

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

/X/ FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

OR

/ / FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NO. 1-10410

HARRAH'S ENTERTAINMENT, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

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

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

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

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

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

** Securities guaranteed by Registrant

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

None

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant based upon the closing price of \$19.50 for the Common Stock as reported on the New York Stock Exchange Composite Tape on January 31, 1997, is \$1,973,647,143.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of January 31, 1997.

Common Stock..... 102,735,061 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 1997 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, 1996 are incorporated by reference into Parts I and II hereof.

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

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

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

Operating data for the three most recent fiscal years, together with corporate expense, interest expense and other income, is set forth on page 35 of the Annual Report. Information regarding mortgages on properties of the Company is set forth on pages 39 through 41 of the Annual Report. The preceding pages of the Annual Report are incorporated herein by reference.

For information on operating results and a discussion of those results, see "Management's Discussion and Analysis--Results of Operations" on pages 25 through 33 of the Annual Report, which pages are incorporated herein 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, and exit plans with respect to certain properties; (B) planned openings and development of Indian casinos that would be managed by the Company; (C) the anticipated opening of facilities in Maryland Heights, Missouri; (D) the plan of reorganization and its various facets for New Orleans; (E) implementation of the stock repurchase program and planned capital expenditures for 1997; and (F) the possible acquisition/construction of a second property in Las Vegas, Nevada. These activities involve important factors that could cause actual results to differ materially from those expressed in any forward looking statements made by or on behalf of the Company. These include, but are not limited to, the following factors as well as other factors described from time to time in the Company's reports filed with the SEC: construction factors, including zoning issues, environmental restrictions, soil conditions, weather and other hazards, site access matters and building permit issues; access to available and feasible financing; regulatory and licensing approvals, third party consents and approvals, and relations with partners, owners and other third parties; business and economic conditions; litigation, judicial actions and political uncertainties, including gaming legislation and taxation; 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.

GENERAL

Harrah's casino business commenced operations more than 59 years ago and is unique among casino entertainment companies in its broad geographic diversification. At year end, Harrah's 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. It also operated riverboat casinos in Joliet, Illinois; dockside casinos in Vicksburg and Tunica, Mississippi, Shreveport, Louisiana and North Kansas City, Missouri; casinos on two Indian reservations, one near Phoenix, Arizona and the other north of Seattle, Washington; and a land-based casino in Auckland, New Zealand, which opened on February 2, 1996. The Company also operates, until March 31, 1997, limited stakes casinos in Central City and Black Hawk, Colorado.

As of December 31, 1996, Harrah's operated a total of approximately 701,200 square feet of casino space, 19,011 slot machines, 941 table games, 6,478 hotel rooms or suites, approximately 131,400 square feet of convention space, 56 restaurants, six showrooms and six cabarets.

Harrah's marketing strategy is currently designed to appeal primarily to the broad middle-market gaming customer segment, with special emphasis on the rapidly growing segment of multi-market gamers. Harrah's strategic direction is focused on establishing a well-defined brand identity that communicates a consistent message of high quality and excellent service.

LAND-BASED CASINOS

ATLANTIC CITY

The Harrah's Atlantic City casino hotel is situated on 24.17 acres in the Marina area of Atlantic City and at year end had approximately 80,600 square feet of casino space with 2,507 slot machines and 96 table games. It consists of dual 16-story hotel towers with 251 suites and 509 rooms and adjoining low rise buildings which house the casino space and the 26,100 square foot convention center. The facilities include seven restaurants, an 820-seat showroom, a health club with swimming pool, a teen center with video games, child care facilities and parking for 2,395 cars, including a substantial portion in a parking garage. The property also has a 72-slip marina.

In 1995, the Company began a major expansion of the property, with project costs estimated at \$83.7 million. In June 1996, construction was completed on the casino expansion which added approximately 13,500 feet of gaming space. Enhancement of the facility's restaurant offerings was completed in fourth quarter 1996. The expansion also includes construction of a new 416-room, 16-story hotel tower. The hotel tower construction began in February 1996 and is expected to be completed in late second quarter 1997.

The Company has announced a possible second phase to its Atlantic City expansion, pending substantive progress on development of new casino hotel projects in the Marina area by other companies, appropriate regulatory approvals and adequate resolution of road and access improvements that have been the subject of discussions among the state, city and developers. This expansion would position Harrah's Atlantic City as one of the largest casino resorts in that market and would link Harrah's into the overall new development plan. This phase, if completed as currently envisioned, would include significant additional guest rooms and casino space, as well as enhancements in convention facilities, restaurant offerings, parking facilities and other nongaming amenities. At present, because of the uncertainties relating to this project, there is no assurance this second phase will proceed.

The Company also owns approximately 8.45 acres of land adjacent to Harrah's Atlantic City and 170 acres of wetlands in the Marina area.

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

LAS VEGAS

Harrah's Las Vegas is located on approximately 17.3 acres on the Las Vegas Strip and consists of a 15-floor hotel tower, a 23-floor hotel tower, a 35-story hotel tower, and adjacent low-rise buildings which house the 15,000 square foot convention center and the casino. The hotel has 1,651 regular rooms and 46 suites. The Harrah's Las Vegas complex has approximately 79,800 square feet of casino space, with 1,980 slot machines and 85 table games. Also included are five restaurants, the 525-seat Commander's Theatre, a 367-seat cabaret, an arcade, a health club and a heated pool. There are 2,863 parking spaces available, including a substantial portion in a self-park garage.

Construction commenced in first quarter 1996 on a \$200 million expansion of Harrah's Las Vegas, including a new 35-story hotel tower, with 986 rooms, including 46 suites. The expansion also includes 22,200 additional square feet of casino space, three new restaurant facilities, a complete renovation of the facade of the casino located on the Strip, as well as significant additions and improvements to nongaming amenities. Completion of the casino expansion will be in phases, with the casino and facade additions and renovation expected to be finished during third quarter 1997. It is anticipated that the hotel tower will be completed by the end of third quarter 1997.

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

In addition to this expansion of its current Las Vegas property, Harrah's has also stated its interest in constructing or acquiring a second Las Vegas casino property, subject to location and project economics. At the present time, however, no definitive plans have been completed, no property has been identified and, accordingly, there is no assurance the Company will construct or acquire such a property.

LAKE TAHOE

Harrah's Lake Tahoe is situated on 22.9 acres near Lake Tahoe and consists of an 18-story tower and adjoining low-rise building which house a 16,500 square foot convention center and approximately 63,200 square feet of casino space, with 1,871 slot machines and 109 table games. The casino hotel, with 79 suites and 453 luxury rooms, has seven restaurants, three snack bars, the 688-seat South Shore Showroom, a health club, retail shops, a heated pool and an arcade. The facility has customer parking for 854 cars in a garage and 1,098 additional spaces in an adjoining lot.

Harrah's also operates Bill's Lake Tahoe Casino which is located on a 2.1 acre site adjacent to Harrah's Lake Tahoe. The casino includes approximately 18,000 square feet of casino space, with 590 slot machines and 20 table games, and two casual on-premise restaurants, Bennigan's and McDonald's, operated by non-affiliated restaurant companies.

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

RENO

Harrah's Reno, situated on approximately 3.7 acres, consists of a casino hotel complex with a 24-story structure, an approximate 14,500 square foot convention center and 57,000 square feet of casino space, with 1,613 slot machines and 76 table games. The facilities include a Harrah's hotel, with 557 rooms and eight suites, the 420-seat Sammy's Showroom, a 37-seat cabaret, a pool, a health club and an arcade. The property has one snack bar and seven restaurants, including a Planet Hollywood restaurant and lounge and a McDonald's restaurant operated by non-affiliated restaurant companies. The complex can accommodate guest parking for 1,232 cars, including a valet parking garage, a self-park garage and off-site valet parking.

The Company owns a 408-room, 26-story Hampton Inn hotel adjacent to Harrah's Reno. The hotel, which is operated by Harrah's pursuant to a license agreement from Promus Hotels, Inc. (a subsidiary of PHC), provides high-quality, moderately-priced guest rooms to accommodate Harrah's guests.

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

LAUGHLIN

Harrah's Laughlin is located in Laughlin, Nevada on a 44.9 acre site in a natural cove on the Colorado River and features a hotel with 1,635 standard rooms and 21 suites, a 90-seat cabaret, five restaurants and two snack bars, including a McDonald's and a Baskin Robbins which are operated by non-affiliated companies. Harrah's Laughlin has approximately 47,000 square feet of casino space, with 1,366 slot machines and 41 table games, and approximately 7,000 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. In 1996, a 378-seat showroom was constructed at the property as well as a 3,164-seat outdoor amphitheater. 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 where a combined total of more than 17 million people reside.

CENTRAL CITY AND BLACK HAWK

Harrah's currently manages, for a fee, casinos in Central City and Black Hawk, Colorado that are owned by Eagle Gaming, L.P. and its related entities ("Eagle"). Both of the casinos are approximately 45 minutes from downtown Denver.

Harrah's Central City consists of a casino with approximately 12,600 square feet of casino space, 244 slot machines, three table games, a bar, a cabaret, a restaurant and a gift shop.

Harrah's Black Hawk casino has approximately 18,100 square feet of casino space, 615 slot machines, thirteen table games, a restaurant and a gift shop. There is parking available for 190 cars.

Both of these casinos offer limited stakes gaming pursuant to Colorado law. The primary feeder market for both casinos is the Denver/Boulder metropolitan area.

The Company owns an approximate 21.7 percent interest in Eagle. In December 1996, the Company notified Eagle of the termination of the Company's management agreements effective March 31, 1997, and, subject to regulatory approval, agreed to transfer the Company's interest in Eagle to Eagle effective as of December 24, 1996. Although the Company continues to guarantee \$5 million of Eagle bank financing, the Company has the right to reacquire its interest in Eagle if the Company is not released from such guaranty by March 31, 1997.

NEW ZEALAND

Sky City, a casino entertainment facility in Auckland, New Zealand, opened in February 1996. The project is owned by Sky City Limited, a publicly-traded New Zealand corporation in which Harrah's ownership is 12.5%. Harrah's manages the facility for a fee under a long-term management contract.

The facility is located on 3.1 acres of land and has approximately 45,000 square feet of casino space, 1,050 slot machines and 100 table games. It also features three restaurants, a 100-seat cabaret, several lounges, a snack bar, retail shops, a health club and a swimming pool. In May 1996, a hotel opened at the property that has 306 rooms and 38 suites. During third quarter 1996, construction was completed on a 700-seat theater/showroom and approximately 14,000 square feet of conference space. The facilities also include customer parking for approximately 2,600 cars, a portion of which is in an underground parking garage. Valet parking is also available. A special attraction of the facility is a 1,066-foot Sky Tower, which is scheduled to open by mid-1997. The Sky Tower, the tallest structure in the southern hemisphere, will feature two enclosed and one open-air observation decks and a revolving bar and restaurant.

NEW ORLEANS

A Harrah's subsidiary owns an approximate 47% interest in Harrah's Jazz Company ("Harrah's Jazz"), a partnership formed for purposes of developing, owning and operating the exclusive land-based casino entertainment facility in New Orleans, Louisiana, on the site of the former Rivergate Convention Center (the "Rivergate"). On November 22, 1995, Harrah's Jazz and its wholly-owned subsidiary, Harrah's Jazz Finance Corp., filed petitions for relief under Chapter 11 of the Bankruptcy Code. Prior to the filing, Harrah's Jazz was operating a temporary casino in the New Orleans, Louisiana Municipal Auditorium (the "Basin Street Casino") and constructing a new permanent casino facility on the Rivergate site (the "Rivergate Casino"). Harrah's Jazz ceased operation of the Basin Street Casino and construction of the Rivergate Casino on November 22, 1995 prior to the bankruptcy filings.

Harrah's Jazz filed a plan of reorganization with the Bankruptcy Court on April 3, 1996 and has filed several subsequent amendments to the plan (the "Plan"). On February 28, 1997, the Bankruptcy Court approved the disclosure statement of Harrah's Jazz relating to the Plan and set a confirmation hearing to approve the Plan for April 14, 1997. Under the Plan, the assets and business of Harrah's Jazz would vest in Jazz Casino Corporation, a newly formed corporation ("JCC"), on the effective date of the Plan. JCC would be responsible for completing construction of the Rivergate Casino. Under the Plan, existing public debt of Harrah's Jazz would be cancelled and the holders of that debt would receive 37.1% of the equity in JCC's parent ("JCC Holding"). An additional 15% of the equity in JCC Holding would be allocated to debtholders who execute certain releases and an affiliate of the Company would receive, in exchange for equity investments and other consideration to be provided under the Plan, the remaining 47.9% of the equity in JCC Holding, a portion of which would be assigned to certain Harrah's Jazz partner-related parties. In addition, holders of the public debt would receive (i) \$187.5 million in aggregate principal amount of 8% Senior Subordinated Notes of JCC due 2006 with contingent payments, and (ii) a pro rata share of Senior Subordinated Contingent Notes of JCC due 2006.

During the course of the bankruptcy of Harrah's Jazz, a subsidiary of the Company has made debtor-in-possession loans to Harrah's Jazz, totalling approximately \$17.2 million as of December 31, 1996, to fund certain obligations to the City of New Orleans and other cash requirements of Harrah's Jazz. The Company has proposed to make up to \$25 million in such loans, however, it is likely that Harrah's Jazz will require debtor-in-possession loans from the Company in excess of the \$25 million currently proposed.

If the Plan is consummated, Harrah's would invest an additional \$75 million in the project and deliver new completion guaranties. Any debtor-in-possession financing, including the approximately \$17.2 million in financing already advanced and discussed above, would be repaid or converted into equity (and count toward the \$75 million investment referred to above) upon consummation of the Plan. The Plan also provides that JCC will obtain a \$180 million secured term loan and revolving credit facility to finance completion of the Rivergate Casino and provide JCC with working capital availability, and that Harrah's will guarantee or provide credit support for \$120 million of this financing. If the Plan is consummated, it is anticipated that Harrah's will also make an additional \$20 million subordinated loan to JCC to assist in financing construction of the Rivergate Casino.

The Plan also contemplates the opening of the permanent casino at the Rivergate Casino site approximately nine months after the consummation of the Plan. If the Plan is consummated, it is expected that the consummation would occur in second quarter 1997. Under the Plan, there would be no temporary casino and the Basin Street Casino would not reopen.

In addition to the matters discussed above, the Plan is subject to other amendments, and such other amendments may be material. There can be no assurance that definitive agreements necessary to consummate the Plan will be reached or that the amended Plan will be approved, or, if approved, that the conditions to consummation of the Plan will be met. Additionally, ongoing litigation and reorganization costs related to the Harrah's Jazz bankruptcy, which could be significant, will have a corresponding impact

on Harrah's future earnings and cash flows. In the event the Plan is consummated, the Company anticipates that a significant part of such litigation will be dismissed.

See "Legal Proceedings" herein for a discussion of legal actions filed in connection with the New Orleans project.

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 Southern Star II, a 210-foot riverboat, offer a combined total of 37,000 square feet of casino space with 56 table games and 988 slot machines. Each riverboat has the capacity to accommodate approximately 825 guests per cruise. Harrah's Joliet offers a total of 18 cruises per day.

In April 1996, the Company completed an expansion of and improvements to the shoreside pavilion at Harrah's Joliet at an approximate cost of \$7.2 million. The expansion added new meeting room facilities, enhanced restaurant facilities and improvements to the public area. At year end, the dockside facilities, which are situated on 6.8 acres, included three restaurants, two snack bars, a lounge, approximately 3,700 square feet of meeting space and a retail shop. Parking is available for 1,071 cars, including a 4-story parking garage with 580 spaces.

The Company is evaluating a proposed expansion project in Joliet to add a 240-suite hotel, a 380-space parking garage and meeting facilities. A decision whether or not to proceed with the expansion will be made after completion of market assessments, including the impact of Indiana casinos, financial feasibility studies and planning and design work.

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

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

TUNICA

Harrah's Tunica Mardi Gras Casino is a stationary riverboat casino complex which opened in April 1996. It is situated on 88 acres of land in Tunica, Mississippi, approximately 30 miles south of downtown Memphis, Tennessee. The facilities include approximately 50,000 square feet of casino space, with 1,166 slot machines and 51 table games, three restaurants, a child care facility, an arcade, retail shop, a 13,500 square foot entertainment/ballroom area and customer parking for 2,560 cars. A Harrah's hotel, which features 181 rooms and 18 suites and exercise facilities, opened in June 1996.

The riverboat casino facilities, which are owned by a partnership in which the Company is the 83% general partner, are operated by the Company for a fee under a long-term management contract. The underlying land is under a long term lease to the partnership.

The partnership which owns the Harrah's Tunica Mardi Gras Casino has entered into agreements with two nearby competitors for the development of a golf course and related facilities adjacent to Harrah's Tunica Mardi Gras Casino. Construction on the project commenced in November 1996 with completion expected in first quarter 1998. The Company's investment in the golf course development is not expected to exceed \$2 million.

Harrah's also operates another dockside riverboat casino in Tunica ("Tunica I") which is on 179 acres of land. The complex includes a stationary riverboat that has 27,000 square feet of casino space on two levels, with 970 slot machines, 18 table games and an entertainment lounge. The facilities also offer approximately 5,100 square feet of space for conventions, meetings and special events. Adjacent to the riverboat casino is a pavilion that houses a restaurant, employee facilities and executive offices. On-site parking is available for 1,336 cars with valet parking available.

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

The Company has announced that it will not operate the Tunica I facility long-term and plans to announce an exit strategy by mid-year 1997, subject to requisite regulatory and partnership approvals.

The primary feeder market for both Harrah's casinos in 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 11,800 square feet of casino space, 605 slot machines and 31 table games. The casino is docked next to the Company's shoreside complex which features two restaurants, a snack bar/lounge, child care facilities, an arcade, a retail outlet and an approximate 2,900 square foot meeting room/convention area. Adjacent to the riverboat is a Harrah's hotel, with 109 rooms and eight suites, which is owned and operated by the Company. Two covered parking garages are across the street with combined parking for 839 cars and additional parking is available for 272 cars. The Company owns the riverboat and holds long-term rights to all real property pertaining to the project.

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

SHREVEPORT

Harrah's Shreveport is the Company's dockside riverboat casino in downtown Shreveport, Louisiana, which includes a 254-foot 19th-century design paddlewheeler riverboat, the ShreveStar, with 28,000 square feet of gaming space with 1,033 slot machines and 42 table games. A pavilion, on 11.2 acres of land, adjoins the casino on the banks of the Red River and includes two restaurants and a 4,100 square foot area for private parties and group functions. Parking is available for 880 cars, including 750 spaces in a parking garage.

The casino and related facilities are owned by the Company.

The Company is evaluating a possible expansion of its current Shreveport facility to include a hotel as well as additional parking, restaurant and meeting facilities. The Company is also pursuing alternative plans for a possible joint venture development which would provide for a second riverboat to be owned and operated by another casino company and construction of two separately-branded 300-room hotels, with jointly-owned shoreside facilities that would be managed by Harrah's. Any expansion project is subject to the receipt of necessary regulatory approvals and reaching a definitive agreement with the City of Shreveport. The development of the joint venture project is subject to reaching definitive joint venture agreements.

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

NORTH KANSAS CITY

The Company owns and operates riverboat casino facilities situated on 55 acres of land in North Kansas City, Missouri. The facilities include a 295-foot classic sternwheeler-designed stationary riverboat, the North Star, with approximately 31,600 square feet of casino space, 1,043 slot machines and 53 table games. In May 1996, the Company opened a second casino at the North Kansas City property, the Mardi Gras, which is constructed on a floating stationary barge. At year end, with both boats operational, the facilities offered a combined total of approximately 62,100 square feet of casino space, 1,938 slot machines and 98 table games.

Shoreside facilities were expanded in 1996 and at year end included a pavilion that housed three restaurants and 10,000 square feet of meeting space. In March 1996, construction was completed on a three-story 1,060-car parking garage and new surface parking. Total on-site parking, including valet parking, is now available for 2,738 cars.

In December 1996, the \$78 million expansion of the Harrah's North Kansas City facilities was completed with the opening of a Harrah's hotel which features 181 rooms and 19 suites. Additional property amenities include two snack bars, an arcade, swimming pool and exercise room.

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

UNDER DEVELOPMENT

ST. LOUIS-RIVERPORT

The Company is opening on March 11, 1997 a riverboat casino project with Players International, Inc. ("Players") along the Missouri River in Maryland Heights, Missouri, in northwest St. Louis County, 16 miles from downtown St. Louis. The partnership formed by Harrah's and Players leases space to both Harrah's and Players in which to operate their separately branded casinos and specialty restaurants. Each company will operate two riverboat casinos. Each of the Harrah's riverboats will include approximately 26,000 square feet of gaming space, with a total of approximately 1,230 slot machines and 80 table games.

A shoreside pavilion will include three restaurants, a snack bar, an entertainment lounge and retail space. Additional amenities will include a special events center and child care facilities. Also included in the shoreside facilities will be a 7-story 291-room Harrah's hotel, an 1,850-car parking garage and surface parking for 3,000 cars. Harrah's will manage the shoreside pavilion, hotel and parking areas for a fee.

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

The total estimated investment by the Company is \$180 million.

INDIAN GAMING

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, 41 poker tables, bingo, keno, two restaurants, an entertainment lounge, 3,250 square feet of meeting room space and a retail shop. The complex has customer parking for approximately 1,300 cars and has valet parking available. Harrah's manages the casino for a fee under a management contract expiring in December 1999. Renewal of the contract would require mutual agreement between Harrah's and the Ak-Chin Community and approval by the National Indian Gaming Commission ("NIGC").

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

SKAGIT VALLEY

Harrah's Skagit Valley casino is located on approximately ten acres of land on the Upper Skagit Indian Reservation, approximately 70 miles north of Seattle, Washington. The casino includes 26,000 square feet of casino space with an 800-seat bingo parlor, 51 gaming tables, nine poker tables, keno and pull tabs. Non-gaming amenities include a 68-seat lounge with live entertainment and two restaurants, as well as an arcade and gift shop. The complex has customer parking for approximately 1,000 cars with valet service provided. Harrah's manages the casino for a fee under a management contract expiring in December 2002. Renewal of the contract would require mutual agreement between Harrah's and the Upper Skagit Indian Tribe and approval by the NIGC.

The Company has guaranteed the Tribe's repayment of a bank loan, the proceeds of which were used to construct the Upper Skagit facility. At year end 1996, \$20.9 million of the loan was outstanding. In addition, the Company has made loans to the tribe. As of December 31, 1996, the total amount outstanding under these loans was \$4.6 million.

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

UNDER DEVELOPMENT

CHEROKEE

Harrah's is currently developing a casino for the Eastern Band of Cherokee Indians on their reservation in Cherokee, North Carolina. The casino will include approximately 60,000 square feet of casino space with an estimated 1,800 video gaming machines. Additional facilities will consist of a 20,000 square foot multi-purpose entertainment room and two restaurants, as well as a snack bar and child care facilities. Harrah's will manage the casino for a fee under a management contract that has a five year term, commencing on the date the casino opens to the public. Renewal of the contract would require mutual agreement between Harrah's and the Cherokee Indian Tribe and approval by the NIGC.

Following NIGC approval of management and development agreements, construction of the facilities commenced in third quarter 1996, with completion targeted for fourth quarter 1997. Opening of the project is subject to various regulatory approvals.

The Company has guaranteed the Tribe's repayment of a bank loan of \$82 million, the proceeds of which are being used to construct the Cherokee facility. At year end 1996, \$8.5 million of the loan had been drawn and was outstanding.

PRAIRIE BAND

The Company has entered into management and development agreements with the Prairie Band of Potawatomi Indians in connection with the proposed development of a casino on lands owned by that tribe approximately 17 miles north of Topeka, Kansas. These agreements were approved by the NIGC in January 1997. The casino facilities are expected to include 27,000 square feet of casino space with 500 electronic gaming devices, 40 table games and a 500-seat bingo hall. The complex will also include a restaurant, a lounge and a 100-room hotel. The facilities will be managed by the Company for a fee under a management contract that has a five year term, commencing on the date the casino opens to the public. Renewal of the contract would require mutual agreement between Harrah's and the Prairie Band and approval by the NIGC. Construction is expected to begin in April 1997 with completion expected in fourth quarter 1997. Opening of the project is subject to various regulatory approvals.

The Company expects that the proposed project will be financed by a bank loan of approximately \$37 million that would be guaranteed by the Company.

OTHER

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

SODAK GAMING, INC.

The Company owns approximately 14% of Sodak Gaming, Inc. ("Sodak"), the stock of which is publicly-traded. Sodak is a leading distributor of electronic gaming machines and gaming-related products and systems. Under terms of an agreement with International Game Technology ("IGT") expiring in May 1998, Sodak is the exclusive distributor for IGT of its gaming equipment in the states of North Dakota, South Dakota and Wyoming, and on Native American Reservations in the United States (except Nevada, New Jersey and Hawaii). This distribution agreement continues from year to year after May 1998, until it is cancelled. Sodak also has an international distributorship agreement with IGT for gaming equipment.

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

OTHER

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

TRADEMARKS

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

COMPETITION

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

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

Harrah's believes it is well positioned to take advantage of any further legalization of casino gaming, the trend of positive consumer acceptance of casino gaming as an entertainment activity, and increased visitation to casino facilities. However, the expansion of casino entertainment also presents competitive issues for Harrah's. The expansion of existing casino entertainment properties, the increase in the number of properties and the aggressive marketing strategies of many of the Company's competitors has intensified competition in many markets in which the Company competes, particularly riverboat casino markets, and this intensification of competition can be expected to continue. These competitive pressures have adversely affected the financial performance of the Company in certain markets and, the Company believes, has also adversely affected the financial performance of certain other companies operating in these markets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Effects of Current Economic and Political Conditions" on pages 32 and 33 and portions of "Management's Discussion and Analysis--Division Operating Results and Development Plans on pages 26 and 27 of the Annual Report, which pages are incorporated herein by reference.

GOVERNMENTAL REGULATION

GAMING-NEVADA

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

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

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

Gaming Subsidiaries have obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

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

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

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

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

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

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

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

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

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

Harrah's would normally be required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Authorities at any time, but instead, it has been required by the Nevada Commission to maintain its stock ledgers in its executive offices in Memphis, Tennessee which may be examined by the Nevada Board at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming

Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. Harrah's also is required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require the Company's stock certificates to bear a legend indicating that the securities are subject to the Nevada Act. However, to date, the Nevada Commission has not imposed such a requirement on Harrah's.

Harrah's and HOC may not make a public offering of their securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for such purposes. On April 25, 1996, the Nevada Commission granted Harrah's and HOC prior approval to make offerings for a period of one year, subject to certain conditions ("Shelf Approval"). The Shelf Approval does not constitute a finding, recommendation or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities offered. Any representation to the contrary is unlawful. Harrah's and HOC are in the process of seeking a one year renewal of the Shelf Approval.

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

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

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

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

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

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

GAMING-NEW JERSEY

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

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

The New Jersey Act requires that all officers, directors and principal employees of the casino licensee be licensed. In addition, each person who directly or indirectly holds any beneficial interest or ownership of the casino licensee and any person who in the opinion of the New Jersey Commission has the ability to control the casino licensee must obtain qualification approval. Each holding and intermediary company having an interest in the casino licensee must also obtain qualification approval by meeting essentially the same standards as that required of the casino licensee. All directors, officers and persons who directly or indirectly hold any beneficial interest, ownership or control in any of the intermediary or ultimate holding companies of the casino licensee may have to seek qualification from the New Jersey Commission. Lenders, underwriters, agents, employees and security holders of both equity and debt of the intermediary

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

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

The New Jersey Commission can find that any holder of the equity or debt securities issued by Harrah's or its subsidiaries is not qualified to own such securities. If a security holder of Harrah's or its

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

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

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

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

As previously discussed under Items 1 and 2 (see page four herein), the Company has agreed to sell its interest in Eagle to Eagle, effective December 24, 1996, subject to approval by the Colorado Gaming Authorities, as hereinafter defined. Although the Company continues to guarantee \$5 million in Eagle bank financing, the Company has the right to reacquire its interest if it is not released from the guaranty by March 31, 1997. The Company will terminate its management of the Central City and Black Hawk casinos owned by Eagle no later than March 31, 1997. Through the termination date, the Company's operations in Colorado have been and will be regulated as detailed below.

The ownership and operation of limited gaming facilities in the State of Colorado are subject to extensive state and local regulation. In Colorado, the two casinos managed and partially owned by subsidiaries of Harrah's (Harrah's Central City and Harrah's Black Hawk) are subject to licensing by and regulatory control of both the State of Colorado Limited Gaming Control Commission and the State of Colorado Division of Gaming (hereinafter collectively referred to as the "Colorado Gaming Authorities"). As Harrah's is a public company, the casinos must comply with specific rules relating to public companies involved in limited gaming. The Colorado Gaming Authorities examine and decide upon the suitability of persons owning any interest in a limited gaming establishment, as well as those persons associated with such owners. Persons employed in connection with gaming operations must also be licensed as either "key employees" or "support employees." The State of Colorado Limited Gaming Control Commission also has the power to levy substantial taxes with respect to gaming revenues, and with respect to gaming devices.

The licenses held by Harrah's Central City and Harrah's Black Hawk are not transferable, and must be renewed on an annual basis. A Colorado constitutional amendment passed in November 1990, legalized limited stakes gaming (\$5.00 or less per bet) in three Colorado cities: Central City, Black Hawk, and Cripple Creek. The constitutional amendment restricts limited gaming to the commercially zoned districts of each respective city. At each limited gaming location, no more than thirty-five percent (35%) of the total square footage of a building, and no more than fifty percent (50%) of the square footage of any single floor may be used for limited gaming purposes.

The Colorado Gaming Authorities have broad power to insure compliance with the statute and regulations currently in force in the State of Colorado. The Colorado Gaming Authorities may inspect, without notice, any premises where gaming is being conducted, and may seize, impound, or remove any gaming device. The statute and regulations require licensees to maintain certain minimum operating, security and payoff procedures, as well as books and records that are audited on an annual basis.

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

The Colorado Gaming Authorities have full and complete access to any records of a licensee, as well as individuals associated with licensees, authority to investigate the background and conduct of licensees and their employees, and are empowered to bring disciplinary actions against licensees. The Colorado Gaming Authorities have the power to investigate the background of creditors of licensees as well. No interest in a licensee, once approved by the Commission, may be alienated in any fashion without the prior

approval of the State of Colorado Limited Gaming Control Commission. Any person or entity may not have an interest in more than three retail gaming licenses.

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

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

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

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

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

GAMING-NEW ZEALAND

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

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

The Casino Premises License has a term of 25 years from the commencement of casino operations and is renewable. The Casino Operator's License has no stated term, but it can be used only in a facility

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

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

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

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

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

GAMING-LOUISIANA (NEW ORLEANS)

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

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

Under the Casino Operating Contract, the Casino Operator has the authority to engage a separate indirect subsidiary of Harrah's, Harrah's New Orleans Management Company (the "Casino Manager" or "HNOMC"), to manage the Gaming Facilities. The ownership and operation of the Rivergate Casino are subject to pervasive governmental regulation, including regulation by the LEDGC and now by the LGCB

in accordance with the terms of the Louisiana Economic Development and Gaming Corporation ("Gaming Act"), the rules and regulations promulgated thereunder from time to time (the "Rules and Regulations"), and the Casino Operating Contract. The LGCB is empowered to regulate a wide spectrum of gaming and non-gaming related activities.

The Gaming Act authorized the LEDGC and now the LGCB, among other things, to enter into a casino operating contract with a casino operator for the conduct of casino gaming operations at a single land-based gaming establishment, having at least 100,000 square feet of useable space, to be located at the Rivergate site. The term of the contract is not to exceed a total of 20 years with one ten-year renewal option. Under the Plan filed in the bankruptcy proceedings, the minimum compensation payable to the LGCB from gaming operations at the Rivergate Casino will be 18 1/2% of gross gaming revenues, or \$100 million annually, whichever is greater.

The Gaming Act and the Rules and Regulations establish significant regulatory requirements with respect to gaming activities and the casino operator, including, without limitation, requirements with respect to minimum accounting and financial practices, standards for gaming devices and surveillance, licensure requirements for vendors and employees, standards for credit extension and collection, 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 Casino Operating Contract.

Under the Gaming Act, no person is eligible to receive a license or enter into a contract to conduct casino gaming operations unless, among other things, the LGCB is satisfied the applicant is suitable. The Gaming Act and the Rules and Regulations also require suitability findings for, among others, the casino manager, anyone with a direct ownership interest or the ability to control the casino operator or casino manager (as well as their intermediary and holding companies), certain officers and directors of such companies, and certain vendors and employees of the casino operator. Suitability requires a demonstration by each applicant, by clear and convincing evidence, that, among other things, (i) he is a person of good character, honesty and integrity, (ii) his 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) he is capable of and is likely to conduct the activities for which a license or contract is sought. In addition, to be found suitable for purposes of the Casino Operating Contract, the casino operator must demonstrate by clear and convincing evidence that: (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 sufficient amount, as determined by the LGCB, to guarantee successful completion of and compliance with the Casino Operating Contract or such other projects that are regulated by the LGCB.

Under the Gaming Act and Rules and Regulations, the LGCB can also require that the holder of debt securities issued by the casino operator or its affiliated companies and the holders of equity interests in holding companies of the casino operator be found suitable. Any person holding or controlling a five percent or more equity interest in a non-publicly traded, direct or indirect, holding company of the casino operator or casino manager or ten percent or more equity interest in a publicly traded direct or indirect holding company of the casino operator or casino manager, is presumed to have the ability to control the casino operator or casino manager, 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 types of passive institutional investors holding a stated minimum amount of assets and, upon request, such institution files a certification stating that they do not have an intention to influence the affairs of the casino operator or casino manager.

Under 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 on the grounds that the person found suitable is associated with, or controls, or is controlled by, or is under common control with, an unsuitable or disqualified person. Under the Rules and Regulations and the Casino Operating 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 Operating Contract, take any action that the LGCB deems necessary to protect the public interest. Under the Rules and Regulations, however, if a person associated with the casino operator or an affiliate, intermediary, or holding company thereof has failed to be found or remain suitable, the LGCB shall not declare the casino operator or its affiliate, intermediary, or holding company, as the case may be, unsuitable 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: (i) the casino manager has failed to remain suitable, (ii) the casino operator is engaged in a relationship with the unsuitable person and had actual or constructive knowledge of the wrongdoing causing the LGCB's action, (iii) the casino operator is so tainted by such person that it affects the suitability of the casino operator under the standards of the Gaming Act, or (iv) the casino operator cannot meet the suitability standard contained in the Gaming Act and the Rules and Regulations.

On July 15, 1994, the LEDGC entered into the Casino Operating Contract with HJC, which sets forth the general parameters of, among other things, the location and design and construction requirements of the Rivergate Casino, the agreed upon compensation requirements due to the LEDGC from gaming operations, the requirements for financing the Rivergate Casino, and other contractual and regulatory requirements. In connection with the execution of the Casino Operating Contract, the LEDGC found HJC, HNOMC and certain related intermediary and holding companies and certain of their officers and directors to be suitable. Since the bankruptcy filing by HJC, neither the LEDGC nor the LGCB has informed HJC or any other person required to be found suitable that it is taking action to revoke any finding of suitability in accordance with the Gaming Act or Rules and Regulations, nor has the LEDGC or the LGCB given any notice of default under the Casino Operating Contract.

Under the Gaming Act, the LGCB has the right to set aside or renegotiate the provisions of the Casino Operating Contract if the casino operator is voluntarily or involuntarily placed in bankruptcy, receivership, conservatorship or similar status. It is believed that certain provisions of this statute may be unenforceable pursuant to Sections 365(e)(1) and 525 of the Bankruptcy Code. Nevertheless, the LGCB maintains it has the right to renegotiate the Casino Operating Contract in connection with the Plan. In addition, a law enacted as a result of the special session of the State legislature purports to provide authority to the Governor, subject to legislative approval, or to the State legislature, to set aside or order renegotiation or revocation of the Casino Operating Contract when the casino operator is placed in bankruptcy.

Under the Plan and subject to certain approvals from the LGCB, the Casino Operating Contract requirements would be amended in certain respects, including the elimination of temporary casino operations, alterations of the size and scope of the Rivergate Casino and permission for a revised opening schedule for the Rivergate Casino. In addition, in connection with the Plan, certain rulings, approvals and findings of suitability will be required, including, findings of suitability with respect to any directors of the JCC entities and any persons having the ability to significantly affect the affairs thereof and certain other approvals relating to the modified design of the Rivergate Casino and the revised opening schedule.

GAMING-ILLINOIS

The ownership and operation of a gaming riverboat in Illinois is subject to extensive regulation under Illinois gaming laws and regulations. A five-member Illinois Gaming Board is charged with such regulatory

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

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

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

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

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

A holder of a license is subject to the imposition of fines, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order, and general welfare of the people of the state of Illinois, or that would discredit or tend to discredit the Illinois gaming industry or the state of Illinois, including without limitation: (i) failing to comply with or make provision for compliance with the legislation, the rules promulgated thereunder or any federal, state or local law or regulation; (ii) failing to comply with any rule, order or ruling of the Illinois Gaming Board or its agents pertaining to gaming; (iii) receiving goods or services from a person or business entity who does not hold a supplier's license but who is required to hold such license by the rules; (iv) being suspended or ruled ineligible or having a license revoked or suspended in any state or gaming jurisdiction; (v) associating with, either socially or in business affairs, or employing persons of, notorious or unsavory reputation or who have extensive police records, or who have failed to cooperate with any official constituted investigatory or administrative body and would adversely affect public confidence and trust in gaming; and (vi) employing in any Illinois riverboat's gaming operation any person known to have been found guilty of cheating or using any improper device in connection with any game. Fines may be made of up to \$5,000 against individuals and up to the greater of \$10,000 or an amount equal to the daily gross receipts against licensees for each violation.

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

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

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

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

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

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

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

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

GAMING-MISSISSIPPI

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

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

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

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

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

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

Each gaming licensee must pay a license fee to the State of Mississippi based upon "gaming receipts" (generally defined as gross receipts less payouts to customers as winnings). The license fee equals four percent of gaming receipts of \$50,000 or less per month, six percent of gaming receipts over \$50,000 and up to \$134,000 per month, and eight percent of gaming receipts over \$134,000. The foregoing license fees are

allowed as a credit against Mississippi state income tax liability for the year paid. An additional license fee, based upon the number of games conducted or planned to be conducted on the gaming premises, is payable to the State of Mississippi annually in advance. Also, up to a four percent additional tax on gaming revenues may be imposed at the local level of government.

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

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

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

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

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

record holder unsuitable. Harrah's also is required to render maximum assistance in determining the identity of the beneficial owner.

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

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

GAMING-LOUISIANA (RIVERBOAT)

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

To obtain a gaming license, applicants must obtain certain Certificates of Approval from the 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 initially runs for five years; renewals are for one year terms. In determining whether to grant a license, the Division considers: (i) the good character, honesty and integrity of the applicant; (ii) the applicant's ability to conduct gaming operations; (iii) the adequacy and source of the applicant's financing; (iv) the adequacy of the design documents submitted; (v) the docking facilities to be used; (vi) applicant's plan to recruit, train, and upgrade minorities in employment and to provide for minority-owned business participation.

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

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

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

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

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

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

GAMING-MISSOURI

The ownership and operation of a gaming riverboat in Missouri is subject to extensive regulation under Missouri gaming laws and regulations. A five-member Missouri Gaming Commission ("Commission") is charged with such regulatory authority, including the issuance of riverboat gaming licenses. Harrah's North Kansas City Corporation, an indirect subsidiary of Harrah's, has been issued two licenses by the Commission to conduct riverboat gaming at its North Kansas City location. 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. Gaming in Missouri can be conducted legally only on either excursion gambling boats or floating facilities approved by the Commission on the Mississippi and Missouri Rivers. Unless permitted to be continuously docked by the Commission for certain stated reasons, including safety, excursion gambling boats must cruise. The Commission has approved dockside gaming for the Company's 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. There are separate licenses for owners and operators of riverboat gambling operations, which can be applied for and held concurrently. Each license granted entitles a licensee to own and/or operate an excursion gambling boat and equipment thereon from a specific location. The duration of the license initially runs for two one-year terms followed by two-year terms. The Commission also licenses the serving of alcoholic beverages on riverboats and adjacent facilities. All local income, earnings, use, property and sales taxes are applicable to licensees.

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

A holder of a license is subject to the imposition of penalties, suspension or revocation of its license for any act that is injurious to the public health, safety, morals, good order, and general welfare of the people of the state of Missouri, or that would discredit or tend to discredit the Missouri gaming industry or the state of Missouri, including without limitation: (i) failing to comply with or make provision for

compliance with the legislation, the rules promulgated thereunder or any federal, state or local law or regulation; (ii) failing to comply with any rules, order or ruling of the Commission or its agents pertaining to gaming; (iii) receiving goods or services from a person or business entity who does not hold a supplier's license but who is required to hold such license by the legislation or the rules; (iv) being suspended or ruled ineligible or having a license revoked or suspended in any state or gaming jurisdiction; (v) associating with, either socially or in business affairs, or employing persons of notorious or unsavory reputation or who have extensive police records, or who have failed to cooperate with any official constituted investigatory or administrative body and would adversely affect public confidence and trust in gaming; (vi) employing in any Missouri gaming operation any person known to have been found guilty of cheating or using any improper device in connection with any game; (vii) use of fraud, deception, misrepresentation or bribery in securing any license or permit issued pursuant to the legislation; (viii) obtaining any fee, charge, or other compensation by fraud, deception or misrepresentation; and (ix) incompetence, misconduct, gross negligence, fraud, misrepresentation or dishonesty in the performance of the functions or duties regulated by the legislation.

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

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

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

The legislation imposes a 20% wagering tax on adjusted gross receipts (generally defined as gross receipts less payments to customers as winnings) from gambling games. The tax imposed is to be paid by the licensed owner to the 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 cruise. The licensed owner is required to maintain public books and records clearly showing amounts received from admission fees, the total amount of gross receipts and the total amount of adjusted gross receipts.

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

INDIAN GAMING

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

IGRA requires NIGC approval of management contracts for Class II and Class III gaming as well as the review of all agreements collateral to the management contracts. All contracts relating to Harrah's Phoenix Ak-Chin and Harrah's Skagit Valley casinos were approved by the NIGC. The NIGC will not approve a management contract if a director or a 10% shareholder of the management company: (i) is an elected member of the Indian tribal government which owns the facility purchasing or leasing the games; (ii) has been or is convicted of a felony gaming offense; (iii) has knowingly and willfully provided materially false information to the NIGC or the tribe; (iv) has refused to respond to questions from the NIGC; or (v) is a person whose prior history, reputation and associations pose a threat to the public interest or to effective gaming regulation and control, or create or enhance the chance of unsuitable activities in gaming or the business and financial arrangements incidental thereto. In addition, the NIGC will not approve a management contract if the management company or any of its agents have attempted to unduly influence any decision or process of tribal government relating to gaming, or if the management company has materially breached the terms of the management contract or the tribe's gaming ordinance, or a trustee, exercising due diligence, would not approve such management contract. A management contract can be approved only after NIGC determines that the contract provides, among other things, for: (i) adequate accounting procedures and verifiable financial reports, which must be furnished to the tribe; (ii) tribal access to the daily operations of the gaming enterprise, including the right to verify daily gross revenues and income; (iii) minimum guaranteed payments to the tribe, which must have priority over the retirement of development and construction costs; (iv) a ceiling on the repayment of such development and construction costs and (v) a contract term not exceeding five years and a management fee not exceeding 30% of net revenues (as determined by the NIGC); provided that the NIGC may approve up to a seven year term and a management fee not to exceed 40% of net revenues if NIGC is satisfied that the capital investment required, and the income projections for the particular gaming activity 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 which could result in possible modification or cancellation of a contract would be as the result of an enforcement action taken by the NIGC based on a violation of the law or an issue affecting suitability.

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

IGRA prohibits all forms of Class III gaming unless the tribe has entered into a written agreement with the state that specifically authorizes the types of Class III gaming the tribe may offer (a "tribal-state compact"). IGRA requires states to negotiate in good faith with tribes that seek tribal-state compacts and grants Indian tribes the right to seek a federal court order to compel such negotiations. Some states have refused to enter into such negotiations. Tribes in several states sought federal court orders to compel such negotiations. The U. S. Supreme Court in the case of SEMINOLE V. STATE OF FLORIDA AND LAWTON CHILES, determined that this provision of IGRA is unconstitutional as a violation of the Eleventh Amendment to the United States Constitution which immunizes states from suit without the state's consent. The Court did

not address, however, the possibility that IGRA allows the Secretary of the Department of the Interior to prescribe Class III gaming procedures where states refuse to enter into compacts with Indian tribes. Subsequent to this decision, the Secretary of the Interior gave advance notice of rule making related to Class III gaming. The issue of whether the Secretary has the authority to issue such regulations either generally or under IGRA can be expected to be litigated.

These compacts provide among other things the manner and extent to which each state will conduct background investigations and certify the suitability of the manager, its officers, directors, and key employees to conduct gaming on tribal lands. The Company received temporary certification pending completion of its background check from the Arizona gaming authorities prior to opening the Phoenix Ak-Chin casino (and since has received its permanent certification) and certification from the Washington gaming authorities prior to the opening of the Skagit Valley casino.

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

Indian tribes are sovereign with their own governmental systems, which have primary regulatory authority over gaming on land within the tribes' jurisdiction. Therefore, persons engaged in gaming activities, including the Company, are subject to the provisions of tribal ordinances and regulations on gaming. These ordinances are subject to review by 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 the Company. The Company has received no such notification regarding the Ak-Chin and Skagit Valley casinos. The possession of valid licenses from the Ak-Chin Indian Community and the Upper Skagit Indian Tribe are ongoing conditions of the Ak-Chin and Upper Skagit agreements.

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

OTHER REGULATIONS

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

FUEL SHORTAGES AND COSTS; WEATHER

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

Such closures have at times adversely affected operating results at Harrah's Lake Tahoe, Harrah's Reno, Bill's Lake Tahoe Casino and Harrah's Atlantic City.

EMPLOYEE RELATIONS

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

Harrah's subsidiaries have collective bargaining agreements covering approximately 2,800 employees. These agreements relate to certain casino, hotel and restaurant employees at Harrah's Atlantic City and Harrah's Las Vegas. Approximately 1,600 of these 2,800 employees are covered by collective bargaining agreements expiring in 1997. Negotiations for successor agreements will begin later this year prior to the expiration of the current contracts.

ITEM 3. LEGAL PROCEEDINGS.

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

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

Beginning on November 28, 1995, eight separate class action suits were filed against the Company and various of its corporate affiliates, officers and directors in the United States District Court for the Eastern District of Louisiana. They are BEN F. D'ANGELO, TRUSTEE FOR BEN F. D'ANGELO REVOCABLE TRUST V. HARRAH'S ENTERTAINMENT CORP., MICHAEL D. ROSE, PHILIP G. SATRE AND RON LENCZYCKI; MAX FENSTER V. HARRAH'S ENTERTAINMENT, INC., HARRAH'S NEW ORLEANS INVESTMENT COMPANY, GRAND PALAIS CASINO, INC., PHILIP G. SATRE, COLIN V. REED, MICHAEL N. REGAN, CHRISTOPHER B. HEMMETER, DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, SALOMON BROTHERS, INC., AND BT SECURITIES CORP.; GOLDIE ROSENBLUM V. HARRAH'S ENTERTAINMENT CORP., MICHAEL D. ROSE, PHILIP G. SATRE AND RON LENCZYCKI; BARRY ROSS V. HARRAH'S NEW ORLEANS INVESTMENT COMPANY, PHILIP G. SATRE, COLIN V. REED, LAWRENCE L. FOWLER, MICHAEL N. REGAN, CEZAR M. FROELICH, ULRIC

HAYNES, JR., WENDELL GAUTHIER, T. GEORGE SOLOMON, JR., DUPLAIN W. RHODES, III, HARRAH'S ENTERTAINMENT, INC., DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, SALOMON BROTHERS INC., AND BT SECURITIES CORP.; LOUIS SILVERMAN V. HARRAH'S ENTERTAINMENT, INC., HARRAH'S NEW ORLEANS INVESTMENT COMPANY, GRAND PALAIS CASINO, INC., PHILIP G. SATRE, COLIN V. REED, MICHAEL N. REGAN, CHRISTOPHER B. HEMMETER, AND DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION; FLORENCE KESSLER V. PHILIP G. SATRE, COLIN V. REED, CHARLES A. LEDSINGER, JR., MICHAEL N. REGAN, LAWRENCE L. FOWLER, CHRISTOPHER B. HEMMETER, CEZAR M. FROELICH, ULRIC HAYNES, JR., WENDELL H. GAUTHIER, T. GEORGE SOLOMON, JR., DUPLAIN W. RHODES, III, DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION, SALOMON BROTHERS INC., AND BT SECURITIES CORPORATION; WARREN ZEILLER AND JUDITH M.R. ZEILLER V. HARRAH'S ENTERTAINMENT CORP., MICHAEL D. ROSE, PHILIP G. SATRE, AND RON LENCZYCKI; AND CHARLES ZWERVING AND HELENE ZWERVING V. HARRAH'S ENTERTAINMENT CORP., PHILIP G. SATRE, COLIN V. REED, CHRISTOPHER B. HEMMETER, AND DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION. Per Court Order of January 26, 1996, the above plaintiffs filed a consolidated complaint in the action numbered 95-3925 IN RE HARRAH'S ENTERTAINMENT, INC. SECURITIES LITIGATION. The consolidated complaint alleges that various misstatements and omissions were made in connection with the sale of Harrah's Jazz Company 14.25% First Mortgage Notes and thereafter, and seeks unspecified damages, as well as costs of legal proceedings. On February 26, 1997 the Company and all other defendants reached a tentative settlement agreement with plaintiffs. Pursuant to that agreement, members of the class will be entitled to receive certain shares in JCC Holding Company pursuant to the Plan of Reorganization for HJC or other monetary consideration from a settlement pool of \$3.8 million. The settlement is contingent upon both plaintiffs' confirmation of certain data provided to them in the course of settlement discussions and approval by the United States District Court for the Eastern District of Louisiana.

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

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

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

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

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

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

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
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Philip G. Satre (47).....	Director since 1989, Chairman of the Board since January 1997, President since April 1991 and Chief Executive Officer since April 1994 of Harrah's. Chief Operating Officer of Harrah's (1991-1994). President (1984-1995) of Harrah's Gaming Group. He is a member of the Executive Committee of Harrah's Jazz Company and a director and President of Harrah's Jazz Finance Corp., both of which filed petitions under Chapter 11 of the United States Bankruptcy Code in November 1995. He is also a director and President of Harrah's New Orleans Investment Company which filed a petition under Chapter 11 of the United States Bankruptcy Code in December 1995.
Colin V. Reed (49).....	Executive Vice President of Harrah's since September 1995. Senior Vice President, Corporate Development of Harrah's from May 1992 to September 1995. Vice President, Corporate Development of Harrah's from November 1989 to May 1992. He is also a director of Sodak Gaming, Inc. He is also a member of the Executive Committee of Harrah's Jazz Company and a director and a Senior Vice President of Harrah's Jazz Finance Corp., both of which filed petitions under Chapter 11 of the United States Bankruptcy Code in November 1995. He is a director and Senior Vice President of Harrah's New Orleans Investment Company which filed a petition under Chapter 11 of the United States Bankruptcy Code in December 1995.
John M. Boushy (42).....	Senior Vice President, Information Technology and Corporate Marketing Services of Harrah's since June 1993. Vice President, Strategic Marketing of Harrah's from April 1989 to June 1993.
Charles A. Ledsinger, Jr. (47).....	Senior Vice President and Chief Financial Officer of Harrah's since August 1990. Treasurer of Harrah's from August 1996 to October 1996. He also is a director of Perkins Management Company, Inc., a privately-held general partner of Perkins Family Restaurants, L.P., a publicly-traded limited partnership, and he is a director of TBC Corporation. He is a Senior Vice President of Harrah's Jazz Finance Corp. which filed a petition under Chapter 11 of the United States Bankruptcy Code in November 1995.
Bradford W. Morgan (51).....	Senior Vice President, Marketing of Harrah's since May 1995. Executive Vice President, Marketing of the Company's Gaming Group from June 1994 to May 1995. Executive Vice President, Marketing & Sales of Visa U.S.A. from July 1988 to June 1994.
Ben C. Peterzell (51).....	Senior Vice President, Corporate Human Resources and Communications of Harrah's since November 1989. He is also a director of Promus Hotel Corporation.
E. O. Robinson, Jr. (57).....	Senior Vice President and General Counsel of Harrah's since April 1993 and Secretary of Harrah's from November 1989 to October 1995. Vice President and Associate General Counsel of Harrah's from November 1989 to April 1993.

PART II

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

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

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

	HIGH -----		LOW -----	
1995				
First Quarter*.....	37	7/8	30	
Second Quarter*.....	45	7/8	37	
Third Quarter.....	33	1/8	25	
Fourth Quarter.....	29	3/8	22	1/8
1996				
First Quarter.....	30	1/4	24	
Second Quarter.....	38	7/8	27	
Third Quarter.....	28	3/8	17	1/4
Fourth Quarter.....	21	3/4	16	3/8

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

The approximate number of holders of record of the Company's Common Stock as of January 31, 1997, is as follows:

TITLE OF CLASS -----	APPROXIMATE NUMBER OF HOLDERS OF RECORD -----
Common Stock, Par Value \$0.10 per share.....	13,241

The Company does not presently intend to declare cash dividends. The terms of the Company's bank facility substantially limit the Company's ability to pay cash dividends on Common Stock and limitations are also contained in agreements covering other debt of the Company. See "Management's Discussion and Analysis--Intercompany Dividend Restriction" on page 33 of the Annual Report and Note 15 to the consolidated financial statements on page 46 of the Annual Report, which pages are incorporated herein by reference. When permitted under the terms of the bank facility and the other debt, the declaration and payment of dividends is at the discretion of the Board of Directors of the Company. In October 1996, the Board of Directors of the Company approved a stock repurchase plan which authorizes the purchase of up to ten percent of the Company's outstanding common stock. The repurchase of stock under this plan, which expires December 31, 1997, is treated as a dividend for purposes of the Company's debt agreements. The Board of Directors of the Company intends to reevaluate its dividend policy in the future in light of the Company's results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

ITEM 6. SELECTED FINANCIAL DATA.

See the information for the years 1992 through 1996 set forth under "Financial and Statistical Highlights" on pages 4 and 5 of the Annual Report, which pages are incorporated herein by reference.

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

Not Applicable

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

DIRECTORS

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

EXECUTIVE OFFICERS

See "Executive Officers of the Registrant" on page 35 in Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION.

See the information set forth in the sections of the Proxy Statement entitled "Compensation of Directors," "Summary Compensation Table," "Option Grants in the Last Fiscal Year," "Aggregated Option Exercises in 1996 and December 31, 1996 Option Values," "Ten-year Option/SAR Repricings" and "Certain Employment Arrangements," which sections are incorporated herein by reference.

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

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

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

PART IV

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

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

Report of Independent Public Accountants.

Consolidated Balance Sheets as of December 31, 1996 and 1995.

Consolidated Statements of Income for the Years Ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1996, 1995 and 1994.

Consolidated Statements of Cash Flows for the Years Ended December 31, 1996, 1995 and 1994.

2. Schedules for the years ended December 31, 1996, 1995 and 1994, are as follows:

NO.

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I -Condensed financial information of registrant

II -Consolidated valuation and qualifying accounts

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

3. Exhibits (footnotes appear on pages 46 and 47)

NO.

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3(1) -Certificate of Incorporation of The Promus Companies Incorporated; Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated April 29, 1994; Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated May 26, 1995; and Certificate of Amendment of Certificate of Incorporation of The Promus Companies Incorporated dated June 30, 1995, changing its name to Harrah's Entertainment, Inc. (25)

3(2) -Bylaws of the Company, as amended April 5, 1995. (5)

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. (3)

**4(2) -First Amendment, dated as of February 21, 1997, to Rights Agreement between Harrah's Entertainment, Inc. and The Bank of New York.

**4(3) -Certificate of Elimination of Series B Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997.

**4(4) -Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997.

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

** Filed herewith

- 4(5) -Indenture dated as of April 1, 1992, with respect to the 10 7/8% Senior Subordinated Notes due 2002, among The Bank of New York, as trustee, The Promus Companies Incorporated, as guarantor, and Embassy Suites, Inc., as issuer; Form of Note for 10 7/8% Senior Subordinated Notes due 2002. (18)
- 4(6) -First Supplemental Indenture dated as of June 2, 1995, with respect to the 10 7/8% Senior Subordinated Notes due 2002, among Embassy Suites, Inc., as issuer, The Promus Companies Incorporated, as guarantor, and The Bank of New York, as trustee. (2)
- 4(7) -Indenture dated as of August 1, 1993, with respect to the 8 3/4% Senior Subordinated Notes due 2000, among The Bank of New York, as trustee, The Promus Companies Incorporated, as guarantor, and Embassy Suites, Inc., as issuer; Form of Note for 8 3/4% Senior Subordinated Notes due 2000. (6)
- 4(8) -First Supplemental Indenture dated as of June 2, 1995, with respect to the 8 3/4% Senior Subordinated Notes due 2000, among Embassy Suites, Inc., as issuer, The Promus Companies Incorporated, as guarantor, and The Bank of New York, as trustee. (2)
- 4(9) -Interest Swap Agreement between The Sumitomo Bank, Limited and Embassy Suites, Inc. dated October 22, 1992; Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated October 22, 1992; Interest Swap Agreement between The Nippon Credit Bank and Embassy Suites, Inc. dated October 22, 1992. (18)
- 4(10) -Interest Swap Agreement between Bank of America National Trust and Savings Association and Embassy Suites, Inc. dated May 14, 1993. (6)
- 4(11) -Interest Swap Agreement between NationsBank of North Carolina, N. A. and Embassy Suites, Inc. dated May 18, 1993. (6)
- 4(12) -Interest Swap Agreement between Bank of America National Trust and Savings Association and Harrah's Operating Company, Inc. dated December 21, 1995. (25)
- 4(13) -Interest Swap Agreement between NationsBank, N. A. (Carolinas) and Harrah's Entertainment, Inc. dated December 21, 1995. (25)
- 4(14) -Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated January 25, 1995 and amended February 2, 1995. (7)
- 4(15) -Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated March 16, 1995. (7)
- 4(16) -Interest Swap Agreement between Bankers Trust Company and Embassy Suites, Inc. dated May 16, 1995. (10)
- 4(17) -Interest Swap Agreement between The Sumitomo Bank, Limited and Embassy Suites, Inc. dated June 5, 1995. (10)
- 4(18) -Interest Swap Agreement between Bankers Trust Company and Embassy Suites, Inc. dated June 6, 1995. (10)
- 10(1) -Credit Agreement, dated as of July 22, 1993 and amended and restated as of June 9, 1995, among The Promus Companies Incorporated, Embassy Suites, Inc., certain subsidiaries of Embassy Suites, Inc., various banks, Bankers Trust Company, The Bank of New York, CIBC, Inc., Credit Lyonnais, Atlanta Agency, First Interstate Bank of California, The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank of Georgia, N.A., Societe Generale and Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent. (2)

- 10(2) -Credit Agreement, dated as of June 9, 1995, among The Promus Companies Incorporated, Embassy Suites, Inc., certain subsidiaries of Embassy Suites, Inc., various banks, Bankers Trust Company, The Bank of New York, CIBC, Inc., Credit Lyonnais, Atlanta Agency, First Interstate Bank of California, The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank of Georgia, N.A., Societe Generale and The Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent. (2)
- **10(3) -Second Amendment to Credit Agreement, dated as of October 15, 1996, among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Marina Associates, various lending institutions, Bankers Trust Company, The Bank of New York, CIBC, Inc., Credit Lyonnais, Atlanta Agency, First Interstate Bank of Nevada, N.A., The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank of Georgia, N.A., Societe Generale and The Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent.
- 10(4) -Amended and Restated Reimbursement Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., The Promus Companies Incorporated, Marina Associates and The Sumitomo Bank, Limited, New York Branch. (19)
- 10(5) -Master Collateral Agreement, dated as of July 22, 1993, among The Promus Companies Incorporated, Embassy Suites, Inc., the other Collateral Grantors parties thereto, Bankers Trust Company, as Administrative Agent, and Bankers Trust Company as Collateral Agent. (19)
- 10(6) -First Amendment to Master Collateral Agreement, dated as of June 30, 1995, among The Promus Companies Incorporated, Embassy Suites, Inc., the other Collateral Grantors parties thereto, Bankers Trust Company, as Administrative Agent, and Bankers Trust Company as Collateral Agent amending the Master Collateral Agreement, dated as of July 22, 1993, among The Promus Companies Incorporated, Embassy Suites, Inc., the other Collateral Grantors parties thereto, Bankers Trust Company, as Administrative Agent, and Bankers Trust Company as Collateral Agent. (10)
- 10(7) -Security Agreement dated as of July 22, 1993, among Embassy Suites, Inc., the Collateral Grantors parties thereto and Bankers Trust Company, as Collateral Agent. (19)
- 10(8) -First Amendment to Security Agreement, dated as of June 30, 1995, among Embassy Suites, Inc., the Collateral Grantors parties thereto and Bankers Trust Company, as Collateral Agent, amending the Security Agreement dated as of July 22, 1993, among Embassy Suites, Inc., the Collateral Grantors parties thereto and Bankers Trust Company, as Collateral Agent. (10)
- 10(9) -Deed of Trust, Leasehold Deed of Trust, Assignment, Assignment of Leases and Rents, Security Agreement and Financing Statement, dated as of July 22, 1993, from Embassy Suites, Inc., Harrah's Laughlin, Inc., and Harrah's Reno Holding Company, Inc., the Grantors, to First American Title Company of Nevada, as Trustee, for the benefit of Bankers Trust Company, as Beneficiary. (19)

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** Filed herewith

- 10(10) -First Amendment to Deed of Trust, Leasehold Deed of Trust, Assignment, Assignment of Leases and Rents, Security Agreement and Financing Statement, dated as of June 30, 1995, among Embassy Suites, Inc., Harrah's Laughlin, Inc., Harrah's Reno Holding Company, Inc., Harrah's, Harrah's Club and Harrah's Las Vegas, Inc., the Collateral Grantors, and Bankers Trust Company as Collateral Agent and Beneficiary, amending the Deed of Trust, Leasehold Deed of Trust, Assignment, Assignment of Leases and Rents, Security Agreement and Financing Statement, dated as of July 22, 1993, from Embassy Suites, Inc., Harrah's Laughlin, Inc., and Harrah's Reno Holding Company, Inc., the Grantors, to First American Title Company of Nevada, as Trustee, for the benefit of Bankers Trust Company, as Beneficiary. (10)
- 10(11) -Mortgage, Leasehold Mortgage, Assignment, Assignment of Leases and Rents and Security Agreement, dated as of July 22, 1993, from Marina Associates and Embassy Suites, Inc., the Mortgagors, to Bankers Trust Company, as Collateral Agent and the Mortgagee. (19)
- 10(12) -First Amendment to Mortgage, Leasehold Mortgage, Assignment, Assignment of Leases and Rents and Security Agreement, dated as of June 30, 1995, among Embassy Suites, Inc., Marina Associates, the Mortgagors, to Bankers Trust Company, as Collateral Agent and the Mortgagee, amending the Mortgage, Leasehold Mortgage, Assignment, Assignment of Leases and Rents and Security Agreement, dated as of July 22, 1993, from Marina Associates and Embassy Suites, Inc., the Mortgagors, to Bankers Trust Company, as Collateral Agent and the Mortgagee. (10)
- 10(13) -Pledge Agreement, dated as of July 22, 1993, between The Promus Companies Incorporated and Bankers Trust Company, as Collateral Agent. (19)
- 10(14) -First Amendment to Parent Pledge Agreement, dated as of June 30, 1995, among The Promus Companies Incorporated and Bankers Trust Company, as Collateral Agent, amending the Pledge Agreement, dated as of July 22, 1993, between The Promus Companies Incorporated and Bankers Trust Company, as Collateral Agent. (10)
- 10(15) -Pledge Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., ESI Equity Development Corporation, Harrah's, Harrah's Club, Casino Holding Company, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent. (19)
- 10(16) -First Amendment to Company/Sub Pledge Agreement, dated as of June 30, 1995, among Embassy Suites, Inc., Harrah's, Harrah's Club, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent, amending the Pledge Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., ESI Equity Development Corporation, Harrah's, Harrah's Club, Casino Holding Company, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent. (10)
- 10(17) -Consent dated as of April 17, 1996 to Credit Agreement, dated as of June 9, 1995, among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Marina Associates, various banks, Bankers Trust Company, The Bank of New York, CIBC, Inc., Credit Lyonnais, Atlanta Agency, First Interstate Bank of Nevada, N.A., The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank of Georgia, N.A., Societe Generale and The Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent. (11)
- 10(18) -Plan of Reorganization and Distribution Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)

- 10(19) -Employee Benefits and Other Employment Matters Allocation Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
- 10(20) -Risk Management Allocation Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
- 10(21) -Tax Sharing Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
- +10(22) -Form of Indemnification Agreement entered into by The Promus Companies Incorporated and each of its directors and executive officers. (1)
- +10(23) -Financial Counseling Plan of Harrah's Entertainment, Inc. as amended January 1996. (25)
- +10(24) -The Promus Companies Incorporated 1996 Non-Management Director's Stock Incentive Plan dated April 5, 1995. (9)
- +10(25) -The Promus Companies Incorporated Key Executive Officer Annual Incentive Plan dated February 24, 1995. (10)
- **+10(26) -Summary Plan Description of Executive Term Life Insurance Plan.
- +10(27) -Form of Harrah's Entertainment, Inc.'s Annual Management Bonus Plan, as amended 1995. (25)
- +10(28) -Form of Severance Agreement dated July 30, 1993, entered into with E. O. Robinson, Jr. and John M. Boushy. (22)
- +10(29) -Severance Agreement, dated June 30, 1995, with Bradford W. Morgan. (10)
- +10(30) -Amended and Restated Severance Agreement dated as of May 1, 1992 between The Promus Companies Incorporated and Michael D. Rose. (18)
- **+10(31) -Form of Amendment, dated October 25, 1996, to Severance Agreements entered into with Michael D. Rose and Philip G. Satre.
- +10(32) -Form of Amended and Restated Severance Agreement dated November 5, 1992, entered into with Charles A. Ledsinger, Jr., Ben C. Peterzell, Philip G. Satre and Colin V. Reed. (18)
- +10(33) -Amendment, dated February 25, 1994 and effective April 29, 1994, to Amended and Restated Severance Agreement dated November 5, 1992, between The Promus Companies Incorporated and Philip G. Satre. (21)
- **+10(34) -Form of Amendment, dated October 25, 1996, to Severance Agreements entered into with Colin V. Reed, Charles A. Ledsinger, Jr., Ben C. Peterzell, E. O. Robinson, Jr., Bradford W. Morgan and John M. Boushy.
- +10(35) -Amended and Restated Employment Agreement, dated June 30, 1995, between Michael D. Rose and Harrah's Entertainment, Inc. (10)
- +10(36) -Amendment dated as of December 19, 1995, to Amended and Restated Employment Agreement between Michael D. Rose and Harrah's Entertainment, Inc. (25)
- +10(37) -Agreement, dated April 28, 1995, between Michael D. Rose and The Promus Companies Incorporated concerning treatment of stock options in spin-off. (10)

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** Filed herewith

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

- +10(38) -Agreement, dated May 1, 1995, between Michael D. Rose and The Promus Companies Incorporated concerning treatment of Executive Deferred Compensation Plan account in spin-off. (10)
- +10(39) -Employment Agreement dated as of February 25, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Philip G. Satre including exhibits thereto. (17)
- +10(40) -The Promus Companies Incorporated 1990 Stock Option Plan. (12)
- +10(41) -The Promus Companies Incorporated 1990 Stock Option Plan (as amended as of April 30, 1993). (20)
- +10(42) -The Promus Companies Incorporated 1990 Stock Option Plan, as amended April 29, 1994. (8)
- +10(43) -The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994. (21)
- **+10(44) -Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Stock Option Plan as adjusted on December 12, 1996.
- +10(45) -Revised Form of Stock Option (1990 Stock Option Plan). (25)
- **+10(46) -Revised Form of Stock Option with attachments (1990 Stock Option Plan).
- +10(47) -Form of memorandum agreement dated July 2, 1991, eliminating stock appreciation rights under stock options held by Charles A. Ledsinger, Jr., Ben C. Peterzell and Philip G. Satre. (14)
- +10(48) -Form of Agreement to Cancel Options dated as of December 16, 1994 entered into with Michael D. Rose, Philip G. Satre, Charles A. Ledsinger, Jr., Ben C. Peterzell, Colin V. Reed, E. O. Robinson, Jr. and John M. Boushy. (7)
- +10(49) -The Promus Companies Incorporated 1990 Restricted Stock Plan. (12)
- +10(50) -Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Restricted Stock Plan. (9)
- +10(51) -Revised Forms of Restricted Stock Award (1990 Restricted Stock Plan). (25)
- **+10(52) -Revised Form of Restricted Stock Award (1990 Restricted Stock Plan).
- +10(53) -Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated October 27, 1995. (25)
- **+10(54) -Amendment to Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated December 12, 1996.
- +10(55) -Deferred Compensation Plan dated October 16, 1991. (15)
- +10(56) -Amendment, dated May 26, 1995, to The Promus Companies Incorporated Deferred Compensation Plan. (2)
- +10(57) -Forms of Deferred Compensation Agreement. (25)

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** Filed herewith

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

- +10(58) -Amended and Restated Executive Deferred Compensation Plan dated as of October 27, 1995. (25)
- **+10(59) -Restated Amendment, dated July 18, 1996, to Harrah's Entertainment, Inc. Executive Deferred Compensation Plan.
- +10(60) -Forms of Executive Deferred Compensation Agreement. (25)
- +10(61) -Escrow Agreement dated February 6, 1990 between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent. (12)
- +10(62) -First Amendment to Escrow Agreement dated January 31, 1990 among Holiday Corporation, certain subsidiaries thereof and Sovran Bank, as escrow agent. (12)
- +10(63) -Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank. (24)
- +10(64) -Amendment, dated as of June 7, 1995, to Escrow Agreement among The Promus Companies Incorporated, certain subsidiaries thereof and NationsBank. (2)
- +10(65) -Amendment, dated as of July 18, 1996, to Escrow Agreement between Harrah's Entertainment, Inc. and NationsBank. (26)
- **+10(66) -Time Accelerated Restricted Stock Award Plan ("TARSAP") program dated December 12, 1996.
- **+10(67) -Form of TARSAP Award.
- **+10(68) -Form of Agreement, dated October 30, 1996, regarding cancellation and reissue of stock options, entered into with Michael D. Rose, Philip G. Satre, Colin V. Reed, Charles A. Ledsinger, Jr., Ben C. Peternell, E.O. Robinson, Jr., John M. Boushy and Bradford W. Morgan; and Form of Reissued Stock Option.
- 10(69) -Amended and Restated Partnership Agreement of Harrah's Jazz Company, dated as of March 15, 1994, among Harrah's New Orleans Investment Company, New Orleans/ Louisiana Development Corporation and Grand Palais Casino, Inc.; First Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company, effective as of March 15, 1994. (24)
- 10(70) -Second Amendment dated March 31, 1994 to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (8)
- 10(71) -Amended and Restated Third Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (16)
- 10(72) -Fourth Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (16)
- 10(73) -Indenture dated as of November 15, 1994 between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee for the First Mortgage Notes including form of First Mortgage Note. (16)

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** Filed herewith

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

- 10(74) -Cash Collateral and Disbursement Agreement among First National Bank of Commerce as Trustee, First National Bank of Commerce as Collateral Agent, Harrah's Jazz Company and Harrah's Jazz Finance Corp., dated November 16, 1994. (16)
- 10(75) -Collateral Mortgage Note by Harrah's Jazz Company dated November 15, 1994. (16)
- 10(76) -Act of Collateral Mortgage and Collateral Assignment of Proceeds by Harrah's Jazz Company dated November 15, 1994. (16)
- 10(77) -Act of Collateral Assignment of Leases and Rents between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated November 15, 1994. (16)
- 10(78) -Act of Security Agreement and Pledge between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated November 15, 1994. (16)
- 10(79) -Pledge Agreement between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
- 10(80) -Security Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
- 10(81) -Security Agreement (Cash Collateral) among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee dated November 16, 1994. (16)
- 10(82) -Manager Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, Harrah's New Orleans Management Company and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
- 10(83) -Amended Lease Agreement between the Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated March 15, 1994. (13)
- 10(84) -Amended General Development Agreement between Rivergate Development Corporation and Harrah's Jazz Company and City of New Orleans, as Intervenor dated March 15, 1994. (4)
- 10(85) -Amendment to Amended Lease Agreement between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated October 5, 1994. (13)
- 10(86) -Agreement among the Rivergate Development Corporation, the City of New Orleans and Embassy Suites, Inc. and Harrah's Jazz Company, as intervenor, dated October 5, 1994 (the "Embassy Access Agreement"). (13)
- 10(87) -Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated July 15, 1994. (4)
- 10(88) -First Amendment to Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated August 31, 1994. (13)
- 10(89) -Amended and Restated Management Agreement between Harrah's New Orleans Management Company and Harrah's Jazz Company dated March 14, 1994. (4)
- 10(90) -Construction Agreement between Harrah's Jazz Company and Centex Landis Construction Co., Inc. dated October 10, 1994, for the construction of the Permanent Casino. (13)

- 10(91) -Design and Construction Agreement between Harrah's Jazz Company and Broadmoor dated October 10, 1994, for the construction of the parking structure. (13)
- 10(92) -Owner's Policy issued March 16, 1994 by First American Title Insurance Company to Harrah's Jazz Company with attachments. (16)
- 10(93) -Lender's Title Insurance Policy issued November 16, 1994 by First American Title Insurance Company together with reinsurance agreements. (16)
- 10(94) -Construction Lien Indemnity Obligation Agreement between Harrah's Jazz Company and Embassy Suites, Inc. dated October 12, 1994. (23)
- 10(95) -First Amendment to the Construction Lien Indemnity Obligation Agreement. (16)
- 10(96) -Specimen form of 14 1/4% First Mortgage Note Due 2001 of Harrah's Jazz Company and Harrah's Jazz Finance Corp. (16)
- 10(97) -Limited Partnership Agreement of Des Plaines Limited Partnership between Harrah's Illinois Corporation and John Q. Hammons, dated February 28, 1992; First Amendment to Limited Partnership Agreement of Des Plaines Limited Partnership dated as of October 5, 1992. (24)
- **11 -Computations of per share earnings.
- **12 -Computations of ratios.
- **13 -Portions of Annual Report to Stockholders for the year ended December 31, 1996. (27)
- **21 -List of subsidiaries of Harrah's Entertainment, Inc.
- **27 -Financial Data Schedule

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** Filed herewith

FOOTNOTES

- (1) Incorporated by reference from the Company's Registration Statement on Form 10, File No. 1-10410, filed on December 13, 1989.
- (2) Incorporated by reference from the Company's Current Report on Form 8-K, filed June 15, 1995, File No. 1-10410.
- (3) Incorporated by reference from the Company's Current Report on Form 8-K, filed August 9, 1996, File No. 1-10410.
- (4) Incorporated by reference from Amendment No. 3 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed August 4, 1994.
- (5) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, filed May 15, 1995, File No. 1-10410.
- (6) Incorporated by reference from the Company's and Embassy Suites, Inc.'s Amendment No. 2 to Form S-4 Registration Statement, File No. 33-49509-01, filed July 16, 1993.
- (7) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, filed March 21, 1995, File No. 1-10410.
- (8) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994, filed May 12, 1994, File No. 1-10410.

- (9) Incorporated by reference from the Company's Proxy Statement for the May 26, 1995 Annual Meeting of Stockholders, filed April 25, 1995.
- (10) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, filed August 14, 1995, File No. 1-10410.
- (11) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996, filed August 13, 1996, File No. 1-10410.
- (12) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1989, filed March 28, 1990, File No. 1-10410.
- (13) Incorporated by reference from Amendment No. 4 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 12, 1994.
- (14) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 1991, filed November 8, 1991, File No. 1-10410.
- (15) Incorporated by reference from Amendment No. 2 to the Company's and Embassy's Registration Statement on Form S-1, File No. 33-43748, filed March 18, 1992.
- (16) Incorporated by reference from Harrah's Jazz Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, filed December 21, 1994, File No. .
- (17) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, filed November 14, 1994, File No. 1-10410.
- (18) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, filed March 12, 1993, File No. 1-10410.
- (19) Incorporated by reference from the Company's Current Report on Form 8-K filed August 6, 1993, File No. 1-10410.
- (20) Incorporated by reference from Post-Effective Amendment No. 1 to the Company's Form S-8 Registration Statement, File No. 33-32864-01, filed July 22, 1993.
- (21) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, filed August 11, 1994, File No. 1-10410.
- (22) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993, filed November 12, 1993, File No. 1-10410.
- (23) Incorporated by reference from Amendment No. 5 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 26, 1994.
- (24) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, filed March 28, 1994, File No. 1-10410.
- (25) 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.
- (26) 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.
- (27) Filed herewith to the extent portions of such report are specifically included herein by reference.

(b) No Reports on Form 8-K were filed during the fourth quarter of 1996 and thereafter through March 1, 1997.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

HARRAH'S ENTERTAINMENT, INC.

Dated: March 11, 1997

By: /S/ PHILIP G. SATRE

.....
(Philip G. Satre, Chairman,
President and Chief Executive Officer)

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

SIGNATURE

TITLE

DATE

/S/ JAMES L. BARKSDALE (James L. Barksdale)	Director	March 11, 1997
/S/ SUSAN CLARK-JOHNSON (Susan Clark-Johnson)	Director	March 11, 1997
/S/ JAMES B. FARLEY (James B. Farley)	Director	March 11, 1997
/S/ JOE M. HENSON (Joe M. Henson)	Director	March 11, 1997
/S/ RALPH HORN (Ralph Horn)	Director	March 11, 1997
/S/ R. BRAD MARTIN (R. Brad Martin)	Director	March 11, 1997
/S/ WALTER J. SALMON (Walter J. Salmon)	Director	March 11, 1997
/S/ PHILIP G. SATRE (Philip G. Satre)	Director, Chairman, President and Chief Executive Officer	March 11, 1997
/S/ BOAKE A. SELLS (Boake A. Sells)	Director	March 11, 1997
/S/ EDDIE N. WILLIAMS (Eddie N. Williams)	Director	March 11, 1997
/S/ SHIRLEY YOUNG (Shirley Young)	Director	March 11, 1997
/S/ CHARLES A. LEDSINGER, JR. (Charles A. Ledsinger, Jr.)	Chief Financial Officer	March 11, 1997
/S/ MICHAEL N. REGAN (Michael N. Regan)	Controller And Principal Accounting Officer	March 11, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Harrah's Entertainment, Inc.:

We have audited in accordance with generally accepted auditing standards, the financial statements included in Harrah's Entertainment, Inc. 1996 annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 3, 1997 (except with respect to the matter discussed in Note 16, as to which the date is February 28, 1997). 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.

ARTHUR ANDERSEN LLP

Memphis, Tennessee,
February 3, 1997.

HARRAH'S ENTERTAINMENT, INC.

CONDENSED FINANCIAL INFORMATION OF REGISTRANT
 BALANCE SHEETS
 (IN THOUSANDS)

	DECEMBER 31,	
	1996	1995
ASSETS		
Cash.....	\$ -	\$ -
Investments in and advances to subsidiaries (eliminated in consolidation).....	719,821	585,624
	<u>\$ 719,821</u>	<u>\$ 585,624</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accrued taxes, including federal income taxes.....	\$ 75	\$ 75
Commitments and contingencies (Notes 2, 3, 7 and 8)		
Stockholders' equity (Note 4)		
Common stock, \$0.10 par value, authorized-360,000,000 shares, outstanding-102,969,699		
and 102,673,828 shares (net of 771,571 and 19,026 held in treasury).....	10,297	10,267
Capital surplus.....	385,941	362,783
Retained earnings.....	290,797	204,838
Unrealized gain on marketable equity securities held by a subsidiary.....	51,394	10,552
Deferred compensation related to restricted stock.....	(18,683)	(2,891)
	<u>719,746</u>	<u>585,549</u>
	<u>\$ 719,821</u>	<u>\$ 585,624</u>

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

SCHEDULE I (CONTINUED)

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

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Revenues.....	\$ -	\$ -	\$ -
Costs and expenses.....	150	182	466
Loss before income taxes and equity in subsidiaries' continuing earnings.....	(150)	(182)	(466)
Income tax benefit.....	57	64	163
Loss before equity in subsidiaries' continuing earnings.....	(93)	(118)	(303)
Equity in subsidiaries' continuing earnings.....	98,990	78,928	50,287
Income from continuing operations.....	98,897	78,810	49,984
Discontinued operations (Note 1)			
Equity in subsidiaries' income from discontinued operations.....	-	21,230	36,319
Spin-off transaction expenses, net of tax benefit of \$5,134.....	-	(21,194)	-
Income before cumulative effect of change in accounting policy.....	98,897	78,846	86,303
Cumulative effect of change in accounting policy, net of tax benefit of \$4,317 (Note 6).....	-	-	(7,932)
Net income.....	\$ 98,897	\$ 78,846	\$ 78,371

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,		
	1996	1995	1994
Cash flows from operating activities			
Net income.....	\$ 98,897	\$ 78,846	\$ 78,371
Adjustment to reconcile net income to cash flows from operating activities			
Equity in undistributed continuing earnings of subsidiaries.....	(98,990)	(78,928)	(50,287)
Amortization.....	-	31	271
Discontinued operations			
Equity in subsidiaries' income from discontinued operations.....	-	(21,230)	(36,319)
Spin-off transaction expenses, before income taxes.....	-	26,328	-
Cumulative effect of change in accounting policy, before income taxes....	-	-	13,924
Other noncash items.....	93	(5,047)	(5,960)
Cash flows from operating activities.....	-	-	-
Cash flows from financing activities			
Distributions from subsidiary.....	13,014	-	-
Treasury stock purchases (Note 4).....	(13,014)	-	-
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. ("Harrah's" or the "Company"), a Delaware corporation, is a holding company, the principal assets of which are the capital stock of two subsidiaries, Harrah's Operating Company, Inc. ("HOC") and Aster Insurance Ltd. ("Aster"). These condensed financial statements should be read in conjunction with the consolidated financial statements of Harrah's and subsidiaries.

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

NOTE 2--INVESTMENT IN ASTER

The value of Harrah's investment in Aster has been reduced below zero. Harrah's negative investment in Aster at December 31, 1996 and 1995 was \$10.4 million and \$12.7 million, respectively, and is included in Investments in and advances to subsidiaries on the balance sheet. In addition, Harrah's has guaranteed the future payment by Aster of certain insurance-related liabilities.

NOTE 3--LONG-TERM DEBT

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

NOTE 4--STOCKHOLDERS' EQUITY

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

Preferred stock, \$100 par value, 150,000 shares authorized
Special stock, 2,000,000 shares authorized -
Series A, \$1.125 par value

In October 1996, Harrah's Board of Directors approved a plan which authorized the purchase in open market and other transactions of up to 10% of Harrah's outstanding shares of common stock. As of December 31, 1996, 759,400 shares had been purchased at an average price of \$17.14 per share, and are being held in treasury. The Company expects to acquire additional shares from time to time at prevailing market prices through the December 31, 1997, expiration of the approved plan.

In July 1996, Harrah's Board of Directors adopted a stockholder rights plan to replace the existing rights which expired on October 5, 1996. The new plan provides for one special stock purchase right (a "Right") to be attached to each outstanding share of Harrah's common stock. These Rights entitle the holder to purchase, under certain conditions, units consisting of fractional shares of Special Stock-Series A at a purchase price of \$130 per unit, subject to adjustment. The Rights also, under certain conditions, entitle holders to purchase \$260 worth of Harrah's common stock for \$130. Under certain conditions, including a merger or business combination in which the Company is not the surviving corporation, each holder of a Right will have the right to purchase shares of common stock of the acquiring company with a market value equal to two times the then current exercise price of the Right. The Rights expire on

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

NOTE 4--STOCKHOLDERS' EQUITY (CONTINUED)

October 5, 2006, unless Harrah's Board of Directors decides it is in the best interests of the Company's stockholders to redeem them earlier at \$0.01 per Right or upon occurrence of certain other events.

On June 30, 1995, the PHC Spin-off was completed and the Company distributed to its stockholders the stock of PHC as a dividend on a one-for-two basis. To reflect this distribution, the \$139.6 million book value of the net assets of discontinued operations as of the Spin-off date was charged against the Company's retained earnings.

NOTE 5--INCOME TAXES

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

NOTE 6--CHANGE IN ACCOUNTING POLICY

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

NOTE 7--COMMITMENTS AND CONTINGENCIES

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

Harrah's Jazz filed a plan of reorganization (the "Plan") with the Bankruptcy Court on April 3, 1996, and has filed several subsequent amendments to the Plan. If the Plan is consummated, such Harrah's subsidiary would invest an additional \$75 million in the project and Harrah's and HOC would deliver new completion guaranties. Harrah's has also committed to provide up to \$25 million in debtor-in-possession loans to Harrah's Jazz (which would count toward the \$75 million investment referred to above). At December 31, 1996, HOC had advanced \$17.2 million of this committed amount. If the Plan is consummated, Harrah's is also expected to provide additional guarantees or credit support related to reorganization financing.

NOTE 8--LITIGATION

Harrah's and certain of its subsidiaries have been named as defendants in a number of lawsuits arising from the suspension of development of a land-based casino, and the closing of the temporary gaming facility, in New Orleans, Louisiana, by Harrah's Jazz. The ultimate outcomes of these lawsuits cannot be predicted at this time, and no provisions for the claims are included in the accompanying consolidated financial statements. The Company intends to defend these actions vigorously.

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

NOTE 8--LITIGATION (CONTINUED)

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

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, 1996					
Allowance for doubtful accounts					
Current.....	\$10,910	\$ 7,814	\$ -	\$ (4,660)(A)	\$14,064
Long-term.....	\$ 75	\$ -	\$ -	\$ 4,553	\$ 4,628
Reserve for impairment of long-lived assets.....	\$ -	\$ 33,369	\$ -	\$ -	\$33,369
Reserve for contingent liability exposure.....	\$ -	\$ 14,034	\$ -	\$ (4,553)	\$ 9,481
Insurance allowances and reserves.....	\$49,821	\$ 39,829	\$ -	\$(40,060)	\$49,590
YEAR ENDED DECEMBER 31, 1995					
Allowance for doubtful accounts					
Current.....	\$ 9,551	\$ 5,910	\$ -	\$ (4,551)(A)	\$10,910
Long-term.....	\$ 75	\$ -	\$ -	\$ -	\$ 75
Allowance for losses on property dispositions.....	\$11,231	\$ -	\$ -	\$(11,231)(B)	\$ -
Insurance allowances and reserves.....	\$49,448	\$ 40,412	\$ -	\$(40,039)	\$49,821
YEAR ENDED DECEMBER 31, 1994					
Allowance for doubtful accounts					
Current.....	\$ 9,252	\$ 5,731	\$ -	\$ (5,432)(A)	\$ 9,551
Long-term.....	\$ -	\$ 75	\$ -	\$ -	\$ 75
Allowance for losses on property dispositions.....	\$11,000	\$ 231	\$ -	\$ -	\$11,231
Insurance allowances and reserves.....	\$39,859	\$ 52,908	\$ -	\$(43,319)	\$49,448

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

(B) Reduction of reserve due to disposition of subject property.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 3, 1997 (except with respect to the matter discussed in Note 16, as to which the date is February 28, 1997), included in this Form 10-K for the year ended December 31, 1996, into the Company's previously filed Registration Statements File Nos. 33-32863, 33-32864, 33-32865, 33-59991, 33-59969, 33-59975, 33-59971 and 33-62783.

ARTHUR ANDERSEN LLP

Memphis, Tennessee,
March 10, 1997.

EXHIBIT INDEX

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. (25)
- 3(2) -Bylaws of the Company, as amended April 5, 1995. (5)
- 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. (3)
- **4(2) -First Amendment, dated as of February 21, 1997, to Rights Agreement between Harrah's Entertainment, Inc. and The Bank of New York.
- **4(3) -Certificate of Elimination of Series B Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997.
- **4(4) -Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc., dated February 21, 1997.
- 4(5) -Indenture dated as of April 1, 1992, with respect to the 10 7/8% Senior Subordinated Notes due 2002, among The Bank of New York, as trustee, The Promus Companies Incorporated, as guarantor, and Embassy Suites, Inc., as issuer; Form of Note for 10 7/8% Senior Subordinated Notes due 2002. (18)
- 4(6) -First Supplemental Indenture dated as of June 2, 1995, with respect to the 10 7/8% Senior Subordinated Notes due 2002, among Embassy Suites, Inc., as issuer, The Promus Companies Incorporated, as guarantor, and The Bank of New York, as trustee. (2)
- 4(7) -Indenture dated as of August 1, 1993, with respect to the 8 3/4% Senior Subordinated Notes due 2000, among The Bank of New York, as trustee, The Promus Companies Incorporated, as guarantor, and Embassy Suites, Inc., as issuer; Form of Note for 8 3/4% Senior Subordinated Notes due 2000. (6)
- 4(8) -First Supplemental Indenture dated as of June 2, 1995, with respect to the 8 3/4% Senior Subordinated Notes due 2000, among Embassy Suites, Inc., as issuer, The Promus Companies Incorporated, as guarantor, and The Bank of New York, as trustee. (2)
- 4(9) -Interest Swap Agreement between The Sumitomo Bank, Limited and Embassy Suites, Inc. dated October 22, 1992; Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated October 22, 1992; Interest Swap Agreement between The Nippon Credit Bank and Embassy Suites, Inc. dated October 22, 1992. (18)
- 4(10) -Interest Swap Agreement between Bank of America National Trust and Savings Association and Embassy Suites, Inc. dated May 14, 1993. (6)

** Filed herewith

- 4(11) -Interest Swap Agreement between NationsBank of North Carolina, N. A. and Embassy Suites, Inc. dated May 18, 1993. (6)
- 4(12) -Interest Swap Agreement between Bank of America National Trust and Savings Association and Harrah's Operating Company, Inc. dated December 21, 1995. (25)
- 4(13) -Interest Swap Agreement between NationsBank, N. A. (Carolinas) and Harrah's Entertainment, Inc. dated December 21, 1995. (25)
- 4(14) -Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated January 25, 1995 and amended February 2, 1995. (7)
- 4(15) -Interest Swap Agreement between The Bank of Nova Scotia and Embassy Suites, Inc. dated March 16, 1995. (7)
- 4(16) -Interest Swap Agreement between Bankers Trust Company and Embassy Suites, Inc. dated May 16, 1995. (10)
- 4(17) -Interest Swap Agreement between The Sumitomo Bank, Limited and Embassy Suites, Inc. dated June 5, 1995. (10)
- 4(18) -Interest Swap Agreement between Bankers Trust Company and Embassy Suites, Inc. dated June 6, 1995. (10)
- 10(1) -Credit Agreement, dated as of July 22, 1993 and amended and restated as of June 9, 1995, among The Promus Companies Incorporated, Embassy Suites, Inc., certain subsidiaries of Embassy Suites, Inc., various banks, Bankers Trust Company, The Bank of New York, CIBC, Inc., Credit Lyonnais, Atlanta Agency, First Interstate Bank of California, The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank of Georgia, N.A., Societe Generale and Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent. (2)
- 10(2) -Credit Agreement, dated as of June 9, 1995, among The Promus Companies Incorporated, Embassy Suites, Inc., certain subsidiaries of Embassy Suites, Inc., various banks, Bankers Trust Company, The Bank of New York, CIBC, Inc., Credit Lyonnais, Atlanta Agency, First Interstate Bank of California, The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank of Georgia, N.A., Societe Generale and The Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent. (2)
- **10(3) -Second Amendment to Credit Agreement, dated as of October 15, 1996, among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Marina Associates, various lending institutions, Bankers Trust Company, The Bank of New York, CIBC, Inc., Credit Lyonnais, Atlanta Agency, First Interstate Bank of Nevada, N.A., The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank of Georgia, N.A., Societe Generale and The Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent.
- 10(4) -Amended and Restated Reimbursement Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., The Promus Companies Incorporated, Marina Associates and The Sumitomo Bank, Limited, New York Branch. (19)
- 10(5) -Master Collateral Agreement, dated as of July 22, 1993, among The Promus Companies Incorporated, Embassy Suites, Inc., the other Collateral Grantors parties thereto, Bankers Trust Company, as Administrative Agent, and Bankers Trust Company as Collateral Agent. (19)

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** Filed herewith

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

- 10(15) -Pledge Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., ESI Equity Development Corporation, Harrah's, Harrah's Club, Casino Holding Company, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent. (19)
- 10(16) -First Amendment to Company/Sub Pledge Agreement, dated as of June 30, 1995, among Embassy Suites, Inc., Harrah's, Harrah's Club, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent, amending the Pledge Agreement, dated as of July 22, 1993, among Embassy Suites, Inc., ESI Equity Development Corporation, Harrah's, Harrah's Club, Casino Holding Company, and Bankers Trust Company, as the General Collateral Agent, and Bank of America Nevada as the Nevada Collateral Agent. (10)
- 10(17) -Consent dated as of April 17, 1996 to Credit Agreement, dated as of June 9, 1995, among Harrah's Entertainment, Inc., Harrah's Operating Company, Inc., Marina Associates, various banks, Bankers Trust Company, The Bank of New York, CIBC, Inc., Credit Lyonnais, Atlanta Agency, First Interstate Bank of Nevada, N.A., The Long-Term Credit Bank of Japan, Limited, New York Branch, NationsBank of Georgia, N.A., Societe Generale and The Sumitomo Bank, Limited, New York Branch, as Agents, and Bankers Trust Company, as Administrative Agent. (11)
- 10(18) -Plan of Reorganization and Distribution Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
- 10(19) -Employee Benefits and Other Employment Matters Allocation Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
- 10(20) -Risk Management Allocation Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
- 10(21) -Tax Sharing Agreement, dated June 30, 1995, between The Promus Companies Incorporated and Promus Hotel Corporation. (10)
- +10(22) -Form of Indemnification Agreement entered into by The Promus Companies Incorporated and each of its directors and executive officers. (1)
- +10(23) -Financial Counseling Plan of Harrah's Entertainment, Inc. as amended January 1996. (25)
- +10(24) -The Promus Companies Incorporated 1996 Non-Management Director's Stock Incentive Plan dated April 5, 1995. (9)
- +10(25) -The Promus Companies Incorporated Key Executive Officer Annual Incentive Plan dated February 24, 1995. (10)
- **+10(26) -Summary Plan Description of Executive Term Life Insurance Plan.
- +10(27) -Form of Harrah's Entertainment, Inc.'s Annual Management Bonus Plan, as amended 1995. (25)
- +10(28) -Form of Severance Agreement dated July 30, 1993, entered into with E. O. Robinson, Jr. and John M. Boushy. (22)
- +10(29) -Severance Agreement, dated June 30, 1995, with Bradford W. Morgan. (10)

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** Filed herewith

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

- +10(30) -Amended and Restated Severance Agreement dated as of May 1, 1992 between The Promus Companies Incorporated and Michael D. Rose. (18)
- **+10(31) -Form of Amendment, dated October 25, 1996, to Severance Agreements entered into with Michael D. Rose and Philip G. Satre.
- +10(32) -Form of Amended and Restated Severance Agreement dated November 5, 1992, entered into with Charles A. Ledsinger, Jr., Ben C. Peterzell, Philip G. Satre and Colin V. Reed. (18)
- +10(33) -Amendment, dated February 25, 1994 and effective April 29, 1994, to Amended and Restated Severance Agreement dated November 5, 1992, between The Promus Companies Incorporated and Philip G. Satre. (21)
- **+10(34) -Form of Amendment, dated October 25, 1996, to Severance Agreements entered into with Colin V. Reed, Charles A. Ledsinger, Jr., Ben C. Peterzell, E. O. Robinson, Jr., Bradford W. Morgan and John M. Boushy.
- +10(35) -Amended and Restated Employment Agreement, dated June 30, 1995, between Michael D. Rose and Harrah's Entertainment, Inc. (10)
- +10(36) -Amendment dated as of December 19, 1995, to Amended and Restated Employment Agreement between Michael D. Rose and Harrah's Entertainment, Inc. (25)
- +10(37) -Agreement, dated April 28, 1995, between Michael D. Rose and The Promus Companies Incorporated concerning treatment of stock options in spin-off. (10)
- +10(38) -Agreement, dated May 1, 1995, between Michael D. Rose and The Promus Companies Incorporated concerning treatment of Executive Deferred Compensation Plan account in spin-off. (10)
- +10(39) -Employment Agreement dated as of February 25, 1994, and effective April 29, 1994, between The Promus Companies Incorporated and Philip G. Satre including exhibits thereto. (17)
- +10(40) -The Promus Companies Incorporated 1990 Stock Option Plan. (12)
- +10(41) -The Promus Companies Incorporated 1990 Stock Option Plan (as amended as of April 30, 1993). (20)
- +10(42) -The Promus Companies Incorporated 1990 Stock Option Plan, as amended April 29, 1994. (8)
- +10(43) -The Promus Companies Incorporated 1990 Stock Option Plan, as amended July 29, 1994. (21)
- **+10(44) -Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Stock Option Plan as adjusted on December 12, 1996.
- +10(45) -Revised Form of Stock Option (1990 Stock Option Plan). (25)
- **+10(46) -Revised Form of Stock Option with attachments (1990 Stock Option Plan).
- +10(47) -Form of memorandum agreement dated July 2, 1991, eliminating stock appreciation rights under stock options held by Charles A. Ledsinger, Jr., Ben C. Peterzell and Philip G. Satre. (14)

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** Filed herewith

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

- +10(48) -Form of Agreement to Cancel Options dated as of December 16, 1994 entered into with Michael D. Rose, Philip G. Satre, Charles A. Ledsinger, Jr., Ben C. Peterzell, Colin V. Reed, E. O. Robinson, Jr. and John M. Boushy. (7)
- +10(49) -The Promus Companies Incorporated 1990 Restricted Stock Plan. (12)
- +10(50) -Amendment, dated April 5, 1995, to The Promus Companies Incorporated 1990 Restricted Stock Plan. (9)
- +10(51) -Revised Forms of Restricted Stock Award (1990 Restricted Stock Plan). (25)
- **+10(52) -Revised Form of Restricted Stock Award (1990 Restricted Stock Plan).
- +10(53) -Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated October 27, 1995. (25)
- **+10(54) -Amendment to Administrative Regulations, Long Term Compensation Plan (Restricted Stock Plan and Stock Option Plan) dated December 12, 1996.
- +10(55) -Deferred Compensation Plan dated October 16, 1991. (15)
- +10(56) -Amendment, dated May 26, 1995, to The Promus Companies Incorporated Deferred Compensation Plan. (2)
- +10(57) -Forms of Deferred Compensation Agreement. (25)
- +10(58) -Amended and Restated Executive Deferred Compensation Plan dated as of October 27, 1995. (25)
- **+10(59) -Restated Amendment, dated July 18, 1996, to Harrah's Entertainment, Inc. Executive Deferred Compensation Plan.
- +10(60) -Forms of Executive Deferred Compensation Agreement. (25)
- +10(61) -Escrow Agreement dated February 6, 1990 between The Promus Companies Incorporated, certain subsidiaries thereof, and Sovran Bank, as escrow agent. (12)
- +10(62) -First Amendment to Escrow Agreement dated January 31, 1990 among Holiday Corporation, certain subsidiaries thereof and Sovran Bank, as escrow agent. (12)
- +10(63) -Amendment to Escrow Agreement dated as of October 29, 1993 among The Promus Companies Incorporated, certain subsidiaries thereof, and NationsBank, formerly Sovran Bank. (24)
- +10(64) -Amendment, dated as of June 7, 1995, to Escrow Agreement among The Promus Companies Incorporated, certain subsidiaries thereof and NationsBank. (2)
- +10(65) -Amendment, dated as of July 18, 1996, to Escrow Agreement between Harrah's Entertainment, Inc. and NationsBank. (26)
- **+10(66) -Time Accelerated Restricted Stock Award Plan ("TARSAP") program dated December 12, 1996.
- **+10(67) -Form of TARSAP Award.
- **+10(68) -Form of Agreement, dated October 30, 1996, regarding cancellation and reissue of stock options, entered into with Michael D. Rose, Philip G. Satre, Colin V. Reed, Charles A. Ledsinger, Jr., Ben C. Peterzell, E.O. Robinson, Jr., John M. Boushy and Bradford W. Morgan; and Form of Reissued Stock Option.

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** Filed herewith

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

- 10(69) -Amended and Restated Partnership Agreement of Harrah's Jazz Company, dated as of March 15, 1994, among Harrah's New Orleans Investment Company, New Orleans/Louisiana Development Corporation and Grand Palais Casino, Inc.; First Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company, effective as of March 15, 1994. (24)
- 10(70) -Second Amendment dated March 31, 1994 to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (8)
- 10(71) -Amended and Restated Third Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (16)
- 10(72) -Fourth Amendment to the Amended and Restated Partnership Agreement of Harrah's Jazz Company. (16)
- 10(73) -Indenture dated as of November 15, 1994 between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee for the First Mortgage Notes including form of First Mortgage Note. (16)
- 10(74) -Cash Collateral and Disbursement Agreement among First National Bank of Commerce as Trustee, First National Bank of Commerce as Collateral Agent, Harrah's Jazz Company and Harrah's Jazz Finance Corp., dated November 16, 1994. (16)
- 10(75) -Collateral Mortgage Note by Harrah's Jazz Company dated November 15, 1994. (16)
- 10(76) -Act of Collateral Mortgage and Collateral Assignment of Proceeds by Harrah's Jazz Company dated November 15, 1994. (16)
- 10(77) -Act of Collateral Assignment of Leases and Rents between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated November 15, 1994. (16)
- 10(78) -Act of Security Agreement and Pledge between Harrah's Jazz Company and First National Bank of Commerce as Collateral Agent dated November 15, 1994. (16)
- 10(79) -Pledge Agreement between Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
- 10(80) -Security Agreement among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Collateral Agent dated as of November 16, 1994. (16)
- 10(81) -Security Agreement (Cash Collateral) among Harrah's Jazz Company, Harrah's Jazz Finance Corp. and First National Bank of Commerce as Trustee dated November 16, 1994. (16)
- 10(82) -Manager Subordination Agreement (First Mortgage Notes) among Harrah's Jazz Company, Harrah's New Orleans Management Company and First National Bank of Commerce as Trustee dated as of November 16, 1994. (16)
- 10(83) -Amended Lease Agreement between the Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated March 15, 1994. (13)
- 10(84) -Amended General Development Agreement between Rivergate Development Corporation and Harrah's Jazz Company and City of New Orleans, as Intervenor dated March 15, 1994. (4)

- 10(85) -Amendment to Amended Lease Agreement between Rivergate Development Corporation, as Landlord and Harrah's Jazz Company, as Tenant and City of New Orleans, as Intervenor dated October 5, 1994. (13)
- 10(86) -Agreement among the Rivergate Development Corporation, the City of New Orleans and Embassy Suites, Inc. and Harrah's Jazz Company, as intervenor, dated October 5, 1994 (the "Embassy Access Agreement"). (13)
- 10(87) -Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated July 15, 1994. (4)
- 10(88) -First Amendment to Casino Operating Contract between the Louisiana Economic Development and Gaming Corporation and Harrah's Jazz Company dated August 31, 1994. (13)
- 10(89) -Amended and Restated Management Agreement between Harrah's New Orleans Management Company and Harrah's Jazz Company dated March 14, 1994. (4)
- 10(90) -Construction Agreement between Harrah's Jazz Company and Centex Landis Construction Co., Inc. dated October 10, 1994, for the construction of the Permanent Casino. (13)
- 10(91) -Design and Construction Agreement between Harrah's Jazz Company and Broadmoor dated October 10, 1994, for the construction of the parking structure. (13)
- 10(92) -Owner's Policy issued March 16, 1994 by First American Title Insurance Company to Harrah's Jazz Company with attachments. (16)
- 10(93) -Lender's Title Insurance Policy issued November 16, 1994 by First American Title Insurance Company together with reinsurance agreements. (16)
- 10(94) -Construction Lien Indemnity Obligation Agreement between Harrah's Jazz Company and Embassy Suites, Inc. dated October 12, 1994. (23)
- 10(95) -First Amendment to the Construction Lien Indemnity Obligation Agreement. (16)
- 10(96) -Specimen form of 14 1/4% First Mortgage Note Due 2001 of Harrah's Jazz Company and Harrah's Jazz Finance Corp. (16)
- 10(97) -Limited Partnership Agreement of Des Plaines Limited Partnership between Harrah's Illinois Corporation and John Q. Hammons, dated February 28, 1992; First Amendment to Limited Partnership Agreement of Des Plaines Limited Partnership dated as of October 5, 1992. (24)
- **11 -Computations of per share earnings.
- **12 -Computations of ratios.
- **13 -Portions of Annual Report to Stockholders for the year ended December 31, 1996. (27)
- **21 -List of subsidiaries of Harrah's Entertainment, Inc.
- **27 -Financial Data Schedule

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** Filed herewith

FOOTNOTES

- (1) Incorporated by reference from the Company's Registration Statement on Form 10, File No. 1-10410, filed on December 13, 1989.

- (2) Incorporated by reference from the Company's Current Report on Form 8-K, filed June 15, 1995, File No. 1-10410.
- (3) Incorporated by reference from the Company's Current Report on Form 8-K, filed August 9, 1996, File No. 1-10410.
- (4) Incorporated by reference from Amendment No. 3 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed August 4, 1994.
- (5) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995, filed May 15, 1995, File No. 1-10410.
- (6) Incorporated by reference from the Company's and Embassy Suites, Inc.'s Amendment No. 2 to Form S-4 Registration Statement, File No. 33-49509-01, filed July 16, 1993.
- (7) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, filed March 21, 1995, File No. 1-10410.
- (8) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994, filed May 12, 1994, File No. 1-10410.
- (9) Incorporated by reference from the Company's Proxy Statement for the May 26, 1995 Annual Meeting of Stockholders, filed April 25, 1995.
- (10) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, filed August 14, 1995, File No. 1-10410.
- (11) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996, filed August 13, 1996, File No. 1-10410.
- (12) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1989, filed March 28, 1990, File No. 1-10410.
- (13) Incorporated by reference from Amendment No. 4 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 12, 1994.
- (14) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 1991, filed November 8, 1991, File No. 1-10410.
- (15) Incorporated by reference from Amendment No. 2 to the Company's and Embassy's Registration Statement on Form S-1, File No. 33-43748, filed March 18, 1992.
- (16) Incorporated by reference from Harrah's Jazz Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, filed December 21, 1994, File No. .
- (17) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, filed November 14, 1994, File No. 1-10410.
- (18) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, filed March 12, 1993, File No. 1-10410.
- (19) Incorporated by reference from the Company's Current Report on Form 8-K filed August 6, 1993, File No. 1-10410.
- (20) Incorporated by reference from Post-Effective Amendment No. 1 to the Company's Form S-8 Registration Statement, File No. 33-32864-01, filed July 22, 1993.
- (21) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, filed August 11, 1994, File No. 1-10410.
- (22) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993, filed November 12, 1993, File No. 1-10410.

- (23) Incorporated by reference from Amendment No. 5 to Form S-1 Registration Statement of Harrah's Jazz Company and Harrah's Jazz Finance Corp., File No. 33-73370, filed October 26, 1994.
- (24) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, filed March 28, 1994, File No. 1-10410.
- (25) 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.
- (26) 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.
- (27) Filed herewith to the extent portions of such report are specifically included herein by reference.

FIRST AMENDMENT TO RIGHTS AGREEMENT

FIRST AMENDMENT, dated as of February 21, 1997 (this "First Amendment") to the Rights Agreement (the "Rights Agreement"), dated as of October 5, 1996, between Harrah's Entertainment, Inc., a Delaware corporation (the "Company"), and The Bank of New York, a New York corporation, as Rights Agent (the "Rights Agent"). Unless the context indicates to the contrary, capitalized terms used and not defined herein shall have the meanings ascribed to them in the Rights Agreement.

The Company and the Rights Agent have previously entered into the Rights Agreement. The Board of Directors of the Company has authorized and declared a dividend of one Right for each Common Share of the Company outstanding at the close of business on the Record Date, and has authorized the issuance of one Right (subject to adjustment as provided in the Rights Agreement) with respect to each Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date, each Right initially representing the right to purchase one two-hundredth of a share of Series A Special Stock of the Company, upon the terms and subject to the conditions set forth in the Rights Agreement.

Pursuant to Section 26 of the Rights Agreement, the Company and the Rights Agent may from time to time supplement or amend the Rights Agreement in accordance with the provisions of such Section. The parties deem it advisable to supplement and amend the Rights Agreement as provided in this First Amendment, and the Board of Directors of the Company has duly and validly authorized the execution and delivery of this First Amendment.

Accordingly, in consideration of the premises and mutual agreements herein set forth, the parties hereby agree as follows:

1. Exhibit A. Form of Certificate of Designations

The form of Certificate of Designations of Series A Special Stock of Harrah's Entertainment, Inc. attached to the Rights Agreement as Exhibit A is hereby amended and restated in its entirety as set forth in Exhibit A attached hereto.

2. Exhibit B. Form of Right Certificate

The form of Right Certificate attached to the Rights Agreement as Exhibit B is hereby amended and restated in its entirety as set forth in Exhibit B attached hereto.

3. Except as expressly set forth herein, nothing herein shall be deemed or construed to alter or amend the Rights Agreement in any respect, and, except as amended and supplemented hereby, the Rights Agreement shall remain in full force and effect in accordance with the provisions thereof. Unless the context indicates otherwise, each reference in the Rights Agreement to "this Rights Agreement" and the words "hereof", "hereto" and words of similar import shall mean the Rights Agreement, as amended and supplemented hereby.

4. This First Amendment shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

5. This First Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

[signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Rights Agreement to be duly executed and their respective corporate seals to be hereunto affixed, this 21st day of February, 1997.

HARRAH'S ENTERTAINMENT, INC.

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

Name: E. O. Robinson, Jr.
Title: Senior Vice President
and General Counsel

[SEAL]

THE BANK OF NEW YORK

By /s/ John I. Sivertsen

Name: John I. Sivertsen
Title: Vice President

[SEAL]

FORM
of
CERTIFICATE OF DESIGNATIONS
of
SERIES A SPECIAL STOCK
of
HARRAH'S ENTERTAINMENT, INC.

(Pursuant to Section 151 of the
Delaware General Corporation Law)

Harrah's Entertainment, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on February 21, 1997.

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation, the Board of Directors hereby creates a series of Special Stock, par value \$1.125 per share (the "Special Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Special Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Special Stock" (the "Series A Special Stock") and the number of shares constituting the Series A Special Stock shall be 2,000,000 shares. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Special Stock to a number less than the number of shares then

outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Special Stock.

Section 2. Dividends and Distributions. (A) Subject to the rights of the holders of any shares of any series of Special Stock (or any similar stock) ranking prior and superior to the Series A Special Stock with respect to dividends, the holders of shares of Series A Special Stock, in preference to the holders of Common Stock, par value \$0.10 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on or about the first day of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Special Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment hereinafter set forth, 200 times the aggregate per share amount of all cash dividends, and 200 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Special Stock. In the event the Corporation shall at any time after the date on which the Special Stock Purchase Rights of the Corporation are declared by the Board of Directors (the "Rights Declaration Date") declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Special Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Special Stock as provided in paragraph (A) of this Section 2 immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Special Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Special Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Special Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Special Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Special Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Special Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Special Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Special Stock shall entitle the holder thereof to 200 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Special Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Special Stock or any similar stock, or by law, the holders of shares of Series A Special Stock and the holders of shares of Common Stock and any other series or class of stock of the Corporation which may from time to time be accorded such voting right shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Special Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such

contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Special Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, the holders of Series A Special Stock, voting as a class, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Series A Special Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that such voting right shall not be exercised unless the holders of ten percent (10%) in number of shares of Series A Special Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Series A Special Stock of such voting right. At any meeting at which the holders of Series A Special Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Series A Special Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Series A Special Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Series A Special Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Special Stock.

(iii) Unless the holders of Series A Special Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Series A Special Stock outstanding may request, the calling of a special meeting of the holders of Series A Special Stock, which meeting shall thereupon be called by the President, a Vice President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Series A Special Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Series A Special Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within

60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Series A Special Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Series A Special Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Series A Special Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(iii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class or classes of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class or classes of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Series A Special Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Series A Special Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the certificate of incorporation or bylaws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, or as otherwise provided by law, holders of Series A Special Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock and other classes of stock of the Corporation if applicable, as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions. (A) Subject to paragraph (B), whenever quarterly dividends or other dividends or distributions payable on the Series A Special Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Special Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Special Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Special Stock, except dividends paid ratably on the Series A Special Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Special Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Special Stock;

(iv) purchase or otherwise acquire for consideration any shares of Series A Special Stock, or any shares of stock ranking on a parity with the Series A Special Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The provisions of paragraph (A) shall not apply to any redemption of Shares of any class or series of stock of the Corporation in accordance with Section E of Article Fourth, as amended, of the Corporation's Certificate of Incorporation.

(C) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Special Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Special Stock and may be reissued as part of a new series of Special Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein, in the Corporation's Certificate of

Incorporation, or in any other Certificate of Designations creating a series of Special Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Special Stock unless, prior thereto, the holders of shares of Series A Special Stock shall have received \$200 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Liquidation Preference"). Following the payment of the full amount of the Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Special Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Liquidation Preference by (ii) 200 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Special Stock and Common Stock, respectively, holders of Series A Special Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Series A Special Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Liquidation Preference and the liquidation preferences of all other series of stock, if any, which rank on a parity with the Series A Special Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock

are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Special Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 200 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Special Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Redemption. The shares of Series A Special Stock shall be redeemable only in accordance with the provisions of Section E of Article Fourth, as amended, of the Corporation's Certificate of Incorporation.

Section 9. Ranking. The Series A Special Stock shall rank junior to all other series of the Corporation's Preferred Stock and Special Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Special Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Special Stock, voting together as a single class.

Section 11. Fractional Shares. Series A Special Stock may be issued in fractions of a share which, shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Special Stock.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by E. O. Robinson, Jr., its Senior Vice President and General Counsel, this ____ day of February, 1997.

E. O. Robinson, Jr.
Senior Vice President
and General Counsel

A-9

[Form of Right Certificate]

Certificate No. R-

_____ Rights

NOT EXERCISABLE AFTER OCTOBER 5, 2006 OR EARLIER IF NOTICE OF REDEMPTION OR EXCHANGE IS GIVEN OR IF THE COMPANY IS MERGED OR ACQUIRED PURSUANT TO AN AGREEMENT OF THE TYPE DESCRIBED IN SECTION 1.3(ii)(A)(4) OF THE RIGHTS AGREEMENT. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$0.01 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SECTION 11.1.2 OF THE RIGHTS AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON, OR ITS AFFILIATES OR ASSOCIATES, OR ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. [THE RIGHTS REPRESENTED BY THIS CERTIFICATE ARE HELD OR HAVE BEEN HELD BY A PERSON WHO IS OR WAS AN ACQUIRING PERSON OR AN ASSOCIATE OR AFFILIATE OF AN ACQUIRING PERSON OR A NOMINEE THEREOF. THIS RIGHT CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY HAVE BECOME NULL AND VOID AS SPECIFIED IN SECTION 11.1.2 OF THE RIGHTS AGREEMENT.]¹

Right Certificate

HARRAH'S ENTERTAINMENT, INC.

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of October 5, 1996, as the same may be amended from time to time (the "Rights Agreement"), between Harrah's Entertainment, Inc., a Delaware corporation (the "Company"), and The Bank of New York, a New York corporation authorized to do a banking business, as Rights Agent (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date and prior to 5:00 P.M. (New York City time) on October 5, 2006, at the offices of the Rights Agent, or its successors as Rights Agent, designated for such purpose, one two-hundredth of a fully paid, nonassessable share of Series A Special Stock, par value \$1.125 per share (the "Special Shares") of the Company, at a purchase price of \$130.00 per one two-hundredth of a share, subject to adjustment (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the

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 1 The portion of the legend in brackets shall be inserted only if applicable and shall replace the preceding sentence.

Form of Election to Purchase and certification duly executed along with a signature guarantee and such other and further documentation as the Rights Agent may reasonably request. The number of Rights evidenced by this Right Certificate (and the number of one two-hundredths of a Special Share which may be purchased upon exercise thereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of October 5, 1996 based on the Special Shares as constituted at such date.

Upon the occurrence certain events described in Section 11.1.2 of the Rights Agreement, if the Rights evidenced by this Right Certificate are beneficially owned by (i) an Acquiring Person or an Affiliate or Associate of any such Acquiring Person, (ii) a transferee of any such Acquiring Person, Associate or Affiliate, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of a person who, after such transfer, became an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, such Rights shall become void, and no holder hereof shall have any right to exercise such Rights under any provision of the Rights Agreement or otherwise from and after the occurrence of such event described in Section 11.1.2 of the Rights Agreement.

Capitalized terms used in this Right Certificate without definition shall have the meanings ascribed to them in the Rights Agreement. As provided in the Rights Agreement, the Purchase Price and the number and kind of Special Shares or other securities which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal offices of the Company and the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the offices of the Rights Agent designated for such purpose along with a signature guarantee and such other and further documentation as the Rights Agent may reasonably request, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of one two-hundredths of a Special Share as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Board of Directors may, at its option, (i) redeem the Rights evidenced by this Right Certificate at a redemption price of \$0.01 per Right at any time prior to the earlier of (A) the Shares Acquisition Date or (B) the Final Expiration Date, or (ii) exchange Common Shares for the Rights evidenced by this Certificate, in whole or in part, after the occurrence of a Trigger Event. In the event that, pursuant to the last sentence of Section 1.1 of the Rights Agreement, the Board of Directors determines that a Person has become an Acquiring Person inadvertently, and such Person divests Common Shares in accordance with such sentence, then the Company's right of redemption shall be deemed to have not expired as a result of such inadvertent

acquisition. Under certain circumstances set forth in the Rights Agreement, the decision to redeem shall require the concurrence of a majority of the Continuing Directors.

No fractional Special Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one two-hundredth of a Special Share, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Special Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

If any term, provision, covenant or restriction of the Rights Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of the Rights Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that notwithstanding anything in the Rights Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from the Rights Agreement would adversely affect the purpose or effect of the Rights Agreement, the Company's right of redemption shall be reinstated and shall not expire until the close of business on the tenth day following the date of such determination by the Board of Directors.

This Right Certificate shall not be valid or binding for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers
of the Company and its corporate seal. Dated as of .

Attest: HARRAH'S ENTERTAINMENT, INC.

By _____ By _____
Title: Title:

Countersigned:

THE BANK OF NEW YORK

By _____
Authorized Signature

[Form of Reverse Side of Right Certificate]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder
desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____

hereby sells, assigns and transfers unto _____

(Please print name and address
of transferee)

this Right Certificate and the Rights evidenced thereby, together with all
right, title and interest therein, and does hereby irrevocably constitute and
appoint _____ Attorney, to transfer the within Right Certificate on the
books of the within-named Company, with full power of substitution.

Dated:

Signature

Signature Guaranteed:

- -----

Signatures must be guaranteed by a member firm of a registered national
securities exchange, a member of the National Association of Securities Dealers,
Inc., or a commercial bank or trust company having an office or correspondent in
the United States.

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate [] are []
are not beneficially owned by an Acquiring Person or an Affiliate or an
Associate (as such terms are defined in the Rights Agreement) thereof; and

(2) after due inquiry and to the best knowledge of the
undersigned, the undersigned [] did [] did not acquire the Rights evidenced by
this Right Certificate from any Person who is, was or subsequently became an
Acquiring Person or an Affiliate or Associate thereof.

Dated: _____

Signature Guaranteed:

Signature

Signatures must be guaranteed by a member firm of a registered national
securities exchange, a member of the National Association of Securities Dealers,
Inc., or a commercial bank or trust company having an office or correspondent in
the United States.

NOTICE

The signature in the foregoing Form of Assignment must conform to
the name as written upon the face of this Right Certificate in every particular,
without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of
Assignment is not completed, the Company will deem the beneficial owner of the
Rights evidenced by this Right Certificate to be an Acquiring Person or an
Affiliate or Associate hereof and, in the case of an Assignment, will affix a
legend to that effect on any Right Certificates issued in exchange for this
Right Certificate.

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to
exercise Rights represented by the
Right Certificate.)

To: HARRAH'S ENTERTAINMENT, INC.

The undersigned hereby irrevocably elects to exercise
Rights represented by this Right Certificate to purchase the
Special Shares issuable upon the exercise of such Rights (or such other
securities of the Company or of any other Person which may be issuable upon the
exercise of the Rights) and requests that certificates for such shares be issued
in the name of:

Please insert social security
or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right
Certificate, a new Right Certificate for the balance remaining of such Rights
shall be registered in the name of and delivered to:

Please insert social security
or other identifying number

(Please print name and address)

Dated:

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered
national securities exchange, a member of the National Association of Securities
Dealers, Inc., or a commercial bank or trust company having an office or
correspondent in the United States.

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate [] are []
are not beneficially owned by an Acquiring Person or an Affiliate or an
Associate thereof; and

(2) after due inquiry and to the best knowledge of the
undersigned, the undersigned [] did [] did not acquire the Rights evidenced by
this Right Certificate from any person who is, was or subsequently became an
Acquiring Person or an Affiliate or Associate thereof.

Dated: _____

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered
national securities exchange, a member of the National Association of Securities
Dealers, Inc., or a commercial bank or trust company having an office or
correspondent in the United States.

NOTICE

The signature in the foregoing Form of Election to Purchase must
conform to the name as written upon the face of this Right Certificate in every
particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of
Election to Purchase is not completed, the Company will deem the beneficial
owner of the Rights evidenced by this Right Certificate to be an Acquiring
Person or an Affiliate or Associate hereof.

CERTIFICATE OF ELIMINATION

of

SERIES B SPECIAL STOCK

of

HARRAH'S ENTERTAINMENT, INC.

(Pursuant to Section 151 of the
Delaware General Corporation Law)

Harrah's Entertainment, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on February 21, 1997.

"RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors"), the Board of Directors hereby certifies that none of the authorized shares of Series B Special Stock of the Corporation (the "Special Stock") are outstanding and that none of the authorized shares of the Special Stock will be issued subject to the Certificate of Designation, Preferences and Rights of Series B Special Stock of the Corporation filed with the Secretary of State of Delaware on February 5, 1990.

RESOLVED, FURTHER that upon the effective date of the filing of this Certificate of Elimination, all matters set forth in the Certificate of Designation, Preferences and Rights of Series B Special Stock of the Corporation shall be eliminated from the Corporation's Certificate of Incorporation, as amended."

IN WITNESS WHEREOF, this Certificate of Elimination is executed on behalf of the Corporation by E. O. Robinson, Jr., its Senior Vice President and General Counsel, this 21st day of February, 1997.

/s/ E. O. Robinson, Jr.

E. O. Robinson, Jr.
Senior Vice President
and General Counsel

CERTIFICATE OF DESIGNATIONS

of

SERIES A SPECIAL STOCK

of

HARRAH'S ENTERTAINMENT, INC.

(Pursuant to Section 151 of the
Delaware General Corporation Law)

Harrah's Entertainment, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on February 21, 1997.

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation, the Board of Directors hereby creates a series of Special Stock, par value \$1.125 per share (the "Special Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Special Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Special Stock" (the "Series A Special Stock") and the number of shares constituting the Series A Special Stock shall be 2,000,000 shares. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Special Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Special Stock.

Section 2. Dividends and Distributions. (A) Subject to the rights of the holders of any shares of any series of Special Stock (or any similar stock) ranking prior and superior to the Series A Special Stock with respect to dividends, the holders of shares of Series A Special Stock, in preference to the holders of Common Stock, par value \$0.10 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on or about the first day of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after

the first issuance of a share or fraction of a share of Series A Special Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment hereinafter set forth, 200 times the aggregate per share amount of all cash dividends, and 200 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Special Stock.

In the event the Corporation shall at any time after the date on which the Special Stock Purchase Rights of the Corporation are declared by the Board of Directors (the "Rights Declaration Date") declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Special Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Special Stock as provided in paragraph (A) of this Section 2 immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Special Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Special Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Special Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Special Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Special Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Special Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Special Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Special Stock shall entitle the holder thereof to 200 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the

Rights Declaration Date declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Special Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Special Stock or any similar stock, or by law, the holders of shares of Series A Special Stock and the holders of shares of Common Stock and any other series or class of stock of the Corporation which may from time to time be accorded such voting right shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Special Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Special Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, the holders of Series A Special Stock, voting as a class, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Series A Special Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that such voting right shall not be exercised unless the holders of ten percent (10%) in number of shares of Series A Special Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Series A Special Stock of such voting right. At any meeting at which the holders of Series A Special Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Series A Special Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Series A Special Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Series A Special Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Special Stock.

(iii) Unless the holders of Series A Special Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of

Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Series A Special Stock outstanding may request, the calling of a special meeting of the holders of Series A Special Stock, which meeting shall thereupon be called by the President, a Vice President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Series A Special Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Series A Special Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Series A Special Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Series A Special Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Series A Special Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(iii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class or classes of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class or classes of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Series A Special Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Series A Special Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the certificate of incorporation or bylaws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, or as otherwise provided by law, holders of Series A Special Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock and other classes of stock of the Corporation if applicable, as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions. (A) Subject to paragraph (B), whenever quarterly dividends or other dividends or distributions payable on the Series A Special Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Special Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Special Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Special Stock, except dividends paid ratably on the Series A Special Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Special Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Special Stock;

(iv) purchase or otherwise acquire for consideration any shares of Series A Special Stock, or any shares of stock ranking on a parity with the Series A Special Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The provisions of paragraph (A) shall not apply to any redemption of Shares of any class or series of stock of the Corporation in accordance with Section E of Article Fourth, as amended, of the Corporation's Certificate of Incorporation.

(C) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Special Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Special Stock and may be reissued as part of a new series of Special Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein, in the Corporation's Certificate of Incorporation, or in any other Certificate of Designations creating a series of Special Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Special Stock unless, prior thereto, the holders of shares of Series A Special Stock shall have received \$200 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Liquidation Preference"). Following the payment of the full amount of the Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Special Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Liquidation Preference by (ii) 200 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Special Stock and Common Stock, respectively, holders of Series A Special Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Series A Special Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Liquidation Preference and the liquidation preferences of all other series of stock, if any, which rank on a parity with the Series A Special Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Special Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 200 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Special Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the

number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Redemption. The shares of Series A Special Stock shall be redeemable only in accordance with the provisions of Section E of Article Fourth, as amended, of the Corporation's Certificate of Incorporation.

Section 9. Ranking. The Series A Special Stock shall rank junior to all other series of the Corporation's Preferred Stock and Special Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Special Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Special Stock, voting together as a single class.

Section 11. Fractional Shares. Series A Special Stock may be issued in fractions of a share which, shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Special Stock.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by E. O. Robinson, Jr., its Senior Vice President and General Counsel, this 21st day of February, 1997.

/s/ E. O. Robinson, Jr.

E. O. Robinson, Jr.
Senior Vice President
and General Counsel

SECOND AMENDMENT

SECOND AMENDMENT (this "Amendment"), dated as of October 15, 1996, among HARRAH'S ENTERTAINMENT, INC. ("Parent"), HARRAH'S OPERATING COMPANY, INC. (the "Company"), MARINA ASSOCIATES ("Marina"), the various lending institutions party to the Credit Agreements referred to below (the "Banks"), BANKERS TRUST COMPANY, THE BANK OF NEW YORK, CIBC INC., CREDIT LYONNAIS, ATLANTA AGENCY, FIRST INTERSTATE BANK OF NEVADA, N.A., THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED, NEW YORK BRANCH, NATIONSBANK OF GEORGIA, N.A., SOCIETE GENERALE and THE SUMITOMO BANK, LIMITED, NEW YORK BRANCH, as Agents (the "Agents"), and BANKERS TRUST COMPANY, as Administrative Agent (the "Administrative Agent"). Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings provided such terms in the 5-Year Credit Agreement or the 364-Day Credit Agreement, as the case may be, referred to below.

W I T N E S S E T H :

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WHEREAS, Parent, the Company, Marina, the Banks, the Agents and the Administrative Agent are parties to an Amended and Restated Credit Agreement, dated as of July 22, 1993 and amended and restated as of June 9, 1995 (as amended, modified or supplemented through the date hereof, the "5-Year Credit Agreement");

WHEREAS, Parent, the Company, Marina, the Banks, the Agents and the Administrative Agent are parties to a Credit Agreement, dated as of June 9, 1995 (as amended, modified or supplemented through the date hereof, the "364-Day Credit Agreement," and together with the 5-Year Credit Agreement, the "Credit Agreements");

WHEREAS, Harrah's Jazz was previously formed by Harrah's New Orleans Investment Company ("HNOIC"), an indirect Wholly-Owned Subsidiary of Parent, New Orleans/ Louisiana Development Corporation ("NOLDC") and Grand Palais Casino, Inc. ("GPCI");

WHEREAS, Harrah's Jazz was formed to operate the sole land based casino in New Orleans, Louisiana (the "New Orleans Casino");

WHEREAS, Harrah's New Orleans Management Company ("Harrah's New Orleans"), an indirect Wholly-Owned Subsidiary of Parent, was retained by Harrah's Jazz to manage the New Orleans Casino;

WHEREAS, on November 22, 1995, Harrah's Jazz and Harrah's Jazz Finance Corp. ("Finance Corp", and together with Harrah's Jazz, the "Debtors"), a Wholly-Owned Subsidiary of Harrah's Jazz, filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code (the "Harrah's Jazz Bankruptcy Case") with the United States Bankruptcy Court for the District of Delaware, and on November 30, 1995, the Harrah's Jazz Bankruptcy Case was transferred to the United States Bankruptcy Court for the Eastern District of Louisiana (the "Bankruptcy Court");

WHEREAS, on November 22, 1995, Harrah's Jazz suspended construction of the New Orleans Casino;

WHEREAS, since the commencement of the Harrah's Jazz Bankruptcy Case, and pursuant to an order by the Bankruptcy Court, Harrah's Jazz resumed construction to encapsulate and preserve the New Orleans Casino;

WHEREAS, on December 22, 1995, HNOIC filed a voluntary bankruptcy petition under Chapter 11 of the Bankruptcy Code with the Bankruptcy Court;

WHEREAS, as part of the Debtors' Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code, as such Joint Plan of Reorganization may be amended from time to time (the "Reorganization Plan"), on the effective date of the Reorganization Plan (the "Plan Effective Date"), all of the assets and business of the Debtors will vest in Jazz Casino Corporation ("Jazz Casino"), a Delaware corporation to be formed in connection with the Reorganization Plan;

WHEREAS, Jazz Casino will be a direct Wholly-Owned Subsidiary of JCC Intermediary Company ("JCC Intermediary"), which in turn will be a direct Wholly-Owned Subsidiary of JCC Holding Company ("JCC Holding");

WHEREAS, as part of the Reorganization Plan, Parent (through an indirect Wholly-Owned Subsidiary), the shareholders of NOLDC, the bondholders of GPCI and certain holders of Harrah's Jazz's and Finance Corp's 14-1/4% First Mortgage Notes 2001 (the "Bondholders") who have executed certain releases will receive, in the aggregate, 49.9% of the common stock of JCC Holding;

WHEREAS, as part of the Reorganization Plan, the Bondholders will receive the remaining 50.1% of the common stock of JCC Holding;

WHEREAS, as part of the Reorganization Plan, Jazz Casino will finish the completion of construction of the New Orleans Casino through (i) a construction and working capital credit facility (the "Jazz Casino Construction Credit Facility") in an amount not to exceed the difference between \$215,000,000 and the aggregate principal amount of Jazz Casino Loans (as defined in succeeding clause (ii)) made to Jazz Casino, (ii) loans (the "Jazz Casino Loans") made to Jazz Casino (other than as part of the Jazz Casino Construction Credit Facility) by Parent and/or its Subsidiaries or by a third party and guaranteed by Parent and/or the Company (such guaranty, the "Jazz Casino Loan Guaranty"), provided that the aggregate amount of Jazz Casino Loans made by Parent and its Subsidiaries, when added to the amount of the Jazz Casino Construction Credit Facility and the amount of the Jazz Casino Loan Guaranty, shall not exceed \$215,000,000, and (iii) an equity investment made by Parent or a Subsidiary thereof in an amount not to exceed the difference between \$75,000,000 and the aggregate amount of Harrah's Jazz Investments made in excess of \$130,500,000;

WHEREAS, as part of the Reorganization Plan, the Bondholders will receive, inter alia, (i) \$187,500,000 in aggregate principal of 8% Senior Subordinated Notes due 2007 issued by Jazz Casino (the "New Senior Subordinated Bonds") and (ii) a pro rata share of Senior Subordinated Contingent Notes due 2007 issued by Jazz Casino (the "New Contingent Bonds") on which all payments will be contingent based on a percentage of Jazz Casino's earnings;

WHEREAS, as part of the Reorganization Plan, Harrah's New Orleans will manage the New Orleans Casino;

WHEREAS, as part of the Reorganization Plan and in connection with the completion of the New Orleans Casino, (i) Parent and the Company will enter into one or more completion guaranties (the "Jazz Casino Completion Guaranties") in favor of the lenders to Jazz Casino under the Jazz Casino Construction Credit Facility, the City of New Orleans, the Rivergate Development Corporation, the Louisiana Gaming Control Board (as successor to the Louisiana Economic Development and Gaming Corporation), the holders of the New Senior Subordinated Bonds and the holders of the New Contingent Bonds and (ii) Parent and/or the Company will enter into certain indemnity arrangements with the title insurance companies providing the title insurance for the New Orleans Casino and with the provider of a surety bond (the "Jazz Casino Surety Bond") in connection with the completion of the construction of the New Orleans Casino (the "Jazz Casino Indemnity Arrangements");

WHEREAS, in the event that Parent and/or the Company make any payments under the Jazz Casino Completion Guaranties or under the Jazz Casino Indemnity Arrangements, such payments may be characterized as additional loans or advances made by Parent and/or the Company to Jazz Casino (the "Jazz Casino Completion Obligation Loans");

WHEREAS, in connection with the Jazz Casino Construction Credit Facility, Parent and/or the Company may be required to provide certain additional credit support for the Jazz Casino Construction Credit Facility in the form of one or more additional guaranties, put agreements, keep-well agreements and/or other similar credit support in favor of the lenders under the Jazz Casino Construction Credit Facility (the "Jazz Casino Bank Guaranties");

WHEREAS, the parties hereto wish to permit certain additional Investments by Parent and its Subsidiaries in, to or for the benefit of, JCC Holding and its Subsidiaries under the Credit Agreements as herein provided; and

WHEREAS, the parties hereto also wish to amend and/or modify certain provisions of the Credit Agreements to, inter alia, (i) increase the Total Revolving Loan Commitment under the 5-Year Credit Agreement by up to \$350,000,000, (ii) permit the Company to redeem the 10-7/8% Senior Subordinated Notes and/or the 8-3/4% Senior Subordinated Notes, (iii) permit Parent to repurchase up to \$200,000,000 of its common stock through December 31, 1997, (iv) increase the initial Applicable Margin under the 5-Year Credit Agreement, (v) increase the amount of other Investments permitted to be made by the Company and its Subsidiaries and (vi) modify the financial covenants set forth therein, in each case as herein provided;

NOW, THEREFORE, it is agreed:

1. Section 6.04 of the 5-Year Credit Agreement is hereby deleted in its entirety and the following new Section 6.04 is inserted in lieu thereof:

"Section 6.04. Additional Conditions to Certain Credit Events.
(a) If at any time after the Second Amendment Effective Date and prior to the repayment in full of the 8- 3/4% Senior Subordinated Notes, the Total Outstandings are reduced to an amount which is less than \$375,000,000, then as a condition precedent to any Credit Event which would cause the Total Outstandings to exceed the 8-3/4 Lowest Outstanding Amount then in effect by more than \$575,000,000, the Company

shall have first delivered to the Administrative Agent a satisfactory (to the Administrative Agent) legal opinion and certificate of its Chief Financial Officer, Treasurer or Controller, each in form and scope satisfactory to the Administrative Agent, demonstrating in reasonable detail that such Credit Event may be incurred without violating the terms of the 8-3/4% Senior Subordinated Notes Indenture.

(b) If at any time after the Second Amendment Effective Date and prior to the repayment in full of the 10-7/8% Senior Subordinated Notes, the Total Outstandings are reduced to an amount which is less than \$182,000,000, then as a condition precedent to any Credit Event which would cause the Total Outstandings to exceed the 10-7/8 Lowest Outstanding Amount then in effect by more than \$768,000,000, the Company shall have first delivered to the Administrative Agent a satisfactory (to the Administrative Agent) legal opinion and certificate of its Chief Financial Officer, Treasurer or Controller, each in form and scope satisfactory to the Administrative Agent, demonstrating in reasonable detail that such Credit Event may be incurred without violating the terms of the 10-7/8% Senior Subordinated Notes Indenture."

2. Section 5 of the 364-Day Credit Agreement is hereby amended by inserting the following new Section 5.04 immediately after Section 5.03 thereof:

"Section 5.04. Additional Conditions to Loans. If at any time after the Second Amendment Effective Date and prior to the repayment in full of the 8-3/4% Senior Subordinated Notes and the 10-7/8% Senior Subordinated Notes any Borrower desires to incur any Loans, then as a condition precedent to the incurrence of such Loans, the Company shall have first delivered to the Administrative Agent a satisfactory (to the Administrative Agent) legal opinion and certificate of its Chief Financial Officer, Treasurer or Controller, each in form and scope satisfactory to the Administrative Agent, demonstrating in reasonable detail that such Loans may be incurred without violating the terms of the 8-3/4% Senior Subordinated Notes Indenture and the 10-7/8% Senior Subordinated Notes Indenture.

3. Section 9.03 of the 5-Year Credit Agreement is hereby amended by (i) deleting the text "clauses (v) and (vi)" each place such text appears in clause (iv) thereof and inserting the text "clauses (v), (vi) and (x)" in lieu thereof in each such place, (ii) deleting the word "and" appearing at the end of clause

(viii) thereof, (iii) deleting the period appearing at the end of clause (ix) thereof and inserting "; and" in lieu thereof, and (iv) inserting the following new clause (x) at the end thereof:

"(x) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), at any time (and from time to time) on or prior to December 31, 1997, Parent may purchase, redeem or otherwise acquire outstanding shares of its common stock in an aggregate amount not to exceed \$200,000,000 less the aggregate amount of Dividends paid pursuant to clause (v) of this Section 9.03 on or after October 15, 1996 and on or prior to December 31, 1997."

4. Section 8.03 of the 364-Day Credit Agreement is hereby amended by (i) deleting the text "clauses (v) and (vi)" each place such text appears in clause (iv) thereof and inserting the text "clauses (v), (vi) and (x)" in lieu thereof in each such place, (ii) deleting the word "and" appearing at the end of clause (viii) thereof, (iii) deleting the period appearing at the end of clause (ix) thereof and inserting "; and" in lieu thereof, and (iv) inserting the following new clause (x) at the end thereof:

"(x) so long as no Default or Event of Default shall exist (both before and after giving effect to the payment thereof), at any time (and from time to time) on or prior to December 31, 1997, Parent may purchase, redeem or otherwise acquire outstanding shares of its common stock in an aggregate amount not to exceed \$200,000,000 less the aggregate amount of any Dividends paid pursuant to clause (v) of this Section 8.03 on or after October 15, 1996 and on or prior to December 31, 1997."

5. Section 9.04 of the 5-Year Credit Agreement is hereby amended by (i) deleting clauses (xi) and (xii) thereof in their entirety and inserting the following new clauses (xi) and (xii) in lieu thereof:

"(xi) Additional Unsecured Senior Debt of the Company and Subordinated Debt of the Company (which, in each case, may be guaranteed on a like basis by Parent) not otherwise outstanding on the Second Amendment Effective Date so long as (i) the terms and conditions of any such Subordinated Debt (including, but not limited to, subordination provisions) are no more favorable to the holders of such Subordinated Debt than those set forth in the 8-3/4% Senior Subordinated Notes Indenture or the 10-7/8% Senior Subordinated Notes Indenture (provided that the indebtedness covenant contained in any such

issue of Subordinated Debt shall have sufficient availability (without relying on any incurrence ratios) to justify the full amount of the Total Revolving Loan Commitment and the Total 364-Day Revolving Loan Commitment, in each case as such commitments are in effect at the time of the issuance of such Subordinated Debt), (ii) if such Subordinated Debt (or any portion thereof) constitutes Permitted Designated Indebtedness, the Total Revolving Loan Commitment shall be reduced as required by Section 3.03(d), (iii) the terms and conditions of any such Additional Unsecured Senior Debt (x) do not contain any financial maintenance or capital expenditure covenants or defaults, (y) do not have any mandatory repayment, prepayment, redemption, sinking fund, amortization or maturity prior to the date that is one year after the Final Maturity Date (other than an option of the holders thereof to require the Company to repurchase such Additional Unsecured Senior Debt upon a change of control thereunder) and (z) are no more favorable to the holders of such Additional Unsecured Senior Debt than those set forth in this Agreement (provided that the indebtedness covenant contained in any such issue of Additional Unsecured Senior Debt shall have sufficient availability (without relying on any incurrence ratios) to justify the full amount of the Total Revolving Loan Commitment and the Total 364-Day Revolving Loan Commitment, in each case as such commitments are in effect at the time of the issuance of such Additional Unsecured Senior Debt), (iv) no more than \$425,000,000 of Additional Unsecured Senior Debt may be incurred pursuant to this clause (xi) and (v) the proceeds of any such Additional Unsecured Senior Debt are concurrently used only to refinance or redeem outstanding 10-7/8% Senior Subordinated Notes and/or outstanding 8-3/4% Senior Subordinated Notes and to pay any premiums and transaction costs associated therewith (including any underwriting or placement commissions or discounts and legal fees and expenses);

(xii) Parent and its Subsidiaries may guarantee on an unsecured basis obligations of Specified Subsidiaries, Joint Ventures and parties to management agreements with the Company or its Subsidiaries or with such Joint Ventures, in each case with respect to the development of Gaming Property in an amount not to exceed \$150,000,000 at any one time outstanding for any individual Gaming Property and \$425,000,000 at any one time outstanding for all such Gaming Properties, provided that (i) the aggregate limitation set forth above shall be (A) increased (or decreased if Consolidated Net Income is negative) on the first day of each fiscal year of the Company commencing on January 1, 1996 by an amount equal to 50% (or 100% for each

fiscal year for which Consolidated Net Income is negative) of the Consolidated Net Income for the fiscal year last ended, and (B) decreased from time to time by the amount of Dividends paid by the Company to Parent pursuant to Section 9.03(iv) (other than Dividends the proceeds of which are used by Parent to repurchase shares of its common stock pursuant to Section 9.03(x)) on and after the Restatement Effective Date and prior to the date of determination and (ii) the aggregate amount of guarantees permitted to be outstanding by Parent and its Subsidiaries pursuant to this Section 9.04(xii) shall be reduced by the amount of Investments outstanding pursuant to clause (i) of the proviso to Section 9.05;"

(ii) deleting the word "and" appearing at the end of clause (xiv) thereof, (iii) deleting the period appearing at the end of clause (xv) thereof and inserting "; and" in lieu thereof and (iv) inserting the following new clause (xvi) at the end thereof:

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

6. Section 8.04 of the 364-Day Credit Agreement is hereby amended by (i) deleting clauses (xi) and (xii) thereof in their entirety and inserting the following new clauses (xi) and (xii) in lieu thereof:

"(xi) Additional Unsecured Senior Debt of the Company and Subordinated Debt of the Company (which, in each case, may be guaranteed on a like basis by Parent) not otherwise outstanding on the Second Amendment Effective Date so long as (i) the terms and conditions of any such Subordinated Debt (including, but not limited to, subordination provisions) are no more favorable to the holders of such Subordinated Debt than those set forth in the 8-3/4% Senior Subordinated Notes Indenture or the 10-7/8% Senior Subordinated Notes Indenture (provided that the indebtedness covenant contained in any such issue of Subordinated Debt shall have sufficient availability (without relying on any incurrence ratios) to justify the full amount of the Total Revolving Loan Commitment and the Total 5- Year Revolving Loan Commitment, in each case as such commitments are in effect at the time of the issuance of such Subordinated Debt), (ii) if such Subordinated Debt (or any portion thereof) constitutes Permitted Designated Indebtedness, the Total Revolving Loan Commitment shall be reduced as required by Section 2.03(c), (iii) the terms and conditions

of any such Additional Unsecured Senior Debt (x) do not contain any financial maintenance or capital expenditure covenants or defaults, (y) do not have any mandatory repayment, prepayment, redemption, sinking fund, amortization or maturity prior to the date that is one year after the Final Maturity Date (as defined in the 5-Year Credit Agreement) (other than an option of the holders thereof to require the Company to repurchase such Additional Unsecured Senior Debt upon a change of control thereunder) and (z) are no more favorable to the holders of such Additional Unsecured Senior Debt than those set forth in this Agreement (provided that the indebtedness covenant contained in any such issue of Additional Unsecured Senior Debt shall have sufficient availability (without relying on any incurrence ratios) to justify the full amount of the Total Revolving Loan Commitment and the Total 5-Year Revolving Loan Commitment, in each case as such commitments are in effect at the time of the issuance of such Additional Unsecured Senior Debt), (vi) no more than \$425,000,000 of Additional Unsecured Senior Debt may be incurred pursuant to this clause (xi) and (v) the proceeds of any such Additional Unsecured Senior Debt are concurrently used only to refinance or redeem outstanding 10-7/8% Senior Subordinated Notes and/or outstanding 8-3/4% Senior Subordinated Notes and to pay any premiums and transaction costs associated therewith (including any underwriting or placement commissions or discounts and legal fees and expenses);

(xii) Parent and its Subsidiaries may guarantee on an unsecured basis obligations of Specified Subsidiaries, Joint Ventures and parties to management agreements with the Company or its Subsidiaries or with such Joint Ventures, in each case with respect to the development of Gaming Property in an amount not to exceed \$150,000,000 at any one time outstanding for any individual Gaming Property and \$425,000,000 at any one time outstanding for all such Gaming Properties, provided that (i) the aggregate limitation set forth above shall be (A) increased (or decreased if Consolidated Net Income is negative) on the first day of each fiscal year of the Company commencing on January 1, 1996 by an amount equal to 50% (or 100% for each fiscal year for which Consolidated Net Income is negative) of the Consolidated Net Income for the fiscal year last ended, and (B) decreased from time to time by the amount of Dividends paid by the Company to Parent pursuant to Section 8.03(iv) (other than Dividends the proceeds of which are used by Parent to repurchase shares of its common stock pursuant to Section 8.03(x)) on and after the Restatement Effective Date and prior to the date of determination and (ii) the aggregate amount of

guarantees permitted to be outstanding by Parent and its Subsidiaries pursuant to this Section 8.04(xii) shall be reduced by the amount of Investments outstanding pursuant to clause (i) of the proviso to Section 8.05;"

(ii) deleting the number "\$600,000,000" appearing in clause (xiv) thereof and inserting the number "\$950,000,000" in lieu thereof, (iii) deleting the word "and" appearing at the end of clause (xiv) thereof, (iv) deleting the period appearing at the end of clause (xv) thereof and inserting "; and" in lieu thereof and (v) inserting the following new clause (xvi) at the end thereof:

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

7. Section 9.05 of the 5-Year Credit Agreement is hereby deleted in its entirety and the following new Section 9.05 is inserted in lieu thereof:

"9.05 Advances, Investments and Loans. Parent will not, and will not permit any of its Subsidiaries to, directly or indirectly, lend money or credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person (collectively, "Investments") other than Investments in the ordinary course of business, Subsidiary Investments and other Investments existing on the Restatement Effective Date, provided that:

(i) Investments other than Subsidiary Investments shall not be made with respect to the development or operation of Gaming Properties or in connection with Gaming Businesses (and reasonable extensions thereof), except that Investments in any Joint Venture relating to the Gaming Business or Investments in parties to management agreements with the Company or its Subsidiaries or such Joint Ventures for gaming projects may be made so long as the aggregate amount thereof does not exceed \$150,000,000 at any one time outstanding (determined without regard to any write-downs or write-offs of such Investments) for any individual Gaming Business or gaming project or \$425,000,000 at any one time outstanding (determined without regard to any write-downs or write-offs of such Investments) for all such Gaming Businesses and gaming projects, provided that (x) the aggregate

limitation set forth above shall be (A) increased (or decreased if Consolidated Net Income is negative) on the first day of each fiscal year of the Company commencing on January 1, 1996 by an amount equal to 50% (or 100% for each fiscal year for which Consolidated Net Income is negative) of the Consolidated Net Income for the fiscal year last ended and (B) decreased from time to time by the amount of Dividends paid by the Company to Parent pursuant to Section 9.03(iv) (other than Dividends the proceeds of which are to be used by Parent to repurchase shares of its common stock pursuant to Section 9.03(x)) on and after the Restatement Effective Date, (y) the aggregate amount of such Investments permitted to be made pursuant to this Section 9.05(i) shall be reduced by the aggregate amount of guarantees outstanding pursuant to Section 9.04(xii) and (z) Investments in, to or for the benefit of Harrah's Jazz and its Subsidiaries and JCC Holding and its Subsidiaries shall not be permitted to be made pursuant to this Section 9.05(i), provided that, after Phase I (under, and as defined in, Harrah's Jazz's Second Amended Joint Disclosure Statement, dated August 28, 1996 (as in effect on the date hereof)) has been completed, up to \$25,000,000 of Investments in, to or for the benefit of JCC Holding and its Subsidiaries may be made pursuant to this Section 9.05(i);

(ii) Investments constituting Harrah's Jazz Investments shall be permitted, provided that the aggregate amount of all such Investments (other than in respect of the Harrah's Jazz Completion Obligation Loans, the Harrah's Jazz Title Indemnity Arrangements and the Harrah's Jazz Completion Guaranties), whether made prior to, on or after the Restatement Effective Date, shall not exceed \$175,000,000, provided further, that (x) no part of the Investments permitted by this clause (ii) may be used to make Investments in, to or for the benefit of, JCC Holding and its Subsidiaries and (y) on and after the Jazz Casino Trigger Date, Parent and its Subsidiaries may not make any additional Harrah's Jazz Investments;

(iii) on and after the Jazz Casino Trigger Date, Parent and/or the Company may enter into the Jazz Casino Completion Guaranties, the Jazz Casino Bank Guaranties, the Jazz Casino Loan Guaranty and the Jazz Casino Indemnity Arrangements and perform their respective obligations thereunder, and make (or be deemed to make) Jazz Casino Completion Obligation Loans to Jazz Casino as a result of such performance; and

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

Notwithstanding (x) the foregoing provisions of this Section 9.05, Investments in the ordinary course of business shall not include the purchases of (i) Margin Stock and (ii) non-investment grade debt securities of any Person, it being understood and agreed, however, that in connection with any Investment in a Joint Venture as permitted by Section 9.05(i) above or in connection with any Subsidiary Investment made in a Subsidiary acquired or created after March 31, 1996, the Company may, subject to Section 7.08(b), make an Investment consisting of Margin Stock or non-investment grade debt securities of such Joint Venture or such Subsidiary, as the case may be, and (y) the foregoing provisions of this Section 9.05 or Section 9.04, (A) in no event shall the aggregate amount of the Jazz Casino Construction Credit Facility plus the aggregate amount of Jazz Casino Loans made by Parent and its Subsidiaries plus the amount of the Jazz Casino Loan Guaranty exceed \$215,000,000 (with such amount to be reduced by any permanent reductions in the Jazz Casino Construction Credit Facility and/or any Jazz Casino's Loans theretofore made (whether or not made by Parent or any of its Subsidiaries)) and (B) the terms and conditions of the Jazz Casino Surety Bond shall be in form and substance satisfactory to the Administrative Agent."

8. Section 8.05 of the 364-Day Credit Agreement is hereby deleted in its entirety and the following new Section 8.05 is inserted in lieu thereof:

"8.05 Advances, Investments and Loans. Parent will not, and will not permit any of its Subsidiaries to, directly or indirectly, lend money or credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any other Person (collectively, "Investments") other than Investments in the ordinary course of business, Subsidiary Investments and other Investments existing on the Restatement Effective Date, provided that:

(i) Investments other than Subsidiary Investments shall not be made with respect to the development or operation of Gaming Properties or in connection with Gaming Businesses (and reasonable extensions thereof), except that Investments in any Joint Venture relating to the Gaming Business or Investments in parties to management agreements with the Company or its Subsidiaries or such Joint Ventures for gaming projects may be made so long as the aggregate amount thereof does not exceed \$150,000,000 at any one time outstanding (determined without regard to any write-downs or write-offs of such Investments) for any individual Gaming Business or gaming project or \$425,000,000 at any one time outstanding (determined without regard to any write-downs or write-offs of such Investments) for all such Gaming Businesses and gaming projects, provided that (x) the aggregate limitation set forth above shall be (A) increased (or decreased if Consolidated Net Income is negative) on the first day of each fiscal year of the Company commencing on January 1, 1996 by an amount equal to 50% (or 100% for each fiscal year for which Consolidated Net Income is negative) of the Consolidated Net Income for the fiscal year last ended and (B) decreased from time to time by the amount of Dividends paid by the Company to Parent pursuant to Section 8.03(iv) (other than Dividends the proceeds of which are to be used by Parent to repurchase shares of its common stock pursuant to Section 8.03(x)) on and after the Restatement Effective Date, (y) the aggregate amount of such Investments permitted to be made pursuant to this Section 8.05(i) shall be reduced by the aggregate amount of guarantees outstanding pursuant to Section 8.04(xii) and (z) Investments in, to or for the benefit of Harrah's Jazz and its Subsidiaries and JCC Holding and its Subsidiaries shall not be permitted to be made pursuant to this Section 8.05(i), provided that, after Phase I (under, and as defined in, Harrah's Jazz's Second Amended Joint Disclosure Statement, dated August 28, 1996 (as in effect on the date hereof)) has been completed, up to \$25,000,000 of Investments in, to or for the benefit of JCC Holding and its Subsidiaries may be made pursuant to this Section 8.05(i);

(ii) Investments constituting Harrah's Jazz Investments shall be permitted, provided that the aggregate amount of all such Investments (other than in respect of the Harrah's Jazz Completion Obligation Loans, the Harrah's Jazz Title Indemnity Arrangements and the Harrah's Jazz Completion Guaranties), whether made prior

to, on or after the Restatement Effective Date, shall not exceed \$175,000,000, provided further, that (x) no part of the Investments permitted by this clause (ii) may be used to make Investments in, to or for the benefit of, JCC Holding and its Subsidiaries and (y) on and after the Jazz Casino Trigger Date, Parent and its Subsidiaries may not make any additional Harrah's Jazz Investments;

(iii) on and after the Jazz Casino Trigger Date, Parent and/or the Company may enter into the Jazz Casino Completion Guaranties, the Jazz Casino Bank Guaranties, the Jazz Casino Loan Guaranty and the Jazz Casino Indemnity Arrangements and perform their respective obligations thereunder, and make (or be deemed to make) Jazz Casino Completion Obligation Loans to Jazz Casino as a result of such performance; and

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

Notwithstanding (x) the foregoing provisions of this Section 8.05, Investments in the ordinary course of business shall not include the purchases of (i) Margin Stock and (ii) non-investment grade debt securities of any Person, it being understood and agreed, however, that in connection with any Investment in a Joint Venture as permitted by Section 8.05(i) above or in connection with any Subsidiary Investment made in a Subsidiary acquired or created after March 31, 1996, the Company may, subject to Section 6.08(b), make an Investment consisting of Margin Stock or non-investment grade debt securities of such Joint Venture or such Subsidiary, as the case may be, and (y) the foregoing provisions of this Section 8.05 or Section 8.04, (A) in no event shall the aggregate amount of the Jazz Casino Construction Credit Facility plus the aggregate amount of Jazz Casino Loans made by Parent and its Subsidiaries plus the amount of the Jazz Casino Loan Guaranty exceed \$215,000,000 (with such amount to be reduced by any permanent reductions in the Jazz Casino Construction Credit Facility and/or any Jazz Casino Loans theretofore made (whether or not made by Parent or any of its Subsidiaries)) and (B) the terms and conditions of the Jazz Casino Surety Bond shall be in form and substance satisfactory to the Administrative Agent."

9. Section 9.07 of the 5-Year Credit Agreement is hereby amended by deleting the table appearing therein in its entirety and inserting the following new table in lieu thereof:

"Period -----	Ratio -----
Restatement Effective Date to and including December 31, 1996	2.75:1
January 1, 1997 to and including December 31, 1997	3.00:1
January 1, 1998 to and including December 31, 1998	2.80:1
January 1, 1999 to and including December 31, 1999	2.30:1
January 1, 2000 and thereafter	2:00:1".

10. Section 8.07 of the 364-Day Credit Agreement is hereby amended by deleting the table appearing therein in its entirety and inserting the following new table in lieu thereof:

"Period -----	Ratio -----
Restatement Effective Date to and including December 31, 1996	2.75:1
January 1, 1997 to and including December 31, 1997	3.00:1
January 1, 1998 to and including December 31, 1998	2.80:1
January 1, 1999 to and including December 31, 1999	2.30:1
January 1, 2000 and thereafter	2:00:1".

11. Section 9.08 of the 5-Year Credit Agreement is hereby amended by deleting the table appearing therein in its entirety and inserting the following new table in lieu thereof:

"Fiscal Quarter -----	Ratio -----
Fiscal quarters ending September 30, 1996, December 31, 1996, March 31, 1997, June 30, 1997, September 30, 1997, December, 31, 1997, March 31, 1998, June 30, 1998 and September 30, 1998	2.5:1.
Fiscal quarters ending December 31, 1998 and thereafter	3.0:1".

12. Section 8.08 of the 364-Day Credit Agreement is hereby amended by deleting the table appearing therein in its entirety and inserting the following new table in lieu thereof:

"Fiscal Quarter -----	Ratio -----
Fiscal quarters ending September 30, 1996, December 31, 1996, March 31, 1997, June 30, 1997, September 30, 1997, December, 31, 1997, March 31, 1998, June 30, 1998 and September 30, 1998	2.5:1.
Fiscal quarters ending December 31, 1998 and thereafter	3.0:1".

13. Section 9.09 of the 5-Year Credit Agreement is hereby amended by deleting the table appearing therein in its entirety and inserting the following new table in lieu thereof:

"Period -----	Amount -----
Second Amendment Effective Date to and including December 31, 1996	\$ 550,000,000
Year ending December 31, 1997	\$ 550,000,000
Year ending December 31, 1998	\$ 650,000,000
Year ending December 31, 1999	\$ 800,000,000
Year ending December 31, 2000	\$1,000,000,000."

14. Section 8.09 of the 364-Day Credit Agreement is hereby amended by deleting the table appearing therein in its entirety and inserting the following new table in lieu thereof:

"Period -----	Amount -----
Second Amendment Effective Date to and including December 31, 1996	\$ 550,000,000
Year ending December 31, 1997	\$ 550,000,000
Year ending December 31, 1998	\$ 650,000,000
Year ending December 31, 1999	\$ 800,000,000
Year ending December 31, 2000	\$1,000,000,000."

15. Section 9.10 of the 5-Year Credit Agreement is hereby amended by (i) deleting clauses (i), (ii) and (iii) of the first sentence thereof in their entirety and inserting the following new clauses (i), (ii) and (iii) in lieu thereof:

"(i) make (or give any notice in respect of) any voluntary or optional payment or prepayment on or redemption or acquisition for value of (including, without limitation, by way of depositing with the trustee with respect thereto money or securities before due for the purpose of paying when due) any Subordinated Debt (other than the Company's 8-3/8% Subordinated Debentures due 1996) or Additional Unsecured Senior Debt, provided, that the Company may repurchase, redeem or otherwise retire outstanding 10-7/8% Senior Subordinated Notes and/or 8-3/4%

Senior Subordinated Notes with the proceeds of Additional Unsecured Senior Debt and/or Subordinated Debt issued pursuant to Section 9.04(xi), (ii) make (or give any notice in respect of) any mandatory payment or prepayment on or redemption or acquisition for value of (including, without limitation, by way of depositing with the trustee with respect thereto money or securities before due for the purpose of when due) any Subordinated Debt or Additional Unsecured Senior Debt as a result of any sale of assets by Parent or any of its Subsidiaries, (iii) amend or modify, or permit the amendment or modification of, any provision of any Subordinated Debt or Additional Unsecured Senior Debt or of any agreement (including, without limitation, any purchase agreement, indenture or loan agreement) relating thereto (except modifications relating to the 10-7/8% Senior Subordinated Notes Indenture and 8-3/4% Senior Subordinated Notes Indenture in order to remove and/or make less restrictive the covenants and/or defaults contained therein in connection with obtaining any exit consents associated with the tender by the Company for such notes so long as the documentation with respect thereto is in form and substance satisfactory to the Administrative Agent)," and

(ii) inserting the following words immediately after the words "Subordinated Debt" each place such words appear in the final sentence thereof:

"and/or Additional Unsecured Senior Debt".

16. Section 8.10 of the 364-Day Credit Agreement is hereby amended by (i) deleting clauses (i), (ii) and (iii) of the first sentence thereof in their entirety and inserting the following new clauses (i), (ii) and (iii) in lieu thereof:

"(i) make (or give any notice in respect of) any voluntary or optional payment or prepayment on or redemption or acquisition for value of (including, without limitation, by way of depositing with the trustee with respect thereto money or securities before due for the purpose of paying when due) any Subordinated Debt (other than the Company's 8-3/8% Subordinated Debentures due 1996) or Additional Unsecured Senior Debt, provided, that the Company may repurchase, redeem or otherwise retire outstanding 10-7/8% Senior Subordinated Notes and/or 8-3/4% Senior Subordinated Notes with the proceeds of unsecured senior Indebtedness and/or Subordinated Debt issued pursuant to Section 8.04(xi), (ii) make (or give any notice

in respect of) any mandatory payment or prepayment on or redemption or acquisition for value of (including, without limitation, by way of depositing with the trustee with respect thereto money or securities before due for the purpose of when due) any Subordinated Debt or Additional Unsecured Senior Debt as a result of any sale of assets by Parent or any of its Subsidiaries, (iii) amend or modify, or permit the amendment or modification of, any provision of any Subordinated Debt or Additional Unsecured Senior Debt or of any agreement (including, without limitation, any purchase agreement, indenture or loan agreement) relating thereto (except modifications relating to the 10-7/8% Senior Subordinated Notes Indenture and 8-3/4% Senior Subordinated Notes Indenture in order to remove and/or make less restrictive the covenants and/or defaults contained therein in connection with obtaining any exit consents associated with the tender by the Company for such notes so long as the documentation with respect thereto is in form and substance satisfactory to the Administrative Agent)," and

(ii) inserting the following words immediately after the words "Subordinated Debt" each place such words appear in the final sentence thereof:

"and/or Additional Unsecured Senior Debt".

17. The definition of "Applicable Margin" appearing in Section 11.01 of the 5-Year Credit Agreement is hereby deleted in its entirety and the following new definition of "Applicable Margin" is inserted in lieu thereof:

"`Applicable Margin' shall mean 1-1/8% less the then applicable Reduction Discount."

18. The definitions of "Lowest Outstanding Amount" and "364-Day Revolving Loan Commitment Reduction Amount" appearing in Section 11.01 of the 5-Year Credit Agreement are hereby deleted in their entirety.

19. The definition of "Reduction Discount" appearing in Section 11.01 of the 5-Year Credit Agreement is hereby deleted in its entirety and the following new definition of "Reduction Discount" is inserted in lieu thereof:

"Reduction Discount" shall mean initially zero and from and after the first day of any Margin Reduction Period (the "Start Date") to and including the last day of such Margin Reduction Period (the "End Date"), the Reduction Discount shall be the respective percentage per annum set forth in clause (A), (B) or (C) below if, but only if, as of the last day of the most recent fiscal quarter of Parent ended immediately prior to such Start Date (the "Test Date") the conditions in clause (A), (B) or (C) below are met:

(A) (x) in the case of Eurodollar Loans, 3/8 of 1% and (y) in the case of Commitment Commission, 5/100 of 1% in each case if, but only if, as of the Test Date for such Start Date either of the following conditions are met and the conditions set forth in none of clauses (B) and (C) below are satisfied:

(i) the Consolidated Interest Coverage Ratio for the Test Period ended on such Test Date shall be greater than 3.00:1.00; or

(ii) the Indebtedness of the Company on such Test Date shall be rated at least BBB- Senior Implied by S&P or Baa3 Senior Implied by Moody's;

(B) (x) in the case of Eurodollar Loans, 5/8 of 1% and (y) in the case of Commitment Commission, 10/100 of 1% in each case if, but only if, as of the Test Date for such Start Date either of the following conditions are met and the conditions set forth in clause (C) below are not satisfied:

(i) the Consolidated Interest Coverage Ratio for the Test Period ended on such Test Date shall be greater than 3.50:1.00; or

(ii) the Indebtedness of the Company on such Test Date shall be rated at least BBB Senior Implied by S&P or Baa2 Senior Implied by Moody's; or

(C) (x) in the case of Eurodollar Loans, 3/4 of 1% and (y) in the case of Commitment Commission, 1/8 of 1% in each case if, but only if, as of the Test Date for such Start Date either of the following conditions are met:

(i) the Consolidated Interest Coverage Ratio for the Test Period ended on such Test Date shall be greater than 4.00:1.00; or

(ii) the Indebtedness of the Company on such Test Date shall be rated at least BBB+ Senior Implied by S&P or Baa1 Senior Implied by Moody's.

Notwithstanding anything to the contrary above in this definition, the Reduction Discount shall be reduced to zero at all times when a Default under Section 8.01(a) or (b) shall exist or an Event of Default shall exist."

20. The definition of "Maximum Swingline Amount" appearing in Section 11.01 of the 5-Year Credit Agreement is hereby amended by deleting the number "\$25,000,000" appearing therein and inserting the number "\$50,000,000" in lieu thereof.

21. The definition of "Permitted Designated Indebtedness" appearing in Section 11.01 of the 5-Year Credit Agreement is hereby amended by inserting the following parenthetical immediately after the reference to "Section 9.04(xi)" appearing therein:

"(other than Subordinated Debt the proceeds of which are used to repurchase, redeem or otherwise retire outstanding 10-7/8% Senior Subordinated Notes and/or 8-3/4% Senior Subordinated Notes)".

22. The definition of "Permitted Designated Indebtedness" appearing in Section 10.01 of the 364-Day Credit Agreement is hereby amended by inserting the following parenthetical immediately after the reference to "Section 8.04(xi)" appearing therein:

"(other than Subordinated Debt the proceeds of which are used to repurchase, redeem or otherwise retire outstanding 10-7/8% Senior Subordinated Notes and/or 8-3/4% Senior Subordinated Notes)".

23. Section 11.01 of the 5-Year Credit Agreement is hereby amended by inserting in the appropriate alphabetical order the following two new definitions:

"`8-3/4 Lowest Outstanding Amount' shall have the meaning provided in Section 13.18(b).

"10-7/8 Lowest Outstanding Amount" shall have the meaning provided in Section 13.18(a)."

24. Section 11.01 of the 5-Year Credit Agreement, and Section 10.01 of the 364-Day Credit Agreement, are each hereby further amended by inserting the following new definitions in the appropriate alphabetical order:

"`Additional Unsecured Senior Debt' shall mean each issue of unsecured senior Indebtedness issued by the Company to the extent permitted by Section [9.04(xi)] [8.04(xi)] of this Agreement.

`Jazz Casino' shall have the meaning provided in the recitals to the Second Amendment.

`Jazz Casino Bank Guaranties' shall have the meaning provided in the recitals to the Second Amendment.

`Jazz Casino Completion Guaranties' shall have the meaning provided in the recitals to the Second Amendment.

`Jazz Casino Completion Obligation Loans' shall have the meaning provided in the recitals to the Second Amendment.

`Jazz Casino Construction Credit Facility' shall have the meaning provided in the recitals to the Second Amendment.

`Jazz Casino Indemnity Arrangements' shall have the meaning provided in the recitals to the Second Amendment.

`Jazz Casino Loan Guaranty' shall have the meaning provided in the recitals to the Second Amendment.

`Jazz Casino Loans' shall have the meaning provided in the recitals to the Second Amendment.

`Jazz Casino Surety Bond' shall have the meaning provided in the recitals to the Second Amendment.

`Jazz Casino Trigger Date' shall mean the date on which (i) the Plan Effective Date shall have occurred in accordance with the terms of the Reorganization Plan and (ii) all material governmental and material third party approvals with respect to the construction and operation of the New Orleans Casino to the extent required to be

obtained by the Plan Effective Date shall have been obtained and remain in full force and effect, including, without limitation, any referendum or vote required by the people of the State of Louisiana and/or the City or Parish of New Orleans.`

`JCC Holding' shall have the meaning provided in the recitals to the Second Amendment.

`New Orleans Casino' shall have the meaning provided in the recitals to the Second Amendment.

`Plan Effective Date' shall have the meaning provided in the recitals to the Second Amendment.

`Reorganization Plan' shall have the meaning provided in the recitals to the Second Amendment.

`Second Amendment' shall mean the Second Amendment, dated as of October 15, 1996, to this Agreement.

`Second Amendment Effective Date' shall have the meaning provided in the Second Amendment."

25. Section 13.07(a) of the 5-Year Credit Agreement is hereby amended by (i) deleting the word "and" appearing immediately before clause (ii) of the proviso thereof and (ii) inserting the following new clause (iii) at the end of such proviso:

"and (iii) at no time shall JCC Holding and its Subsidiaries be treated as Subsidiaries of Parent for purposes of this Agreement, even though (x) JCC Holding and its Subsidiaries may at any time fall within the definition of "Subsidiary" or (y) generally accepted accounting principles would require otherwise, but shall instead be treated as an equity investment by Parent".

26. Section 12.07(a) of the 364-Day Credit Agreement is hereby amended by (i) deleting the word "and" appearing immediately before clause (ii) of the proviso thereof and (ii) inserting the following new clause (iii) at the end of such proviso:

"and (iii) at no time shall JCC Holding and its Subsidiaries be treated as Subsidiaries of Parent for purposes of this Agreement, even though (x) JCC Holding and its Subsidiaries may at any time fall within the

definition of "Subsidiary" or (y) generally accepted accounting principles would require otherwise, but shall instead be treated as an equity investment by Parent".

27. Section 13.18 of the 5-Year Credit Agreement is hereby deleted in its entirety and the following new Section 13.18 is inserted in lieu thereof:

"13.18. Certain Agreements with Respect to Existing Indentures. (a) Each Borrower represents and warrants to the Banks that, on the Second Amendment Effective Date, loans in aggregate principal amount equal to the sum of the Total Revolving Loan Commitment (assuming for purposes of this Section 13.18(a) that the Total Revolving Loan Commitment equals \$950,000,000) and the Total 364-Day Revolving Loan Commitment would be permitted to be incurred pursuant to the second paragraph of Section 1008 of the 10-7/8% Senior Subordinated Notes Indenture (and that the Consolidated Fixed Charge Ratio referred to therein would be at least equal to 2.0 to 1 after giving effect thereto). Furthermore, the Borrowers agree that they shall not incur or suffer to exist at any time any Debt (as defined in the 10-7/8% Senior Subordinated Notes Indenture) pursuant to clause (a) of the first paragraph of Section 1008 of the 10-7/8% Senior Subordinated Notes Indenture, except that up to \$768,000,000 of outstanding Debt incurred from time to time pursuant this Agreement may be justified as having been incurred pursuant to said clause (a). For purposes of determining compliance with the 10-7/8% Senior Subordinated Notes Indenture for Credit Events occurring after the Second Amendment Effective Date, all incurrences of Loans and issuances of Letters of Credit after the Second Amendment Effective Date will be deemed incurred pursuant to clause (a) of the first paragraph of Section 1008 of the 10-7/8% Senior Subordinated Notes Indenture; provided that if at any time after the Second Amendment Effective Date the Total Outstandings are reduced below an amount equal to \$182,000,000 (with the lowest amount below said amount to which the Total Outstandings hereunder have at any time been reduced (as such amount may be adjusted as herein provided), being herein called the "10-7/8 Lowest Outstanding Amount", it being understood that if the Total Outstandings hereunder ever exceed the then previous 10-7/8 Lowest Outstanding Amount by more than \$768,000,000, the then previous 10-7/8 Lowest Outstanding Amount shall be increased by an amount equal to such excess, provided that in no event

shall the 10-7/8 Lowest Outstanding Amount ever exceed \$182,000,000), then at any time thereafter the Borrowers shall not be permitted to incur Loans or have Letters of Credit issued which would cause the Total Outstandings to exceed the theretofore 10-7/8 Lowest Outstanding Amount by more than \$768,000,000 unless, in connection with any such Credit Event, the Borrowers establish to the satisfaction of the Administrative Agent (including by the delivery of a satisfactory legal opinion and a certificate of the Company's Chief Financial Officer, Treasurer or Controller) that the incurrence of such Loans or issuance of such Letter of Credit would be permitted pursuant to the terms of the 10-7/8% Senior Subordinated Notes Indenture. The Borrowers represent and warrant that all Indebtedness incurred under this Agreement shall be permitted to be incurred and remain outstanding pursuant to the 10-7/8% Senior Subordinated Notes Indenture, and the Borrowers hereby also covenant and agree that they shall not take any action with respect to the incurrence of any Indebtedness (including under this Agreement) which is inconsistent with this Section 13.18(a). This clause (a) shall cease to be of further force or effect at such time as all 10-7/8% Senior Subordinated Notes have been repaid in full and the provisions of Section 1008 of the 10-7/8% Senior Subordinated Notes Indenture are no longer effective.

(b) Each Borrower represents and warrants to the Banks that, on the Second Amendment Effective Date, loans in aggregate principal amount equal to the sum of the Total Revolving Loan Commitment (assuming for purposes of this Section 13.18(b) that the Total Revolving Loan Commitment equals \$950,000,000) and the Total 364-Day Revolving Loan Commitment would be permitted to be incurred pursuant to the second paragraph of Section 1008 of the 8-3/4% Senior Subordinated Notes Indenture (and that the Consolidated Fixed Charge Ratio referred to therein would be at least equal to 2.0 to 1 after giving effect thereto). Furthermore, the Borrowers agree that they shall not incur or suffer to exist at any time any Debt (as defined in the 8-3/4% Senior Subordinated Notes Indenture) pursuant to clause (a) of the first paragraph of Section 1008 of the 8-3/4% Senior Subordinated Notes Indenture, except that up to \$575,000,000 of outstanding Debt incurred from time to time pursuant to this Agreement may be justified as having been incurred pursuant to said clause (a). For purposes of determining compliance with the 8-3/4% Senior Subordinated Notes

Indenture for Credit Events occurring after the Second Amendment Effective Date, all incurrences of Loans and issuances of Letters of Credit after the Second Amendment Effective Date will be deemed incurred pursuant to clause (a) of the first paragraph of Section 1008 of the 8-3/4% Senior Subordinated Notes Indenture; provided that if at any time after the Second Amendment Effective Date the Total Outstandings are reduced below an amount equal \$375,000,000 (with the lowest amount below said amount to which the Total Outstandings hereunder have at any time been reduced (as such amount may be adjusted as herein provided), being herein called the "8-3/4 Lowest Outstanding Amount", it being understood that if the Total Outstandings hereunder ever exceed the then previous 8-3/4 Lowest Outstanding Amount by more than \$575,000,000, the then previous 8-3/4 Lowest Outstanding Amount shall be increased by an amount equal to such excess, provided that in no event shall the 8-3/4 Lowest Outstanding Amount ever exceed \$375,000,000), then at any time thereafter the Borrowers shall not be permitted to incur Loans or have Letters of Credit issued which would cause the Total Outstandings to exceed the theretofore 8- 3/4 Lowest Outstanding Amount by more than \$575,000,000 unless, in connection with any such Credit Event, the Borrowers establish to the satisfaction of the Administrative Agent (including by the delivery of a satisfactory legal opinion and a certificate of the Company's Chief Financial Officer, Treasurer or Controller) that the incurrence of such Loans or issuance of such Letter of Credit would be permitted pursuant to the terms of the 8-3/4% Senior Subordinated Notes Indenture. The Borrowers represent and warrant that all Indebtedness incurred under this Agreement shall be permitted to be incurred and remain outstanding pursuant to the 8-3/4% Senior Subordinated Notes Indenture, and the Borrowers hereby also covenant and agree that they shall not take any action with respect to the incurrence of any Indebtedness (including under this Agreement) which is inconsistent with this Section 13.18(b). This clause (b) shall cease to be of further force or effect at such time as all 8-3/4% Senior Subordinated Notes have been repaid in full and the provisions of Section 1008 of the 8-3/4% Senior Subordinated Notes Indenture are no longer effective."

28. Section 12.18 of the 364-Day Credit Agreement is hereby deleted in its entirety and the following new Section 12.18 is inserted in lieu thereof:

Section 12.18. Certain Agreements with Respect to Existing Indentures. (a) The Borrowers agree that they shall not incur or suffer to exist at any time any Debt (as defined in the 10-7/8% Senior Subordinated Notes Indenture) pursuant to clause (a) of the first paragraph of Section 1008 of the 10-7/8% Senior Subordinated Notes Indenture, except that up to \$768,000,000 of outstanding Debt incurred from time to time pursuant to the 5-Year Credit Agreement may be justified as having been incurred pursuant to said clause (a). For purposes of determining compliance with the 10-7/8% Senior Subordinated Notes Indenture for all incurrences of Loans under this Agreement, the Borrowers agree that they shall not incur any Loans under this Agreement unless, in connection with such incurrence, the Borrowers establish to the satisfaction of the Administrative Agent (including by the delivery of a satisfactory legal opinion and certificate of the Company's Chief Financial Officer, Treasurer or Controller) that the incurrence of such Loans would be permitted pursuant to the terms of the 10-7/8% Senior Subordinated Notes Indenture. The Borrowers represent and warrant that all Indebtedness incurred under this Agreement shall be permitted to be incurred and remain outstanding pursuant to the 10-7/8% Senior Subordinated Notes Indenture, and the Borrowers hereby also covenant and agree that they shall not take any action with respect to the incurrence of any Indebtedness (including under this Agreement) which is inconsistent with this Section 12.18(a). This clause (a) shall cease to be of further force or effect at such time as all 10-7/8% Senior Subordinated Notes have been repaid in full and the provisions of Section 1008 of the 10-7/8% Senior Subordinated Notes Indenture are no longer effective.

(b) The Borrowers agree that they shall not incur or suffer to exist at any time any Debt (as defined in the 8-3/4% Senior Subordinated Notes Indenture) pursuant to clause (a) of the first paragraph of Section 1008 of the 8-3/4% Senior Subordinated Notes Indenture, except that up to \$575,000,000 of outstanding Debt incurred from time to time pursuant to the 5-Year Credit Agreement may be justified as having been incurred pursuant to said clause (a). For purposes of determining compliance with the 8-3/4% Senior Subordinated Notes Indenture for all incurrences of Loans under this Agreement, the Borrowers agree that they shall not incur any Loans under this Agreement unless, in connection with such incurrence, the

Borrowers establish to the satisfaction of the Administrative Agent (including by the delivery of a satisfactory legal opinion and certificate of the Company's Chief Financial Officer, Treasurer or Controller) that the incurrence of such Loans would be permitted pursuant to the terms of the 8-3/4% Senior Subordinated Notes Indenture. The Borrowers represent and warrant that all Indebtedness incurred under this Agreement shall be permitted to be incurred and remain outstanding pursuant to the 8-3/4% Senior Subordinated Notes Indenture, and the Borrowers hereby also covenant and agree that they shall not take any action with respect to the incurrence of any Indebtedness (including under this Agreement) which is inconsistent with this Section 12.18(b). This clause (b) shall cease to be of further force or effect at such time as all 8-3/4% Senior Subordinated Notes have been repaid in full and the provisions of Section 1008 of the 8-3/4% Senior Subordinated Notes Indenture are no longer effective."

29. Notwithstanding anything to the contrary contained in Section 2.08 of each of the Mortgages, the Banks hereby agree that the relevant Credit Party may from time to time make Material Alterations to any Mortgaged Property without providing notice to, or obtaining the prior consent of, the Collateral Agent or the Banks so long as such Material Alterations are otherwise effected in accordance with the terms of each such Section 2.08.

30. On and after the Second Amendment Effective Date (as defined below), Parent, the Borrowers, the other Credit Parties and the Banks hereby approve up to a \$350,000,000 increase in the Total Revolving Loan Commitment under the 5-Year Credit Agreement, provided that (i) the Total Revolving Loan Commitment under the 5-Year Credit Agreement shall only be increased to the extent that Parent, the Company and the Administrative Agent shall have accepted a letter from one or more Banks indicating that such Bank or Banks have agreed to increase its Revolving Loan Commitment under the 5-Year Credit Agreement up to the amount set forth in each such letter, (ii) no Bank's Revolving Loan Commitment under the 5-Year Credit Agreement may be increased without the consent of such Bank, (iii) all increases in the Total Revolving Loan Commitment under the 5-Year Credit Agreement as contemplated by this Section 30 (x) shall be accomplished in coordination with the Administrative Agent and (y) shall be effective on the same date (such date, the "Increase Effective Date"), which date may not be later than December 15, 1996,

provided that the Increase Effective Date shall only occur if the Company obtains all necessary approvals from the relevant Gaming Authorities (the "Gaming Approvals") to approve any increase in the Total Revolving Loan Commitment, (iv) the Administrative Agent shall have received evidence, in form and substance satisfactory to it, that all Gaming Approvals have been obtained and (v) at the time the Total Revolving Loan Commitment under the 5-Year Credit Agreement is increased as contemplated by this Section 30, (x) the Company shall pay to each Bank that has increased its Revolving Loan Commitment under the 5-Year Credit Agreement such fees as have been agreed upon among the Company, the Administrative Agent and the Banks and (y) Schedule I to the 5-Year Credit Agreement shall be deemed amended to reflect the increased Total Revolving Loan Commitment and the changed Revolving Loan Commitments of the Banks under the 5-Year Credit Agreement. In connection with the increase in the Total Revolving Loan Commitment under the 5-Year Credit Agreement as contemplated by this Section 30, on the Increase Effective Date the Borrowers shall (to the extent necessary), in coordination with the Administrative Agent and the Banks, repay outstanding Revolving Loans under the 5-Year Credit Agreement of certain Banks and incur additional Revolving Loans under the 5-Year Credit Agreement from other Banks, in each case so that the Banks participate in each Borrowing of outstanding Revolving Loans under the 5-Year Credit Agreement pro rata on the basis of their Revolving Loan Commitments under the 5-Year Credit Agreement (after giving effect to the Increase Effective Date). It is hereby agreed that any breakage or similar costs of the type described in Section 1.11 of the 5-Year Credit Agreement incurred by the Banks in connection with any repayment or borrowing of Revolving Loans under the 5-Year Credit Agreement as contemplated above shall be for the account of the Borrowers. Promptly after the Increase Effective Date, the Borrowers shall execute and deliver to each Bank that has increased its Revolving Loan Commitment under the 5-Year Credit Agreement as contemplated by this Section 30 a new Revolving Note appropriately modified.

31. Each Credit Party hereby agrees that, on or after the Increase Effective Date and upon the request of the Collateral Agent, such Credit Party will execute such amendments to the Mortgages as the Collateral Agent shall reasonably require in connection with the transactions contemplated by Section 30 of this Amendment.

32. In order to induce the Banks to enter into this Amendment, Parent and each Borrower hereby represent and warrant that (x) no Default or Event of Default exists on the Second Amendment Effective Date, both before and after giving effect to this Amendment and (y) all of the representations and warranties contained in each Credit Agreement shall be true and correct in all material respects on and as of the Second Amendment Effective Date, both before and after giving effect to this Second Amendment, with the same effect as though such representations and warranties had been made on and as of the Second Amendment Effective Date (it being understood that any representation or warranty made as of a specified date shall be required to be true and correct in all material respects only as of such specific date).

33. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreements or any other Credit Document.

34. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with Parent, the Company and the Administrative Agent.

35. This Amendment and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of New York.

36. This Amendment shall become effective on the date (the "Second Amendment Effective Date") when:

(i) Parent, the Borrowers, each other Credit Party, BTCo in its individual capacity, and the Required Banks under, and as defined in, each Credit Agreement shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of telecopier) the same to the Administrative Agent at the Notice Office;

(ii) each Borrower shall have executed and delivered to BTCo a new Swingline Note reflecting the increased Maximum Swingline Amount;

(iii) the Administrative Agent shall have received from legal counsel to Parent, the Borrowers and the other Credit Parties, one or more opinions addressed to the Administrative Agent and each of the Banks and dated the Second Amendment Effective Date, each of which shall be in form and substance satisfactory to the Administrative Agent and shall cover such of the matters incident to the transactions contemplated by this Amendment as the Administrative Agent may reasonably request;

(iv) the Administrative Agent shall have received resolutions of the Board of Directors (or the equivalent thereof in the case of a partnership) of each Credit Party, which resolutions shall be certified by the Secretary or any Assistant Secretary of such Credit Party and shall authorize the execution, delivery and performance by such Credit Party of this Amendment and the consummation of the transactions contemplated hereby, and the foregoing shall be acceptable to the Administrative Agent in its reasonable discretion; and

(v) the Company shall have paid to the Administrative Agent for the distribution to each Bank which has signed a counterpart of this Amendment on or prior to October 24, 1996, an amendment fee equal to 1/20 of 1% of such Bank's Revolving Loan Commitment (before giving effect to any increase thereof pursuant to Section 30 of this Amendment).

37. From and after the Second Amendment Effective Dates, all references in the Credit Agreements and the other Credit Documents to each Credit Agreement shall be deemed to be references to each such Credit Agreement as modified hereby.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

HARRAH'S ENTERTAINMENT, INC.

By /s/ C. A. Ledsinger, Jr.

Title: Senior Vice President

HARRAH'S OPERATING COMPANY, INC.

By /s/ C. A. Ledsinger, Jr.

Title: Senior Vice President

MARINA ASSOCIATES

By: HARRAH'S ATLANTIC CITY, INC.,
a general partner

By /s/ Michael N. Regan

Title: Vice President

By: HARRAH'S NEW JERSEY, INC.,
a general partner

By /s/ Michael N. Regan

Title: Vice President

HARRAH'S RENO HOLDING COMPANY, INC.

By /s/ Michael N. Regan

Title: Vice President

HARRAH'S LAS VEGAS, INC.

By /s/ Michael N. Regan

Title: Vice President

HARRAH'S LAUGHLIN, INC.

By /s/ Michael N. Regan

Title: Treasurer

HARRAH'S ATLANTIC CITY, INC.

By /s/ Michael N. Regan

Title: Vice President

HARRAH'S NEW JERSEY, INC.

By /s/ Michael N. Regan

Title: Vice President

BANKERS TRUST COMPANY,
Individually, as
Administrative Agent,
as Collateral Agent
and as an Agent

By /s/ Mary Kay Coyle

Title: Managing Director

THE BANK OF NEW YORK,
Individually and as an
Agent

By /s/ Gregory L. Batson

Title: Vice President

CIBC INC., Individually and
as an Agent

By /s/ Paul Chakmak

Title: Director, CIBC Wood
Gundy Securities Corp.,
AS AGENT

CREDIT LYONNAIS, ATLANTA AGENCY,
Individually and as an Agent

By /s/ David M. Cawrse

Title: Vice President

CREDIT LYONNAIS CAYMAN ISLAND
BRANCH

By /s/ David M. Cawrse

Title: Authorized Signature

WELLS FARGO BANK, N.A.,
Individually and as Agent

By /s/ Maureen Klippenstein

Title: Vice President

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, NEW YORK BRANCH,
Individually and as an Agent

By /s/ Satoru Otsubo

Title: Joint General Manager

NATIONSBANK N.A., (SOUTH)
Individually and as an Agent,

By /s/ Kimberly R. Dupuy

Title: Vice President

SOCIETE GENERALE, Individually and
as an Agent

By /s/ Maureen E. Kelly

Title: Vice President

THE SUMITOMO BANK, LIMITED,
ATLANTA AGENCY, Individually
and as an Agent

By /s/ Masaki Shinbo

Title: General Manager

BANK OF AMERICA NATIONAL TRUST
AND SAVING ASSOCIATION

By /s/ Madeline W. Lee

Title: Vice President

BANK OF AMERICA NEVADA

By /s/ Judy Crosswhite

Title: Vice President

THE NIPPON CREDIT BANK, LTD.,
LOS ANGELES AGENCY

By /s/ Jay I. Schwartz

Title: Vice President &
Manager

THE BANK OF NOVA SCOTIA

By /s/ A. S. Norsworthy

Title: Sr. Team Leader-Loan
Operations

GIROCREDIT BANK A.G. DER
SPARKASSEN, GRAND CAYMAN
ISLAND BRANCH

By /s/ John Redding

Title: Vice President

By /s/ Richard Stone

Title: Vice President

THE TOKAI BANK, LIMITED,
NEW YORK BRANCH

By /s/ Stuart Schulman

Title: Deputy General Manager

THE BOATMEN'S NATIONAL BANK
OF ST. LOUIS

By /s/ David E. Wilsdorf

Title: Vice President

FIRST AMERICAN NATIONAL BANK

By /s/ Elizabeth H. Vaughn

Title: Senior Vice President

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION

By /s/ James H. Moore, Jr.

Title: Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED

By /s/ Kazuo Iida

Title: General Manager

PNC BANK, NATIONAL ASSOCIATION
(Successor by merger to
Midlantic Bank, N.A.)

By /s/ Lori A. Osmulski

Title: Banking Officer

THE SANWA BANK, LIMITED,
ATLANTA AGENCY

By /s/Dennis S. Losin /s/Mitsuo Veyama

Title: Vice President Deputy General
Manager

UNITED STATES NATIONAL BANK
OF OREGON

By /s/ Dale Parshall

Title: Assistant Vice President

DEPOSIT GUARANTY NATIONAL BANK

By /s/ Larry C. Ratzlaff

Title: Senior Vice President

THE MITSUBISHI TRUST & BANKING
CORP.

By /s/ Hachiro Hosoda

Title: Senior Vice President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By /s/ Alan S. Bookspan

Title: Vice President

By /s/ Thomas Lee

Title: Associate

ABN AMRO BANK N.V., SAN FRANCISCO
BRANCH

By: ABN AMRO NORTH AMERICA,
INC., AS AGENT

By /s/Jeffrey A. French

Title: Group Vice President
& Director

By /s/ Jan-Paul Kranendonk

Title: Vice President & Director

SUNTRUST BANK, NASHVILLE, N.A.

By /s/ Renee DeRubeis Drake

Title: Vice President

FIRST NATIONAL BANK OF COMMERCE

By /s/ Stephen M. Valdes

Title: Vice President

FLEET BANK, N.A.

By /s/ John T. Harrison

Title: Vice President

EXECUTIVE TERM LIFE
INSURANCE

SUMMARY PLAN DESCRIPTION

Harrah's & You:
A Winning Team

Sponsoring Company Information

- - - - -

The sponsoring Company is Harrah's Operating Co., Inc. (the Company). The Company and persons or entities authorized by the Company, including Metropolitan Life Insurance Company, have discretionary authority to make final interpretations of the plan, to decide questions and disputes, and to correct errors concerning eligibility, coverage, and other issues arising under the plan including questions arising under the Summary Plan Description. The Company reserves the right to amend or terminate the plan at any time.

Purpose of this Booklet

- - - - -

This booklet summarizes the benefits of the Executive Term Life Insurance Plan (the plan) provided to certain employees of eligible operating units of the Company. The plan, as described in this booklet, is based on plan documents. If there is a disagreement between this booklet and those documents, the Company may determine that the plan documents will govern. The entire booklet should be read because one section may affect another section.

Note: The premium for the life benefits provided for you as defined herein may be considered taxable income to you.

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3 Your Beneficiary

3 Filing a Claim

3 When Benefits End

4 Conversion of Employee Life Insurance

4 Plan Administration

5 Statement of Rights

All of us appreciate the need for life insurance. The Executive Term Life Insurance plan is designed to provide financial protection for you and your family. This coverage is provided by Metropolitan Life Insurance Company (Metropolitan). The cost of this benefit is paid entirely by the Company.

Eligibility

- - - - -

If you are eligible, you automatically participate. No enrollment is necessary. You are eligible to participate in the plan if you meet all of the following requirements:

1. You are employed at least 30 hours per week on a regularly scheduled basis at an eligible operating unit of the Company; and
2. You are in salary grades 25 or above.

Eligible operating units are affiliates and business units of the Company and its subsidiaries as may be designated by the Company for participation in the plans. As of January 1997, these include Harrah's Operating Company, Inc. (Memphis Corporate, Harrah's Reno, Tahoe & Bill's), Marina Associates (Harrah's Atlantic City); Harrah's Laughlin, Inc.; Harrah's Las Vegas, Inc.; Harrah's Illinois Corporation (Joliet); Harrah's North Kansas City Corporation; Harrah's Shreveport Management, Inc.; Harrah's Tunica Corporation; Harrah's Vicksburg Corporation; Harrah's Arizona Corporation (Ak-Chin); Harrah's New Orleans Management Company, Inc.; and Harrah's Maryland Heights Corporation, and may include other business units as designated by the Company. The Company may remove an entity from being an eligible operating unit and may add entities as eligible operating units. Employees may call the Plan Administrator at 901-537-3350 to determine if a particular operating unit is an eligible operating unit.

The Company may modify the above eligibility requirements.

Effective Date
- - - - -

Your benefits are effective on the day you meet the above qualifications provided you are then actively at work with the Company. If you are not actively at work, your benefits will become effective on the date of your return to active work at an eligible operating unit of the Company. You are not covered during salary continuation. You may be covered during temporary breaks in service for temporary layoffs or medical leaves of absence. Please call the Plan Administrator at 901-537-3350 for specific coverage information.

Coverage Amount
- - - - -

Life Benefits	\$100,000
Accidental Death or Dismemberment Benefits	\$100,000

Life Benefits
- - - - -

If you die while you are covered for Life Benefits under this plan, Metropolitan will pay to your beneficiary the sum of \$100,000 for Life Benefits. Payment of any amount of Life Benefits may be made in installments if your beneficiary chooses. Your beneficiary will be given a choice of how to receive payment. Details on the payment options may be obtained from the Employee Benefits department, 1023 Cherry Road, Memphis, TN 38117, 901-537-3350.

Accidental Death or
Dismemberment Benefits
- - - - -

Metropolitan will also pay Accidental Death Benefits to your beneficiary for a covered loss if you lose your life in an accident that occurs while you are covered for Accidental Death or Dismemberment Benefits, and if:

- o the accident is the sole cause of the loss; and
- o the covered loss occurs not more than 90 days after the date of the accident.

Metropolitan will pay Accidental Dismemberment Benefits to you for a covered loss if you are injured in an accident that occurs while you are covered for Accidental Death or Dismemberment Benefits, and if:

- o the accident is the sole cause of the loss; and
- o the covered loss occurs not more than 90 days after the date of the accident.

Covered Losses and Benefit Amounts for Accidental
Death or Dismemberment

Covered Losses	Benefit Amounts
Life	Full amount
A hand	One-half of the full amount
A foot	One-half of the full amount
Sight of an eye	One-half of the full amount
Loss of more than one of the above in any one accident	Full amount

Payments for any amount of Accidental Death or Dismemberment Benefits for loss of life may be made in installments at the option of you or your beneficiary. Details on the payment options may be obtained from the Employee Benefits department, 1023 Cherry Road, Memphis, TN 38117, 901-537-3350.

Exclusions for Accidental Death or Dismemberment

Accidental Death or Dismemberment Insurance will not be paid if it in any way results from or is caused or contributed to by:

- o physical or mental illness, diagnosis of or treatment for the illness; or
- o an infection, unless it is caused by an external wound that can be seen and which was sustained in an accident; or
- o suicide or attempted suicide; or
- o injuring oneself on purpose; or
- o the voluntary use of any drug or medicine, unless taken on the advice of a doctor; or
- o a war, or warlike action in time of peace; or

- o injury as a result of your committing or trying to commit a felony or other serious crime or an assault; or
- o travel in any aircraft aboard which you have any duties (other than the duties required for the business of the employer) relating in any way to the aircraft or its operation.

Your Beneficiary
 - - - - -

Your beneficiary is the person(s) you choose to receive any benefit payable because of your death and will be the same as listed on your enrollment form you filled out when you enrolled in the employee life insurance plans sponsored by the Company.

If you are not enrolled in any of the other benefit plans sponsored by the Company or wish to designate another beneficiary different from the one listed on the enrollment form, you must assign a designated beneficiary by writing to the Employee Benefits department. You may change your beneficiary by completing a new enrollment form or by submitting a letter to the Employee Benefits department.

Absolute assignments of life insurance policies to a Trustee can be made. This type of assignment may result in favorable tax treatment of death benefits. For more information about making an assignment of a life insurance policy, contact the Employee Benefits department at 901-537-3350.

If no beneficiary is designated, the life insurance amount will be paid to the following persons in the order listed:

- a) 100% to your spouse if he/she survives you; or
- b) 100% to your child (or children in equal shares) if you do not have a surviving spouse or surviving children; or
- c) 100% to your parent (or parents, in equal shares) if you do not have a surviving spouse, surviving children or surviving parent; or
- d) 100% to your brothers and sisters in equal shares if you do not have a surviving spouse, surviving children or surviving parent.

If none of the foregoing persons survive you, the life insurance amount will be paid to your estate.

Any payment will discharge the liability for the amount so paid.

Filing a Claim and Appealing Rights

To file an insurance claim, you or your beneficiary should contact the Employee Benefits department for the proper procedure, as soon as possible after loss has occurred. Metropolitan will determine what benefits are payable.

If your claim is denied, the claims administrator will give you or your beneficiary a written notice telling you:

- o The reason or reason for the denial.
- o The plan provisions on which the denial is based.
- o An explanation of what other material or information is needed and why it is needed.
- o An explanation of claims review procedures.

If you or your beneficiary disagree with the decision, your reasons must be presented in writing to the Plan Administrator within 60 days of the date you receive notice of denial. You will then have the right to have representation and to review pertinent documents and submit issues and comments in writing.

You will receive a written response to your request for review within 60 days from the date it was received. This written notice will include the specific reasons for denial.

When Benefits End

This coverage terminates:

- o on the day your active employment with the Company ends or the day you cease to meet any of the eligibility requirements; or
- o on the day the plan terminates; or
- o on the day the Company ceases to make payments required for the coverage.

Conversion of Employee Life Insurance

If your employment with the Company terminates, you may obtain an individual policy for an amount up to your life insurance benefit. You may change your coverage to one of a number of individual whole life policies following termination of employment. You do not have to furnish evidence of good health

but must apply within 31 days after your termination of employment. The individual policy will be effective at the end of the 31 day period following your termination, and the premiums will be the same as you would ordinarily pay if you applied for an individual policy of that amount. The amount available for the individual whole life insurance policy will be your life insurance amount on the date of termination. Contact the Employee Benefits department at 901-537-3350 for information on how to convert to an individual whole life policy.

Should you die during the 31 days following termination of employment, your life insurance will be paid whether or not you have applied for an individual policy.

Plan Administration - - - - -

Plan Name
Harrah's Operating Co., Inc. Executive Term Life Insurance Plan

Plan Administrator The administrator of the plan is:
Harrah's Operating Co., Inc.
Employee Benefits Department
1023 Cherry Road
Memphis, TN 38117
(901) 537-3350

Metropolitan Life Insurance Company processes all claims at Group Life Claims, P.O. Box 6115, Utica, NY 13504.

If you have any questions about enrollment, payment of claims, benefits, continuation of coverage or the administration of the plan, please write to the Director, Employee Benefits department, 1023 Cherry Road, Memphis, TN 38117.

Plan Records
The plan and all of its records are maintained on a calendar year basis - January 1 through December 31- of each year.

Legal Matters
Service of legal process is the Plan Administrator, Harrah's Operating Co., Inc., 1023 Cherry Road, Memphis, TN 38117.

Identification Numbers
The Employer Identification Number assigned by the IRS to the Company is 75-19411623. The plan number is 502.

Plan Funding
The plan is an insured plan under Metropolitan Life Insurance Company.

Miscellaneous

The Company reserves the right, at any time, to amend or terminate the plan. Termination or amendment of the plan will not affect coverage as to claims that were incurred prior to the termination or amendment. The Company and persons or entities authorized by the Company including Metropolitan have full and final authority to determine all questions and disputes regarding eligibility for benefits including deciding factual issues and to construe the terms of the plan.

Statement of Rights

- - - - -

The Department of Labor requires that the following statement be in all Summary Plan Descriptions of all employees in the United States.

"As a participant in the plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

- o Examine, without charge, at the plan administrator's office and other locations (such as your worksite), all plan documents, including insurance contracts, and copies of all documents filed by the plan with the U.S. Department of Labor, such as detailed annual reports and plan descriptions.
- o Obtain copies of all plan documents and other plan information by writing to the plan administrator. There may be a reasonable charge for the copies.
- o Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report."

"In addition to creating rights for plan participants, ERISA imposes duties upon people responsible for the operation of the plan. These persons, who are called 'fiduciaries,' have the duty to operate the plan prudently and in the interest of you and other plan participants and beneficiaries."

"No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from receiving a welfare benefit or exercising your rights under ERISA. If your claim for a welfare benefit is denied, in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the plan review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights."

o For instance, if you request materials from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the plan administrator.

o If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if the court finds your claim is frivolous.

"If you have any questions about this plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest area Office of the U.S. Labor-Management Services Administration, Department of Labor."

HARRAH'S ENTERTAINMENT, INC.

October 25, 1996

[Officer]
Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, Tennessee 38117

Re: Amendment to Severance Agreement

Dear [Officer]:

This letter agreement ("this Amendment") will amend the Severance Agreement dated (date) (the "Agreement") between you and Harrah's Entertainment, Inc. (formerly The Promus Companies Incorporated).

In consideration of the mutual covenants herein contained and for other good and valuable consideration, receipt of which is hereby acknowledged, it is agreed as follows:

1. Effective Date. This Amendment is effective October 25, 1996.

2. Amendment of Section 4, "Compensation Upon Termination or During Disability Following a Change in Control".

(a) Subsection (ii) of Subsection 4(c) is amended to read as follows:

"(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 2.99 times the average of the Annual Compensation (as defined below) which was payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"), for the three highest calendar years in terms of Annual Compensation during the five calendar years preceding the calendar year in which the Change in Control occurred. If you were not employed by the Company or its affiliates during the entire five calendar years preceding the calendar year in which the Change in Control occurred, then such average shall be an average of the three highest years in terms of Annual Compensation during

the complete calendar years (if any) and partial calendar year (if any) during which you were so employed provided that the amount for any such partial calendar year shall be an annualized amount based on the amount of Annual Compensation paid to you during the partial calendar year. If you were not employed by the Company or its affiliates for three complete or partial calendar years, the amount will be an average of your Annual Compensation during the complete calendar year(s) (if any) and partial calendar year(s) (if any) (annualized) you were so employed. If you were not employed by the Company or its affiliates during such preceding calendar year, then such average shall be an annualized amount based on the amount of Annual Compensation paid to you during the calendar year in which the Change of Control occurred. Annual Compensation is your base salary and your annual bonus under the Annual Management Bonus Plan of the Company that was payable to you by the Company or any of its affiliates during a calendar year determined without any reduction for any deferrals of such salary or such bonus under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates."

4. Defined Terms. Unless otherwise defined herein, all terms used in this Amendment that are defined in the Agreement will have the meanings given to such terms in the Agreement.

5. No Other Modifications. Except as specifically modified herein, all terms and conditions of the Agreement will remain unchanged and in full force and effect.

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: _____

Agreed to:

[Name]
- _____
[Name]

HARRAH'S ENTERTAINMENT, INC.

October 25, 1996

[Name]
Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, Tennessee 38117

Re: Amendment to Severance Agreement

Dear [Name]:

This letter agreement ("this Amendment") will amend the Severance Agreement dated [date] (the "Agreement") between you and Harrah's Entertainment, Inc. (formerly The Promus Companies Incorporated).

In consideration of the mutual covenants herein contained and for other good and valuable consideration, receipt of which is hereby acknowledged, it is agreed as follows:

1. Effective Date. This Amendment is effective October 25, 1996.
2. Amendment of Section 3, "Termination Following Change in Control".

- (a) Subsection (z) of the first paragraph of Section 3 is amended to read as follows:

"(z) by you for Good Reason, or by your Voluntary Termination as provided in Subsection 3(c)(ii) hereof."

- (b) Subsection (c) of Section 3 is amended by changing the proviso in the first sentence to read as follows:

"provided such resignation is (i) by you for Good Reason or (ii) by you voluntarily without Good Reason if such voluntary termination occurs by written notice given by you to the Company during the thirty days immediately following the one year anniversary of the Change in Control (your "Voluntary Termination"), provided, however, for purposes of this Subsection 3(c)(ii) only, the language "25% or more" in Subsection 2(a)(i) hereof is changed to "a majority"."

- (c) Subsection (e)(ii) of Section 3 is amended by inserting the following parenthetical after the words "sixty days":

"(thirty days in case of your Voluntary Termination)"

3. Amendment of Section 4, "Compensation Upon Termination or During Disability Following a Change in Control".

- (a) The first paragraph of Subsection 4(c) is amended to read as follows:

"(c) If your employment by the Company shall be terminated (y) by the Company other than for Cause, Retirement or Disability or (z) by you for Good Reason, or by your Voluntary Termination as provided in Subsection 3(c)(ii), then you shall be entitled to the benefits provided below:"

- (b) Subsection (ii) of Subsection 4(c) is amended to read as follows:

"(ii) In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you a lump sum severance payment (the "Severance Payment") equal to 2.99 times the average of the Annual Compensation (as defined below) which was payable to you by the Company or any corporation affiliated with the Company within the meaning of Section 1504 of the Internal Revenue Code of 1986, as amended (the "Code"), for the three highest calendar years in terms of Annual Compensation during the five calendar years preceding the calendar year in which the Change in Control occurred. If you were not employed by the Company or its affiliates during the entire five calendar years preceding the calendar year in which the Change in Control occurred, then such average shall be an average of the three highest years in terms of Annual Compensation during the complete calendar years (if any) and partial calendar year (if any) during which you were so employed provided that the amount for any such partial calendar year shall be an annualized amount based on the amount of Annual Compensation paid to you during the partial calendar year. If you were not employed by the Company or its affiliates for three complete or partial calendar years, the amount will be an average of your Annual Compensation during the complete calendar year(s) (if any) and partial calendar year(s) (if any) (annualized) you were so employed. If you were not employed by the Company or its affiliates during such preceding calendar year, then such average

shall be an annualized amount based on the amount of Annual Compensation paid to you during the calendar year in which the Change of Control occurred. Annual Compensation is your base salary and your annual bonus under the Annual Management Bonus Plan of the Company that was payable to you by the Company or any of its affiliates during a calendar year determined without any reduction for any deferrals of such salary or such bonus under any deferred compensation plan (qualified or unqualified) and without any reduction for any salary reductions used for making contributions to any group insurance plan of the Company or its affiliates."

- (c) The first sentence of Subsection (d) of Section 4 is amended to read as follows:

"If your employment shall be terminated (y) by the Company other than for Cause, Retirement or Disability or (z) by you voluntarily for Good Reason or by your Voluntary Termination, then for a twenty-four month period after such termination, the Company shall arrange to provide you with life, disability, accident and health insurance benefits substantially similar to those which you are receiving immediately prior to the Notice of Termination."

4. Defined Terms. Unless otherwise defined herein, all terms used in this Amendment that are defined in the Agreement will have the meanings given to such terms in the Agreement.

5. No Other Modifications. Except as specifically modified herein, all terms and conditions of the Agreement will remain unchanged and in full force and effect.

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

Very truly yours,

HARRAH'S ENTERTAINMENT, INC.

By: _____

Agreed to:

[Name]
- _____
[Name]

AMENDMENT TO
THE PROMUS COMPANIES INCORPORATED
1990 STOCK OPTION PLAN

The Promus Companies Incorporated, a Delaware corporation, hereby adopts this Amendment to the 1990 Stock Option Plan (the "Plan"), effective upon the consummation of the spin-off of the hotel business of this corporation into a new corporation.

1. The Plan shall be amended to change the name of the Plan to The Harrah's Entertainment, Inc. 1990 Stock Option Plan, to change each reference to "Company" in the Plan to mean Harrah's Entertainment, Inc., to change each reference to "Common Stock" to mean the common stock of Harrah's Entertainment, Inc. and to delete each reference to "Replacement Options."

2. Section B(1) shall be amended to add the following as the last sentence of such section:

In addition, each member of the Committee must be an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") ("Section 162(m)").

3. Section B(2) shall be amended to delete the word "and" before "(7)" and to add the following to the end of such section:

and (8) whether an option or stock appreciation right is intended to qualify as performance-based compensation under Section 162(m).

4. Section (B)3 of the Plan shall be amended to add the phrase "Subject to Section N(6)," to the beginning of the first and last sentences of such section.

5. Section B of the Plan shall be amended to add the following as paragraph 6 thereto:

6. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3, Section 16 or Section 162(m) are required to be determined in the absolute discretion of the Committee.

6. Section C(2) of the Plan shall be deleted in its entirety.

7. The Plan shall be amended to delete Section D(2) of the Plan in its entirety, to redesignate Section D(3) as Section D(2), to change each reference to such section accordingly and to amend Section D(3) (i.e. D(2) pursuant to this amendment) to read in its entirety as follows:

3. Subject to the following paragraph, effective April 30, 1993, the number of authorized shares which may be issued pursuant to the options and stock appreciation rights granted by the Committee under the Plan is increased by an additional 1,500,000 shares.

Effective June 30, 1995, the number of shares which may be issued upon exercise of options or stock appreciation rights granted by the Committee under this Plan is increased by an additional 4,500,000 shares.

Effective April 29, 1994, the maximum number of shares with respect to which options or stock appreciation rights may be granted in any year to any one employee shall be 250,000* (the "Award Limit"); provided that the Award Limit shall be appropriately adjusted by the Committee in accordance with Section N hereof. To the extent required by Section 162(m), options which are canceled continue to be counted against the Award Limit and if, after grant of an option, the price of shares subject to such option is reduced, the transaction will be treated as a cancellation of the option and a grant of a new option and both the option deemed to be canceled and the option deemed to be granted will be counted against the Award Limit. To the extent required by Section 162(m), if after the grant of a stock appreciation right, the price of shares subject to the related underlying option is reduced, the transaction is treated as a cancellation of the stock appreciation right and a grant of a new stock appreciation right and both the stock appreciation right deemed to be cancelled and the stock appreciation right deemed to be granted are counted against the Award Limit.

8. The second sentence of Section F(1) of the Plan shall be deleted in its entirety.

- -----
*adjusted to 351,193 options, effective June 30, 1995, based on approval of the Human Resources Committee on December 12, 1996 pursuant to Section D(2) and N of the Plan due to the spin-off of the hotel business.

9. The third sentence of Section F(1) of the Plan shall be amended to read in its entirety as follows:

Subject to the foregoing, the price of an option or stock appreciation right intended to qualify as performance-based compensation under Section 162(m) and incentive stock options shall not be less than 100% (110% in the case of an incentive stock option granted to an individual owning (within the meaning of Section 424(d) of the Code more than 10% of the total combined voting power of all classes of stock of the Company, any Subsidiary or any Parent Company) of the Fair Market Value of the Common Stock on the date the option is granted.

10. Section G of the Plan shall be amended to replace each reference to "Section 422A" with the term "Section 422."

11. Section I of the Plan shall be amended to replace the reference to "Section 425(d)" with the term "Section 424(d)."

12. Section N of the Plan shall be amended to read in its entirety as follows:

N-Adjustments

1. Subject to Section N5. but notwithstanding any other term of this Plan, in the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, in the Committee's sole discretion, affects the Common Stock such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an option or stock appreciation right, then the Committee shall, in such manner as it may deem equitable, adjust any or all of

(a) the number and type of shares of Common Stock (or other securities or property) with respect to which options and stock appreciation rights may be granted under the Plan (including, but not limited to, adjustments of the limitations in Section D or the maximum number and kind of shares which may be issued and adjustments of the Award Limit),

(b) the number and type of shares of Common Stock (or other securities or property) subject to outstanding options and stock appreciation rights, and

(c) the grant or exercise price with respect to any option or stock appreciation right.

2. Subject to Section N5. but notwithstanding any other term of this Plan, in the event of any corporate transaction or other event described in Section N1. which results in shares of Common Stock being exchanged for or converted into cash, securities (including securities of another corporation) or other property, the Committee will have the right to terminate this Plan as of the date of the event or transaction, in which case all options and stock appreciation rights granted under this Plan shall become the right to receive such cash, securities or other property, net of any applicable exercise price.

3. Subject to Section N5. but notwithstanding any other term of this Plan, in the event of any corporate transaction or other event described in Section N1., or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations, or accounting principles, the Committee in its discretion is hereby authorized to take any one or more of the following actions whenever the Committee determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any option or stock appreciation right, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(a) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either automatically or upon the optionee's request, for either the purchase of any such option or stock appreciation right for an amount of cash equal to the amount that could have been attained upon the exercise of such option or stock appreciation right or realization of the optionee's rights had such option or stock appreciation right been currently exercisable or payable or the replacement of such option or stock appreciation right with other rights or property selected by the Committee in its sole discretion;

(b) In its discretion, the Committee may provide, either by the terms of such option or stock appreciation right or by a resolution adopted prior to the occurrence of such transaction or event, that it cannot be exercised after such event;

(c) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of such option or stock appreciation right or by a resolution adopted prior to the occurrence of such transaction or event, that, for a specified period of time prior to such transaction or event, such option or stock appreciation right shall be exercisable as to all shares covered thereby;

(d) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of such option or stock appreciation right or by a resolution adopted prior to the occurrence of such transaction or event, that upon such event, such option or stock appreciation right be assumed by the successor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; and

(e) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding options and stock appreciation rights, and/or in the terms and conditions of (including the grant or exercise price), and the criteria governing, outstanding options and stock appreciation rights and options and stock appreciation rights which may be granted in the future.

4. Subject to Section N5. but notwithstanding any other term of this Plan, the Committee may, in its discretion, include such further provisions and limitations in any option or stock appreciation right agreement or certificate, as it may deem equitable and in the best interests of the Company.

5. With respect to incentive stock options and options and stock appreciation rights intended to qualify as performance-based compensation under Section 162(m), no adjustment or action described in this Section N or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan

to violate Section 422(b)(1) of the Code or would cause such option or stock appreciation right to fail to so qualify under Section 162(m), as the case may be, or any successor provisions thereto. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would violate Section 16 or Rule 16b-3. The number of shares of Common Stock subject to any option or stock appreciation right shall always be rounded to the next number.

6. Any decision of the Committee pursuant to the terms of this Section N shall be final, binding and conclusive upon the participants, the Company and all other interested parties.

13. Section U of the Plan shall be amended to read in its entirety as follows:

Section U-Amendment, Suspension or Termination of the Plan

The Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee. However, no action of the Committee may (except as provided in Section N), modify the Award Limit modify the eligibility requirements of Section C, reduce the minimum option and stock appreciation rights price requirements of Section F or otherwise amend the Plan in a manner requiring stockholder approval as a matter of Section 162(m), Rule 16b-3 or Section 16 of the Exchange Act or other applicable law, regulation or rule without approval of the Company's shareholders given within 12 months before or after the action by the Committee. Neither the amendment, suspension nor termination of the Plan shall, without the consent of the holder of the option or stock appreciation right, impair any rights or obligations under any option or stock appreciation right theretofore granted. No option or stock appreciation right may be granted during any period of suspension nor after termination of the Plan, and in no event may any option or stock appreciation right be granted under this Plan after the expiration of ten years from the date the Plan was adopted by the Board.

14. The Plan shall be amended to add Section X which should read in its entirety as follows:

X. Consideration

The consideration for the issuance of any option or stock appreciation right shall be the participant's past or future service with Promus or its subsidiaries.

* * * *

I hereby certify that the foregoing amendment to the Plan was duly adopted by the Board of Directors of The Promus Companies Incorporated as of April 5, 1995.

Executed on this 26th day of May, 1995.

/s/ E. O. Robinson, Jr.

Secretary

HARRAH'S ENTERTAINMENT, INC.
Stock Option Award

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

Original Grant Date: [Grant Date]

This option is exercisable as follows:

[number] shares on or after January 1, 1998
[number] shares on or after January 1, 1999
[number] shares on or after January 1, 2000
[number] shares on or after January 1, 2001

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

DATED as of this 12th day of December, 1996.

HARRAH'S ENTERTAINMENT, INC.

/s/ Rebecca W. Ballou

Secretary

/s/ Philip G. Satre

President and Chief Executive
Officer

SUMMARY OF CERTAIN CONDITIONS

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

Subject to the Plan and Administrative Regulations thereunder and contractual provisions, this stock option, to the extent not exercised, shall terminate and be forfeited on the expiration of 10 years and one day from the original grant date shown on the front side of this certificate, upon breach by the optionee of any provision of this option, or upon optionee's ceasing to be an active employee of Harrah's Entertainment (or its legal successor) or its subsidiaries for any reason including, but not limited to, retirement and voluntary or involuntary termination including termination due to sale or closure of a business unit or sale of a subsidiary, provided however:

- o If active employment ceases during the term of this stock option because of death or disability, then the unexercised portion of the options that were already vested (i.e., exercisable) at that time plus 50 percent of any future unvested installments shall be exercisable in full on the date of death or on the date of the determination of disability, as the case may be. All remaining unvested options will be forfeited, subject to contractual provisions.

- o The time period to exercise vested options, following retirement for age, death or determination of disability during the term of this option while in the employ of the Company (or its legal successor) or its subsidiaries, is as follows:

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

*If you terminate employment with less than 10 years of service (other than for death or disability), options do not extend past your termination date and must be exercised on or before your last day of employment.

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

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

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

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

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

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

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

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

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

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

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

Original Grant Date: [Grant Date]

The restriction on these shares will lapse in the annual installments as shown at right if the participant is actively employed with the Company on the vesting date.	Vesting Schedule [number] shares January 1, 1998 [number] shares January 1, 1999 [number] shares January 1, 2000 [number] shares January 1, 2001
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This award is subject to the terms and conditions of the Company's 1990 Restricted Stock Plan, as it may be amended from time to time. A brief summary of certain of the terms and conditions that apply to this award is on the reverse side of this award. This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

DATE as of this 12th day of December, 1996.

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HARRAH'S ENTERTAINMENT, INC.

/s/ Rebecca W. Ballou

- -----
Secretary

/s/ Philip G. Satre

- -----
President and Chief Executive
Officer

SUMMARY OF CERTAIN CONDITIONS

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

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

AMENDMENT TO
ADMINISTRATIVE REGULATIONS

HARRAH'S ENTERTAINMENT, INC.
(FORMERLY THE PROMUS COMPANIES INCORPORATED)

LONG TERM COMPENSATION PLAN

Pursuant to approval by the Human Resources Committee on December 12, 1996, the Administrative Regulations for the Long Term Compensation Plan are amended to add the following Section 4.3:

"4.3 The reference to "any year" in Section D(2) of the 1990 Stock Option Plan relating to the Award Limit is deemed to refer to each fiscal year of the Company."

I hereby certify that the foregoing amendment to the Administrative Regulations for the Long Term Compensation Plan was duly adopted by the Human Resources Committee of the Board of Directors of Harrah's Entertainment, Inc. on December 12, 1996.

Executed as of this 12th day of December, 1996.

/s/ Neil F. Barnhart

Neil F. Barnhart
Vice President

Restated Amendment dated July 18, 1996 to the
Harrah's Entertainment, Inc.
Executive Deferred Compensation Plan

Pursuant to approval by the Human Resources Committee of the Harrah's Entertainment, Inc. Board of Directors, the following subparagraph 5.1(c) is hereby added to Article V of the Executive Deferred Compensation Plan:

- (c) Notwithstanding any other provision of the Plan, at any time after July 18, 1996, any Participant or Beneficiary will be entitled to receive, upon written request signed by the Participant or Beneficiary and delivered to the Company's Corporate Compensation Department, a lump sum distribution equal to 90% of all or a specified percentage or amount, as designated by the Participant or Beneficiary, of the Participant's or Beneficiary's vested Account balance as of the Determination Date immediately preceding the date on which the Corporate Compensation Department receives the written request; provided that the second request for any such withdrawal must designate the entire vested Account Balance for withdrawal and the Notice Date for such second request must be at least one year after the first Notice Date. The date the Corporate Compensation Department receives a written request for such withdrawal is referred to as a "Notice Date". The amount payable under this subsection (c) will be paid in a lump sum subject to any applicable withholding taxes within sixty (60) days following the Notice Date. The remaining 10% of the amount designated for distribution will be forfeited to the Company by the Participant or Beneficiary and the Participant or Beneficiary will have no rights whatsoever thereto. The request for the distribution and the 10% forfeiture will become irrevocable on the tenth day after the Notice Date for the distribution. Notwithstanding any deferral elections, such Participant will not be eligible for any deferrals under the Plan for a one year period from the Determination Date, with further payroll deferrals to stop starting with the first payroll date that is administratively feasible for ceasing deferrals that occurs after a Notice Date. In addition, any deferrals that may have occurred after the Determination Date immediately preceding a Notice Date and before such cessation of deferrals will be reversed and sent to the Participant as soon as

practicable without interest and subject to applicable withholding taxes. The vested Account balance of such a Participant or Beneficiary will be determined as follows:

- (1) For a director Participant, the vested Account balance is the Retirement Account balance.
- (2) If the Participant is a current employee and would be eligible for or otherwise entitled to his or her Retirement Account balance if he or she terminated employment on the Notice Date for the distribution, the vested Account balance is the Retirement Account balance. Otherwise, it will be the Termination Account balance.
- (3) If the Participant has terminated service or with respect to a Beneficiary, the vested Account balance is either the Retirement Account balance or the Termination Account balance, as the case may be, which the Participant or Beneficiary was vested in and eligible for as of the Notice Date for the distribution.

IN WITNESS WHEREOF, this Restated Amendment has been executed as of this 18th day of July, 1996.

Harrah's Entertainment, Inc.

By: /s/ Neil F. Barnhart

Title: Vice President

Time Accelerated Restricted Stock Award Plan
(TARSAP Program)

Approved by the Human Resources Committee
December 12, 1996

(1) Grant. Each of the executives listed on Exhibit A is granted a restricted stock award for the number of shares specified on Exhibit A (the "Restricted Shares"). The Restricted Shares are granted pursuant to the Company's 1990 Restricted Stock Plan, as amended, and the administrative regulations thereunder, subject to the terms of the TARSAP Program as specified herein.

(2) Longevity Vesting. The Restricted Shares for each executive will vest 100% on January 1, 2002 provided the executive continues in active employment with the Company or its direct or indirect subsidiaries until January 1, 2002.

Unless otherwise approved by the Committee, all unvested Restricted Shares will be forfeited and returned to the Plan if active employment terminates prior to January 1 of the year of the vesting date (whether longevity vesting or performance vesting) including termination due to death, retirement or voluntary or involuntary termination.

(3) Performance Vesting. The Restricted Shares will be eligible for earlier annual vesting starting March 1, 1999 based on the Company achieving financial performance targets as recommended by the Committee and approved by the Board of Directors. The performance vesting schedule will have the following basic format, which is subject to modification upon recommendation by the Committee and approval of the Board.

Performance Vesting Schedule

PLAN YEAR	FINANCIAL TARGETS*	POTENTIAL CUMULATIVE VEST	VEST DATE
1998	-----	20%	3/1/99
	-----	30%	3/1/99
	-----	40%	3/1/99
1999	-----	50%	3/1/00
	-----	60%	3/1/00
	-----	70%	3/1/00

2000	-----	80%	3/1/01
	-----	90%	3/1/01
	-----	100%	3/1/01
2001		All unvested	1/1/02

*To be established at a later date for each year.

(4) Vesting of Restricted Shares in the event of a Change in Control (as defined in and subject to the Plan's administrative regulations) will be as follows: Upon a Change in Control prior to January 1, 1998, 50% of the Restricted Shares will vest and 50% will be forfeited. Thereafter, 100% of the Restricted Shares will vest similar to other restricted stock upon a Change in Control.

(5) The Human Resources Committee will have broad flexibility to oversee and amend the TARSAP Program including but not limited to modifications and changes, with Board approval, of performance criteria and specific financial targets and the right to make exceptions based on unusual factors or events, provided the mandatory vesting date of January 1, 2002 cannot be extended.

(6) The Chief Executive Officer will have authority to administer and interpret the TARSAP Program for purposes of program administration.

EXHIBIT A

Name -----	Amount of TARSAP Award (in shares) -----
Satre, Philip G.	100,000
Reed, Colin V.	50,000
Ledsinger, Charles A., Jr.	45,000
Peternell, Ben C.	25,000
Boushy, John M.	25,000
Robinson, Edwin O., Jr.	20,000
Morgan, Bradford W.	20,000

[Awards to non-executive officers are not shown.]

TARSAP AWARD

HARRAH'S ENTERTAINMENT, INC.
1990 Restricted Stock Plan
PARTICIPATION AWARD PURSUANT TO TARSAP PROGRAM

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

Original Grant Date: December 12, 1996

These shares will vest 100% on January 1, 2002 provided the participant continues in active employment with the Company or its direct or indirect subsidiaries until January 1, 2002. If such active employment terminates prior to January 1 of the year of the vesting date (whether longevity vesting or performance vesting) including termination due to death, retirement or voluntary or involuntary termination, all unvested shares will be forfeited and returned to the Restricted Stock Plan.

These shares will be eligible for potential earlier annual vesting increments on March 1, 1999, March 1, 2000 and March 1, 2001 if the Company achieves financial targets to be recommended by the Human Resources Committee and approved by the Board of Directors at a later date. These targets and potential vesting increments will be set forth in a performance vesting schedule, which will be subject to modification upon recommendation by the Committee and approval of the Board.

Vesting of these shares upon a Change in Control (as defined in and subject to the Plan's administrative regulations) will be as follows: Upon a Change in Control prior to January 1, 1998, 50% of the unvested shares will vest and 50% will be forfeited. Upon a Change in Control on or after January 1, 1998, 100% of the unvested shares will vest similar to other restricted stock upon a Change in Control.

This award is subject to the terms and conditions of the Company's 1990 Restricted Stock Plan, as it may be amended from time to time, and is further subject to the terms of the TARSAP Program approved by the Human Resources Committee. A brief summary of certain of the terms and conditions that apply to this

award is on the reverse side of this award. This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

DATED as of this 12th day of December, 1996.

HARRAH'S ENTERTAINMENT, INC.

/s/ Rebecca W. Ballou

Secretary

/s/ Philip G. Satre

President and Chief Executive
Officer

SUMMARY OF CERTAIN CONDITIONS

1. The stock certificates representing this award will be held by the Company until the restrictions are lifted.
2. During the restricted period, the shares may not be sold, assigned, pledged, encumbered or used as collateral for a loan. After the shares vest, the stock certificates representing such shares may contain a restrictive legend as required by law.
3. The rights of the participants are not transferable other than by will or the laws of descent and distribution in accordance with the Plan's provisions.
4. The participant will be entitled to vote and receive dividends on the restricted shares.
5. ALL TERMS AND CONDITIONS OF THE HARRAH'S ENTERTAINMENT, INC. 1990 RESTRICTED STOCK PLAN AND THE ADMINISTRATIVE REGULATIONS THEREUNDER, AS AMENDED FROM TIME TO TIME SUBJECT TO THE TARSAP PROGRAM APPROVED BY THE HUMAN RESOURCES COMMITTEE ON DECEMBER 12, 1996, AS SUCH PROGRAM MAY BE AMENDED FROM TIME TO TIME, ARE INCORPORATED HEREIN BY REFERENCE. ANY CONFLICT OR QUESTION OF INTERPRETATION SHALL BE GOVERNED BY THE PROVISIONS OF THE PLAN, THE PLAN'S ADMINISTRATIVE REGULATIONS SUBJECT TO THE TARSAP PROGRAM AND THE DECISIONS OF THE HUMAN RESOURCES COMMITTEE.

TO: [Name]
 FROM: Neil Barnhart
 DATE: October 30, 1996

Consent Form -- Cancellation and New Grant of Options

This form is provided to you in accordance with the "Harrah's Entertainment, Inc. Special Program -- New Options" dated October 24, 1996.

Cancellation of Previous Options - Please check your decision as to the cancellation of the following option grants previously granted to you. You must check either "yes" or "no" for each grant.

Current Option Grants:

Grant Date	Outstanding # Options	Exercise Price	Vesting Dates	Cancel	

[Date]	[Options]	[Price]	[Vest Dates]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
[Date]	[Options]	[Price]	[Vest Dates]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
[Date]	[Options]	[Price]	[Vest Dates]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
[Date]	[Options]	[Price]	[Vest Dates]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
[Date]	[Options]	[Price]	[Vest Dates]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
[Date]	[Options]	[Price]	[Vest Dates]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
[Date]	[Options]	[Price]	[Vest Dates]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
[Date]	[Options]	[Price]	[Vest Dates]	<input type="checkbox"/> Yes	<input type="checkbox"/> No

New Grant:

For the total of the option grants that are cancelled, you will receive a new option grant on a "2 for 3" basis. For example, if the total options cancelled are 3,000, you will receive 2,000 new options.

Information as to new grant:

- o Exercise price equal to average of high and low prices of HET common stock on New York Stock Exchange on November 15, 1996.
- o Term of options is ten years plus one day.
- o Vesting in four 25% annual installments starting 1/1/98 and ending 1/1/01.
- o 100% vesting upon "Change in Control" as defined in Plan's administrative regulations.

- o If Change in Control occurs before 1/1/98, 25% of new grant is automatically cancelled.
- o Options are "nonqualified" options (same as cancelled options). See "Plan Highlights" brochure for more information concerning "nonqualified" options.
- o Options are granted pursuant to terms of Plan including noncompete provision, administrative regulations, and contractual provisions.

You need to sign and return this entire form to the Corporate Compensation Department in Memphis on or before November 15, 1996. It can be faxed to (901) 537- 3359 or e-mailed to Susan Daniel. (Your fax or e-mail must be received in Memphis by midnight November 15, 1996). The signed form can be delivered on or before Friday, November 15, 1996 to an overnight courier for guaranteed delivery by the courier to Memphis by Monday, November 18, 1996.

The cancellation and new grant will be effective as of November 15, 1996. A new option certificate will be forwarded to you after November 15, 1996. Options that are not cancelled will remain in force per their terms and a new grant will not be made concerning non-cancelled options.

I acknowledge that I have read the information sheet entitled "Harrah's Entertainment, Inc. Special Program -- New Options" dated October 24, 1996. I hereby consent to the cancellation of the options marked "Yes" on this Consent Form. This Consent Form cannot be changed after November 15, 1996.

<p>- ----- Employee Signature</p> <p>- ----- Printed Name</p> <p>- ----- Social Security Number</p>	<p>This form must be returned to Memphis on or before November 15, 1996. YOU CAN FAX THE FORM TO (901) 537-3359 or (901) 762-8777 or you can E-mail specific decisions to Susan Daniel by November 15, 1996. This form can also be delivered not later than Friday, November 15, 1996 to an overnight courier for the courier's guaranteed delivery to Memphis on or before Monday, November 18, 1996.</p>
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This award is issued pursuant to the "Special Program -- New Options" dated October 24, 1996.

HARRAH'S ENTERTAINMENT, INC.
Stock Option Award

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

Original Grant Date: [Grant Date]

This option is exercisable as follows:

[number] shares on or after January 1, 1998
[number] shares on or after January 1, 1999
[number] shares on or after January 1, 2000
[number] shares on or after January 1, 2001

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

DATED as of this 15th day of November, 1996.

HARRAH'S ENTERTAINMENT, INC.

/s/ Rebecca W. Ballou

Secretary

/s/ Philip G. Satre

President and Chief Executive
Officer

SUMMARY OF CERTAIN CONDITIONS

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

Subject to the Plan and Administrative Regulations thereunder and contractual provisions, this stock option, to the extent not exercised, shall terminate and be forfeited on the expiration of 10 years and one day from the original grant date shown on the front side of this certificate, upon breach by the optionee of any provision of this option, or upon optionee's ceasing to be an active employee of Harrah's Entertainment (or its legal successor) or its subsidiaries for any reason including, but not limited to, retirement and voluntary or involuntary termination including termination due to sale or closure of a business unit or sale of a subsidiary, provided however:

- o If active employment ceases during the term of this stock option because of death or disability, then the unexercised portion of the options that were already vested (i.e., exercisable) at that time plus 50 percent of any future unvested installments shall be exercisable in full on the date of death or on the date of the determination of disability, as the case may be. All remaining unvested options will be forfeited, subject to contractual provisions.

- o The time period to exercise vested options, following retirement for age, death or determination of disability during the term of this option while in the employ of the Company (or its legal successor) or its subsidiaries, is as follows:

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

*If you terminate employment with less than 10 years of service (other than for death or disability), options do not extend past your termination date and must be exercised on or before your last day of employment.

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

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

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

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

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

This stock option is subject to the special clause regarding non-competition as approved by the Human Resources Committee on December 15, 1995 and made a part of this award and the special clause concerning Change in Control as approved by the Human Resources Committee on October 24, 1996. See attachment.

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

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

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

II. Clause Concerning Change in Control approved October 24, 1996 The new options granted pursuant to the "Special Program -- New Options" dated October 24, 1996 will vest upon a Change in Control as defined in and subject to the administrative regulations of the Company's 1990 Stock Option Plan, as amended, provided, however, in the event of a Change in Control prior to January 1, 1998, 25% of the stock options represented by this award will be forfeited and the participant will have no rights thereto.

HARRAH'S ENTERTAINMENT, INC.

COMPUTATIONS OF PER SHARE EARNINGS

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Income from continuing operations.....	\$ 98,897,000	\$ 78,810,000	\$ 49,984,000
Discontinued operations			
Earnings from hotel operations, net.....	-	21,230,000	36,319,000
Spin-off transaction expenses, net.....	-	(21,194,000)	-
Cumulative effect of change in accounting policy, net.....	-	-	(7,932,000)
Net income.....	\$ 98,897,000	\$ 78,846,000	\$ 78,371,000
PRIMARY EARNINGS PER SHARE			
Weighted average number of common shares outstanding.....	102,598,281	102,340,763	101,604,698
Common stock equivalents			
Additional shares based on average market price for period applicable to:			
Restricted stock.....	88	90,996	461,408
Stock options.....	1,137,792	756,364	744,205
Average number of primary common and common equivalent shares outstanding.....	103,736,161	103,188,123	102,810,311
PRIMARY EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE			
Income from continuing operations.....	\$ 0.95	\$ 0.76	\$ 0.49
Discontinued operations			
Earnings from hotel operations, net.....	-	0.21	0.35
Spin-off transaction expenses, net.....	-	(0.21)	-
Change in accounting policy, net.....	-	-	(0.08)
Net income.....	\$ 0.95	\$ 0.76	\$ 0.76
FULLY DILUTED EARNINGS PER SHARE			
Average number of primary common and common equivalent shares outstanding.....	103,736,161	103,188,123	102,810,311
Additional shares based on period-end price applicable to:			
Restricted stock.....	-	-	89,655
Stock options.....	-	-	-
Average number of fully diluted common and common equivalent shares outstanding.....	103,736,161	103,188,123	102,899,966
FULLY DILUTED EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE			
Income from continuing operations.....	\$ 0.95	\$ 0.76	\$ 0.49
Discontinued operations			
Earnings from hotel operations, net.....	-	0.21	0.35
Spin-off transaction expenses, net.....	-	(0.21)	-
Change in accounting policy, net.....	-	-	(0.08)
Net income.....	\$ 0.95	\$ 0.76	\$ 0.76

EXHIBIT 12

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

	1996(a)	1995(b)	1994(c)	1993	1992
RETURN ON REVENUES-CONTINUING					
Income from continuing operations.....	\$ 98,897	\$ 78,810	\$ 49,984	\$ 74,867	\$ 49,577
Revenues.....	1,588,149	1,550,076	1,339,406	1,020,645	894,384
Return.....	6.2%	5.1%	3.7%	7.3%	5.5%
RETURN ON AVERAGE INVESTED CAPITAL					
Income from continuing operations.....	\$ 98,897	\$ 78,810	\$ 49,984	\$ 74,867	\$ 49,577
Add: Interest expense after tax.....	43,187	56,650	46,993	43,848	46,543
	\$ 142,084	\$ 135,460	\$ 96,977	\$ 118,715	\$ 96,120
Average invested capital.....	\$ 1,619,880	\$ 1,377,354	\$ 1,229,524	\$ 1,060,641	\$ 909,011
Return.....	8.8%	9.8%	7.9%	11.2%	10.6%
RETURN ON AVERAGE EQUITY(d)					
Income before extraordinary items and cumulative effect of change in accounting policy.....	\$ 98,897	\$ 78,846	\$ 86,303	\$ 91,793	\$ 51,418
Average equity.....	682,489	618,778	606,009	474,733	395,212
Return.....	14.5%	12.7%	14.2%	19.3%	13.0%
CURRENT RATIO					
Current assets.....	\$ 201,587	\$ 188,836	\$ 171,835	\$ 139,842	\$ 114,670
Current liabilities.....	204,642	201,566	295,083	188,258	122,935
Ratio.....	1.0	0.9	0.6	0.7	0.9
RATIO OF BOOK EQUITY TO DEBT(d)					
Book equity as of December 31.....	\$ 719,746	\$ 585,549	\$ 623,437	\$ 536,037	\$ 427,930
Total debt(e).....	891,379	755,743	919,727	841,964	881,325
Ratio.....	0.8	0.8	0.7	0.6	0.5
RATIO OF MARKET EQUITY TO DEBT(d)					
Market equity as of December 31.....	\$ 2,046,523	\$ 2,489,840	\$ 3,161,681	\$ 4,678,304	\$ 1,867,828
Total debt(e).....	891,379	755,743	919,727	841,964	881,325
Ratio.....	2.3	3.3	3.4	5.6	2.1

EXHIBIT 12 (CONTINUED)

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

	1996(a)	1995(b)	1994(c)	1993	1992
	-----	-----	-----	-----	-----
COMPUTATION OF ADJUSTED EBITDA(f)					
Income from continuing operations.....	\$ 98,897	\$ 78,810	\$ 49,984	\$ 74,867	\$ 49,577
Add/(less):					
Income tax provision.....	67,316	60,677	75,391	59,394	35,479
Interest expense.....	70,915	94,416	78,322	73,080	77,571
Interest expense of nonconsolidated affiliates.....	(947)	(20,526)	(1,959)	-	-
Depreciation and amortization.....	102,338	95,388	86,644	70,207	63,826
Deferred finance charge amortization.....	(3,151)	(3,626)	(2,844)	(3,261)	(4,661)
Amortization of debt discounts and premiums.....	(21)	(53)	(176)	(172)	(194)
Equity in (income) losses of nonconsolidated affiliates.....	(1,182)	51,182	12,398	(37)	167
	-----	-----	-----	-----	-----
Earnings before interest, taxes, depreciation and amortization.....	334,165	356,268	297,760	274,078	221,765
Add:					
Project write-downs and reserves.....	52,188	93,348	-	-	-
Preopening costs.....	5,907	450	15,313	-	-
Project reorganization costs.....	14,601	-	-	-	-
Provision for settlement of litigation and related costs.....	-	-	53,449	400	1,844
	-----	-----	-----	-----	-----
Adjusted EBITDA.....	\$ 406,861	\$ 450,066	\$ 366,522	\$ 274,478	\$ 223,609
	-----	-----	-----	-----	-----
RATIO OF ADJUSTED EBITDA TO INTEREST PAID					
Adjusted EBITDA(f).....	\$ 406,861	\$ 450,066	\$ 366,522	\$ 274,478	\$ 223,609
	-----	-----	-----	-----	-----
Interest expense.....	\$ 70,915	\$ 94,416	\$ 78,322	\$ 73,080	\$ 77,571
Add/(less):					
Interest expense of nonconsolidated affiliates.....	(947)	(20,526)	(1,959)	-	-
Deferred finance charge amortization.....	(3,151)	(3,626)	(2,844)	(3,261)	(4,661)
Amortization of debt discounts and premiums.....	(21)	(53)	(176)	(172)	(194)
Capitalized interest.....	11,025	3,636	3,764	3,107	2,297
	-----	-----	-----	-----	-----
Interest paid.....	\$ 77,821	\$ 73,847	\$ 77,107	\$ 72,754	\$ 75,013
	-----	-----	-----	-----	-----
Ratio of Adjusted EBITDA to interest paid.....	5.2	6.1	4.8	3.8	3.0
	-----	-----	-----	-----	-----
RATIO OF DEBT TO ADJUSTED EBITDA					
Total debt.....	\$ 891,379	\$ 755,743	\$ 728,529	\$ 666,161	\$ 662,915
	-----	-----	-----	-----	-----
Adjusted EBITDA(f).....	\$ 406,861	\$ 450,066	\$ 366,522	\$ 274,478	\$ 223,609
	-----	-----	-----	-----	-----
Ratio of total debt to Adjusted EBITDA.....	2.2	1.7	2.0	2.4	3.0
	-----	-----	-----	-----	-----

EXHIBIT 12 (CONTINUED)

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

	1996(a)	1995(b)	1994(c)	1993	1992
	-----	-----	-----	-----	-----
RATIO OF EARNINGS TO FIXED CHARGES (g)					
Income from continuing operations.....	\$ 98,897	\$ 78,810	\$ 49,984	\$ 74,867	\$ 49,577
Add:					
Provision for income taxes.....	67,316	60,677	75,391	59,394	35,479
Interest expense.....	70,915	94,416	78,322	73,080	77,571
Interest included in rental expense.....	7,663	6,738	5,244	7,207	3,648
Amortization of capitalized interest.....	763	580	628	892	311
(Income) or loss from equity investments.....	(473)	-	-	(89)	167
Adjustment to include 100% of nonconsolidated, majority-owned subsidiary(h).....	-	(54,019)	(9,397)	-	-
Earnings as defined.....	\$ 245,081	\$ 187,202	\$ 200,172	\$ 215,351	\$ 166,753
	-----	-----	-----	-----	-----
Fixed charges:					
Interest expense.....	\$ 70,915	\$ 94,416	\$ 78,322	\$ 73,080	\$ 77,571
Capitalized interest.....	11,025	3,636	3,764	3,107	2,297
Interest included in rental expense.....	7,663	6,738	5,244	7,207	3,648
Adjustment to include 100% of nonconsolidated, majority-owned subsidiary(h).....	-	37,408	15,110	-	-
Total fixed charges.....	\$ 89,603	\$ 142,198	\$ 102,440	\$ 83,394	\$ 83,516
	-----	-----	-----	-----	-----
Ratio of earnings to fixed charges.....	2.7	1.3	2.0	2.6	2.0
	-----	-----	-----	-----	-----

- (a) The Company's 1996 operating results include \$52.2 million in pre-tax charges for project write-downs and reserves.
- (b) The Company's 1995 operating results include \$93.3 million in pre-tax charges for project write-downs.
- (c) The Company's 1994 operating results include a \$53.4 million provision for settlement of litigation and related costs.
- (d) Amounts for periods prior to the June 30, 1995 dividend of PHC common stock to the Company's stockholders reflect the impact of the financial position and results of operations for the discontinued hotel business in those periods.
- (e) For purposes of computing these ratios, total debt includes debt allocated to discontinued hotel operations for periods prior to PHC Spin-off.
- (f) EBITDA (earnings before interest, taxes, depreciation and amortization) is a supplemental financial measurement used by management, as well as by industry analysts, to evaluate Harrah's operations. However, EBITDA should not be construed as an alternative to Income from operations (as an indicator of Harrah's operating performance) or to Cash flows from operating activities (as a measure of liquidity) as determined in accordance with generally accepted principles and presented in the Company's Consolidated Financial Statements.
- (g) As discussed in Note 12 to the Consolidated Financial Statements in the 1996 Harrah's Entertainment Annual Report, the Company has guaranteed certain third party loans in connection with its casino development activities. The above ratio computation excludes estimated fixed charges associated with these guarantees as follows: 1996, \$5.2 million; 1995, \$6.8 million; 1994, \$5.5 million; 1993, \$3.1 million; and 1992, none.
- (h) Prior to November 1995, the Company owned a majority interest in Harrah's Jazz Company. However, voting control was shared equally among three partners. As a result, Harrah's Jazz was not consolidated into the Company's financial statements. As required by Item 503(d)(2), the Company's ratio of earnings to fixed charges ratio computation for 1995 and 1994 has been adjusted to include Harrah's Jazz financial results as if this entity were consolidated.

Financial and Statistical Highlights
(in millions, except stock data and statistical data)
(See Notes 1 and 9)

	1996(a)	1995(b)	1994(c)	1993	1992	Compound Growth Rate
OPERATING DATA						
Continuing operations						
Revenues	\$ 1,588.1	\$ 1,550.1	\$ 1,339.4	\$ 1,020.6	\$ 894.4	15.4%
Income from operations	237.9	229.9	269.2	210.0	161.0	10.3%
Income before income taxes and minority interests	172.1	151.6	139.3	139.0	85.1	19.3%
Income from continuing operations	98.9	78.8	50.0	74.9	49.6	18.8%
Net income (d)	98.9	78.8	78.4	86.3	52.5	17.2%
Adjusted EBITDA (e)	406.9	450.1	366.5	274.4	223.6	16.1%
COMMON STOCK DATA						
Earnings per share						
Continuing operations	\$ 0.95	\$ 0.76	\$ 0.49	\$ 0.73	\$ 0.49	18.0%
Discontinued hotel operations	-	0.21	0.35	0.16	0.02	N/M
Net income (d)	0.95	0.76	0.76	0.84	0.52	16.3%
Market price of common stock at December 31 (d)	19.88	24.25	30.88	45.75	18.33	2.0%
Common shares outstanding at year-end (in thousands)	102,970	102,674	102,403	102,258	101,882	0.3%
FINANCIAL POSITION						
Total assets (d)	\$ 1,974.1	\$ 1,636.7	\$ 1,738.0	\$ 1,528.0	\$ 1,297.3	11.1%
Total assets of continuing operations	1,974.1	1,636.7	1,595.0	1,347.5	1,085.1	16.1%
Current portion of long-term debt	1.8	2.0	1.0	1.0	2.2	(4.9)%
Long-term debt	889.5	753.7	727.5	665.2	660.7	7.7%
Stockholders' equity (d)	719.7	585.5	623.4	536.0	427.9	13.9%

- (a) 1996 includes \$52.2 million in pre-tax charges for project write-downs and reserves (see Note 7).
- (b) 1995 includes \$93.3 million in pre-tax charges for project write-downs (see Note 7).
- (c) 1994 includes a \$53.4 million provision for settlement of litigation and related costs (see Note 13).
- (d) Amounts for periods prior to the June 30, 1995 dividend of PHC common stock to the Company's stockholders reflect the impact of the financial position and results of operations for the discontinued hotel business in those periods.
- (e) Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) consists of Income from continuing operations before project write-downs and reserves, preopening costs, project reorganization costs and provision for settlement of litigation and related costs, plus interest expense, taxes, depreciation, amortization and equity in losses (income) of nonconsolidated affiliates. EBITDA is a supplemental financial measurement used by management, as well as by industry analysts, to evaluate Harrah's operations. However, EBITDA should not be construed as an alternative to Income from operations (as an indicator of Harrah's operating performance) or to Cash flows from operating activities (as a measure of liquidity) as determined in accordance with generally accepted accounting principles and presented in the accompanying Consolidated Financial Statements. EBITDA after project write-downs and reserves, preopening costs, project reorganization costs and provision for settlement of litigation and related costs for the years presented was as follows: 1996, \$334.2 million; 1995, \$356.3 million; 1994, \$297.8 million; 1993, \$274.1 million and 1992, \$221.8 million.

Harrah's Entertainment, Inc.

	1996(a)	1995(b)	1994(c)	1993	1992	Compound Growth Rate
<hr/>						
CASH FLOWS						
Provided by (used in)						
Operating activities	\$ 285.7	\$ 213.7	\$ 227.3	\$ 198.2	\$ 108.8	27.3%
Investing activities	(383.7)	(209.2)	(331.4)	(225.8)	(99.3)	40.2%
Financing activities	107.2	47.7	69.8	(7.0)	(2.2)	N/M
Capital expenditures	390.0	231.8	301.8	234.5	101.9	39.9%
FINANCIAL PERCENTAGES AND RATIOS						
Return on revenues-continuing	6.2%	5.1%	3.7%	7.3%	5.5%	
Return on average invested capital	8.8%	9.8%	7.9%	11.2%	10.6%	
Return on average equity (f)	14.5%	12.7%	14.2%	19.3%	13.0%	
Ratio of earnings to fixed charges	2.7	1.3	2.0	2.6	2.0	
Current ratio	1.0	0.9	0.6	0.7	0.9	
Ratio of book equity to total debt (g)	0.8	0.8	0.7	0.6	0.5	
Ratio of market equity to total debt (g)	2.3	3.3	3.4	5.6	2.1	
Ratio of Adjusted EBITDA to interest paid	5.2	6.1	4.8	3.8	3.0	
Ratio of debt to Adjusted EBITDA	2.2	1.7	2.0	2.4	3.0	
SELECTED STATISTICAL DATA AS OF YEAR-END (h)						
Casino square footage	701,200	547,200	521,400	436,400	333,100	
Number of slot machines	19,011	15,335	14,808	12,504	9,100	
Number of table games	941	801	789	641	465	
Number of hotel rooms (i)	6,478	5,736	5,367	5,348	5,242	
Gaming win (in millions)	\$1,572.0	\$1,498.8	\$1,145.3	\$ 812.1	\$ 711.8	

(f) Ratio computed based on Income before extraordinary items and cumulative effect of change in accounting policy.

(g) For purposes of computing these ratios, total debt includes debt allocated to discontinued hotel operations for periods prior to the PHC Spin-off.

(h) Includes both owned and managed properties.

(i) Excludes rooms operated by the Company's discontinued hotel operations for periods prior to the PHC Spin-off.

Management's Discussion and Analysis of Financial Condition and Results of Operations

1996 was a demanding and difficult year for much of the casino entertainment industry. In the early 1990's, the industry enjoyed unprecedented growth as new jurisdictions embraced casino entertainment. New markets developed quickly and demand in these markets outpaced initial supply, resulting in high operating margins for the early entrants, like Harrah's, into these temporary oligopolies. In the mid-1990's, overall supply in some of these new markets has surpassed demand as the markets have been built-out with additional, ever larger properties, deflating the initial high margins experienced by the early entrants. At the same time, a lull in the opening of new markets has limited new investment and growth opportunities for the industry, resulting in the reinvestment of the industry's operating cash flows in facility expansions in existing markets, which has further increased supply and intensified competitive pressures in many markets.

An aggressive participant in and beneficiary of the early 1990's expansion of casino entertainment, Harrah's Entertainment, Inc., (referred to in this discussion, together with its subsidiaries when appropriate, as "Harrah's" or the "Company,") is one of the most recognized names in casino entertainment. The Company's unique geographic distribution, achieved through its pursuit in the early 1990's of new market development projects funded largely by \$1.2 billion in operating cash flows generated thus far in the 1990's, affords it the unique opportunity to serve a rapidly growing class of casino customer, the multi-market player. Following the growth and expansion of the early 1990's, Harrah's now has the opportunity to focus on the markets, operations and investments that will best serve its targeted customer base and further expand its brand value on a profitable basis. This includes selective reinvestment to expand and enhance product offerings in those markets that satisfy the Company's strategic objectives of brand growth and returns on capital invested on a long-term basis.

Harrah's was not immune from the adverse effects of unprecedented growth in casino markets which buffeted the casino entertainment industry in 1996. The following discussion and analysis of Harrah's financial results and strategic plans for the future highlights the Company's responses to these market conditions and its continued focus on building the only true national casino brand. This focus should enable the Company to further build and maintain a leadership position among its targeted customers in such a way as to build value for its stockholders.

OVERALL RESULTS OF OPERATIONS

(in millions, except earnings per share)	1996	1995	1994	Percentage Increase/(Decrease)	
				96 vs 95	95 vs 94
Revenues	\$1,588.1	\$1,550.1	\$1,339.4	2.5%	15.7%
Income from operations	237.9	229.9	269.2	3.5%	(14.6)%
Income from continuing operations	98.9	78.8	50.0	25.5%	57.6%
Net income	98.9	78.8	78.4	25.5%	0.5%
Earnings per share					
Continuing operations	0.95	0.76	0.49	25.0%	55.1%
Net income	0.95	0.76	0.76	25.0%	-
Operating margin	15.0%	14.8%	20.1%	0.2pts	(5.3)pts

Comparisons of the financial data contained in the table above are difficult due to the inclusion of various special charges in each of the periods presented. The table below reflects pro forma comparisons which exclude the impact of project write-downs and reserves, preopening costs, project reorganization costs, provision for settlement of litigation and related costs, equity in income (losses) of nonconsolidated affiliates and discontinued operations.

(in millions, except earnings per share)	1996	1995	1994	Percentage Increase/(Decrease)	
				96 vs 95	95 vs 94
Revenues	\$1,586.0	\$1,578.5	\$1,347.9	0.5%	17.1%
Income from operations	308.4	352.4	293.0	(12.5)%	20.3%
Income from continuing operations	139.8	164.6	115.5	(15.1)%	42.5%
Earnings per share					
Continuing operations	1.35	1.60	1.12	(15.6)%	42.9%
Operating margin	19.4%	22.3%	21.7%	(2.9)pts	0.6pts

These pro forma results reflect the increasingly competitive environment faced by Harrah's over this three year period in many of the markets in which it operates.

The financial impact of the intensified competitive conditions can also be

seen in the following table, which summarizes contributions to operating profit (income from operations before corporate expenses and project reorganization costs) by major operating division for 1996, 1995 and 1994 in millions of dollars and as a percent of the total:

Harrah's Entertainment, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

	Contribution for the Year Ended December 31,					
	In Millions of Dollars			Percent of Total		
	1996	1995	1994	1996	1995	1994
Riverboat	\$141	\$172	\$127	41%	49%	41%
Atlantic City	75	86	74	22	24	24
Southern Nevada	68	73	75	20	21	24
Northern Nevada	60	66	76	17	19	24
Indian/Limited Stakes	7	8	-	2	2	-
New Orleans	-	(28)	(9)	-	(8)	(3)
Development costs	(12)	(17)	(22)	(4)	(5)	(7)
Other	6	(6)	(8)	2	(2)	(3)
Subtotal	345	354	313	100%	100%	100%
Project write-downs and reserves	(52)	(93)	-			
Preopening costs	(6)	(1)	(15)			
Operating profit	\$287	\$260	\$298			

DIVISION OPERATING RESULTS AND DEVELOPMENT PLANS

Riverboat Division

(in millions)	1996	1995	1994	Percentage Increase/(Decrease)	
				96 vs 95	95 vs 94
Casino revenues	\$596.0	\$557.2	\$388.8	7.0%	43.3%
Total revenues	629.1	593.5	415.0	6.0%	43.0%
Operating profit	141.2	172.2	126.8	(18.0)%	35.8%
Operating margin	22.4%	29.0%	30.6%	(6.6)pts	(1.6)pts

Despite increased revenues for the Division in 1996 over 1995, operating margins and profits declined in the face of new and increased competition in several markets over the past year.

A near doubling of regional supply introduced in neighboring Indiana in June negatively impacted operating profit and margins at Harrah's riverboat property in Joliet, Illinois. The Company believes that recent adjustments, including a modified cruising schedule, will stabilize results at the property, but revenues and profits at Harrah's Joliet are not expected to return to their previous levels. Harrah's is evaluating a proposed expansion project at the Joliet property to add a 240-suite hotel, a 380-space parking garage and meeting facilities. A decision whether or not to proceed with the expansion will be made after completion of market assessments, including the impact of Indiana casinos, financial feasibility studies and planning and design work.

In Tunica, Mississippi, Harrah's opened a second property, Harrah's Tunica Mardi Gras, in April 1996, and an adjacent 200-room hotel in June 1996. A competitor opened a major new development in June 1996 and substantially increased total capacity in the Tunica market. Due to the consequences of competitive pressures which now exist in this market, Harrah's properties in Tunica reported a combined net operating loss for 1996. In reaction to this operating environment and in order to reach target customers by focusing its efforts on the new Mardi Gras property, in January 1997, Harrah's announced its intention to exit its original Tunica casino and has recorded a reserve for the impairment of the original Tunica casino's carrying value (see Other Factors Affecting Net Income section). A final decision on how to exit the original casino will be made by mid-year 1997.

Harrah's North Kansas City achieved higher revenues in 1996 with the addition of a second riverboat casino, but, due to competitive factors, 1996 operating profit declined 17.5% compared to the prior year as a result of higher promotional and marketing costs, including the decision to waive admission charges. In December 1996, Harrah's opened a 200-room hotel at its North Kansas City riverboat casino, representing the final phase of an expansion project that also included the March 1996 addition of a 1,060-car parking garage, the May 1996 addition of a second riverboat casino with approximately 30,000 square feet of gaming space, and other shoreside improvements. In January 1997, a competitor opened a major new casino development, and the impact this new facility will have on operations at Harrah's North Kansas City is not yet fully known.

Harrah's Shreveport posted higher revenues and operating profit in 1996 as the Company's position in this market remained strong. Harrah's is evaluating a possible expansion of its current Shreveport facility to include hotel rooms as well as additional parking, restaurant and meeting facilities. The Company is also pursuing alternative plans for a possible joint venture development which would provide for a second riverboat to be owned and operated by another casino company and construction of two separately-branded 300-room hotels, with jointly owned shoreside facilities that would be managed by Harrah's. Construction on this joint venture development could begin by mid-year 1997, with phased openings and a targeted completion date during the last half of 1998. Any expansion project is

subject to the receipt of necessary regulatory approvals and reaching a definitive agreement with the City of Shreveport.

In addition to the expansions of existing properties described above, in March 1997, Harrah's expects to open a riverboat casino entertainment complex in Maryland Heights, Missouri, a suburb of St. Louis, subject to regulatory approval. The facility includes four riverboat casinos, two of which will be owned and operated by Harrah's, and shoreside facilities jointly-owned with Players International, Inc., including a 291-room Harrah's-managed hotel and an entertainment mall. Harrah's two riverboats will contain a total of approximately 52,000 square feet of casino space, 1,230 slot machines and 80 table games. Harrah's investment in the Maryland Heights development project is expected to total \$180 million, of which approximately \$113 million had been invested at December 31, 1996, including approximately \$76 million contributed to the partnership developing the shoreside facilities.

1995 revenues for the Riverboat Division were substantially higher than 1994 revenues, as 1995 marked the first full year of operations for Harrah's properties in two of Harrah's five riverboat markets. 1995 operating profits increased over 1994 primarily as a result of the additional revenues earned.

Harrah's Entertainment, Inc.

Atlantic City

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(in millions)	1996	1995	1994	Percentage Increase/(Decrease)	
				96 vs 95	95 vs 94
Casino revenues	\$310.1	\$314.7	\$287.8	(1.5)%	9.3%
Total revenues	338.6	341.5	316.6	(0.8)%	7.9%
Operating profit	75.0	85.6	74.5	(12.4)%	14.9%
Operating margin	22.2%	25.1%	23.5%	(2.9)pts	1.6pts

In Atlantic City, Harrah's 1996 revenues declined only slightly from 1995 levels, but higher promotional and marketing costs resulted in disproportionate declines in operating profits and margins, as complimentary and promotional expenses rose in order to maintain competitive position. Harrah's is currently constructing a new 416-room hotel tower, which is expected to open in late second quarter 1997. This represents the final phase of an expansion project that also added 13,500 square feet of casino space and 500 slot machines in June 1996 and a new marine-themed buffet restaurant in fourth quarter 1996. Of the total \$80.7 million estimated cost of the expansion, approximately \$51 million had been spent as of December 31, 1996. As part of the current expansion project, Harrah's received a \$15.8 million credit toward certain future obligations under the New Jersey Casino Control Act.

In 1995, Harrah's Atlantic City achieved record revenues, driven by growth in slot revenues, resulting in near record operating profit.

Harrah's has announced a possible second phase to its Atlantic City expansion, pending substantive progress on development of new casino hotel projects in the Marina area of Atlantic City by other companies, appropriate regulatory approvals and adequate resolution of road and access improvements that have been the subject of discussions among the state, city and developers. The expansion would position Harrah's Atlantic City as one of the largest casino resorts in that market and would link Harrah's into the overall new development plan. This phase, if completed as currently envisioned, would include significant additional guest rooms and casino space, as well as enhancements in convention facilities, restaurant offerings, parking facilities and other nongaming amenities. At present, because of the uncertainties relating to this project, there is no assurance this second phase will proceed.

Southern Nevada Division

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(in millions)	1996	1995	1994	Percentage Increase/(Decrease)	
				96 vs 95	95 vs 94
Casino revenues	\$190.8	\$198.3	\$198.5	(3.8)%	(0.1)%
Total revenues	289.8	297.2	293.8	(2.5)%	1.2%
Operating profit	68.0	72.8	74.9	(6.6)%	(2.8)%
Operating margin	23.5%	24.5%	25.5%	(1.0)pt	(1.0)pt

1996 results in Southern Nevada were impacted by construction disruptions at Harrah's Las Vegas, where a \$200 million expansion and renovation project is currently underway. The expansion and renovation includes a new 986-room hotel tower, additional casino space, a complete remodeling of the casino's exterior facade and entrances and significant additions and improvements to nongaming amenities. In the first half of 1996, prior to the start of construction on the exterior facade, Harrah's Las Vegas achieved record revenues and operating profit. During the last half of 1996, however, construction blocked entrances to the casino and gaming volume declined 11%, resulting in lower revenues and profits. The additional casino space and the facade improvements are being opened in phases and are expected to be completed during third quarter 1997. Harrah's is scheduled to begin opening the hotel rooms in May 1997, with completion of the tower expected by the end of third quarter 1997. As of December 31, 1996, approximately \$86 million had been spent on this project.

Harrah's Laughlin continues to be affected by competition from neighboring Arizona and California Indian casinos and from high profile new Las Vegas area casino developments. In 1996, gaming volume declined 5.1% at Harrah's Laughlin, resulting in lower revenues and operating profit.

In addition to the expansion of its current Las Vegas property, Harrah's has also stated its interest in constructing or acquiring a second Las Vegas casino property, subject to location and project economics. At the present time, however, no definitive plans have been completed, no property has been identified, and there is no assurance the Company will construct or acquire such a property.

Northern Nevada Division

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(in millions)	1996	1995	1994	Percentage Increase/(Decrease)	
				96 vs 95	95 vs 94
Casino revenues	\$226.5	\$243.6	\$243.0	(7.0)%	0.2%
Total revenues	299.2	315.6	310.3	(5.2)%	1.7%
Operating profit	59.8	66.4	75.7	(9.9)%	(12.3)%
Operating margin	20.0%	21.0%	24.4%	(1.0)pt	(3.4)pts

In Northern Nevada, 1996 casino revenues, total revenues and operating profit declined from 1995 levels due to a 6% decrease in gaming volume. Although all three properties in the Division experienced declines, the largest decrease occurred in Reno, where a major new competitor opened in July 1995.

1995 revenues for the Division were consistent with those of the prior year, but profits and margins decreased due to increasing costs and competitive adjustments in Reno in response to the additional competition in that market during the second half of the year.

During early January 1997, severe flooding occurred in Northern Nevada and its feeder markets, closing Harrah's Reno for one day and the primary feeder highway to Lake Tahoe for several weeks. This event is expected to significantly impact first quarter 1997 operating results for the Division.

Harrah's Entertainment, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Indian and Limited Stakes Division

Revenues from Harrah's Indian and limited stakes casinos increased in 1996 over 1995, due to higher management fees from Harrah's Phoenix Ak-Chin casino. Overall operating profit from these properties decreased slightly, however, due to costs related to Harrah's management of the Skagit Valley and Colorado casinos.

Subsequent to December 31, 1996, Harrah's announced the sale of its ownership interest in the Colorado casinos, subject to regulatory approval, and its intention to discontinue managing those casinos by March 31, 1997. These transactions will not have a material impact on Harrah's financial statements.

Harrah's continues to pursue additional development opportunities for casinos on Indian land and has received National Indian Gaming Commission ("NIGC") approval of development and management agreements with the Eastern Band of Cherokees for a casino development at Cherokee, North Carolina. Construction on this project is underway and the facility, which will contain approximately 60,000 square feet of casino space, is expected to open during fourth quarter 1997. Though Harrah's is not funding this development, it has guaranteed the related bank financing of \$82 million, which was secured during November 1996.

In early 1997, Harrah's received NIGC approval of development and management agreements with the Prairie Band of Potawatomi Indians for a development near Topeka, Kansas. Plans call for the construction of a \$37 million casino facility which will include approximately 27,000 square feet of casino space. This facility, which is expected to be completed by the end of 1997, assuming timely receipt of all approvals and permits, will be managed by a Harrah's subsidiary and financed by loans which Harrah's will guarantee.

Harrah's has also signed definitive development and management agreements with the Pokagon Band of Potawatomi Indians for future casino developments in Michigan and Indiana and has previously announced agreements with other Indian tribes. These proposed developments are in various stages of negotiation and are subject to certain conditions, including approval from appropriate government agencies. During 1996, the Michigan legislature declined to concur with the Governor's execution of the compact for a Michigan casino development by the Pokagon Band, but efforts to gain alternative approvals continue. If the necessary approvals are received, Harrah's would likely guarantee the related bank financing for the projects, which could be significant.

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

New Orleans

Income from operations for 1995 and 1994 includes losses of \$27.7 million and \$8.5 million, respectively, representing Harrah's share of net losses, excluding interest expense, incurred by Harrah's Jazz Company ("Harrah's Jazz"), the partnership which holds the right to develop the sole land-based casino in Orleans Parish, Louisiana. No equity pick-up was included for the 1996 period related to Harrah's Jazz as the book value of this investment was reduced to zero in fourth quarter 1995. (See Harrah's Jazz Company and Other Factors Affecting Net Income sections for further discussion.)

Other

During first quarter 1996, Harrah's Sky City opened in Auckland, New Zealand, and is the first Harrah's casino entertainment facility outside the United States. The casino portion of the facility opened in February 1996 and contains 45,000 square feet of casino space, 1,050 slot machines and 100 table games. In second quarter 1996, a 344-room hotel opened, followed by the third quarter 1996 opening of a 700-seat theater. Construction continues on a 1,066-foot sky tower, the final phase of the Sky City project, which is expected to open in mid-1997. This facility is owned by Sky City Limited, a New Zealand publicly-traded company in which Harrah's owns a 12.5% equity interest, and is managed by Harrah's for a fee. Management fees received from Harrah's Sky City are reported in Revenues-Management fees.

Development costs for 1996 decreased from prior year levels due to lower levels of development activity.

OTHER FACTORS AFFECTING NET INCOME

(income)/expense (in millions)				Percentage Increase/(Decrease)	
	1996	1995	1994	96 vs 95	95 vs 94
Project write-downs and reserves	\$52.2	\$ 93.3	\$ -	N/M	N/M
Preopening costs	5.9	0.5	15.3	N/M	N/M
Corporate expense	34.3	30.3	28.9	13.2%	4.8%
Project reorgani- zation costs	14.6	-	-	N/M	N/M

Interest expense, net	70.9	94.4	78.4	(24.9)%	20.4%
Provision for settlement of litigation and related costs	-	-	53.4	N/M	N/M
Other income	(5.2)	(16.1)	(1.9)	(67.7)%	N/M
Effective tax rate	39.1%	40.0%	54.1%	(0.9)pt	(14.1)pts
Minority interests	\$ 5.9	\$ 12.1	\$ 13.9	(51.2)%	(12.9)%
Discontinued operations					
Hotel earnings, net of tax	-	(21.2)	(36.3)	N/M	(41.6)%
Spin-off transaction costs, net of tax	-	21.2	-	N/M	N/M
Cumulative effect of change in accounting policy, net of tax	-	-	7.9	N/M	N/M

Harrah's Entertainment, Inc.

Project write-downs and reserves in 1996 include write-downs for the impairment of certain long-lived assets, primarily the Company's original Tunica, Mississippi, casino property, computed in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," as well as the accrual of reserves for certain contingent obligations. Project write-downs and reserves in 1995 related to Harrah's write-offs of investments in and advances to nonconsolidated affiliates, including Harrah's investment in Harrah's Jazz, and the write-down of impaired and abandoned assets.

Preopening costs for 1996 include costs incurred in connection with the second quarter 1996 opening of Harrah's Tunica Mardi Gras and expansions of Harrah's North Kansas City, Las Vegas and Atlantic City properties. 1995 preopening costs related to the opening of the Hampton Inn hotel tower in Reno and 1994 costs related primarily to the opening of Harrah's Shreveport and North Kansas City properties.

Corporate expense increased in 1996 over 1995 as a result of higher information technology, legal and corporate relations costs, and in 1995 over 1994 as a result of higher information technology costs. Project reorganization costs incurred during 1996 represent Harrah's costs, including legal fees, associated with the development of a reorganization plan for the New Orleans casino (see Harrah's Jazz Company section). Interest expense decreased in 1996 from 1995, and increased in 1995 over 1994, primarily as a result of 1995's inclusion of Harrah's pro rata share of Harrah's Jazz interest expense.

1994 operating results included a provision for settlement of litigation and related costs of \$53.4 million to record the settlement of certain litigation associated with the 1990 spin-off of the Company and the acquisition of the Holiday Inn business by Bass PLC, along with related legal fees and other expenses.

Other income decreased in 1996 due primarily to the inclusion in 1995's results of an \$11.7 million gain on the sale of a portion of Harrah's investment in Sky City Limited which owns the casino entertainment facility in Auckland, New Zealand.

The effective tax rates for all years are higher than the federal statutory rate primarily due to state income taxes. Additionally, the 1994 tax rate is higher due to the inclusion in Harrah's 1994 operating results of the provision for settlement of litigation, which is not deductible for federal income tax purposes. Minority interests reflect joint venture partners' shares of income at joint venture riverboat casinos and decreased in 1996 from the prior year level as a result of the minority partner's share of the impairment write-down of Harrah's original Tunica property and lower Joliet earnings.

As a result of the June 30, 1995 spin-off of the Company's hotel operations (the "PHC Spin-off"), the operating results of the hotel business prior to July 1, 1995, are segregated and reported as discontinued operations in the accompanying Consolidated Statements of Income for periods prior to the spin-off date. Prior year operating results include the earnings of discontinued operations, as well as a 1995 charge of \$21.2 million, or \$0.21 per share, net of tax, representing the costs to complete the PHC Spin-off transaction.

1994 results include a net cumulative charge of \$7.9 million, or \$0.08 per share, associated with Harrah's change in its accounting policy related to preopening costs (see Note 10 to the accompanying consolidated financial statements).

Harrah's adopted SFAS No. 123, "Accounting for Stock-Based Compensation," in 1996. This statement defines a fair value based method of measuring compensation costs for employee stock compensation programs, but permits companies to follow the intrinsic value based method previously required, with pro forma footnote disclosure of the effect that the fair value method would have had on net income and earnings per share. Harrah's elected the disclosure alternative, and, as required, the pro forma effects of this statement are included in its financial statement footnotes.

HARRAH'S JAZZ COMPANY

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A Harrah's subsidiary owns an approximate 47% interest in Harrah's Jazz, a partnership formed for purposes of developing, owning and operating the exclusive land-based casino entertainment facility in New Orleans, Louisiana, on the site of the former Rivergate Convention Center (the "Rivergate"). On November 22, 1995, Harrah's Jazz and its wholly-owned subsidiary, Harrah's Jazz Finance Corp., filed petitions for relief under Chapter 11 of the Bankruptcy Code. Prior to the filing, Harrah's Jazz was operating a temporary casino in the New Orleans, Louisiana Municipal Auditorium (the "Basin Street Casino") and constructing a new permanent casino facility on the Rivergate site (the "Rivergate Casino"). Harrah's Jazz ceased operation of the Basin Street Casino and construction of the Rivergate Casino on November 22, 1995 prior to the bankruptcy filings.

Harrah's Jazz filed a plan of reorganization with the Bankruptcy Court on April 3, 1996 and has filed several subsequent amendments to the plan (the "Plan"). On February 28, 1997, the Bankruptcy Court approved the disclosure statement of Harrah's Jazz relating to the Plan and set a confirmation hearing to approve the Plan for April 14, 1997. Under the Plan, the assets and business of Harrah's Jazz would vest in Jazz Casino Corporation, a newly formed corporation ("JCC"), on the effective date of the Plan. JCC would be responsible for completing construction of the Rivergate Casino. Under the Plan, Harrah's Jazz's existing public debt would be canceled and the holders

of that debt would receive 37.1% of the equity in JCC's indirect parent ("JCC Holding"). An additional 15% of the equity in JCC Holding would be allocated to debtholders who execute certain releases and an affiliate of the Company would receive in exchange for equity investments and other consideration to be provided under the Plan the remaining 47.9% of the equity in JCC Holding, a portion of which would be assigned to certain Harrah's Jazz partner-related parties.

Harrah's Entertainment, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

In addition, holders of the public debt would receive (i) \$187.5 million in aggregate principal amount of 8% Senior Subordinated Notes of JCC due 2006 with contingent payments, and (ii) a pro rata share of Senior Subordinated Contingent Notes of JCC due 2006.

During the course of the bankruptcy of Harrah's Jazz, a subsidiary of the Company has made debtor-in-possession loans to Harrah's Jazz, totalling approximately \$17.2 million as of December 31, 1996, to fund certain obligations to the City of New Orleans and other cash requirements of Harrah's Jazz. The Company has proposed to make up to \$25 million in such loans, however, it is likely that Harrah's Jazz will require debtor-in-possession loans from the Company in excess of the \$25 million currently proposed.

If the Plan is consummated, Harrah's would invest an additional \$75 million in the project and deliver new completion guaranties. Any debtor-in-possession financing, including the approximately \$17.2 million in financing already advanced and discussed above, would be repaid or converted into equity (and count toward the \$75 million investment referred to above) upon consummation of the Plan. The Plan also provides that JCC will obtain a \$180 million secured term loan and revolving credit facility to finance completion of the Rivergate Casino and provide JCC with working capital availability, and that Harrah's will guarantee or provide credit support for \$120 million of this financing. If the Plan is consummated, it is anticipated that Harrah's will also make an additional \$20 million subordinated loan to JCC to assist in financing construction of the Rivergate Casino.

The Plan also contemplates the opening of the permanent casino at the Rivergate Casino site approximately nine months after the consummation of the Plan. If the Plan is consummated, it is expected that the consummation would occur in second quarter 1997. Under the Plan, there would be no temporary casino and the Basin Street Casino would not reopen.

In addition to the matters discussed above, the Plan is subject to other amendments, and such other amendments may be material. There can be no assurance that definitive agreements necessary to consummate the Plan will be reached or that the amended Plan will be approved, or, if approved, that the conditions to consummation of the Plan will be met. Additionally, ongoing litigation and reorganization costs related to the Harrah's Jazz bankruptcy, which could be significant, will have a corresponding impact on Harrah's future earnings and cash flows. In the event the Plan is consummated, the Company anticipates that a significant part of such litigation will be dismissed.

CAPITAL SPENDING AND DEVELOPMENT SUMMARY

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In addition to the specific development and expansion projects discussed above, Harrah's performs on-going refurbishment and maintenance at its casino entertainment facilities in order to maintain the Company's quality standards. Harrah's also continues to pursue possible development opportunities for additional casino entertainment facilities that meet its strategic brand goals 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. Preopening costs incurred during the construction period are deferred and expensed at the respective property's opening.

The Company's planned development projects, if they go forward, will require, individually and in the aggregate, significant capital commitments and, if completed, may result in significant additional revenues. The commitment of capital, the timing of completion and the commencement of operations of casino entertainment development projects are contingent upon, among other things, negotiation of final agreements and receipt of approvals from the appropriate political and regulatory bodies. Cash needed to finance projects currently under development as well as additional projects being pursued by Harrah's will be made available from operating cash flows, the Bank Facility (see Debt and Liquidity section), Harrah's existing shelf registration (see Debt and Liquidity section), joint venture partners, specific project financing, guarantees by Harrah's of third party debt and, if necessary, additional Harrah's debt and/or equity offerings. Harrah's capital spending for 1996 totalled approximately \$390 million. Estimated total capital expenditures for 1997 are expected to be \$350 million to \$400 million, including the projects discussed in the Division Operating Results and Development Plans section, the refurbishment of existing facilities and other projects, but excluding the possible purchase or construction of a second Las Vegas property and the possible second phase of Harrah's Atlantic City expansion.

DEBT AND LIQUIDITY

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During fourth quarter 1996, Harrah's negotiated amendments to its reducing revolving and letter of credit facility, including an increase in total capacity from \$750 million to \$1.1 billion and modifications to certain financial covenants. As amended, this bank facility consists of a five-year \$950 million reducing revolving and letter of credit facility maturing in 2000 and a separate \$150 million revolving credit facility which is renewable annually, at the lenders' option, through 2000 (collectively, the "Facility"). Scheduled reductions of the borrowing capacity under the \$950 million facility are as follows: \$50 million, July 1998; \$75 million, January 1999; \$75 million, July

1999; \$100 million, January 2000; and \$650 million, July

Harrah's Entertainment, Inc.

2000. As of December 31, 1996, \$481.0 million in borrowings were outstanding under the Facility, with an additional \$19.9 million committed to back letters of credit, resulting in \$599.1 million of available Facility capacity as of December 31, 1996.

Interest Rate Agreements

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To manage the relative mix of its debt between fixed and variable rate instruments, Harrah's has entered into interest rate swap agreements to modify the interest characteristics of its outstanding debt without an exchange of the underlying principal amount. As of December 31, 1996, Harrah's was a party to the following interest rate swap agreements on certain fixed rate debt:

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at Dec. 31, 1996	Next Semi-Annual Rate Adjustment Date	Swap Maturity
10 7/8% Notes				
\$200 million	4.73%	10.46%	April 15	October 1997
8 3/4% Notes				
\$50 million	3.42%	8.99%	May 15	May 1998
\$50 million	3.22%	9.25%	January 15	July 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on \$50 million of the 8 3/4% Notes was adjusted on January 15, 1997, to 8.95%.

Harrah's maintains seven additional interest rate swap agreements which effectively convert variable rate debt to a fixed rate. The following table summarizes the terms of these swap agreements, all of which reset on a quarterly basis, as of December 31, 1996:

Notional Amount	Swap Rate Paid (Fixed)	Swap Rate Received (Variable) at Dec. 31, 1996	Swap Maturity
\$50 million	7.910%	5.531%	January 1998
\$50 million	6.985%	5.582%	March 2000
\$50 million	6.951%	5.594%	March 2000
\$50 million	6.945%	5.594%	March 2000
\$50 million	6.651%	5.500%	May 2000
\$50 million	5.788%	5.500%	June 2000
\$50 million	5.785%	5.500%	June 2000

In accordance with the terms of the above \$50 million swap which matures in January 1998, the variable interest rate was adjusted on January 27, 1997, to 5.563%.

The differences to be paid or received by Harrah's under the terms of its interest rate swap agreements are accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received by Harrah's pursuant to the terms of its interest rate agreements will have a corresponding effect on its future cash flows. These agreements contain a credit risk that the counterparties may be unable to meet the terms of the agreements. Harrah's minimizes that risk by evaluating the creditworthiness of its counterparties, which are limited to major banks and financial institutions, and does not anticipate nonperformance by the counterparties.

Guarantees of Third Party Debt

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As part of a transaction whereby Harrah's effectively secured an option to a site for a potential casino, Harrah's has guaranteed a third party's \$24.7 million variable rate bank loan. Harrah's also entered into an interest rate swap agreement, in which Harrah's receives a fixed interest rate of 7% from the third party and pays the variable interest rate of the subject debt (LIBOR plus 1% at December 31, 1996) to the bank. The interest rate swap is marked to market by Harrah's, with the adjustment recorded in interest expense. Both the loan and the swap agreement expire on February 28, 1997, and are currently being renegotiated. The existing guaranty contains an element of risk that, should the borrower be unable to perform, the Company could become responsible for repayment of at least a portion of the obligation. Harrah's has reduced this exposure by obtaining a security interest in certain assets of the third party. Harrah's may continue to guarantee the renegotiated debt.

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

Shelf Registration

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To provide for additional financing flexibility, Harrah's, together with its wholly-owned subsidiary Harrah's Operating Company, Inc. ("HOC"), has an effective shelf registration statement with the Securities and Exchange Commission ("SEC") for up to \$200 million of Harrah's common stock or HOC preferred stock or debt securities. The issue price of the Harrah's common stock or the terms and conditions of the HOC preferred stock or debt securities, which will be unconditionally guaranteed by Harrah's, will be determined by market conditions at the time of issuance. The shelf registration is available until October 1997.

EQUITY TRANSACTIONS
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In October 1996, Harrah's Board of Directors approved a plan which authorizes the purchase in open market and other transactions of up to 10% of Harrah's outstanding shares of common stock. As of December 31, 1996, 759,400 shares had been purchased at a cost of approximately \$13 million and are being held in treasury. The Company expects to acquire additional shares from time to time at prevailing market prices through the December 31, 1997, expiration of the approved plan.

Harrah's Entertainment, Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

INCOME TAX MATTERS

In connection with the PHC Spin-off, Harrah's entered into a tax sharing agreement with PHC wherein each company is obligated for those taxes associated with their respective businesses. Additionally, Harrah's is obligated for all taxes for periods prior to the PHC Spin-off date which are not specifically related to PHC operations and/or PHC hotel locations. Harrah's obligations under this agreement are not expected to have a material adverse effect on its consolidated financial position or results of operations.

EFFECTS OF CURRENT ECONOMIC AND POLITICAL CONDITIONS

Competitive Pressures

The casino entertainment industry has undergone substantial growth over the past several years as a result of the spread of gaming to new jurisdictions. Whereas traditional markets were limited, drawing primarily long-distance travelers, the newer casino markets are geographically dispersed, resulting in casino entertainment being within a reasonable driving distance for many Americans. Harrah's participated in this industry transformation, developing casinos in many new markets, and as a result is an extremely diverse gaming company.

As compared to the early 1990's, the number of new markets opening for development in 1996 was more limited and existing markets became much more competitive. The focus of many casino operators in 1996 shifted to investing in existing markets, in an effort both to attract new customers and to gain a greater market share of existing customers. As companies have completed these expansion projects, supply has grown at a faster pace than demand in some markets and competition has increased significantly. Furthermore, several operators, including Harrah's, have announced plans for additional developments or expansions in some markets. The impact that these projects will have on Harrah's operations, if they are completed, cannot be determined at this time.

Harrah's properties in the traditional gaming markets in Nevada and New Jersey have generally reacted less significantly to the changing competitive conditions, as the amount of supply change within these markets has represented a smaller percentage change than that experienced in some riverboat markets. In Reno, where a significant new development opened in July 1995, Harrah's operating profit improved significantly in fourth quarter 1996 over the prior year quarter, as competitive adjustments have been made, resulting in margin improvement. In Las Vegas, several major developments have opened within the past few years and numerous new developments and property expansions, including an expansion at Harrah's Las Vegas, are underway. To date, the Las Vegas market has continued to absorb these additions to its supply, but there can be no assurance that it will continue to do so. In the Atlantic City market, additional casino space and hotel rooms have opened within the past year and several major developments are proposed. This activity has intensified competition during the last year, increasing promotional costs and reducing margins.

In riverboat markets, the recent additions to supply have had a more noticeable impact, due to the fact that competition was limited in the early stages of many of these markets. Four of the five riverboat markets in which Harrah's operates have seen significant additional competition within the past twelve months. In Joliet, the opening in late second quarter 1996 of Indiana riverboats, effectively doubling the Chicago area capacity, resulted in a 24% decline in Harrah's combined third and fourth quarter gaming volume from the comparable prior year period. In Tunica, where Harrah's operated two casino properties for most of 1996, a major new property opened in June 1996, and several existing properties, including Harrah's, added hotel rooms and other amenities and more are planned. In response to competitive pressures in this market and in order to build a market leading position for Harrah's Tunica Mardi Gras Casino, Harrah's has announced that it will have a final decision on how to exit its original Tunica property by mid-1997. In October 1996, a fourth casino entered the Shreveport market, and in January 1997, a major new development opened in the Kansas City market. The ultimate impact that these developments will have on Harrah's operating results cannot be predicted at this time.

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

Although the short-term effect of these competitive developments on the Company has been negative, Harrah's is not able to determine the long-term impact, whether favorable or unfavorable, that these trends and events will have on its current or future markets. Management believes that the diversity of Harrah's operations, its multi-market customer base and the Company's continuing efforts to establish Harrah's as a premier brand name have well-positioned Harrah's to face the challenges present within the industry.

Political Uncertainties

The casino entertainment industry is also subject to political and regulatory uncertainty. In recent months, the U.S. government has formed a

federal commission to study the casino gaming industry. At this time, the role of the commission and the ultimate impact that it will have on the industry is uncertain.

From time to time, individual jurisdictions also consider legislation which could adversely impact Harrah's operations. In April 1996, the Louisiana State Legislature approved a local option bill which purported to give voters in each Parish the right to decide during the November 1996 general elections what forms of gaming they wanted to continue in their Parish. On November 5, 1996, residents of Orleans Parish voted to approve gaming at the Rivergate Casino, and residents of Caddo Parish, site of Harrah's Shreveport, voted to continue gaming in that market.

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

INTERCOMPANY DIVIDEND RESTRICTION

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Agreements governing the terms of its debt require Harrah's to abide by covenants which, among other things, limit HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments (other than for repurchases of Harrah's common stock), was approximately \$719.9 million at December 31, 1996. With respect to any payments by HOC to Harrah's for the purpose of providing funds to Harrah's for the repurchase of its common stock, the amount of HOC's restricted net assets under such covenant was approximately \$543.4 million at December 31, 1996. Harrah's principal asset is the stock of HOC, a wholly-owned subsidiary which holds, directly and through subsidiaries, the principal assets of Harrah's businesses. Given this ownership structure, these restrictions should not impair Harrah's ability to conduct its business through its subsidiaries, to pursue its development plans or to complete the stock repurchase program.

EFFECTS OF INFLATION

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

PRIVATE SECURITIES LITIGATION REFORM ACT

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The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information included in Harrah's 1996 Form 10-K and other materials filed or to be filed by the Company with the 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, and exit plans with respect to certain properties; (B) planned openings and development of Indian casinos that would be managed by the Company; (C) the planned opening of facilities in Maryland Heights, Missouri; (D) the plan of reorganization and its various facets for New Orleans; (E) implementation of the stock repurchase program and planned capital expenditures for 1997; and (F) the possible acquisition/construction of a second property in Las Vegas, Nevada. These activities involve important factors that could cause actual results to differ materially from those expressed in any forward looking statements made by or on behalf of the Company. These include, but are not limited to, the following factors as well as other factors described from time to time in the Company's reports filed with the SEC: construction factors, including zoning issues, environmental restrictions, soil conditions, weather and other hazards, site access matters and building permit issues; access to available and feasible financing; regulatory and licensing approvals, third party consents and approvals, and relations with partners, owners and other third parties; business and economic conditions; litigation, judicial actions and political uncertainties, including gaming legislation and taxation; the effects of competition including locations of competitors and operating and marketing competition. Any forward looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

Harrah's Entertainment, Inc.

Consolidated Balance Sheets
(In thousands, except share amounts)

	December 31,	
	1996	1995
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Assets		
Current assets		
Cash and cash equivalents	\$ 105,594	\$ 96,345
Receivables, less allowance for doubtful accounts of \$14,064 and \$10,910	41,203	37,751
Deferred income taxes (Note 8)	25,551	21,425
Prepayments and other	18,401	21,275
Inventories	10,838	12,040
	<hr/>	<hr/>
Total current assets	201,587	188,836
	<hr/>	<hr/>
Land, buildings, riverboats and equipment		
Land and land improvements	232,721	232,616
Buildings, riverboats and improvements	1,248,792	1,054,758
Furniture, fixtures and equipment	496,447	436,340
	<hr/>	<hr/>
	1,977,960	1,723,714
Less: accumulated depreciation	(588,066)	(518,824)
	<hr/>	<hr/>
	1,389,894	1,204,890
Investments in and advances to nonconsolidated affiliates (Note 16)	215,539	71,939
Deferred income tax benefits (Note 8)	-	4,532
Deferred costs and other (Note 4)	167,053	166,537
	<hr/>	<hr/>
	\$1,974,073	\$1,636,734
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 44,934	\$ 46,178
Construction payables	17,975	4,718
Accrued expenses (Note 4)	139,892	148,632
Current portion of long-term debt (Note 5)	1,841	2,038
	<hr/>	<hr/>
Total current liabilities	204,642	201,566
Long-term debt (Note 5)	889,538	753,705
Deferred credits and other	97,740	72,006
Deferred income taxes (Note 8)	45,443	-
	<hr/>	<hr/>
	1,237,363	1,027,277
	<hr/>	<hr/>
Minority interests	16,964	23,908
	<hr/>	<hr/>
Commitments and contingencies (Notes 6, 12 through 14 and 16)		
Stockholders' equity (Notes 3, 14 and 16)		
Common stock, \$0.10 par value, authorized - 360,000,000 shares, outstanding - 102,969,699 and 102,673,828 shares (net of 771,571 and 19,026 shares held in treasury)	10,297	10,267
Capital surplus	385,941	362,783
Retained earnings	290,797	204,838
Unrealized gain on marketable equity securities	51,394	10,552
Deferred compensation related to restricted stock	(18,683)	(2,891)
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	719,746	585,549
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	\$1,974,073	\$1,636,734
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The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated balance sheets.

Harrah's Entertainment, Inc.

Consolidated Statements of Income
(In thousands, except per share amounts)

	Year Ended December 31,		
	1996	1995	1994
Revenues			
Casino	\$1,323,466	\$1,313,910	\$1,118,107
Food and beverage	188,081	181,312	162,413
Rooms	115,456	109,036	105,642
Management fees	16,227	12,762	914
Other	80,858	87,158	80,151
Less: casino promotional allowances	(135,939)	(154,102)	(127,821)
Total revenues	1,588,149	1,550,076	1,339,406
Operating expenses			
Direct			
Casino	649,720	620,438	497,686
Food and beverage	95,909	91,495	82,825
Rooms	35,460	32,915	33,430
Depreciation of buildings, riverboats and equipment	92,130	80,416	70,632
Development costs	12,021	17,428	22,015
Project write-downs and reserves (Note 7)	52,188	93,348	-
Preopening costs	5,907	450	15,313
Other	358,000	353,318	319,411
Total operating expenses	1,301,335	1,289,808	1,041,312
Operating profit	286,814	260,268	298,094
Corporate expense	(34,348)	(30,347)	(28,907)
Project reorganization costs	(14,601)	-	-
Income from operations	237,865	229,921	269,187
Interest expense, net of interest capitalized (Note 2)	(69,968)	(73,890)	(76,363)
Interest expense, net, from nonconsolidated affiliates	(947)	(20,526)	(1,959)
Provision for settlement of litigation and related costs (Note 13)	-	-	(53,449)
Other income, including interest income	5,160	16,078	1,867
Income before income taxes and minority interests	172,110	151,583	139,283
Provision for income taxes (Note 8)	(67,316)	(60,677)	(75,391)
Minority interests	(5,897)	(12,096)	(13,908)
Income from continuing operations	98,897	78,810	49,984
Discontinued operations (Note 9)			
Earnings from hotel operations, net of tax provisions of \$15,434 and \$26,798	-	21,230	36,319
Spin-off transaction expenses, net of tax benefit of \$5,134	-	(21,194)	-
Income before cumulative effect of change in accounting policy	98,897	78,846	86,303
Cumulative effect of change in accounting policy, net of tax benefit of \$4,317 (Note 10)	-	-	(7,932)
Net income	\$ 98,897	\$ 78,846	\$ 78,371
Earnings (loss) per share			
Continuing operations	\$ 0.95	\$ 0.76	\$ 0.49
Discontinued operations			
Earnings from hotel operations, net	-	0.21	0.35
Spin-off transaction expenses, net	-	(0.21)	-
Cumulative effect of change in accounting policy, net	-	-	(0.08)
Net income	\$ 0.95	\$ 0.76	\$ 0.76
Average common shares outstanding	103,736	103,188	102,810

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

Harrah's Entertainment, Inc.

Consolidated Statements of Stockholders' Equity
(Notes 3, 14 and 16)
(In thousands)

	Common Stock		Capital Surplus	Retained Earnings	Unrealized Gain on Marketable Equity Securities	Deferred Compensation Related to Restricted Stock	Total
	Shares Outstanding	Amount					
Balance-December 31, 1993	102,258	\$10,226	\$344,197	\$ 187,203	\$ -	\$ (5,589)	\$ 536,037
Net income				78,371			78,371
Net shares issued under incentive compensation plans, including income tax benefit of \$3,252	145	14	5,999			3,016	9,029
Balance-December 31, 1994	102,403	10,240	350,196	265,574	-	(2,573)	623,437
Net income				78,846			78,846
Spin-off of Promus Hotel Corporation (Notes 1 and 9)				(139,582)			(139,582)
Unrealized gain on available-for- sale securities, less tax provision of \$6,746					10,552		10,552
Net shares issued under incentive compensation plans, including income tax benefit of \$6,616	271	27	12,587			(318)	12,296
Balance-December 31, 1995	102,674	10,267	362,783	204,838	10,552	(2,891)	585,549
Net income				98,897			98,897
Unrealized gain on available-for- sale securities, less tax provision of \$26,112					40,842		40,842
Treasury stock purchases	(759)	(76)		(12,938)			(13,014)
Net shares issued under incentive compensation plans, including income tax benefit of \$1,576	1,055	106	23,158			(15,792)	7,472
Balance-December 31, 1996	102,970	\$10,297	\$385,941	\$ 290,797	\$51,394	\$(18,683)	\$ 719,746
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The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

Consolidated Statements of Cash Flows
(Note 11)
(In thousands)

	Year Ended December 31,		
	1996	1995	1994
Cash flows from operating activities			
Net income	\$ 98,897	\$ 78,846	\$ 78,371
Adjustments to reconcile net income to cash flows from operating activities			
Depreciation and amortization	102,338	95,388	86,644
Project write-downs and reserves	52,188	93,348	-
Discontinued operations			
Earnings from hotel operations	-	(21,230)	(36,319)
Spin-off transaction expenses, before income taxes	-	26,328	-
Provision for settlement of litigation and related costs	-	-	49,158
Cumulative effect of change in accounting policy, before income taxes	-	-	12,249
Other noncash items	27,985	17,088	10,348
Minority interests' share of net income	5,897	12,096	13,908
Equity in (income) losses of nonconsolidated affiliates	(1,182)	51,182	12,398
Net (gains) losses from asset sales	-	(13,156)	570
Net change in long-term accounts	(375)	(18,144)	(4,447)
Net change in working capital accounts	(14)	(36,576)	30,883
Net change in accrued litigation settlement and related costs	-	(43,438)	-
Tax indemnification payments to Bass	-	(28,000)	(26,466)
Cash flows provided by operating activities	285,734	213,732	227,297
Cash flows from investing activities			
Land, buildings, riverboats and equipment additions	(314,465)	(186,233)	(219,139)
Increase (decrease) in construction payables	13,257	(6,161)	(15,466)
Proceeds from sale of equity investments	-	20,745	-
Proceeds from asset sales	1,355	10,850	4,192
Investments in and advances to nonconsolidated affiliates	(75,553)	(45,603)	(82,705)
Other	(8,255)	(2,844)	(18,291)
Cash flows used in investing activities	(383,661)	(209,246)	(331,409)
Cash flows from financing activities			
Net borrowings under Revolving Credit Facility, net of financing costs of \$982 in 1996 and \$2,322 in 1995	133,518	274,172	118,550
Debt retirements	(2,488)	(219,614)	(40,320)
Purchases of treasury stock	(13,014)	-	-
Minority interests distributions, net of contributions	(10,840)	(6,360)	(8,434)
Other	-	(543)	-
Cash flows provided by financing activities	107,176	47,655	69,796
Cash flows from discontinued hotel operations			
Net transfers (to) from discontinued hotel operations	-	(14,840)	60,975
Payment of spin-off transaction expenses	-	(25,924)	-
Cash flows (used in) provided by discontinued operations	-	(40,764)	60,975
Net increase in cash and cash equivalents	9,249	11,377	26,659
Cash and cash equivalents, beginning of year	96,345	84,968	58,309
Cash and cash equivalents, end of year	\$ 105,594	\$ 96,345	\$ 84,968

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)

Note 1-Basis Of Presentation And Organization

Harrah's Entertainment, Inc., ("Harrah's" or the "Company" and including its subsidiaries where the context requires), a Delaware corporation, is one of America's leading casino entertainment companies. Harrah's casino entertainment facilities include casino hotels in all five major Nevada and New Jersey gaming markets: Reno, Lake Tahoe, Las Vegas and Laughlin, Nevada; and Atlantic City, New Jersey. Harrah's riverboat and dockside casinos are in Joliet, Illinois; Shreveport, Louisiana; Tunica and Vicksburg, Mississippi; and North Kansas City, Missouri. Harrah's owns a minority interest in and manages a casino in Auckland, New Zealand, and also manages casinos on Indian lands near Phoenix, Arizona and Seattle, Washington. Harrah's will discontinue managing two limited stakes casinos in Colorado by the end of the first quarter 1997.

On June 30, 1995, Harrah's completed a spin-off (the "PHC Spin-off") that split the Company into two independent public corporations. Harrah's retained ownership of the casino entertainment business and the Company's hotel business was transferred to a new entity, Promus Hotel Corporation ("PHC"). For periods prior to the PHC Spin-off, Harrah's financial statements reflect the hotel business as discontinued operations (see Note 9).

Note 2-Summary Of Significant Accounting Policies

Principles of Consolidation. The Consolidated Financial Statements include the accounts of Harrah's and its majority-owned subsidiaries after elimination of all significant intercompany accounts and transactions. Investments in 20% to 50% owned companies and joint ventures are accounted for using the equity method. Harrah's reflects its share of net income excluding interest expense of these nonconsolidated affiliates in Revenues-Other. Harrah's proportionate share of interest expense of such nonconsolidated affiliates is reported as Interest expense, net, from nonconsolidated affiliates. (See Note 16.)

Cash Equivalents. Cash equivalents are highly liquid investments with a maturity of less than three months and are stated at the lower of cost or market value.

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 \$32.5 million and \$32.0 million at December 31, 1996 and 1995, respectively. Improvements and extraordinary repairs that extend the life of the asset are capitalized. Maintenance and repairs are expensed as incurred. Interest expense is capitalized on internally constructed assets at Harrah's overall weighted average borrowing rate of interest. Capitalized interest amounted to \$11.0 million, \$3.6 million and \$3.8 million in 1996, 1995 and 1994, respectively.

Depreciation of buildings, riverboats and equipment is calculated using the straight-line method over the shorter of the estimated useful life of the asset or, if applicable, the related lease term as follows:

Buildings and improvements	10 to 40 years
Riverboats	30 years
Furniture, fixtures and equipment	2 to 15 years

Treasury Stock. Shares of Harrah's common stock held in treasury are reflected in the Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity as if they were retired.

Revenue Recognition. Casino revenues consist of net gaming wins. Food and beverage and rooms revenues include the aggregate amounts generated by those departments at all company-owned casinos and casino hotels.

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

	1996	1995	1994
Food and beverage	\$ 81,857	\$72,400	\$63,414
Rooms	15,673	15,098	13,875
Other	4,491	10,856	2,634
	-----	-----	-----
	\$102,021	\$98,354	\$79,923
	=====	=====	=====

Amortization. The excess of costs over net assets of businesses acquired and other intangibles are amortized on a straight-line basis over periods up to 40 years. Deferred financing charges are amortized using the interest method over the terms of the related debt agreements.

Preopening Costs. Preopening costs, representing primarily direct salaries and other operating costs, incurred prior to the opening of new facilities are deferred as incurred and expensed upon the opening of the related facility.

Preopening costs incurred in connection with the expansion of existing facilities are expensed as incurred. (See Note 10.)

Earnings Per Share. Earnings per share is computed by dividing Net income by the number of weighted average common shares outstanding during the year, including common stock equivalents.

Reclassifications. Certain amounts for prior years have been reclassified to conform with the presentation for 1996.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3-Stockholders' Equity

- - - - -

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

Preferred stock, \$100 par value, 150,000 shares authorized
 Special stock, 2,000,000 shares authorized-
 Series A, \$1.125 par value

In October 1996, Harrah's Board of Directors approved a plan which authorized the purchase in open market and other transactions of up to 10% of Harrah's outstanding shares of common stock. As of December 31, 1996, 759,400 shares had been purchased at an average price of \$17.14 per share, and are being held in treasury. The Company expects to acquire additional shares from time to time at prevailing market prices through the December 31, 1997, expiration of the approved plan.

In July 1996, Harrah's Board of Directors adopted a stockholder rights plan to replace the existing rights which expired on October 5, 1996. The new plan provides for one special stock purchase right (a "Right") to be attached to each outstanding share of Harrah's common stock. These Rights entitle the holder to purchase, under certain conditions, units consisting of fractional shares of Special Stock-Series A at a purchase price of \$130 per unit, subject to adjustment. The Rights also, under certain conditions, entitle holders to purchase \$260 worth of Harrah's common stock for \$130. Under certain conditions, including a merger or business combination in which the Company is not the surviving corporation, each holder of a Right will have the right to purchase shares of common stock of the acquiring company with a market value equal to two times the then current exercise price of the Right. The Rights expire on October 5, 2006, unless Harrah's Board of Directors decides to redeem them earlier at \$0.01 per Right or upon occurrence of certain other events.

On June 30, 1995, the PHC Spin-off was completed and the Company distributed to its stockholders the stock of PHC as a dividend on a one-for-two basis. To reflect this distribution, the \$139.6 million value of the net assets of discontinued operations as of the Spin-off date was charged against the Company's retained earnings (see Note 9).

On April 29, 1994, Harrah's stockholders approved an amendment to the Certificate of Incorporation which increased the number of authorized common shares from 120 million to 360 million and reduced the par value per common share from \$1.50 to \$0.10. As a result, amounts reported in the Consolidated Statements of Stockholders' Equity for periods prior to this amendment were restated to reclassify amounts from common stock to capital surplus to retroactively reflect the impact of the change in par value.

Under the terms of employee compensation programs previously approved by its stockholders, Harrah's has reserved shares of its common stock for issuance under the Restricted Stock and Stock Option Plans. (See Note 14 for a description of the plans.) The following table summarizes the total number of shares authorized for issuance under each of these plans and the remaining unissued shares as of December 31, 1996:

	Restricted Stock Plan	Stock Option Plan
- - - - -		
Total shares authorized for issuance under the plans	5,300,000	10,350,000
Shares issued and options granted, net of cancellations	(5,178,098)	(7,481,328)
	- - - - -	- - - - -
Shares held in reserve for issuance or grant under the plans as of December 31, 1996	121,902	2,868,672
	=====	=====

Note 4-Detail of Certain Balance Sheet Accounts

- - - - -

Deferred costs and other consisted of the following:

	1996	1995
- - - - -		
Excess of cost over net assets of businesses acquired, net of amortization	\$ 45,202	\$ 47,041
Cash surrender value of life insurance (Note 14)	43,613	41,061
Deposits	15,944	15,944
Deferred finance charges, net of amortization	11,983	14,153
Other	50,311	48,338
	- - - - -	- - - - -
	\$167,053	\$166,537
	=====	=====

Accrued expenses consisted of the following:

	1996	1995
- - - - -		
Insurance claims and reserves	\$ 49,590	\$ 49,821
Payroll and other compensation	34,243	46,251
Accrued interest payable	11,786	12,543
Deposits and customer funds	7,841	6,765

Taxes, including income taxes	2,475	(2,411)
Other accruals	33,957	35,663
	-----	-----
	\$139,892	\$148,632
	=====	=====

Note 5-Long-term Debt

- - - - -

Long-term debt consisted of the following:

	1996	1995
- - - - -	- - - - -	- - - - -
Secured Revolving Credit Facilities, 6.07%-8.25% at December 31, 1996, maturities to 2000	\$481,000	\$346,500
Unsecured Senior Subordinated Notes 8 3/4%, maturity 2000	200,000	200,000
10 7/8%, maturity 2002	200,000	200,000
Unsecured Notes Payable, 10.00%-12.67%, maturities to 2001	6,864	8,489
Capitalized Lease Obligations, 3.0%-5.2%, maturities to 2025	3,515	754
	-----	-----
	891,379	755,743
Current portion of long-term debt	(1,841)	(2,038)
	-----	-----
	\$889,538	\$753,705
	=====	=====

Harrah's Entertainment, Inc.

Notes to Consolidated Financial Statements
(Dollars in thousands, unless otherwise stated)

Harrah's outstanding corporate debt, comprised primarily of the Secured Revolving Credit Facilities and Unsecured Senior Subordinated Notes, has been issued by its wholly-owned subsidiary, Harrah's Operating Company, Inc. ("HOC") (see Note 15).

As of December 31, 1996, annual principal requirements for the four years subsequent to 1997 were: 1998, \$1.8 million; 1999, \$1.3 million; 2000, \$682.5 million; and 2001, \$0.8 million.

Revolving Credit Facility. During October 1996, Harrah's negotiated amendments to its reducing revolving and letter of credit facility (the "Facility"), including an increase in total capacity from \$750 million to \$1.1 billion and modifications to certain financial covenants. As amended, the Facility consists of a \$950 million reducing revolving and letter of credit facility maturing July 31, 2000, and a separate \$150 million revolving credit facility which is renewable annually, at the lenders' option, through the July 31, 2000, maturity date. Of the \$1.1 billion available under the Facility, there is a sub-limit of \$50 million for letters of credit. Reductions of the borrowing capacity available under the \$950 million facility are as follows: \$50 million, July 1998; \$75 million, January 1999; \$75 million, July 1999; \$100 million, January 2000; and \$650 million, July 2000. At December 31, 1996, the Facility provided for borrowings at a base rate of either Eurodollar plus 50 basis points or the prime lending rate. The weighted-average annual fees on letters of credit and commitment fees on the unutilized portion under the Facility, at December 31, 1996, were 0.63% and 0.14%, respectively.

The Facility is secured by the assets of Harrah's Nevada and New Jersey casino properties, the stock of HOC and certain other subsidiaries and certain trademarks. The Facility agreement contains financial covenants requiring Harrah's to maintain a specific tangible net worth and to meet other financial ratios. Its covenants limit Harrah's ability to pay dividends and to repurchase its outstanding shares (see Note 15).

As of December 31, 1996, Harrah's borrowings under the Facility were \$481.0 million and an additional \$19.9 million was committed to back certain letters of credit. After consideration of these borrowings, \$599.1 million of the Facility was available to Harrah's at December 31, 1996.

Interest Rate Agreements. To manage the relative mix of its debt between fixed and variable rate instruments, Harrah's enters into interest rate swap agreements to modify the interest characteristics of its outstanding debt without an exchange of the underlying principal amount. At December 31, 1996 and 1995, Harrah's was a party to the following interest rate swap agreements pursuant to which it pays a variable interest rate in exchange for receiving a fixed interest rate. The average variable rate paid by Harrah's was 5.7% and 5.9% at December 31, 1996 and 1995, respectively, and the average fixed interest rate received was 5.9% at both dates. The impact of these interest rate swap agreements on the effective interest rates of the associated debt was as follows:

Associated Debt	Swap Rate (LIBOR+)	Effective Rate at December 31, 1996 1995		Next Semi-Annual Rate Adjustment Date	Swap Maturity
10 7/8% Notes					
\$200 million	4.73%	10.46%	10.74%	April 15	October 1997
8 3/4% Notes					
\$50 million	3.42%	8.99%	9.23%	May 15	May 1998
\$50 million	3.22%	9.25%	9.10%	January 15	July 1998

In accordance with the terms of the interest rate swap agreements, the effective interest rate on \$50 million of the 8 3/4% Notes was adjusted on January 15, 1997 to 8.95%.

Harrah's also maintains seven additional interest rate swap agreements to effectively convert a total of \$350 million in variable rate debt to a fixed rate. Pursuant to the terms of these swaps, all of which reset quarterly, Harrah's receives variable payments tied to LIBOR in exchange for its payments at a fixed interest rate. The fixed rates to be paid by Harrah's and variable rates to be received by Harrah's are summarized in the following table:

Notional Amount	Swap Rate Paid (Fixed)	Swap Rate Received (Variable) at Dec. 31, 1996	Swap Maturity
\$50 million	7.910%	5.531%	January 1998
\$50 million	6.985%	5.582%	March 2000
\$50 million	6.951%	5.594%	March 2000
\$50 million	6.945%	5.594%	March 2000
\$50 million	6.651%	5.500%	May 2000
\$50 million	5.788%	5.500%	June 2000
\$50 million	5.785%	5.500%	June 2000

In accordance with the terms of the above \$50 million swap which matures in January 1998, the variable interest rate was adjusted on January 27, 1997 to 5.563%.

The differences to be paid or received under the terms of the interest rate swap agreements are accrued as interest rates change and recognized as an adjustment to interest expense for the related debt. Changes in the variable interest rates to be paid or received by Harrah's pursuant to the terms of its interest rate agreements will have a corresponding effect on its future cash flows. These agreements contain a credit risk that the counterparties may be unable to meet the terms of the agreements. Harrah's minimizes that risk by evaluating the creditworthiness of its counterparties, which are limited to major banks and financial institutions, and does not anticipate nonperformance by the counterparties.

Shelf Registration. Harrah's, together with its wholly-owned subsidiary HOC, has an effective shelf registration with the Securities and Exchange Commission for up to \$200 million of Harrah's common stock or HOC preferred stock or debt securities. The issue price of the Harrah's common stock or the terms and conditions of the HOC preferred stock or debt securities, which will be unconditionally guaranteed by Harrah's, will be determined by market conditions at the time of issuance. The shelf registration is available until October 1997.

Harrah's Entertainment, Inc.

Fair Market Value. Based on the borrowing rates currently available for debt with similar terms and maturities and market quotes of its publicly traded debt, the fair value of Harrah's long-term debt, including the interest rate swap agreements, at December 31, 1996 and 1995, was as follows:

(in millions)	December 31,			
	1996		1995	
	Carrying Value	Market Value	Carrying Value	Market Value
Outstanding debt	\$(891.4)	\$(904.7)	\$(755.7)	\$(782.7)
Interest rate swap agreements (used for hedging purposes)	(0.3)	(4.8)	(0.3)	(12.2)

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 Harrah's would pay to terminate the agreements as of the date reported.

Note 6-Leases

- - - - -

Harrah's leases both real estate and equipment used in its operations and classifies those leases as either operating or capital leases following the provisions of Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases." The remaining lives of the Company's real estate operating leases range from five to 10 years with various automatic extensions totalling up to 45 years. The average remaining term for other operating leases, which generally contain renewal options, extends approximately five years.

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

	1996	1995	1994
Noncancelable			
Minimum	\$14,774	\$17,097	\$ 9,919
Contingent	2,032	-	-
Sublease	(313)	(53)	(11)
Other	3,435	2,001	2,195
	-----	-----	-----
	\$19,928	\$19,045	\$12,103
	=====	=====	=====

The future minimum rental commitments as of December 31, 1996, were as follows:

	Noncancelable Operating Leases
1997	\$ 13,576
1998	10,574
1999	9,150
2000	8,936
2001	8,434
Thereafter	86,476

Total minimum lease payments	\$137,146
	=====

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-Project Write-downs and Reserves

- - - - -

Harrah's operating results for 1996 and 1995 include various pre-tax charges to record asset impairments, contingent liability reserves and project write-offs. During 1996, in recognition of changing economic conditions and competitive environments in which certain long-lived assets are deployed, the Company re-evaluated the recoverability of its original Tunica, Mississippi, casino facility and of an idle riverboat casino. The carrying values of those assets were adjusted to their estimated fair values, based on terms of a proposed sale of the casino facility and independent appraisals of the riverboat, in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." The Company also recorded a reserve during 1996 pursuant to the provisions of SFAS No. 5, "Accounting for Contingencies," to recognize its estimated liability arising from the guarantee of third party debt. Management believes that the estimates used to evaluate the amounts of such write-downs and reserves are reasonable. However, actual results could differ from the estimates made for purposes of these evaluations. The 1995 charges related primarily to the Company's New Orleans casino development project (see Note 16).

Project write-downs and reserves reported by the Company for 1996 and 1995

were as follows:

	1996	1995
-----	-----	-----
Impairment of long-lived assets	\$33,369	\$ -
Reserve for contingent liability exposure	14,034	-
Write-off of investment in and advances to nonconsolidated affiliate	2,141	9,638
Write-off of abandoned design and other costs	2,644	8,261
	-----	-----
	52,188	17,899
Harrah's Jazz-related		
Write-off of investment in and advances to affiliate	-	54,349
Acquisition of partner loan	-	16,000
Estimated legal and severance costs	-	5,100
	-----	-----
	\$52,188	\$93,348
	=====	=====

Harrah's Entertainment, Inc.

Notes to Consolidated Financial Statements
(Dollars in thousands, unless otherwise stated)

Note 8-Income Taxes

Harrah's federal and state income tax provision (benefit) allocable to identified income statement and balance sheet line items was as follows:

	1996	1995	1994
Income before income taxes and minority interests	\$67,316	\$60,677	\$75,391
Stockholders' equity			
Unrealized gain on marketable equity securities	26,112	6,746	-
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(1,576)	(6,616)	(3,252)
Other	1,045	-	-
Discontinued operations			
Earnings from hotel operations	-	15,434	26,798
Spin-off transaction costs, including \$3,956 of deferred tax benefit	-	(5,134)	-
Cumulative effect of change in accounting policy	-	-	(4,317)
	<u>\$92,897</u>	<u>\$71,107</u>	<u>\$94,620</u>
	=====	=====	=====

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

	1996	1995	1994
Current			
Federal	\$42,003	\$ 60,850	\$103,264
State	6,622	9,987	4,992
Deferred	18,691	(10,160)	(32,865)
	<u>\$67,316</u>	<u>\$ 60,677</u>	<u>\$ 75,391</u>
	=====	=====	=====

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 interest were as follows:

	1996	1995	1994
Statutory tax rate	35.0%	35.0%	35.0%
Increases (decreases) in tax resulting from			
State taxes, net of federal tax benefit	2.5	4.3	3.2
Minority interests in partnership earnings	(1.2)	(2.8)	(3.5)
Provision for settlement of litigation and related costs (Note 13)	-	-	13.3
Other	2.8	3.5	6.1
	<u>39.1%</u>	<u>40.0%</u>	<u>54.1%</u>
	=====	=====	=====

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

	1996	1995
Deferred tax assets		
Compensation	\$ 24,858	\$ 21,067
Self-insurance reserves	7,562	9,231
Bad debt reserve	5,089	4,163
Preopening costs	4,699	8,994
Debt consent costs	3,237	3,956
Deferred income	1,108	1,474
Investments in nonconsolidated affiliates	-	15,978
Other	12,979	10,595
	<u>59,532</u>	<u>75,458</u>
Deferred tax liabilities		
Property	(53,068)	(45,334)
Investment in nonconsolidated affiliates	(26,356)	-
Other	-	(4,167)
	<u>(79,424)</u>	<u>(49,501)</u>
Net deferred tax (liability) asset	<u>\$(19,892)</u>	<u>\$ 25,957</u>
	=====	=====

Note 9-Discontinued Operations

As discussed in Note 1, on June 30, 1995, Harrah's, formerly The Promus Companies Incorporated ("Promus"), completed a spin-off of its hotel operations to PHC. Accordingly, results of operations and cash flows of the Company's hotel business have been reported as discontinued operations in the Consolidated Financial Statements for all periods prior to the PHC Spin-off. Earnings from discontinued operations for such prior year periods were as follows:

	Six Months Ended June 30, 1995	Year Ended Dec. 31, 1994
Revenues	\$132,785	\$ 242,724
Costs and expenses	(79,652)	(148,470)
Operating income	53,133	94,254
Interest expense	(16,742)	(31,148)
Other income	273	11
Income before income taxes	36,664	63,117
Provision for income taxes	(15,434)	(26,798)
Earnings from discontinued hotel operations	\$ 21,230 =====	\$ 36,319 =====

Prior to the PHC Spin-off, the Company's corporate debt was not specifically related to either its casino entertainment or hotel segment. However, corporate debt service requirements had been met using cash flows provided by both segments. For periods prior to the PHC Spin-off, interest expense was allocated to discontinued hotel operations based on the percentage of Promus' existing corporate debt which was expected to be retired using proceeds from a new PHC bank facility. Interest expense of \$9.5 million and \$17.2 million for 1995 and 1994, respectively, was allocated to discontinued hotel operations.

Note 10-Change in Accounting Policy

Effective January 1, 1994, Harrah's changed its accounting policy for its consolidated casinos relating to preopening costs to capitalize such costs as incurred and to expense them upon opening of each project. Previously, the Company had capitalized preopening costs and amortized them to expense over 36 months from the date of opening. As a result of this change, operating results for the year ended December 31, 1994, reflect the cumulative charge against earnings, net of income taxes, of \$7.9 million, or \$0.08 per share, to write-off the unamortized preopening costs balances related to projects opened in prior years.

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:

	1996	1995	1994
Long-term accounts			
Deferred costs and other assets	\$ (2,279)	\$ (4,746)	\$ 1,413
Deferred credits and other long-term liabilities	1,904	(13,398)	(5,860)
Net change in long-term accounts	\$ (375)	\$ (18,144)	\$ (4,447)
Working capital accounts			
Receivables	\$ 8,088	\$ (27,616)	\$ (15,256)
Inventories	1,202	(565)	369
Prepayments and other	2,888	(94)	(1,868)
Other current assets	14	-	(798)
Accounts payable	(18,373)	(10,279)	22,552
Accrued expenses	6,167	1,978	25,884
Net change in working capital accounts	\$ (14)	\$ (36,576)	\$ 30,883

Supplemental Disclosure of Cash Paid for Interest and Taxes. The following table reconciles Harrah's Interest expense, net of interest capitalized, per the Consolidated Statements of Income, to cash paid for interest:

	1996	1995	1994
Interest expense, net of amount capitalized	\$69,968	\$73,890	\$76,363
Adjustments to reconcile to cash paid for interest:			
Net change in accruals	(8,664)	10,739	(4,923)
Amortization of deferred finance charges	(3,151)	(3,626)	(2,844)
Net amortization of discounts and premiums	(21)	(53)	(176)
Cash paid for interest, net of amount capitalized	\$58,132	\$80,950	\$68,420

Cash payments, net of refunds, for income taxes, including amounts paid on behalf of the discontinued hotel operations, amounted to \$34,578, \$85,001 and \$116,093 for 1996, 1995 and 1994, respectively (see Note 8).

Note 12-Commitments and Contingencies

Contractual Commitments. Harrah's is pursuing additional casino development opportunities that may require, individually and in the aggregate, significant commitments of capital, up-front payments to third parties, guarantees by Harrah's of third party debt and development completion guarantees. As of December 31, 1996, Harrah's had guaranteed third party loans and leases of \$99 million, which are secured by certain assets, and had commitments of \$207 million, primarily construction-related. Harrah's has also committed to guarantee an additional \$37 million in financing for a new development that was approved by regulatory authorities subsequent to December 31, 1996.

The agreements under which Harrah's manages casinos on Indian lands contain provisions required by law which provide that a minimum monthly payment be made to the tribe. That obligation has priority over scheduled payments of borrowings for development costs. In the event that insufficient cash flow is generated by the operations to fund this payment, Harrah's must pay the shortfall to the tribe. Such advances, if any, would be repaid to Harrah's in future periods in which operations generate cash flow in excess of the required minimum payment. These commitments will terminate upon the occurrence of certain defined events, including termination of the management contract. As of December 31, 1996, the aggregate monthly commitment pursuant to these contracts, which extend for periods of up to 60 months from opening date, was \$1.2 million, including commitments for two projects with contracts approved by the National Indian Gaming Commission that are under development but not yet open.

As part of a transaction whereby Harrah's effectively secured an option to

a site for a potential casino, Harrah's has guaranteed a \$24.7 million third party variable rate bank loan. Harrah's also has entered into an interest rate swap agreement in which Harrah's receives a fixed interest rate of 7% from the third party and pays the variable interest rate of the subject debt, which is currently LIBOR plus 1.0%. The interest rate swap is marked to market by Harrah's with the adjustment recorded in interest expense. Both the loan and the swap agreement expire February 28, 1997, and are currently being renegotiated. The existing guaranty contains an element of risk that, should the borrower be unable to perform, the Company could become responsible for repayment of at least a portion of the obligation. Harrah's has reduced this exposure by obtaining a security interest in certain assets of the third party. Harrah's may continue to guarantee the renegotiated debt.

See Note 16 for discussion of the completion guarantees issued by Harrah's related to development of the New Orleans casino.

Severance Agreements. Harrah's has severance agreements with 36 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 ranging from 1.5 times to 2.99 times the average of the three highest years of annual

Harrah's Entertainment, Inc.

Notes to Consolidated Financial Statements
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compensation of the last five calendar years preceding the change in control, as well as for accelerated payment or accelerated vesting of any compensation or awards payable to the executive under any of Harrah's incentive plans. The estimated amount, computed as of December 31, 1996, that would be payable under the agreements to these executives based on earnings and stock options aggregated approximately \$35.0 million.

Guarantee of Insurance Contract. Harrah's has guaranteed the value of a guaranteed investment contract with an insurance company held by Harrah's defined contribution savings plan. Harrah's has also agreed to provide non-interest-bearing loans to the plan to fund, on an interim basis, withdrawals from this contract by retired or terminated employees. Harrah's maximum exposure on this guarantee as of December 31, 1996, was \$6.2 million.

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

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

Note 13-Litigation
- - - - -

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

In addition to the matters described above, Harrah's and certain of its subsidiaries have been named as defendants in a number of lawsuits arising from the suspension of development of a land-based casino, and the closing of the temporary gaming facility, in New Orleans, Louisiana, by Harrah's Jazz Company, a partnership in which the Company owns an approximate 47% interest and which has filed for protection under Chapter 11 of the U.S. Bankruptcy Code (see Note 16). The ultimate outcomes of these lawsuits cannot be predicted at this time, and no provisions for the claims are included in the accompanying consolidated financial statements. The Company intends to defend these actions vigorously.

In March 1995, the Company entered into a settlement agreement (the "Settlement") with Bass PLC ("Bass") of all claims related to the Merger Agreement and Tax Sharing Agreement arising from the 1990 spin-off of Promus and acquisition of the Holiday Inn business by Bass. As a result of the Settlement, a charge of \$49.2 million was recorded in 1994 to accrue for the cost of the Settlement, related legal fees and other associated expenses. In addition to these costs, \$4.3 million in legal fees and other expenses incurred related to the Company's defense of this litigation were included in the Provision for settlement of litigation and related costs in the Consolidated Statements of Income. All amounts due under the Settlement were paid in 1995.

Note 14-Employee Benefit Plans
- - - - -

Harrah's has established a number of employee benefit programs for purposes of attracting, retaining and motivating its employees. The following is a description of the basic components of these programs.

Stock Option Plan. Employees may be granted options to purchase shares of Harrah's common stock under the Harrah's Stock Option Plan ("SOP"). An SOP grant typically allows the option holder to purchase stock over specified periods of time, generally ten years, at a fixed price equal to the market value at the date of grant. No options may be granted under the SOP after November 1999. As allowed under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," which the Company adopted during 1996, Harrah's applies 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, does not recognize compensation expense. Had compensation expense for the SOP been determined in accordance with SFAS No. 123, Harrah's Net income and Earnings per share would have been reduced to the pro forma amounts indicated in the following table:

	1996		1995	
	As Reported	Pro Forma	As Reported	Pro Forma
Net income	\$98,897	\$93,787	\$78,846	\$76,247
Earnings per share	0.95	0.90	0.76	0.74

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1996	1995
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	39.0%	31.0%
Risk-free interest rate	6.2%	5.4%
Expected average life of options (years)	6	6

Because the provisions of SFAS No. 123 have not been applied to options granted prior to January 1, 1995, and due to the issuance in 1996 of a large option grant under the

Harrah's Entertainment, Inc.

special program discussed below, the resulting pro forma compensation cost for the years presented may not be representative of that to be expected in future years.

Given the competitive environment in which Harrah's operates and the need to retain and provide incentives for key management, the Company's Board of Directors was concerned by the large number of outstanding options with an exercise price above the current market price of the stock. To restore the intended incentive offered to employees by SOP grants, during 1996 the Company approved a special program which enabled option holders to consent to the cancellation of certain outstanding stock options, whether vested or unvested, in exchange for a grant of new unvested stock options with an option price based on the current market price of the Company's stock. For each three options canceled, the consenting option holder received two new stock options. The new options vest in four equal annual installments commencing January 1, 1998. In total, 2,755,291 options with an average exercise price of \$27.71 per share were canceled in exchange for 1,830,951 new options with an exercise price of \$16.875 per share. A summary of SOP activity during 1996, including those options canceled and the replacement options issued in connection with this special program, is as follows:

	Weighted Average Exercise Price (Per Share)	Number of Common Shares	
		Options Outstanding	Available For Grant
Balance-December 31, 1995	\$21.21	5,418,826	3,647,874
Granted	18.71	3,706,759	(3,706,759)
Exercised	9.97	(225,510)	-
Canceled	27.59	(2,927,557)	2,927,557
Balance-December 31, 1996	16.95	5,972,518	2,868,672
Exercisable at December 31, 1996		1,079,125	
Weighted average fair value of options granted	\$ 9.13		

The following table summarizes additional information regarding those options outstanding at December 31, 1996:

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
\$ 2.80-\$13.34	1,470,537	4.3 years	\$ 8.69	902,304	\$ 8.08
16.88- 18.50	1,853,851	9.8 years	16.90	22,115	18.50
20.24- 29.72	2,612,752	9.5 years	21.39	142,494	23.09
33.27- 35.59	35,378	7.0 years	35.00	12,212	34.91
	5,972,518			1,079,125	

In connection with the PHC Spin-off, the option price and number of shares of all options outstanding on June 30, 1995, were adjusted to preserve their approximate value to the employee immediately before the PHC Spin-off. A summary of SOP activity during 1995, including this adjustment, is as follows:

	Weighted Average Exercise Price (Per Share)	Number of Common Shares	
		Options Outstanding	Available For Grant
Balance-December 31, 1994	\$19.80	2,268,294	2,491,965
Granted	36.53	1,473,290	(1,473,290)
Exercised	10.43	(111,807)	-
Canceled	11.21	(843,700)	843,700
Balance-June 30, 1995	26.74	2,786,077	1,862,375
Adjustment to reflect PHC Spin-off	N/A	1,136,463	(1,136,463)
Adjusted balance- June 30, 1995	19.03	3,922,540	725,912
Additional shares authorized	N/A	-	4,500,000
Granted	26.05	1,836,563	(1,836,563)
Exercised	8.14	(81,752)	-
Canceled	26.54	(258,525)	258,525
Balance-December 31, 1995	21.21	5,418,826	3,647,874
Exercisable at December 31, 1995		725,961	
Weighted average fair value of options granted	\$10.76		

Restricted Stock Plan. Employees may be granted shares of common stock under the Harrah's 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 November 1999. 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. This expense totaled \$0.9 million, \$1.2 million and \$4.4 million in 1996, 1995 and 1994, respectively.

In December 1996, Harrah's issued time accelerated restricted stock ("TARSAP") awards to certain key executives which fully vest on January 1, 2002. However, the vesting of some or all of these shares will be accelerated to 1999, 2000 and 2001 if the Company achieves certain financial performance targets set by the Board of Directors. The expense arising from the TARSAP awards will be amortized to expense over the periods in which the restrictions lapse.

A summary of RSP shares granted during 1996, including the TARSAP awards, and during 1995 is as follows:

	1996	1995

Number of shares granted	825,406	140,070
Weighted-average price per share on date of grant	\$20.52	\$24.87

Savings and Retirement Plan. Harrah's maintains a defined contribution savings and retirement plan, which, among other things, allows pre-tax and after-tax contributions to be made by employees to the plan. Under the plan, participating employees may elect to contribute up to 16 percent of their eligible earnings, the first six percent of which Harrah's will match fully. Amounts contributed to the plan are invested, at the participant's direction, in various investment funds,

Harrah's Entertainment, Inc.

Notes to Consolidated Financial Statements
(Dollars in thousands, unless otherwise stated)

including a Harrah's company stock fund. Participants become vested in Harrah's matching contribution over seven years of credited service. Harrah's contribution expense for this plan was \$14.1 million, \$12.9 million and \$11.4 million in 1996, 1995 and 1994, respectively.

Employee Stock Ownership Plan. Harrah's has an employee stock ownership plan, which is a noncontributory stock bonus plan covering employees of Harrah's and its affiliates. Harrah's contributions to the plan are discretionary and are made only if approved by the Human Resources Committee of Harrah's Board of Directors. Contributions were approved for the 1995 and 1994 plan years, and the related expense was not material.

Deferred Compensation Plans. Harrah's maintains deferred compensation plans under which certain employees and members of its Board of Directors may defer a portion of their compensation. Amounts deposited into these plans are unsecured liabilities of Harrah's and earn interest at rates approved by the Human Resources Committee of the Board of Directors. The total liability included in Deferred credits and other liabilities for these plans at December 31, 1996 and 1995 was \$45.2 million and \$38.7 million, respectively. In connection with the administration of one of these plans, Harrah's has purchased company-owned life insurance policies insuring the lives of certain directors, officers and key employees.

Multi-Employer Pension Plan. Approximately 2,600 of Harrah's employees are covered by union sponsored, collectively bargained multi-employer pension plans. Harrah's contributed and charged to expense \$2.1 million, \$1.9 million and \$1.9 million in 1996, 1995 and 1994, respectively, for such plans. The plans' administrators do not provide sufficient information to enable Harrah's to determine its share, if any, of unfunded vested benefits.

Note 15-Summarized Financial Information

HOC is a wholly-owned subsidiary and the principal asset of Harrah's. Summarized financial information of HOC as of December 31, 1996 and 1995 and for each of the three years ended December 31, 1996, prepared on the same basis as Harrah's, was as follows:

	1996	1995	1994
Current assets	\$ 199,838	\$ 185,950	
Land, buildings, riverboats and equipment, net	1,389,894	1,204,890	
Other assets	382,516	242,773	
	1,972,248	1,633,613	
Current liabilities	191,689	184,454	
Long-term debt	889,538	753,705	
Other liabilities	143,705	73,216	
Minority interests	16,964	23,908	
	1,241,896	1,035,283	
Net assets	\$ 730,352	\$ 598,330	
Revenues	\$1,588,013	\$1,549,198	\$1,337,110
Income from operations	\$ 236,921	\$ 226,169	\$ 267,742
Income from continuing operations	\$ 96,727	\$ 76,370	\$ 49,044
Net income	\$ 96,727	\$ 76,406	\$ 77,430

The agreements governing the terms of the Company's debt contain certain covenants which, among other things, place limitations on HOC's ability to pay dividends and make other restricted payments, as defined, to Harrah's. The amount of HOC's restricted net assets, as defined, computed in accordance with the most restrictive of these covenants regarding restricted payments (other than for repurchases of Harrah's common stock), was approximately \$719.9 million at December 31, 1996. With respect to any payments by HOC to Harrah's for the purpose of providing funds to Harrah's for the repurchase of its common stock, the amount of HOC's restricted net assets under such covenant was approximately \$543.4 million at December 31, 1996.

Note 16-Nonconsolidated Affiliates

Harrah's Jazz Company. A Harrah's subsidiary owns an approximate 47% interest in Harrah's Jazz Company ("Harrah's Jazz"), a partnership formed for purposes of developing, owning and operating the exclusive land-based casino entertainment facility in New Orleans, Louisiana, on the site of the former Rivergate Convention Center (the "Rivergate"). On November 22, 1995, Harrah's Jazz and its wholly-owned subsidiary, Harrah's Jazz Finance Corp., filed petitions for relief under Chapter 11 of the Bankruptcy Code. Prior to the filing, Harrah's Jazz was operating a temporary casino in the New Orleans, Louisiana Municipal Auditorium (the "Basin Street Casino") and constructing a new permanent casino facility on the Rivergate site (the "Rivergate Casino"). Harrah's Jazz ceased operation of the Basin Street Casino and construction of

the Rivergate Casino on November 22, 1995 prior to the bankruptcy filings.

Harrah's Jazz filed a plan of reorganization with the Bankruptcy Court on April 3, 1996 and has filed several subsequent amendments to the plan (the "Plan"). On February 28, 1997, the Bankruptcy Court approved the disclosure statement of Harrah's Jazz relating to the Plan and set a confirmation hearing to approve the Plan for April 14, 1997. Under the Plan, the assets and business of Harrah's Jazz would vest in Jazz Casino Corporation, a newly formed corporation ("JCC"), on the effective date of the Plan. JCC would be responsible for completing construction of the Rivergate Casino. Under the Plan, Harrah's Jazz's existing public debt would be canceled and the holders of that debt would receive 37.1% of the equity in JCC's indirect parent ("JCC Holding"). An additional 15% of the equity in JCC Holding would be allocated to debtholders who execute certain releases and an affiliate of the Company would receive in exchange for equity investments and other consideration to be provided under the Plan the remaining 47.9% of the equity in JCC Holding, a portion of which would be assigned to certain Harrah's Jazz partner-related parties. In addition, holders of the public debt would receive (i) \$187.5 million in aggregate principal amount of 8% Senior Subordinated Notes of JCC due 2006 with contingent payments, and (ii) a pro rata share of Senior Subordinated Contingent Notes of JCC due 2006.

Harrah's Entertainment, Inc.

During the course of the bankruptcy of Harrah's Jazz, a subsidiary of the Company has made debtor-in-possession loans to Harrah's Jazz, totalling approximately \$17.2 million as of December 31, 1996, to fund certain obligations to the City of New Orleans and other cash requirements of Harrah's Jazz. The Company has proposed to make up to \$25 million in such loans, however, it is likely that Harrah's Jazz will require debtor-in-possession loans from the Company in excess of the \$25 million currently proposed.

If the Plan is consummated, Harrah's would invest an additional \$75 million in the project and deliver new completion guaranties. Any debtor-in-possession financing, including the approximately \$17.2 million in financing already advanced and discussed above, would be repaid or converted into equity (and count toward the \$75 million investment referred to above) upon consummation of the Plan. The Plan also provides that JCC will obtain a \$180 million secured term loan and revolving credit facility to finance completion of the Rivergate Casino and provide JCC with working capital availability, and that Harrah's will guarantee or provide credit support for \$120 million of this financing. If the Plan is consummated, it is anticipated that Harrah's will also make an additional \$20 million subordinated loan to JCC to assist in financing construction of the Rivergate Casino.

The Plan also contemplates the opening of the permanent casino at the Rivergate Casino site approximately nine months after the consummation of the Plan. If the Plan is consummated, it is expected that the consummation would occur in second quarter 1997. Under the Plan, there would be no temporary casino and the Basin Street Casino would not reopen.

In addition to the matters discussed above, the Plan is subject to other amendments, and such other amendments may be material. There can be no assurance that definitive agreements necessary to consummate the Plan will be reached or that the amended Plan will be approved, or, if approved, that the conditions to consummation of the Plan will be met.

Other. Summarized balance sheet and income statement information of nonconsolidated gaming affiliates, including Harrah's Jazz, which Harrah's accounted for using the equity method, as of December 31, 1996 and 1995, and for the three fiscal years ended December 31, 1996, is included in the following tables.

	1996	1995	1994

Combined Summarized			
Balance Sheet Information			
Current assets	\$ 33,516	\$ 63,216	
Land, buildings and			
equipment, net	391,133	266,602	
Other assets	171,748	169,033	
	-----	-----	
Total assets	596,397	498,851	
	-----	-----	
Current liabilities	129,114	130,816	
Long-term debt	486,740	465,386	
	-----	-----	
Total liabilities	615,854	596,202	
	-----	-----	
Net assets	\$(19,457)	\$ (97,351)	
	=====	=====	
Combined Summarized			
Statements of Operations			
Revenues	\$ 30,930	\$ 118,798	\$ 291
	=====	=====	=====
Operating loss	\$(18,194)	\$ (30,296)	\$(23,891)
	=====	=====	=====
Net loss	\$(22,080)	\$(139,200)	\$(29,201)
	=====	=====	=====

Condensed financial information relating to the Company's minority ownership interest in a restaurant subsidiary has not been presented since its operating results and financial position are not material to Harrah's.

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

	1996	1995

Harrah's investments in and advances		
to nonconsolidated affiliates		
Accounted for under the equity method	\$ 98,356	\$22,374
Accounted for at historical cost	-	32,267
Equity securities available-for-sale		
and recorded at market value	117,183	17,298
	-----	-----
	\$215,539	\$71,939
	=====	=====

Harrah's share of nonconsolidated affiliates' net income (losses) excluding interest expense, including Harrah's Jazz operations through November 21, 1995, is reflected in the accompanying Consolidated Statements of Income as follows:

	1996	1995	1994

Net income (loss) excluding			
interest expense (included in			

Revenues-Other)	\$2,129	\$(28,719)	\$(10,535)
	=====	=====	=====

Harrah's share of nonconsolidated affiliates' combined interest expense is reflected as Interest expense, net, from nonconsolidated affiliates in the Consolidated Statements of Income.

During 1995, Harrah's sold a portion of its investment in a New Zealand casino property, reducing its ownership percentage from 20% to 12.5% and resulting in a pre-tax gain of approximately \$11.7 million.

In accordance with the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," Harrah's adjusts the carrying value of certain marketable equity securities to include the unrealized gains. A corresponding increase is recorded in the Company's stockholders' equity and deferred income tax accounts.

Harrah's Entertainment, Inc.

Management's Report on Financial
Statements

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

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

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

/s/ Philip G. Satre

/s/ Michael N. Regan

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

Michael N. Regan
Vice President,
Controller and
Chief Accounting Officer

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets of Harrah's Entertainment, Inc. (a Delaware corporation) and subsidiaries (Harrah's) as of December 31, 1996 and 1995, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years ended December 31, 1996. These financial statements are the responsibility of Harrah's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harrah's as of December 31, 1996 and 1995 and the results of its operations and its cash flows for each of the three years ended December 31, 1996, in conformity with generally accepted accounting principles.

As explained in Note 10 to the consolidated financial statements, effective January 1, 1994, Harrah's changed its method of accounting for preopening costs.

/s/ Arthur Andersen LLP

Memphis, Tennessee,
February 3, 1997 (except with respect to
the matter discussed in Note 16, as to
which the date is February 28, 1997).

Harrah's Entertainment, Inc.

Quarterly Results of Operations
(Unaudited)
(In thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
<hr/>					
1996					
- - - - -					
Revenues	\$383,107	\$401,215	\$429,201	\$374,626	\$1,588,149
Income from operations	72,430	68,962	89,890	6,583 (1)	237,865(1)
Net income (loss)	31,410	29,977	42,350	(4,840)(1)	98,897(1)
Earnings (loss) per share(3)	0.30	0.29	0.41	(0.05)(1)	0.95(1)
1995					
- - - - -					
Revenues	\$356,481	\$389,337	\$425,824	\$378,434	\$1,550,076
Income (loss) from operations	72,421	83,760	103,771	(30,031)(2)	229,921(2)
Income (loss) from continuing operations	28,696	35,351	51,310	(36,547)(2)	78,810(2)
Income from discontinued hotel operations	9,604	11,626	-	-	21,230
Net income (loss)	23,102	40,981	51,310	(36,547)(2)	78,846(2)
Earnings (loss) per share(3)					
Continuing operations	0.28	0.35	0.50	(0.35)(2)	0.76(2)
Discontinued operations	0.09	0.11	-	-	0.21
Net income (loss)	0.22	0.40	0.50	(0.35)(2)	0.76(2)

(1) 1996 includes \$52.2 million in pre-tax charges for project write-downs and reserves, of which \$50.0 million was recorded in fourth quarter 1996 (see Note 7).

(2) Fourth quarter 1995 includes \$93.3 million in pre-tax charges for project write-downs (see Note 7).

(3) The sum of the quarterly per share amounts may not equal the annual amount reported, as per share amounts are computed independently for each quarter while the full year is based on the annual weighted average common and common equivalent shares outstanding.

February 25, 1997

HARRAH'S ENTERTAINMENT, INC.
SUBSIDIARIES

Name	Jurisdiction of Incorporation	Percentage of Ownership	Date of Incorpor- ation
Aster Insurance Ltd.	Bermuda	100%	02/06/90
Harrah's Operating Company, Inc.	Delaware	100%	08/08/83
Harrah South Shore Corporation	California	100%	10/02/59
Harrah's - Holiday Inns of New Jersey, Inc.	New Jersey	100%	09/19/79
Harrah's Alabama Corporation	Nevada	100%	09/09/93
Harrah's Alberta Investment Corporation	Alberta	100%	04/05/95
Harrah's Arizona Corporation	Nevada	100%	01/26/93
Harrah's Asia Development Company	Nevada	100%	09/20/96
Harrah's Asia Investment Company	Nevada	100%	09/20/96
Harrah's Asia Management Company	Nevada	100%	09/20/96
Harrah's Atlantic City, Inc.	New Jersey	100%	02/13/79
Harrah's Aviation, Inc.	Tennessee	100%	03/11/63
Harrah's California Corporation	Nevada	100%	02/02/94
Harrah's California SSR Corporation	Nevada	100%	10/12/94
Harrah's Colorado Investment Corporation	Nevada	100%	06/23/93
Harrah's Colorado Management Company	Nevada	100%	06/23/93
Harrah's Colorado Standby Corporation	Nevada	100%	11/10/93
Harrah's Connecticut Corporation	Nevada	100%	01/25/94
Harrah's Huntington Corporation	W. Virginia	100%	03/03/95
Harrah's Illinois Corporation	Nevada	100%	12/18/91
Van Buren Leasing Corporation*	Nevada	100%	08/30/96
Harrah's Indiana Casino Corporation	Nevada	100%	09/09/93
Harrah's Indiana Management Corporation	Nevada	100%	09/09/93
Harrah's Interactive Entertainment Company	Nevada	100%	09/21/94
Harrah's Interactive Investment Company	Nevada	100%	09/21/94
Harrah's Kansas Casino Corporation	Nevada	100%	11/12/93
Harrah's Las Vegas, Inc.	Nevada	100%	03/21/68
Harrah's Laughlin, Inc.	Nevada	100%	07/10/87
Harrah's Management Company	Nevada	100%	04/07/83
Harrah's Maryland Heights Corporation	Nevada	100%	07/30/93
Harrah's Maryland Heights LLC**	Delaware	99%	10/16/95
Harrah's Maryland Heights Operating Company	Nevada	100%	06/20/95
Harrah's Mexico Holding Company	Nevada	100%	04/11/95
Harrah's de Mexico, S.A. de C.V.***	Mexico	50%	
Harrah's Michigan Corporation	Nevada	100%	06/15/93
Harrah's Minnesota Corporation	Nevada	100%	10/20/92
Harrah's NC Casino Company, LLC****	North Carolina	99%	04/21/95
Harrah's New Jersey, Inc.	New Jersey	100%	09/13/78
Harrah's New Orleans Investment Company	Nevada	100%	05/21/93
Harrah's Jazz Finance Corp.*****	Delaware	47.07%	12/17/93
Harrah's New Orleans Management Company	Nevada	100%	05/21/93
Harrah's New Zealand Inc.	Nevada	100%	02/18/92
Harrah's North Carolina Casino Corporation	North Carolina	100%	12/22/94
Harrah's-North Kansas City Corporation	Nevada	100%	02/23/93

Harrah's Ohio Corporation	Nevada	100%	11/02/94
Harrah's Ohio Management Company	Nevada	100%	11/02/94
Harrah's Ontario, Inc.	Canada	100%	06/23/93
Harrah's Pennsylvania Development Co.	Nevada	100%	05/18/94
Harrah's Pittsburgh Investment Company	Nevada	100%	05/26/94
Harrah's Pittsburgh Management Company	Nevada	100%	06/08/94
Harrah's Red River Corporation	Nevada	100%	08/05/96
Harrah's Reno Holding Company, Inc.	Nevada	100%	02/23/88
Harrah's Riverboat Leasing Company	Nevada	100%	06/20/95
Harrah's Shreveport Investment Company, Inc.	Nevada	100%	04/23/92
Harrah's Shreveport Management Company, Inc.	Nevada	100%	04/23/92
Harrah's Skagit Valley Agency Corporation	Nevada	100%	11/08/95
Harrah's Southeast Washington Casino Corporation	Nevada	100%	11/21/95
Harrah's Southwest Michigan Casino Corporation	Nevada	100%	04/06/95
Harrah's Tunica Corporation	Nevada	100%	08/10/92
Harrah's Vicksburg Corporation	Nevada	100%	07/13/92
Harrah's Virginia Corporation	Nevada	100%	12/01/94
Harrah's Washington Corporation	Nevada	100%	02/03/94
Harrah's West Virginia Corporation	W. Virginia	100%	03/03/95
Harrah's Wheeling Corporation	Nevada	100%	04/29/94

* 100% owned by Des Plaines Development Limited Partnership of which Harrah's Illinois Corporation is 80% partner

** 99% Harrah's Operating Company, Inc., 1% Harrah Maryland Heights Operating Company

*** 50% Harrah's Operating Company, Inc., 50% Harrah's Mexico Holding Company

**** 99% Harrah's Operating Company, Inc., 1% Harrah's Management Company

***** 47.07% Harrah's New Orleans Investment Company

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