and Colin V. Reed. (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(37) Addendum dated April 1, 1998, to Employment Agreement between Harrah's Entertainment, Inc. and John M. Boushy. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed March 19, 1999, File No. 1-10410.)
 - +10(38) Amendment to Employment Agreement, dated August 2, 2000, between Harrah's Operating Company, Inc. and John M. Boushy. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
 - +10(39) Form of Amended and Restated Severance Agreement dated as of October 31, 1997 entered into with John M. Boushy and Colin V. Reed. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed March 10, 1998, File No. 1-10410.)
 - +10(40) Form of Severance Agreement dated October 29, 1998 entered into with John M. Boushy, Colin V. Reed, and Judy T. Wormser. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed March 10, 1998, File No. 1-10410.)
 - +10(41) Employment Agreement dated July 30, 1999, between Harrah's Operating Company, Inc. and Stephen H. Brammell. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 1999, File No. 1-10410.)

- +10(42) Amendment to Employment Agreement dated August 2, 2000, between Harrah's Operating Company, Inc. and Stephen H. Brammell. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
- +10(43) Severance Agreement dated July 30, 1999, between Harrah's Entertainment, Inc. and Stephen H. Brammell. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 1999, File No. 1-10410.)
- +10(44) Employment Agreement dated November 1, 1999, between Harrah's Operating Company, Inc. and Janis L. Jones. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed March 13, 2000, File No. 1-10410.)
- +10(45) Amendment to Employment Agreement, dated August 2, 2000, between Harrah's Operating Company, Inc. and Janis L. Jones. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
- +10(46) Severance Agreement dated November 1, 1999, between Harrah's Entertainment, Inc. and Janis L. Jones. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed March 13, 2000, File No. 1-10410.)
- +10(47) Employment Agreement, dated August 25, 2000, between Harrah's Operating Company, Inc. and Richard E. Mirman. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
- +10(48) Severance Agreement, dated April 27, 2000, between Harrah's Entertainment, Inc. and Richard Mirman. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
- +10(49) Employment Agreement dated May 7, 1999, between Harrah's Operating Company, Inc. and Marilyn G. Winn. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, File No. 1-10410.)
- +10(50) Amendment to Employment Agreement, dated August 2, 2000, between Harrah's Operating Company, Inc. and Marilyn G. Winn. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
- +10(51) Severance Agreement dated May 7, 1999, between Harrah's Entertainment, Inc. and Marilyn G. Winn. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, File No. 1-10410.)
- +10(52) 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(53) 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(54) 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(55) 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(56) 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(57) Revised Form of Stock Option with attachments (1990 Stock Option 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(58) 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(59) 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(60) 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(61) 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(62) 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(63) Revised Form of Restricted Stock Award (1990 Restricted Stock 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(64) Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated October 27, 1995. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, filed March 6, 1996, File No. 1-10410.)
- +10(65) Amendment to Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated December 12, 1996. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
- +10(66) 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(67) 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(68) 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.)

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- **+10(69) Amendment dated as of November 15, 2000 to the Harrah's Entertainment, Inc. Deferred Compensation Plan.
 - +10(70) Forms of Deferred Compensation Agreement. (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(71) 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(72) 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(73) 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(74) 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(75) Description of Amendments to Executive Deferred Compensation Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, filed November 13, 1997, File No. 1-10410.)
 - +10(76) 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(77) Amendment dated as of November 15, 2000 to the Harrah's Entertainment, Inc. Executive Deferred Compensation Plan.
 - +10(78) Forms of Executive Deferred Compensation Agreement. (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(79) Escrow Agreement dated February 6, 1990 between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent. (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(80) First Amendment to Escrow Agreement dated January 31, 1990 among Holiday Corporation, certain subsidiaries thereof and Sovran Bank, as escrow agent. (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(81) Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, Formerly Sovran Bank. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, filed March 28, 1994, File No. 1-10410.)
 - +10(82) Amendment, dated as of June 7, 1995, to Escrow Agreement among The Promus Companies Incorporated, certain subsidiaries thereof and NationsBank. (Incorporated by

reference from the Company's Current Report on Form 8-K, filed June 15, 1995, File No. 1-10410.)

- +10(83) Amendment, dated as of July 18, 1996, to Escrow Agreement between Harrah's Entertainment, Inc. and NationsBank. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, filed November 12, 1996, File No. 1-10410.)
- +10(84) 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(85) 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(86) 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(87) Form of TARSAP Award. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, filed March 11, 1997, File No. 1-10410.)
- +10(88) Amendment, dated as of October 30, 1997, to Escrow Agreement between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and NationsBank. (Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed March 10, 1998, File No. 1-10410.)
- +10(89) 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(90) 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(91) Amendment to Harrah's Entertainment, Inc.'s Annual Management Bonus Plan. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 12, 1999, File No. 1-10410.)
- +10(92) Harrah's Entertainment, Inc. Senior Executive Incentive Plan approved by the Stockholders on April 27, 2000, following approval by the Company's Human Resources Committee of the Board of Directors on February 23, 2000, and the Board of Directors on February 24, 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 1-10410.)
- +10(93) 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(94) TARSAP Deferral Plan -- Deferral Agreement dated August 30, 1999, between Harrah's Entertainment, Inc. and Philip G. Satre. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 1999, Filed No. 1-10410.)

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- +10(95) TARSAP Deferral Plan -- Deferral Agreement dated August 16, 1999, between Harrah's Entertainment, Inc. and Colin V. Reed. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 12, 1999, Filed No. 1-10410.)
 - +10(96) Time Accelerated Restricted Stock Award Plan II (TARSAP II) approved by the Human Resources Committee of the Board of Directors on April 26, 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed August 14, 2000, File No. 001-10410.)
 - +10(97) Description of amendment to Time Accelerated Restricted Stock Program (TARSAP II) approved by the Human Resources Committee of the Board of Directors on July 26, 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed November 13, 2000, File No. 1-10410.)
 - +10(98) Harrah's Entertainment, Inc.'s Restated Annual Management Bonus Plan dated February 2000. (Incorporated by reference from the Company's Quarterly Report on Form 10-Q filed May 12, 2000, File No. 1-10410.)
 - 10(99) Intercreditor Agreement among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Bankers Trust Company, as Administrative Agent, and Norwest Bank Minnesota, National Association, as Trustee, and The Bank of New York, as Collateral Agent, acknowledged and agreed to by JCC Holding Company, Jazz Casino Company, L.L.C., CP Development, L.L.C., FP Development, L.L.C., and JCC Development Company, L.L.C., dated as of October 29, 1998. (Incorporated by reference from JCC Holding Company's Registration Statement on Form 10/A, filed November 20, 1998, File No. 1-12095.)
 - 10(100) Second Amended and Restated Management Agreement between Harrah's New Orleans Management Company and Jazz Casino Company, L.L.C., acknowledged and consented to by Rivergate Development Corporation, as Landlord, dated as of October 29, 1998. (Incorporated by reference from JCC Holding Company's Registration Statement on Form 10/A, filed November 20, 1998, File No. 1-12095.)
 - 10(101) HET/JCC Agreement between Harrah's Entertainment, Inc., Harrah's Operating Company, Inc. and Jazz Casino Company, L.L.C., dated October 30, 1998. (Incorporated by reference from JCC Holding Company's Registration Statement on Form 10/A, filed November 20, 1998, File No. 1-12095.)
 - **11 Computations of per share earnings.
 - **12 Computations of ratios.
 - **13 Portions of Annual Report to Stockholders for the year ended December 31, 2000. (Filed herewith to the extent portions of such report are specifically included herein by reference.)
 - **21 List of subsidiaries of Harrah's Entertainment, Inc.

** 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 2000 and thereafter through March 28, 2001.

- (i) Form 8-K filed November 14, 2000, regarding the remarks of the Company's Chief Executive Officer to the Mayor's Casino Tax Advisory Committee in New Orleans, Louisiana given November 13, 2000.
- (ii) Form 8-K filed November 20, 2000, regarding a proposal by JCC Holding Company to restructure its financial obligations.
- (iii) Form 8-K filed December 7, 2000, regarding the filing by National Airlines, Inc. of a petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code.
- (iv) Form 8-K filed January 2, 2001, regarding the Company's notice to JCC Holding Company that it would not renew its guarantee of JCC's \$100 million annual tax payment obligation.
- (v) Form 8-K filed January 4, 2001, regarding the filing by JCC Holding Company of a petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code.
- (vi) Form 8-K filed January 16, 2001, regarding Board of Director approval of the Company's participation in a proposed reorganization plan filed by JCC Holding Company.
- (vii) Form 8-K filed January 19, 2001, regarding a pre-announcement of Company year 2000 results.
- (viii) Form 8-K filed January 29, 2001, regarding the sale by the Company of \$500 million of its 8.00% Senior Notes due 2011.
- (ix) Form 8-K filed February 7, 2001, regarding year 2000 results.

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.

By: /s/ PHILIP G. SATRE

 Philip G. Satre, Chairman,
 Chief Executive Officer, and
 Office of the President

Dated: March 28, 2001

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE -----	TITLE -----	DATE -----
/s/ JAMES B. FARLEY ----- James B. Farley	Director	March 28, 2001
/s/ JOE M. HENSON ----- Joe M. Henson	Director	March 28, 2001
/s/ RALPH HORN ----- Ralph Horn	Director	March 28, 2001
/s/ J. KELL HOUSSELS III ----- J. Kell Houshels III	Director	March 28, 2001
/s/ GARY W. LOVEMAN ----- Gary W. Loveman	Director, Chief Operating Officer, and Office of the President	March 28, 2001
/s/ R. BRAD MARTIN ----- R. Brad Martin	Director	March 28, 2001
/s/ ROBERT G. MILLER ----- Robert G. Miller	Director	March 28, 2001
/s/ COLIN V. REED ----- Colin V. Reed	Director, Chief Financial Officer, and Office of the President	March 28, 2001

SIGNATURE -----	TITLE -----	DATE -----
/s/ WALTER J. SALMON ----- Walter J. Salmon	Director	March 28, 2001
/s/ PHILIP G. SATRE ----- Philip G. Satre	Director, Chairman, Chief Executive Officer, and Office of the President	March 28, 2001
/s/ BOAKE A. SELLS ----- Boake A. Sells	Director	March 28, 2001
/s/ EDDIE N. WILLIAMS ----- Eddie N. Williams	Director	March 28, 2001
/s/ JUDY T. WORMSER ----- Judy T. Wormser	Controller and Principal Accounting Officer	March 28, 2001

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Harrah's Entertainment, Inc.:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements included in the Harrah's Entertainment, Inc. 2000 annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated March 21, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed under Item 14(a)2 are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Las Vegas, Nevada
March 21, 2001

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated March 21, 2001 included in this Form 10-K for the year ended December 31, 2000, into the Company's previously filed Registration Statements File Nos. 333-57214, 333-56266 and 333-39840.

/s/ ARTHUR ANDERSEN LLP

Las Vegas, Nevada
March 21, 2001

SCHEDULE I

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

	DECEMBER 31,	
	----- 2000	1999 -----
ASSETS		
Cash.....	\$ -	\$ -
Investments in and advances to subsidiaries (eliminated in consolidation).....	1,269,718	1,486,277
	----- \$1,269,718	----- \$1,486,277
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Commitments and contingencies (Notes 2, 3 and 6 through 8)		
Stockholders' equity (Note 4)		
Common stock, \$0.10 par value, authorized - 360,000,000 shares, outstanding - 115,952,394 and 124,379,760 (net of 22,030,805 and 9,286,772 held in treasury).....	\$ 11,595	\$ 12,438
Capital surplus.....	1,075,313	987,322
Retained earnings.....	224,251	512,539
Accumulated other comprehensive income.....	(1,036)	(493)
Deferred compensation related to restricted stock.....	(40,405)	(25,529)
	----- \$1,269,718	----- \$1,486,277
	=====	=====

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

SCHEDULE I (CONTINUED)

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

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Revenues.....	\$ -	\$ -	\$ -
Costs and expenses.....	150	150	165
Loss before income taxes and equity in subsidiaries' continuing earnings.....	(150)	(150)	(165)
Income tax benefit.....	53	53	58
Loss before equity in subsidiaries' continuing earnings.....	(97)	(97)	(107)
Equity in subsidiaries' continuing earnings.....	(11,247)	219,600	121,824
Income (loss) before extraordinary loss.....	(11,344)	219,503	121,717
Extraordinary loss, net of tax benefit of \$388, \$5,990 and \$10,522 (Note 3).....	(716)	(11,033)	(19,693)
Net income (loss).....	<u>\$(12,060)</u>	<u>\$208,470</u>	<u>\$102,024</u>

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

SCHEDULE I (CONTINUED)

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

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Cash flows from operating activities.....			
Net income (loss).....	\$ (12,060)	\$ 208,470	\$ 102,024
Adjustment to reconcile net income to cash flows from operating activities			
Equity in undistributed continuing (earnings) losses of subsidiaries.....	11,247	(219,600)	(121,824)
Extraordinary losses.....	1,104	17,023	29,491
Other non-cash activity.....	(291)	(5,893)	(9,691)
Cash flows from operating activities.....	-	-	-
Cash flows from financing activities			
Distributions from subsidiary.....	277,607	147,952	-
Treasury stock purchases.....	(277,607)	(147,952)	-
Cash flows from financing activities.....	-	-	-
Net change in cash.....	-	-	-
Cash, beginning of period.....	-	-	-
Cash, end of period.....	\$ -	\$ -	\$ -

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

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

NOTE 1--BASIS OF ORGANIZATION

Harrah's Entertainment, Inc. ("HET", or the "Company") a Delaware corporation, is a holding company, the principal assets of which are the capital stock of two subsidiaries, Harrah's Operating Company, Inc. ("HOC") and Aster Insurance Ltd. ("Aster"). HOC holds, directly and through its subsidiaries, the principal assets of HET's businesses. References to HOC include its subsidiaries where the context requires. These condensed financial statements should be read in conjunction with the consolidated financial statements of HET and subsidiaries.

NOTE 2--INVESTMENT IN ASTER

The value of HET's investment in Aster has been reduced below zero. HET's negative investment in Aster at December 31, 2000 and 1999 was \$6.9 million and \$7.3 million, respectively, and is included in investments in and advances to subsidiaries on the balance sheet. In addition, HET has guaranteed the payment by Aster of certain insurance-related liabilities.

NOTE 3--DEBT

HET has no long-term debt obligations.

During each of the periods presented, HOC refinanced certain of its outstanding debts, in particular those debt obligations assumed in acquisition transactions, to reduce effective interest rates and / or lengthen maturities. The extraordinary losses reported in HET's Statements of Operations for each period are primarily due to HOC's refinancing activities.

During December 1998, HOC completed a public offering of \$750.0 million principal amount of 7 7/8% Senior Subordinated Notes due 2005 (the "7 7/8% Notes").

In January 1999, HOC completed a public offering of \$500.0 million principal amount of 7 1/2% Senior Notes due 2009 (the "7 1/2% Notes").

In January 2001, HOC completed a private placement of \$500 million principal amount 8% Senior Notes due 2011 (the "8% Notes").

HET has guaranteed the 7 7/8% Notes, the 7 1/2% Notes and the 8% Notes, as well as HOC's revolving credit and letter of credit facilities.

NOTE 4--STOCKHOLDERS' EQUITY

In addition to its common stock, HET 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

HET's Board of Directors has authorized that one special stock purchase right (a "Right") be attached to each outstanding share of common stock. These Rights are exercisable only if a person or group acquires 15% or more of the Company's 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%

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

NOTE 4--STOCKHOLDERS' EQUITY (CONTINUED)

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.

In July 1999, the Company's Board of Directors authorized the repurchase in open market and other transactions of up to 10 million shares of the Company's common stock. At December 31, 2000, HET had repurchased all 10 million shares under the provisions of this plan. These repurchases are in addition to 0.5 million shares repurchased earlier in 1999 in connection with the increase of HOC's ownership interest in its East Chicago casino property.

In April 2000, HET's Board of Directors authorized the repurchase of an additional 12.5 million shares of the Company's common stock in open market and other transactions as market conditions warrant. This plan will expire December 31, 2001. At December 31, 2000, HET had repurchased 8.0 million shares under the provisions of this plan.

The shares repurchased under these programs are held in treasury and reflected in HET's balance sheet as if they were retired.

NOTE 5--INCOME TAXES

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

NOTE 6--COMMITMENTS AND CONTINGENCIES

NEW ORLEANS CASINO. HOC has an approximate 40% ownership interest in JCC Holding Company and its subsidiary, Jazz Casino Company, LLC (collectively, "JCC"), the company which owns and operates a land-based casino (the "Casino") in New Orleans, Louisiana. HOC manages that Casino pursuant to a management agreement between JCC and an HOC subsidiary.

On January 4, 2001, JCC filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. The reorganization plan has been confirmed by the bankruptcy court; the State of Louisiana has enacted legislation to reduce the minimum annual payment obligation to the State of Louisiana Gaming Board (the "State Obligation") and to relax certain Casino operating restrictions by permitting the Casino to offer certain food and hotel services; and the City of New Orleans City Council has adopted ordinances to reduce JCC's annual payments to the City. Final consummation of the reorganization plan is subject to completion of legal documentation satisfactory to all parties, as well as satisfaction of all other conditions to plan consummation.

Assuming JCC's reorganization plan is consummated, HET and HOC will guarantee the State Obligation of \$50 million in the first year and \$60 million for three subsequent years. HOC would receive a fee for providing this guarantee. In addition to the proposed changes in the State Agreements, under the reorganization plan, JCC's capital structure would be changed and HOC would own 49% of the new equity in JCC and hold approximately \$51 million of the new debt of JCC. There would be a new \$35 million JCC revolving credit facility at market terms, which HOC will provide. HOC has also agreed to changes in the management agreement, which would, among other things, (i) change the base management fee to an incentive management fee based on earnings of the business

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

NOTE 6--COMMITMENTS AND CONTINGENCIES (CONTINUED)

before interest expense, income taxes, depreciation and amortization and management fees, (ii) require HOC to provide certain administrative services to JCC as part of its management fee without any reimbursement from JCC and (iii) provide for termination of management services if minimum performance thresholds are not met.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 HOC recorded reserves of \$220 million for receivables not expected to be recovered in JCC's reorganization plan. Failure by JCC to consummate its reorganization plan would likely result in loss of its State gaming license and could result in further financial impact to HOC of approximately \$73 million, plus any additional amounts funded under the State Obligation.

NOTE 7--LITIGATION

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

NOTE 8--ACQUISITIONS

On June 1, 1998, HOC completed the acquisition of Showboat, Inc. ("Showboat") for \$30.75 per share in an all-cash transaction and assumed approximately \$635 million of Showboat debt.

On January 1, 1999, HET completed the merger with Rio Hotel & Casino, Inc. ("Rio"), issuing approximately 25 million shares of HET common stock to acquire all of Rio's outstanding shares in a one-for-one transaction and assuming Rio's outstanding debt of approximately \$432 million. HET transferred the Rio stock to HOC upon completion of the merger.

On March 22, 2000, HOC completed the acquisition of Players International, Inc. ("Players"), paying \$8.50 in cash for each share outstanding and assuming \$150 million of Players' debt.

SCHEDULE II

HARRAH'S ENTERTAINMENT, INC.
 CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
 (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS FROM RESERVES	BALANCE AT CLOSE OF PERIOD
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS		
YEAR ENDED DECEMBER 31, 2000					
Allowance for doubtful accounts					
Current.....	\$44,086	\$ 8,900	\$ 239	\$ (3,868) (A)	\$ 49,357
Long-term.....	\$ 8,005	\$ (4,534)	\$ -	\$ (3,315)	\$ 156
Reserve against investments in and advances to nonconsolidated affiliates (B).....	\$13,000	\$236,850	\$ -	\$ -	\$249,850
Reserve for impairment of long-lived assets (C).....	\$13,237	\$ 5,923	\$(2,385)	\$(10,852)	\$ 5,923
Reserve for contingent liability exposure....	\$ 878	\$ 22,550	\$26,191	\$ (878)	\$ 48,741
Insurance allowances and reserves.....	\$51,008	\$ 94,184	\$ -	\$(87,474)	\$ 57,718
YEAR ENDED DECEMBER 31, 1999					
Allowance for doubtful accounts					
Current.....	\$14,356	\$ 22,774	\$25,935	\$(18,979) (A)	\$ 44,086
Long-term.....	\$12,693	\$ -	\$ 2,639	\$ (7,327)	\$ 8,005
Reserve against investments in and advances to nonconsolidated affiliates.....	\$13,000	\$ -	\$ -	\$ -	\$ 13,000
Reserve for impairment of long-lived assets (C).....	\$36,490	\$ 3,367	\$ 2,385	\$(29,005)	\$ 13,237
Reserve for contingent liability exposure....	\$ 1,041	\$ -	\$ -	\$ (163)	\$ 878
Insurance allowances and reserves.....	\$45,771	\$ 68,654	\$ -	\$(63,417)	\$ 51,008
YEAR ENDED DECEMBER 31, 1998					
Allowance for doubtful accounts					
Current.....	\$11,462	\$ 9,905	\$ -	\$ (7,011) (A)	\$ 14,356
Long-term.....	\$10,421	\$ -	\$ -	\$ 2,272	\$ 12,693
Reserve against investments in and advances to nonconsolidated affiliates.....	\$13,000	\$ -	\$ -	\$ -	\$ 13,000
Reserve for impairment of long-lived assets.....	\$33,369	\$ 2,740	\$ 381	\$ -	\$ 36,490
Reserve for contingent liability exposure....	\$ 4,806	\$ -	\$ -	\$ (3,765)	\$ 1,041
Insurance allowances and reserves.....	\$46,870	\$ 62,262	\$ -	\$(63,361)	\$ 45,771

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

(B) See Note 15 to our Consolidated Financial Statements.

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

HARRAH'S OPERATING COMPANY, INC.

Issuer

HARRAH'S ENTERTAINMENT, INC.

Guarantor

INDENTURE

Dated as of January 29, 2001

BANK ONE TRUST COMPANY, N.A.

Trustee

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HARRAH'S OPERATING COMPANY, INC.

Reconciliation and tie between Trust Indenture Act of 1939 and
Indenture, dated as of January 29, 2001

ss.310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	Not
Applicable	
(a)(4)	Not
Applicable	
(a)(5)	7.10
(b)	7.10
ss.311(a)	7.11
(b)	7.11
(c)	Not
Applicable	
ss.312(a)	2.5
(b)	10.3
(c)	10.3
ss.313(a)	7.6
(b)(1)	7.6
(b)(2)	7.6
(c)(1)	7.6
(d)	7.6
ss.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	
ss.315(a)	7.1
(b)	7.5
(c)	7.1
(d)	7.1
(e)	6.14
ss.316(a)	2.9
(a)(1)(A)	6.12
(a)(1)(B)	6.13
(b)	6.8
ss.317(a)(1)	6.3
(a)(2)	6.4
(b)	2.4
ss.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 January 29, 2001 between Harrah's Operating Company, Inc., a Delaware corporation (the "Company" or "HOC"), Harrah's Entertainment, Inc., a Delaware corporation (the "Guarantor"), and Bank One Trust Company, N.A., 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 8.00% Series A Senior Notes due 2011 (the "Series A Notes") and the 8.00% Series B Senior Notes due 2011 (the "Series B Notes and, together with the Series A Notes, the "Notes"):

ARTICLE I.
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 Definitions.

"Additional Amounts" means any additional amounts which are required hereby or by any Security, under circumstances specified herein or therein, to be paid by the Company in respect of certain taxes imposed on Holders specified therein and which are owing to such Holders.

"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 Remaining Life, 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 Depository, Euroclear and Cedel that apply to such transfer or exchange.

"Authorized Newspaper" means a newspaper in an official language of the country of publication customarily published at least once a day for at least five days in each calendar week and of general circulation in the place in connection with which the term is used. If it shall be impractical in the opinion of the Trustee to make any publication of any notice required hereby in an Authorized Newspaper, any publication or other notice in lieu thereof that is made or given by the Trustee shall constitute a sufficient publication of such notice.

"Bearer" means anyone in possession from time to time of a Bearer Security.

"Bearer Security" means any Note, including any interest coupon appertaining thereto, that does not provide for the identification of the Holder thereof.

"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 for a particular Series, 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.

"Cedel" means Cedel Bank, S.A.

"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.

"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 (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 financials 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 201 N. Central Avenue, Phoenix, Arizona 85004.

"Currency Agreement" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement.

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

"Depository" 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 Depository for such Series by the Company, which Depository shall be a clearing agency registered under the Exchange Act; and if at any time there is more than one

such person, "Depository" as used with respect to the Notes shall mean the Depository 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 Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system.

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

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

"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 Depository or its nominee, and registered in the name of such Depository 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 or the holder of a Bearer Security.

"IAI Global Note" means the global Note substantially in the form of Exhibit A hereto bearing the Global Note and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold to Institutional Accredited Investors.

"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, and an Affiliate shall be deemed to include Jazz Holding Company, a Delaware corporation in which the Company indirectly owns a minority interest, and each of its Affiliates.

"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.

"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.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest

rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement.

"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 more subsidiaries.

"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," when used with respect to any Security or installment of principal thereof, means the date on which the principal of such Security or such installment of principal 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 2.1.2.

"New Notes" means the Notes issued in the Exchange Offer pursuant to Section 2.14.3 hereof.

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

"Non-U.S. Person" means a person who is not a U.S. person as defined in Rule 902(o) 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.

"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.

"principal" of a Security means the principal of the Security plus, when appropriate, the premium, if any, on, and any Additional Amounts in respect of, the Security.

"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) each of Salomon Smith Barney Inc., Banc of America Securities LLC, Credit Suisse First Boston Corporation, Deutsche Banc Alex.Brown Inc., Goldman, Sachs & Co., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., BNY Capital Markets, Inc., CIBC World Markets Corp., Commerzbank Capital Markets Corp., Credit Lyonnais Securities (USA) Inc., Fleet Securities, Inc., SG Cowen Securities Corporation, Wasserstein Perella Securities, Inc., Wells Fargo Brokerage Services, LLC, and their respective successors; provided that, if any of the foregoing as of the time of determination is not a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the

Company shall substitute another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer 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.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of January 29, 2001, by and among the Company 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 2.1.4.

"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.

"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 restricted 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 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 or 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.

"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 of 1933, as amended, 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 of 1933, as amended, as such regulation is in effect on the date hereof.

"Stated Maturity" when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed

date on which the principal of such Security 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.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbb) 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 Company's 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 Other Definitions.

TERM	DEFINED IN SECTION
"Bankruptcy Law"	6.1
"Custodian"	6.1
"Event of Default"	6.1
"Judgment Currency"	10.15
"Legal Holiday"	10.7
"New York Banking Day"	10.15
"Paying Agent"	2.3
"Registrar"	2.3
"Required Currency"	10.15
"Service Agent"	2.3
"successor person"	5.1

Section 1.3 Incorporation by Reference of Trust Indenture Act.

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

"Commission" means the SEC.

"indenture securities" means the 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 1.4 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 Intentionally omitted.

2.1.2 The entire outstanding principal of the Notes will mature on February 1, 2011 (the "Maturity Date").

2.1.3 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.

2.1.4 The rate at which the Notes shall bear interest shall be 8.00% per annum; the date from which interest shall accrue shall be January 29, 2001; the Interest Payment Dates for the Notes on which interest shall be payable shall be February 1 and August 1 in each year, beginning August 1, 2001; the Regular Record Dates for the interest payable on the Notes on any Interest Payment Date shall be the January 15 or July 15 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment 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 Note 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.

2.1.5 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 HOC in respect of the Notes and this Indenture may be served shall be the Corporate Trust Office of the Trustee.

2.1.6 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 HOC, 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 25 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 (the "Redemption Price").

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 Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security 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 Security 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 shall have the right to decline to authenticate and deliver any Notes: (a) if the Trustee, being advised by counsel, determines that such action may not lawfully be taken; or (b) if the Trustee in good faith by its board of directors or trustees, executive committee or a trust committee of directors and/or vice-presidents shall determine that such

action would expose the Trustee to personal liability to Holders of any then outstanding Notes.

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.

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 2.1.5, 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 2.1.5 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 the initial Registrar, Paying Agent and Service Agent for the Notes. The Company hereby appoints DTC to act as Depository 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 ss. 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 of Notes 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 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 an 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 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(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 B hereto, including the certifications in item (2) thereof; and

(iii) if the transferee will take delivery in the form of a beneficial interest in the IAI Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications and certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(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 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 the following:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(B) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (iv), 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 the following documentation:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Certificated Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(ii) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(iii) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(iv) if such beneficial interest is being transferred pursuant to an exemption from the

registration requirements of the Securities Act in accordance with Rule 144 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(v) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(vi) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(vii) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

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 Depository and the Participant or Indirect Participant. 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 DEFINITIVE NOTES.** A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(i) such exchange or transfer is effected pursuant to the 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 the following:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Definitive Note that does not bear the Private Placement Legend, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(B) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a Definitive Note that does not bear the Private Placement Legend, a certificate from such holder in the form of Exhibit B

hereto, including the certifications in item (4) thereof;

(C) and, in each such case set forth in this subparagraph (iv), 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.

(c) BENEFICIAL INTERESTS IN UNRESTRICTED GLOBAL NOTES TO UNRESTRICTED DEFINITIVE NOTES. If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive 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 Definitive Note in the appropriate principal amount. Any Definitive 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. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive 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 EXCHANGE OFFER. Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Company shall issue and, upon receipt of a Authentication 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 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 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 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 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 AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2),(3), OR (7) UNDER THE SECURITIES ACT) (AN "IAI") OR (C) 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 IAI 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 REGULATIONS 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 the Company's 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, 3.6, 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) The Company shall not 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 25 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 (the "Redemption Price").

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. Notice of any redemption by the Company will be mailed at least 30 days but not more than 60 days before any Redemption Date to each holder 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) and if any Bearer Notes are outstanding, publish on one occasion a notice in an Authorized Newspaper.

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

- (a) the redemption date;
- (b) the redemption price;
- (c) the name and address of the Paying Agent;
- (d) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price; and
- (e) that interest on Notes called for redemption ceases to accrue on and after the redemption date.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense.

Section 3.5 Effect of Notice of Redemption.

Once notice of redemption is mailed or published as provided in Section 3.2, 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.

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 of the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the 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 ss. 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 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, 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 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 taxes,

assessments and governmental levies, except as contested in good faith and by appropriate proceedings.

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 Harrah's Operating or at the time it is merged into or consolidated with Harrah's Operating or a Subsidiary of Harrah's Operating; (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 Harrah's Operating to Harrah's Operating or to a Subsidiary of Harrah's Operating; (f) Liens securing Indebtedness of Harrah's Operating 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 Harrah's Operating 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 Harrah's Operating or any of its Subsidiaries; (i) Liens on the stock, partnership or other equity interest of Harrah's Operating 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 Harrah's Operating or a Subsidiary of Harrah's Operating 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 Harrah's Operating 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) Harrah's Operating 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) Harrah's Operating 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.

Neither the Company nor the Guarantor shall consolidate with or merge into, or convey, transfer or lease all or substantially all of its properties and assets to, any person (a "successor person"), and may not permit any person to merge into, or convey, transfer or lease its properties and assets

substantially as an entirety to, the Company or the Guarantor, unless:

(a) the successor person (if any) is a corporation organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes the Company's obligations on the Notes and under this Indenture; OR

(b) in the case of a merger or consolidation, the Company or the Guarantor, as the case may be, is the surviving person; AND

(c) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and be continuing.

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture.

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, 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, unless in the establishing Board Resolution, supplemental indenture or Officers' Certificate, it is provided that such Series shall not have the benefit of said Event of Default:

(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 deposit of any sinking fund payment, when and as due in respect of any Note; or

(d) 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

(e) 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

(f) 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 unable to pay its debts as the same become due; or

(g) 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 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(f) or (g)) 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(f) or (g) 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 principal amount of the outstanding Notes, by written notice to the Company and the Trustee, may 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, or

(c) default is made in the deposit of any sinking fund payment when and as due by the terms of the Note,

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 their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

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

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

(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 grossly negligent action, its own grossly 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.

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 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 and, if any Bearer Notes are outstanding, publish on one occasion in an Authorized Newspaper, 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 or interest on any 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 and, if any Bearer Notes are outstanding, publish in an Authorized Newspaper, a brief report dated as of such May 15, in accordance with, and to the extent required under, TIA ss. 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(f) or (g) 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, if any Bearer Notes are outstanding, publish such notice on one occasion in an Authorized Newspaper. 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 ss. 310(a)(1), (2) and (5). The Trustee shall always have a combined capital and surplus of at least \$25,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA ss. 310(b).

Section 7.11 Preferential Collection of Claims Against Company.

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

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 mandatory sinking fund payments or analogous 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, (i) 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 and (ii) the benefit of any mandatory sinking fund payments applicable to the Notes on the day on which such payments are due and payable in accordance with the terms of this Indenture and the Notes;

(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 and any mandatory sinking fund in respect of 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 provide for uncertificated or unregistered Notes in addition to or in place of certificated Notes;
- (d) to make any change that does not adversely affect the rights of any Noteholder;
- (e) to provide for the issuance of Additional Notes as permitted by this Indenture;
- (f) to add to, change or eliminate any of the provisions of this Indenture; PROVIDED, HOWEVER, that such addition, change or elimination (A)(1) does not apply to any Notes created prior to the execution of such amendment and entitled to the benefit of such provision, and (2) does not modify the rights of a Holder of any such Notes with respect to such provision, or (B) becomes effective only when there are no outstanding Notes created prior to such amendment and entitled to the benefit of such provision; or

(g) 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 or 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 section becomes effective, the Company shall mail to the Noteholders and, if any Bearer Notes are outstanding, publish on one occasion in an Authorized Newspaper, a notice briefly describing the supplemental indenture or waiver. Any failure by the Company to mail or publish 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 or the payment of any sinking fund or analogous obligation;

(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 principal amount of the 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), 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:

if to the Company:

Harrah's Operating Company, Inc.
One Harrah's Court
Las Vegas, Nevada 89119

if to the Trustee: Bank One Trust Company, N.A.
201 N. Central Avenue
Phoenix, Arizona 85004
Attention: Corporate Trust Administration
Greg Cross

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 to his address shown on the register kept by the Registrar and, if any Bearer Notes are outstanding, published in an Authorized Newspaper. 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 or published 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 ss. 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 ss. 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 ss. 314(a)(4)) shall comply with the provisions of TIA ss. 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.

Unless otherwise provided by Board Resolution, Officers' Certificate or supplemental indenture for a particular Series, 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 of any Series (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 subsection 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 or 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 that this Indenture 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 an 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 Commission).

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), whether in a single transaction or a series of related transactions, to another Person, unless:

(a) either the Guarantor shall be the continuing person, or the Person (if other than the Guarantor) formed by such consolidation or into 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 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: -----
Name: Charles L. Atwood
Its: Vice President and Treasurer

HARRAH'S ENTERTAINMENT, INC.

By: -----
Name: Charles L. Atwood
Its: Vice President and Treasurer

BANK ONE TRUST COMPANY, N.A.

By: -----
Name:
Its:

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 AF 7 - FOR QIBS] Principal

Amount: \$ [413627 AG 5 - FOR IAIS]
[U24658 AA 1 - FOR REG S]

HARRAH'S OPERATING COMPANY, INC.

8.00% Senior Notes due 2011

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 February 1, 2011 ("Maturity"), and to pay interest thereon from January 29, 2001 or from the most recent date to which interest has been paid or duly provided for, semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing August 1, 2001 and at Maturity, at the rate of 8.00% 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 January 15 or July 15 (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 Security 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 January 29, 2001 (herein called, together with all indentures supplemental thereto, the "Indenture") among, the Company, Harrah's Entertainment, Inc. and Bank One Trust Company, N.A., 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 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: _____, 2001

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.

BANK ONE TRUST COMPANY, N.A., 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

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 entirety (Cust) (Minor)

JT TEN--as joint tenants with right of survivorship and not as Under Uniform Gifts to Minors Act

_____ (State)
tenants in common

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 Note Custodian
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EXHIBIT B
GUARANTEE

FOR VALUE RECEIVED, subject to the next paragraph below, the undersigned hereby irrevocably and unconditionally guarantees on a senior basis to the Holder of the accompanying 8.00% Senior Note Due February 1, 2011 (the "Note") issued by Harrah's Operating Company, Inc. (the "Company") under an Indenture dated as of January 29, 2001 (the "Indenture") among the Company, Harrah's Entertainment, Inc., and Bank One Trust Company, N.A., as trustee (the "Trustee"), and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture and the Note, that (i) the principal of, and interest on the Note promptly will be paid in full in cash when due, whether at the Stated Maturity (as defined in the Indenture), by acceleration, call for redemption or otherwise, and interest on the overdue principal and interest, if any, of the Note, if lawful, and all other obligations of the Company to the Holders of the Note or 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 Note 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 the Stated Maturity, by acceleration or otherwise. Failing payment when due by the Company of any amount so guaranteed for whatever reason, the undersigned shall be obligated to pay the same immediately. The undersigned hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Note or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Note 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 undersigned 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 Note and the Indenture. If any Holder of Notes 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 undersigned agrees that it shall not be entitled to any right of subrogation in relation to the Holders of Notes in respect of any obligations guaranteed hereby until payment in full of all obligations is guaranteed hereby.

It is the intention of the undersigned and the Company that the obligations of the undersigned 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 undersigned by a court of competent jurisdiction in a proceeding actually pending before such court as a result of a determination both that this Guarantee was made without fair consideration and, immediately after giving effect thereto, the undersigned was insolvent or unable to pay its debts as they mature or left with an unreasonably small capital, then the obligations of the undersigned under this 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.

The undersigned shall be subrogated to all rights of the Holders of the Notes against the Company in respect of any amounts paid by the undersigned pursuant to the provisions of this Guarantee or the Indenture; provided, however, that the undersigned 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, and interest on all Notes issued hereunder shall have been paid in full.

THIS GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK.

This Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note shall have been executed by the Trustee under the Indenture referred to above by the manual or facsimile signature of one of its authorized officers. The validity and enforceability of this Guarantee shall not be affected by the fact that it is not affixed to any particular Note.

The obligations of the undersigned to the Holders of the Notes and to the Trustee pursuant to this Guarantee and the Indenture are expressly set forth in Article XII of the Indenture and reference is hereby made to the Indenture for the precise terms of this Guarantee and all of the other provisions of the Indenture to which this Guarantee relates.

Capitalized terms used in this Guarantee which are not defined herein shall have the meanings assigned to them in the Indenture.

IN WITNESS WHEREOF, the undersigned has caused this Guarantee to be
duly executed.

Dated: _____, 2001

HARRAH'S ENTERTAINMENT, INC.

By: _____

Name: _____

Title: _____

B-4

HARRAH'S OPERATING COMPANY, INC.

\$500,000,000

8.00% Senior Notes due 2011

REGISTRATION RIGHTS AGREEMENT

New York, New York
January 29, 2001

Salomon Smith Barney Inc.
Banc of America Securities LLC
Credit Suisse First Boston Corporation
Deutsche Banc Alex. Brown Inc.
Goldman, Sachs & Co.
Lehman Brothers Inc.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Morgan Stanley & Co. Incorporated
Bear, Stearns & Co. Inc.
BNY Capital Markets, Inc.
CIBC World Markets Corp.
Commerzbank Capital Markets Corp.
Credit Lyonnais Securities (USA) Inc
Fleet Securities, Inc.
SG Cowen Securities Corporation
Wasserstein Perella Securities, Inc.
Wells Fargo Brokerage Services, LLC
As Representatives of the Initial Purchasers

c/o Salomon Smith Barney 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 certain purchasers (the "Initial Purchasers"), upon the terms set forth in a purchase agreement of even date herewith (the "Purchase Agreement"), its 8.00% Senior Notes due 2011 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 January 29, 2001, between the Company, the Guarantor and Bank One Trust Company, N.A., as trustee (the "Trustee"). To induce the Initial Purchasers 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 Purchasers) (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.

"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 any 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.

"Final Memorandum" shall have the meaning set forth in the Purchase Agreement.

"Holder" shall have the meaning set forth in the preamble hereto.

"Indenture" shall mean the Indenture relating to the Notes, dated as of January 29, 2001, between the Company, the Guarantor and Bank One Trust Company, N.A., as trustee, as the same may be amended from time to time in accordance with the terms thereof.

"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 will be modified or eliminated, as appropriate).

"New Notes Trustee" shall mean a bank or trust company reasonably satisfactory to the Initial Purchasers, as trustee with respect to the New Notes under the New Notes Indenture.

"Notes" shall have the meaning set forth in the preamble hereto.

"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 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) 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.

"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) 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);

(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 depository 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 any 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 such 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 such 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; (iii) any 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; (iv) any Holder (other than an 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; or (v) in the case of any Initial Purchaser that participates in the Registered Exchange Offer, such 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 an 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 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 an 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 an 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 an 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 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 each 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 consent to the use of the Prospectus or any amendment or supplement thereto by any 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 Purchasers, 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 and its 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;

(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 any Initial Purchaser, and any attorney, accountant or other agent retained by such Initial Purchaser, all relevant financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries;

(ii) cause the Company's officers, directors and employees to supply all relevant information reasonably requested by such 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 such 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;

(iii) if requested by an Initial Purchaser, make such representations and warranties to such 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 an 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 such Initial Purchaser and its counsel, addressed to such 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 such Initial Purchaser or its counsel;

(v) if requested by an 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 such 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 such 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 such Initial Purchaser or its counsel; and

(vi) deliver such documents and certificates as may be reasonably requested by such 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 210th day 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 Purchasers for the reasonable fees and disbursements of one firm 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 each 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. 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 any 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 Purchasers 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 each 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 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 any 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, as set forth on the cover page of the Final Memorandum, 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) as set forth on the cover page of the Final Memorandum. Benefits received by the Initial Purchasers shall

be deemed to be equal to the total purchase discounts and commissions as set forth on the cover page of the Final Memorandum, 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 any Initial Purchaser hereunder, the Company shall obtain the written consent of each such 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, 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 Salomon Smith Barney;

(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 Purchasers 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 building agreement among the Company, the Guarantor and the several Initial Purchasers.

Very truly yours,
Harrah's Operating Company, Inc.

By:

Name:
Title:

Harrah's Entertainment, Inc.

By:

Name:
Title:

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

SALOMON SMITH BARNEY INC.
Banc of America Securities LLC
Credit Suisse First Boston Corporation
Deutsche Banc Alex. Brown Inc.
Goldman, Sachs & Co.
Lehman Brothers Inc.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Morgan Stanley & Co. Incorporated
Bear Stearns & Co., Inc.
BNY Capital Markets, Inc.
CIBC World Markets Corp.
Commerzbank Capital Markets Corp.
Credit Lyonnais Securities (USA) Inc.
Fleet Securities, Inc.
SG Cowen Securities Corporation
Wassertein Perella Securities, Inc.
Wells Fargo Brokerage Services, LLC

By: SALOMON SMITH BARNEY INC.

By:

Name:
Title:

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."

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."

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 [], 2001, 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.]

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 not
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.

Amendment dated as of November 15, 2000,
to the Harrah's Entertainment, Inc. ("the Company")
Non-Management Directors Stock Incentive Plan (the "Plan")

Pursuant to approval granted by the Human Resources Committee of the
Company's Board of Directors, the Plan is amended by adding the following
sentence at the end of Section 13:

"The Plan shall further remain in effect for an additional five-year
period from April 26, 2001."

IN WITNESS WHEREOF, this amendment has been executed as of the 15th day of
November, 2000.

/s/ ELAINE LO

Elaine Lo, Vice President
Compensation and Benefits

Amendment dated as of November 15, 2000,
to the Harrah's Entertainment, Inc. ("the Company")
Deferred Compensation Plan (the "Plan")

Pursuant to approval granted by the Human Resources Committee of the Company's Board of Directors, Section 2.1 of the Plan is amended by adding the following language at the end thereof:

"Provided, however, that no Cash Bonus, Base Salary, or Directors Fees payable after March 31, 2001, shall be deferred into the Plan."

IN WITNESS WHEREOF, this amendment has been executed as of the 15th day of November, 2000.

/s/ ELAINE LO

Elaine Lo, Vice President
Compensation and Benefits

Amendment dated as of November 15, 2000,
to the Harrah's Entertainment, Inc. ("the Company")
Executive Deferred Compensation Plan (the "Plan")

Pursuant to approval granted by the Human Resources Committee of the
Company's Board of Directors, Section 3.2 of the Plan is amended by adding the
following subsection (f):

"(f) For all Participants, the deferral of Compensation into the Plan
will cease effective March 31, 2001."

IN WITNESS WHEREOF, this amendment has been executed as of the 15th day of
November, 2000.

/s/ ELAINE LO

Elaine Lo, Vice President
Compensation and Benefits

HARRAH'S ENTERTAINMENT, INC.
COMPUTATIONS OF PER SHARE EARNINGS

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Income (loss) before extraordinary losses.....	\$(11,344,000)	\$219,503,000	\$121,717,000
Extraordinary losses, net.....	(716,000)	(11,033,000)	(19,693,000)
Net income (loss).....	\$(12,060,000)	\$208,470,000	\$102,024,000
BASIC EARNINGS (LOSS) PER SHARE			
Weighted average number of common shares outstanding.....	117,189,838	126,071,980	100,231,327
BASIC EARNINGS (LOSS) PER COMMON SHARE			
Income (loss) before extraordinary losses.....	\$ (0.09)	\$ 1.74	\$ 1.21
Extraordinary losses, net.....	(0.01)	(0.09)	(0.19)
Net income (loss).....	\$ (0.10)	\$ 1.65	\$ 1.02
DILUTED EARNINGS (LOSS) PER SHARE			
Weighted average number of common shares outstanding.....	117,189,838	126,071,980	100,231,327
Additional shares based on average market price for period applicable to:			
Restricted stock.....	--	789,690	215,513
Stock options.....	--	1,886,469	1,072,833
Average number of common and common equivalent shares outstanding(a).....	117,189,838	128,748,139	101,519,673
DILUTED EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE			
Income (loss) before extraordinary losses.....	\$ (0.09)	\$ 1.71	\$ 1.19
Extraordinary losses, net.....	(0.01)	(0.09)	(0.19)
Net income (loss).....	\$ (0.10)	\$ 1.62	\$ 1.00

(a) The diluted share base for 2000 excludes common stock equivalents of 481,338 and 1,407,362 related to restricted stock and stock options, respectively. These shares are excluded due to their antidilutive effect as a result of the Company's net loss in 2000.

HARRAH'S ENTERTAINMENT, INC.
COMPUTATION OF RATIOS
(IN THOUSANDS, EXCEPT RATIO AMOUNTS)

	2000(A)	1999(B)	1998(C)	1997(D)	1996(E)
RETURN ON REVENUES-CONTINUING					
Income (loss) from continuing operations...	\$ (11,344)	\$ 219,503	\$ 121,717	\$ 107,522	\$ 98,897
Revenues.....	3,471,150	3,024,428	2,004,015	1,619,210	1,586,020
Return.....	(0.3)%	7.3%	6.1%	6.6%	6.2%
RETURN ON AVERAGE INVESTED CAPITAL					
Income (loss) from continuing operations...	\$ (11,344)	\$ 219,503	\$ 121,717	\$ 107,522	\$ 98,897
Add: Interest expense after tax.....	141,394	121,846	72,707	48,233	43,187
	\$ 130,050	\$ 341,349	\$ 194,424	\$ 155,755	\$ 142,084
Average invested capital.....	\$4,488,288	\$4,231,789	\$2,426,028	\$1,815,869	\$1,619,880
Return.....	2.9%	8.1%	8.0%	8.6%	8.8%
RETURN ON AVERAGE EQUITY					
Income (loss) before extraordinary items...	\$ (11,344)	\$ 219,503	\$ 121,717	\$ 107,522	\$ 98,897
Average equity.....	1,431,255	1,416,591	793,492	722,298	682,489
Return.....	(0.8)%	15.5%	15.3%	14.9%	14.5%
RATIO OF EARNINGS TO FIXED CHARGES (F)					
Income (loss) from continuing operations...	\$ (11,344)	\$ 219,503	\$ 121,717	\$ 107,522	\$ 98,897
Add:					
Provision for income taxes.....	15,415	128,914	74,600	68,746	67,316
Interest expense.....	227,139	193,407	117,270	79,071	69,968
Interest included in rental expense.....	15,819	10,801	9,718	7,692	7,663
Amortization of capitalized interest.....	1,595	1,359	1,444	606	763
(Income) or loss from equity investments.....	314,958	33,042	4,709	(473)	(473)
Adjustment to include 100% of nonconsolidated, majority-owned affiliate (g).....	-	-	12,254	-	-
Earnings as defined.....	\$ 563,582	\$ 587,026	\$ 341,712	\$ 263,164	\$ 244,134
Fixed charges:					
Interest expense.....	\$ 227,139	\$ 193,407	\$ 117,270	\$ 79,071	\$ 69,968
Capitalized interest.....	7,960	13,118	2,526	6,860	11,025
Interest included in rental expense.....	15,819	10,801	9,718	7,692	7,663
Adjustment to include 100% of nonconsolidated, majority-owned affiliate(g).....	-	-	12,071	-	-
Total fixed charges.....	\$ 250,918	\$ 217,326	\$ 141,585	\$ 93,623	\$ 88,656
Ratio of earnings to fixed charges.....	2.2	2.7	2.4	2.8	2.8

HARRAH'S ENTERTAINMENT, INC.
COMPUTATION OF RATIOS
(IN THOUSANDS, EXCEPT RATIO AMOUNTS)

	2000(A)	1999(B)	1998(C)	1997(D)	1996(E)
	-----	-----	-----	-----	-----
COMPUTATION OF PROPERTY EBITDA (H)					
Operating profit.....	\$ 416,068	\$ 594,821	\$ 354,188	\$ 258,684	\$ 284,685
Add/(less):					
Depreciation and amortization.....	236,082	193,599	142,879	112,821	97,379
Write-downs, reserves, and recoveries....	226,106	2,235	7,474	13,806	52,188
Project opening costs.....	8,258	2,276	8,103	17,631	5,907
Property EBITDA.....	\$ 886,514	\$ 792,931	\$ 512,644	\$ 402,942	\$ 440,159
	=====	=====	=====	=====	=====

- (a) 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, and \$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 Player's International, Inc. from its March 22, 2000, date of acquisition.
- (b) 1999 includes \$2.2 million in pretax charges for write-downs, reserves and recoveries and \$59.8 million of gains from sales of our equity interests in nonconsolidated affiliates. 1999 also includes the financial results of Rio Hotel & Casino, Inc. from its January 1, 1999, date of acquisition.
- (c) 1998 includes \$7.5 million in pretax charges for write-downs and reserves and a \$13.2 million gain on the sale of equity interests in a nonconsolidated restaurant subsidiary. 1998 also includes the financial results of Showboat, Inc. from its June 1, 1998, date of acquisition.
- (d) 1997 includes \$13.8 million in pretax charges for write-downs and reserves and a \$37.4 million gain on the sale of our equity interest in a New Zealand subsidiary.
- (e) 1996 includes \$52.2 million in pretax charges for write-downs and reserves, primarily related to write-downs of impaired long-lived assets and reserves for contingent liability exposure.
- (f) As discussed in Note 12 to the Consolidated Financial Statements in the 2000 Harrah's Entertainment Annual Report, the Company has guaranteed certain third loans in connection with its casino development activities. The above ratio computation excludes estimated fixed charges associated with these guarantees as follows: 2000, \$5.7 million; 1999, \$6.2 million; 1998, \$7.9 million; 1997, \$7.8 million; and 1996, \$5.2 million.
- (g) For purposes of computing this ratio, "earnings" consist of income before income taxes plus fixed charges (excluding capitalized interest) and minority interests (relating to subsidiaries whose fixed charges are included in the computation), excluding equity in undistributed earnings of less than 50% owned investments. "Fixed charges" include interest whether expensed or capitalized, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense that we deem to be representative of interest. As required by the rules which govern the computation of this ratio, both earnings and fixed charges are adjusted where appropriate to include the financial results for the company's nonconsolidated majority-owned subsidiaries. Accordingly, 1998 has been adjusted to include the financial results and fixed charges of the East Chicago partnership from its June 1, 1998, date of acquisition.
- (h) EBITDA consists of earnings before interest, taxes, depreciation and amortization. Property EBITDA consists of operating profit before depreciation and amortization, write-downs, reserves and recoveries and project opening costs. Property EBITDA is a supplemental financial measure used by management, as well as industry analysts, to evaluate our operations. However, Property EBITDA should not be construed as an alternative to Income from operations (as an indicator of our operating performance) or to cash flows from operating activities (as a measure of liquidity) as determined in accordance with generally accepted accounting principles and presented in the accompanying Consolidated Financial Statements. All companies do not calculate EBITDA in the same manner. As a result, Property EBITDA as presented by our Company may not be comparable to similarly titled measures presented by other companies.

FINANCIAL AND STATISTICAL HIGHLIGHTS

(IN MILLIONS, EXCEPT COMMON STOCK DATA AND FINANCIAL PERCENTAGES AND RATIOS)

(SEE NOTES 1 AND 2 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

	2000(a)	(1999(b))	1998(c)	1997(d)	1996(e)	COMPOUND GROWTH RATE ----
OPERATING DATA						
Revenues	\$ 3,471.2	\$ 3,024.4	\$ 2,004.0	\$ 1,619.2	\$ 1,586.0	21.6 %
Income from operations	282.7	481.0	287.8	213.5	236.9	4.5 %
Income before income taxes and minority interest	17.8	359.6	203.3	183.6	172.1	(43.3)%
Income (loss) from continuing operations	(11.3)	219.5	121.7	107.5	98.9	N/M
Net income (loss)	(12.1)	208.5	102.0	99.4	98.9	N/M
COMMON STOCK DATA						
Earnings (loss) per share-diluted						
Continuing operations	(0.09)	1.71	1.19	1.06	0.95	N/M
Net income (loss)	(0.10)	1.62	1.00	0.98	0.95	N/M
FINANCIAL POSITION						
Total assets	5,166.1	4,766.8	3,286.3	2,005.5	1,974.1	27.2 %
Long-term debt	2,835.8	2,540.3	1,999.4	924.4	889.5	33.6 %
Stockholders' equity	1,269.7	1,486.3	851.4	735.5	719.7	15.3 %
CASH FLOWS						
Provided by operating activities	547.6	490.1	297.9	255.1	285.7	17.7 %
Property EBITDA (f)	886.5	792.9	512.6	402.9	440.2	19.1 %
Capital expenditures	568.3	430.1	245.2	290.5	390.0	9.9 %
FINANCIAL PERCENTAGES AND RATIOS						
Return on revenues-continuing	(0.3)%	7.3%	6.1%	6.6%	6.2%	
Return on average invested capital (g)	2.9 %	8.1%	8.0%	8.6%	8.8%	
Return on average equity (g)	(0.8)%	15.5%	15.3%	14.9%	14.5%	
Ratio of earnings to fixed charges	2.2	2.7	2.4	2.8	2.8	

N/M = Not Meaningful

-
- (a) 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.
- (b) 1999 includes \$2.2 million in pretax charges for write-downs, reserves and recoveries and \$59.8 million of gains from sales of our equity interests in nonconsolidated affiliates. 1999 also includes financial results of Rio Hotel & Casino, Inc. from its January 1, 1999, date of acquisition.
- (c) 1998 includes \$7.5 million in pretax charges for write-downs and reserves and a \$13.2 million gain on the sale of equity interests in a nonconsolidated restaurant subsidiary. 1998 also includes the financial reports of Showboat, Inc. from its June 1, 1998, date of acquisition.

- (d) 1997 includes \$13.8 million in pretax charges for write-downs and reserves and a \$37.4 million gain on the sale of equity in a New Zealand subsidiary.
- (e) 1996 includes \$52.2 million in pretax charges for write-downs and reserves.
- (f) EBITDA consists of earnings before interest, taxes, depreciation and amortization. Property EBITDA consists of operating profit before depreciation and amortization, write-downs, reserves and recoveries and project opening costs. See Exhibit 12 to our 2000 Form 10-K for the computation of property EBITDA. Property EBITDA is a supplemental financial measure used by management, as well as industry analysts, to evaluate our operations. However, property EBITDA should not be construed as an alternative to Income from operations (as an indicator of our operating performance) or to cash flows from operating activities (as a measure of liquidity) as determined in accordance with generally accepted accounting principles and presented in the accompanying Consolidated Financial Statements. All companies do not calculate EBITDA in the same manner. As a result, property EBITDA as presented by our Company may not be comparable to similarly titled measures presented by other companies.
- (g) Ratio computed based on Income before extraordinary items and cumulative effect of change in accounting policy.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

From an overall financial perspective, 2000 was a year of contrasts for our Company with a few significant issues overshadowing an otherwise strong performance. Disappointing results at Harrah's New Orleans and National Airlines, Inc. ("NAI") and the ultimate announcements in January 2001 and December 2000, respectively, of bankruptcy reorganizations for both companies triggered significant charges for reserves and resulted in an adverse impact to our earnings.

JCC HOLDING COMPANY

The Company has an approximate 40% beneficial ownership interest in JCC Holding Company and its subsidiary, Jazz Casino Company, LLC (collectively, "JCC"). JCC owns and operates a land-based casino in New Orleans, Louisiana (the "Casino"), which is managed by a subsidiary of the Company.

Initially, the Company guaranteed a \$100 million annual payment obligation of JCC owed to the State of Louisiana gaming board (the "State Obligation") for the period from October 28, 1999 to October 28, 2000 (the "Initial State Guarantee"). In accordance with an existing agreement, the Initial State Guarantee was replaced with a new guarantee (the "Current State Guarantee"), pursuant to which the Company has guaranteed the State Obligation for the period from April 1, 2000, to March 31, 2001. JCC is required to make daily payments of approximately \$273,973 to satisfy the State Obligation. The Current State Guarantee obligation is reduced to the extent JCC makes such daily payments. Payments made to the State by the Company pursuant to the Initial State Guarantee and the Current State Guarantee are secured by a first priority collateral security interest in JCC's assets. Payments made to the State by the Company on behalf of JCC under the Initial State Guarantee and the Current State Guarantee during 2000 totaled \$44.1 million.

Subject to the satisfaction of certain cash flow tests and other conditions each year, the Company would have been required to provide a new guarantee to the State for each of the 12-month periods ending March 31, 2002, 2003 and 2004. For the period ending March 31, 2002, the requirement to provide a new guarantee was conditioned upon, among other things, JCC producing net cash flow, as defined, of at least \$15 million for the 12-month period ending November 30, 2000. JCC did not satisfy this cash flow test, and the Company gave notice to JCC on December 28, 2000, that it would not renew the Current State Guarantee for the 12-month period ending March 31, 2002.

On January 4, 2001, JCC filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. In connection with its reorganization, JCC proposed a plan which contemplates a substantial reduction in the minimum annual payment to the State, a reduction in costs associated with the City of New Orleans lease, modifications of Casino operating restrictions and the agreement of major creditors, including the Company, to a restructuring of JCC's debts. On March 15, 2001, the City of New Orleans City Council adopted ordinances to reduce the City's annual payments from JCC by approximately \$5 million. On March 19, 2001 the reorganization plan was confirmed by the bankruptcy court. On March 21, 2001, the State enacted legislation to (i) reduce the State Obligation from \$1.00 million to \$50 million in the first year and \$60 million thereafter and (ii) relax certain Casino operating restrictions by permitting the Casino to offer certain food and hotel services. Final consummation of the reorganization plan is subject to completion of legal documentation satisfactory to all parties, as well as satisfaction of all other conditions to plan consummation.

Assuming JCC's reorganization plan is consummated, we will guarantee the State Obligation of \$50 million in the first year and \$60 million for three subsequent years. The Company would receive a fee for providing this guarantee. In addition to the proposed changes in the State Agreements, under the reorganization plan, JCC's capital structure would be changed and the Company would own 49% of the new equity in JCC and hold approximately \$51 million of the new debt of JCC. There would be a new \$35 million JCC revolving credit facility at market terms, which the Company would provide. The Company has also agreed to changes in the management agreement, which would, among other things, (i) change the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation and amortization and management fees, (ii) require the Company to provide certain administrative services to JCC as part of its management fee without any reimbursement from JCC and (iii) provide for termination of management services if minimum performance thresholds are not met.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 we recorded reserves of \$220 million for receivables not expected to be recovered in JCC's reorganization plan. Failure by JCC to consummate its reorganization plan would likely result in loss of its State gaming license and could result in further financial impact to the Company of approximately \$73 million, plus any additional amounts funded under the Current State Guarantee.

NAI

We have an approximate 48% ownership interest in NAI, an airline company in Las Vegas, which opened for business in May 1999. During 1999 and 2000, we provided \$17.4 million in loans to NAI and letters of credit on their behalf of \$24.6 million dollars. We have an agreement with another investor of NAI whereby that investor is obligated to reimburse us for approximately 56% of any amount that we might pay in response to demands on the letters of credit. In December 2000, NAI filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. In response to that filing, we recorded write-offs and reserves in fourth quarter 2000 totaling \$39.4 million for our investment in and loans to NAI and our net exposure under the letters of credit.

OPERATING RESULTS AND DEVELOPMENT PLANS

OVERALL

(In millions, except earnings per share)

	2000	1999	1998	Percentage Increase/(Decrease)	
				00 vs 99	99 vs 98
Casino revenues	\$ 2,852.0	\$ 2,424.2	\$ 1,660.3	17.6 %	46.0%
Net revenues	3,471.2	3,024.4	2,004.0	14.8 %	50.9%
Operating profit	416.1	594.8	354.2	(30.0)%	67.9%
Income from operations.....	282.7	481.0	287.8	(41.2)%	67.1%
Income(loss) before extraordinary items	(11.3)	219.5	121.7	N/M	80.4%
Net income(loss)	(12.1)	208.5	102.0	N/M	104.4%
Earnings(loss) per share - diluted					
Before extraordinary items	(0.09)	1.71	1.19	N/M	43.7%
Net income(loss)	(0.10)	1.62	1.00	N/M	62.0%
Operating margin	8.1%	15.9%	14.4%	(7.8)pts	1.5pts

N/M = NOT MEANINGFUL

2000 revenues grew 14.8% over 1999 as a result of the acquisition of Players International, Inc. ("Players") in March 2000 and revenue growth at most of our properties. This continues the trends we reported for 1999 and 1998 and confirms the success of our strategy of growing same store sales through customer

loyalty. Significant contributors to our revenue growth over the three years presented above were the strategic acquisitions of Players, Rio Hotel & Casino, Inc. ("Rio") and Showboat, Inc. ("Showboat"). However, even without the impact of these acquisitions, we achieved significant "same store" revenue growth in 2000. The following table reflects the gaming revenues for the 12 company-owned casinos open throughout the three-year period and for casinos acquired in the acquisitions of Players in March 2000, Rio in January 1999 and Showboat in June 1998.

(In millions)	2000	1999	1998	Percentage Increase/(Decrease)	
				00 vs 99	99 vs 98
Casino revenues					
Harrah's	\$ 1,800.8	\$ 1,626.5	\$ 1,458.9	10.7 %	11.5%
Showboat acquisition	590.6	556.0	201.4	6.2 %	N/M
Rio acquisition	184.6	241.7	--	(23.6)%	N/M
Players acquisition	276.0	--	--	N/M	--
Total	<u>\$ 2,852.0</u>	<u>\$ 2,424.2</u>	<u>\$ 1,660.3</u>	17.6 %	46.0%

N/M = NOT MEANINGFUL

Contradicting the revenue growth is the decline in operating profit, net income (loss) and diluted earnings per share in 2000 as compared to 1999, driven primarily by fourth quarter charges for Harrah's New Orleans and NAI and lower results at the Rio. Comparison of our year-over-year results is complicated by these unusual charges in 2000. The table below presents a pro forma comparison of our operating results, which have been adjusted to exclude 2000 charges for New Orleans and NAI, 1999 and 1998 gains from sales of equity interests in subsidiaries, 1998 venture restructuring costs and the estimated tax effects of those charges in each year.

(In millions, except earnings per share)	2000	1999	1998	Percentage Increase/(Decrease)	
				00 vs 99	99 vs 98
Total revenues	\$ 3,471.2	\$ 3,024.4	\$ 2,004.0	14.8 %	50.9%
Operating profit	636.1	594.8	354.2	6.9 %	67.9%
Income from operations	502.7	481.0	293.9	4.5 %	63.7%
Income before extraordinary items	164.0	181.8	117.3	(9.8)%	55.0%
Net income	163.3	170.8	97.6	4.4 %	75.0%
Earnings per share - diluted					
Before extraordinary items	1.38	1.41	1.16	(2.1)%	21.6%
Net income	1.37	1.33	0.96	3.0 %	38.5%
Operating margin	14.5%	15.9%	14.7%	(1.4)pts	1.2pts

STRATEGIC ACQUISITIONS

One facet of our growth strategy has been the pursuit of acquisitions to further enhance our distribution, strengthen our access to target customers and leverage our technological and centralized services infrastructure. The following provides a brief review of our acquisition activities.

SHOWBOAT, INC. We acquired Showboat on June 1, 1998, for \$30.75 per share in an all cash transaction and assumption of approximately \$635.0 million of Showboat's outstanding debt. Our acquisition of Showboat gives us a stronger presence in the two key growth and feeder markets of Atlantic City and Chicago. In Atlantic City, Showboat provides us with a strong additional brand in a strategic Boardwalk location that complements our Harrah's brand location in the Marina district. In the Chicago market, the combination of Showboat's riverboat casino complex southeast of Chicago in neighboring Indiana, which has been re-branded as a Harrah's casino, and Harrah's in Joliet, Illinois, southwest of Chicago, makes it possible for us to seek the loyalty of a broader share of visitors from the Chicago area. Our acquisition of Showboat was accounted for as a purchase.

Also included in the Showboat acquisition was a 24.6% equity ownership interest in the Star City casino in Sydney, Australia and an agreement to manage that casino. In fourth quarter 1999, we sold our ownership interest in the Star City casino, and in first quarter 2000, we completed the sale of our management interests in that property. We received net proceeds of approximately \$200 million from these sales. (See Other Factors Affecting Net Income.)

During first quarter 2000, we completed the sale for cash of the Showboat Las Vegas property, which was acquired in our purchase of Showboat, Inc. At the time of the Showboat acquisition, the Showboat Las Vegas property was determined to be a nonstrategic asset for us and was reported as an asset-held-for-sale in our financial statements. No gain or loss resulted from the sale of this asset.

RIO HOTEL & CASINO, INC. We completed our merger with Rio on January 1, 1999, issuing approximately 25 million shares of our common stock to acquire all of Rio's outstanding shares in a one-for-one transaction and assuming Rio's outstanding debt of approximately \$432 million. The addition of the Rio to the family of Harrah's Entertainment properties provides our customers who frequent Las Vegas a choice between two distinct, high-quality experiences, a high quality Las Vegas strip destination and a high-quality resort experience. In

addition to the Rio property, our acquisition also included Rio Secco, an 18-hole championship golf course, and approximately 35 acres adjacent to the Rio, which is available for further development. We accounted for our merger with Rio as a purchase.

PLAYERS INTERNATIONAL, INC. In March 2000, we completed our acquisition of Players, paying \$8.50 in cash for each outstanding share and assuming \$150 million of Players outstanding debt. Players operated a dockside riverboat casino on the Ohio River in Metropolis, Illinois; two cruising riverboat casinos in Lake Charles, Louisiana; two dockside riverboat casinos in Maryland Heights, Missouri; and a horse racetrack in Paducah, Kentucky. Players and Harrah's Entertainment jointly operated a landside hotel and entertainment facility at the Maryland Heights property, a suburb of St. Louis. The operations of the Players facility in Maryland Heights were consolidated with the adjacent Harrah's operation in second quarter 2000, and the Lake Charles facility was converted to the Harrah's brand in fourth quarter 2000. The Metropolis facility is expected to be converted to the Harrah's brand name after integration of our systems and technology, including Total Rewards, which we anticipate will occur in the second half of 2001.

WESTERN REGION

(In millions)

	2000	1999	1998	Percentage Increase/(Decrease)	
				00 vs 99	99 vs 98
Casino revenues.....	\$ 726.8	\$ 730.1	\$457.6	(0.5)%	59.5%
Total revenues.....	1,141.7	1,147.9	642.6	(0.5)%	78.6%
Operating profit.....	127.9	182.4	94.3	(29.9)%	93.4%
Operating margin.....	11.2%	15.9%	14.7%	(4.7)pts	1.2pts

SOUTHERN NEVADA. Revenue and operating profit decreases in Southern Nevada in 2000 were due to Rio's table games hold percentage, which ran well below historical average throughout much of the year. In addition to the revenue shortfalls, Rio's operating margin was impacted by increased entertainment costs. Our other Southern Nevada properties posted record revenues in 2000, a 10.1% increase over 1999 revenues for those properties. Harrah's Las Vegas set record revenues for the third consecutive year and Harrah's Laughlin set record revenues for the second consecutive year. Operating profits for Southern Nevada properties, excluding Rio, were up 24.3% over 1999. These increases were driven by growth in cross-market play, more effective marketing programs and improved margins.

The increase in revenues and operating profit in 1999 over 1998 was due primarily to the acquisition of Rio, which contributed \$463.7 million in revenues in the Western region that year. However, even without the addition of Rio, Southern Nevada posted record revenues for 1999, an increase of 6.8% over 1998 revenues. 1999 operating profit for Southern Nevada, excluding the impact of Rio, increased 30.5% over 1998.

In second quarter 2000, Rio opened its new \$32 million showroom complex, which includes a 1,500 seat, state-of-the-art theater with balcony; a three-level lobby with hospitality center; and a theater promenade with approximately 10,000 square feet of retail space. The showroom complex is located adjacent to the Pavilion, Rio's 110,000 square foot entertainment/convention complex that opened in March 1999. The new theater at Rio has not yet generated a significant increase in entertainment revenues.

NORTHERN NEVADA. Northern Nevada posted record revenues in 2000, up 7.0% from 1999 revenues, and operating profit increased 14.3% over 1999. We believe that these increases were due to property enhancements in Reno and Lake Tahoe and to execution of our consumer marketing strategy.

The increase in 2000 continues the trend seen in 1999 and 1998 in Northern Nevada when 1999 revenues increased 6.1% over 1998, and operating profit was 14.6% higher than in 1998.

CENTRAL REGION

(In millions)

	2000	1999	1998	Percentage Increase/(Decrease)	
				00 vs 99	99 vs 98
Casino revenues.....	\$1,381.6	\$ 970.9	\$661.9	42.3%	46.7%
Total revenues.....	1,453.9	1,020.1	702.7	42.5%	45.2%
Operating profit.....	304.8	201.8	121.0	51.0%	66.8%
Operating margin.....	21.0%	19.8%	17.2%	1.2pts	2.6pts

The revenue and operating profit increases reported by the Central Region for 2000 versus 1999 were due to the acquisition of Players in late March and to record performances at several of our properties in the region. Excluding the impact of the Players acquisition, Central Region gaming revenues increased 13.9% in 2000 over the prior year and drove correlating increases in net revenues and operating profit. Increases in 1999 over 1998 are due primarily to the consolidation in 1999 of the East Chicago property, the conversion of Harrah's Joliet from a cruising to a dockside operation and continued improvements at our St. Louis property. Excluding the impact of the consolidation of the East Chicago property, Central Region revenues increased

14.7% over 1998 and operating profit increased 36.7% for the same period.

CHICAGOLAND/ILLINOIS. Record revenues and operating income were recorded for our Chicagoland properties for 2000, up 25.2% and 36.3%, respectively, from 1999. Harrah's Joliet has benefited from the mid-1999 elimination of cruise scheduling and ticketing and the fourth quarter 1999 opening of the new hotel at that property. Subject to regulatory approvals, we plan to convert the casino in Joliet from riverboats to barges. It is anticipated that the two riverboats will be removed from service in fourth quarter 2001; therefore, depreciation has been accelerated by \$2.4 million per quarter, beginning in third quarter 2000, to reflect the revised estimates of the riverboats' useful lives. Excluding this accelerated depreciation, Harrah's Joliet's operating profit increased 43.5% in 2000. Harrah's East Chicago's revenue increased 19.7% and operating profit increased 37.9% over 1999. We believe that these results were driven by the March 1999 re-branding of this property to the Harrah's brand and the successful execution of the Company's loyalty strategy in East Chicago. We have begun construction on a 292-room hotel at the East Chicago property. This project is expected to cost approximately \$47.0 million and is estimated to be completed near year-end 2001.

In 1999, our operating results in the Chicagoland market benefited from both the consolidation and re-branding in first quarter 1999 of the East Chicago property and rule changes governing the operations of Harrah's Joliet. After our acquisition of Showboat, we owned a 55% noncontrolling interest in Showboat Marina Casino Partnership ("SMCP"), the partnership that owned the East Chicago Showboat property. During 1998, our share of income from the East Chicago casino was included in Equity in losses of nonconsolidated affiliates in the Consolidated Statements of Operations. In first quarter 1999, we consummated an agreement with our partners owning the other 45% interest in SMCP to increase our ownership interest to 99.55%, and partnership agreements were amended to give us greater flexibility in operating this property. Consequently, we began consolidating this partnership with the financial results of our other businesses in first quarter 1999.

Revenues increased 32.9% at Harrah's Joliet in 1999 compared to the prior year, and operating profit increased 61.0%. In late June 1999, cruise scheduling and ticketing were eliminated at Harrah's Joliet, and business levels increased significantly subsequent to going dockside. During fourth quarter 1999, we completed construction of a 204-suite hotel at Harrah's Joliet. This follows the completion in first quarter 1998 of a

climate-controlled walkway, joining Harrah's Joliet's self-parking garage to its pavilion, and a new VIP lounge.

Players Metropolis contributed \$87.5 million in revenues and \$27.2 million in operating income for the period subsequent to its acquisition in 2000. The Metropolis property is expected to be converted to the Harrah's brand in the second half of 2001.

LOUISIANA. Harrah's Shreveport's 2000 revenues declined 1.5% and operating profit declined 16.4%. These declines were the result of an on-going construction program and costs of promotions mounted to sustain business during construction activities. Construction began in May 1999 on a 514-room hotel with almost 18,000 square feet of convention center space. The new hotel and amenity expansion is expected to cost \$146.6 million, of which \$138.7 million had been spent through December 31, 2000. Weather-related delays have pushed the expected completion of this expansion to first quarter 2001. 1999 revenues for this property declined 3.8% and operating profit declined 11.0% compared to 1998 due to substantial new additional hotel and entertainment amenities added by our competitors in 1998.

The Lake Charles property, which was acquired in the Players acquisition in March 2000 and was re-branded to the Harrah's brand in fourth quarter 2000, contributed \$125.2 million in revenues and \$21.2 million in operating profit. We [are currently investing] approximately \$41 million to upgrade the slot product and infrastructure of the Lake Charles property. This capital expenditure includes the cost of replacing one of the existing boats with a riverboat that we purchased in 1998 and are renovating.

MISSISSIPPI. Combined revenues from our Mississippi operations increased 1.5% in 2000 from 1999. This follows a 6.1% increase in 1999 from 1998 levels. Our Mississippi properties' combined operating profit in 2000 was down 13.5% from 1999 when operating profit was \$5.2 million, compared to a combined loss for 1998 due to disrupted operations at Harrah's Tunica for much of the year in connection with our testing of service initiatives at that property.

In March 1999, we consummated the sale of our original Tunica property to another casino company. Our gain from this disposition is reported in Write-downs, reserves and recoveries in the Consolidated Statements of Operations.

MISSOURI. Harrah's North Kansas City posted record revenues and operating profit in 2000, up 6.0% and 31.7%, respectively. 1999 revenues increased 8.8% over 1998 and operating profit was up 9.3% for the same period.

Revenues at Harrah's St. Louis were 74.9% higher than in 1999 and operating profit was up 54.6% due principally to the integration of Players St. Louis and the Harrah's/Players jointly-owned shore-side facilities into our operations. Harrah's St. Louis reported record revenues and operating income for 1999, up 31.5% and 86.6%, respectively, over 1998 levels.

The St. Louis shore-side facilities were owned jointly with Players prior to our March 22, 2000, acquisition of that company. Our pro-rata share of operating losses of the joint venture in 2000 up to the date of the Players acquisition was \$2.4 million. Our pro-rata share of the operating losses of the shore-side facilities was \$10.4 million for 1999 and \$10.8 million for 1998. These operating losses are included in Equity in losses of nonconsolidated affiliates in the Consolidated Statements of Operations (see Other Factors Affecting Net Income (Loss)). Subsequent to the Players acquisition, results of the shore-side facilities, as well as for Players St. Louis operations, are combined with Harrah's St. Louis' operating results.

During 1998, we incurred \$5.0 million of nonrecurring costs in connection with a successful campaign for a referendum in Missouri seeking approval of games of chance on riverboats in artificial basins. In November 1998, the people of Missouri voted to amend that State's Constitution to deem all floating casino facilities in compliance with state law.

In third quarter 1998, we acquired the assets of a riverboat casino in Kansas City formerly operated by a third party, including a 28,000 square foot casino riverboat, shore-side facilities, parking garage, certain land, all gaming equipment and computerized customer databases. We plan to replace one of the boats at Harrah's Lake Charles with this acquired riverboat, and the acquired land and shore-side facilities are currently being marketed for sale.

EASTERN REGION

(In millions)	2000	1999	1998	Percentage Increase/(Decrease)	
				00 vs 99	99 vs 98
Casino revenues.....	\$743.3	\$723.3	\$540.8	2.8%	33.7%
Total revenues.....	791.8	775.6	590.8	2.1%	31.3%
Operating profit.....	182.3	173.8	129.2	4.9%	34.5%
Operating margin.....	23.0%	22.4%	21.9%	0.6pts	0.5pts

Our Eastern Region is comprised of the operating results of Harrah's Atlantic City and the Atlantic City Showboat property. Harrah's Atlantic City achieved

record revenues for the fourth consecutive year in 2000, and operating profit, which was also a record, increased 16.6% compared to 1999. Showboat Atlantic City's revenues were down 1.7% from 1999 levels and operating profit was down 9.8% for the same period. The Eastern Region's 1998 results include only seven months of operations from the Atlantic City Showboat.

We began construction in 2000 of a 450-room expansion at Harrah's Atlantic City. The expansion is expected to cost approximately \$113 million, \$7.3 million of which had been spent as of December 31, 2000. The expansion is scheduled to be completed in first quarter 2002.

MANAGED CASINOS AND OTHER

(In millions)	2000	1999	1998	Percentage Increase/(Decrease)	
				00 vs 99	99 vs 98
Revenues.....	\$78.5	\$77.9	\$65.6	0.8 %	18.8%
Operating profit.....	40.4	43.3	25.3	(6.7)%	71.1%

Our Managed Casinos and Other results for 2000 reflect a full year of management fees from Harrah's New Orleans, which opened in fourth quarter 1999 and which essentially offset lower management fee percentages as a result of recent renewal and extension agreements for two of the Indian-owned facilities that we manage. The uncollected balance of the New Orleans management fee revenues was included in the reserves recorded in 2000 (see Other Factors Affecting Net Income (Loss)). 1999 results were led by increased management fees from the tribal-owned casinos we manage.

In third quarter 2000, the Eastern Band of Cherokee Indians ("Cherokee") broke ground on a new \$63 million hotel and conference center at Harrah's Cherokee Smoky Mountain Casino in Cherokee, North Carolina. Construction of the 252-room hotel and 30,000 square foot conference center is slated for completion in first quarter 2002. In fourth quarter 1999, we announced an agreement with Cherokee for a two-year extension of our management contract. Our agreement will now expire in November 2004.

During first quarter 2000, we signed a definitive agreement with the Rincon San Luiseno Band of Mission Indians ("Rincon") to act as developer and manager for the Tribe's \$125 million casino and hotel on Rincon tribal land less than 50 miles north of San Diego, California. This location provides convenient access to metropolitan San Diego, La Jolla, Del Mar, Escondido and Orange County, California. The Rincon opened a temporary casino facility in January 2001. We are providing the Rincon technical services related to the development and operation of the temporary casino, but we will not manage the temporary facility. We are providing \$29.2 million to finance the temporary casino, part

of which will be transferable to the permanent facility, which is expected to open in the first half of 2002. The remaining cost of the permanent facility is expected to be funded by a third-party loan that we expect to guarantee. We expect to manage the permanent facility for a fee. The operation of the permanent casino project is subject to various approvals, including approvals of the National Indian Gaming Commission ("NIGC").

In third quarter 1999, we signed a contract with the Ak-Chin Indian Community ("Ak-Chin") to continue management of its casino for another five years. The five-year agreement contemplates an extension of the Ak-Chin's compact with the State of Arizona, which currently expires in 2003, and is subject to final approval by the NIGC, which, in the interim, has approved a temporary extension (on new financial terms) of the original agreement. An expansion to the casino will open in first quarter 2001 and includes a new 146-room hotel, an additional restaurant, meeting and banquet room facilities, a resort pool and a landscaped courtyard.

See Debt and Liquidity for further discussion of our guarantees of debt related to Indian projects.

We ceased management of the Star City casino in Sydney, Australia in January 2000, upon the completion of the buy-out of our management contract by another company. Their acquisition of the management contract followed their buy-out of our equity ownership in the casino in fourth quarter 1999. (See Other Factors Affecting Net Income.)

In November 1998, we ceased management of the casino owned by the Upper Skagit Tribe ("Upper Skagit") located on Indian lands near Seattle, Washington. We had guaranteed Upper Skagit's development financing, and during second quarter 1999 we performed under our guarantee and purchased Upper Skagit's outstanding development debt from the lender for \$11.4 million. Upper Skagit secured new financing and paid the debt owed to us in third quarter 2000.

On June 30, 1998, we ceased management of the Sky City casino complex in Auckland, New Zealand. Our management contract was bought out by the owner, Sky City Limited, and a \$10.3 million termination fee was received. (See Other Factors Affecting Net Income.)

Also included in Managed Casinos and Other are our brand marketing costs. In 1998, we launched the first national brand advertising campaign by a casino company. A portion of the 1998 cost of the brand advertising campaign was funded by the displacement of advertising and marketing dollars spent in the past by

the individual properties. The cost for the campaign in excess of the amounts contributed to this effort by the properties totaled approximately \$9.3 million in 1998. In 1999 and 2000, the cost of the brand advertising campaign was fully funded by contributions from the individual properties.

OTHER FACTORS AFFECTING NET INCOME (LOSS)

(Income)/Expense (In millions)	Percentage Increase/(Decrease)				
	2000	1999	1998	00 vs 99	99 vs 98
Development costs	\$ 6.4	\$ 6.5	\$ 9.0	(1.5)%	(27.8)%
Write-downs, reserves and recoveries:					
Reserves for New Orleans					
Casino	220.0	--	--	N/M	N/M
Other	6.1	2.2	7.5	N/M	N/M
Project opening costs	8.3	2.3	8.1	N/M	(71.6)%
Corporate expense	50.5	42.7	37.9	18.3 %	12.7 %
Headquarters relocation and reorganization costs	3.0	10.3	--	(70.9)%	N/M
Equity in losses of					
nonconsolidated affiliates .	57.9	43.5	15.0	33.1 %	N/M
Venture restructuring costs ..	0.4	(0.3)	6.0	N/M	N/M
Amortization of goodwill and trademarks	21.5	17.6	7.5	22.2 %	N/M
Interest expense, net	227.1	193.4	117.3	17.4 %	64.9 %
Loss/(gain) on interests in nonconsolidated affiliates .	41.6	(59.8)	N/M	N/M	
Other income	(3.9)	(12.1)	(67.8)%	(38.3)%	
Effective tax rate	86.4%	35.9 %	36.7 %	50.5pts	(0.8)pts
Minority interests	\$ 13.8	\$ 11.2	\$ 7.0	23.2 %	60.0 %
Extraordinary losses, net of income taxes	0.7	11.0	19.7	(93.6)%	N/M

N/M = NOT MEANINGFUL

Development costs have decreased over the years presented due to the decrease in new casino development opportunities.

Write-downs, reserves and recoveries for 2000 included \$220 million in reserves for receivables from JCC in connection with their bankruptcy reorganization. Also included in Write-downs, reserves and recoveries is the write-down to estimated realizable value of assets held for sale, the write-off of abandoned assets and the write-off of a weather-related casualty loss at a hotel under construction, partially offset by recovery of receivables previously reserved and gains on assets previously written down. 1999 included a further write-down to estimated realizable value of an idle riverboat, write-offs of

obsolete assets, Year 2000 costs and recoveries of costs previously written-off. In 1998, Write-downs and reserves included write-offs of obsolete assets, the write-down to estimated realizable value of an idle riverboat, a reserve for termination of a development agreement with an Indian tribe and certain Year 2000 costs. (See Note 7.)

Project opening costs for 2000 included costs incurred in connection with the integration of the Players properties into the Harrah's systems and technology and costs incurred in connection with expansions at various casinos. 1999 Project opening costs included a fee paid in connection with the renewal of a management contract and costs related to expansions at various properties. In 1998, Project opening costs were incurred in connection with an initiative to develop and implement strategies and employee training programs designed to better focus our employees on serving our targeted customers.

Corporate expense increased 18.3% over 1999 but represented only 1.5% of revenues in 2000, basically level with the 1.4% of revenues reported in 1999 and down from 1.9% in 1998.

During 1999, we relocated our corporate headquarters and moved our senior corporate executives and their support staffs to Las Vegas, Nevada. The Company's national services headquarters remains in Memphis, Tennessee. \$10.3 million of costs related to the relocation of the Company's headquarters were expensed in 1999. The final phase of the relocation was completed in 2000, and an additional \$3.0 million was expensed for that activity.

Equity in losses of nonconsolidated affiliates for 2000 reflected our share of operating losses from NAI (\$9.3 million) and JCC (\$46.0 million). NAI and JCC filed voluntary petitions for reorganization relief plans in December 2000 and January 2001, respectively, triggering write-offs of our remaining investments and reserves for receivables and contingent liabilities. Since the acquisition of Players in March 2000, the St. Louis shore-side facilities are included in our St. Louis operations; therefore, Equity in losses of nonconsolidated affiliates includes our pro-rata share of these facilities' losses only up to the date of the Players acquisition. 1999 increased over 1998 primarily as a result of losses from our investments JCC and NAI. Our share of 1999 losses from JCC was \$23.2 million, including \$14.9 million of project opening costs. Our share of NAI's 1999 losses was \$8.8 million, including \$2.7 million of their project opening costs. With the acquisition of Rio, our ownership interest in NAI increased from 23.9% to 47.8%. During 1999, we accounted for Rio's investment in the airline as an asset-held-for-sale. Although the Rio ownership interest was still for sale during 2000, our equity pick-up percentage increased to reflect our full ownership interest. 1999 losses from the joint venture portion of the St. Louis development were 4.2% less than our share of 1998 losses.

Venture restructuring costs represent our costs, including legal fees, associated with the development of reorganization plans for the New Orleans casino.

Amortization of goodwill and trademarks increased in 1999 with the acquisition of Rio and again in 2000 with the acquisition of Players.

Interest expense increased in 2000 over 1999 and again in 1999 over 1998 due to debt assumed and incurred in connection with our acquisitions and stock repurchase activities.

The 2000 Gains (losses) on interests in nonconsolidated affiliates reflects the charges for reserves related to NAI and the loss on an investment. In 1999, we sold our shares of Star City casino and recorded a pretax gain of \$43.5 million. We also sold our interest in Sodak Gaming, Inc. to a gaming equipment manufacturing company and recorded a pretax gain of \$16.3 million. In 1998, we sold our interest in a restaurant affiliate and recorded a pretax gain of \$13.2 million.

The decrease in Other income in 2000 was primarily due to lower interest income on the cash-surrender-value of life insurance policies. 1998 included the gain from the sale of land in the Atlantic City area.

The effective tax rate for 2000, as well as for 1999 and 1998, is higher than the federal statutory rate due to state income taxes and that portion of our goodwill amortization that is not deductible for tax purposes.

Minority interests reflect joint venture partners' shares of income at joint venture riverboat casinos.

Extraordinary losses reported in all three years are due primarily to early extinguishments of debt and include the premium paid to holders of the debt retired and the write-off of related unamortized deferred finance charges. (See Debt and Liquidity - Early Extinguishments of Debt.)

CAPITAL SPENDING AND DEVELOPMENT

TOTAL CAPITAL SPENDING AND DEVELOPMENT

In addition to the specific development and expansion projects discussed in Operating Results and Development Plans, we perform on-going refurbishment and maintenance at our casino entertainment facilities in order 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 planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects being pursued is expected to be made available from operating cash flows, the Bank Facility (see Debt and Liquidity), joint venture partners, specific project financing, guarantees of third-party debt and, if necessary, additional debt and/or equity offerings. Our capital spending for 2000 totaled approximately \$568.3 million, excluding the costs of our acquisition of Players and the purchase of JCC's debt. Total capital expenditures for 2001 are expected to be between \$450 million and \$525 million.

DEBT AND LIQUIDITY

BANK FACILITY

The Company has revolving credit and letter of credit facilities (the "Bank Facility"), which were amended in second quarter 2000 to expand our borrowing capacity to \$1.9 billion. This Bank Facility consists of a five-year \$1.525 billion revolving credit and letter of credit facility maturing in 2004 and a separate \$375 million revolving credit facility, which is renewable annually at the borrower's and lenders' options. Currently, the Bank Facility bears interest based upon 80 basis points over LIBOR for current borrowings under the five-year facility and 85 basis points over LIBOR for the 364-day facility. In addition, there is a facility fee for borrowed and unborrowed amounts, which is currently 20 basis points on the five-year facility and 15 basis points on the 364-day facility. The interest rate and facility fee are based on our current debt ratings and leverage ratio and may change as our debt ratings and leverage ratio change. There is an option on each facility to borrow at the prime rate. As of December 31, 2000, \$1.6 billion in borrowings were outstanding under the Bank Facility, with an additional \$35.9 million committed to back letters of credit

and \$40.3 million committed to back Commercial Paper borrowings. After consideration of these borrowings, \$249.2 million of additional borrowing capacity was available to the Company as of December 31, 2000.

ISSUANCE OF NEW DEBT

In addition to our Bank Facility, we have issued debt and entered into credit agreements in order to provide for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, to provide the Company with cost-effective borrowing flexibility and to replace short-term, floating-rate debt with long-term, fixed-rate debt. The table below summarizes new debt obligations that we have entered into in the last three years.

(In thousands)

Debt	Issued	Matures	Outstanding at December 31, 2000
-----	-----	-----	-----
Senior Subordinated Notes	December 1998	2005	\$750,000
Senior Notes	January 1999	2009	500,000
Credit Agreement	June 2000	to 2001	150,000
Commercial Paper	2000	to 2001	40,269
Uncommitted Line of Credit Agreements	2000	to 2001	65,000

EXTINGUISHMENTS OF DEBT

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

(In thousands)

Issuer	Date Retired	Debt Extinguished	Face Value Retired
Players	June 2000	10 7/8% Senior Notes due 2005	\$150,000
Showboat	June 2000	91/4% First Mortgage Bonds due 2008.....	56,445
SMCP	March 1999	13 1/2% First Mortgage Notes due 2003.....	140,000
Rio	May 1999	10 5/8% Senior Subordinated Notes due 2005.....	100,000
Rio	May 1999	9 1/2% Senior Subordinated Notes due 2007.....	125,000
SMCP	July 1999	Capital lease obligations.....	9,210
Showboat	June 1998	9 1/4% First Mortgage Bonds due 2008.....	218,555
Showboat	June 1998	13% Senior Subordinated Notes due 2009.....	117,900
HOC	May 1998	8 3/4% Senior Subordinated Notes due 2000.....	200,000

SUBSEQUENT ISSUE OF DEBT

In January 2001, Harrah's Operating Company, Inc., ("HOC"), a wholly-owned subsidiary of the Company, completed a private placement of \$500.0 million principal amount 8% Senior Notes due 2011 (the "8% Notes"). The 8% Notes are unsecured and contain certain covenants that limit our ability to enter into certain sale and lease-back transactions, incur liens on our assets to secure debt, merge or consolidate with another company and transfer or sell substantially all of our assets. Proceeds from the 8% Notes were used to pay off our \$150 million credit agreement and to reduce indebtedness under our Bank Facility.

SHORT-TERM DEBT

In June 2000, we entered into a 364-day credit agreement (the "Credit Agreement") with a lender whereby we borrowed \$150 million to redeem the Players Notes. Interest rates, facility fees and covenants in the Credit Agreement were identical to those provisions contained in our Bank Facility. The Credit Agreement was paid off in January 2001, using funds from the 8% Notes.

In a program designed for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, we have entered into uncommitted line of credit agreements with two lenders whereby we can borrow up to \$65

million for periods of ninety days or less. At December 31, 2000, we had borrowed \$65 million under these agreements. Borrowings bear interest at current market rates. Interest rates on amounts borrowed under these agreements during 2000 ranged from 6.1% to 8.1%. These agreements have no impact on and do not decrease our borrowing capacity under our Bank Facility.

EQUITY REPURCHASE PROGRAM

Pursuant to plans authorized by our Board of Directors in July 1999 and April 2000, we repurchased 12.4 million shares of the Company's stock in the open market in 2000. Spending for these repurchases has totaled approximately \$277.6 million for the year. The repurchases were funded through available operating cash flows and borrowings from our Bank Facility. Shares purchased during second quarter 2000 completed the plan approved by our Board of Directors in July 1999 for the repurchase of 10 million shares. Another 4.5 million shares may be purchased under the April 2000 plan, which will expire December 31, 2001.

GUARANTEES OF THIRD-PARTY DEBT AND OTHER COMMITMENTS

In addition to guarantees and commitments related to JCC and NAI discussed earlier, 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. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. 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 pursuant to the contracts for the three managed Indian-owned facilities now open, which extend for periods of up to 48 months from December 31, 2000, is \$1.1 million.

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, 2000, was \$52.5 million.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

COMPETITIVE PRESSURES

Due to the limited number of new markets opening for development, most casino operators are reinvesting in existing markets in an effort to attract new customers, thereby increasing competition in those markets. Our properties in the long-established gaming markets of Nevada and New Jersey have generally been less affected by the changing competitive conditions. With the exception of the additional supply added in recent years in Las Vegas, the amount of supply change within these markets has represented a smaller percentage change than that experienced in some newer markets. In newer markets, the additions to supply had a more noticeable impact, due to the fact that competition was limited in the early stages of many of these markets. As companies have completed expansion projects, supply has typically grown at a faster pace than demand in some markets and competition has increased significantly. Furthermore, several operators, including Harrah's Entertainment, have announced plans for additional developments or expansions in some markets. In the Las Vegas market five new "mega" facilities have opened since October 1998. The impact that the additional supply will have on our operations cannot be determined at this time.

Although the short-term effect of such competitive developments on our Company has typically 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, measurements and rewards programs; and our continuing efforts to establish our brands as premier brands upon which we have built strong customer loyalty have well-positioned us to face the challenges present within our industry. We utilize the unique capabilities of WINet, a sophisticated nationwide customer database, and our Total Rewards, a nationwide reward and recognition program that provides our customers with a simpler understanding of exactly how to earn the cash, comps and other benefits they want, to reward customers for choosing Harrah's Entertainment casinos. We believe both of these marketing tools provide us with competitive advantages, particularly with players who visit more than one market. All of our properties are integrated into both WINet and Total Rewards, with the exception of Players Metropolis, which is expected to be integrated into the programs during 2001.

INDUSTRY CONSOLIDATION

As evidenced by the number of recent public announcements by casino entertainment companies of plans to acquire or be acquired by other companies, including our acquisitions of Showboat and Players and our merger with Rio, consolidation in the gaming industry is now underway. We believe we are well-positioned to, and may from time to time, pursue additional strategic acquisitions.

POLITICAL UNCERTAINTIES

The casino entertainment industry is subject to political and regulatory uncertainty. In 1996, the U.S. government formed a federal commission to study gambling in the United States, including the casino gaming industry. The commission issued its report in June 1999. 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 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. At this time, the ultimate impacts that the National Gaming Impact Study Commission report and the California Compacts may have on the industry or on our Company are uncertain. From time to time, individual jurisdictions have also considered legislation or referendums which could adversely impact our operations, and the likelihood or outcome of similar legislation and referendums in the future is difficult to predict.

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

EFFECTS OF INFLATION

Inflation has had little effect on our historical operations. Generally, we have not experienced any significant negative impact on gaming volume or on wagering propensity of our customers as a result of inflationary pressures. Further, we have been successful in increasing the amount of wagers and playing time of our casino customers through effective marketing programs. We have also, from time to time, adjusted our required minimum bets at table games and changed the relative mix of slot machines in favor of machines with higher denominations. These strategies, supplemented by effective cost management programs, have offset the impact of inflation on our operations. Inflation tends to increase the value of our casino entertainment properties.

INTERCOMPANY DIVIDEND RESTRICTION

Certain of our debt guarantees require us to abide by covenants which, among other things, limit the ability of our principal operating subsidiary, HOC, to pay dividends and make other restricted payments, as defined, to Harrah's Entertainment. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments, was approximately \$1.3 billion at December 31, 2000. Harrah's Entertainment's principal asset is the stock of HOC, a wholly-owned subsidiary which holds, directly and through subsidiaries, the principal assets of our businesses. Given this ownership structure, these restrictions should not impair our ability to conduct our business through our subsidiaries or to pursue our development plans.

RECENTLY ISSUED AND PROPOSED ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative financial instruments. The provisions of SFAS No. 133 require that a company recognizes all derivatives as either assets or liabilities on its balance sheet and that the instruments be valued at their fair value. The Statement also defines the criteria and conditions which govern the recognition of subsequent changes in the fair value of the instrument as being either balance sheet or income statement events. The provisions of SFAS No. 133 are effective for years beginning after June 15, 2000. We do not expect the adoption of SFAS No. 133 to materially impact our results of operations or financial position.

The FASB has issued a proposed SFAS that will impact the accounting for business combinations and intangible assets, including goodwill. If adopted as currently proposed, the new SFAS will require all acquisitions to be accounted for under the purchase method and the amortization of goodwill will cease. Goodwill will be subject to reviews for impairment upon the occurrence of certain events, and, if impaired, a write-down would be recorded. The new SFAS is expected to be issued during 2001 and its provisions are expected to be effective for the first fiscal quarter after issuance. Early adoption or retroactive application of the new Standard is not expected to be permitted, although pro forma disclosures of the impact of its provisions on periods prior to the date of adoption are expected to be required. We recorded goodwill amortization of \$19 million, \$15 million and \$6 million in 2000, 1999 and 1998, respectively.

PRIVATE SECURITIES LITIGATION REFORM ACT

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in our Annual Report on Form 10-K and other materials filed or to be filed by the Company with the Securities and Exchange Commission ("SEC") (as well as information included in oral statements or other written statements made or to be made by the Company) contains statements that are forward-looking. These forward-looking statements generally can be identified by phrases such as the Company "believes," "expects," "anticipates," "foresees," "estimates," "intends," "plans," "seeks," or other words or phrases of similar import. These include statements relating to the following activities, among others: (A) operations and expansions of existing properties, including future performance, anticipated scope and opening dates of expansions; (B) planned development of casinos and hotels that would be owned or managed by the Company and the pursuit of strategic acquisitions; (C) planned capital expenditures for 2001 and beyond; (D) the impact of the WINet and Total Rewards Programs; and (E) any future impact of the Rincon development. Similarly, such statements herein that describe, generally or specifically, the Company's business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. These include, but are not limited to, the following factors as well as other factors described from time to time in the Company's reports filed with the SEC: construction factors, including zoning issues, environmental restrictions, soil conditions, weather and other hazards, site access matters and building permit issues; access to available and feasible financing; regulatory, licensing and other government approvals, third-party consents and approvals, and relations with partners, owners and other third parties; conditions of credit markets and other business and economic conditions, including international and national economic problems; litigation, judicial actions and political uncertainties, including gaming legislative action, referenda and taxation; abnormal gaming holds; and the effects of competition including locations of competitors and operating and marketing competition. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995, speak only as of the date made, and are qualified in their entirety by this and other cautionary statements herein and in our other filings with the SEC.

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

	December 31,	
	2000	1999
Assets		
Current assets		
Cash and cash equivalents	\$ 299,202	\$ 233,581
Receivables, less allowance for doubtful accounts of \$49,357 and \$44,086	122,050	121,186
Deferred income taxes (Note 9)	35,126	33,208
Income tax refunds receivable	56,132	32,329
Prepayments and other	48,107	35,699
Inventories	22,816	30,666
Total current assets	583,433	486,669
Land, buildings, riverboats and equipment		
Land and land improvements	705,393	653,101
Buildings, riverboats and improvements	2,652,867	2,391,226
Furniture, fixtures and equipment	974,233	820,583
Construction in progress	248,760	118,844
Less: accumulated depreciation	(1,084,884)	(922,524)
Goodwill, net of amortization of \$72,465 and \$54,346 (Note 2)	3,496,369	3,061,230
Investments in and advances to nonconsolidated affiliates (Note 15)	685,393	505,217
Deferred costs, trademarks and other (Note 4)	86,681	168,511
Deferred costs, trademarks and other (Note 4)	314,209	545,220
	\$ 5,166,085	\$ 4,766,847
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 89,051	\$ 81,200
Accrued expenses (Note 4)	343,524	287,494
Short-term debt (Note 5)	215,000	--
Current portion of long-term debt (Note 5)	130,928	2,877
Total current liabilities	778,503	371,571
Long-term debt (Note 5)	2,835,846	2,540,268
Deferred credits and other	177,654	120,827
Deferred income taxes (Note 9)	85,650	228,955
	3,877,653	3,261,621
Minority interests	18,714	18,949
Commitments and contingencies (Notes 6 and 12 through 15)		
Stockholders' equity (Notes 3, 14 and 15)		
Common stock, \$0.10 par value, authorized - 360,000,000 shares, outstanding - 115,952,394 and 124,379,760 shares (net of 22,030,805 and 9,286,772 shares held in treasury)	11,595	12,438
Capital surplus	1,075,313	987,322
Retained earnings	224,251	512,539
Accumulated other comprehensive income (loss)	(1,036)	(493)
Deferred compensation related to restricted stock	(40,405)	(25,529)
	1,269,718	1,486,277
	\$ 5,166,085	\$ 4,766,847
	=====	=====

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

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

	Year Ended December 31,		
	2000	1999	1998
Revenues			
Casino	\$ 2,852,048	\$ 2,424,237	\$ 1,660,313
Food and beverage	476,538	425,808	231,568
Rooms	270,313	253,629	153,538
Management fees	66,398	75,890	64,753
Other	146,291	131,403	78,320
Less: casino promotional allowances	(340,438)	(286,539)	(184,477)
Total revenues	3,471,150	3,024,428	2,004,015
Operating expenses			
Direct			
Casino	1,495,622	1,254,557	868,622
Food and beverage	228,002	218,580	116,641
Rooms	67,800	66,818	41,871
Depreciation and amortization	236,082	188,199	130,128
Development costs	6,387	6,538	8,989
Write-downs, reserves and recoveries (Note 7):			
Reserves for New Orleans casino	220,000	--	--
Other	6,106	2,235	7,474
Project opening costs	8,258	2,276	8,103
Other	786,825	690,404	467,999
Total operating expenses	3,055,082	2,429,607	1,649,827
Operating profit	416,068	594,821	354,188
Corporate expense	(50,472)	(42,748)	(37,890)
Headquarters relocation and reorganization costs (Note 8) ...	(2,983)	(10,274)	--
Equity in losses of nonconsolidated affiliates (Note 15)	(57,935)	(43,467)	(14,989)
Venture restructuring costs	(400)	322	(6,013)
Amortization of goodwill and trademarks	(21,540)	(17,617)	(7,450)
Income from operations	282,738	481,037	287,846
Interest expense, net of interest capitalized (Note 1)	(227,139)	(193,407)	(117,270)
Gains (losses) on interests in nonconsolidated affiliates (Note 15)	(41,626)	59,824	13,155
Other income, including interest income	3,866	12,129	19,575
Income before income taxes and minority interests	17,839	359,583	203,306
Provision for income taxes (Note 9)	(15,415)	(128,914)	(74,600)
Minority interests	(13,768)	(11,166)	(6,989)
Income (loss) before extraordinary losses	(11,344)	219,503	121,717
Extraordinary losses, net of tax benefit of \$388, \$5,990 and \$10,522 (Note 10)	(716)	(11,033)	(19,693)
Net income (loss)	\$ (12,060)	\$ 208,470	\$ 102,024
Earnings (loss) per share - basic			
Before extraordinary losses	\$ (0.09)	\$ 1.74	\$ 1.21
Extraordinary losses, net	(0.01)	(0.09)	(0.19)
Net income (loss)	\$ (0.10)	\$ 1.65	\$ 1.02
Earnings (loss) per share - diluted			
Before extraordinary losses	\$ (0.09)	\$ 1.71	\$ 1.19
Extraordinary losses, net	(0.01)	(0.09)	(0.19)
Net income (loss)	\$ (0.10)	\$ 1.62	\$ 1.00
Weighted average common shares outstanding	117,190	126,072	100,231
Diluted effect of stock compensation programs	--	2,676	1,289
Weighted average common and common equivalent shares outstanding	117,190	128,748	101,520

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 (LOSS)
(Notes 3, 14 and 15)
(In thousands)

	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Compensation Related to Restricted Stock	Total	Comprehensive Income (Loss)
	Shares Outstanding	Amount						
Balance - December 31, 1997	101,036	\$ 10,104	\$ 388,925	\$ 349,386	\$ 2,884	\$ (15,796)	\$ 735,503	
Net income				102,024			102,024	\$ 102,024
Unrealized gain on available-for-sale securities, less deferred tax provision of \$2,110	3,567		3,567	3,567				
Foreign currency adjustment					116		116	116
Net shares issued under incentive compensation plans, including income tax benefit of \$787	1,152	115	18,766			(8,684)	10,197	
1998 Comprehensive Income								\$ 105,707
Balance - December 31, 1998	102,188	10,219	407,691	451,410	6,567	(24,480)	851,407	
Net income				208,470	208,470	\$ 208,470		
Unrealized gain on available-for-sale securities, less deferred tax provision of \$2,118					3,606		3,606	3,606
Realization of gain due to sale of equity interest in nonconsolidated affiliate, net of tax provision of \$6,031 ...	(10,269)	(10,269)	(10,269)					
Foreign currency adjustment					(397)		(397)	(397)
Treasury stock purchases	(6,108)	(611)		(147,341)			(147,952)	
Net shares issued in acquisition of Rio and minority interest in subsidiary	25,392	2,539	529,492				532,031	
Net shares issued under incentive compensation plans, including income tax benefit of \$2,625	2,908	291	50,139			(1,049)	49,381	
1999 Comprehensive Income								\$ 201,410
Balance - December 31, 1999	124,380	12,438	987,322	512,539	(493)	(25,529)	1,486,277	
Net loss				(12,060)			(12,060)	\$ 12,060
Unrealized loss on available-for-sale securities, less deferred tax benefit of \$505					(824)		(824)	(824)
Realization of loss due to sale of equity interest in foreign subsidiary, net of tax benefit of \$148					191		191	191
Foreign currency adjustment					90	90	90	
Treasury stock purchases	(12,397)	(1,240)	(276,367)		(277,607)			
Net shares issued under incentive compensation plans, including income tax benefit of \$15,739	3,969	397	87,991	139		(14,876)	73,651	
2000 Comprehensive Loss								\$ (12,603)
Balance - December 31, 2000	115,952	\$ 11,595	\$ 1,075,313	\$ 224,251	\$ (1,036)	\$ (40,405)	\$ 1,269,718	

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

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

	Year Ended December 31,		
	2000	1999	1998
Cash flows from operating activities			
Net income (loss)	\$ (12,060)	\$ 208,470	\$ 102,024
Adjustments to reconcile net income (loss) to cash flows from operating activities			
Extraordinary losses, before income taxes	1,104	17,023	29,491
Depreciation and amortization	282,110	218,299	159,183
Write-downs, reserves and recoveries	226,106	1,570	6,535
Other noncash items	15,716	86,976	28,835
Minority interests' share of net income	13,768	11,166	6,989
Equity in losses of nonconsolidated affiliates	57,935	43,467	14,989
Realized losses (gains) from interests in nonconsolidated affiliates	41,626	(59,824)	(13,155)
Net losses (gains) from asset sales	1,213	878	(6,536)
Net change in long-term accounts	(44,772)	32,213	14,798
Net change in working capital accounts	(35,178)	(70,161)	(45,244)
Cash flows provided by operating activities	547,568	490,077	297,909
Cash flows from investing activities			
Land, buildings, riverboats and equipment additions	(421,381)	(340,468)	(140,386)
Investments in and advances to nonconsolidated affiliates	(314,921)	(70,181)	(76,052)
Payments for businesses acquired, net of cash acquired	(260,185)	--	(475,334)
Decrease (increase) in construction payables	(1,703)	1,871	(6,557)
Proceeds from sales of interests in subsidiaries	131,475	172,576	17,000
Proceeds from other asset sales	86,664	26,359	12,728
Sale (purchase) of marketable equity securities for defeasance of debt	58,091	--	(65,898)
Collection of notes receivable	14,285	13,618	--
Purchase of minority interest in subsidiary	--	(26,000)	--
Cash acquired in acquisitions	--	50,226	--
Other	(11,907)	(12,365)	(28,739)
Cash flows used in investing activities	(719,582)	(184,364)	(763,238)
Cash flows from financing activities			
Net borrowings under lending agreements, net of financing costs of \$1,444 and \$4,556	503,425	1,105,444	--
Net short-term borrowings, net of financing costs of \$450 in 2000	193,550	21,000	--
Proceeds from exercises of stock options	45,150	24,329	2,462
Purchases of treasury stock	(277,607)	(147,952)	--
Early extinguishments of debt	(213,063)	(620,493)	--
Scheduled debt retirements	(3,472)	(5,075)	(563,522)
Premiums paid on early extinguishments of debt	(1,104)	(9,278)	(24,569)
Minority interests' distributions, net of contributions	(14,003)	(7,122)	(6,200)
Net (repayments) borrowings under retired facility, net of financing costs of \$9,332 in 1998	--	(1,086,000)	362,262
Proceeds from issuance of senior notes, net of discount and issue costs of \$5,980	--	494,020	--
Proceeds from issuance of senior subordinated notes, net of issue costs of \$12,552	--	--	737,448
Other	4,759	--	--
Cash flows provided by (used in) financing activities	237,635	(231,127)	507,881
Net increase in cash and cash equivalents	65,621	74,586	42,552
Cash and cash equivalents, beginning of year	233,581	158,995	116,443
Cash and cash equivalents, end of year	\$ 299,202	\$ 233,581	\$ 158,995

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 are one of the leading casino entertainment companies in the United States, operating in more markets than any other casino company. As of December 31, 2000, our U.S. operations included nine land-based casinos, nine riverboat or dockside casinos, and three casinos on Indian reservations.

PRINCIPLES OF CONSOLIDATION. Our Consolidated Financial Statements include the accounts of Harrah's Entertainment and its subsidiaries after elimination of all significant intercompany accounts and transactions. We follow the equity method of accounting for our investments in 20% to 50% owned companies and joint ventures (see Note 15).

CASH AND CASH EQUIVALENTS. Cash includes the minimum cash balances required to be maintained by a state gaming commission, which totaled approximately \$22.9 million and \$16.6 million at December 31, 2000 and 1999, respectively. Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

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

LAND, BUILDINGS, RIVERBOATS AND EQUIPMENT. Land, buildings, riverboats and equipment are stated at cost. Land includes land held for future development or disposition which totaled \$109.9 million and \$116.0 million at December 31, 2000 and 1999, respectively. We capitalize the costs of improvements and extraordinary repairs that extend the life of the asset. We expense maintenance and repairs costs as incurred. Interest expense is capitalized on internally constructed assets at our overall weighted average borrowing rate of interest. Capitalized interest amounted to \$8.0 million, \$13.1 million and \$2.5 million in 2000, 1999 and 1998, 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.....	30 years
Furniture, fixtures and equipment.....	2 to 15 years

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

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

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:

	2000	1999	1998
	-----	-----	-----
Food and beverage.....	\$ 172,560	\$ 144,841	\$ 97,934
Rooms.....	51,927	43,773	28,473
Other.....	22,178	14,450	6,138
	-----	-----	-----
	\$ 246,665	\$ 203,064	\$ 132,545
	=====	=====	=====

AMORTIZATION. We amortize goodwill and other intangibles, including trademarks, on a straight-line basis over periods up to 40 years. We use the interest method to amortize deferred financing charges over the term of the related debt agreement.

EARNINGS PER SHARE. In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," we compute our basic earnings per share by dividing Net income (loss) by the number of weighted average common shares outstanding during the year. Our Diluted earnings per share is computed by dividing Net income (loss) by the number of weighted average common shares and dilutive common stock equivalents outstanding during the year. Due to our net loss in 2000, Weighted average common and common equivalent shares at December 31, 2000, exclude common stock equivalents related to compensation programs because of their antidilutive effect. For each of the three years ended December 31, 2000, common stock equivalents consisted solely of net restricted shares and stock options outstanding under our employee stock benefit plans. (See Note 14.)

RECLASSIFICATIONS. We have reclassified certain amounts for prior years to conform with our presentation for 2000.

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

We are accounting for each of the transactions described below as a purchase. Accordingly, the purchase price is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We determine the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. For each transaction, the allocation of the purchase price was, or will be, completed within one year from the date of the acquisition. To the extent that the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired, such excess is allocated to goodwill and amortized for periods of up to 40 years. For periods prior to the completion of the purchase price allocation, our Consolidated Financial Statements include estimated goodwill amortization expense.

SHOWBOAT, INC. On June 1, 1998, we completed our acquisition of Showboat, Inc. ("Showboat") for \$30.75 per share in an all-cash transaction and assumed approximately \$635 million of Showboat debt. Subsequent to the closing of the Showboat acquisition, all public debt assumed in the acquisition, including the debt of the partnership owning the East Chicago property, was retired using proceeds from our Bank Facility (see Note 5). The operating results for Showboat are included in the Consolidated Financial Statements from the date of acquisition.

As a result of this transaction, we now own and operate the Showboat casino in Atlantic City, New Jersey. Also acquired in this transaction was a 55% noncontrolling interest in Showboat Marina Casino Partnership ("SMCP"), which owns and operates the East Chicago casino. In first quarter 1999, we increased our ownership interest of SMCP to 99.55% and began consolidating this partnership with the financial results of our other businesses. The East Chicago property was re-branded as a Harrah's casino during first quarter 1999.

Included in the assets we acquired in the Showboat transaction was a 24.6% equity ownership interest in the Star City casino in Sydney, Australia, and an agreement to manage that casino. In fourth quarter 1999, we sold the

ownership interest and in first quarter 2000, we completed the sale of our management interests in that property. (See Note 15.) During first quarter 2000, we sold the Showboat Las Vegas property. At the time of the Showboat acquisition, this property was determined to be a nonstrategic asset for us and was reported as an asset-held-for-sale in our Consolidated Financial Statements. No gain or loss resulted from the sale of this asset.

RIO HOTEL & CASINO, INC. We completed our merger with Rio Hotel & Casino, Inc. ("Rio"), on January 1, 1999, issuing approximately 25 million shares of common stock to acquire all of Rio's outstanding shares in a one-for-one transaction and assuming Rio's outstanding debt of approximately \$432 million. In second quarter 1999, we retired Rio's revolving credit facility scheduled to mature in 2003 and Rio's 10 5/8% Senior Subordinated Notes due 2005 and 9 1/2% Senior Subordinated Notes due 2007 using proceeds from our Bank Facility (see Note 5).

In addition to the Rio property, our acquisition also included Rio Secco, an 18-hole championship golf course, and approximately 35 acres adjacent to the Rio, which is available for further development.

PLAYERS INTERNATIONAL, INC. On March 22, 2000, we completed our acquisition of Players International, Inc. ("Players"), paying \$8.50 in cash for each outstanding share and assuming \$150 million of Players 10 7/8% Senior Notes due 2005 (the "Players Notes"). Players operated a dockside riverboat casino on the Ohio River in Metropolis, Illinois; two cruising riverboat casinos in Lake Charles, Louisiana; two dockside riverboat casinos in Maryland Heights, Missouri; and a horse racetrack in Paducah, Kentucky. Players and Harrah's jointly operated a landside hotel and entertainment facility at the Maryland Heights property, a suburb of St. Louis. The operations of the Players facility in Maryland Heights were consolidated with the adjacent Harrah's operations in second quarter 2000, and the Lake Charles facility was converted to the Harrah's brand in fourth quarter 2000. The Metropolis facility is expected to be converted to the Harrah's brand name after integration of our systems and technologies, including Total Rewards, which we anticipate will occur in the second half of 2001.

Approximately \$2.3 million of the Players Notes were retired on April 28, 2000, in connection with a change of control offer. On June 5, 2000, we purchased approximately \$13.1 million of the Players Notes in the open market for the face amount plus accrued interest and a premium. The remaining Players Notes were redeemed on June 30, 2000, for the face amount plus accrued interest and a premium. We retired the Players Notes using proceeds from our new \$150 million credit agreement and our Bank Facility. (See Note 5.)

NOTE 3 - 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. 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.

In July 1999, our Board of Directors authorized the repurchase in open market and other transactions of up to 10 million shares of the Company's common stock. At December 31, 2000, we had repurchased all 10 million shares under the provisions of this plan. These repurchases were in addition to 0.5 million shares repurchased earlier in 1999 in connection with the increase of our ownership interest in the East Chicago property.

In April 2000, our Board of Directors authorized the repurchase of an additional 12.5 million shares of our common stock in open market and other transactions as market conditions warrant. This plan will expire December 31, 2001. At December 31, 2000, we had repurchased 8.0 million shares under the provisions of this plan.

Under the terms of our employee stock benefit programs, we have reserved shares of Harrah's Entertainment common stock for issuance under the

Restricted Stock and Stock Option Plans. (See Note 14 for a description of the plans.) The following table summarizes the total number of shares authorized for issuance under each of these plans and the remaining unissued shares as of December 31, 2000:

	Restricted Stock Plan -----	Stock Option Plan -----
Total shares authorized for issuance or grant under the plans.....	8,400,000	21,592,955
Shares issued and options granted, net of cancellations.....	(7,601,136)	(20,151,208)
Shares held in reserve for issuance or grant under the plans as of December 31, 2000.....	798,864 =====	1,441,747 =====

NOTE 4 - DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS Deferred costs, trademarks and other consisted of the following:

	2000 -----	1999 -----
Trademarks, net of amortization of \$7,141 and \$4,061	\$116,059	\$119,139
Cash surrender value of life insurance (Note 14)	60,122	63,303
Treasury securities	--	62,555
Deferred finance charges, net of amortization of \$4,185 and \$3,379 .	19,216	21,507
Star City management contract, net of amortization of \$5,364	--	130,136
Other	118,812	148,580
	\$314,209 =====	\$545,220 =====

Accrued expenses consisted of the following:

	2000 -----	1999 -----
Insurance claims and reserves.....	\$ 57,718	\$ 50,985
Payroll and other compensation.....	105,210	83,975
Accrued interest payable.....	31,245	24,147
Other accruals.....	149,351	128,387
	\$343,524 =====	\$287,494 =====

NOTE 5 - DEBT

Long-term debt consisted of the following:

	2000	1999
	-----	-----
Bank Facility		
7.1%-9.5% at December 31, 2000, maturities to 2004.....	\$ 1,574,600	\$ 1,110,000
Secured Debt		
7.1%, maturity 2028.....	97,273	98,278
9 1/4%, maturity 2008.....	--	58,137
13%, maturity 2009.....	2,358	2,377
6.0%-9.0%, maturities to 2029...	1,903	--
Unsecured Senior Notes		
7 1/2%, maturity 2009.....	498,285	498,072
Unsecured Senior Subordinated Notes		
7 7/8%, maturity 2005.....	750,000	750,000
Other Unsecured Borrowings		
5.5%-15.2%, maturities to 2001..	41,366	23,409
Capitalized Lease Obligations		
4.9%-8.9%, maturities to 2004...	989	2,872
	-----	-----
	2,966,774	2,543,145
Current portion of long-term debt.	(130,928)	(2,877)
	-----	-----
	\$ 2,835,846	\$ 2,540,268
	=====	=====

As of December 31, 2000, aggregate annual principal maturities for the four years subsequent to 2001 were: 2002, \$1.4 million; 2003, \$1.3 million; 2004, \$1.5 billion; and 2005, \$751.5 million.

REVOLVING CREDIT FACILITIES. The Company has revolving credit and letter of credit facilities (the "Bank Facility") which were expanded in second quarter 2000 to increase our borrowing capacity to \$1.9 billion. This Bank Facility consists of a five-year \$1.525 billion revolving credit and letter of credit facility maturing in 2004 and a separate \$375 million revolving credit facility, which is renewable annually at the borrower's and lenders' options. Currently, the Bank Facility bears interest based upon 80 basis points over LIBOR for current borrowings under the five-year facility and 85 basis points over LIBOR for the 364-day facility. In addition, there is a facility fee for borrowed and unborrowed amounts which is currently 20 basis points on the five-year facility and 15 basis points on the 364-day facility. The interest rate and facility fee are based on our current debt ratings and leverage ratio and may change as our debt ratings and leverage ratio change. There is an option on each facility to borrow at the prime rate. As of December 31, 2000, \$1.6 billion in borrowings were outstanding under the Bank Facility, with an additional \$35.9 million committed to back letters of credit and \$40.3 million committed to back Commercial Paper borrowings. After consideration of these borrowings, \$249.2 million of additional borrowing capacity was available to the Company as of December 31, 2000.

ISSUANCE OF NEW DEBT. In addition to our Bank Facility, we have issued debt and entered into credit agreements in order to provide for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, to provide the Company with cost-effective borrowing flexibility and to replace short-term, floating-rate debt with long-term, fixed-rate debt. The table below summarizes the face value of new debt obligations that we have entered into in the last three years:

Debt	Issued	Mature	Outstanding at December 31, 2000
Senior Subordinated Notes	December 1998	2005	\$750,000
Senior Notes	January 1999	2009	500,000
Credit Agreement	June 2000	2001	150,000
Commercial Paper	2000	2001	40,269
Uncommitted Line of Credit Agreements	2000	2001	65,000

EARLY EXTINGUISHMENTS OF DEBT. We have used the funds from the new debt discussed above, as well as proceeds from our Bank Facility, to retire certain of our outstanding debts, in particular those debt obligations assumed in our acquisition transactions, and reduce our effective interest rate and/or lengthen maturities. The following table summarizes the debt obligations that we have refinanced over the last three years:

Issuer	Date Retired	Debt Extinguished	Face Value Retired
Players	June 2000	10 7/8% Senior Subordinated Notes due 2005.....	\$150,000
Showboat	June 2000	9 1/4% Senior Subordinated Bonds due 2008.....	56,445
SMCP	March 1999	13 1/2% First Mortgage Notes due 2003.....	140,000
Rio	May 1999	10 5/8% Senior Subordinated Notes due 2005.....	100,000
Rio	May 1999	9 1/2% Senior Subordinated Notes due 2007.....	125,000
SMCP	July 1999	Capitalized Lease Obligations....	9,210
Showboat	June 1998	9 1/4% First Mortgage Bonds due 2008.....	218,555
Showboat	June 1998	13% Senior Subordinated Notes due 2009.....	117,900
HOC	May 1998	8 3/4% Senior Subordinated Notes due 2000.....	200,000

The premiums paid to the holders of the debts retired and the write-off of the related unamortized deferred finance charges are reported on the Consolidated Statements of Operations as Extraordinary losses (see Note 10). We recorded the liabilities assumed in acquisition transactions at their fair value at the date of consummation of the acquisition. The premium charged to Extraordinary losses as a result of the retirement of these assumed debts equaled the difference between the consideration paid to the holders of the notes and the carrying value we assigned to the notes at the time of purchase.

SUBSEQUENT ISSUE OF DEBT. In January 2001, Harrah's Operating Company, Inc. ("HOC"), a wholly-owned subsidiary of the Company, completed a private placement of \$500.0 million principal amount 8% Senior Notes due 2011 (the "8% Notes"). The 8% Notes are unsecured and contain certain covenants that limit our ability to enter into certain sale and lease-back transactions, incur liens on our assets to secure debt, merge or consolidate with another company and transfer or sell substantially all of our assets. Proceeds from the 8% Notes were used to pay off our \$150 million credit agreement and to reduce indebtedness under our Bank Facility.

SHORT-TERM DEBT. In June 2000, we entered into a 364-day credit agreement (the "Credit Agreement") with a lender whereby we borrowed \$150 million to redeem the Players Notes. Interest rates, facility fees and covenants in the Credit Agreement were identical to those provisions contained in our Bank Facility. The Credit Agreement was paid off in January 2001, using funds from the 8% Notes.

In a program designed for short-term borrowings at lower interest rates than the rates paid under our Bank Facility, we have entered into uncommitted

line of credit agreements with two lenders whereby we can borrow up to \$65 million for periods of 90 days or less. At December 31, 2000, we had borrowed \$65 million under these agreements. Borrowings bear interest at current market rates. Interest rates on amounts borrowed under these agreements during 2000 ranged from 6.1% to 8.1%. These agreements have no impact on and do not decrease our borrowing capacity under our Bank Facility.

PARENT COMPANY GUARANTEE OF SUBSIDIARY DEBT. HOC, the principal asset of Harrah's Entertainment, is the issuer of certain debt securities that have been guaranteed by Harrah's Entertainment. Due to the comparability of HOC's consolidated financial information with that of Harrah's Entertainment, complete separate financial statements and other disclosures regarding HOC have not been presented. Management has determined that such information is not material to holders of HOC's debt securities. Harrah's Entertainment has no independent assets or operations, its guarantee of HOC's debt securities is full and unconditional and its only other subsidiary is minor.

Certain of our debt guarantees require us to abide by covenants, which, among other things, place limitations on HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's Entertainment. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments, was approximately \$1.3 billion at December 31, 2000.

FAIR MARKET VALUE. Based on the borrowing rates currently available for debt with similar terms and maturities and market quotes of our publicly traded debt, the fair value of our long-term debt and interest rate swap agreements at December 31, 2000 and 1999, was as follows:

(In millions)	December 31,			
	2000		1999	
	Carrying Value	Market Value	Carrying Value	Market Value
Outstanding debt.....	\$ (2,937.4)	\$ (2,935.1)	\$ (2,543.1)	\$ (2,484.6)
Interest rate swap agreements (used for hedging purposes).....	--	--	(0.1)	(0.5)

The amounts reflected as the "Carrying Value" of the interest rate swap agreements represent the accrual balance as of the date reported. The "Market Value" of the interest rate swap agreements represents the estimated amount, considering the prevailing interest rates, that we would pay to terminate the agreements as of the date reported. Our interest rate swap agreements expired in 2000 and were not renewed.

NOTE 6 - 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, 2000, the remaining lives of our real estate operating leases ranged from one to 30 years, with various automatic extensions totaling up to 60 years. The average remaining term for other operating leases, which generally contain renewal options, extends approximately 10 years.

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

	2000	1999	1998
	-----	-----	-----
Noncancelable			
Minimum.....	\$ 21,872	\$ 16,385	\$ 15,409
Contingent.....	4,867	4,666	4,029
Sublease.....	(571)	(385)	(258)
Other.....	18,678	6,859	4,168
	-----	-----	-----
	\$ 44,846	\$ 27,525	\$ 23,348
	=====	=====	=====

Our future minimum rental commitments as of December 31, 2000, were as follows:

	Noncancelable Operating Leases

2001.....	\$ 24,000
2002.....	20,924
2003.....	20,041
2004.....	19,796
2005.....	17,501
Thereafter.....	141,929

Total minimum lease payments.....	\$244,191
	=====

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 7 - 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:

	2000	1999	1998
	-----	-----	-----
Reserves for New Orleans casino..	\$ 220,000	\$ --	\$ --
Impairment of long-lived assets.....	5,813	3,367	2,740
Termination of entertainment contract.....	2,505	--	--
Write-off of abandoned assets and other costs.....	2,800	569	4,734
Recoveries from previously impaired assets.....	(5,012)	(1,701)	--
	-----	-----	-----
	\$ 226,106	\$ 2,235	\$ 7,474
	=====	=====	=====

NOTE 8 - HEADQUARTERS RELOCATION AND REORGANIZATION COSTS

During August 1999, we began the move of our corporate headquarters to Las Vegas, Nevada, from Memphis, Tennessee. The move was completed in 2000 and the costs of the relocation were expensed as incurred. Certain headquarters employees elected not to accept an offer to move, and the positions of other employees were eliminated as part of a staff reorganization conducted in advance of the move. The expenses for the severance payable to these employees were accrued when the employees became eligible for the severance payments.

NOTE 9 - INCOME TAXES

Our federal and state income tax provision (benefit) allocable to identified statement of operations and balance sheet line items was as follows:

	2000	1999	1998
	-----	-----	-----
Income before income taxes and minority interests.....	\$ 15,415	\$ 128,914	\$ 74,600
Extraordinary losses.....	(388)	(5,990)	(10,522)
Stockholders' equity Unrealized gain (loss) on available-for-sale securities.....	(505)	2,118	2,110
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes.....	(15,739)	(2,625)	(787)
	-----	-----	-----
	\$ (1,217)	\$ 122,417	\$ 65,401
	=====	=====	=====

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

	2000	1999	1998
	-----	-----	-----
United States			
Current			
Federal.....	\$ 128,643	\$ 69,567	\$ 45,084
State.....	4,897	7,429	6,531
Deferred.....	(118,125)	34,052	22,985
Other Countries			
Current.....	--	17,866	--
	-----	-----	-----
	\$ 15,415	\$ 128,914	\$ 74,600
	=====	=====	=====

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

	2000	1999	1998
	-----	-----	-----
Statutory tax rate.....	35.0%	35.0%	35.0%
Increases (decreases) in tax			
resulting from:			
State taxes, net of federal			
tax benefit.....	10.7	1.4	2.2
Goodwill amortization.....	33.8	1.3	1.1
Foreign taxes.....	29.6	--	--
Tax credits.....	(11.2)	(0.6)	(2.0)
Political contributions.....	2.0	--	0.1
Officers life insurance.....	8.0	(0.8)	(1.7)
Meals and entertainment.....	5.9	0.4	0.3
Federal income tax settlement	(3.3)	0.3	--
Minority interests in			
partnership earnings.....	(27.0)	(1.1)	(1.2)
Other.....	2.9	--	2.9
	-----	-----	-----
Effective tax rate.....	86.4%	35.9%	36.7%
	=====	=====	=====

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

	2000	1999
	-----	-----
Deferred tax assets		
Investments in nonconsolidated affiliates.....	108,825	--
Compensation programs.....	\$ 44,163	\$ 41,670
Bad debt reserve.....	17,115	12,951
Self-insurance reserves.....	3,736	7,910
Deferred income.....	1,962	1,278
Project opening expenses.....	545	1,274
Debt costs.....	124	768
Other.....	1,184	3,308
	-----	-----
	177,654	69,159
	-----	-----
Deferred tax liabilities		
Property.....	(187,291)	(173,963)
Management contract.....	--	(45,547)
Trademarks.....	(40,887)	(41,697)
Investments in nonconsolidated affiliates.....	--	(3,699)
	-----	-----
	(228,178)	(264,906)
	-----	-----
Net deferred tax liability.....	\$ (50,524)	\$ (195,747)
	=====	=====

NOTE 10 - EXTRAORDINARY ITEMS

The components of our net extraordinary losses were as follows:

	2000	1999	1998
	-----	-----	-----
Losses on early extinguishments of debt .	\$ (1,104)	\$(17,023)	\$(27,824)
Harrah's Entertainment's share of nonconsolidated affiliate's extraordinary loss	--	--	(2,391)
	-----	-----	-----
	(1,104)	(17,023)	(30,215)
Income tax benefit	388	5,990	10,522
	-----	-----	-----
Extraordinary losses, net of income taxes	\$ (716)	\$(11,033)	\$(19,693)
	=====	=====	=====

The extraordinary losses on early extinguishments of debt are due to the premiums paid to the holders of the debt retired and the write-off of related unamortized deferred finance charges. See Note 5 for information regarding the specific debt issues retired in each period. Our 1998 results also include our share of an extraordinary loss incurred by a nonconsolidated affiliate as a result of that entity's reorganization and refinancing of its debt.

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

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

	2000 -----	1999 -----	1998 -----
Long-term accounts			
Deferred costs and other assets .	\$(40,504)	\$ 51,717	\$ (6,457)
Deferred credits and other			
long-term liabilities	(4,268)	(19,504)	21,255
	-----	-----	-----
Net change in long-term			
accounts	\$(44,772)	\$ 32,213	\$ 14,798
	=====	=====	=====
Working capital accounts			
Receivables	\$(39,072)	\$(53,620)	\$(21,734)
Inventories	2,524	(307)	(1,269)
Prepayments and other	(10,710)	75,986	(2,134)
Accounts payable	11,887	(1,849)	13,561
Accrued expenses	193	(90,371)	(33,668)
	-----	-----	-----
Net change in working			
capital accounts	\$(35,178)	\$(70,161)	\$(45,244)
	=====	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR INTEREST AND TAXES

The following table reconciles our Interest expense, net of interest capitalized, per the Consolidated Statements of Operations, to cash paid for interest:

	2000 -----	1999 -----	1998 -----
Interest expense, net of			
amount capitalized	\$ 227,139	\$ 193,407	\$ 117,270
Adjustments to reconcile to			
cash paid for interest			
Net change in accruals	(17,988)	(2,011)	(16,917)
Amortization of deferred			
finance charges	(4,185)	(4,459)	(4,982)
Net amortization of			
discounts and premiums ..	70	543	74
	-----	-----	-----
Cash paid for interest,			
net of amount capitalized ...	\$ 205,036	\$ 187,480	\$ 95,445
	=====	=====	=====
Cash payments for income taxes,			
net of refunds (Note 9)	\$ 90,220	\$ 77,534	\$ 51,785
	=====	=====	=====

NOTE 12 - COMMITMENTS AND CONTINGENCIES

CONTRACTUAL COMMITMENTS, We continue to pursue additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Harrah's Entertainment of third-party debt and development completion guarantees. Excluding guarantees and commitments for New Orleans (see Note 15), as of December 31, 2000, we had guaranteed third-party loans and leases of \$111.9 million, which are secured by certain assets, and had commitments of \$264.7 million, primarily construction-related.

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. In the event that insufficient cash flow is generated by the operations to fund this payment, we must pay the shortfall to the tribe. 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, 2000, the aggregate monthly commitment pursuant to these contracts, which extend for periods of up to 48 months from December 31, 2000, was \$1.1 million.

SEVERANCE AGREEMENTS. As of December 31, 2000, 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, 2000, that would be payable under the agreements to these executives based on earnings and stock options aggregated approximately \$83.1 million.

TAX SHARING AGREEMENTS. In connection with the 1995 spin-off of certain hotel operations (the "PHC Spin-off") to Promus Hotel Corporation ("PHC"), Harrah's Entertainment entered into a Tax Sharing Agreement with PHC wherein each company is obligated for those taxes associated with their respective businesses. Additionally, Harrah's Entertainment is obligated for all taxes for periods prior to the PHC Spin-off date which are not specifically related to PHC operations and/or PHC hotel locations. Our obligations under this agreement are not expected to have a material adverse effect on our consolidated financial position or results of operations.

SELF-INSURANCE. We are self-insured for various levels of general liability, workers' compensation and employee medical coverage. Insurance claims and reserves include accruals of estimated settlements for known claims, as well as accruals of actuarial estimates of incurred but not reported claims.

NOTE 13 LITIGATION.- We are involved in various inquiries, administrative proceedings and litigation relating to contracts, sales of property and other matters arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, management believes that the final

outcome of these matters will not have a material adverse effect on our consolidated financial position or our results of operations.

NOTE 14 - EMPLOYEE BENEFIT PLANS

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

STOCK OPTION PLAN. Our employees may be granted options to purchase shares of common stock under the Harrah's Entertainment Stock Option Plan ("SOP"). An SOP grant typically vests in equal installments over a four-year period and allows the option holder to purchase stock over specified periods of time, generally 10 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 February 2008. All outstanding stock options under Rio's stock option plans at the date of our merger were fully vested and converted, at the same terms and conditions as originally granted, into options for Harrah's Entertainment common stock. No options for additional shares may be granted under the Rio plans, and any options cancelled under the Rio plans may not be re-issued.

A summary of SOP activity for 1998, 1999 and 2000 is as follows:

	Weighted Avg. Exercise Price (Per Share)	Number of Common Shares	
		Options Outstanding	Available For Grant
Balance - December 31, 1997.....	\$17.57	7,324,572	1,319,713
Additional shares authorized.....	N/A	--	3,500,000
Granted.....	15.94	3,891,119	(3,891,119)
Exercised.....	10.29	(241,409)	--
Canceled.....	19.71	(661,128)	661,128
Balance - December 31, 1998.....	16.99	10,313,154	1,589,722
Additional shares authorized.....	N/A	--	2,500,000
Rio acquisition.....	14.74	3,442,955	--
Granted.....	23.20	3,133,783	(3,133,783)
Exercised.....	14.95	(2,444,747)	--
Canceled.....	18.17	(725,346)	725,346
Rio plans cancellations.....	18.24	(14,500)	--
Balance - December 31, 1999.....	18.14	13,705,299	1,681,285
Additional shares authorized.....	N/A	--	1,800,000
Granted.....	28.10	3,109,602	(3,109,602)
Exercised.....	15.27	(2,968,539)	-
Canceled.....	20.04	(1,070,064)	1,070,064
Rio plans cancellations.....	18.35	(20,500)	-
Balance - December 31, 2000.....	\$21.08	12,755,798	1,441,747

	2000	1999	1998
	-----	-----	-----
Options exercisable at			
December 31.....	3,920,509	4,727,341	2,257,662
Weighted average fair value per			
share of options granted per year.. \$	14.30	\$ 11.74	\$ 7.39

The following table summarizes additional information regarding the options outstanding at December 31, 2000:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
-----	-----	-----	-----	-----	-----
\$ 3.00 - \$18.94	6,166,936	6.9 years	\$15.62	2,552,822	\$15.34
19.37 - 22.55	1,692,935	6.3 years	20.94	1,068,492	20.99
23.81 - 35.59	4,895,927	9.2 years	28.01	304,195	26.92
	-----			-----	
	12,755,798			3,925,509	
	=====			=====	

As allowed under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," we apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations to account for the SOP and, accordingly, do not recognize compensation expense. Had compensation expense for the SOP been determined in accordance with SFAS No. 123, our pro forma Net income (loss) and Earnings (loss) per share for the indicated periods would have been:

	2000		1999		1998	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
	-----	-----	-----	-----	-----	-----
Net income (loss)	(12,060)	\$ (27,834)	\$ 208,470	\$ 193,631	\$ 102,024	\$ 93,628
Earnings (loss) per share						
Basic	(0.10)	(0.24)	1.65	1.54	1.02	0.93
Diluted	(0.10)	(0.24)	1.62	1.50	1.00	0.92

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:

	2000	1999	1998
	----	----	----
Expected dividend yield.....	0.0%	0.0%	0.0%
Expected stock price volatility....	42.0%	40.0%	47.0%
Risk-free interest rate.....	5.8%	5.9%	4.3%
Expected average life of options (years).....	6	6	5

RESTRICTED STOCK PLAN. Employees may be granted shares of common stock under the Harrah's Entertainment Restricted Stock Plan ("RSP"). Shares granted under the RSP are restricted as to transfer and subject to forfeiture during a specified period or periods prior to vesting. The shares generally vest in equal installments over a period of four years. No awards of RSP shares may be made under the current plan after February 2008. The compensation arising from an RSP 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 ("TARSAP") awards to certain key executives. The initial TARSAP awards will fully vest on January 1, 2002, if the executive continues in active employment until that date. However, the vesting of some of these shares accelerated into 2000 and the vesting of some or all of the remaining shares can be accelerated into the year 2001 on the basis of our financial performance. During 2000, 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 five years based on the Company's financial performance in each of the years 2002 through 2005. 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 RSP shares granted, and the amortization expense recognized, during 2000, 1999 and 1998, including the TARSAP awards, were as follows:

	2000	1999	1998
	-----	-----	-----
Number of shares granted	1,306,398	560,085	990,893
Weighted-average grant price per share	\$ 25.17	\$ 23.62	\$ 17.26
Amortization expense (In millions) .	12.3	9.7	6.9
Unvested shares as of December 31 ..	2,298,803	2,158,302	1,832,269

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 16 percent of their eligible earnings, the first six percent of which is fully matched. Amounts contributed to the plan are invested, at the participant's direction, in a Harrah's company stock fund, a diversified stock fund, an aggressive stock fund, a long-term bond fund, an income fund and/or a treasury fund. Participants become vested in the matching contribution over five years of credited service. Our contribution expense for this plan was \$25.3 million, \$22.2 million and \$18.1 million in 2000, 1999 and 1998, respectively.

DEFERRED COMPENSATION PLANS. Harrah's maintains deferred compensation plans under which certain employees may defer a portion of their compensation. Amounts deposited into these plans are unsecured liabilities of the Company and earn interest at rates approved by the Human Resources Committee of the Board of Directors. The total liability included in Deferred credits and other liabilities for these plans at December 31, 2000 and 1999 was \$67.6 million and \$59.3 million, respectively. In connection with the administration of one of these plans, we have purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

MULTI-EMPLOYER PENSION PLAN. Approximately 4,400 of our employees are covered by union sponsored, collectively bargained multi-employer pension plans. We contributed and charged to expense \$4.0 million, \$4.2 million and \$4.4 million in 2000, 1999 and 1998, respectively, for such plans. The plans' administrators do not provide sufficient information to enable us to determine our share, if any, of unfunded vested benefits.

NOTE 15 - NONCONSOLIDATED AFFILIATES

JCC HOLDING COMPANY. The Company has an approximate 40% beneficial ownership interest in JCC Holding Company and its subsidiary, Jazz Casino Company, LLC (collectively, "JCC"). JCC owns and operates a land-based casino in New Orleans, Louisiana (the "Casino"), which is managed by a subsidiary of the Company.

Initially, the Company guaranteed a \$100 million annual payment obligation of JCC owed to the State of Louisiana gaming board (the "State Obligation") for the period from October 28, 1999, to October 28, 2000 (the "Initial State Guarantee"). In accordance with an existing agreement, the Initial State Guarantee was replaced with a new guarantee (the "Current State Guarantee"), pursuant to which the Company has guaranteed the State Obligation for the period from April 1, 2000, to March 31, 2001. JCC is required to make daily payments of approximately \$273,973 to satisfy the State Obligation. The Current State Guarantee obligation is reduced to the extent JCC makes such daily payments. Payments made to the State by the Company pursuant to the Initial State Guarantee and the Current State Guarantee are secured by a first priority collateral security interest in JCC's assets. Payments made to the State by the Company on behalf of JCC under the Initial State Guarantee and the Current State Guarantee during 2000 totaled \$44.1 million.

Subject to the satisfaction of certain cash flow tests and other conditions each year, the Company would have been required to provide a new guarantee to the State for each of the 12-month periods ending March 31, 2002, 2003 and 2004. For the period ending March 31, 2002, the requirement to provide a new guarantee was conditioned upon, among other things, JCC producing net cash flow, as defined, of at least \$15 million for the 12-month period ending November 30, 2000. JCC did not satisfy this cash flow test, and the Company gave notice to JCC on December 28, 2000, that it would not renew the Current State Guarantee for the 12-month period ending March 31, 2002.

On January 4, 2001, JCC filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. In connection with its reorganization, JCC proposed a plan which contemplates a substantial reduction in the minimum annual payment to the State, a reduction in costs associated with the City of New Orleans lease, modifications of Casino operating restrictions and the agreement of major creditors, including the Company, to a restructuring of JCC's debts. On March 15, 2001, the City of New Orleans City Council adopted ordinances to reduce the City's annual payments from JCC by approximately \$5 million. On March 19, 2001 the reorganization plan was confirmed by the bankruptcy court. On March 21, 2001, the State enacted legislation to (i) reduce the State Obligation from \$1.00 million to \$50 million in the first year and \$60 million thereafter and (ii) relax certain Casino operating restrictions by permitting the Casino to offer certain food and hotel services. Final consummation of the reorganization plan is subject to completion of legal documentation satisfactory to all parties, as well as satisfaction of all other conditions to plan consummation.

Assuming JCC's reorganization plan is consummated, we will guarantee the State Obligation of \$50 million in the first year and \$60 million for three subsequent years. The Company would receive a fee for providing this guarantee. In addition to the proposed changes in the State Agreements, under the reorganization plan, JCC's capital structure would be changed and the Company would own 49% of the new equity in JCC and hold approximately \$51 million of the new debt of JCC. There would be a new \$35 million JCC revolving credit facility at market terms, which the Company would provide. The Company has also agreed to changes in the management agreement, which would, among other things, (i) change the base management fee to an incentive management fee based on earnings of the business before interest expense, income taxes, depreciation and amortization and management fees, (ii) require the Company to provide certain administrative services to JCC as part of its management fee without any reimbursement from JCC and (iii) provide for termination of management services if minimum performance thresholds are not met.

Due to the filing of bankruptcy by JCC, in fourth quarter 2000 we recorded reserves of \$220 million for receivables not expected to be recovered in JCC's reorganization plan. Failure by JCC to consummate its reorganization plan would likely result in loss of its State gaming license and could result in further financial impact to the Company of approximately \$73 million, plus any additional amounts funded under the Current State Guarantee.

NATIONAL AIRLINES, INC. We have an approximate 48% ownership interest in National Airlines, Inc., ("NAI"), an airline company based in Las Vegas,

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

	2000	1999
	-----	-----
Investments in and advances to nonconsolidated affiliates		
Accounted for under the equity method.....	\$ 80,439	\$167,828
Accounted for at historical cost..	5,167	-
Available-for-sale and recorded at market value.....	1,075	683
	-----	-----
	\$ 86,681	\$168,511
	=====	=====

The December 31, 2000, balance of our investments in those affiliates accounted for under the equity method is net of the applicable reserves recorded in 2000 for JCC and NAI, which are discussed above. These impairment reserves are in addition to our share of the operating results of these companies reflected in the summarized statement of operations information presented above.

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.

MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

Harrah's Entertainment is responsible for preparing the financial statements and related information appearing in this report. Management believes that the financial statements present fairly its financial position, its results of operations and its cash flows in conformity with accounting principles generally accepted in the United States. In preparing its financial statements, Harrah's Entertainment is required to include amounts based on estimates and judgments which it believes are reasonable under the circumstances.

Harrah's Entertainment maintains accounting and other control systems designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. Compliance with these systems and controls is reviewed through a program of audits by an internal auditing staff. Limitations exist in any internal control system, recognizing that the system's cost should not exceed the benefits derived.

The Board of Directors pursues its responsibility for Harrah's Entertainment's financial statements through its Audit Committee, which is composed solely of directors who are not Harrah's Entertainment officers or employees. The Audit Committee meets from time to time with the independent public accountants, management and the internal auditors. Harrah's Entertainment's internal auditors report directly to the Audit Committee pursuant to gaming regulations. The independent public accountants have direct access to the Audit Committee, with and without the presence of management representatives.

Philip G. Satre
Office of the President,
Chairman of the Board and
Chief Executive Officer

Judy T. Wormser
Vice President, Controller
and Chief Accounting Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of Harrah's Entertainment, Inc.:

We have audited the accompanying consolidated balance sheets of Harrah's Entertainment, Inc. (a Delaware corporation) and subsidiaries ("Harrah's Entertainment") as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for each of the three years ended December 31, 2000. These financial statements are the responsibility of Harrah's Entertainment's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harrah's Entertainment as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Las Vegas, Nevada
March 21, 2001

QUARTERLY RESULTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	-----	-----	-----	-----	-----
2000 [1]					
Revenues.....	\$ 783,614	\$ 879,181	\$ 953,425	\$ 854,930	\$ 3,471,150
Income (loss) from operations.....	100,100	136,338	176,103	(129,803)	282,738
Net income (loss).....	30,748	46,498	71,980	(161,286)	(12,060)
Earnings (loss) per share [3]					
Basic.....	0.25	0.39	0.63	(1.41)	(0.10)
Diluted.....	0.25	0.39	0.61	(1.41)	(0.10)
1999 [2]					
Revenues.....	\$ 711,668	\$ 751,137	\$ 814,054	\$ 747,569	\$ 3,024,428
Income from operations.....	112,483	123,504	155,921	89,129	481,037
Net income.....	34,097	40,548	74,634	59,191	208,470
Earnings per share [3]					
Basic.....	0.27	0.32	0.59	0.47	1.65
Diluted.....	0.27	0.31	0.58	0.45	1.62

[1] 2000 includes recognition in fourth quarter of \$220.0 million in pretax reserves for receivables not expected to be recovered from JCC Holding Company and its subsidiary, Jazz Casino Company LLC, 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 National Airlines, Inc. 2000 also includes operating results for Players International, Inc. for periods after its March 22, 2000, date of acquisition.

[2] 1999 includes \$16.3 million recognized in third quarter and \$43.5 million recognized in fourth quarter in pretax gains from the sales of our equity interests in nonconsolidated affiliates.

[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.

HARRAH'S ENTERTAINMENT, INC.

Name	Jurisdiction of Incorporation	Percentage of Ownership	Date of Incorporation	FEIN Number
Aster Insurance Ltd	Bermuda	100%	02/06/90	62-1428220
Harrah's Operating Company, Inc.	Delaware	100%	08/08/83	75-1941623
Dusty Corporation	Nevada	100%	07/02/98	88-0398744
Harrah South Shore Corporation	California	100%	10/02/59	88-0074793
Harrah's-Holiday Inns of New Jersey, Inc.	New Jersey	100%	09/19/79	62-1071040
Harrah's Alabama Corporation	Nevada	100%	09/09/93	88-0308027
Harrah's Arizona Corporation	Nevada	100%	01/26/93	62-1523519
Harrah's Atlantic City, Inc.	New Jersey	100%	02/13/79	93-0737757
Harrah's Aviation, Inc.	Tennessee	100%	03/11/63	62-0694622
HCAL Corporation	Nevada	100%	02/02/94	88-0313169
Harrah's Crescent City Investment Company	Nevada	100%	03/28/97	86-0863877
Harrah's Illinois Corporation	Nevada	100%	12/18/91	88-0284653
Van Buren Leasing Corporation(1)	Nevada	100%	08/30/96	93-1218215
Harrah's Indiana Casino Corporation	Nevada	100%	09/09/93	88-0308079
Harrah's Indiana Management Corporation	Nevada	100%	09/09/93	88-0308082
Harrah's Interactive Entertainment Company	Nevada	100%	09/21/94	88-0326037
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

(1) 100% owned by Des Plaines Development Limited Partnership of which Harrah's Illinois Corporation is 80% partner.

HARRAH'S ENTERTAINMENT, INC.

Name	Jurisdiction of Incorporation	Percentage of Ownership	Date of Incorpo- ration	FEIN Number
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(2)	Delaware	99%	10/16/95	43-1725857
Harrah's Maryland Heights Operating Company	Nevada	100%	06/20/95	88-0343024
Harrah's Michigan Corporation	Nevada	100%	06/15/93	88-0307990
Harrah's NC Casino Company, LLC(3)	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 New Zealand Inc.	Nevada	100%	02/18/92	88-0292682
Harrah's North Kansas City LLC(4)	Missouri	100%	12/15/99	62-1802713
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

(2) 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.

(3) 99% Harrah's Operating Company, Inc., 1% Harrah's Management Company

(4) Successor by merger with Harrah's-North Kansas City Corporation; 100% Harrah's Operating Company, Inc.

HARRAH'S ENTERTAINMENT, INC.

Name	Jurisdiction of Incorporation	Percentage of Ownership	Date of Incorpo- ration	FEIN Number
Harrah's Reno Holding Company, Inc.	Nevada	100%	02/23/88	62-1440237
Harrah's Shreveport Investment Company, LLC	Nevada	100%	12/18/00	62-0292677
Harrah's Shreveport Management Company, LLC	Nevada	100%	12/18/00	62-1839697
Harrah's Skagit Valley Agency Corporation	Nevada	100%	11/08/95	88-0348745
Harrah's Southeast Washington Casino Corporation	Nevada	100%	11/21/95	88-0352305
Harrah's Southwest Michigan Casino Corporation	Nevada	100%	04/06/95	88-0337476
Harrah's Travel, Inc.	Nevada	100%	07/30/98	88-0400542
Harrah's Tunica Corporation	Nevada	100%	08/10/92	88-0292680
Harrah's Vicksburg Corporation	Nevada	100%	07/13/92	88-0292320
Harrah's Washington Corporation	Nevada	100%	02/03/94	88-0313171
Harrah's Wheeling Corporation	Nevada	100%	04/29/94	88-0317848
Riverbank Development Corporation	Nevada	100%	08/05/96	88-0365487
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
McKellar Industrial Park Owner's Association	Nevada	100%	12/03/84	N/A
HLG, Inc.	Nevada	100%	10/28/96	88-0371040
HLG Singapore PTE Ltd.	Singapore	100%	01/31/98	N/A

Name	Jurisdiction of Incorporation	Percentage of Ownership	Date of Incorporation	FEIN Number
PYN, Inc.	New York	100%	01/07/97	88-0438884
Rio Leasing, Inc.	Nevada	100%	09/10/96	88-0369074
Rio Development Company, Inc.	Nevada	100%	08/28/96	88-0220505
Rio Vegas Hotel Casino, Inc.	Nevada	100%	09/28/88	N/A
Showboat, Inc.	Nevada	100%	02/16/60	88-0090766
Showboat Australia PTY Limited(5)	Australia	50%	08/11/93	N/A
Ocean Showboat, Inc.	New Jersey	100%	09/12/83	22-2500790
Atlantic City Showboat, Inc.	New Jersey	100%	01/10/84	22-2500794
Ocean Showboat Finance Corporation	New Jersey	100%	12/22/86	22-2773679
Showboat Development Company	Nevada	100%	06/09/83	88-0227522
Showboat Canada, Inc.	Canada	100%	06/28/93	N/A
Dion Showboat, Inc.	Canada	100%	06/28/93	N/A
Showboat Indiana, Inc.	Nevada	100%	09/13/93	88-0308090
Showboat Louisiana, Inc.	Nevada	100%	05/18/93	88-0302250
Showboat New Hampshire, Inc.	Nevada	100%	07/26/94	None
Showboat Rockingham Company, LLC(6)	New Hampshire	50%	09/09/97	[]
Showboat Fifteen, Inc.	Nevada	100%	07/27/94	88-0335287
Showboat Land Company	Nevada	100%	11/12/97	88-0378914

(5) 50% Showboat, Inc., 50% Showboat Development Company

(6) 50% Showboat New Hampshire, Inc., 50% Rockingham Venture, Inc.

Name	Jurisdiction of Incorporation	Percentage of Ownership	Date of Incorpo- ration	FEIN Number
Showboat Operating Company	Nevada	100%	04/10/73	88-0121120
Showboat Land LLC(7)	Nevada	1%	11/04/97	88-0382943
Trigger Real Estate Corporation	Nevada	100%	07/02/98	88-0398745
Waterfront Entertainment and Development, Inc.(8)	Indiana	99%	07/19/93	35-1897368
Players International, Inc.	Nevada	100%	05/17/85	95-4175832
Players Development, Inc.	Nevada	100%	06/17/96	22-3452913
Players Entertainment, Inc.	Nevada	100%	10/11/95	22-3409553
Players Holding, Inc.	Nevada	100%	10/09/95	88-0346670
PCI, Inc.	Nevada	100%	08/03/84	95-3949053
Players Bluegrass Downs, Inc.	Kentucky	100%	07/29/93	61-1250331
Players Lake Charles Riverboat, Inc.	Louisiana	100%	12/18/95	22-3414660
Players LC, Inc.	Nevada	100%	12/18/95	22-3414663
Players Lake Charles, LLC(9)	Louisiana	90%	01/19/96	72-1233908
Players Maryland Heights, Inc.	Missouri	100%	10/06/93	43-1662850
Players Maryland Heights Nevada, Inc.	Nevada	100%	08/21/95	88-0345262
Players Mesquite Golf Club, Inc.	Nevada	100%	01/19/93	72-1233908

- (7) 1% Showboat Operating Company, 99% Showboat Land Holding Limited Partnership
(8) 99% Harrah's Operating Company, Inc., .5% John Flores, .5% George Pabey
(9) 90% Players LC, Inc., 10% Players Lake Charles Riverboat, Inc. (Manager)

Name	Jurisdiction of Incorporation	Percentage of Ownership	Date of Incorporation	FEIN Number
Players Mesquite Land, Inc.	Nevada	100%	04/04/95	88-0335901
Players Nevada, Inc.	Nevada	100%	12/22/93	88-0318879
Players Riverboat, Inc.	Nevada	100%	02/03/95	88-0332372
Players Riverboat Management, Inc.	Nevada	100%	02/03/95	88-0332373
Players Riverboat, LLC(10)	Louisiana	1%	02/07/95	72-1297055
Harrah's Star Partnership(11)	Louisiana	99%	08/19/93	72-1246016
Southern Illinois Riverboat/Casino Cruises, Inc.	Illinois	100%	12/09/90	37-1272361
Riverfront Realty Corporation	Illinois	100%	11/17/95	43-1727401
Players Resources, Inc.	Nevada	100%	10/09/95	22-3409555
Players Services, Inc.	Nevada	100%	10/05/95	22-3400988

(10) 1% Players Riverboat Management, Inc., 99% Players Riverboat, Inc.

(11) 99% Players Riverboat, LLC, 1% Players Riverboat Management, Inc.